

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

Heartland Publications, LLC, et al.,<sup>1</sup>

Debtors.

Chapter 11

Case No. 09-14459 (KG)

(Jointly Administered)

**DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF  
REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Dated: January 6, 2010  
Wilmington, Delaware

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Heartland Publications, LLC (5642) and Heartland Publications Holdings, LLC (5683).

## TABLE OF CONTENTS

	<u>Page</u>
<b>I. INTRODUCTION .....</b>	<b>2</b>
A. Holders of Claims Entitled to Vote.....	4
B. Voting Procedures.....	5
C. Sale Process .....	6
D. Confirmation Hearing. ....	6
<b>II. OVERVIEW OF THE PLAN.....</b>	<b>7</b>
<b>III. OVERVIEW OF CHAPTER 11 .....</b>	<b>10</b>
<b>IV. COMPANY BACKGROUND.....</b>	<b>11</b>
A. General Background. ....	11
B. Debtors' Prepetition Capital Structure.....	12
<b>V. EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES..</b>	<b>13</b>
<b>VI. THE CHAPTER 11 CASES .....</b>	<b>14</b>
<b>VII. SUMMARY OF THE PLAN .....</b>	<b>15</b>
A. Introduction.....	15
B. Classification and Treatment of Claims and Interests Under the Plan. ....	15
C. Allowance of First Lien Claims. ....	21
D. Cancellation of First Lien Credit Facility, Second Lien Credit Facility and Interests. ....	21
E. Cancellation of Liens. ....	22
F. Restructured Credit Facility Agreement. ....	22
G. Limited Liability Company Agreements. ....	22
H. Registration Rights Agreement.....	23
I. Management Equity Incentive Plan and Sale Bonus Plan. ....	23
J. Issuance and Distribution of the New HoldCo Common Interests and Warrants. ....	24
K. Corporate Governance and Management of Reorganized Debtors. ....	24
L. Continued Corporate Existence, Corporate Action and Vesting of Assets. ....	25
M. Equity Interests of Reorganized Heartland. ....	26
N. Dissolution of Holdings. ....	26
O. Substantive Consolidation. ....	26
P. Provisions Regarding Distributions and Treatment of Disputed Claims.....	27
Q. Acceptance or Rejection of the Plan. ....	31
R. Effect of Confirmation of the Plan.....	32
S. Retention of Jurisdiction. ....	34
T. Miscellaneous Provisions.....	35
U. Executory Contracts and Unexpired Leases. ....	40

V.	Conditions Precedent to Effective Date.....	43
<b>VIII.</b>	<b>DESCRIPTION OF NEW HOLDCO COMMON INTERESTS AND WARRANTS</b>	<b>43</b>
A.	General.....	43
B.	Conversion Rights.....	44
C.	Voting Rights.....	44
D.	Drag-Along and Tag-Along Rights .....	45
E.	Pre-emptive Rights.....	45
F.	Strip Transfer Provisions .....	46
<b>IX.</b>	<b>PROJECTIONS AND VALUATION .....</b>	<b>46</b>
A.	Financial Projections.....	46
B.	Valuation of Reorganized Heartland. ....	48
C.	Valuation Methodology. ....	50
<b>X.</b>	<b>CERTAIN RISK FACTORS TO BE CONSIDERED.....</b>	<b>52</b>
A.	Projected Financial Information .....	52
B.	Certain Bankruptcy Law Considerations.....	53
C.	Risks Related to Heartland’s Business and Operations .....	54
D.	Risks Relating to the Restructured Credit Facility Agreement.....	57
E.	Risks Relating to the New HoldCo Common Interests .....	58
<b>XI.</b>	<b>CONFIRMATION PROCEDURE .....</b>	<b>59</b>
A.	Solicitation of Votes. ....	59
B.	The Confirmation Hearing.....	60
C.	Confirmation. ....	61
<b>XII.</b>	<b>ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN</b>	<b>63</b>
A.	Alternative Plan of Reorganization or Plan of Liquidation. ....	64
B.	Liquidation Under Chapter 7. ....	64
<b>XIII.</b>	<b>CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN .....</b>	<b>64</b>
A.	Consequences to Creditors.....	65
B.	Additional Tax Considerations for All Holders of Claims. ....	66
C.	Consequences to the Debtors.....	67
<b>XIV.</b>	<b>CONCLUSION .....</b>	<b>68</b>

## **DISCLOSURE STATEMENT EXHIBITS**

Exhibit A: Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code

Exhibit B: Certain Financial Projections

Exhibit C: Liquidation Analysis

Exhibit D: Plan Support Agreement and Term Sheet

## **DISCLAIMER**

**PLEASE NOTE THAT THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE UNDER SECTION 1125 OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS “ADEQUATE INFORMATION” WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE.**

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN (AS HEREINAFTER DEFINED) IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, ANY PLAN SUPPLEMENT, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. **ALL CREDITORS SHOULD READ CAREFULLY THE “RISK FACTORS” SECTION HEREOF BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SEE ARTICLE X BELOW, “CERTAIN RISK FACTORS TO BE CONSIDERED.”**

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS OR EQUITY INTERESTS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THIS DISCLOSURE STATEMENT. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE

ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

## I.

### INTRODUCTION

On December 21, 2009 (the “Petition Date”), Heartland Publications, LLC (“Heartland” or the “Company”) and Heartland Publications Holdings, LLC (“Holdings”) (collectively, in reference to all periods prior to, on or after the Petition Date, the “Debtors”) filed their petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the “Court”). Pursuant to an Order of the Court entered on December 22, 2009, the Debtors’ bankruptcy cases are being jointly administered for procedural purposes only.

Prior to the Petition Date, the Debtors negotiated and executed a plan support agreement (the “Plan Support Agreement”) with Heartland Parent Holdco, LLC (“Parent Holdco”), General Electric Capital Corporation, (“GECC”), Antares Capital Corporation (“Antares”), GE Business Financial Services, Inc. (“GEBFS”), and AIB Debt Management Limited (“AIB” and, together with GECC, Antares and GEBFS, the “Consenting Lenders”). Pursuant to the Plan Support Agreement, subject to certain terms and conditions set forth therein, the Debtors, Parent Holdco and the Consenting Lenders agreed, among other things, to prepare a plan of reorganization consistent with the term sheet (the “Term Sheet”) attached to the Plan Support Agreement, and each Consenting Lender agreed to forbear from exercising certain rights or remedies it may have with respect to the Senior Lender Claims (defined below). A copy of the Plan Support Agreement and Term Sheet is attached to this Disclosure Statement as Exhibit D.

On January 6, 2010, the Debtors filed with the Court a Joint Plan of Reorganization, a copy of which is attached to the Disclosure Statement as Exhibit A (as the same may be amended, modified or supplemented from time to time, including all exhibits and schedules thereto, the “Plan”). Capitalized terms not otherwise defined herein have the meanings set forth in the Plan.

The Plan, which is based primarily upon the Term Sheet and Plan Support Agreement, contemplates (among other things): (i) as of the Effective Date of the Plan, Holdings shall be dissolved and Heartland shall become a wholly-owned subsidiary of a newly formed Delaware limited liability company (“New HoldCo”); (ii) subject to the terms and conditions of the Plan, payment in full in Cash either on or after the Effective Date to holders of Allowed (a) Priority Non-Tax Claims, and (b) Other Secured Claims; (iii) that each Holder of an Allowed First Lien Claim shall receive its Ratable Portion of (a) the Senior Term Loans and (b) the Class A/B Common Interests in New Holdco (which shall be subject to dilution as described herein); (iv) payment in full in cash of all accrued and outstanding First Lien Agent Fees and Expenses; and (v) that if the Holders of Allowed Second Lien Claims vote as a class to accept the Plan, then each Holder of an Allowed Second Lien Claim shall receive such Holder’s Ratable

Portion of the Class D Limited Voting Common Interests in New Holdco (which shall be subject to dilution as described herein). The Plan further contemplates that Holders of Allowed General Unsecured Claims will receive payment in full unless the Holders of Allowed Second Lien Claims as a class vote to reject the Plan and the Bankruptcy Court determines in response to an objection filed by a Holder of a Second Lien Claim that leaving the Holders of General Unsecured Claims unimpaired violates section 1129 of the Bankruptcy Code, in which case Holders of Allowed General Unsecured Claims shall receive no property or distribution under the Plan on account of such Claims. Additionally, Holders of Interests in the Debtors shall receive no property or distribution under the Plan; provided, however, that if the Holders of Allowed Second Lien Claims vote as a class to accept the Plan, each Holder of Interests in Holdings will receive such Holder's Ratable Portion of Warrants to purchase Class E Common Interests in New Holdco.

The payments, distributions, grant of entitlements and other treatment afforded to Holders of Allowed Claims and Interests under the Plan shall be in full and complete satisfaction, discharge and release of and in exchange for such Allowed Claims or Interests.

This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with (i) the solicitation of acceptances of the Plan and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for \_\_\_\_, 2010, at \_\_\_\_, prevailing Eastern Time.

Attached as Exhibits to this Disclosure Statement are copies of the following:

- The Plan (Exhibit A);
- The Debtors' Financial Projections (Exhibit B);
- The Debtors' Liquidation Analysis (Exhibit C); and
- The Plan Support Agreement and Term Sheet (Exhibit D)

On \_\_\_\_, 2010, after notice and a hearing, the Court entered an Order (the "Disclosure Statement Order") that, among other things, approved this Disclosure Statement and determined that this Disclosure Statement contains "adequate information" as that term is defined in section 1125 of the Bankruptcy Code. Section 1125(a)(1) of the Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the Plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information..." 11 U.S.C. § 1125(a)(1). NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE



TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read in their entirety the Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

**A. Holders of Claims Entitled to Vote.**

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. Classes of claims or equity interests in which the holders of claims or equity interests are impaired but are not entitled to receive or retain any property on account of such claims or equity interests are deemed to have rejected the Plan and similarly are not entitled to vote to accept or reject the Plan.

Class 3 (First Lien Claims), Class 4 (Second Lien Claims), Class 5 (General Unsecured Claims) and Class 6 (Interests) under the Plan may be or are Impaired. To the extent Claims in Classes 3 and 4 are not the subject of an objection, the holders of such Claims are entitled to vote to accept or reject the Plan. Class 1 (Priority Non-Tax Claims) and Class 2 (Other Secured Claims) under the Plan are unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, holders of Claims in Classes 1 and 2 are conclusively deemed to have accepted the Plan and therefore may not vote to accept or reject the Plan. Class 5 (General Unsecured Claims) will be unimpaired and conclusively deemed to have accepted the Plan unless Class 4 rejects the Plan and the Bankruptcy Court determines in response to an objection filed by a Holder of a Second Lien Claim that leaving the Holders of General Unsecured Claims unimpaired violates section 1129 of the Bankruptcy Code, in which case Class 5 will be conclusively deemed to have rejected the Plan. Class 6 (Interests) is conclusively deemed to have rejected the Plan. Therefore, Classes 5 and 6 are not entitled to vote to accept or reject the Plan. ACCORDINGLY, A BALLOT TO ACCEPT OR REJECT THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASS 3 AND CLASS 4.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and represent more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article XI below.

In the event one or more classes reject the Plan, the Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the Court to confirm a plan of reorganization notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed if it does not “discriminate unfairly” and is “fair and equitable” with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article XI.C below.

For a summary of the treatment of each Class of Claims and Interests, see Article II below.

## **B. Voting Procedures.**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold a Claim in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots that must be used for each separate Class of Claims. Please vote and return your Ballot(s) directly to the following address:

Epiq Bankruptcy Solutions, LLC  
Attn: Heartland Balloting  
757 Third Avenue, 3rd Floor  
New York, New York 10017  
Tel.: (646) 282-2551

**DO NOT RETURN YOUR NOTES OR ANY OTHER INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE WITH YOUR BALLOT(S).**

**TO BE COUNTED, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED NO LATER THAN 4:00 P.M., PREVAILING EASTERN TIME, ON \_\_\_\_\_.**

Any Claim in Classes 3 or 4 to which an objection or request for estimation is pending, is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, the Debtors propose that Ballots cast by alleged creditors whose Claims (a) are not listed on the Debtors’ Schedules of liabilities or (b) are listed as disputed, contingent and/or unliquidated on the Debtors’ Schedules of liabilities, but who have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate Claim amount requirements of that section.

Pursuant to the Disclosure Statement Order, the Court set \_\_\_\_\_, the date of the entry of the Disclosure Statement Order, as the record date (the “Voting Record Date”) for voting on the Plan. Accordingly, only holders of record as of the Voting Record Date will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Epiq Bankruptcy Solutions, LLC (“Epiq”) at (646) 282-2551 from 9:00 a.m. to 6:00 p.m., prevailing Eastern Time, Monday through Friday.

### **C. Sale Process**

Pursuant to the Term Sheet, the Debtors agreed to commence a process for marketing substantially all of their assets (the “Assets”) and seek Bankruptcy Court approval of bidding and auction procedures that provide for the marketing of the Assets. On January 4, 2010, the Debtors filed a motion with the Bankruptcy Court seeking approval of bidding and auction procedures for the sale of the Assets. If the Debtors receive by February 18, 2010 a written indication of interest from a party that the Debtors and, if the Proposed Purchase Price is less than the First Lien Lenders’ claims, the First Lien Agent and the “Requisite Lenders” (as defined in the First Lien Credit Facility) determine is reasonably likely to submit a “Qualified Bid” (as defined in the bidding procedures) that would be acceptable to the Debtors, the First Lien Agent, and the Requisite Lenders, and would be able to consummate the proposed sale if selected as the successful bidder, the Debtors, in consultation with the First Lien Agent, shall proceed with the sale process, amend the Plan to provide for the possible auction and sale of the Assets and, if the sale process is successful, seek approval of a sale of the Assets in conjunction with confirmation of the Plan.

### **D. Confirmation Hearing.**

Pursuant to section 1128 of the Bankruptcy Code, the Court has scheduled a hearing to consider confirmation of the Plan for \_\_\_\_\_ at \_\_\_\_\_ prevailing Eastern Time before the Honorable Kevin Gross, United States Bankruptcy Court, 824 North Market Street, 6th Floor, Wilmington, Delaware 19801 (the “Confirmation Hearing”). The Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before \_\_\_\_\_ at \_\_\_\_\_, prevailing Eastern Time, in the manner described below in Article XI.B. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE HEARTLAND TO REORGANIZE SUCCESSFULLY AND TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

## II.

### OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Claims and Interests under the Plan and the estimated distributions to be received by the holders of Allowed Claims and Interests thereunder.

#### SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN.<sup>2</sup>

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	Administrative Claims	Unimpaired	No (deemed to accept)	Subject to the provisions of sections 330(a), 331, and 503(b) of the Bankruptcy Code, each Holder of an Allowed Administrative Claim, other than a Professional Fee Claim, shall be paid by the Debtors, at their election, in full, in cash, upon the latest of (i) the Effective Date or as soon thereafter as is reasonably practicable, (ii) in respect of liabilities incurred in the ordinary course of business, the date upon which such liabilities are payable in the ordinary course of business, consistent with past practices, (iii) the date upon which such Administrative Claim becomes an Allowed Claim or (iv) such other date as is agreed upon between the Holder of such Administrative Claim and the Debtors (or Reorganized Heartland). All Administrative Claims, with the exception of Section 503(b)(9) Claims, must be filed by no later than the Administrative Claims Bar Date. Section 503(b)(9) Claims must be filed by no later than the General Bar Date.	100%
Unclassified	Professional Fee Claims	Unimpaired	No (deemed to accept)	Professionals requesting compensation or reimbursement of Professional Fee Claims or otherwise required to file fee applications by order of the Bankruptcy Court for services rendered prior to the Effective Date must File and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and	100%

<sup>2</sup> This table is only a summary of the classification and treatment of Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests.

