

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

In re:)	
)	Chapter 11
NEBRASKA BOOK COMPANY, INC., <i>et al.</i> , ¹)	
)	Case No. 11-12005 (PJW)
Debtors.)	
)	Jointly Administered

**DISCLOSURE STATEMENT RELATING TO
THE THIRD AMENDED JOINT PLAN OF REORGANIZATION
OF NEBRASKA BOOK COMPANY, INC., *ET AL.*, PURSUANT TO CHAPTER 11 OF THE
BANKRUPTCY CODE**

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Dated: April 10, 2012

¹ The debtors in the Chapter 11 Case, along with the last four digits of each debtor's federal tax identification number include: Nebraska Book Company, Inc. (9819); Campus Authentic LLC (9156); College Bookstores of America, Inc. (9518); NBC Acquisition Corp. (3347); NBC Holdings Corp. (7477); NBC Textbooks LLC (1425); Net Textstore LLC (6469); and Specialty Books, Inc. (4807). The location of the debtors' service address is: 4700 South 19th Street, Lincoln, Nebraska 68512.



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Important Information About this Disclosure Statement

This disclosure statement (this “Disclosure Statement”) provides information regarding the *Second Amended Joint Plan of Reorganization of Nebraska Book Company, Inc., Et Al., Pursuant to Chapter 11 of the Bankruptcy Code* (the “Plan”) that Nebraska Book Company, Inc. and the other debtors in the above-captioned chapter 11 cases (collectively, the “Debtors”) are seeking to have confirmed by the Bankruptcy Court. A copy of the Plan is attached as **Exhibit A** hereto. All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Plan. The Debtors believe that the Plan is in the best interests of all Holders of Claims and Interests. The Debtors urge all Holders of a Claim or Interest entitled to vote on the Plan to vote in favor of the Plan.

Confirmation and Consummation of the Plan are subject to certain material conditions precedent described in Article IX of the Plan. There is no assurance that the Plan will be confirmed or, if confirmed, that such material conditions precedent will be satisfied or waived.

You are encouraged to read this Disclosure Statement in its entirety, including the Plan, and the Section herein entitled “Risk Factors” prior to submitting your ballot to vote to accept or reject the Plan.

The Bankruptcy Court’s approval of this Disclosure Statement does not constitute a guarantee of the accuracy or completeness of the information contained herein or an endorsement of the merits of the Plan by the Bankruptcy Court.

Summaries of the Plan and statements made in this Disclosure Statement in connection therewith are qualified in their entirety by reference to the Plan, the exhibits and schedules attached to the Plan, and the Plan Supplement. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to the Plan and obtaining Confirmation and may not be relied upon for any other purpose. The Debtors believe that the summary of certain provisions of the Plan and certain other documents and financial information contained or referenced in this Disclosure Statement is fair and accurate. The summaries of the financial information and the documents attached to this Disclosure Statement, or otherwise incorporated herein by reference, are qualified in their entirety by reference to those documents. In the event of any inconsistency between this Disclosure Statement and the Plan, the relevant provision of the Plan, as it relates to such inconsistency, shall govern.

No representations concerning the Debtors or the value of the Debtors’ property has been authorized by the Debtors other than as set forth in this Disclosure Statement. Any information, representations, or inducements made to obtain acceptance of the Plan, which are other than or inconsistent with the information contained in this Disclosure Statement and in the Plan, should not be relied upon by any Holder of a Claim or Interest entitled to vote to accept or reject the Plan.

Neither the United States Securities and Exchange Commission (“SEC”) nor any similar federal, state, local, or foreign regulatory agency has approved or disapproved of the offered securities or the Plan or passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement, but the financial information contained in, or incorporated by reference into, this

Disclosure Statement has not been, and will not, be audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

The shares of the common stock to be issued pursuant to the Plan (the "New Common Equity") as described in this Disclosure Statement will be issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), or similar federal, state, local, or foreign laws, in reliance on the exemptions from the registration requirements of those laws and the exemption set forth in section 1145 of the Bankruptcy Code and other applicable exemptions in foreign jurisdictions. Other shares of the New Common Equity may be issued pursuant to other applicable exemptions under the federal and foreign securities laws. To the extent exemptions from registration other than section 1145 apply, such securities may not be offered or sold except pursuant to a valid exemption or registration under the Securities Act or similar foreign laws.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under the federal securities laws. The Debtors consider all statements regarding anticipated or future matters, including the following, to be forward-looking statements:

- any future effects as a result of the pendency of the Chapter 11 Cases;
- growth opportunities for existing service;
- projected general market conditions;
- disruption of operations;
- projected cost reductions;
- contractual obligations;
- budgets;
- plans and objectives of management for future operations;
- financing plans;
- business strategy;
- potential asset sales;
- competitive position; and
- the Debtors' expected future financial position, liquidity, results of operations, profitability, and cash flows.

Statements concerning these and other matters are not guarantees of the Debtors' future performance. Such statements represent the Debtors' estimates and assumptions only as of the date such statements were made. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be materially different from those they may project, and the Debtors undertake no obligation to update any such statement. These risks, uncertainties, and factors include:

- lower prices for the Debtors' goods or a decline in the Debtors' market share due to competition or price pressure by customers;
- the Debtors' ability to confirm and consummate the Plan;
- inability to have claims discharged or settled during the Chapter 11 Cases;
- continued decline in the general economic, business, and market conditions where the Debtors operate;
- the Debtors' ability to reduce their overall financial leverage;
- financial conditions of the Debtors' customers;

- changes in laws and regulations;
- interest rate fluctuations;
- customer response to the Chapter 11 Cases;
- limited access to capital resources;
- cost of raw materials;
- labor costs;
- adverse tax changes;
- commodity prices, including cost of producing textbooks and general merchandise;
- seasonality; and
- the Debtors' ability to implement cost reduction initiatives in a timely and effective manner.

I. Questions and Answers Regarding this Disclosure Statement and the Plan

Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of a proposed plan, 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 regarding whether to accept or reject the Plan. This Disclosure Statement is being submitted in respect of the Plan in accordance with such requirements.

Am I entitled to vote to accept or reject the Plan? What will I receive from the Debtors if the Plan is consummated?

Your ability to vote and your distribution, if any, depend on what kind of Claim or Interest that you hold. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. Such Claims must be satisfied in full in Cash on the Effective Date or, in the case of Priority Tax Claims, within five years of the Petition Date in accordance with section 1129(a)(9)(C) of the Bankruptcy Code. Administrative Claims and Priority Tax Claims are not entitled to vote to accept or reject the Plan and are conclusively deemed to have accepted the Plan. The remainder of Claims and Interests are classified into the following Classes and their respective voting statuses and anticipated recoveries are as follows:

Class	Claims and Interests	Estimated Amount of Claim or Interest	Status	Anticipated Recovery %	Voting Rights
Class 1	Senior Secured Notes Claims	\$200 million ²	Impaired	81% ³	Entitled to Vote
Class 2	Other Secured Claims	\$700,000–\$800,000	Unimpaired	100%	Not Entitled to Vote (Deemed to Accept)
Class 3	Other Priority Claims	\$700,000–\$900,000	Unimpaired	100%	Not Entitled to Vote (Deemed to Accept)
Class 4	8.625% Notes Claims	\$179 million	Impaired	3%	Entitled to Vote
Class 5	General Unsecured Claims	\$11–14 million	Impaired	4%	Entitled to Vote
Class 6	AcqCo Notes Claims	\$79 million	Impaired	0%	Not Entitled to Vote (Deemed to Reject)
Class 7	Intercompany Claims	N/A	Unimpaired	100%	Not Entitled to Vote (Deemed to Accept)
Class 8	Intercompany Interests	N/A	Unimpaired	100%	Not Entitled to Vote (Deemed to Accept)
Class 9	HoldCo Interests	N/A	Impaired	N/A	Not Entitled to Vote (Deemed to Reject)
Class 10	Subordinated Securities Claims	\$0	Impaired	N/A	Not Entitled to Vote (Deemed to Reject)

For more information about the treatment of Claims and Interests, see the Section herein entitled “Treatment of Claims and Interests Under the Plan.”

If the Plan provides that I get a distribution, when do I get it, and what do you mean when you refer to “Confirmation,” “Effective Date,” and “Consummation”?

Confirmation of the Plan refers to the Bankruptcy Court’s approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan, there are conditions (described in Article IX of the Plan) that need to be satisfied or waived so that the Plan can be consummated and become effective. References to the Effective Date mean the date that all conditions to the Plan have been satisfied or waived, at which point the Plan may be “consummated.” Distributions only will be made after Consummation of the Plan. See the Section herein entitled “Confirmation of the Plan,” for a discussion of the conditions to Confirmation.

How will the Reorganized Debtors fund distributions under the Plan?

The Reorganized Debtors will fund distributions under the Plan with cash on hand, including cash from operations, as well as proceeds from the New ABL Facility and the New Money First Lien Term Loan, and through issuance of New Common Equity, the New Take-Back Note, and the New Warrants.

² This estimated amount does not include (i) accrued and unpaid interest, and (ii) other reasonable fees, costs, or charges each as provided for under the Senior Secured Notes Indenture.

³ The anticipated recovery for the Senior Secured Noteholders assumes a full 10% dilution from the Management Equity Incentive Plan.

How is the Plan going to be implemented?

The Restructuring Transactions will be effected in accordance with the Restructuring Transaction Memorandum, a copy of which will be filed as an exhibit to the Plan Supplement. Reorganized NBC will issue the New Common Equity and the New Take-Back Notes and enter into the New ABL Facility, the New Money First Lien Term Loan, and New Warrants on the Effective Date.

What are the contents of the solicitation packages to be sent to Holders of Claims and Interests who are eligible to vote to accept or reject the Plan?

Holders of Claims and Interests who are eligible to vote to accept or reject the Plan will receive appropriate solicitation materials including:

- the appropriate ballot (each, a “Ballot”), beneficial holder ballot (each, a “Beneficial Holder Ballot,”) or master ballot (each a “Master Ballot”) (where any broker, dealer, commercial bank, trust company, savings and loan financial institution, or other party (a “Nominee”) is entitled to cast a vote to accept or reject the Plan on behalf of an Entity holding the beneficial interest in such Claim, as applicable) and applicable voting instructions;
- a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement with all exhibits, including the Plan.

The notices sent to parties in interest will indicate that this Disclosure Statement, the Plan, and all of the exhibits thereto are (and, in the future, the Plan Supplement will be) available for viewing by any party by: (a) contacting the Nebraska Book Company, Inc. restructuring hotline at (888) 647-1738, or by writing to Nebraska Book Company, Inc. Balloting Processing Center c/o Kurtzman Carlson Consultants LLC, 2335 Alaska Ave., El Segundo, California 90245; or (b) downloading such documents (excluding the Ballots) from the Debtors’ restructuring website at <http://www.kccllc.net/nbc> or by visiting the Bankruptcy Court’s website at <http://www.deb.uscourts.gov>.

Will the Debtors file reports with the SEC?

The Debtors expect to continue filing reports under the Securities Exchange Act of 1934 (as amended) with the SEC after the filing of the Chapter 11 Cases and after the Effective Date.

What rights will the Debtors’ new stockholders have?

Each holder of New Common Equity issued under the Plan will be entitled to one vote per share of New Common Equity on all matters subject to a vote of holders of New Common Equity under applicable law and will be entitled to a pro rata share of any dividends that are declared by the New Board to the extent such dividends are permitted. The New Common Equity will be the sole class of voting stock of Reorganized NBC. The rights of new stockholders shall be consistent with those set forth in the Shareholders Agreement, the Registration Rights Agreement, and any terms set forth in the Plan Supplement related to the New Common Equity and the New Warrants, as applicable.

The holders of New Common Equity shall be parties to the Shareholders Agreement, which shall be in form and substance satisfactory to the Senior Secured Notes Steering Committee.

The holders of New Common Equity and the Debtors shall be parties to the Registration Rights Agreement, which shall be satisfactory in form and substance to the Senior Secured Notes Steering

Committee, obligating the Reorganized Debtors to register for resale certain shares of the New Common Equity under the Securities Act in accordance with the terms set forth in such agreement.

How will the New Common Equity be distributed? Will holders be entitled to stock certificates?

The New Common Equity delivered to Holders of Claims and Interests is expected to be delivered to Depository Trust Company (“DTC”). DTC will then distribute the New Common Equity to accounts at DTC designated by Holders of Claims entitled to a distribution of New Common Equity under the Plan.

It is not expected that holders of New Common Equity will be entitled to stock certificates. DTC or its nominee will initially be considered the sole owner or holder of the New Common Equity issued. Holders of Claims that receive New Common Equity will be owners of beneficial interests in such New Common Equity and will not receive or be entitled to receive physical delivery of such securities.

What is the deadline to vote on the Plan?

The deadline to vote on the Plan is 4:00 p.m., prevailing Eastern Time, on May 21, 2012.

How do I vote to accept or reject the Plan?