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
				reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court. Only the Professional Fee Claims that are authorized by the Bankruptcy Court will be owed and required to be paid under the Plan.	
Unclassified	Priority Tax Claims	Unimpaired	No (deemed to accept)	Unless a Final Order otherwise provides, each Holder of an Allowed Priority Tax Claim shall receive, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, (a) cash in an amount equal to the unpaid portion of such Allowed Claim payable upon the later of the Distribution Date or the date on which such Priority Tax Claim becomes an Allowed Claim, (b) installment payments in cash of such Allowed Priority Tax Claim over a period ending not later than five (5) years after the Petition Date plus simple interest at the rate required by applicable law on any outstanding balance as of the Effective Date or such lesser rate as is agreed by a particular taxing authority, or (c) some other, less favorable treatment as is agreed upon by the Holder of such Allowed Priority Tax Claim and the Debtors (or Reorganized Heartland). Notwithstanding the foregoing, the Holder of an Allowed Priority Tax Claim shall not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim.	100%
Class 1	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim shall have agreed in writing to a different treatment, in full and final satisfaction of such claim, each Holder of an Allowed Priority Non-Tax Claim in Class 1 shall receive payment in an amount equal to such Allowed Priority Non-Tax Claim in full in Cash as soon as practicable after the later of the Distribution Date and the date when such Priority Non-Tax Claim becomes an due and owing in accordance with its terms.	100%

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Class 2	Other Secured Claims	Unimpaired	No (deemed to accept)	To the extent any Class 2 Claimant exists, at the option of Reorganized Heartland, each Holder (if any) of an Allowed Class 2 Claim shall receive, on the later of the Distribution Date or the date such Class 2 Claim becomes an Allowed Claim, (i) Cash in an amount equal to the value of the Creditor's interest in the collateral securing such Claim in full and complete satisfaction of such Claim, (ii) the collateral securing such Creditor's Claim shall be abandoned to such Creditor, in full and complete satisfaction of such Claim, or (iii) such other treatment as is agreed upon in writing by the Holder of such Claim and the Debtors and as shall be disclosed in the Plan Supplement.	100%
Class 3	First Lien Claims	Impaired	Yes	Each Holder of an Allowed First Lien Claim shall receive its Ratable Portion of (i) the Senior Term Loans and (ii) the Class A/B Common Interests. Holders of Allowed First Lien Claims may elect to receive their Class A/B Common Interests in the form of Class B Limited Voting Common Interests. Holders of Allowed First Lien Claims that do not make such an election shall receive Class A Voting Common Interests. The Debtors shall pay in full in cash all accrued and outstanding First Lien Agent Fees and Expenses.	Unknown
Class 4	Second Lien Claims	Impaired	Yes	<p>If Class 4 votes to accept the Plan, each Holder of an Allowed Second Lien Claim shall receive such Holder's Ratable Portion of the Class D Limited Voting Common Interests.</p> <p>If Class 4 votes to reject the Plan, then Holders of Allowed Second Lien Claims shall receive no property or distribution under the Plan on account of such Claims.</p>	Unknown

<b>Class</b>	<b>Designation</b>	<b>Impairment</b>	<b>Entitled to Vote</b>	<b>Treatment of Allowed Claims</b>	<b>Approximate Recovery</b>
Class 5	General Unsecured Claims	May be Impaired	No	Each Holder of an Allowed General Unsecured Claim shall receive: (i) payment in cash of the Allowed amount of such Claim; or (ii) such other lesser treatment as may be agreed between the Debtors and such Holder; provided, however, that if Class 4 votes to reject the Plan and the Bankruptcy Court determines in response to an objection filed by a Holder of a Second Lien Claim that leaving the Holders of General Unsecured Claims unimpaired violates section 1129 of the Bankruptcy Code, then Holders of Allowed General Unsecured Claims shall receive no property or distribution under the Plan on account of such Claim and Class 5 shall be conclusively deemed to have voted to reject the Plan.	Between 0% and 100%
Class 6	Interests	Impaired	No	Interests in the Debtors shall be cancelled and the Holders of such Interests shall receive no property or distribution under the Plan; provided, however, that if Class 4 votes to accept the Plan, each Holder of an Interest in Holdings shall receive such Holder's Ratable Portion of the Warrants.	0%

### **III.**

## **OVERVIEW OF CHAPTER 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and equity interests in the debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from

any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

After a plan of reorganization has been filed, the holders of claims against or equity interests in a debtor are generally permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

#### IV.

### COMPANY BACKGROUND

#### A. General Background.

Heartland was formed in April 2004 with the purchase of 22 community newspapers from Community Newspaper Holdings, Inc., a privately held newspaper group founded in 1997 and controlled by the Retirement Systems of Alabama. Historical highpoints in the Debtors' subsequent expansion include several significant purchases, including: the acquisition of an Ohio newspaper, *The Community Common*, from Brown Publishing; the acquisition of several North and South Carolina newspapers, shoppers, and other niche magazines from Mid South Management Co., Inc.; the acquisition of West Virginia newspapers, *The Logan Banner* and *The Coal Valley News*, from Community Newspaper Holdings; the acquisition of North Carolina newspapers, the *Richmond County Daily Journal* and the *Anson Record*, and a South Carolina newspaper, *The Cheraw Chronicle*, from Community Newspapers Inc.; and the acquisition of North Carolina weekly newspapers, *The Red Springs Citizen*, *St. Pauls Review* and *Extra Slice*, from Stewart McLeod.

In summation, Heartland currently publishes approximately 50 publications consisting of community newspapers (dailies and weeklies) and specialty publications in medium and small sized markets in : Georgia, Kentucky, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Virginia, and West Virginia. The newspapers include, without limitation, the following, listed by state:

Georgia: *LaGrange Daily News* and *The Thomaston Times*

Kentucky: *Grayson County News Gazette*, *News Democrat Leader*, *The Daily News*, *The Floyd County Times*, *The Harlan Daily Enterprise News*, and *The Hazard Herald*

North Carolina: *Richmond County Daily Journal*, *The Anson Record*, *Apex Herald*, *Bladen Journal*, *The Weekly Independent*, *Fuquay-Varina Independent*, *Garner News*, *Holly Springs Sun*, *Red Springs Citizen*, *St. Pauls Review*, *The Robesonian*, *The Sampson Independent*, *The Pilot News*, *The Yadkin Ripple*, *The*



*Laurinburg Exchange, Jefferson Post, The Elkin Tribune, Stokes News and Mt. Airy News*

Ohio: *Gallipolis Daily Tribune, The Daily Sentinel, The Daily Times, The Community Common, and Sunday Times Sentinel*

Oklahoma: *Altus Times, Durant Daily Democrat, and Frederick Leader*

South Carolina: *The Cheraw Chronicle, Herald Independent, The Pickens Sentinel, The Easley Progress, The Powdersville Post, Newberry Observer, and The Union Daily Times*

Tennessee: *Claiborne Progress and Macon County Times*

Virginia: *Carroll News*

West Virginia: *Gilbert Times, Pineville Independent Herald, Point Pleasant Register, Williamson Daily News, Coal Valley News, and Logan Banner*

Quality local news is the singular most important component of the Company's focus. For the trailing twelve months ended September 30, 2009, the Debtors had revenues of approximately \$56,165,000 resulting in EBITDA of approximately \$14,245,000.

## **B. Debtors' Prepetition Capital Structure.**

### **1. Prepetition Debt.**

The Debtors' primary indebtedness consists of two secured credit facilities: (i) the second amended and restated credit agreement dated as of June 11, 2007 (the "First Lien Credit Facility"), among Heartland, as borrower, Holdings, as guarantor, GECC, as administrative agent (in such capacity, the "First Lien Agent") and lender, and certain other lenders (collectively, and with GECC, the "First Lien Lenders"); and (ii) the credit agreement dated as of June 11, 2007 (the "Second Lien Credit Facility"), among Heartland, as borrower, Holdings, as guarantor, and Silver Point Finance, LLC as administrative agent ("Silver Point") and certain other lenders (collectively, and with Silver Point, the "Second Lien Lenders"; together, the First Lien Lenders and the Second Lien Lenders shall be referred to as the "Prepetition Lenders").

The First Lien Credit Facility consists of a secured revolving credit facility in an aggregate committed amount of up to \$10 million (the "First Lien Revolver") and a \$110 million senior secured term loan facility (the "First Lien Term Loan"). As of the Petition Date, the aggregate amount of loans made and letters of credit issued by the First Lien Lenders pursuant to the First Lien Credit Facility was not less than the aggregate principal amount of \$113,726,424 plus (a) all accrued and thereafter accruing and unpaid interest thereon and (b) additional fees and expenses (including any professional fees and expenses that are chargeable or reimbursable under the First Lien Credit Facility) then or thereafter due under the First Lien Credit Facility. The Second Lien Credit Facility consists of a \$41.0 million term loan (the "Second Lien Term").

Loan”). As of the Petition Date, the aggregate amount of loans made by the Second Lien Lenders pursuant to the Second Lien Credit Facility was not less than the aggregate principal amount of \$41,000,000 plus all accrued and unpaid interest thereon and additional fees and expenses (including any professional fees and expenses that are chargeable or reimbursable under the Second Lien Credit Facility) then due under the Second Lien Credit Facility.

As collateral for the obligations incurred under the First Lien Credit Facility, the Debtors granted to the First Lien Agent, for the benefit of the First Lien Lenders, a first-priority security interest in and Lien upon (collectively, the “Prepetition First Priority Liens”) substantially all of the Debtors’ assets (the “Prepetition First Lien Collateral”). As collateral for the obligations incurred under the Second Lien Facility, the Debtors granted to Silver Point, for the benefit of the Second Lien Lenders, a second-priority security interest in and Lien upon (collectively, the “Prepetition Second Priority Liens”, and together with the Prepetition First Priority Liens, the “Prepetition Liens”) substantially all of the Debtors’ assets (the “Prepetition Second Lien Collateral”, and with the Prepetition First Lien Collateral, the “Prepetition Collateral”).

As of September 30, 2009, the Company reported approximately \$135,451,000 in total assets and approximately \$164,803,000 in total liabilities (unaudited), including the claims under the First and Second Lien Credit Facilities (excluding accrued and unpaid interest, contingent letter of credit obligations, and related fees). Substantially all of the Debtors’ assets have been pledged to secure the First Lien Claims and the Second Lien Claims; however, it is the Debtors’ belief and position that pursuant to section 506(a) of the Bankruptcy Code, all of the Second Lien Claims are unsecured.

## **2. Prepetition Equity Interests.**

The Debtors consist of two (2) affiliated entities, Holdings, a Delaware limited liability company, and Heartland, a Delaware limited liability company. Heartland is wholly owned by Holdings, and Holdings is wholly owned by Heartland Parent Holdco, LLC (“Heartland Holdco”).

## **V.**

### **EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES**

The newspaper publishing industry is facing many challenges including the continuing recession and a shift in consumer and advertiser behavior. While the Debtors have repeatedly outperformed the industry due to their local market concentration and tightly managed operations, these challenges have caused the Debtors to experience a meaningful decline in revenue for 2008 and 2009. The Debtors’ 2008 revenue decreased 4.8% from pro forma 2007 revenue and the Company projects that revenue for 2009 will decrease an additional 11.6% from 2008.

A key factor in the Debtors’ decreased revenue has been a steady decline in the advertising environment. The advertising environment is influenced by the state of the overall

economy, including unemployment rates, inflation, energy prices, consumer interest rates, and the availability of credit. Historically, advertising revenue has increased in periods of economic growth and declined during national, regional, and local economic downturns. Thus, the Debtors' revenue and operating results since 2007 have been significantly impacted by the ongoing recession. The duration and depth of the recession in markets in which the Debtors operate may further reduce their future revenues, operating results, and cash flows. In addition, competition from internet based advertising alternatives, particularly in the classified employment advertising category, has continued to erode traditional print media sources of revenue.

Increases in certain cost centers also have had a significant effect on the Debtors' operating results. Wages are the company's largest cost center, and as a consequence of increases in minimum wage expense in West Virginia, Ohio, Oklahoma, North Carolina, and South Carolina and, more recently federally, the Debtors experienced a \$70,000 increase in wages during 2008 and expect a \$165,000 increase in 2009. In addition, the cost of newsprint, the company's second largest cost center, has increased almost 20%. Finally, the company's net revenue has been negatively impacted by steady increases in ink and petroleum pricing that have increased delivery and production costs nearly 30%.

In response to declining revenues, the Debtors have been actively engaged in efforts to right-size their cost structure and implement cost-savings initiatives. Indeed, throughout 2008 and continuing through 2009, the Debtors have undertaken aggressive cost-cutting measures and pursued numerous revenue initiatives to improve bottom-line performance. For example, the Debtors: (i) enacted full time employment reductions; (ii) significantly reduced overtime by approximately \$165,000 for the last six (6) months, (iii) now require CEO approval for all hiring decisions, (iv) adopted smaller trim sizes across their newspaper portfolio to mitigate rising newspaper prices, (v) eliminated unprofitable commercial printing, and (vi) re-staffed under-performing newspapers. These cost-cutting measures resulted in reduced operating expenses in 2008 of approximately \$4.1 million versus 2007 and the Company has budgeted a further \$1.3 million decrease in operating expenses for 2009.

Notwithstanding the Debtors' continuing efforts to reduce costs and increase revenues, as of December 12, 2008, the Debtors were in payment default under the First Lien Credit Facility, and as of February, 2009, the Debtors were in payment default under the Second Lien Credit Facility. Since that time, the Debtors have been engaged in negotiations with the Prepetition Lenders in an effort to restructure their balance sheet. Against this backdrop and in light of their weakened operating results and significant liquidity challenges, the Debtors have concluded that the most responsible course of action is to restructure their balance sheet through these chapter 11 proceedings in order to restore liquidity, return to financial health and preserve the value of their business for their stakeholders.

## **VI.**

### **THE CHAPTER 11 CASES**

On the Petition Date and during the first week of these Chapter 11 Cases, the Court entered several orders authorizing the Debtors to pay various prepetition claims. These

orders were designed to ease the strain on the Debtors' relationships with customers, employees and vendors as a consequence of the filings. The Court entered orders authorizing the Debtors, among other things, to (i) pay prepetition compensation, benefits and employee expense reimbursements to employees, as well as continue certain workers' compensation programs and insurance policies; (ii) pay certain taxes that the Debtors are required to collect from third parties and remit to the appropriate taxing authorities; (iii) continue certain customer practices and programs; (iv) pay prepetition claims of critical vendors; and (v) to use the cash derived from operating the businesses claimed as collateral by the Prepetition Lenders. The Debtors also filed motions seeking relief from certain administrative requirements of the Bankruptcy Code and to establish procedures to resolve adequate assurance requests for their utility accounts.

In addition, the Debtors filed several applications seeking orders authorizing the retention of certain professionals. Specifically, the Debtors intend to retain (i) Young Conaway Stargatt & Taylor, LLP, as counsel, (ii) Duff & Phelps Securities, LLC ("Duff & Phelps") as financial advisor, and (iii) certain ordinary course professionals.

## **VII.**

### **SUMMARY OF THE PLAN**

#### **A. Introduction.**

The Debtors believe that confirmation of the Plan provides the best opportunity for maximum recoveries for their creditors. The Debtors believe, and will demonstrate to the Court, that their creditors will receive at least as much, and likely more, in value under the Plan than they would receive in a liquidation under chapter 7 of the Bankruptcy Code.

**THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.**

#### **B. Classification and Treatment of Claims and Interests Under the Plan.**

Only administrative expenses, claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest simply means that the Debtors agree, or in the event of a dispute, that the Court determines, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, the Debtors. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or equity interest is automatically "allowed" unless the debtor or another party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the Debtors' equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in

excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or equity interest before the deadline to file proofs of claim and equity interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, the Debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves as members of multiple classes of claims and/or equity interests.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (altered by the plan in any way) or "unimpaired" (unaltered by the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the Debtors were liquidated under chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan of reorganization or the date on which amounts owing are due and payable, payment in full, in cash, with postpetition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the Debtors' obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the Debtors' obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the Debtors' cases not been commenced.

Consistent with these requirements the Plan divides the Claims against, and Interests in, the Debtors into the following Classes and affords the treatments described:

<b>Class</b>	<b>Designation</b>	<b>Impairment</b>
Unclassified	Administrative Claims	Paid in Full
Unclassified	Professional Fee Claims	Paid in Full
Unclassified	Priority Tax Claims	Paid in Full
Class 1	Priority Non-Tax Claims	Unimpaired
Class 2	Other Secured Claims	Unimpaired
Class 3	First Lien Claims	Impaired
Class 4	Second Lien Claims	Impaired
Class 5	General Unsecured Claims	May be Impaired
Class 6	Interests	Impaired

For purposes of computing distributions under the Plan, Allowed Claims do not include postpetition interest unless otherwise specified in the Plan.

# **1. Unclassified — Administrative Claims.**

Administrative Claims include any right to payment constituting a cost or expense of administration of the Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtors' estates, any actual and necessary costs and expenses of operating the Debtors' business, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any fees or charges assessed against the Debtors' estates under section 1930 of chapter 123 of title 28 of the United States Code and any Claim for goods delivered to the Debtors within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code.

Subject to the provisions of sections 330(a), 331, and 503(b) of the Bankruptcy Code, each Holder of an Allowed Administrative Claim, other than a Professional Fee Claim, shall be paid by Reorganized Heartland, at its election, in full, in cash, upon the latest of (i) the Effective Date or as soon thereafter as is reasonably practicable, (ii) in respect of liabilities incurred in the ordinary course of business, the date upon which such liabilities are payable in the ordinary course of Heartland's business, consistent with past practices, (iii) the date upon

which such Administrative Claim becomes an Allowed Claim or (iv) such other date as is agreed upon between the Holder of such Administrative Claim and the Debtors (or Reorganized Heartland). All requests for payment of Administrative Claims, other than Section 503(b)(9) Claims, must be filed by no later than the Administrative Claims Bar Date. All requests for payment or Proofs of Claim in respect of Section 503(b)(9) Claims must be filed by no later than the General Bar Date.

## **2. Unclassified — Professional Fee Claims.**

Professional Fee Claims are Administrative Claims under section 330(a), 331 or 503 of the Bankruptcy Code for compensation of a Professional or other Person for services rendered or expenses incurred in the Chapter 11 Cases on or prior to the Effective Date (including reasonable expenses of the members of the Creditors Committee incurred as members of the Creditors Committee in discharge of their duties as such).

Professionals requesting compensation or reimbursement of Professional Fee Claims or otherwise required to file fee applications by order of the Bankruptcy Court for services rendered prior to the Effective Date must File and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and reimbursement of expenses no later than forty-five (45) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court. Only the Professional Fee Claims that are authorized by the Bankruptcy Court will be owed and required to be paid under the Plan.

## **3. Unclassified — Priority Tax Claims.**

Priority Tax Claims include any unsecured Claim that is entitled to a priority in right of payment under sections 502(i) or 507(a)(8) of the Bankruptcy Code.