The Debtors are distributing this Disclosure Statement, accompanied by a Ballot, Beneficial Holder Ballot, or Master Ballot, as applicable, to be used for voting to accept or reject the Plan, to the Holders of Claims and Interests entitled to vote to accept or reject the Plan (and Nominees, as applicable). If you are a Holder of Claims or Interests in Classes 1, 4, and 5, you may vote to accept or reject the Plan by completing the Ballot or Beneficial Holder Ballot and returning it in the envelopes provided.

The Debtors have engaged Kurtzman Carson Consultants LLC to serve as the Claims and Balloting Agent. The Claims and Balloting Agent is available to answer questions, provide additional copies of all materials, and oversee the voting process. In addition, the Claims and Balloting Agent will process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS

Ballots and Master Ballots must be actually received by the Claims and Balloting Agent by the Voting Deadline, which is 4:00 p.m., prevailing Eastern Time, on May 21, 2012, at the following address:

For Senior Secured Notes Claims and 8.625%
Notes Claims:

Nebraska Book Company, Inc.
Balloting Processing Center c/o
Kurtzman Carson Consultants LLC
599 Lexington Avenue, 39th Floor,
New York, New York 10022

For General Unsecured Claims:
Nebraska Book Company, Inc.
Balloting Processing Center
c/o Kurtzman Carson Consultants LLC,
2335 Alaska Ave
El Segundo, California 90245

If you received an envelope addressed to your Nominee, please allow enough time when you return your Ballot for your Nominee to cast your vote on a Master Ballot before the Voting Deadline.

If you have any questions on the procedure for voting on the Plan, please call the Nebraska Book Company restructuring hotline at:

(888) 647-1738

More detailed instructions regarding how to vote on the Plan are contained on the Ballots and Beneficial Holder Ballots distributed to Holders of Claims and Interests that are entitled to vote to accept or reject the Plan and the Master Ballots distributed to Nominees. For your vote to be counted, your Ballot or Beneficial Holder Ballot must be completed, signed, and received by the Voting Deadline; *provided, however*, that Ballots and Master Ballots received by the Claims and Balloting Agent after the Voting Deadline may be counted only in the sole and absolute discretion of the Debtors.

Any Ballot, Beneficial Holder Ballot, or Master Ballot that is properly executed by the Holder of a Claim or Interest or a Nominee, but which does not clearly indicate an acceptance or rejection of the Plan or which indicates both an acceptance and a rejection of the Plan, will not be counted.

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan may cast only one Ballot for each Claim or Interest held by such Holder. By signing and returning a Ballot, each Holder of a Claim or Interest in Classes 1, 4, and 5 will certify to the Bankruptcy Court and the Debtors that no other

Ballots with respect to such Claim or Interest have been cast or, if any other Ballots have been cast with respect to such Claim or Interest, such earlier Ballots are superseded and revoked.

All Ballots are accompanied by return envelopes. It is important to follow the specific instructions provided on each Ballot. For information regarding voting by Nominees, see the Section herein entitled "Nominee Voting Instructions."

When is the Confirmation Hearing expected to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for May 30, 2012 at 9:30 a.m., prevailing Eastern Time. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or by notice of any adjournment of the Confirmation Hearing filed by the Debtors and posted on their website at www.kccllc.net/nbc.

II. The Debtors' History and the Chapter 11 Cases

A. Historical Overview.

Nebraska Book Company, Inc. ("NBC") was founded in 1915 with a single bookstore near the University of Nebraska campus. Following World War II, when the supply of new textbooks could not meet the demand created by returning soldiers attending college, NBC began buying books back from students at the end of the term and reselling them, thus becoming an integral part of the earliest years of the used textbook industry. In 1964, NBC became a national, rather than a regional, wholesaler of used textbooks by acquiring The College Book Company of California. During the 1970's, NBC continued to focus on the wholesale business, throughout the 1980's the Debtors expanded their efforts in the college bookstore market to primarily operate bookstores on or near larger campuses, typically where the institution-owned college bookstore was contract-managed by a competitor or where the Debtors did not have a significant wholesale presence. In the last several years, the Debtors revised their college bookstore strategy to expand their efforts in the contract-management of institutional bookstores. The Debtors continue to develop innovative strategies in order to remain at the forefront of the used textbook industry, including pioneering new technology-savvy retail software and entering the textbook rental market. Today, the Debtors service the college bookstore industry through its bookstore, textbook, and complementary services divisions, each as described more fully below.

In an effort to remain a competitive player in the college services market, the Debtors include a diverse network of companies. Effective July 1, 2002, the Debtors' distance learning division was separately incorporated under the laws of the State of Delaware as Specialty Books, Inc., a wholly-owned subsidiary of NBC ("Specialty Books"). On January 1, 2005, the textbook division was separately formed under the laws of the State of Delaware as NBC Textbooks LLC, a wholly-owned subsidiary of NBC (the "Textbook Division"). On May 1, 2006, NBC added another wholly-owned subsidiary through the acquisition of all of the outstanding stock of College Book Stores of America, Inc. ("CBA"), an entity separately formed under the laws of the State of Illinois. On April 24, 2007, NBC established Net Textstore LLC, a wholly-owned subsidiary separately formed under the laws of the State of Delaware. Finally, effective January 26, 2009, NBC established Campus Authentic LLC, a wholly-owned subsidiary separately incorporated under the laws of the State of Delaware.

On March 4, 2004, a group of jointly managed private equity funds, including Weston Presidio Capital III, L.P., Weston Presidio Capital IV, L.P., WPC Entrepreneur Fund, L.P., and WPC Entrepreneur Fund II, L.P. (collectively "Weston Presidio") gained a controlling interest in NBC Acquisition Corp. ("AcqCo") and NBC.

B. The Debtors' Business Operations.

The Debtors operate approximately 290 retail college bookstores and are one of the largest wholesale distributors of used college textbooks in North America, offering over 169,000 textbook titles and selling over 6.1 million books annually, primarily to bookstores serving campuses located in the United States. The Debtors' principal executive offices are located in Lincoln, Nebraska. As of March 31, 2011, the Debtors employed approximately 1,100 full time employees, 700 part time employees, and 900 temporary workers. Since its founding in 1915, the Debtors have successfully adapted to the changing landscape of American colleges and universities, including the increase in student enrollment, and the advancement of technology and e-commerce.

Today, the Debtors serve the college bookstore industry through the operation of three main divisions, their campus and off-campus bookstore locations (the "Bookstore Division"), their wholesale textbooks business (the "Textbook Division"), and their distance education business and e-commerce software development (collectively, the "Complementary Services Division"). For the 12 months ended March 31, 2011, the Debtors generated approximately \$598.4 million in total revenues.

The Bookstore Division. As of March 31, 2011, the Debtors operated approximately 290 college bookstores on or adjacent to college campuses throughout the United States. The Debtors' bookstores include on-campus locations leased from the educational institution that they serve, as well as owned or leased off-campus bookstores. The Bookstore Division encompasses a number of operations, including: (1) selling and renting a wide variety of used and new textbooks; (2) selling assorted merchandise, including apparel, sundries, and gift items; (3) selling various technology items such as calculators and computers; and (4) selling general books. Over the past three fiscal years, bookstore revenues from activities other than used and new textbook sales and rentals have been between 16.6% and 19.1% of total revenues. The Debtors tailor each of their bookstores to fit the needs and lifestyles of each campus. While the individual managers have significant planning and managing responsibilities, the Debtors' staff also includes specialists to assist bookstore managers in store planning, merchandise purchasing, media buying, inventory control, and layout. In addition to in-store sales, the Debtors sell textbooks and other merchandise via the internet through each store's individual website as well as the Debtors' consolidated website, known as Neebo.com, and numerous third-party websites such as Amazon.com and Half.com.

The Debtors have enhanced the Bookstore Division within the last year by implementing a new focus on textbook rentals. Several years ago, textbook rentals were uncommon, both online and in bookstores. However, the availability and popularity of textbook rentals has rapidly increased with online companies such as Chegg, Inc. and BookRenter.com leading that change. The college bookstore industry is quickly reacting to this new competition, and the Debtors have been testing various textbook rental models for the past two years. As a result of that testing, the Debtors implemented the "Rent Every Book" model in the vast majority of their stores January 2011. Given that the textbook rental model is in its nascent state, the Bookstore Division's full potential utilizing that model remains to be seen. However, with the "Rent Every Book" model, the Debtors remain a competitive and innovative player in the college bookstore arena.

In addition, the Debtors introduced a new website. Prior to implementing their new website, Neebo.com, the Debtors maintained over 250 separate websites, each representing the inventory offered by the Debtors' bookstore serving a college or university where the Debtors had a brick-and-mortar store. However, the websites were not connected to each other so a customer on one web site could not access the inventory of the other Debtor bookstore locations. The Debtors had significant viewership on the individual websites, but were unable to leverage that volume—Neebo.com will allow the Debtors to better capitalize on that traffic volume.

Through the “Rent Every Book” initiative and Neebo.com, the Debtors’ Bookstore Division continues to adapt to the increasingly competitive marketplace and changes in customer demands. The Bookstore Division produced approximately \$468 million in total revenues over the 12 months ended March 31, 2011.

The Textbook Division. The Debtors also serve the college bookstore industry through their Textbook Division. The Textbook Division utilizes three avenues to effectively service the Debtors’ customers and to remain a pioneer of the college bookstore industry. First, the Debtors engage in the procurement and redistribution of used textbooks on college campuses primarily across the United States and through third-party websites. Second, the Textbook Division focuses on maintaining current catalogs of textbooks. The Debtors publish a buyer’s guide which lists approximately 51,000 textbooks according to author, title, and price. The guide is an important part of the Debtors’ inventory control and textbook procurement system. The Debtors maintain a staff dedicated to gathering information from all over the country to make the guide a comprehensive and up-to-date pricing and buying aid for college bookstores. Third, the Debtors maintain a database of approximately 169,000 titles to better serve their customers. For the 12 months ended March 31, 2011, the Textbook Division produced approximately \$135 million in revenue.

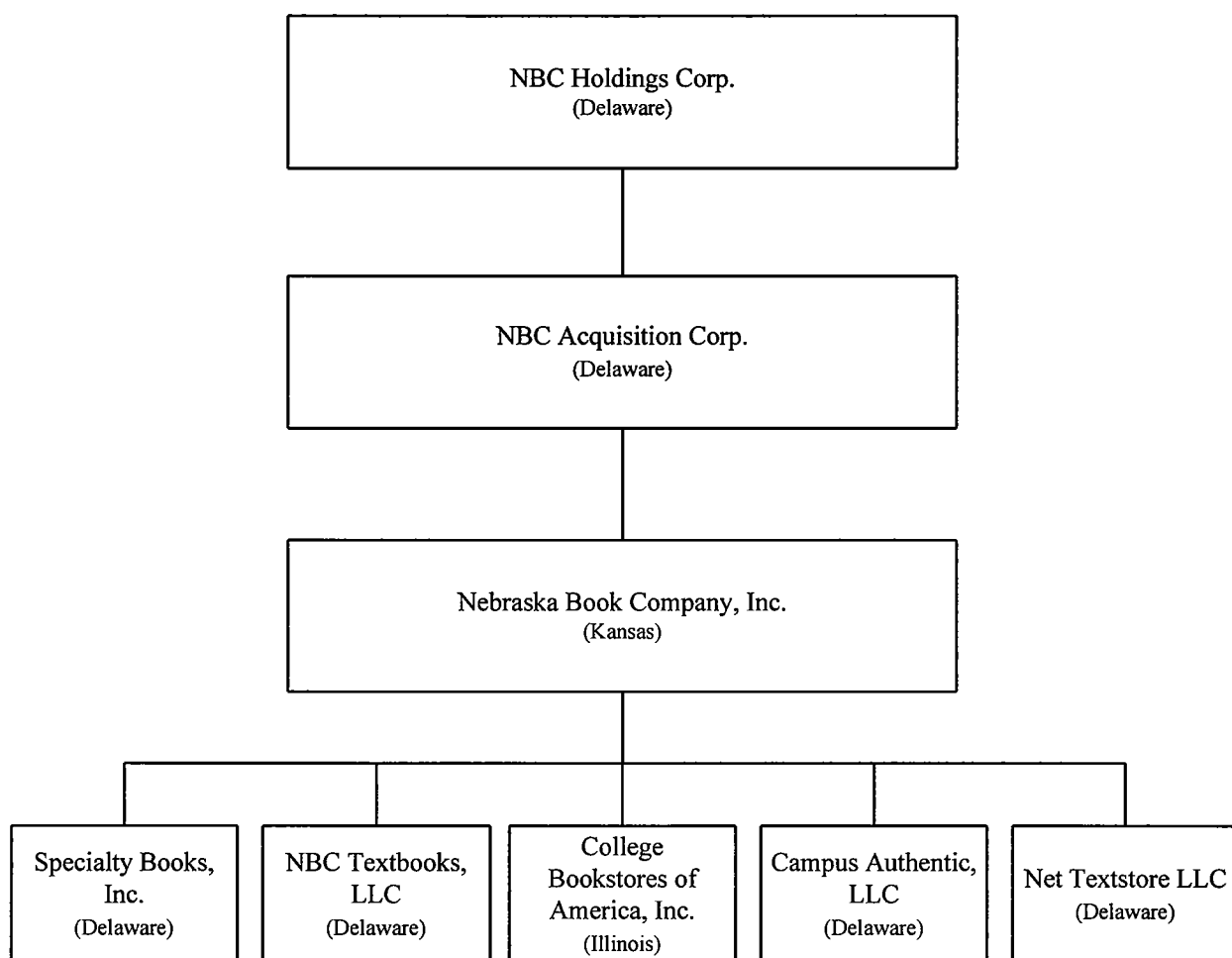
The Complementary Services Division. The Debtors further expanded their services through their Complementary Services Division. Through Specialty Books the Debtors access the market for distance education products and services. As of June 2010, the Debtors provided students at approximately 30 colleges and private high schools with textbooks and materials for use in distance education and other education courses, and provided textbooks to nontraditional programs. In addition, the Debtors offer services and specialty course materials to the distance education marketplace. Over the past three fiscal years, Specialty Books external customer revenues comprised between 42.3% and 54.9% of total Complementary Services Division revenues. The Complementary Services Division generated approximately \$35 million during the 12 months ended March 31, 2011.