Unless a Final Order otherwise provides, each Holder of an Allowed Priority Tax Claim shall receive, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, (a) cash in an amount equal to the unpaid portion of such Allowed Claim payable upon the later of the Distribution Date or the date on which such Priority Tax Claim becomes an Allowed Claim, (b) installment payments in cash of such Allowed Priority Tax Claim over a period ending not later than five (5) years after the Petition Date plus simple interest at the rate required by applicable law on any outstanding balance as of the Effective Date or such lesser rate as is agreed by a particular taxing authority, or (c) some other, less favorable treatment as is agreed upon by the Holder of such Allowed Priority Tax Claim and the Debtors (or Reorganized Heartland). Notwithstanding the foregoing, the Holder of an Allowed Priority Tax Claim shall not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim.

#### **4. Classification and Treatment of Claims.**

##### **(a) Class 1 – Priority Non-Tax Claims**

Priority Non-Tax Claims include any Claim against any Debtor for an amount entitled to priority pursuant to section 507(a) of the Bankruptcy Code and that is not an Administrative Claim or a Priority Tax Claim.

The Holders of Allowed Claims in Class 1 shall receive (a) payment in full in cash on account of such Allowed Priority Non-Tax Claim (without interest) on the latest of (i) the Distribution Date or as soon thereafter as is reasonably practicable, (ii) the due date thereof in accordance with its terms, and (iii) the date such Priority Non-Tax Claim becomes an Allowed Claim, or (b) such other, less favorable treatment as is agreed upon by the Holder of such Allowed Priority Non-Tax Claim and the Debtors (or Reorganized Heartland).

Class 1 is an unimpaired Class and is conclusively deemed to have voted to accept the Plan.

##### **(b) Class 2 — Other Secured Claims**

Other Secured Claims include Allowed Other Secured Claims, each of which, if any, shall constitute a subclass.

To the extent any Class 2 Claimant exists, at the option of Reorganized Heartland, each Holder (if any) of an Allowed Class 2 Claim shall receive, on the later of the Distribution Date or the date such Class 2 Claim becomes an Allowed Claim, (i) Cash in an amount equal to the value of the Creditor's interest in the collateral securing such Claim in full and complete satisfaction of such Claim, (ii) the collateral securing such Creditor's Claim shall be abandoned to such Creditor, in full and complete satisfaction of such Claim, or (iii) such other treatment as is agreed upon in writing by the Holder of such Claim and the Debtors and as shall be disclosed in the Plan Supplement.

Class 2 is an unimpaired Class and is conclusively deemed to have voted to accept the Plan.

##### **(c) Class 3 — First Lien Claims**

First Lien Claims are any and all Claims arising out of the First Lien Credit Facility.

On the Effective Date, Allowed First Lien Claims shall receive the following treatment:

(a) Each Holder of an Allowed First Lien Claim shall receive its Ratable Portion of (i) the Senior Term Loans and (ii) the Class A/B Common Interests. Holders of Allowed First Lien Claims may elect to receive their Class A/B Common Interests in the form of Class B Limited Voting Common Interests. Holders of Allowed First Lien Claims that do not make such an election shall receive Class A Voting Common Interests.



(b) The Debtors shall pay in full in cash all accrued and outstanding First Lien Agent Fees and Expenses.

Class 3 is an impaired Class and is entitled to vote on the Plan.

(d) **Class 4 — Second Lien Claims**

Second Lien Claims are any and all Claims arising out of the Second Lien Credit Facility and related documents.

On the Effective Date:

(a) If Class 4 votes to accept the Plan, each Holder of an Allowed Second Lien Claim shall receive such Holder's Ratable Portion of the Class D Limited Voting Common Interests; or

(b) If Class 4 votes to reject the Plan, then Holders of Allowed Second Lien Claims shall receive no property or distribution under the Plan.

Class 4 is an impaired Class and is entitled to vote on the Plan.

(e) **Class 5 — General Unsecured Claims**

General Unsecured Claims include any Claim that is not (a) a Secured Claim, (b) a Priority Claim, (c) an Administrative Claim, (d) a First Lien Claim, (e) a Second Lien Claim, (f) a Section 503(b)(9) Claim or (g) an Intercompany Claim.

Subject to Section 5.5(b) of the Plan, each Holder of an Allowed General Unsecured Claim shall receive: (i) payment in full in cash of the Allowed amount of such Claim; or (ii) such other treatment as may be agreed between the Debtors and such Holder.

Section 5.5(b) of the Plan provides that if Class 4 votes to reject the Plan and the Bankruptcy Court determines in response to an objection filed by a Holder of a Second Lien Claim that leaving the Holders of General Unsecured Claims unimpaired violates section 1129 of the Bankruptcy Code, Holders of Allowed General Unsecured Claims shall receive no property or distribution under this Plan on account of such Claims.

If Section 5.5(a) of the Plan applies, Class 5 is an unimpaired Class and is conclusively deemed to have voted to accept the Plan. If Section 5.5(b) of the Plan applies, Class 5 will receive no recovery under the Plan and is deemed to have voted to reject the Plan.

(f) **Class 6 – Interests**

Interests include any stock, membership or other equity ownership interests in one or more of the Debtors of the type specified in section 101(16) of the Bankruptcy Code and all dividends and distributions with respect to such stock or interests and all rights, options,

warrants, puts, calls, or other rights to acquire any stock or other equity ownership interests in any Debtor as of the Petition Date.

On the Effective Date, all Interests shall be cancelled and:

(a) If Class 4 votes to accept the Plan, each Holder of an Interest in Holdings shall receive such Holder's Ratable Portion of the Warrants;

(b) If Class 4 votes to reject the Plan, the Holders of Interests shall receive no property or distribution under the Plan.

Class 6 is an impaired Class and is deemed to have voted to reject the Plan.

**C. Allowance of First Lien Claims.**

The First Lien Claims shall be deemed Allowed in full and, for the avoidance of doubt, shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaim, cross-claim, defense, disallowance, impairment, objection or any challenges under any applicable law or regulation by any Person or Entity, in an aggregate amount equal to (i) \$113,726,424 plus (ii) all accrued and unpaid interest thereon through and including the Effective Date plus (iii) the amount of any drawn letters of credit (to the extent not already included in (i)) plus (iv) all other Obligations (as defined in the First Lien Facility) plus (v) all First Lien Agent Fees and Expenses through and including the Effective Date.

**D. Cancellation of First Lien Credit Facility, Second Lien Credit Facility and Interests.**

On the Effective Date, except as otherwise provided for herein, (a) the First Lien Credit Facility, the Second Lien Credit Facility, all Interests and any limited liability company agreement, registration rights agreement, repurchase agreement and repurchase arrangement, or other instruments or documents evidencing or creating any indebtedness or obligations of a Debtor that relate to Claims or Interests that are impaired under the Plan shall be cancelled, and (b) the obligations of the Debtors under any credit agreements, guaranty agreements, limited liability company agreements, registration rights agreements, repurchase agreements and repurchase arrangements, or other instruments or documents governing the First Lien Claims, the Second Lien Claims, the Interests and any other instruments or documents evidencing or creating any Claims or Interests against a Debtor that relate to Claims or Interests that are impaired under the Plan shall be discharged. Notwithstanding the foregoing and anything contained in the Plan, the First Lien Credit Facility shall continue in effect to the extent necessary to allow the Reorganized Debtors and First Lien Agent to make distributions pursuant to the Plan on account of the First Lien Claims and for the First Lien Agent to perform such other functions with respect thereto. As of the Effective Date, all Interests that have been authorized to be issued but that have not been issued shall be deemed cancelled and extinguished without any further action of any party.

**E. Cancellation of Liens.**

Except as otherwise provided in the Plan, on the Effective Date, any Lien securing any Secured Claim (other than a Lien securing an Other Secured Claim that is reinstated pursuant to the Plan) shall be deemed released and the Holder of such Secured Claim shall be authorized and directed to release any collateral or other property of any Debtor (including any cash collateral) held by such Holder and to take such actions as may be requested by the Debtors (or Reorganized Heartland, as the case may be) to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases as may be requested by the Debtors (or Reorganized Heartland, as the case may be).

**F. Restructured Credit Facility Agreement.**

Confirmation shall be deemed approval of (i) the Restructured Credit Facility Agreement (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Restructured Credit Facility Agreement and such other documents as the parties to the Restructured Credit Facility Agreement may reasonably require and (ii) the issuance of the Senior Term Loans pursuant to the Restructured Credit Facility Agreement. Each Entity that receives a portion of the Senior Term Loans under the Plan shall become a party to and shall be bound by the Restructured Credit Facility Agreement as of the Effective Date regardless of whether such Entity executes the Restructured Credit Facility Agreement.

**G. Limited Liability Company Agreements.**

On or prior to the Effective Date, each of the Reorganized Debtors may enter into and/or file new limited liability company agreements (including the New HoldCo LLC Agreement and the Reorganized Heartland LLC Agreement), certificates of formation, or similar documents with the secretary of state (or equivalent state officer or entity) of the state under which each of the Reorganized Debtors is or is to be incorporated or formed, as may be necessary to satisfy the provisions of the Plan and the Bankruptcy Code. After the Effective Date, each Reorganized Debtor may file a new, or amend and restate its existing limited liability company agreement, certificate of formation, and other constituent documents as permitted by the relevant state corporate law.

The New HoldCo LLC Agreement will set forth the rights and obligations of New Holdco and the holders of the New HoldCo Common Interests with respect to the ownership and management of New Holdco following the Effective Date. The New HoldCo LLC Agreement will contain, among other things, provisions relating to the appointment and election of managers, “drag-along” rights allowing the holders of a majority of the outstanding Class A/B Common Interests to require all holders of New HoldCo Common Interests to vote for and participate in a sale of all or substantially all of the assets of New HoldCo or a sale of a majority of the outstanding New HoldCo Common Interests to a single unaffiliated person or entity or group of related unaffiliated persons or entities, “tag-along” rights allowing holders of the outstanding units of New HoldCo Common Interests to participate in any transaction that results

in a sale of a majority of the outstanding New HoldCo Common Interests to a single unaffiliated person or entity or group of related unaffiliated persons or entities, restrictions on the transfer of the New HoldCo Common Interests, and certain covenants of New HoldCo. Each Entity that is to receive New HoldCo Common Interests under the Plan shall become a party to and shall be bound by the New HoldCo LLC Agreement as of the Effective Date regardless of whether such Entity executes the New HoldCo LLC Agreement.

#### **H. Registration Rights Agreement.**

The Registration Rights Agreement will set forth the obligations of New HoldCo and the rights of the holders of Class A/B Common Interests and their transferees to cause the registration of such Class A/B Common Interests pursuant to the Securities Act of 1933, as amended. The Registration Rights Agreement will provide, among other things, for the Holders of Class A/B Common Interests and their transferees to have piggyback registration rights, subject to pro rata cutbacks in the underwriters' discretion, in a registered initial public offering. Thereafter, any such holders of Class A/B Common Interests whose interests are "restricted securities" or "control securities" (i.e., not eligible for sale pursuant to Rule 144(b)(1)) will have the right to require up to three demand registrations, and up to two additional shelf registrations to the extent available, to allow them to resell into the public markets. Each Entity that is to receive Class A Voting Common Interests or Class B Limited Voting Common Interests under the Plan shall become a party to and shall be bound by the Registration Rights Agreement as of the Effective Date regardless of whether such Entity executes the Registration Rights Agreement.

#### **I. Management Equity Incentive Plan and Sale Bonus Plan.**

On the Effective Date, the management team selected by the Chief Executive Officer of Reorganized Heartland will become eligible to participate in the Management Equity Incentive Plan. The Management Equity Incentive Plan shall (i) provide for the management of Reorganized Heartland to receive profits interests (as defined in Internal Revenue Code Revenue Procedures 93-27 and 2001-43) that will allow management to participate, in the form of Class C Limited Voting Common Interests, in ten percent (10%) of any equity value of New HoldCo above the aggregate fair market value of all HoldCo equity on the date of grant of the profits interests (assuming an enterprise value of New HoldCo of \$80,000,000 with \$70,000,000 debt on the date of grant, the profits interests will participate in 10% of all New HoldCo equity value above the \$10,000,000 equity value on the date of grant), (ii) provide for management of Reorganized Heartland to receive, (x) upon the occurrence of any Sale/IPO Transaction, cash distributions from an aggregate award pool equal to ten percent (10%) of any equity value that is not captured by the profits interests described immediately above (i.e., any New HoldCo equity value that exists below the equity value participation threshold for the profits interests (currently assumed to be \$10,000,000)) and (y) upon the occurrence of a Dividend Recapitalization, cash distributions from an aggregate award pool equal to \$1 for every \$9 of cash or cash equivalents received by holders of New HoldCo Common Interests up to the equity value participation threshold for the profits interests and (iii) provide for the distribution of the Additional Management Equity Interests upon the terms and conditions set forth therein. The Management Equity Incentive Plan shall be in form and substance acceptable to the First Lien Agent.

In addition, New HoldCo will establish the Sale Bonus Plan. Upon the occurrence of a Liquidity Event on or before the second anniversary of the Effective Date, the Sale Bonus Plan will entitle the management of Reorganized Heartland to receive a cash distribution in an aggregate amount equal to 10% of enterprise value of New HoldCo above \$60,000,000, up to a maximum award pool amount of \$1,000,000. Such cash distribution shall be allocated among the members of the Reorganized Debtors' management team in the manner set forth in the Sale Bonus Plan. The Sale Bonus Plan shall be in form and substance acceptable to the First Lien Agent.

**J. Issuance and Distribution of the New HoldCo Common Interests and Warrants.**

On the Effective Date, New HoldCo will distribute all of the New HoldCo Common Interests and Warrants required to be distributed pursuant hereto. The New HoldCo Common Interests and Warrants to be issued pursuant to the Plan will be issued without registration under the Securities Act of 1933, as amended, or any similar federal, state, or local law in reliance, to the extent necessary, upon the exemptions set forth in section 1145 of the Bankruptcy Code. On the Distribution Date, the Reorganized Debtors will not be reporting corporations under the Securities Exchange Act, and none of their shares will be listed on any national securities exchange. All of the New HoldCo Common Interests and Warrants issued pursuant to the Plan shall be duly authorized, validly issued, and, if applicable, fully paid and non-assessable. Each distribution and issuance referred to in the Plan shall be governed by the terms and conditions set forth therein, including the Plan Supplement, applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

**K. Corporate Governance and Management of Reorganized Debtors.**

**1. Selection of Board of Managers of New HoldCo and Reorganized Heartland.**

The Board of Managers of New HoldCo shall initially consist of up to five members as follows.

- One of such members will be the Chief Executive Officer of New HoldCo on the Effective Date.
- Three of such members will be designated as Independent Managers (as defined in the New HoldCo LLC Agreement) and will be named in an exhibit to the Plan Supplement. The Independent Managers shall be independent, disinterested and unaffiliated with, and shall not have any material business or close personal relationships or any history of any material business or close personal relationships with, any or all of the lenders, or management of Reorganized Heartland or their respective affiliates.
- One of such members will be designated as the Class A Manager (as defined in the New HoldCo LLC Agreement) and will be selected by at least two Holders of the Class A Voting Common Interests holding at least 75% in the aggregate of the

Allowed First Lien Claims (other than those Holders who have elected to receive Class B Limited Voting Common Interests) as if such Holders were holders of the Class A Voting Common Interests to be issued to them on the Effective Date; provided, however, that if there is only one such Holder, the initial Class A Manager shall be designated by such Holder. The Class A Manager shall not be an employee of any such Holder or their affiliates. Failure of such Holders to appoint the Class A Director shall not delay the Effective Date or impair the power of the Board of Managers of New HoldCo to act and otherwise fulfill its duties.

After the Effective Date, the composition and election of the Managers of New HoldCo will be determined pursuant to the terms and conditions of the New HoldCo LLC Agreement and the Reorganized Heartland LLC Agreement. Pursuant to the terms thereof, the Board of Managers of New HoldCo shall consist of up to five members, selected as follows: (i) one member shall be the Chief Executive Officer of New HoldCo; (ii) one member shall be a Class A Manager (as defined in the New HoldCo LLC Agreement) selected by the holders of at least 75% of the Class A Voting Common Interests and (iii) three members shall be Independent Managers (as defined in the New HoldCo LLC Agreement) selected pursuant to the procedures set forth in the New HoldCo LLC Agreement.

The Board of Managers of Reorganized Heartland shall consist of the same members as the Board of Managers of New HoldCo.

## **2. Identity of Managers and Officers of Reorganized Debtors.**

In accordance with section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the persons proposed to serve as a manager or officer of the Reorganized Debtors upon the Effective Date shall be set forth in an exhibit to the Plan Supplement. Each member of the current board of managers of Reorganized Heartland will be deemed to have resigned on the Effective Date.

## **L. Continued Corporate Existence, Corporate Action and Vesting of Assets.**

Except as otherwise provided in the Plan, Heartland will, as Reorganized Heartland, continue to exist after the Effective Date as a separate entity in accordance with the applicable laws of the State of Delaware, with all the powers of a limited liability company under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable state law. The following will occur and be effective as of the date specified in the documents effectuating the Plan or as of the Effective Date, if no other effective date is specified in the documents, and will be authorized and approved in all respects and for all purposes without any requirement of further action by any member, stockholder, manager or director of the Debtors: (i) the adoption of the Reorganized Heartland LLC Agreement; (ii) the adoption of the New HoldCo LLC Agreement; (iii) the adoption, execution, delivery and implementation of all contracts, leases, instruments, releases and other agreements or documents related to the Plan; (iv) the issuance of the Reorganized Heartland Equity Units to New HoldCo (v) the issuance of the New HoldCo Common Interests and the establishment of the Management Equity Incentive Plan and the Sale Bonus Plan; (vi) the execution and delivery of the Restructured Credit Facility Agreement and related documents;

and (vii) the other matters provided for under the Plan involving the corporate structure of the Debtors, Reorganized Heartland, or New HoldCo or any corporate action to be taken by or required of the Debtors, Reorganized Heartland, or New HoldCo.