The Complementary Services Division also provides the Debtors’ customers with access and services related to the Debtors’ “turnkey” bookstore management software (the “Turnkey Software”). The Turnkey Software incorporates point of sale, inventory control, and accounting modules that collectively generate revenue and assist the Debtors in gaining access to new sources of used textbooks. In total, including the Debtors’ own bookstores, almost 1,200 college bookstore locations use the Turnkey Software products. In addition, the Debtors have developed and deployed software for e-commerce capabilities. This software allows college bookstores to launch their own e-commerce sites and effectively compete against other online textbook and general merchandise sellers by offering textbooks and both traditional and non-traditional store merchandise online. As of July, 2011, there were approximately 660 stores, including the Debtors own stores, licensing the Debtors’ e-commerce technology through their e-commerce software CampusHub. Also, the Debtors offer digital delivery solutions which enable college bookstores to offer students the option of purchasing E-books via download. Through the Debtors’ continued software innovation and adaption, the Debtors are able to adjust to the rapidly changing college bookstore landscape.

The Debtors also remain competitive with online customers. The Debtors launched a web site for their retail division called Neebo.com in October, 2011. Prior to implementing Neebo.com, the Debtors maintained over 250 separate web sites, each representing a college or university where the Debtors had a brick-and-mortar store. The Debtors had significant viewership on the individual websites, but were unable to leverage that volume —Neebo.com allows the Debtors to use the volume of information, a significant competitive advantage. The Debtors now operate a site that drives traffic from the 250 separate sites to Neebo.com. Through this initiative, the Debtors continue to adapt to the increasingly competitive marketplace and changes in customer demands.

C. The Debtors' Prepetition Organizational Structure.

The following chart generally depicts the Debtors' prepetition organizational structure:



D. The Debtors' Prepetition Capital Structure.

As of March 31, 2011, the Debtors reported approximately \$508.3 million in total assets and approximately \$547.7 million in total liabilities. As of the Petition Date, the Debtors have approximately \$478.5 million in indebtedness and related obligations, consisting of (1) secured obligations of (a) \$200 million plus accrued interest and fees under the Senior Secured Notes Indenture; and (b) \$26.5 million outstanding under the ABL Facility, and (2) unsecured obligations of (a) approximately \$175 million under the 8.625% Notes, and (b) approximately \$77 million under the AcqCo Notes. These obligations are discussed in turn.

(i) Secured Indebtedness.

(a) ABL Facility.

NBC, as borrower, NBC Holdings Corp., AcqCo, and all NBC subsidiaries, as guarantors, JP Morgan Chase Bank, N.A., as administrative agent (the "ABL Agent"), and the lenders

party thereto (the “ABL Lenders”) are parties to that certain amended and restated ABL Credit Agreement (as amended, the “ABL Facility”), dated as of March 22, 2010.

The ABL Facility provides the Debtors with an asset-based revolving credit facility with \$75.0 million of maximum availability. Borrowings under the ABL Facility are subject to the Eurodollar interest rate (with a 1.5% floor) plus an applicable margin ranging from 4.25% to 4.75% or a base interest rate. In addition, the applicable margin increases 1.5% during the time periods from April 15 to June 29 and from December 1 to January 29 of each year. As of the Petition Date, approximately \$26.3 million was outstanding under the ABL Facility (including \$3.7 million in issued and undrawn letters of credit). The interest rate as of the Petition Date was 8.25%. Shortly after entry of that certain *Final Order under 11 U.S.C. §§ 105, 361, 362, 363(c), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), and 507 and Bankruptcy Rules 2002, 2001, and 9014 (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral and (III) Granting Adequate Protection to Prepetition Secured Lenders*, dated July 21, 2011, [Docket No. 195] (the “Final DIP Order”), the Debtors used the proceeds of the DIP Facility to satisfy all obligations outstanding under the ABL Facility.

The ABL Facility was secured by a first priority interest in substantially all of the Debtors’ property and assets, in addition to a pledge of all capital stock held by the Debtors. The ABL Facility matured on the earlier of October 2, 2012, or 90 days prior to the earliest maturity of any current outstanding debt obligations. The Senior Secured Notes matured on December 1, 2011; as a result the ABL Facility matured 91 days prior, or on September 1, 2011.

(b) Senior Secured Notes.

NBC, as borrower, and Wilmington Trust FSB, as trustee and collateral agent, are parties to that certain indenture (the “Senior Secured Notes Indenture”), dated as of October 2, 2009. The Debtors issued \$200 million senior secured notes at a discount of \$1.0 million with unamortized bond discount of \$0.5 million (collectively, the “Senior Secured Notes” and the noteholders thereunder, the “Senior Secured Noteholders,” together with the ABL Lenders, the “Prepetition Secured Lenders”). The Senior Secured Notes are secured by a second priority interest in substantially all of the Debtors’ property and assets and a subordinated pledge of all capital stock held by the Debtors. The Senior Secured Notes require semi-annual interest payments at a fixed rate of 10% and mature on December 1, 2011. Each of NBC’s subsidiaries guarantees the Senior Secured Notes, pursuant to the Senior Secured Notes Indenture. As of the Petition Date, the outstanding principal balance of the Senior Secured Notes was \$200 million.

(c) Intercreditor Agreement.

The Debtors, the ABL Agent, and the Senior Secured Notes Trustee were parties to that certain intercreditor agreement (the “Intercreditor Agreement”), dated as of October 2, 2009. The Intercreditor Agreement assigned relative priorities to claims arising under the ABL Facility and the Senior Secured Notes Indenture. The Intercreditor Agreement provided that claims arising under the Senior Secured Notes Indenture were junior to claims arising under the ABL Facility. The Intercreditor Agreement also imposed certain limitations on: (a) the rights and remedies available to the Senior Secured Noteholders in an event of default under the Senior Secured Notes Indenture; (b) the Senior Secured Noteholders’ ability to challenge the validity or priority of liens arising under the ABL Facility; (c) the Senior Secured Noteholders’ ability to object to debtor-in-possession financing under section 363 or section 364 of the Bankruptcy Code provided or consented to by one or more of the ABL Lenders; and (d) the extent to which the Senior Secured Noteholders may be entitled to request adequate protection during a bankruptcy proceeding.

(d) Other Liens.

In the ordinary course of business, the Debtors have incurred certain secured indebtedness, including mortgage liens, as permitted by their prepetition credit facilities (collectively, the “Permitted Encumbrances”). As described more fully below, the Permitted Encumbrances are not subject to the first priority priming liens granted pursuant to the Final DIP Order.

(ii) Unsecured Indebtedness.

(a) 8.625% Notes.

NBC, as borrower, and The Bank of New York Mellon Trust Company, N.A., as successor indenture trustee, are parties to that certain indenture (the “8.625% Indenture”), dated as of March 4, 2004. Pursuant to the 8.625% Indenture, NBC issued \$175 million senior subordinated notes (collectively, the “8.625% Notes”). The 8.625% Notes require semi-annual interest payments at a fixed rate of 8.625% and mature on March 15, 2012. The 8.625% Notes are guaranteed by each of NBC’s subsidiaries, but are unsecured. As of the Petition Date, the outstanding principal balance of the 8.625% Notes was approximately \$175 million.

(b) AcqCo Notes.

AcqCo, as borrower, and U.S. Bank National Association, as successor trustee pursuant to *Certification of Counsel Regarding Stipulation By and Among NBC Acquisition Corp., The Bank of New York Mellon Trust Co., N.A., and U.S. Bank National Association Authorizing the Substitution of Indenture Trustee* [Docket No. 110], are parties to that certain indenture (the “AcqCo Notes Indenture”), dated as of March 4, 2004. AcqCo issued \$77 million senior discount notes (collectively, the “AcqCo Notes”). The AcqCo Notes require semi-annual interest payments which began on September 13, 2008, at a fixed interest rate of 11% and mature on March 15, 2013. The AcqCo Notes are not guaranteed by NBC, any of its subsidiaries, or any other party and are unsecured. As of the Petition Date, the outstanding principal balance of the AcqCo Notes was approximately \$77 million.

III. Events Leading to the Chapter 11 Cases

As discussed above, the Debtors have approximately \$454.1 million of indebtedness and related obligations, consisting of their ABL Facility, Senior Secured Notes, 8.625% Notes, and AcqCo Notes. The changing industry dynamics placed significant strain on the Debtors’ ability to continue to grow EBITDA and fully refinance their debt and ultimately led to the Debtors’ filing of the Chapter 11 Cases. In addition a few events contributed to the Debtors’ filing of the Chapter 11 Cases, including: (A) the changing market, operational initiatives, and debt maturity; (B) the Debtors’ unsuccessful out-of-court restructuring efforts; and (C) the Debtors’ prepetition negotiations with its key stakeholders with respect to a prearranged chapter 11 plan of reorganization.

A. Changing Market, Operational Initiatives, and Debt Maturity.

The Debtors filed the Chapter 11 Cases after the Debtors’ Bookstore Division suffered through several years of declining or stagnant levels of profitability, which in turn contributed to the Debtors’ inability to fully refinance certain funded debt as it was scheduled to mature in 2011 and early 2012. While the Debtors’ on-campus stores have maintained strong financial performance over the past several years, the Debtors’ off-campus stores have struggled over the same time period. This disparity is attributable, in large part, to advantages that the Debtors’ on-campus stores have when compared to the Debtors’ off-campus stores, including: better location, ties to the school’s financial aid system, and

school administration support. In addition, many of the Debtors' on-campus store customers are typically "convenience" shoppers who value the ease of getting the right book at the right time with the least amount of time and effort expended on their part. In contrast, the Debtors' off-campus stores typically appeal to more price-conscious students who are willing to put forth more time and effort in obtaining their classroom materials. These "value shoppers" are willing to go through the trouble of comparison shopping and searching for used books, the historic value proposition for the Debtors' off-campus stores.

Given the difference between the Debtors' on- and off-campus shoppers, the competitive environment for the Debtors' off-campus stores has made it more difficult to maintain market share, which is reflected in the declining performance of the Debtors' off-campus stores. The Debtors believe that the attrition of their off-campus stores' performance is due to a combination of on-line textbook sales and rental programs and two on-campus rental programs, which have been successful in attracting "value shoppers," the Debtors' primary customers in the off-campus stores.

In response to this trend, the Debtors expended significant efforts to, among other things, improve the off-campus stores' online capabilities to both sell and acquire textbooks, improving the look and feel of these off-campus stores, and aggressively manage labor and other controllable costs. Despite those improvements, the Debtors' off-campus store performance continued to suffer. Specifically, the Debtors' EBITDA for their off-campus stores peaked in 2008 at approximately \$36 million, declined to approximately \$31 million in 2009, and eventually fell to \$19 million in the year ending March 31, 2011.

After further analyzing market trends, the Debtors determined that student demand for textbook rental had increased significantly, and implemented extensive rental programs at all their brick-and-mortar stores, especially the Debtors' off-campus locations. The Debtors' off-campus stores historically have had large numbers of used textbooks to price aggressively and make the value proposition once again attractive to the value shopper. As discussed above, the Debtors' "Rent Every Book" model has shown significant promise and the Debtors were optimistic that their off-campus stores could rebound as a result. However, the Debtors require additional time to fully establish the rental model during several more "back to school" periods.

Unfortunately, the Debtors did not have sufficient time to fully implement the rental model without refinancing significant portions of their capital structure given (a) the imminent maturities of the ABL Facility in September 2011 and the Senior Secured Notes Indenture in December 2011, and (b) the change in credit terms from the new textbook publishers, who were expected to require shorter credit terms including up front payment for the large purchases that began in July and August 2011 due to the uncertainty surrounding the Debtors' refinancing efforts and capital structure.

B. Prepetition Negotiations.

In late 2010, the Debtors recognized that, given their seasonal spending to acquire books during July and August 2011 and the imminent maturity of approximately \$478 million of debt shortly thereafter, they faced an impending liquidity crisis. In response, the Debtors proactively undertook extensive efforts to position themselves for ongoing success in the current industry environment and right-size their capital structure. Initially, the Debtors implemented a number of operational initiatives to improve earnings and their competitiveness, including cutting certain labor costs that ultimately will save the Debtors approximately \$6 million over the next 12 months. In addition, the Debtors engaged a third-party operational consulting firm to analyze the Debtors' business practices and help implement inventory optimization models. While these efforts will streamline the Debtors' business operations, they cannot alone prevent a liquidity shortfall.