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, all property of the Estates shall, in accordance with section 1141(c) of the Bankruptcy Code, vest in Reorganized Heartland, free and clear of all Liens, Claims, and Interests. On and after the Effective Date, Reorganized Heartland may operate its business and may use, acquire and dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

**M. Equity Interests of Reorganized Heartland.**

Effective as of the Effective Date, the existing Interests of Heartland shall be cancelled and Reorganized Heartland shall issue the Reorganized Heartland Equity Units to New HoldCo. All such Reorganized Heartland Equity Units shall be issued pursuant to the Reorganized Heartland LLC Agreement and in accordance with the Plan without further act or action under applicable law, regulation, rule or order. The offer and issuance of the Reorganized Heartland Equity Units shall be exempt from registration under applicable securities law pursuant to section 1145(a) of the Bankruptcy Code.

**N. Dissolution of Holdings.**

Upon the Effective Date, Holdings shall be dissolved and Reorganized Heartland shall assume any assets and assume all liabilities of Holdings. The income tax returns of Holdings (or, where applicable, of its parent company if Holdings is, prior to the Effective Date, a disregarded entity for Federal income tax purposes) with respect to periods ending on or prior to the consummation of the Plan shall be prepared and filed at the cost and expense of Reorganized Heartland, under the direction and supervision of the holders of a majority in interest of membership interests in Holdings prior to the Effective Date. The First Lien Agent shall be entitled to a reasonable opportunity to review and comment upon final tax returns prior to filing. On the Effective Date, all of Heartland's assets will vest in Reorganized Heartland and New HoldCo will be the sole member of Reorganized Heartland.

**O. Substantive Consolidation.**

On the Effective Date, the Cases, the Debtors and the Estates shall be deemed to be substantively consolidated for all purposes associated with consummation of the Plan, including voting and distribution purposes. The assets and liabilities of the Debtors shall be pooled and all Claims shall be satisfied from the assets of a single consolidated estate. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety or otherwise, of Claims against another Debtor shall be treated as a single Claim against the consolidated estate of the Debtors and shall be entitled to distributions under the Plan only with respect to such single Claim.

**P. Provisions Regarding Distributions and Treatment of Disputed Claims.**

**1. Voting of Claims.**

Each holder of an Allowed Claim in an Impaired Class of Claims shall be entitled to vote to accept or reject the Plan as provided in such order as may be entered by the Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Court, except for Class 5. Class 5 will either be deemed to conclusively accept or be deemed to conclusively reject the Plan without the need for Class 5 to vote on the Plan.

**2. Distributions.**

(a) Allowed Claims.

(i) Full and Final Satisfaction. Commencing upon the Distribution Date, Reorganized Heartland shall be authorized to distribute the distributions required under the Plan to the Holders of Allowed Claims according to the provisions of the Plan. Upon the Effective Date, all Debts of the Debtors shall be deemed fixed and adjusted pursuant to the Plan and Reorganized Heartland and Holdings shall have no liability on account of any Claims or Interests except as set forth in the Plan and in the Confirmation Order. All payments and all distributions made by Reorganized Heartland and New HoldCo under the Plan shall be in full and final satisfaction, settlement and release of all Claims against Reorganized Heartland and/or Holdings.

(ii) Distribution Date. Except as otherwise agreed by the Holder of a particular Claim, or as provided in the Plan, all distributions shall be made upon the Distribution Date.

(iii) Allocation of Distributions. Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim). Whenever any payment of a fraction of a cent would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest cent.

(iv) Distribution Process. Reorganized Heartland or its duly appointed disbursing agent shall make all distributions of cash or other property required under the Plan, unless the Plan specifically provides otherwise.

(v) Delivery of Distributions. Distributions to Holders of Allowed Claims shall be made (1) at the address set forth on the respective Proofs of Claim filed by such Holders, (2) at the addresses set forth in any written notices of address change delivered to the Debtors or Reorganized Heartland after the date of any related Proof of Claim, or (3) at the address reflected in the Debtors' Schedules if no Proof of Claim has been filed and the Debtors and Reorganized Heartland have not received a written notice of a change of address.



(vi) De Minimis Distributions. Notwithstanding anything to the contrary in the Plan, Reorganized Heartland shall not be required to make a distribution to any Creditor if the aggregate dollar amount of the distribution (net of costs associated with making such distribution) is less than one-hundred dollars (\$100).

(vii) Returned Distributions. If the distribution to the Holder of any Allowed Claim is returned to Reorganized Heartland as undeliverable, no further distribution shall be made to such Holder, and Reorganized Heartland shall have no obligation to make any further distribution to the Holder, unless and until Reorganized Heartland are notified in writing of such Holder's then current address.

(viii) Unclaimed Distributions of Cash. Any Entity which fails to claim any distribution to which it is otherwise entitled within 1 year from the date upon which a distribution is first made to such Entity shall forfeit all rights to any distribution under the Plan. Entities which fail to claim their distribution shall forfeit their rights thereto and shall have no claim whatsoever against Reorganized Heartland or any Holder of an Allowed Claim to whom distributions are made by Reorganized Heartland.

(ix) Distribution of Late-Filed Claims. Except as otherwise provided in a Final Order of the Bankruptcy Court, any Claim as to which a Proof of Claim was first filed after the applicable Bar Date shall be a Disallowed Claim, and Reorganized Heartland shall not make any distribution to a Holder of such a Claim; provided, however, that to the extent such Claim was listed in the Schedules (other than as contingent, disputed, or unliquidated) and would be an Allowed Claim but for the lack of a timely proof of Claim, Reorganized Heartland shall treat such Claim as an Allowed Claim in the amount in which it was so listed.

(x) Withholding Taxes. Pursuant to section 346(f) of the Bankruptcy Code, Reorganized Heartland shall be entitled to deduct any federal, state or local withholding taxes from any cash payments made with respect to Allowed Claims, as appropriate. From and as of the Effective Date, Reorganized Heartland shall comply with all reporting obligations imposed on it by any Governmental Unit in accordance with applicable law with respect to such withholding taxes. As a condition to making any distribution under the Plan, Reorganized Heartland may require that the Holder of an Allowed Claim provide such Holder's taxpayer identification number and such other information and certification as may be deemed necessary for Reorganized Heartland to comply with applicable tax reporting and withholding laws.

(b) Disputed Claims.

All objections to Claims shall be filed and served not later than one hundred eighty (180) days following the Effective Date; provided, however, such date may be extended by the Bankruptcy Court beyond such 180 day period upon motion (the "Extension Motion") filed by Reorganized Heartland prior to the expiration of the above-noted 180 day deadline. Unless otherwise provided in the Confirmation Order, Reorganized Heartland is authorized to settle, or withdraw any objections to, any Disputed Claim following the Effective Date without further notice to Creditors or authorization of the Bankruptcy Court, in which event such Claim

shall be deemed to be an Allowed Claim in the amount compromised for purposes of the Plan. Under no circumstances will any distributions be made on account of Disallowed Claims.

No payment or other distribution or treatment shall be made on account of a Disputed Claim, even if a portion of the Claim is not disputed, unless and until such Disputed Claim becomes an Allowed Claim and the amount of such Allowed Claim is determined by a Final Order or by stipulation between the Debtors and the Holder of the Claim. No distribution or other payment or treatment shall be made on account of a Disallowed Claim at any time.

The Debtors (prior to the Effective Date) or Reorganized Heartland (after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to such objection. Any Final Order of the Bankruptcy Court that estimates a Disputed Claim pursuant to Section 6.15(3) of the Plan irrevocably shall constitute and be a conclusive and final determination of the maximum allowable amount of Claim, should it become an Allowed Claim. Accordingly, the Holder of a Disputed Claim that is estimated by the Bankruptcy Court pursuant to Section 6.15(3) of the Plan shall not be entitled to any subsequent reconsideration or upward adjustment of the maximum allowable amount of such Claim as a result of any subsequent adjudication or actual determination of the allowed amount of such Disputed Claim or otherwise, and the Holder of such Claim shall not have recourse to the Debtors, Reorganized Heartland, or any Assets of the foregoing in the event the allowed amount of the Claim of such Holder is at any time later determined to exceed the estimated maximum allowable amount.

Following the date on which a Disputed Claim becomes an Allowed Claim after the Distribution Date, Reorganized Heartland shall pay directly to the Holder of such Allowed Claim the amount provided for under the Plan.

(c) Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall fund distributions under the Plan with cash or cash equivalents on hand (“Cash”), existing assets, the New Revolver, and the issuance of Senior Term Loans, New HoldCo Common Interests and Warrants.

(i) New Revolver. On the Effective Date, the Reorganized Debtors shall enter into the Restructured Credit Facility Agreement (and related security and guaranty documentation), providing for, among other things, the New Revolver in the amount of up to \$2.0 million in order to fund Cash amounts required to be paid under the Plan and to fund the Reorganized Debtors’ working capital and operational needs.

The New Revolver shall be in the form of a new revolving line of credit secured by the same assets and supported by the same guaranties as the Senior Term Loans but senior in payment priority to the Senior Term Loans as provided in the Restructured Credit Facility Agreement. The New Revolver will mature on the fourth anniversary of the Effective Date.

Interest will accrue and be paid monthly in cash at either (i) the Index Rate (of not less than 5.5% per annum) plus 5.5% per annum or (ii) the LIBOR Rate plus 6.5% per annum (subject to a LIBOR index floor of 3.5% per annum), at the election of Reorganized Heartland (as borrower under the Restructured Credit Facility Agreement).

Revolving Loans would be repaid and commitments reduced to zero prior to repayment of the Senior Term Loan, other than permitted mandatory prepayments prior to acceleration or maturity.

(ii) Senior Term Loans. On the Effective Date, Reorganized Heartland shall issue the Senior Term Loans in the aggregate principal amount of \$70,000,000 for distribution to Holders of Allowed Claims arising under the First Lien Credit Facility in partial satisfaction of their Claims. The Senior Term Loans will be secured by Liens on all of the assets of the Reorganized Heartland and supported by guarantees from New HoldCo. The Senior Term Loans will be junior in priority of payment to the New Revolver but senior in payment to all other indebtedness of the Reorganized Debtors.

The Senior Term Loans will mature on the fourth anniversary of the Effective Date. Interest on the Term Loan A will accrue and be paid in cash at either (i) the Index Rate (of not less than 5.5% per annum) plus 5.5% per annum or (ii) the LIBOR Rate plus 6.50% per annum (subject to a LIBOR index floor of 3.5% per annum), at the election of Reorganized Heartland (as borrower under the Restructured Credit Facility Agreement). The Term Loan B of \$10,000,000 principal amount will accrue at (i) PIK interest at a rate of 11.0% per annum and (ii) cash interest at a rate of 1.0% per annum. The Term Loan A will amortize in fifteen (15) quarterly installments of \$600,000 each, commencing [\_\_\_\_], 2010, with a final installment equal to the unpaid balance then remaining on the maturity date.

(iii) New HoldCo Common Interests. New HoldCo shall issue Class A Voting Common Interests and Class B Limited Voting Common Interests for distribution to Holders of Allowed First Lien Claims, in partial satisfaction of such Claims. Upon consummation, the Class A/B Common Interests will represent 90% of the equity value of New HoldCo, subject to dilution for the Class D Limited Voting Common Interests, the Additional Management Equity Interests and the Warrants.

The Class A Voting Common Interests will have full voting rights and will be entitled to vote in the election of members of the Board of Managers of New HoldCo. The Class B Limited Voting Common Interests will have limited voting rights, will not be entitled to vote in the election of members of the Board of Managers of New HoldCo and will be convertible into Class A Voting Common Interests at the option of the holder at any time. Holders of Class A Voting Common Interests and Class B Limited Voting Common Interests will be entitled, in the aggregate, to 99% of the votes to be cast on any matter on which holders of New HoldCo Common Interests vote as a single class.

If issuable pursuant to Section 5.4 of the Plan, New HoldCo shall issue Class D Limited Voting Common Interests for distribution to Holders of Allowed Second Lien Claims.

Holders of Class C Limited Voting Common Interests, Class D Limited Voting Common Interests, Class E Limited Voting Common Interests and Additional Management Equity Interests will not be entitled to general voting rights but will be entitled, in the aggregate, to 1% of the votes to be cast on any matter on which holders of New HoldCo Common Interests vote as a single class.

(iv) Warrants. If issuable pursuant to Section 5.6 of the Plan, New HoldCo shall issue the Warrants for distribution to Holders of an interest in Holdings. The Class E Limited Voting Common Interests issuable upon exercise of the Warrants will represent 5% of the outstanding New HoldCo Common Interests on a fully diluted basis. The Warrant exercise price will be based upon an equity value of \$50,000,000 (i.e., an enterprise value of \$120,000,000 less the \$70,000,000 of debt outstanding under the Restructure Credit Facility as of the Effective Date). As and to the extent provided for in the Warrants, such Warrants will be exercisable only upon the occurrence of a Liquidity Event and in connection with a Liquidity Event where the New HoldCo Common Interests (as the same may be recapitalized or restructured from time to time) receive or are to receive payments or distributions, in cash or cash equivalents, any holder of Warrants will have the right, in lieu of exercising such Warrants, to receive cash payments equal to the cash amount payable to the Class E Limited Voting Common subject to such Warrants (assuming the exercise of the Warrants) less the aggregate exercise price of such Warrants.

**Q. Acceptance or Rejection of the Plan.**

**1. Voting Classes.**

Each Holder of an Allowed Claim in Classes 3 and 4 shall be entitled to vote to accept or reject the Plan.

**2. Presumed Acceptance of Plan.**

Classes 1, 2 and 5 (unless the conditions provided in Section 5.5(b) occur) are unimpaired by the Plan and are, therefore, presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and the votes of Holders of Claims in such Classes will not be solicited.

**3. Presumed Rejection of Plan.**

Class 5 (if the conditions provided for in Section 5.5(b) occur) and Class 6 are impaired by the Plan, and are presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

**4. Cramdown.**

With respect to any impaired class of Claims or Interests that fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, including any Class that is deemed to reject the Plan, the Debtors request that the Bankruptcy Court confirm the Plan in

accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Classes, in which case or cases, the Plan shall constitute a motion for such relief.

## **R. Effect of Confirmation of the Plan.**

### **1. Continued Corporate Existence, Corporate Action and Vesting of Assets.**

Except as otherwise provided in the Plan, Heartland will, as Reorganized Heartland, continue to exist after the Effective Date as a separate entity in accordance with the applicable laws of the State of Delaware, with all the powers of a limited liability company under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable state law. The following will occur and be effective as of the date specified in the documents effectuating the Plan or as of the Effective Date, if no other effective date is specified in the documents, and will be authorized and approved in all respects and for all purposes without any requirement of further action by any member, stockholder, manager or director of the Debtors: (i) the adoption of the Reorganized Heartland LLC Agreement; (ii) the adoption of the New HoldCo LLC Agreement; (iii) the adoption, execution, delivery and implementation of all contracts, leases, instruments, releases and other agreements or documents related to the Plan; (iv) the issuance of the Reorganized Heartland Equity Units to New HoldCo (v) the issuance of the New HoldCo Common Interests and the establishment of the Management Incentive Plan and the Sale Bonus Plan; (vi) the execution and delivery of the Restructured Credit Facility Agreement and related documents; and (vii) the other matters provided for under the Plan involving the corporate structure of the Debtors, Reorganized Heartland, or New HoldCo or any corporate action to be taken by or required of the Debtors, Reorganized Heartland, or New HoldCo.

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, all property of the Estates shall, in accordance with section 1141(c) of the Bankruptcy Code, vest in Reorganized Heartland, free and clear of all Liens, Claims, and Interests. On and after the Effective Date, Reorganized Heartland may operate its business and may use, acquire and dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

### **2. Dissolution of Creditors Committee.**

The Creditors Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code. On the Effective Date, the Creditors Committee shall be dissolved and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Chapter 11 Cases or the Plan and its implementation, and the retention or employment of the Creditors Committee's attorneys, financial advisors, and other agents shall terminate as of the Effective Date, provided, however, such attorneys and financial advisors shall be entitled to pursue their own Fee Claims and represent the Creditors Committee in connection with the review of and the right to be heard in connection with all Fee Claims.

### **3. Vesting of Property.**

The property of the Debtors' estates shall be revested in Reorganized Heartland on the Effective Date.

### **4. Releases of the Debtors and their Estates.**

As of the Effective Date, the Debtors, the Estates, Reorganized Heartland, New HoldCo and the successors and assigns of any of them, and any other person that claims or might claim through, on behalf of, or for the benefit of any of the foregoing, shall be deemed to have irrevocably and unconditionally, fully, finally and forever waived, released, acquitted and discharged each of the Creditor Released Parties, the Debtors, the Members, and the respective managers, members, officers and directors of the respective Debtors and/or Members, who have served or have been such at any time prior to the Effective Date, acting in such capacities, and the respective financial advisors, attorneys, employees, and representatives of the respective Debtors and/or Members, in each case in their capacity as such to any of the foregoing, from any and all Causes of Action that arise out of or relate in any way to the Cases, any or all of the Debtors, the Plan, the Disclosure Statement and/or the Pre-Petition Credit Facilities, or any claim, act, fact, transaction, occurrence, statement or omission occurring at any time up to and including the Effective Date; provided, however, that nothing in this Section shall be construed to release any party from liability for willful misconduct or gross negligence as determined by a Final Order.