To address the Debtors' imminent liquidity issue, the Debtors engaged an investment banker, Rothschild Inc. ("Rothschild") and restructuring legal counsel, Kirkland & Ellis LLP ("Kirkland") to potentially refinance certain of their debt obligations and, if necessary, engage creditors and other potential partners for a restructuring transaction. Beginning in January 2011, the Debtors and their advisors began an extensive review of strategic alternatives available in light of the Debtors' current operating environment and leverage constraints. The Debtors focused their initial efforts on refinancing all of the 8.625% Notes debt obligations and seeking to extend the maturity of the AcqCo Notes. However, lender demand was insufficient to support a refinancing transaction.

Shortly after it became clear that an 8.625% refinancing transaction was not available, the Debtors and their advisors began discussing the preliminary terms of a potential balance sheet restructuring with their major stakeholders, including with certain holders of the 8.625% and AcqCo Notes and their respective advisors. Upon execution of customary confidentiality agreements, the Debtors provided parties with information regarding the Debtors' operations, projections, and business plan to facilitate their ability to develop a potential restructuring plan or to otherwise constructively participate in the process.

C. The Debtors Negotiate a Prearranged Chapter 11 Plan.

After good-faith, arm's-length negotiations, the Debtors reached an agreement with Holders of an aggregate amount of over 95% of the 8.625% Notes and Holders of over 75% of the AcqCo Notes (such Holders, collectively, the "Plan Support Parties") with respect to a consensual restructuring on the terms set forth in the *Joint Plan of Reorganization of Nebraska Book Company Inc., et al., Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 134], filed on July 17, 2011, amended on August 22, 2011 [Docket No. 456] (as amended, the "First Amended Plan"), and formalized by the Restructuring and Support Agreement (the "RSA"), dated June 26, 2011.

The Debtors received an executed RSA from holders of (1) over 95% of the 8.625% Notes, and (2) more than 75% of the AcqCo Notes that contemplates a comprehensive reorganization through a pre-arranged plan of reorganization. In conjunction with the First Amended Plan, the Debtors obtained commitments for a \$200 million debtor-in-possession financing, \$75 million of which is a revolving loan and \$125 million of which is a term loan. This financing, together with cash on hand, has enabled the Debtors to fund the administration of these cases and pay off the remaining indebtedness under the ABL Facility.

D. The Debtors Commence the Chapter 11 Cases.

The Debtors filed the Chapter 11 Cases to effectuate the terms of the RSA and the First Amended Plan. Based on the RSA, the Debtors were prepared to seek confirmation of the First Amended Plan as soon as possible after the Petition Date. Indeed, because the First Amended Plan was based on a consensual deal with the Debtors' key stakeholders and contemplated a significant de-leveraging of the Debtors' balance sheets and a full recovery for Holders of Allowed General Unsecured Claims, confirmation of the First Amended Plan was expected to occur over a relatively short timeframe.

IV. Events Since Commencement of the Chapter 11 Cases.

A. The Debtors' Initial Motions in the Chapter 11 Cases and Certain Related Relief.

In order to minimize disruption to the Debtors' operations and effectuate the terms of the Plan, the Debtors obtained certain relief, including the relief summarized below.

(i) *Motion for Authority to Use DIP Financing.*

The Debtors filed the *Motion of the Debtors for Entry of Interim and Final Orders (A) Authorizing the Debtors to Obtain Postpetition Financing and Letters of Credit, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Adequate Protection to Prepetition Secured Lenders and Approving the Adequate Protection Stipulation, and (D) Scheduling a Final Order* [Docket No. 12] (the "DIP/ Cash Collateral Motion") requesting (1) authority to obtain postpetition loans in a principal amount not to exceed \$125 million on an interim basis, and \$200 million on a final basis, consisting of a \$75 million revolving loan and a \$125 million term loan (collectively, the "DIP Facility"). In addition, the Debtors requested that the Bankruptcy Court grant adequate protection to certain prepetition secured lenders for priming of their existing liens on the prepetition collateral.

On June 28, 2011, the Bankruptcy Court entered the order (the "Interim DIP Order") [Docket No. 56] authorizing the Debtors to obtain postpetition financing up to \$125 million in term loans under the DIP Agreement on a superpriority, priming lien basis and use cash collateral pursuant to sections 363 and 364 of the Bankruptcy Code on an interim basis and approving an adequate protection package for certain of the Debtors' prepetition secured lenders. The Interim DIP Order provides that the Debtors shall use the proceeds of the DIP Facility to pay interest, fees, and expenses in connection with the DIP Loans (as defined in the Interim DIP Order) and to repay not less than \$26,300,000 in loans made and \$3,733,597 in letters of credit issued and outstanding under the ABL Facility. Pursuant to the Interim DIP Order and the terms of a separate adequate protection stipulation with an ad hoc group of Holders of Senior Secured Notes, the Bankruptcy Court granted adequate protection to the Holders of Senior Secured Notes for the priming of their existing liens on the Prepetition Collateral (as defined in the Interim DIP Order). On July 21, 2011, the Bankruptcy Court entered the Final DIP Order [Docket No. 195] authorizing the Debtors to obtain \$200 million in postpetition financing consisting of \$125 million of term loans and \$75 million of revolving loans and letters of credit. The Final DIP Order also authorizes the Debtors to use Cash Collateral (as defined in the Final DIP Order).

(ii) *Motion to Pay Employee Wages and Associated Compensation.*

The Debtors filed the *Motion of the Debtors for Entry of An Order Authorizing the Payment of Prepetition (A) Wages, Salaries, and Other Compensation, (B) Reimbursable Employee Expenses, And (C) Employee Medical And Similar Benefits* [Docket No. 10] (the "Wages Motion"). Among other things, the Debtors requested authority in the Wages Motion to implement a retention program for certain of the Debtors' non-insider employees (the "Non-Insider Employee Retention Program") to ensure the Debtors retain the services of their most critical non-insider employees (collectively, the "Critical Employees"). Pursuant to the Non-Insider Employee Retention Program, 50 Critical Employees are entitled to receive additional compensation in the aggregate amount up to \$500,000. No individual Critical Employee will receive a payment totaling more than 15% of his or her base salary under the Non-Insider Employee Retention Program. On June 28, 2011, the Bankruptcy Court entered an interim order [Docket No. 50] authorizing the Debtors to honor their wage and benefit obligations (except the Non-Insider Employee Retention Program) in accordance with their stated policies and in the ordinary course of their businesses. On July 21, 2011, the Bankruptcy Court entered a final order [Docket No. 202] authorizing the Debtors to honor their wage and benefit obligations, including the Non-Insider Employee Retention Program.

(iii) *Motion to Pay Taxes and Fees.*

The Debtors filed a *Motion of the Debtors for the Entry of An Order Authorizing The Debtors to Pay Certain Prepetition Taxes and Fees and Granting Related Relief* [Docket No. 8]. On June 28, 2011, the Bankruptcy Court entered the order [Docket No. 55] authorizing, but not directing, the Debtors to pay certain taxes and fees that in the ordinary course of business accrued or arose before the Petition Date.

(iv) *Motion to Prohibit Utilities from Terminating Service.*

The Debtors filed a *Motion of the Debtors for Entry of Interim and Final Orders Determining Adequate Assurance of Payment for Future Utility Services* [Docket No. 5]. On June 28, 2011, the Bankruptcy Court entered an interim order [Docket No. 67] setting a final hearing to approve, among other things, the Debtors' proposed adequate assurance of payment for future service to the utility providers and procedures governing any requests for additional or different adequate assurance, and prohibiting the utility providers from altering, refusing, or discontinuing utility services on account of any unpaid prepetition charges. On July 21, 2011, the Bankruptcy Court entered a final order (the "Final Utilities Order") [Docket No. 194] authorizing the Debtors' adequate assurance of payment for future service to utility providers and the procedures related thereto.

(v) *Motion to Honor Customer Programs.*

The Debtors filed a *Motion of the Debtors for Entry of an Order Authorizing the Debtors to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto* (the "Customer Programs Motion") [Docket No. 7]. On June 28, 2011, the Bankruptcy Court entered a final order [Docket No. 51] authorizing, but not directing, the Debtors to honor and continue certain prepetition customer programs in the ordinary course of business. On July 26, 2011, the Bankruptcy Court entered an amended final order (the "Amended Final Order") [Docket No. 227] authorizing the Debtors to pay claims owed to Customers (as defined in the Amended Final Order) not to exceed \$23.09 million, which included an additional \$1.2 million on account of certain commissions not originally sought in the Customer Programs Motion.

(vi) *Motion to Pay Shippers, Warehousemen, and Materialmen.*

The Debtors filed a *Motion of the Debtors for Entry of an Order (A) Authorizing the Debtors to Grant Administrative Expense Priority to All Undisputed Obligations for Goods Ordered Prepetition and Delivered Postpetition and Satisfy Such Obligations in the Ordinary Course of Business and (B) Authorizing, But Not Directing, the Debtors to Pay Prepetition Claims of Shippers, Warehousemen, and Materialmen* [Docket No. 9]. On June 28, 2011, the Bankruptcy Court entered a final order [Docket No. 52] (i) granting administrative expense priority status in accordance with section 503(b) of the Bankruptcy Code to certain outstanding orders; and (ii) authorizing, but not directing, the Debtors to pay prepetition amounts owed to shippers, warehousemen, and materialmen.

(vii) *Motion to Pay Critical Vendors.*

The Debtors filed a *Motion of the Debtors for Entry of Interim and Final Orders Authorizing Payment of (A) Prepetition Critical Vendors Claims and (B) Section 503(b)(9) Claims* [Docket No. 6]. On June 28, 2011, the Bankruptcy Court entered an interim order [Docket No. 53] authorizing the Debtors to pay, in the ordinary course of business, prepetition claims held by (i) certain critical trade vendors that are essential to the Debtors ongoing business operations, and (ii) prepetition claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code. On July 21, 2011, the Bankruptcy Court entered a final order (the "Critical Vendors Order") [Docket No. 203] authorizing the Debtors to, among other things, pay (i) Section 503(b)(9) Claims (as defined in the Critical Vendors

Order) not to exceed \$7.44 million, (ii) Critical Vendor Claims (as defined in the Critical Vendors Order) not to exceed \$13.35 million.

(viii) *Motion to Execute and Implement the Plan Support Agreement.*

On August 22, 2011, the Debtors filed a *Motion For an Order Authorizing Execution and Implementation of Plan Support Agreement* [Docket No. 462]. After extensive negotiations between the Debtors, the 8.625% Noteholders, the AcqCo Noteholders, and Weston Presidio, the parties reached an agreement memorialized in that certain plan support agreement dated August 22, 2011 (the "Plan Support Agreement").

(ix) *Other Related Relief.*

In addition, the Debtors filed motions seeking certain other relief, all of which were granted after a hearing in the Bankruptcy Court, including: (i) an order [Docket No. 40] directing the joint administration of the eight chapter 11 cases under a single docket, Case Number 11-12005 (PJW); and (ii) an order [Docket No. 44] authorizing the Debtors to continue to use their existing cash management system and maintain existing bank accounts and business forms.

B. *The Debtors Chief Financial Officer.*

On August 31, 2011, Mr. Alan G. Siemek resigned from his position as the Debtors' chief financial officer ("CFO"). Mr. Siemek continues to serve as the Vice President, a position he has held since 2001. The Debtors immediately began their search for a qualified replacement, with the help of a national executive search firm and actively considered several qualified candidates for the vacant CFO position. After extensive discussions and deliberation, the Debtors requested authority from the Bankruptcy Court to hire Ms. Alexi A. Wellman as their new CFO. On October 31, 2011, the Bankruptcy Court entered the *Order Authorizing the Debtors to Enter into an Employment Agreement with the Permanent Chief Financial Officer to the Debtors* [Docket No. 695]. On December 19, 2011, Ms. Wellman became the Debtors' CFO.

C. *The Debtors File the Original Plan and Disclosure Statement.*

The Debtors filed the disclosure statement related to the First Amended Plan on July 17, 2011 [Docket Nos. 135, 458] (as amended, the "First Amended Disclosure Statement"), less than one month after the Petition Date. The Bankruptcy Court held a hearing to approve the First Amended Disclosure Statement on August 22, 2011, and entered an order approving the First Amended Disclosure Statement on August 23, 2011 [Docket No. 472]. Subsequently, the Debtors, working with their notice, claims, and balloting agent, Kurtzman Carson Consultants, LLC began soliciting votes to accept or reject the First Amended Plan. The Debtors also negotiated the Plan Support Agreement with their prepetition equity holders, which the Bankruptcy Court approved on September 7, 2011 [Docket No. 557].