### **5. Other Releases.**

Each Person or Entity that does not elect to opt-out of the releases set forth in Section 9.3 of the Plan on such Person's or Entity's Ballot, for itself (in its capacity as a claimant with respect to the Claim relating to such Ballot) and its respective successors and assigns, transferees, officers and directors, agents, members, financial advisors, attorneys, employees, partners, representatives, in each case in their capacity as such, shall, solely in its capacity as a Holder, be deemed to have released the Creditor Released Parties, the Members, the Debtors' respective managers, officers and directors acting in such capacities as of the Effective Date, the managers, employees, agents, advisors, accountants, attorneys and representatives, their respective property, and all of the successors and assigns of the foregoing Persons and Entities, in each case acting in such capacities, from any and all Causes of Action that arise out of or relate in any way to the Cases, any or all of the Debtors, the Plan, the Disclosure Statement and/or the Pre-Petition Credit Facilities, or any claim, act, fact, transaction, occurrence, statement or omission occurring at any time up to and including the Effective Date that such Person or Entity would have been legally entitled to assert; provided, however, that nothing in this Section shall be construed to release any party from liability for willful misconduct or gross negligence as determined by a Final Order.

Each party to which Section 9.3 of the Plan applies shall be deemed to have granted the releases set forth therein, notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any statute or common law

principle, including section 1542 of the California Civil Code, which would limit the effect of such releases to those Claims or Causes of Action actually known or suspected to exist at the time of Confirmation. Section 1542 of the California Civil Code generally provides as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

## **6. Scope and Effect of Discharge.**

Pursuant to sections 524 and 1141(d) of the Bankruptcy Code and except as otherwise provided elsewhere in the Plan or the Confirmation Order, on the Effective Date, each of the Debtors, Reorganized Heartland, and the Estates shall be discharged and released from any and all Claims, Liens, and Interests that arose before the date the Bankruptcy Court enters the Confirmation Order, and any debts of a kind specified in sections 502(g), (h) or (i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code: (b) a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code, or (c) the Holder of a Claim based upon such debt has accepted the Plan. In addition, except as otherwise provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Allowed Claims under the Plan shall be in exchange for and in complete satisfaction, discharge and release of all Allowed Claims against the Debtors and any of their Assets, including any Allowed Claim for interest accruing after the Petition Date and prior to the Effective Date. On the Effective Date, except as otherwise provided in the Plan or the Confirmation Order, all Holders of Allowed Claims and Interests arising prior to the Effective Date shall be permanently barred and enjoined from asserting against the Debtors, Reorganized Heartland, New HoldCo, or any of their respective officers, directors, agents, employees, attorneys, professional advisors, successors or assigns or their assets, any other or further claims, debts, rights, causes of action, liabilities or equity interests arising out of any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

## **7. Injunction.**

The occurrence of the Effective Date shall serve to satisfy all Claims or Causes of Action arising out of any Claim addressed by the terms of the Plan and will operate as an injunction against (i) the commencement or continuation of an action, the employment of process, or an act, to collect or recover from, or offset against, property of the Debtors except as provided in the Plan and (ii) the commencement or continuation of an action, the employment of process, or an act, to collect or recover from, or offset against, property of any Creditor Released Party or any of the Members on account of any claims, rights or Causes of Action released pursuant to the Plan.

## **S. Retention of Jurisdiction.**

The Plan provides that following the Effective Date, the Bankruptcy Court shall retain jurisdiction over these Cases to the extent legally permissible, including without limitation such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are carried out.

## **T. Miscellaneous Provisions.**

### **1. Amendments.**

This Plan may be amended, modified or supplemented by the Debtors before the Effective Date and by Reorganized Heartland after the Effective Date, in each case only in the manner provided for by section 1127 of the Bankruptcy Code, Bankruptcy Rule 3019 and applicable law; provided, however, that no provision of this Plan shall have been amended, supplemented or otherwise modified without the prior written consent of the First Lien Agent.

### **2. Certain Actions.**

By reason of entry of the Confirmation Order, prior to, on or after the Effective Date (as appropriate), all matters provided for under the Plan that would otherwise require approval of directors or stockholders of the Debtors under the Plan, including, without limitation, (a) the issuance of the Class A/B Common Interests and, if applicable, the Class D Limited Voting Common Interests and Warrants pursuant to the Plan, (b) the distribution of Cash pursuant to the Plan, (d) the adoption, execution, delivery, and implementation of all contracts, leases, instruments, releases, and other agreements or documents related to the Plan, and (d) the adoption, execution, and implementation of other matters provided for under the Plan involving the Debtors or organizational structure of the Debtors, shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate), pursuant to the applicable general corporation, limited liability, or partnership law of the state in which the Debtors are chartered, organized or incorporated, without any requirement of further action by the directors and stockholders of the Debtors.

### **3. Compliance with Tax Requirements.**

In connection with the Plan, to the extent applicable, the Debtors, Reorganized Heartland or any agent thereof making disbursements in accordance with the Plan shall comply with all reporting and withholding requirements imposed on them by any governmental unit

### **4. Governing Law.**

Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, notwithstanding any conflicts of law principles, rules or laws to the contrary. The organizational documents of the Company and its Subsidiaries shall be governed by the laws of the State of Delaware.

### **5. Construction.**

The rules of construction set forth in section 102 of the Bankruptcy Code, and as set forth in the Plan, shall apply to the construction of the Plan.



## **6. Defects, Omissions and Amendments.**

The Debtors may, with the written consent of the First Lien Agent, and the approval of the Bankruptcy Court and without notice to all Holders of Claims or Equity Interests, insofar as it does not materially and adversely affect Holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary or desirable to implement the Plan. The Plan may with the written consent of the First Lien Agent be altered or amended before or after Confirmation as provided in section 1127 of the Bankruptcy Code if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of Holders of Claims, so long as the Plan, as modified, complies with sections 1122 and 1123 of the Bankruptcy Code and the Debtors have complied with section 1125 of the Bankruptcy Code. The Plan may with the written consent of the First Lien Agent be altered or amended before or after the Confirmation Date but, prior to substantial consummation, in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects Holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtor has complied with Bankruptcy Code section 1125 and, after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

## **7. Filing of Additional Documents.**

The Debtors may file with the Bankruptcy Court such agreements, instruments, pleadings, orders, papers or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

## **8. Exhibits.**

All exhibits attached to the Plan, any Plan Supplement that may be filed by the Debtors, and the Disclosure Statement are incorporated into the Plan. The final version of all Exhibits to the Plan, any Plan Supplement that may be filed by the Debtors, and the Disclosure Statement will be substantially in the forms attached to the Plan or thereto. The Debtors reserve the right to make nonsubstantive changes and corrections to such Exhibits in advance of the Confirmation Hearing. If any Exhibits are changed or corrected, the replacement Exhibits will be filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing.

## **9. Further Actions.**

Each of the Debtors and Reorganized Heartland shall be authorized to execute, deliver, file or record such documents, contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan.

## **10. Implementation.**

Upon Confirmation, the Debtors shall be authorized to take all steps and execute all documents necessary to effectuate the provisions contained in the Plan.

**11. No Waiver of Discharge.**

Except as otherwise specifically provided therein, nothing in the Plan shall be deemed to waive, limit or restrict in any way the discharge granted upon Confirmation of the Plan pursuant to section 1141 of the Bankruptcy Code.

**12. Notices.**

All notices required or permitted to be made in accordance with the Plan shall be in writing and shall be delivered personally or by nationally recognized overnight or next-day courier service, first class mail or via facsimile with electronic confirmation of receipt as follows:

**If to Debtors**

Young Conaway Stargatt & Taylor, LLP  
The Brandywine Building  
1000 West Street, 17th Floor  
P.O. Box 391  
Wilmington, DE 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253  
Attn: Robert S. Brady, Esquire  
Attn: Edwin J. Harron, Esquire  
Attn: Kenneth J. Enos, Esquire

**If to Reorganized Heartland**

Heartland Publications LLC  
1 West Main Street  
Clinton, CT 06413  
Telephone: (860) 664-1075  
Facsimile: (860) 664 - 1085  
Attn: Michael Bush

**If to GECC**

Sidley Austin LLP  
One South Dearborn Street  
Chicago, IL 60603  
Telephone: (312) 853-7000  
Fax: (312) 853-7036  
Attn: Larry J. Nyhan, Esquire  
Attn: Jessica C.K. Boelter, Esquire

**13. Plan Interest Rate.**

If and to the extent it is determined by the Bankruptcy Court that interest is required to be paid on any Allowed Priority Tax Claims, the interest rate to be used shall be determined by the Bankruptcy Court for such Claim.

**14. Post-Confirmation Effect of Evidences of Claims or Interests.**

From and after the Effective Date, all promissory notes and guarantees evidencing obligations of the Debtors and other evidences of Claims that arose prior to the Effective Date shall be deemed canceled, null, void, and of no force or effect whatsoever, and shall constitute no more than evidence of the Holder's right to treatment of the Claim so evidenced in accordance with the Plan.

**15. Record Date.**

To the extent a "Record Date" is required for implementation of the Plan, the record date shall be the voting record date established by the Bankruptcy Court in the order approving the Disclosure Statement or such other date as the Bankruptcy Court may set.

**16. Reservation of Rights.**

Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement or any Plan Supplement, nor the taking by any party in interest of any action with respect to the Plan, shall (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be or be deemed to be a waiver of any rights any party in interest may have (i) against any other party in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or in the Disclosure Statement or any Plan Supplement may be used or relied upon in any manner in any suit, action, proceeding or controversy within or without the Cases involving the Debtors, except with respect to Confirmation of the Plan.

**17. Revocation and Withdrawal of the Plan.**

Subject to the terms of the Plan, the Debtors reserve the right to revoke or withdraw the Plan at any time before entry of a Confirmation Order. If the Debtors, or either of the Debtors, as the case may be, revoke or withdraw the Plan prior to the Confirmation Date, or if Confirmation or the Effective Date does not occur with respect to either of the Debtors, then the Plan shall be deemed to be null and void. In such event, nothing contained in the Plan or in any document relating to the Plan shall be deemed to constitute an admission of validity, waiver or release of any Claims by or against the Debtors or any Person or to prejudice in any manner the rights of the Debtors or any Person in any proceeding involving the Debtors.

**18. Section 1145 Exemption.**

Pursuant to section 1145(a) of the Bankruptcy Code, neither section 5 of the Securities Act of 1933 nor any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, shall apply with respect to any security being offered, sold or transferred under the Plan, including without limitation to the Reorganized Heartland Equity Units and the New HoldCo Common Interests.

**19. Section 1146 Exemption.**

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, or the re-vesting, transfer or sale of any real or personal property of the Debtors or Reorganized Heartland pursuant to, in implementation of, or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee.

**20. Setoffs and Recoupment.**

Reorganized Heartland may, but shall not be required to, set off against or recoup from the Distributions to be made pursuant to the Plan in respect of a Claim, any claim of any nature whatsoever that the Debtors, their Estates, or Reorganized Heartland, as applicable, may have against the Holder of such Claim, but neither the failure to do so or the allowance of any Claim hereunder shall constitute a waiver or release of any such claim by the Debtors, their Estates, or Reorganized Heartland, against such Holder.

**21. Severability of Plan Provisions.**

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision then will be applicable as altered or interpreted; provided, however, that any such alteration or interpretation must be in form and substance acceptable to the Debtors. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**22. Substantial Consummation.**

On the Effective Date, the Plan shall be deemed substantially consummated under Bankruptcy Code sections 1101 and 1127(b).

**23. Successors and Assigns.**

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor or assign of such Person.

**24. Term of Injunctions or Stays.**

Unless otherwise provided in accordance with the Plan or an applicable order of the Bankruptcy Court, all injunctions or stays provided for in the Cases pursuant to sections 105 or 362 of the Bankruptcy Code shall remain in full force and effect until the Effective Date.

**25. Time.**

In computing any period of time prescribed or allowed by the Plan, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day or, when the act to be done is the filing of a paper in court, a day on which weather or other conditions have made the clerk's office for such court inaccessible, in which event the period runs until the end of the next day that is not one of the aforementioned days. When the period of time prescribed or allowed is less than eight (8) calendar days, intermediate days that are not Business Days shall be excluded from the computation.

**26. Waiver of Fourteen (14) Day Stay.**

The Debtors request as part of the Confirmation Order a waiver from the Bankruptcy Court of the fourteen (14) day stay of Bankruptcy Rule 3020(e) and, to the extent applicable, a waiver of the fourteen (14) day stay of Bankruptcy Rule 6004(g).

**27. Wind Up Budget.**

The Debtors shall obtain court approval of a budget to satisfy the costs associated with concluding the Cases and winding up the Estate of Holdings, which budget shall be in form and substance acceptable to the Debtors, the First Lien Agent and the "Required Lenders" under the Restructured Credit Facility. In connection with winding up the Estate of Holdings, the Reorganized Debtors will cooperate with Parent Holdco's preparation and filing of tax returns for the period through the effectiveness of the restructuring transactions contemplated by the Plan and will not file tax returns for entities that are disregarded for tax purposes.

**U. Executory Contracts and Unexpired Leases.**

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages, if any, incurred by reason of the rejection. In the case of the Debtors' rejection of leases of real property and employment agreements, such damage claims are subject to certain caps imposed by the Bankruptcy Code.

## **1. Rejection of Certain Executory Contracts.**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the Debtors will reject each of the Executory Contracts listed on Schedule 7.1; provided, however, that the Debtors reserve the right, at any time prior to the Effective Date, to amend Schedule 7.1 to (a) delete any Executory Contract listed therein, thus providing for its assumption pursuant to Section 7.2 or (b) add any Executory Contract thereto, thus providing for its rejection pursuant to this Section 7.1. The Debtors will file Schedule 7.1 with the Bankruptcy Court not later than 5 days before the Ballot Deadline and will provide notice of Schedule 7.1 to the non-Debtor parties to the Executory Contracts affected thereby and to those parties entitled to notice pursuant to Bankruptcy Rule 2002. The Debtors will provide notice of any amendments to Schedule 7.1 to the non-Debtor parties to the Executory Contracts affected thereby and to those parties entitled to notice pursuant to Bankruptcy Rule 2002. Each contract and lease listed on Schedule 7.1 will be rejected only to the extent that such contract or lease constitutes an Executory Contract. Listing a contract or lease on Schedule 7.1 will not constitute an admission by the Debtors or Reorganized Heartland that the contract or lease is an Executory Contract or that the Debtors or Reorganized Heartland have any liability thereunder. To the extent that after the Confirmation Date, the Bankruptcy Court, after notice and hearing, enters an order in the Cases authorizing the rejection of any Executory Contract, the resulting Rejection Claim shall be deemed a pre-petition breach of such Executory Contract under sections 365(g) and 502(g) of the Bankruptcy Code, with the result that as if such relief were granted and such order were entered prior to the Confirmation Date.

## **2. Executory Contracts Assumed if Not Rejected.**

On the Effective Date, except for an Executory Contract that is listed on Schedule 7.1 or was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court, each Executory Contract of every kind and nature entered into by the Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms prior to the Effective Date will be assumed by the Debtor that is a party thereto and assigned to Reorganized Heartland pursuant to section 365 of the Bankruptcy Code, except: (i) any Executory Contract that is the subject of a separate motion to reject filed pursuant to section 365 of the Bankruptcy Code by the Debtors before the entry of the Confirmation Order, provided, however, that upon denial or withdrawal of any such motion, such executory contract or unexpired lease shall automatically be deemed assumed as of the Effective Date; and (ii) any agreement, obligation, security interest, transaction or similar undertaking that the Debtors believe is not an Executory Contract that is later determined by the Bankruptcy Court to be an Executory Contract that is subject to assumption or rejection under section 365 of the Bankruptcy Code, which agreements shall be subject to assumption or rejection within 30 days of any such determination. Debtors will file the Cure Payment Schedule (Schedule 7.2) and will serve the Cure Payment Schedule on the counterparties whose executory contracts and unexpired leases are being assumed, and those parties entitled to notice pursuant to Bankruptcy Rule 2002, by no later than five (5) days prior to the Ballot Deadline. Any counterparty who objects to the cure amount set forth by the Debtors on the Cure Payment Schedule, or who objects to a Debtor's assumption and assignment of its executory contract or unexpired lease for any other reason, must file an objection with the Bankruptcy Court and serve such objection upon counsel for the Debtors by no later than the

Assumption Objection Deadline. All objections to assumption shall be heard at the Confirmation Hearing, or as otherwise agreed to by the parties or scheduled by the Court.

Each contract and lease set forth on the Cure Payment Schedule will be assumed only to the extent that such contract or lease constitutes an actual Executory Contract. The listing of a contract or lease on the Cure Payment Schedule does not constitute an admission by the Debtors or Reorganized Heartland that the contract or lease is an Executory Contract or that the Debtors or Reorganized Heartland have any liability thereunder. The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption and assignment by Reorganized Heartland of the Executory Contracts set forth on the Cure Payment Schedule as provided for by Section 7.2 of the Plan, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The Debtors reserve the right, at any time prior to the Confirmation Hearing, to amend the Cure Payment Schedule to (a) delete any Executory Contract listed therein, thus providing for its rejection pursuant to Section 7.1 of the Plan or (b) add any Executory Contract thereto, thus providing for its assumption pursuant to Section 7.2 of the Plan, upon notice to the counter party whose Executory Contract is being added to or deleted from the Cure Payment Schedule.