The First Amended Plan was predicated on \$250 million in exit financing (the "Exit Financing"). The Debtors and their advisors worked diligently to secure the necessary Exit Financing. Unfortunately, various macroeconomic indicators disrupted the capital markets and made the Exit Financing impossible to obtain, prohibiting the Debtors from confirming the First Amended Plan on the short timeframe originally contemplated. In addition, the Debtors' Fall 2011 rush results fell short of expectations, further impeding the Debtors' efforts to obtain Exit Financing and requiring the Debtors to take more time to re-evaluate their business plan. As such, the Debtors adjourned the hearing on confirmation of the First Amended Plan multiple times, eventually delaying confirmation to March 22, 2012.

D. The Debtors Obtain an Extension of the Exclusivity Periods and the RSA Deadlines.

To ensure that the Debtors would be the only party allowed by the Bankruptcy Court to file and solicit votes on any potential plan of reorganization, the Debtors requested an extension of the Debtors' exclusive periods to file and solicit acceptances of a chapter 11 plan. On October 18, 2011, the Bankruptcy Court extended the Debtors' exclusive filing period to January 23, 2012, and the exclusive solicitation period to March 23, 2012. On February 12, 2012, the Bankruptcy Court further extended the Debtors' exclusive filing period to April 23, 2012, and the exclusive solicitation period to June 21, 2012 [Docket No. 938].

To facilitate continued plan negotiations with their key stakeholders, the Debtors also negotiated two separate amendments to the RSA, among the Debtors and the Plan Support Parties. The Debtors and the Plan Support Parties first negotiated an amendment to the RSA in early November 2011, extending, among other RSA milestones, the deadline for the Debtors to complete their restructuring from November 3, 2011, to December 23, 2011. The Debtors then negotiated an agreement in principle for a second amendment to the RSA to extend, among other RSA milestones, the December 23, 2011 deadline for the Debtors to complete their restructuring to March 30, 2012.

E. The Debtors Re-evaluate Their Business Plan and Rationalize Their Off-Campus Portfolio.

In October and November 2011, the Debtors received and began analyzing the financial results from the Fall back-to-school rush period and the results from the consumer surveys they had conducted to detect the latest trends in textbook buyer behavior. On one hand, the results showed that on-campus store operations experienced only a minor decline year over year in EBITDA (from \$13.6 million to \$13.5 million) for the six-month period ending September 30, 2011. On the other hand, off-campus stores experienced an almost 35% decline year-over-year in EBITDA for the same six-month period (from \$20.4 million to \$13.4 million). As a result, the Debtors assessed their proposed post-chapter 11 capital structure and concluded that they needed to reevaluate their business plan to adapt to recent trends in the textbook industry, including the apparent decline in students' usage of off-campus stores, and the evolving state of the capital markets.

The Debtors undertook a store-by-store analysis of their portfolio of approximately 290 store locations to determine the long-term profitability of their on- and off-campus stores. After careful examination and consultation with their advisors and various creditor constituencies, the Debtors decided to use the tools available in chapter 11 to close certain of their unprofitable off-campus stores. To that end, the Debtors received Court authority to: (a) reject seven of their off-campus store leases, which will result in approximately \$1 million in savings for the Debtors; and (b) moved to assume approximately 90 of their off-campus store leases related to the Debtors' most profitable store locations [Docket No. 870]. The Debtors obtained consensual extensions of the deadlines to assume or reject the underlying lease for 45 additional off-campus store locations. After analyzing these stores' performances in the Spring rush period, the Debtors filed the *Motion for Entry of an Order Authorizing the Debtors to Reject Certain Unexpired Leases and Ancillary Contracts Effective as of March 31, 2012* [Docket No. 973] (the "Second Rejection Motion"), seeking Court authority to reject 39 unexpired leases and 33 ancillary contracts in connection with the closure of 38 off-campus stores. The Court entered an order approving the Second Rejection Motion on March 27, 2012 [Docket No. 1047]. In connection with closing those stores, the Debtors also filed the *Motion of the Debtors for Entry of an Order Authorizing the Debtors to Make Severance Payments to Non-Insider Employees in the Ordinary Course of Business* [Docket No. 958] (the "Severance Motion"), seeking authority to pay severance to terminated employees in accordance with historical practices, which the Court granted on March 22, 2012 [Docket No. 1031]. The Debtors continue to analyze the leases related to three off-campus store locations and whether to assume or reject these off-campus store leases.

F. The Debtors Amend the DIP Facility.

After completing their store-by-store analysis, the Debtors also finalized their revised business plan and updated their valuation and debt capacity analyses. In light of their revised projections, the Debtors anticipated being unable to comply with the minimum cumulative EBITDA requirements under their existing DIP Facility for the months of November and December, 2011, as well as January through June, 2012. The Debtors, therefore, engaged their DIP lenders in a week of intense negotiations, and, on December 20, 2011, the Debtors reached an agreement with the requisite threshold of DIP lenders on the terms of modified financial covenants under the DIP Agreement. The Court entered an order approving the proposed DIP amendment on December 28, 2011 [Docket No. 827].

G. The Debtors Formulate an Amended Plan of Reorganization.

The combination of the Debtors' revised business plan and inability to obtain sufficient exit financing from uncertain capital markets caused the Debtors to consider amendments to the First Amended Plan. To keep their key stakeholders informed regarding the Debtors' business and strategy for emerging from chapter 11, the Debtors organized an in-person meeting in early December 2011 with financial and legal advisors for (a) the Senior Secured Ad Hoc Group, (b) the Consenting 8.625% Noteholders, (c) the JPMorgan Noteholders, and (d) the Committee. At this meeting, the parties discussed the Debtors' Fall rush period financial results, the Debtors' business plan, certain forward-looking financial projections, and preliminary revised views on valuation and debt capacity.

In early January 2012, the Debtors circulated a term sheet for an amended plan of reorganization to financial and legal advisors for the Senior Secured Ad Hoc Group, the Consenting 8.625% Noteholders, the JPMorgan Noteholders, and the Committee. The term sheet proposed a structure similar to that of the Plan, under which value is distributed to the Debtors' creditors in accordance with the absolute priority rule, while also permitting the Debtors to raise additional capital, through new debt or a rights offering, to satisfy obligations under the Senior Secured Notes.

After circulating the term sheet, the Debtors continued to communicate with the Senior Secured Ad Hoc Group, the Consenting 8.625% Noteholders, and the JPMorgan Noteholders toward their goal of a fully consensual plan. On January 12, 2012, the Debtors met with certain members of the Senior Secured Ad Hoc Group, the Consenting 8.625% Noteholders, and the JPMorgan Noteholders, as well as both groups' financial and legal advisors, to discuss potential emergence strategies and provide additional public information regarding the Debtors' business and financial performance. Thereafter, during the week of January 16, 2012, certain members of the Senior Secured Ad Hoc Group and the JPMorgan Noteholders signed confidentiality agreements with the Debtors, restricting their ability to trade the Debtors' securities, and gained access to an online dataroom containing financial forecasts and other material non-public information that assisted in evaluating the Plan. In late January 2012, the Debtors also negotiated and executed confidentiality agreements with (a) certain of the 8.625% Noteholders and (b) certain of the AcqCo Noteholders.

After executing these confidentiality agreements, the Debtors and the Senior Secured Ad Hoc Group engaged in over a month of good faith negotiations for a revised plan of reorganization. As part of the negotiation process, the parties organized a face-to-face meeting on February 15, 2012, and negotiated six extensions to these confidentiality agreements to provide the Debtors and certain holders of the Senior Secured Notes (the "Consenting Noteholders") with additional time to reach a mutually acceptable framework for an amended plan of reorganization.

On February 24, 2012, the Debtors and the Consenting Noteholders reached an agreement in principle on the terms of the Plan. The Plan provides, among other things, that 100% of the equity in the

reorganized Debtors, subject to dilution from a Management Equity Incentive Plan, and \$100 million of New Second Lien Take-Back Notes, will be distributed on a pro rata basis to existing holders of Senior Secured Notes. In addition, as part of the Plan, the Debtors will also receive \$80 million in the form of a New Money First Lien Term Loan, fully backstopped (the “Backstop Commitment”) by and among the Debtors and a subset of the Consenting Noteholders (the “Backstop Participants”), including one of the largest Consenting Noteholders in dollar amount. As consideration for the Backstop Commitment, the Debtors will seek Bankruptcy Court authority to pay the Backstop Participants the following:

- a commitment fee of 1% per month on the total face value of the Backstop Commitment for each month that the Backstop Commitment is outstanding, until funding (the “Commitment Fee”);
- a funding fee of 1% of the aggregate funded amount of the Backstop Commitment (the “Funding Fee”); and
- the reasonable fees, costs, expenses, disbursements, and charges of the Backstop Participants, relating to the exploration and discussion of the Backstop Commitment and/or to the preparation and negotiation of this Backstop Commitment Agreement, the Term Sheet, and the proposed documentation and transactions contemplated thereby.

The Debtors and the Consenting Noteholders also filed the *Debtors’ Motion for an Order Authorizing Execution and Implementation of a Plan Support Agreement* (the “PSA Motion”) seeking authority to execute the Plan Support Agreement on March 7, 2012. The Plan Support Agreement memorializes the Consenting Noteholders’ commitment to support the Plan and enabling the Debtors to move expeditiously towards confirmation and consummation of the Plan with the support of a key constituency.

On March 19, 2012, the Committee, the JPMorgan Noteholders, and the Consenting 8.625% Noteholders (collectively, the “Objecting Parties”) filed objections to the PSA Motion [Docket Nos. 1007, 1008, 1009]. The Debtors filed a response on March 21, 2012 [Docket No. 1018]. On March 23, 2012, in connection with the hearing on the PSA Motion, the Debtors, the Ad Hoc Group of Senior Secured Noteholders, and the Objecting Parties negotiated amendments to the Plan resulting in (a) withdrawal of all objections to the PSA Motion and (b) the JPMorgan Noteholders and Consenting 8.625% Noteholders agreeing to execute the Amended Plan Support Agreement. *See Certification of Counsel Regarding Debtors’ Motion for an Order Authorizing Execution and Implementation of a Plan Support Agreement* [Docket No. 1035]. On March 26, 2012, the Court entered an order approving the Amended Plan Support Agreement [Docket No. 1039].

In addition, the Debtors have negotiated a backstop agreement by and among the Debtors and the Backstop Participants, memorializing the Backstop Participants’ commitment to fund the full amount of the \$80 million New Money First Lien Term Loan to the extent Holders of Senior Secured Notes Claims decline to contribute their Pro Rata share towards such funding, an essential component of the Plan. On March 27, 2012, the Debtors filed the *Motion of the Debtors for the Entry of an Order Approving (A) Certain Term Loan Offering Procedures and Forms in Connection Therewith and (B) Entry Into a Backstop Agreement and Payment of Certain Fees in Connection Therewith* [Docket No. 1050], which will be heard at the hearing scheduled for April 13, 2012.

V. Treatment of Claims and Interests Under the Plan.

A. Substantive Consolidation.

The Plan shall serve as a motion by the Debtors seeking entry of a Bankruptcy Court order substantively consolidating all of the Estates and its subsidiaries into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

If substantive consolidation of all of the Estates is ordered, then on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of NBC for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor shall be treated as one collective obligation of the Debtors. Substantive consolidation shall not affect the legal and organizational structure of the Reorganized Debtors' Entities or their separate corporate existences or any prepetition or postpetition guarantees, Liens, or security interests that are required to be maintained under the Bankruptcy Code, under the Plan, any contract, instrument, or other agreement or document pursuant to the Plan (including the New ABL Facility, New Money First Lien Term Loan, New Take-Back Notes, New Warrants, Registration Rights Agreement, or Shareholders Agreement, or the identity of the New Board and management), or, in connection with contracts or leases that were assumed or entered into during the Chapter 11 Cases. Furthermore, creditor recoveries will not be adversely affected by substantive consolidation of the Debtors' estates. Any alleged defaults under any applicable agreement with the Debtors, the Reorganized Debtors, or their Affiliates arising from substantive consolidation under the Plan shall be deemed cured as of the Effective Date.

Notwithstanding the substantive consolidation provided for in the Plan, nothing shall affect the obligation of each and every Debtor to pay quarterly fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 until such time as a particular case is closed, dismissed, or converted.

B. Asserted and Scheduled Claims.

Claims and Interests, except for Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in Article III of the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

Distributions under the Plan will be made only to Holders of Allowed Claims or Allowed Interests. As more fully described in Articles VI and VII of the Plan, Holders of Disputed Claims or Disputed Interests will receive no distributions unless and until their Claims or Interests become Allowed.

Pursuant to the terms of the Plan, except for Claims or Interests that are (1) expressly exempted from the discharge provisions of the Bankruptcy Code or (2) specifically identified as being reinstated, all Claims or Interests that arose prior to Confirmation will be discharged.

C. Administrative Claims.

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article II of the Plan.

Except as specified in Article II of the Plan, unless otherwise agreed to by the Holder of a General Administrative Claim and the Debtors or the Reorganized Debtors, as applicable, each Holder of an Allowed General Administrative Claim will receive, in full satisfaction of its General Administrative Claim, Cash equal to the amount of such Allowed General Administrative Claim either: (1) on the Effective Date; (2) if the General Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which an order allowing such General Administrative Claim becomes a Final Order, or as soon thereafter as reasonably practicable; or (3) if the Allowed General Administrative Claims are based on liabilities incurred by the Debtors in the ordinary course of their business during the Postpetition Period, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed General Administrative Claims, without any further action by the Holders of such Allowed General Administrative Claims. All fees and disbursements payable under the Stipulation shall be paid in accordance with the terms thereof.

D. Professional Compensation.

(i) *Final Fee Applications.*

All final requests for payment of Professional Fee Claims, including the Holdback Amount and Professional Fee Claims incurred during the period from Petition Date through the Effective Date, must be filed with the Bankruptcy Court and served on the Reorganized Debtors no later than 30 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court in the Chapter 11 Cases, the allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court, and then promptly paid by the Reorganized Debtors.

(ii) *Payment of Interim Amounts.*

Subject to the Holdback Amount, on the Effective Date, the Debtors or the Reorganized Debtors, as applicable, shall pay all amounts owing to Professionals for all outstanding amounts payable in accordance with the Professional Fee Order relating to prior periods through the Effective Date. To receive payment, on or before the Effective Date, each Professional shall submit a detailed invoice covering such period in the manner and providing the detail as set forth in the Professional Fee Order.

(iii) *Post-Effective Date Fees and Expenses.*

Except as otherwise specifically provided in the Plan, from and after the Effective Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation of the Plan and Consummation incurred by the Reorganized Debtors. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331, 363, and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

E. DIP Claims.

Except to the extent that a Holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed DIP Claim, each such Allowed DIP Claim shall be paid in full in Cash by the Debtors on the Effective Date.

F. Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

G. Indenture Trustee Fees.

On the Effective Date, the Reorganized Debtors shall pay in Cash the Indenture Trustee Fees, without the need for the Trustees to file fee applications with the Bankruptcy Court; *provided, however*, that (i) the Trustees shall provide the Debtors, the Senior Secured Notes Steering Committee, the U.S. Trustee, and the Committee with the invoices for which it seeks payment at least 10 days prior to the Effective Date; and (ii) the Debtors, the Senior Secured Notes Steering Committee, the Committee, and the United States Trustee do not object to the reasonableness of the Indenture Trustee Fees. To the extent that the Debtors, the Senior Secured Notes Steering Committee, the U.S. Trustee, or the Committee object to the reasonableness of any portion of the Indenture Trustee Fees, the Reorganized Debtors shall not be required to pay such Disputed portion until either such objection is resolved or a further order of the Bankruptcy Court is entered providing for payment of such Disputed portion. Notwithstanding anything in the Plan to the contrary, each Indenture Trustee Charging Lien shall be discharged solely upon payment of any fees and expenses due to any Indenture Trustee under an applicable Indenture in full and the termination of such Indenture Trustee's duties under the applicable Indenture. Nothing in the foregoing shall in any way limit, impair, or affect the rights of the Senior Secured Notes Trustee under the Senior Secured Notes Indenture to the reimbursement of costs, including the reimbursement of the reasonable compensation and expenses, disbursements and advances of the Senior Secured Notes Trustee's agents, counsel, accountants, and experts.

H. Treatment of Classified Claims and Interests.

(i) Class 1 - Senior Secured Notes Claims.

- *Classification:* Class 1 consists of all Senior Secured Notes Claims.
- *Allowance:* The Senior Secured Notes Claims are allowed in the full principal amount of \$200,000,000 plus (i) all accrued and unpaid interest, including interest accruing on and after the Petition Date, and interest on overdue installments of interest, and (ii) any other reasonable fees, costs, or charges each as provided for under the Senior Secured Notes Indenture.
- *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 1 agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 1, each such Holder thereof shall receive (i) its Pro Rata share of 100% of the New Common Equity subject to dilution from the Management Equity Incentive Plan and New Warrants; (ii) its Pro Rata share of the New Take-Back Notes; and (iii) the right to

participate in the New Money First Lien Term Loan on a Pro Rata basis, based on such Holder's Allowed Senior Secured Notes Claims.

- *Voting:* Class 1 is Impaired under the Plan. Holders of Allowed Claims in Class 1 are entitled to vote to accept or reject the Plan.

(ii) Class 2 - Other Secured Claims.

- *Classification:* Class 2 consists of all Other Secured Claims.
- *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 2 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 2, each such Holder shall receive, at the option of the Debtors, either:
 - (1) payment in full in cash;
 - (2) delivery of collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code;
 - (3) reinstatement of such Other Secured Claims; or
 - (4) other treatment rendering such Claim Unimpaired.
- *Voting:* Class 2 is Unimpaired under the Plan. Holders of Claims in Class 2 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(iii) Class 3 - Other Priority Claims

- *Classification:* Class 3 consists of all Other Priority Claims.
- *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 3 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 3, each such Holder shall receive, at the option of the Debtors, either:
 - (1) payment in full in cash; or
 - (2) other treatment rendering such Claim Unimpaired.
- *Voting:* Class 3 is Unimpaired under the Plan. Holders of Claims in Class 3 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(iv) Class 4 - 8.625% Notes Claims.

- *Classification:* Class 4 consists of all 8.625% Notes Claims.
- *Allowance:* The 8.625% Notes Claims shall be allowed in an aggregate amount equal to approximately \$179,234,636.42.
- *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 4 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 4, to the extent that Class 4 votes to accept the Plan and only if no Consenting 8.625% Noteholder objects to the Plan, each Holder of 8.625% Notes Claims shall receive its Pro Rata share of the New Warrants.
- *Voting:* Class 4 is Impaired under the Plan. Holders of Allowed Claims in Class 4 are entitled to vote to accept or reject the Plan.

(v) Class 5 - General Unsecured Claims.

- *Classification:* Class 5 consists of all General Unsecured Claims.
- *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 5 agrees to a less favorable treatment of its Allowed Claim or has been paid prior to the Effective Date, each Holder of an Allowed Class 5 Claim shall receive a cash payment in an amount equal to 4% of each such Holder's Allowed Class 5 Claim.
- *Voting:* Class 5 is Impaired under the Plan. Holders of Allowed Claims in Class 5 are entitled to vote to accept or reject the Plan.

(vi) Class 6 - AcqCo Notes Claims.

- *Classification:* Class 6 consists of all AcqCo Notes Claims.
- *Treatment:* On the Effective Date, all Claims in Class 6 shall be cancelled without any distribution on account of such Claims.
- *Voting:* Class 6 is Impaired under the Plan. Holders of Claims in Class 6 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(vii) Class 7 - Intercompany Claims.

- *Classification:* Class 7 consists of all Intercompany Claims.
- *Treatment:* Intercompany Claims shall be, at the Debtors' or Reorganized Debtors' option, either (i) Reinstated as of the Effective Date or (ii) cancelled without any distribution on account of such Claims.
- *Voting:* Class 7 is Unimpaired under the Plan. Holders of Claims in Class 7 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the

Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(viii) Class 8 - Intercompany Interests.

- *Classification:* Class 8 consists of all Intercompany Interests.
- *Treatment:* Intercompany Interests shall be, at the Debtors' or Reorganized Debtors' option, either (i) Reinstated as of the Effective Date or (ii) cancelled without any distribution on account of such Interests.
- *Voting:* Class 8 is Unimpaired under the Plan. Holders of Interests in Class 8 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(ix) Class 9 - HoldCo Interests.

- *Classification:* Class 9 consists of all HoldCo Interests.
- *Treatment:* On the Effective Date, all Interests in Class 9 shall be cancelled without any distribution on account of such Claims.
- *Voting:* Class 9 is Impaired under the Plan. Holders of Claims in Class 9 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

(x) Class 10 - Subordinated Securities Claims.

- *Classification:* Class 10 consists of all Subordinated Securities Claims.
- *Treatment:* On the Effective Date, all Claims in Class 10 shall be cancelled without any distribution on account of such Claims.
- *Voting:* Class 10 is Impaired under the Plan. Holders of Claims in Class 10 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

I. Special Provision Governing Unimpaired Claims.

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

J. Acceptance or Rejection of the Plan.

(i) Voting Classes.

Classes 1, 4, and 5 are Impaired under the Plan. The Holders of Claims and Interests in such Classes are entitled to vote to accept or reject the Plan.

(ii) Presumed Acceptance of the Plan.

Classes 2, 3, 7, and 8 are Unimpaired under the Plan. The Holders of Claims and Interests in such Classes are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

(iii) Presumed Rejection of Plan.

Classes 6, 9, and 10 are Impaired and shall receive no distribution under the Plan. The Holders of Claims and Interests in such Classes are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

K. Controversy Concerning Impairment.

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

L. Subordinated Claims.

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

VI. Management of the Company

Biographical information for Mark W. Oppegard, Barry S. Major, Alexi A. Wellman, and Alan G. Siemek is set forth below:

Mr. Oppegard has served in the college bookstore industry for 40 years (all of which have been with the Debtors). Mr. Oppegard has served as the Debtors' Chief Executive Officer, Secretary, and Director of NBC since February 1998. In addition, Mr. Oppegard served as President of NBC from 1998 to 2008. Additionally, Mr. Oppegard served as the Debtors' President from 1992 to 2008 and has served as a Director since 1995. Prior to 1998, Mr. Oppegard served as Vice President, Secretary, Assistant

Treasurer and a Director of NBC. Prior to 1992, Mr. Oppegard served in a series of positions, including Vice President of the Bookstore Division.

Mr. Major has served in the college bookstore industry for 11 years (all of which have been with the Debtors). Mr. Major has served as Chief Operating Officer since January 1999 and was named President in 2008. Mr. Major is also a member of the board of directors of Mutual of Omaha Bank, where he also serves on the loan committee of the board of directors and chairs the audit and compensation committees. Prior to joining the Debtors, he held various executive management positions at SITEL Corporation. From 1985-1995, he held executive management positions at American National Corporation.

Ms. Wellman has served as the Debtors' CFO and Treasurer since December, 2011. Prior to joining the Debtors, Ms. Wellman was employed at KPMG LLP for over 17 years where she has worked with complex accounting and auditing issues relating to revenue recognition, stock-based compensation, business combinations, internal audit outsourcing, initial public offerings, various other SEC-related items, and provided due diligence services.

Mr. Siemek served in the college bookstore industry for 11 years (all of which have been with the Debtors). Mr. Siemek has served as the Debtors' CFO from 1999 until August 31, 2011, when he resigned as the Debtors' CFO. Mr. Siemek continues to serve as Vice President, a position he has held since 2001. Mr. Siemek has also served as the Debtors' Treasurer, Assistant Secretary, and Vice President since 1999. Mr. Siemek was previously employed as Corporate Comptroller of SITEL Corporation and also was employed as Director and Manager of SEC Reporting and Risk Management at MFS Communications. Prior to 1994, he worked as a public accountant at Coopers & Lybrand LLP.

VII. Composition of New Board of Directors

The New Board shall consist of seven members, and shall include: (a) the Chief Executive Officer of the Debtors; (b) four members to be selected by the Senior Secured Notes Steering Committee; and (c) two members to be independent directors, unanimously approved by the Senior Secured Notes Steering Committee and the Debtors' Chief Executive Officer.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial board of directors or be an officer of each of the Reorganized Debtors. To the extent any such director or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director or officer. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

VIII. Capital Structure of the Reorganized Debtors upon Consummation

A. New ABL Facility.

On the Effective Date, the Reorganized Debtors will obtain access to the New ABL Facility, which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee. Confirmation shall be deemed approval of New ABL Facility (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) and authorization for the Reorganized Debtors to enter into and execute New ABL Facility documents, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New ABL Facility.

B. New Money First Lien Term Loan.

On the Effective Date, the Reorganized Debtors will obtain access to the New Money First Lien Term Loan, which shall be in accordance with Exhibit A to the Plan and reasonably satisfactory in form and substance to the Backstop Parties (as defined in the New Money First Lien Term Loan) and Ad Hoc Group of Senior Secured Noteholders. Confirmation shall be deemed approval of New Money First Lien Term Loan (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) and authorization for the Reorganized Debtors to enter into and execute the New Money First Lien Term Loan documents, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New Money First Lien Term Loan, which modifications must be in form and substance reasonably satisfactory to the Backstop Parties.

The Plan contemplates that the Debtors may implement the New Money First Lien Term Loan Offering through which the Senior Secured Noteholders will be entitled to contribute their Pro Rata share based on the amount of their Allowed Senior Secured Notes Claims to the New Money First Lien Term Loan. To the extent certain of the Senior Secured Noteholders opt not to contribute their Pro Rata share of Cash to the New Money First Lien Term Loan, the Backstop Parties will provide sufficient cash for the New Money First Lien Term Loan to be fully funded.

C. Issuance of New Take-Back Notes.

On the Effective Date, the Reorganized Debtors shall issue the New Take-Back Notes to the Senior Secured Noteholders, which shall be in accordance with Exhibit B to the Plan and reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee. Confirmation shall be deemed approval of the New Take-Back Notes (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) and authorization for the Reorganized Debtors to enter into and execute New Take-Back Notes documents, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New Take-Back Notes, which modifications must be in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee.