### **3. Bar Date for Rejection Claims.**

If the rejection of any Executory Contract under the Plan gives rise to a Claim by the non-Debtor party or parties to such Executory Contract, such Claim, to the extent that it is timely filed and is an Allowed Claim, shall be classified in Class 5, as appropriate; provided, however, that the Unsecured Claim arising from such rejection shall be forever barred and shall not be enforceable against the Debtors, Reorganized Heartland, their successors or properties, unless a proof of such Claim is filed and served on Reorganized Heartland within thirty (30) days after the date of notice of the entry of the order of the Court rejecting the Executory Contract, which may include, if applicable, the Confirmation Order. To the extent Rejection Claims initially are Disputed Claims, but subsequently become Allowed Claims, Reorganized Heartland shall pay such Rejection Claims in accordance with the Plan, but nothing therein shall constitute a determination that any such rejection gives rise to or results in a Claim or constitutes a waiver of any objections to such Claim by the Debtors, Reorganized Heartland or any party in interest.

## **V. Conditions Precedent to Effective Date.**

### **1. Conditions to Effective Date.**

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with Article X of the Plan:

(a) the Confirmation Order shall have been entered and shall have become a Final Order in form and substance acceptable to the Debtors and the First Lien Agent;

(b) the Restructured Credit Facility Agreement and all related documents provided for therein or contemplated thereby shall have been duly and validly executed and delivered by all parties thereto, and all conditions precedent thereto shall have been satisfied or waived in accordance with the terms thereof;

(c) all actions, documents and agreements necessary to implement the Plan shall have been or been deemed, effected or executed.

### **2. Waiver of Conditions.**

Except as prohibited by law or as otherwise provided in the Plan, the conditions set forth in Article X of the Plan may be waived by mutual agreement of the Debtors and the First Lien Agent.

## **VIII.**

### **DESCRIPTION OF NEW HOLDCO COMMON INTERESTS AND WARRANTS**

#### **A. General.**

The equity interests in New HoldCo will be represented by:

- Class A Voting Common Interests and Class B Limited Voting Common Interests to be issued to Holders of Allowed First Lien Claims;
- Class C Limited Voting Common Interests and Additional Management Equity Interests to be issued to management;
- Class D Limited Voting Common Interests to be issued to Holders of Allowed Second Lien Claims if Class 4 votes to accept the Plan; and
- Class E Limited Voting Common Interests to be issued upon exercise of Warrants to be issued to Holders of Interests in Holdings if Class 4 votes to accept the Plan.

Upon consummation of the Plan, Class A Voting Common Interests and Class B Limited Voting Common Interests will be entitled to 90% of the equity value of New HoldCo,



subject to dilution for the Class D Limited Voting Common Interests, the Additional Management Equity Interests and Warrants, all upon the terms and conditions set forth in the New HoldCo LLC Agreement.

Under the Management Incentive Plan, management will be entitled to the remaining 10% of the equity value of New Holdco, subject to dilution by the Class D Limited Voting Common Interests and Warrants.

If the Class D Limited Voting Common Interests and Warrants are issued pursuant to the Plan, then (i) the holders of Class D Limited Voting Common Interests will be entitled to receive 5% of any equity value of New HoldCo above an enterprise value of \$100,000,000, subject to dilution by the Warrants and the Additional Management Equity Interests and (ii) the holders of the Warrants will be entitled to purchase Class E Limited Voting Common Interests representing 5% of the fully diluted New HoldCo Common Interests at an exercise price based upon an equity value of \$50,000,000 (i.e., an enterprise value of \$120,000,000 less the \$70,000,000 of debt outstanding under the Restructure Credit Facility as of the Effective Date.)

#### **B. Conversion Rights.**

Each unit of Class B Limited Voting Common Interests may be converted, at the option of the holder thereof at any time, into a unit of Class A Voting Common Interests.

#### **C. Voting Rights.**

(i) Class A Voting Common Interests. Each holder of Class A Voting Common Interests will be entitled to one vote on all matters (including the election of members of the Board of Managers of New HoldCo) submitted to a vote of holders of New HoldCo Common Interests for each unit of Class A Voting Common Interests held. Holders of Class A Voting Common Interests will be entitled to a separate class vote on any amendment or modification of the New HoldCo LLC Agreement that adversely affects the rights or privileges of the Class A Voting Common Interests and that is not equally applicable to the Class B Limited Voting Common Interests.

(ii) Class B Limited Voting Common Interests. A holder of Class B Limited Voting Common Interests will not be entitled to general voting rights, but will be entitled to vote on an “as converted” basis (together with the holders of all other New HoldCo Common Interests, as a single class) on certain non-ordinary course transactions, each of which shall require the consent of the holders of sixty-six and two-thirds (66-2/3) of the votes entitled to be cast by the holders of the New HoldCo Common Interests, voting together as a single class. Those non-ordinary course transactions will include: (I) any authorization of, or increase in the number of authorized equity interests of, any class of equity interests ranking pari passu with or senior to the New HoldCo Common Interests as to dividends or liquidation preference, including additional New HoldCo Common Interests, (II) any amendment to New HoldCo’s certificate of formation or to the New HoldCo LLC Agreement, (III) any amendment to any agreement among the members of New HoldCo, (IV) any sale, lease or other disposition of all or substantially all of the assets of New HoldCo, Reorganized Heartland, any other subsidiary of New HoldCo, or

any division of New HoldCo, Reorganized Heartland or any such other subsidiary, (V) any sale, recapitalization, reorganization, consolidation or merger of New HoldCo, Reorganized Heartland or any other subsidiary of New HoldCo, (VI) any issuance or entry into an agreement for the issuance of equity interests (or any options or other securities convertible into equity interests) of New HoldCo, Reorganized Heartland or any of their respective subsidiaries, except upon conversion of Class B Limited Voting Common Interests, upon exercise of the Warrants or as may be provided for under the Management Equity Incentive Plan, and (VII) any redemption, purchase or other acquisition by New HoldCo of any of its equity interests (except for purchases from employees upon termination of employment).

(iii) Holders of Class A Voting Common Interests and Class B Limited Voting Interests will be entitled, in the aggregate, to 99% of the votes to be cast on any matter on which holders of New HoldCo Common Interests vote as a single class. Holders of Class B Limited Voting Common Interests will be entitled to a separate class vote on any amendment or modification that adversely affects the rights or privileges of the Class B Limited Voting Common Interests and that is not equally applicable to the Class A Voting Common Interests.

(iv) Class C Limited Voting Common Interests, Class D Limited Voting Common Interests, Class E Limited Voting Common Interests, and Additional Management Equity Interests. Holders of Class C Limited Voting Common Interests, Class D Limited Voting Common Interests, Class E Limited Voting Common Interests, and Additional Management Equity Interests will not be entitled to general voting rights but will be entitled, in the aggregate, to 1% of the votes to be cast on any matter on which holders of New HoldCo Common Interests vote as a single class.

#### **D. Drag-Along and Tag-Along Rights**

The New HoldCo LLC Agreement will contain, “drag-along” rights allowing the holders of a majority of the outstanding Class A/B Common Interests to require all holders of New HoldCo Common Interests to vote for and participate in a sale of all or substantially all of the assets of New HoldCo or a sale of a majority of the outstanding New HoldCo Common Interests to a single unaffiliated person or entity or group of related unaffiliated persons or entities, and “tag-along” rights allowing holders of the outstanding units of New HoldCo Common Interests to participate in any transaction that results in a sale of a majority of the outstanding New HoldCo Common Interests to a single unaffiliated person or entity or group of related unaffiliated persons or entities.

#### **E. Pre-emptive Rights**

If New HoldCo issues additional equity interests, each holder of New HoldCo Common Interests will have the right to purchase its pro rata share of the new equity interests, based on such holder’s fully diluted ownership of New HoldCo.

## **F. Strip Transfer Provisions**

The Senior Term Loans and New HoldCo Common Interests issued to the First Lien Lenders pursuant to the Plan must be transferred together in equal proportions and not separately.

## **IX.**

### **PROJECTIONS AND VALUATION**

The Debtors, with the assistance of their advisors, developed a set of financial projections (as summarized below and in Exhibit B hereto, the “Financial Projections”) to generally assess the value of Reorganized Heartland and, specifically, to determine the value of the interests to be distributed under the Plan. The Financial Projections and valuations set forth below and in Exhibit B hereto are based on a number of significant assumptions, including, among other things, the successful reorganization of the Debtors.

THE PROJECTIONS AND VALUATIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS. ACTUAL OPERATING RESULTS AND VALUES MAY VARY.

#### **A. Financial Projections.**

As a condition to confirmation of a plan, the Bankruptcy Code requires, among other things, that the Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor. In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this feasibility standard, the Debtors’ management have, through the development of the Financial Projections, analyzed the Debtors’ ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their business subsequent to their emergence from chapter 11. The Financial Projections were also prepared to assist holders of Allowed Claims entitled to vote on the Plan in determining whether to accept or reject the Plan.

The Financial Projections should be read in conjunction with the assumptions and qualifications set forth herein and in Exhibit B. The Financial Projections were prepared in good faith based upon assumptions believed to be reasonable. The Financial Projections, which were prepared during September of 2009, and reaffirmed as a reasonable estimate of Heartland’s future performance by Heartland’s management more recently, were based, in part, on economic, competitive, and general business conditions prevailing at the time. Any future changes in these conditions may materially impact the Reorganized Debtors’ ability to achieve the Financial Projections.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTORS’ INDEPENDENT ACCOUNTANT HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL

INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE DEBTORS DO NOT, AS A MATTER OF NORMAL COURSE, PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION, RESULTS OF OPERATIONS OR CASH FLOWS. ACCORDINGLY, THE DEBTORS DO NOT INTEND TO, AND DISCLAIM ANY OBLIGATION TO (A) FURNISH UPDATED PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO HOLDERS OF NEW STOCK IN REORGANIZED HEARTLAND OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE, (B) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC, OR (C) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

THESE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS' MANAGEMENT, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE FINANCIAL PROJECTIONS OR TO THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED AND, THUS, THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER.

FINALLY, THE FINANCIAL PROJECTIONS INCLUDE ASSUMPTIONS AS TO THE ENTERPRISE VALUE OF REORGANIZED HEARTLAND, THE FAIR VALUE OF ITS ASSETS, AND THEIR ACTUAL LIABILITIES AS OF THE EFFECTIVE DATE. REORGANIZED HEARTLAND WILL BE REQUIRED TO MAKE SUCH ESTIMATIONS AS OF THE EFFECTIVE DATE. SUCH DETERMINATION WILL BE BASED UPON THE FAIR VALUES AS OF THAT DATE, WHICH COULD BE MATERIALLY GREATER OR LOWER THAN THE VALUES ASSUMED IN THE FOREGOING ESTIMATES.

#### **1. Scope of Financial Projections and Summary of Significant Assumptions.**

Heartland, with the assistance of various professionals, prepared the Financial Projections for the fiscal years December 31, 2010 through December 31, 2014 (the "Projection Period"). The Financial Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of the Reorganized Debtors and the newspaper industry, general business and economic conditions and other matters, most of which are beyond the control of the Debtors or the Reorganized Debtors and their management.

Therefore, although the Financial Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will vary from the projected results. These variations may be material. Although Heartland believes that the assumptions underlying the Financial Projections, when considered on an overall basis, are reasonable in light of current circumstances, no representation can be or is being made with respect to the accuracy of the Financial Projections or the ability of the Reorganized Debtors to achieve the projected results of operations. In deciding whether to vote to accept or reject the Plan, claimants must make their own determinations as to the reasonableness of such assumptions and the reliability of the Financial Projections.

The Financial Projections are based on assumptions that are inherently uncertain and unpredictable. The operating and financial information contained in the Reorganized Debtors' projected financial data has been prepared by management and reflect management's current estimates of the Reorganized Debtors' future performance. The projections and assumptions have not been reviewed or independently verified by any third party. The projected results are dependent on the successful implementation of management's growth strategies and are based on assumptions and events over which, in many cases, the Reorganized Debtors will have only partial or no control. The selection of assumptions underlying such projected information require the exercise of judgment, and the projections are subject to uncertainty due to the effects that economic, business, competitive, legislative, political or other changes may have on future events. Changes in the facts or circumstances underlying such assumptions could materially affect the projections. To the extent that assumed events do not materialize, actual results may vary substantially from the projected results. As a result, no assurance can be made that the Reorganized Debtors will achieve the operating or financial results set forth in the financial projections, nor can there be any assurance that results will not vary, perhaps materially and/or adversely.

Any statements included in the Plan or the Disclosure Statement regarding plans, objectives, goals, strategies, future events or performance of the Reorganized Debtors, including the Financial Projections, are based on various assumptions, many of which in turn are based on other assumptions that management believes to be reasonable but which are inherently uncertain and unpredictable. The assumptions underlying projections may be incomplete and inaccurate, and unanticipated events and circumstances are likely to occur. For these reasons, actual results achieved during periods covered may vary from the Financial Projections, and such variations may be material or adverse. The projections are included solely to provide holders of Claims information concerning estimates of future operating results based on the assumptions, and no representation is intended that such results will be achieved. The Reorganized Debtors make no representation or warranty as to the accuracy or completeness of any of the foregoing information.

Additional information relating to the principal assumptions used in preparing the Financial Projections is set forth in detail on Exhibit B hereto.

## **B. Valuation of Reorganized Heartland.**

THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT TO PREDICT AND

WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION AND PROSPECTS OF SUCH A BUSINESS. THE ESTIMATES OF THE REORGANIZATION VALUE PREPARED BY DUFF & PHELPS REPRESENT THE HYPOTHETICAL ENTERPRISE VALUE OF REORGANIZED HEARTLAND. THE ESTIMATES OF THE REORGANIZATION VALUE PREPARED BY DUFF & PHELPS ASSUME THAT REORGANIZED HEARTLAND WILL CONTINUE AS THE OWNER AND OPERATOR OF ITS BUSINESS AND ASSETS. SUCH ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF THE FORMULATION AND NEGOTIATION OF THE PLAN AND THE ANALYSIS OF IMPLIED RELATIVE RECOVERIES TO CREDITORS AND INTEREST HOLDERS THEREUNDER. SUCH ESTIMATES REFLECT COMPUTATIONS OF THE RANGE OF THE ESTIMATED ENTERPRISE VALUE OF REORGANIZED HEARTLAND THROUGH THE APPLICATION OF VARIOUS VALUATION TECHNIQUES AND DO NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS, LIQUIDATION VALUES OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH THEREIN.

Duff & Phelps has assumed and relied upon the accuracy and completeness of all information (including the Financial Projections) provided to it by Heartland and certain publicly available information and has not assumed any responsibility for independent verification of such information or for any independent valuation or appraisal of any assets of the Debtors. Duff & Phelps has assumed, without independent investigation, the accuracy of all statements made by the Debtors' management and employees. Duff & Phelps has assumed that the Financial Projections are true and that they were reasonably prepared on bases reflecting the reasonable estimates and good faith judgments of Heartland's management as of the date of their preparation, and that management has informed Duff & Phelps of all circumstances occurring since such date that could make the Financial Projections incomplete or misleading. The valuation was delivered by Duff & Phelps with the explicit understanding that it is based on standards of assessment, including economic, market, political, legal and other conditions, in existence as of the date hereof and that standards of assessment may change in the future. Duff & Phelps disclaims any responsibility for any impact any such change may have on the assessment of the valuation of Reorganized Heartland set forth herein.

In preparing its analysis, Duff & Phelps, among other things, (i) reviewed certain financial statements of the Debtors for recent years and interim periods; (ii) reviewed certain internal financial and operating data prepared by Heartland; (iii) discussed the current operations and prospects of the business with Heartland's management; (iv) considered the financial forecasts and reviewed the assumptions underlying the financial forecasts prepared by Heartland's management; (v) reviewed publicly available information regarding certain companies engaged in businesses deemed reasonably comparable to that of Heartland; (vi) reviewed certain information regarding merger and acquisition transactions, to the extent publicly available, involving certain companies engaged in businesses deemed reasonably comparable to that of Heartland; (vii) considered certain economic and industry information relevant to Heartland's business; (viii) reviewed various documents relating to the Plan; and (ix) reviewed such other information, performed such other analyses and took into account such other factors as Duff & Phelps deemed relevant, necessary or appropriate.