D. Issuance of New Common Equity.

The issuance of the New Common Equity, including options or other equity awards, if any, reserved for the Management Equity Incentive Plan, by New NBC is authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests. New NBC shall be authorized to issue a certain number of shares of New Common Equity pursuant to its New Organizational Documents. On the Effective Date, the Debtors shall issue all securities, notes, instruments, certificates, and other documents required to be issued pursuant to the Plan.

All of the shares of New Common Equity issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance referred to in Article VI of the Plan shall be governed by the terms and conditions set forth in the Plan 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. For purposes of distribution, the New Common Equity shall be deemed to have the value assigned to it based upon, among other things, the Reorganized Debtors Total Enterprise Value, regardless of the date of distribution.

The Holders of New Common Equity and Holders of New Warrants may be parties to the Shareholders Agreement, which shall be reasonably satisfactory to the Senior Secured Notes Steering Committee.

The holders of New Common Equity and the Debtors shall be parties to the Registration Rights Agreement, which shall be reasonably satisfactory to the Senior Secured Notes Steering Committee, obligating the Reorganized Debtors to register for resale certain shares of the New Common Equity under the Securities Act in accordance with the terms set forth in such agreement.

E. Issuance of New Warrants.

If Class 4 votes to accept the Plan and does not object to the Plan, New NBC shall issue the New Warrants to the Holders of Claims in Class 4. All of the New Warrants issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

Each distribution and issuance referred to in Article VI of the Plan shall be governed by the terms and conditions set forth in the Plan 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.

F. Intercompany Account Settlement.

The Debtors and the Reorganized Debtors, as applicable, will be entitled to transfer funds between and among themselves as they determine to be necessary to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth in the Plan, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices and will not violate the terms of the Plan.

G. Cancellation of Existing Securities and Agreements.

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, certificates, and other documents evidencing Claims or Interests, including 8.625% Notes Claims, AcqCo Notes Claims, Senior Secured Notes Claims, Subordinated Securities Claims, and credit agreements, shall be deemed cancelled and surrendered without any need for a Holder to take further action with respect to any note(s) or security and the obligations of the Debtors or Reorganized Debtors, as applicable, thereunder or in any way related thereto shall be deemed satisfied in full and discharged, and the Indenture Trustees shall be released from all duties thereunder; *provided, however*, that notwithstanding Confirmation or Consummation, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (i) allowing Holders to receive distributions under the Plan and (ii) allowing the Indenture Trustees to make the distributions to be made on account of the Senior Secured Notes and the 8.625% Notes, as applicable, (iii) permitting the Indenture Trustees to assert their respective Indenture Trustee Charging Liens against such distributions under the Plan for payment of the Indenture Trustee Fees; *provided, further, however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors, as applicable; *provided, further, however*, that the foregoing shall not affect the cancellation of shares issued pursuant to the Restructuring Transactions nor any other shares held by one Debtor in the capital of another Debtor. Subject to the preceding sentence of Article IV.J of the Plan, the Indenture Trustees and their agents, successors, and assigns shall be discharged of all of their obligations associated with the Indentures, as applicable, and shall be released from all claims related to such obligations.

H. Management Equity Incentive Program.

On the Effective Date, the Debtors shall adopt the Management Equity Incentive Plan. The Management Equity Incentive Plan will cover 10% of the fully-diluted shares of New Common Equity in the Reorganized Debtors. On the Effective Date, the Management Equity Incentive Plan will provide for the issuance of 4% of the fully-diluted New Common Equity of the Reorganized Debtors, which will vest in four equal annual installments on each of the first four anniversaries of the Effective Date. The Chief Executive Officer will determine individual awards, in his discretion, based on a range (such range subject to the consent of the Senior Secured Notes Steering Committee, with such consent not to be unreasonably withheld). The Management Equity Incentive Plan will provide for the issuance to management upon the Effective Date of 2% of the fully-diluted New Common Equity of the Reorganized Debtors in the form of stock options, exercisable at Plan value, and will vest and become exercisable in annual installments, as determined by the New Board over a period that will not exceed four years. The New Board, in its sole discretion, will determine all remaining awards.

The Management Equity Incentive Plan will also provide for the issuance to management of 1% of the fully-diluted New Common Equity of the Reorganized Debtors upon the occurrence of a non-affiliate change of control event ("CIC Grant"), solely to management members existing as of the Effective Date and still employed by the Reorganized Debtors as of the occurrence of the change of control event, *provided, however*, that such award shall only be triggered if the New Take-Back Notes remain extant at the time of said change of control event. The Reorganized Debtors will determine the allocation of the CIC Grant among management. There shall, however, be no reallocation of a prospective recipient's award among remaining management at such time as a prospective recipient leaves the employ of the Reorganized Debtors, and his/her prospective award is forfeited. Such award shall also be reduced Pro Rata if the non-affiliate change of control premium is lowered prior to the occurrence of a change of control event.

I. Employee and Retiree Benefits.

In consideration for releasing all Claims and Interests, all employees that are party to employment, retirement, indemnification, and other agreements or arrangements with the Debtors in place as of the Effective Date, including the Debtors' officers, directors, or employees, who will continue in such capacities or similar capacities after the Effective Date, or are party to variable incentive plans regarding payment of a percentage of annual salary based on performance goals and financial targets for certain employees identified as key leaders, top level managers, or sales leaders shall either: (a) have their current agreements assumed pursuant to the Plan; or (b) receive new employment agreements with the Reorganized Debtors, which shall have economic terms that are not less favorable to such employee than such employee's current employment agreement, in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee or New Board, as applicable.

IX. Summary of Legal Proceedings⁴

From time to time, the Debtors are subject to legal proceedings and other claims arising in the ordinary course of their business. Currently, the Debtors are not a party to any litigation the outcome of which would have a material adverse affect on their financial condition or results of operations. The

⁴ This summary is not intended as an exhaustive description of all pending legal matters or proceedings in which the Debtors are involved. Certain legal proceedings may be subject to appeal in or outside the Bankruptcy Court. Nothing in this discussion is deemed to be an admission by the Debtors of any liability or wrongdoing.

Debtors maintain insurance coverage against claims in an adequate amount given the Debtors' litigation proceedings.

Most of these legal proceedings have arisen in the ordinary course of the Debtors' business and involve Claims for money damages. Whether these Claims are or will be liquidated or resolved in the Bankruptcy Court or in some other jurisdiction depends upon the nature of the Claims and the debt arising therefrom. Generally, if the debt underlying such Claims was incurred by the Debtors prior to the date the Plan is confirmed, such debt, in accordance with section 1141 of the Bankruptcy Code, will be discharged through bankruptcy, depending upon the nature of the relief sought, regardless of whether the Claim is liquidated and resolved before or after the Effective Date. Claims arising from conduct occurring after the Effective Date, unless provided for under the Plan, generally are not dischargeable through bankruptcy, and will be handled by the Reorganized Debtors in the ordinary course of their business after emergence.

A number of transactions occurred prior to the Petition Date that may give rise to Claims, including preference actions, fraudulent transfer and conveyance actions, rights of setoff and other claims, or causes of action under sections 510, 544, 547, 548, 549, 550, and 553 of the Bankruptcy Code, and other applicable bankruptcy or non-bankruptcy law (collectively, the "Avoidance Actions").

Pursuant to section 546(a) of the Bankruptcy Code, the statute of limitations with respect to the commencement of avoidance or recovery actions under sections 544, 545, 547, 548, and 553 of the Bankruptcy Code will expire on June 27, 2013 (*i.e.*, two years after the Petition Date).

X. Valuation Analysis

THE VALUATION SET FORTH HEREIN REPRESENTS ESTIMATED DISTRIBUTABLE VALUE AND DOES NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN THE PUBLIC OR PRIVATE MARKETS. THE VALUE OF THE NEW COMMON EQUITY DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE.

Because certain distributions contemplated by the Plan are composed of equity in the Reorganized Debtors, the Debtors determined it was necessary to estimate the reorganized value of businesses. Accordingly, Rothschild Inc. ("Rothschild") has performed an analysis of the estimated value of the Reorganized Debtors on a going-concern basis (the "Valuation Analysis"). The Valuation Analysis should be considered in conjunction with the "Risk Factors" discussed herein. The Valuation Analysis is dated as of March 7, 2012 and is based on data and information as of that date. Rothschild makes no representations as to changes to such data and information that may have occurred since March 7, 2012.

In preparing the Valuation Analysis, Rothschild has, among other things: (1) reviewed certain recent available financial results of the Debtors; (2) reviewed certain internal financial and operating data of the Debtors; (3) discussed with senior executives the current operations and prospects of the Debtors; (4) reviewed certain operating and financial forecasts prepared by the Debtors, including the financial projections attached hereto as **Exhibit B** (the "Financial Projections"); (5) discussed with certain senior executives of the Debtors regarding key assumptions related to the Financial Projections; (6) prepared discounted cash flow analyses based on the Financial Projections, utilizing various discount rates; (7) considered the market value of certain publicly-traded companies in businesses reasonably comparable to the operating business of the Debtors; (8) considered the value assigned to certain precedent change-in-control transactions for businesses similar to the Debtors; (9) analyzed market value of pre-petition debt; (10) conducted such other analyses as Rothschild deemed necessary and/or appropriate under the circumstances; and (11) considered a range of potential risk factors.

Rothschild assumed, without independent verification, the accuracy, completeness, and fairness of all of the financial and other information available to it from public sources or as provided to Rothschild by the Debtors or their representatives. Rothschild also assumed that the Financial Projections has been reasonably prepared on a basis reflecting the Debtors' best estimates and good faith judgment as to future operating and financial performance. To the extent the valuation is dependent upon the Reorganized Debtors' achievement of the Financial Projections, the Valuation Analysis must be considered speculative. Rothschild does not make any representation or warranty as to the fairness of the terms of the Plan. In addition to the foregoing, Rothschild relied upon the following assumptions in preparing the Valuation Analysis:

- the Reorganized Debtors are able to maintain adequate liquidity to operate in accordance with the Financial Projections;
- the Reorganized Debtors operate consistently with the levels specified in the Financial Projections;
- the Plan will become effective on May 31, 2012 (the "Assumed Effective Date");
- future values were discounted to May 31, 2012;
- the Debtors shall have availability of an undrawn revolving facility up to \$75.0 million as of the Effective Date;
- general financial and market conditions as of the Assumed Effective Date will not differ materially from those conditions prevailing as of the date of the Valuation Analysis of March 7, 2012 (the "Valuation Date");
- Rothschild has not considered the impact of a prolonged bankruptcy case and has assumed operations will continue in the ordinary course consistent with the Financial Projections; and
- Rothschild did not provide a valuation or other potential outcomes under alternative scenarios such as a prolonged bankruptcy case or a partial or full break-up and sale of the Debtors' business.

A. Valuation Methodologies.

The following is a summary of certain financial analyses performed by Rothschild to arrive at its range of estimated values. Rothschild's valuation analysis must be considered as a whole. Rothschild has assigned an equal weighting to each methodology to arrive at its enterprise value of \$220.0 million. In addition, Rothschild has ascribed a value of \$30.0 million to the incremental cash that will be invested in the business as a result of trade terms ("Excess Asset").

(i) Discounted Cash Flow Analysis.

The discounted cash flow analysis (the "DCF") estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. The DCF discounts the expected cash flows by a theoretical or observed discount rate. This approach has two components: (i) calculating the present value of the projected unlevered after-tax free cash flows for a determined period of time and (ii) adding the present value of anticipated future cash flows after the projection period, or the terminal value.

The DCF calculations were performed on unlevered after-tax free cash flows for the period beginning April 1, 2012 through March 31, 2016, discounted to the Assumed Effective Date (the “Projection Period”). Rothschild utilized the Financial Projections for performing these calculations.

In performing the DCF calculations, Rothschild made assumptions for the weighted average cost of capital (the “Discount Rate”), which is used to calculate the present value of future cash flows. Rothschild also made assumptions for (x) a perpetuity growth rate for the future cash flows beyond the Projection Period and (y) an exit multiple, which are used to determine the terminal value of the Reorganized Debtors represented by the time period beyond the Projection Period. Rothschild calculated the Discount Rate with a traditional cost of equity capital calculation using the “capital asset pricing model.” Based on this methodology, Rothschild used a Discount Rate range of 11.0% to 13.0% for the Reorganized Debtors, which reflects a number of NBC and market-specific factors, and is calculated based on the cost of capital for companies that Rothschild analyzed in its Comparable Companies Analysis. The DCF utilized the perpetuity growth method and under this method the terminal value is estimated using a long-run growth rate for the period beyond the Projection Period (beyond FY 2016). The DCF analysis was also conducted using the exit multiple method. In this approach, the terminal value is estimated using a multiple of terminal year EBITDA. The Valuation Analysis uses a perpetuity growth rate for free cash flow of 1.5% - 3.5% and an exit multiple of 4.5x – 6.5x terminal year EBITDA. The discount rate range was calculated based on assumed cost of debt and the Capital Asset Pricing Model (“CAPM”) using the companies identified for the Comparable Companies Analysis as benchmarks.