SOLELY FOR PURPOSES OF THE PLAN, THE RANGE OF REORGANIZATION VALUE OF REORGANIZED HEARTLAND IS ESTIMATED TO BE APPROXIMATELY \$75.0 MILLION TO \$85.0 MILLION, WITH A MIDPOINT VALUE OF APPROXIMATELY \$80.0 MILLION, AS OF AN ASSUMED EMERGENCE DATE OF MARCH 31, 2010. THE ESTIMATED RANGE OF THE REORGANIZATION VALUE OF REORGANIZED HEARTLAND DOES NOT INCLUDE ANY VALUE FOR PRE-PETITION OR EXISTING TAX ATTRIBUTES THAT MAY OR MAY NOT BE AVAILABLE IN THE FUTURE. BASED UPON THE ESTIMATED RANGE OF THE REORGANIZATION VALUE OF REORGANIZED HEARTLAND OF APPROXIMATELY \$75.0 MILLION TO \$85.0 MILLION, AN ASSUMED TOTAL FUNDED DEBT AMOUNT OF APPROXIMATELY \$70.0 MILLION AND NO EXCESS CASH BALANCE, DUFF & PHELPS HAS DETERMINED AN IMPUTED ESTIMATE OF THE RANGE OF EQUITY VALUE FOR REORGANIZED HEARTLAND IS BETWEEN APPROXIMATELY \$5.0 MILLION AND \$15.0 MILLION, WITH A MID-POINT VALUE OF APPROXIMATELY \$10.0 MILLION. THE FOREGOING ESTIMATE OF THE REORGANIZATION VALUE OF REORGANIZED HEARTLAND IS BASED ON A NUMBER OF ASSUMPTIONS, INCLUDING A SUCCESSFUL REORGANIZATION OF THE DEBTORS' BUSINESS AND FINANCES IN A TIMELY MANNER, THE IMPLEMENTATION OF REORGANIZED HEARTLAND'S BUSINESS PLAN, THE ACHIEVEMENT OF THE FORECASTS REFLECTED IN THE PROJECTIONS ATTACHED AS EXHIBIT B, ACCESS TO ADEQUATE EXIT FINANCING, MARKET CONDITIONS THROUGH THE PERIOD COVERED BY THE PROJECTIONS, AND THE PLAN BECOMING EFFECTIVE IN ACCORDANCE WITH THE ESTIMATES AND OTHER ASSUMPTIONS DISCUSSED HEREIN.

### **C. Valuation Methodology.**

Duff & Phelps performed a variety of analyses and considered a variety of factors in preparing the valuation of Reorganized Heartland. Several generally accepted valuation methodologies for estimating enterprise value were used and applied to arrive at an enterprise value for Reorganized Heartland. Then, those separate enterprise values were aggregated into a total consolidated enterprise value for Reorganized Heartland. Duff & Phelps primarily relied on two methodologies: comparable public company analysis and discounted cash flow analysis. Duff & Phelps made judgments as to the significance of each analysis in determining the Debtors' indicated enterprise value range. Duff & Phelps considered the precedent transaction methodology but deemed that approach to be inapplicable given the recent industry turmoil and lack of recent relevant transactions. Duff & Phelps' valuation must be considered as a whole, and selecting just one methodology or portions of the analyses, without considering the analyses as a whole, could create a misleading or incomplete conclusion as to Reorganized Debtors' enterprise value.

In preparing its valuation estimate, Duff & Phelps performed a variety of analyses and considered a variety of factors, some of which are described herein. The following summary does not purport to be a complete description of the analyses and factors undertaken to support Duff & Phelps' conclusions. The preparation of a valuation is a complex process involving various determinations as to the most appropriate analyses and factors to consider, as well as the

application of those analyses and factors under the particular circumstances. As a result, the process involved in preparing a valuation is not readily summarized.

## **1. Comparable Public Company Analysis.**

A comparable public company analysis estimates value based on a comparison of the Debtors' financial statistics with the financial statistics of public companies that are generally similar to the Debtors (or any of their separate concepts/businesses). It establishes a benchmark for asset valuation by deriving the value of "comparable" assets, standardized using a common variable such as revenues, earnings, and/or cash flows. The analysis includes a detailed multi-year financial comparison of each company's income statement, balance sheet, and cash flow statement. In addition, each company's performance, profitability, margins, leverage and business trends were also examined. Based on these analyses, a number of financial multiples and ratios were calculated to gauge each company's relative performance and valuation. These multiples and ratios were then applied to appropriate representative levels of the Debtors' multiples and ratios to determine a range of relative values.

In performing the Comparable Public Company Analysis, the following publicly traded companies (the "Consolidated Peer Group") were deemed generally comparable to the Debtors' business and were selected:

- Regional / Community Newspaper Companies: Daily Journal Corp.; Journal Communications Inc.; Lee Enterprises Inc.; and Media General, Inc.
- National Newspaper Companies: Gannett Co., Inc.; The E.W. Scripps Company; The McClatchy Company; The New York Times Company; and Torstar Corporation.

Duff & Phelps analyzed the current and historical trading value utilizing both the book value and market value of debt securities for the Consolidated Peer Group as a multiple of the latest twelve months ("LTM"), projected fiscal year 2009 and projected fiscal year 2010 EBITDA. The projections used were based on the average of available Wall Street research analyst projections. The selected multiples derived from the Comparable Public Company Analysis were applied to the Debtors' projected fiscal year 2009 and projected fiscal year 2010 EBITDA to help determine the range of Enterprise Value for the Debtors.

## **2. Discounted Cash Flow Approach.**

The discounted cash flow ("DCF") valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a "forward looking" approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are generally similar to the Debtors (or any of their separate concepts/businesses). The expected future cash flows have two components: the present value of the projected unlevered after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing firm value beyond the time horizon of the Projections). Duff & Phelps' discounted cash flow valuation is based on the business plan Projections. Duff & Phelps discounted the projected cash



flows and terminal value using an estimated weighted average cost of capital of 13.0% to 15.0%. The terminal value was derived by applying a terminal multiple to the projected 2014 unlevered after-tax free cash flows. The terminal multiple was computed using the Gordon growth model, assuming a perpetuity growth rate of 1.5% to 2.5% and an estimated weighted average cost of capital of 13.0% to 15.0%.

This approach relies on the company's ability to project future cash flows with some degree of accuracy. Because Heartland's Projections reflect significant assumptions made by Heartland's management concerning anticipated results, the assumptions and judgments used in the Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized. Duff & Phelps cannot and does not make any representations or warranties as to the accuracy or completeness of the Debtors' Projections.

THE ESTIMATES OF THE REORGANIZATION VALUE AND EQUITY VALUE DETERMINED BY DUFF & PHELPS REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE IMPUTED ESTIMATE OF THE RANGE OF THE REORGANIZATION EQUITY VALUE OF REORGANIZED HEARTLAND ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE. ANY SUCH VALUE MAY BE MATERIALLY DIFFERENT FROM THE IMPUTED ESTIMATE OF THE REORGANIZATION EQUITY VALUE RANGE FOR REORGANIZED HEARTLAND ASSOCIATED WITH DUFF & PHELPS' VALUATION ANALYSIS.

## **X.**

### **CERTAIN RISK FACTORS TO BE CONSIDERED**

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

#### **A. Projected Financial Information**

The Financial Projections included in this Disclosure Statement are dependent upon the successful implementation of Reorganized Heartland's business plan and the validity of the assumptions contained therein. These projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, Reorganized Heartland's anticipated future performance, the future performance of the publishing industry, certain assumptions with respect to Reorganized Heartland's competitors, general business and economic conditions and other matters, many of which are beyond the control of Reorganized Heartland. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect Reorganized Heartland's

actual financial results. Although Reorganized Heartland believes that the Financial Projections are reasonably attainable, variations between the actual financial results and those projected may occur and be material.

## **B. Certain Bankruptcy Law Considerations**

### **1. Undue Delay in Confirmation of the Plan May Disrupt Heartland's Operations.**

Although the Plan is designed to minimize the length of the bankruptcy proceeding, it is impossible to predict with certainty the amount of time that Heartland may spend in bankruptcy or to assure parties-in-interest that the Plan will be confirmed. The continuation of the Cases, particularly if the Plan is not approved or confirmed in the time frame currently contemplated, could adversely affect operations and relationships with our advertisers, subscribers, vendors, and employees. If confirmation and consummation of the Plan do not occur expeditiously, the Cases could result in, among other things, increased costs for professional fees and similar expenses.

### **2. Failure to Obtain Confirmation of the Plan May Result in Liquidation or Alternative Plan on Less Favorable Terms.**

Although the Debtors believe that the Plan will satisfy all requirements for confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not be sufficiently material as to necessitate the resolicitation of votes on the Plan.

The Plan provides that the Debtors reserve the right to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, in view of the deemed rejection by Class 6. In the event that Class 4 fails to accept the Plan in accordance with section 1126(c) and 1129(a)(8) of the Bankruptcy Code, the Debtors reserve the right: (a) to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code; and/or (b) to modify the Plan in accordance with Section 11.1 thereof. While the Debtors believe that the Plan satisfies the requirements for non-consensual confirmation under section 1129(b) of the Bankruptcy Code because it does not “discriminate unfairly” and is “fair and equitable” with respect to the Classes that reject or are deemed to reject the Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can be no assurance that any such challenge to the requirements for non-consensual confirmation will not delay Reorganized Heartland's emergence from chapter 11 or prevent confirmation of the Plan.

If the Plan is not confirmed, there can be no assurance that the Cases will continue rather than be converted into chapter 7 liquidation cases or that any alternative plan or plans of reorganization would be on terms as favorable to the holders of Claims against any of the Debtors as the terms of the Plan. If a liquidation or protracted reorganization were to occur, there is a substantial risk that the Debtors' going concern value would be substantially eroded to the detriment of all stakeholders.

### **3. Failure of Occurrence of the Effective Date May Result in Liquidation or Alternative Plan on Less Favorable Terms.**

Although the Debtors believe that the Effective Date may occur shortly after the Confirmation Date, there can be no assurance as to such timing. The occurrence of the Effective Date is also subject to certain conditions precedent as described in Section 10.1 of the Plan. Failure to meet any of those conditions could result in the Plan not being consummated.

If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects; (b) any settlement of Claims or Interests provided for in the Plan shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtors may assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of one hundred twenty (120) days after the date the Confirmation Order is vacated.

If the Effective Date of the Plan does not occur, there can be no assurance that the Cases will continue rather than be converted into chapter 7 liquidation cases or that any alternative plan or plans of reorganization would be on terms as favorable to the holders of Claims against any of the Debtors as the terms of the Plan. If a liquidation or protracted reorganization of the Estates were to occur, there is a substantial risk that the Debtors' going concern value would be eroded to the detriment of all stakeholders.

### **4. Effect of the Cases on Relations With Customers and Subscribers**

The commencement of the Cases by the Debtors may adversely affect Heartland's businesses, cause certain advertisers to cease doing business with Heartland, and deter existing subscribers from renewing subscriptions and potential subscribers from entering new subscription agreements. Although Heartland believes that it has good relationships with its advertisers and that few effective alternative advertising channels exist in Heartland's local markets, there can be no assurance that such advertisers will continue to deal with Heartland during the pendency of these Cases, and with Reorganized Heartland after the Effective Date.

## **C. Risks Related to Heartland's Business and Operations**

### **1. Impact of the U.S. Economy**

Heartland's business is vulnerable to the U.S. economy and the varying economic and business cycles of its advertisers. The current economic recession has negatively impacted the financial condition of Heartland's advertisers, who have subsequently reduced their advertising expenditures. The prolongation or worsening of the current recession may have a material adverse effect on Heartland's financial condition.

### **2. Fluctuation in Operating Results and Income**

Heartland's business has generally been subject to certain fluctuations in operating results and incomes. These fluctuations result from, among other things, variations in advertising revenues; increases in the pricing of raw materials, including newsprint as Heartland does not generally enter into long-term raw materials contracts; variable rate interest expense;

Heartland's ability to implement cost reductions, efficiencies and other improvements in its business; Heartland's ability to fund capital expenditure requirements needed to maintain its competitive position; market acceptance of new products and services, such as ongoing internet and niche publication initiatives; compliance with environmental, health and safety laws and regulations; and general economic and political conditions and the cyclical nature of the newspaper industry.

### **3. Reliance on Key Personnel**

Heartland's success and future prospects depend on the continued contributions of its senior management and other key employees. Heartland's current financial position makes it difficult for it to retain key employees. There can be no assurances that Heartland would be able to find qualified replacements for these individuals if their services were no longer available. The loss of services of members of the senior management team, in particular, and other key employees could have a material adverse effect on Heartland's business, financial condition and results of operations.

### **4. Loss of Customers**

If significant numbers of Heartland's existing advertisers, single-copy customers, and subscribers ceased doing business with Heartland, and/or if Heartland were unable to generate new advertisers, single-copy customers, and subscribers, the Debtors could experience an adverse impact on their business, financial condition and results of operations. Heartland cannot be certain that any given advertiser, single-copy customer or subscriber in any given year will continue to use Heartland's services or purchase its products in subsequent years.

### **5. Reliance on A Limited Number of Key Suppliers and Vendors to Operate**

Heartland purchases certain raw materials, such as newsprint (one of its largest expenses), from a single or a small number of suppliers. The available sources of newsprint and other raw materials have been, and Heartland believes will continue to be, adequate to supply its needs. However, if Heartland experiences problems with these suppliers, it could fail to obtain sufficient resources at competitive pricing to operate its business successfully.

### **6. Publishing Industry Competition**

Heartland's business is concentrated primarily in small metropolitan and suburban areas in the Southeastern and Midwestern United States. Revenues in the newspaper industry primarily consist of advertising and paid circulation. Competition for advertising expenditures and paid circulation comes from local, regional and national newspapers, shopping guides, television, radio, direct mail, online services and other forms of communication and advertising media. Competition for newspaper advertising expenditures is based largely upon advertiser results, readership, advertising rates, demographics and circulation levels, while competition for circulation and readership is based largely upon the content of the newspaper, its price and the effectiveness of its distribution. Circulation revenue and the ability to achieve price increases for print products are affected by competition from other publications and other forms of media available in various markets, declining consumer spending on discretionary items like

newspapers and declining frequency of regular newspaper buying among young people. The Reorganized Debtors may face greater competition in the future due to lower barriers to entry that have been aided by new technologies and may incur increasing costs trying to compete for advertising expenditures and paid circulation. If the Reorganized Debtors are not able to compete effectively for advertising expenditures and paid circulation, their revenue may decline and their financial condition and results of operations may be adversely affected.

## **7. Advertising and Circulation Dependencies**

Heartland's advertising revenues and, to a lesser extent, circulation revenues, are dependent on a variety of factors specific to the communities that Heartland's publications serve. These factors include, among other things, the size and demographic characteristics of the local population, local economic conditions in general, and the related retail segments and labor markets in particular, as well as local weather conditions. Competition from other media, including other metropolitan, suburban and national newspapers, websites, magazines, direct marketing and solo and shared mail programs, affects, and may continue to affect, the Reorganized Debtors' ability to retain advertising clients and raise rates in the future.

The advertising revenue on which the newspaper industry is reliant is currently being impacted by macroeconomic trends, including, but not limited to, the downturn in the housing market, decline in consumer discretionary spending, high unemployment rate and a shift in advertising dollars from print to online media. These macroeconomic factors and other factors such as the turmoil in the automotive and retail industries affect and may continue to affect, industry-wide retail and classified advertising.

## **8. Cost of Newsprint**

The basic raw material for newspapers and shoppers is newsprint. Heartland's newsprint consumption related to their publications is expected to total approximately \$4.4 million or approximately 8% of total revenue in 2009. The Reorganized Debtors are unable to predict whether any price increase will take place or the amount or timing of any increase. The Reorganized Debtors inability to obtain an adequate supply of newsprint in the future or significant increases in newsprint costs could have a material adverse effect on their financial condition and results of operations.

## **9. Labor Unrest/Union Representation**

If Heartland experiences labor unrest, its ability to produce and deliver its products could be impaired. The vast majority of Heartland's employees are not currently represented by unions. If more of the Reorganized Debtors' employees were to become union-represented, the Reorganized Debtors could experience an adverse impact on their business, financial condition and results of operations.

## **10. Value of Assets**

It has been assumed in the preparation of the Plan that the value of Heartland's assets described in the Valuation of Reorganized Heartland generally approximates the fair value

thereof, except for specific adjustments discussed in the notes thereto. For financial reporting purposes, the fair value of the assets of Heartland must be determined as of the Effective Date. Although such valuation is not presently expected to result in values that are materially different than the values assumed in the preparation of the Plan, there can be no assurance with respect thereto.

## **11. Impact of Major Disaster**

Heartland's business and operations are concentrated in a few geographic locations and are thus vulnerable to major disasters such as fire, weather and acts of terrorism.

## **12. Legal Matters**

Heartland is a party to routine litigation incidental to its business. It is not anticipated that any current or pending lawsuit, either individually or in the aggregate, is likely to have a material adverse effect on Heartland's financial condition. However, no assurances can be provided that Heartland will be able to successfully defend or settle all pending or future purported claims, and Heartland's failure to do so may have a material adverse effect.

### **D. Risks Relating to the Restructured Credit Facility Agreement**

#### **1. Capital Requirements**

The business of the Reorganized Debtors is expected to have certain capital expenditure needs. While Heartland's Projections assume that operations and post-Effective Date borrowings will generate sufficient funds to meet capital expenditure needs for the foreseeable future, the Reorganized Debtors' ability to gain access to additional capital, if needed, cannot be assured, particularly in view of competitive factors and industry conditions.

#### **2. Debt Covenants that may Restrict Reorganized Debtors' Financial and Operating Flexibility**

The Restructured Credit Facility Agreement can be expected to contain customary restrictive covenants, which have not yet been negotiated.

#### **3. Leverage, Liquidity, and Capital Requirements**

In addition to cash generated by operations, the Reorganized Debtors' principal source of liquidity following their emergence from bankruptcy will be the New Revolver. After the Effective Date of the Plan, the Reorganized Debtors will face liquidity requirements, including working capital requirements and repayment of the Reorganized Debtors' obligations under the Restructured Credit Facility. While Heartland believes that the Reorganized Debtors will have adequate liquidity to meet requirements following the Effective Date of the Plan, no assurances can be made in this regard. Furthermore, the ability of the Reorganized Debtors to gain access to additional capital if needed, whether through equity offerings or debt financing, cannot be assured. Any inability of the Reorganized Debtors to obtain the New Revolver or additional financing, as needed, service their indebtedness, or comply with the financial

covenants contained in the debt instruments issued pursuant to the Plan could have a material adverse effect on the Reorganized Debtors.

## **E. Risks Relating to the New HoldCo Common Interests**

### **1. No Market for New HoldCo Common Interests**

It is anticipated that there will be no active trading market for the New HoldCo Common Interests. The New HoldCo Common Interests are subject to restrictions on transfer, and the Reorganized Debtors have no present intention to register any of the securities under the Securities Act, nor to apply to list any of the foregoing on any national securities exchange. Accordingly, there can be no assurance that any market will develop or as to the liquidity of any market that may develop for any such securities. In addition, the Reorganized Debtors will not be required to file periodic reports with the SEC or otherwise provide financial or other information to the public which may further impair liquidity and prevent brokers or dealers from publishing quotations. The lack of liquidity may adversely affect the price at which the New HoldCo Common Interests and Warrants may be sold, if at all.

### **2. New HoldCo Common Interests May be Subject to Restrictions Resulting from New HoldCo LLC Agreements**

The shares of New HoldCo Common Interests will be subject to the terms and restrictions of the New HoldCo LLC Agreement which will contain certain terms and restrictions that may adversely affect the rights of holders of New HoldCo Common Interests and could adversely affect the price, value and liquidity of the New HoldCo Common Interests. All holders of Claims and Interests receiving New HoldCo Common Interests under the Plan, by acceptance of such newly issued shares, will be bound by the terms of the New HoldCo LLC Agreement to the maximum extent permitted by applicable law, including the Bankruptcy Code. The New HoldCo LLC Agreement may provide for, among other things, (i) approval rights regarding certain significant transactions involving Reorganized Heartland, (ii) “drag along” and/or “tag along” rights triggered upon certain sales or dispositions of the capital stock of Reorganized Heartland, pursuant to which holders may be required to sell all their shares of New HoldCo Common Interest and/or entitled to sell all or a portion of their New HoldCo Common Interest and (iii) other terms, conditions and restrictions that may adversely effect the price, value and liquidity of the New HoldCo Common Interests.

### **3. Distribution Policies**

It is expected that all of the Reorganized Debtors’ cash flow will be required to be used in the foreseeable future (a) to make payments under the Restructured Credit Facility Agreement, (b) to fund the Reorganized Debtors’ other obligations under the Plan, and (c) for working capital and capital expenditure purposes. Accordingly, Reorganized Heartland does not anticipate making distributions on the New HoldCo Common Interests in the foreseeable future.

#### **4. Dilution of Interests in New HoldCo**

The Class A/B Interests may be diluted by (i) additional equity issued, and/or cash payments made, pursuant to the Management Equity Incentive Plan, (ii) any Class D Limited Voting Common Interests that may be issued to Holders of Allowed Second Lien Claims, (iii) any Warrants that may be issued to Holders of Interests in Holdings and (iv) any additional equity of New HoldCo that may be issued in future transactions.

The Management Equity Incentive Plan will provide for management of the Reorganized Debtors to receive profits interests in the form of Class C Limited Voting Common Interests that will be entitled to 10% of any equity value of New HoldCo above the aggregate fair market value of all HoldCo equity on the date such profits interests are granted and to receive, under certain circumstances, cash payments equal to 10% of any equity value that is not captured by the Class C Limited Voting Common Interests. The Management Equity Incentive Plan also will provide for management of the Reorganized Debtors to receive additional equity interests that will be entitled to up to 5% of any equity value of New HoldCo in excess of levels to be agreed upon therein.

If the Class D Limited Voting Common Interests and Warrants are issued pursuant to the Plan, then (i) the holders of Class D Limited Voting Common Interests will be entitled to receive 5% of any equity value of New HoldCo above an enterprise value of \$100,000,000, subject to dilution by the Warrants and the Additional Management Equity Interests and (ii) the holders of the Warrants will be entitled to purchase Class E Limited Voting Common Interests representing 5% of the fully diluted New HoldCo Common Interests at an exercise price based upon an equity value of \$50,000,000 (i.e., an enterprise value of \$120,000,000 less the \$70,000,000 of debt outstanding under the Restructured Credit Facility as of the Effective Date.)

Interests in New HoldCo may be further diluted by issuances of additional equity in connection with future corporate transactions, such as a merger or acquisition, approved by the board of managers of New HoldCo and the holders of at least 66-2/3% of votes entitled to be cast by the holders of the New HoldCo Common Interests, voting together as a single class.

### **XI.**

#### **CONFIRMATION PROCEDURE**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

##### **A. Solicitation of Votes.**

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims and Interests in Classes 3 and 4 of the Plan are or may be Impaired and are entitled to vote to accept or reject the Plan. The Claims and Interests in Classes 1 and 2 are unimpaired. The holders of Allowed Claims in Classes 1 and 2 are conclusively presumed to have accepted the



Plan and the solicitation of acceptances with respect to such Class therefore is not required under section 1126(f) of the Bankruptcy Code.

As to Classes of Claims entitled to vote on the Plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan.

A vote may be disregarded if the Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any Claim in Class 3 or 4 to which an objection or request for estimation is pending, or which is scheduled by the Debtors as unliquidated, disputed or contingent and for which no proof of claim has been filed, is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, the Debtors propose that Ballots cast by alleged creditors whose claims (a) are not listed on the Debtors' Schedules of liabilities or (b) are listed as disputed, contingent and/or unliquidated on the Debtors' Schedules of liabilities, but who have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate claim amount requirements of that section.

## **B. The Confirmation Hearing**

The Bankruptcy Code requires the Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for \_\_\_\_\_, 2009 at \_\_\_\_\_, prevailing Eastern Time, before the Honorable Kevin Gross at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim(s) or other Interest(s) held by the objector. Any such objection must be filed with the Court and served so that it is received by the Court and the following parties and the other parties requesting notice in these cases on or before \_\_\_\_\_ at \_\_\_\_\_:

The Debtors: Heartland Publications, LLC, 1 West Main Street, Clinton, CT 06413, attention: Michael Bush, with a copy to Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17<sup>th</sup> Floor, P.O. Box 391, Wilmington, Delaware 19801, attention: Robert S. Brady, Esq. and Edwin J. Harron, Esq., Tel: (302) 571-6600, Fax: (302) 571-1253.

The Creditors Committee: TBA

GECC: Sidley Austin LLP, Bank One Plaza, One South Dearborn Street, Chicago, IL 60603, attention: Larry J. Nyhan, Esq. and Jessica C.K. Boelter, Esq., Tel: (312) 853-7000, Fax: (312) 853-7036

The Office of the United States Trustee, 844 King Street, Suite 2207, Wilmington, Delaware 19801, attention: Jane Leamy, Esq., Tel.: (302) 573-6491, Fax: (302) 573-6497.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and orders of the Court.

### **C. Confirmation.**

At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (ii) feasible and (iii) in the “best interests” of creditors and equity interest holders that are impaired under the plan.

#### **1. Acceptance.**

Classes 3, 4, 5, and 6 of the Plan are or may be Impaired under the Plan. Classes 1 and 2 of the Plan are unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan. Class 5 will be unimpaired and conclusively deemed to have accepted the Plan if Class 4 votes to accept the Plan, and will be conclusively deemed to have rejected the Plan if Class 4 rejects the Plan. Class 6 is an impaired Class and is deemed to have voted to reject the Plan. Therefore, Classes 5 and 6 are not entitled to vote to accept or reject the Plan. Thus, only Classes 3 and 4 is entitled to vote to accept or reject the Plan. To the extent one or more classes entitled to vote on the Plan rejects the Plan, the Debtors will seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code, with respect to such Classes.

#### **2. Unfair Discrimination and Fair and Equitable Tests.**

To obtain nonconsensual confirmation of the Plan, also referred to as a “cram down,” it must be demonstrated to the Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each Impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code provides that a plan is “fair and equitable” with respect to a class of creditors or equity holders if:

(a) Secured Creditors. Either (i) each Impaired creditor retains its Liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its Allowed secured claim, (ii) each Impaired secured creditor realizes the “indubitable equivalent” of its Allowed secured claim or (iii) the property securing the claim is sold free and clear of Liens with such Liens to attach to the proceeds of the sale and the treatment of such Liens on proceeds to be as provided in clause (i) or (ii) of this subparagraph.

(b) Unsecured Creditors. Either (i) each Impaired unsecured creditor receives or retains under the Plan property of a value equal to the amount of its Allowed Claim or (ii) the holders of Claims and Interests that are junior to the Claims or Interests of the nonaccepting class will not receive any property under the Plan.

(c) Interests. Either (i) each holder of an Interest will receive or retain under the Plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of its interest or (ii) the holder of an Interest that is junior to the nonaccepting class will not receive or retain any property under the Plan.

### **3. Feasibility**

The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by a liquidation or the need for further financial reorganization of the debtor. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. Based upon the Financial Projections attached as Exhibit B and the assumptions set forth therein, the Debtors believe that Reorganized Heartland will be able to make all distributions required pursuant to the Plan and to fund its operations going forward and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

### **4. Best Interests Test**

With respect to each Impaired Class of Claims and Equity Interests, Confirmation of the Plan requires that each holder of an Allowed Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of Claims and Equity Interests in each Impaired Class would receive if the Debtors were liquidated under chapter 7, the Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered Cash, if any, held by the Debtors at the time of the commencement of the liquidation case. Such Cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative and priority claims that might result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases. The foregoing types of claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Cases, including any unpaid expenses incurred by the Debtors and the Creditors Committee

during the Chapter 11 Cases such as compensation for attorneys, financial advisors and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Allowed Unsecured Claims.

To determine if the Plan is in the best interests of each Impaired Class, the value of the distributions from the proceeds of a liquidation of the Debtors' unencumbered assets and properties, after subtracting the amounts attributable to the foregoing claims, are then compared with the value of the property offered to such Classes of Claims and Interests under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors and Interest holders in the Chapter 11 Cases, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the likely erosion in value of assets in a chapter 7 case in the context of an expeditious liquidation and the "forced sale" atmosphere that would prevail under chapter 7 and (iii) the substantial increases in Claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim or Interest with a recovery that is not less than such holder would receive pursuant to a liquidation of the Debtors under chapter 7.

The Debtors' Liquidation Analysis is attached hereto as Exhibit C. The information set forth in Exhibit C provides a summary of the liquidation values of the Debtors' assets, assuming a chapter 7 liquidation in which a trustee appointed by the Court would liquidate the assets of the Debtors' estates. The Liquidation Analysis was prepared by the Debtors with the assistance of Duff & Phelps. As reflected in Exhibit C, because the estimated liquidation value of the Debtors' estates is less than the amount of the First Lien Claims, nothing would be available for distribution to holders of Second Lien Claims, General Unsecured Claims and Interests.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to undergo such a liquidation. The chapter 7 liquidation period is assumed to be a period of 6 months, allowing for, among other things, the (i) discontinuation of the Debtors' operations, (ii) sale of assets and (iii) collection of receivables.

## **XII.**

### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) an alternative plan of reorganization or a plan of liquidation.

**A. Alternative Plan of Reorganization or Plan of Liquidation.**

If the Plan is not confirmed, the Court could confirm a different plan. The Plan is, in essence, a reorganization of Heartland's business and a different plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets. The Debtors believe that the Plan, as described herein, enables creditors and interests holders to realize the highest and best value under the circumstances. The Debtors believe that any liquidation of the Debtors' assets or alternative form of chapter 11 plan is a much less attractive alternative to creditors than the Plan because of the far greater returns and certainty provided by the Plan. Other alternatives could involve diminished recoveries, significant delay, uncertainty, and substantial additional administrative costs. The Debtors believe that their Plan provides the best recovery to their creditors.

**B. Liquidation Under Chapter 7.**

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by chapter 7 of the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analysis attached as Exhibit C to this Disclosure Statement. For the reasons articulated therein, the Debtors believe that a liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan.

**XIII.**

**CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

**IRS Circular 230 disclosure:** To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter that is contained in this document.

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to holders of Claims in Classes 3, 4, and 5, and to the Debtors. It does not address the federal income tax consequences to holders whose secured or priority Claims are entitled to reinstatement or payment in full in Cash under the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated and proposed thereunder, judicial decisions, and published administrative rules and pronouncements of the IRS in effect on the date hereof. Changes in, or new interpretations of, such rules may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the

interpretation that the IRS will adopt. In addition, this summary does not address foreign, state, or local tax consequences of the Plan, and it does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities)).

**ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.**

**A. Consequences to Creditors.**

The exchange of any Claims for Cash or other property would constitute a taxable transaction. A holder of Claims would generally recognize gain or loss in an amount equal to the difference between (a) the “amount realized,” *i.e.*, the Cash and/or aggregate fair market value of all property received by the Claim holder in exchange for its Claim (other than a Claim for interest), and (b) its adjusted basis in the exchanged debt instruments (exclusive of any basis attributable to accrued interest).

The character of any gain or loss recognized as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder, whether the Claim has been held for more than twelve (12) months, whether the Claim was purchased at a discount (in which case the market discount rules of the Tax Code may apply to recharacterize a portion of any gain as ordinary income), and whether and to what extent the holder has previously claimed a bad debt deduction in respect of such Claim. Also in this regard, Tax Code Section 582(c) provides that the sale or exchange of a bond, debenture, note, certificate, or other evidence of indebtedness by certain financial institutions will be considered the sale or exchange of a non-capital asset. Accordingly, any gain or loss recognized by such financial institutions as a result of the implementation of the Plan will be ordinary gain or loss, regardless of the nature of their Claims. See also section B below (“Additional Tax Considerations for All Holders of Claims”).

A holder’s tax basis in any property received for a Claim will be the fair market value thereof included in the holder’s amount realized on the exchange. The holding period for the property so received will begin on the day following the exchange.

## **B. Additional Tax Considerations for All Holders of Claims.**

### **1. Distributions in Discharge of Accrued Interest.**

A Claim holder that receives property in discharge of a Claim for interest accrued during the period the holder owned such Claim and not previously included in such holder's income will be required to recognize ordinary income equal to the fair market value of the consideration received in respect of such Claim. A holder generally will recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent any accrued interest claimed was previously included in its gross income and is not paid in full by the Debtors. The tax basis of any property received in exchange for Claims for accrued interest will be the fair market value of such property. The holding period for such property will begin the day after the exchange.

Under the Plan, distributions in respect of Allowed Claims will be allocated first to the stated principal amount of such Claims, with any excess allocated to interest. However, there can be no assurance that the IRS or the courts will respect the Plan allocation for federal income tax purposes.

### **2. Subsequent Sale of Interests**

Any gain recognized by a holder upon a subsequent taxable disposition of equity interests in Reorganized Heartland received pursuant to the Plan in satisfaction of a Claim (or any equity interest or other property received for them in a later tax-free exchange) may be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) previously claimed with respect to its Claim and any ordinary loss deduction incurred upon satisfaction of its Claim, less any income (other than interest income) recognized by the holder upon satisfaction of its Claim, (ii) with respect to a cash-basis holder, any amounts that would have been included in its gross income if the holder's Claim had been satisfied in full but were not included by reason of the cash method of accounting, and (iii) any accrued market discount that is assigned to the equity interest in Reorganized Heartland, as discussed in subsection B.3 below ("Additional Tax Considerations for All Holders of Claims - Market Discount").

### **3. Market Discount.**

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, some or all of any gain recognized by a holder may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on such claims. In general, a debt instrument is considered to have been acquired with "market discount" if its holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or, (ii) in the case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity), and the obligation does not have a fixed maturity date within one year from the date of issue.

Any gain recognized by a holder on a taxable disposition of Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claims were considered to be held by the holder (unless the holder elected to include market discount in income as it accrued).

#### **4. Withholding.**

All distributions to holders of Allowed Claims under the Plan are subject to applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to “backup withholding” at a 28% rate. Backup withholding generally applies if the holder (a) fails to furnish its social security number or other TIN, (b) furnishes an incorrect TIN, (c) fails to report properly interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding.

#### **C. Consequences to the Debtors.**

Each of the Debtors is a single-member limited liability company that has not elected to be taxed as a corporation for federal income tax purposes. As a result, for federal income tax purposes, each of the Debtors is a disregarded entity that is not required to (a) pay federal income taxes or (b) make informational tax filings. Accordingly, the implementation of the Plan should not result in federal income tax liability on the part of either of the Debtors. Any federal income tax liability that may arise from the implementation of the Plan should be recognized and reported by Holdings’ sole member, Heartland Holdco, and/or Heartland Holdco’s members. Such parties should consult their own tax advisors.

THE FOREGOING FEDERAL INCOME TAX SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS AND EQUITY HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF THE PLAN.



**XIV.**

**CONCLUSION**

The Debtors believe that confirmation of the Plan is in the best interests of all Creditors and Interest holders and urge all creditors who receive ballots to vote in favor of the Plan.

Dated: January 6, 2010

**HEARTLAND PUBLICATIONS, LLC**

By: /s/ Michael C. Bush

Name: Michael C. Bush

Title: Chief Executive Officer

**HEARTLAND PUBLICATIONS HOLDINGS, LLC**

By: /s/ Michael C. Bush

Name: Michael C. Bush

Title: Member