(ii) *Comparable Companies Analysis.*

The comparable companies analysis (the “Comparable Companies Analysis”) estimates the value of a company based on a comparison of such company’s financial statistics with the valuation in the public markets and related implied financial statistics of publicly-traded companies with similar characteristics. Criteria for selecting comparable companies for this analysis includes, among other relevant characteristics, similar lines of business, geographic presence, business risks, growth prospects, maturity of businesses, market presence, size and scale of operations. The Comparable Companies analysis is challenged by a lack of publicly-traded pure play comparable companies for NBC. Companies used in the Comparable Companies Analysis include: Barnes & Noble, Inc., Books-A-Million Inc., Gamestop Corp., and Indigo Books & Music, Inc. The Comparable Companies Analysis establishes benchmarks for valuation by deriving financial multiples and ratios for the comparable companies, standardized using common metrics such as EBITDA (Earnings Before Interest, Depreciation, Amortization).

(iii) *Precedent Transactions Analysis.*

The precedent transactions analysis (the “Precedent Transactions Analysis”) is based on the enterprise values of companies involved in public or private merger and acquisition transactions that have operating and financial characteristics similar to the Debtors. Under this methodology, the enterprise value of such companies is determined by an analysis of the consideration paid and the debt assumed in the merger, acquisition or restructuring transaction. As in a comparable company valuation analysis, the analysis establishes benchmarks for valuation by deriving financial multiples and ratios, standardized using common variables such as EBITDA. Rothschild relied on the derived EBITDA multiples and then applied these to the Debtors’ operating statistics to determine enterprise value. The following transaction was used in the Precedent Transactions Analysis:

Target	Acquiror
Barnes & Noble College Booksellers, Inc.	Barnes & Noble, Inc.

Factors not directly related to a company's business operations can affect a valuation based on precedent transactions, including (i) circumstances surrounding a merger transaction may introduce other motivations for higher premiums (e.g., a buyer may pay an additional premium for reasons not solely related to competitive bidding), (ii) the market environment is not identical for transactions occurring at different periods of time; and (iii) circumstances pertaining to the financial position of the company may impact the resulting purchase price (e.g., a company is in financial distress and may receive a lower price due to weaker negotiating leverage).

The summary set forth above does not purport to be a complete description of the analyses performed by Rothschild. The preparation of an estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimates set forth herein are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. In addition, such estimates do not purport to be appraisals, nor do they necessarily reflect the values that might be realized if assets were sold. The estimates prepared by Rothschild assume that Reorganized Debtors will continue as the owner and operator of their businesses and assets and that such assets will be operated in accordance with the Debtors' business plan. Depending on the results of the Debtors' operations or changes in the financial markets, Rothschild's valuation analysis as of the Effective Date may differ from that disclosed herein.

(iv) *Distributable Equity Value of Reorganized NBC Under the Plan.*

The distributable equity value of Reorganized NBC (the "Distributable Equity Value") is calculated by adjusting the total enterprise value calculated under the DCF, Precedent Transactions Analysis, and Comparable Companies Analysis for factors that would impact Reorganized Debtors' Cash and/or debt levels.

In the calculation of Distributable Equity Value, Rothschild assumes that any "excess Cash" on the Debtors balance sheet is used to satisfy Claims, administrative expenses, and Allowed General Unsecured Claims that are expected to arise under the restructuring.

The chart below illustrates the Distributable Equity Value of Reorganized NBC under the Plan:

<i>(In Millions)</i>	Amount
Total Enterprise Value	\$220.0
Plus: "Excess Asset"	\$30.0
Total Distributable Value	\$250.0
Less: New ABL Facility	--
Less: Capital Leases	(1.5)
Less: New Money First Lien Term Loan	(80.0)
Less: New Take-Back Notes	(100.0)
Implied Distributable Equity Value	\$68.5

These estimated values are based on a hypothetical value that reflects the estimated intrinsic value of the Debtors derived through the application of various valuation methodologies. The implied reorganized equity value ascribed in this analysis does not purport to be an estimate of any post-

reorganization market trading value. Any such trading value may be materially different from the Distributable Equity Value ranges associated with Rothschild's valuation analysis. Rothschild's estimate is based on economic, market, financial, and other conditions as they exist on, and on the information made available as of, the Valuation Date. It should be understood that, although subsequent developments may affect Rothschild's conclusions, before or after the Confirmation Hearing, Rothschild does not have any obligation to update, revise or reaffirm its estimate.

In addition, the valuation of any newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities held by Creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by other factors not possible to predict. Accordingly, the values estimated by Rothschild do not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets.

THE FOREGOING VALUATION IS BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR THE REORGANIZED DEBTORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RANGES REFLECTED IN THE VALUATION WOULD BE REALIZED IF THE PLAN WERE TO BECOME EFFECTIVE, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HEREIN.

THE ESTIMATED CALCULATION OF ENTERPRISE VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS AS SET FORTH IN THE DEBTORS' FINANCIAL PROJECTIONS, AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS, NONE OF WHICH ARE GUARANTEED AND MANY OF WHICH ARE OUTSIDE OF THE DEBTORS' CONTROL, AS FURTHER DISCUSSED IN SECTION XII OF THE DISCLOSURE STATEMENT.

THE CALCULATIONS OF VALUE SET FORTH HEREIN REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE VALUATION ANALYSES IS BASED ON DATA AND INFORMATION AS OF THE VALUATION DATE. NO RESPONSIBILITY IS TAKEN FOR CHANGES IN MARKET CONDITIONS THAT MAY HAVE OCCURRED SINCE THE VALUATION DATE AND NO OBLIGATION IS ASSUMED TO REVISE THIS CALCULATION OF THE REORGANIZED DEBTORS' VALUE TO REFLECT EVENTS OR CONDITIONS THAT SUBSEQUENTLY OCCUR. THE CALCULATIONS OF VALUE DO NOT CONFORM TO THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE OF THE APPRAISAL FOUNDATION.

XI. Liquidation Analysis

Pursuant to section 1129(a)(7) of the Bankruptcy Code, often called the "best interests test," holders of allowed claims must either (a) accept the plan of reorganization, or (b) receive or retain under the plan property of a value, as of the plan's assumed effective date, that is not less than the value such non-accepting holders would receive or retain if the debtors were to be liquidated under chapter 7 of the Bankruptcy Code on such date. The Debtors believe that the Plan meets the "best interest of creditors" test as set forth in section 1129(a)(7) of the Bankruptcy Code.

To demonstrate compliance with the “best interests test,” the Debtors estimated a range of proceeds that would be generated from a hypothetical chapter 7 liquidation in their liquidation analysis included below (the “Liquidation Analysis”). In the Liquidation Analysis, the Debtors determined a hypothetical liquidation value of their businesses if a chapter 7 trustee were appointed and charged with reducing to cash any and all of the Debtors’ assets. The Debtors compared this hypothetical liquidation value to the value and returns provided for under the Plan. As reflected in more detail in the Liquidation Analysis, the Debtors believe that the value of any distributions if the Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code would not be greater than the value of distributions under the Plan.

The Debtors believe that Holders of Allowed Claims in each Impaired Class will receive at least as much under the Plan as they would if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Liquidation Analysis reflects the estimated cash proceeds, net of liquidation-related costs, which would be realized if the Debtors were to be liquidated in accordance with chapter 7 of the Bankruptcy Code.

The Liquidation Analysis reflects management’s estimated net value of the Debtors’ assets if the Debtors were liquidated under the provisions of chapter 7 of the Bankruptcy Code, and the net proceeds of the liquidation were applied in strict priority to satisfy Claims against the Debtors. The Liquidation Analysis assumes the Debtors’ estates are substantively consolidated, and is based on the Debtors’ projected balance sheets as of March 31, 2012 (except as indicated). The Liquidation Analysis assumes a range of recoveries for these assets assuming a forced liquidation asset sale process conducted by the Debtor’s trustee. The value available for distribution to creditors as of the date of an actual liquidation may differ from the value used in this Liquidation Analysis, potentially by a material amount.

Conversion of the Chapter 11 Cases to chapter 7 likely would result in additional costs to the Estates. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset dispositions expenses, all unpaid expenses incurred by the Debtors in the Chapter 11 Cases (such as compensation of attorneys, financial advisors, and restructuring consultants) that are allowed in the chapter 7 case, litigation costs, and Claims arising from the operations of the Debtors during the pendency of the Chapter 11 Cases.

In order to maximize total liquidation value, the Liquidation Analysis assumes that the Debtors continue to operate the business for a period of two months, then liquidates the remaining assets during a three-month-period after the filing of a chapter 7 bankruptcy petition. The Debtors’ would then require an additional six months to wind down the estate. The Liquidation Analysis assumes distressed sales of the Debtors’ assets as the basis for this liquidation. There can be no assurance that the actual value realized in a sale of these assets would yield the balances assumed in the Liquidation Analysis. If actual results were lower than those shown, or if the assumptions used in formulating the Analysis were not realized, distribution to each member of each class of Claims could be affected adversely.

The Liquidation Analysis assumes that proceeds would be distributed in accordance with section 726 of the Bankruptcy Code. If the Debtors were liquidated pursuant to chapter 7 proceedings, the amount of liquidation value available to creditors would be reduced by: (1) the costs of the liquidation, which includes the fees and expenses of the Chapter 7 Trustee appointed to manage the liquidation, the fees and expenses of other professionals retained to assist with the liquidation, and other asset disposition expenses; (2) letters of credit drawn down against the DIP Facility; (3) the DIP Facility; (4) Administrative Expense Claims, including administrative trade claims, and employee benefit obligations, and Priority Tax Claims; (5) Senior Secured Notes; (6) any remaining residual value would be available to unsecured lender and general unsecured creditors pari passu with the deficiency secured claims; and (7) to the extent any value remains HoldCo Interests would be satisfied.

The Liquidation Analysis necessarily contains an estimate of Claims that ultimately will become Allowed Claims. Estimates for various Classes of Claims are based solely upon the Debtors' review of their books and records. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in this Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected amounts of Claims that are consistent with the estimated Claims reflected in the Plan with certain modifications. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable good-faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The Liquidation Analysis does contain estimates of potential damage Claims with respect to executory contracts that may be rejected; however, these estimates may be substantially different if, in fact, executory contracts are rejected. Nothing contained in the Liquidation Analysis is intended to be or constitutes a concession or admission of the Debtors. The actual amount of Allowed Claims in the Chapter 11 Cases could materially differ from the estimated amounts set forth in the Liquidation Analysis.

A. Scope, Intent, and Purpose of the Liquidation Analysis.

The determination of the costs of, and hypothetical proceeds from, the liquidation of the Debtors' assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation. In addition, the Debtors' management cannot judge with any degree of certainty the effect of the forced liquidation asset sales on the recoverable value of the Debtors' Assets. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable good faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. No independent appraisals were conducted in preparing the Liquidation Analysis. **NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.**

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based upon a review of the Claims contained in the Debtors' books and records. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 Cases, but which could be asserted and Allowed in a chapter 7 liquidation, including Administrative Claims, chapter 7 trustee fees, and certain lease and contract rejection damages Claims. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing this Liquidation Analysis. The Debtors' estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims under the Plan. **NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.**

B. Results of the Liquidation Analysis.

The Debtors have eight legal entities that primarily engage in the procurement and sale of new and used textbooks on college campuses, as well as the sale of other types of education material to academic institutions. It is assumed that the orderly liquidation of the Debtors would commence following three months of normal business operations through the end of the Spring academic semester, in order to maximize recovery. Upon completion of the Spring academic semester, a liquidation process would proceed for a period of three months under the direction of the chapter 7 trustee, during which time all of the Debtors' major assets (consisting mostly of the inventory, receivables, and property plant, and equipment) would be sold or wound down in an expedited manner, the cash proceeds, net of liquidation related costs, would then be distributed to the creditors in accordance with section 726 of the Bankruptcy Code. This three-month assumption is primarily based on anticipated time pressure to liquidate inventory, dispose of land and buildings, and collect upon receivables. Following the sale of the assets, the Liquidation Analysis assumes the chapter 7 trustee will wind down the estate expeditiously over a six month period.

The estimated proceeds of a hypothetical chapter 7 liquidation for all assets of the eight Debtor entities were calculated based on assumptions provided herein and applied to estimated Claims values for these entities to determine recovery estimates among creditor Classes. In addition, these recovery estimates among creditor Classes were compared to estimated recoveries under the Plan.

As is demonstrated in the analysis, all impaired creditor Classes are estimated to receive less in the Liquidation Analysis than under the Plan. In both the "high recovery scenario" and the "low recovery scenario," Administrative Claims and Priority Tax Claims receive a 100% recovery, and the Senior Secured Claims and the Senior Unsecured Claims are both impaired.

Based on the estimated recoveries in the Plan and Liquidation Analysis, it is management's opinion that the Plan satisfies the "best interests test." Under the Plan, each creditor class will receive at least the same value or significantly more than they would if the business were to be subject to a chapter 7 liquidation.

NBC HOLDINGS CORP.
Liquidation Analysis
As of March 31, 2012

Estimated Recovery and Distribution to Claimants

(\$ in 000's)

	Notes	Book Value	Estimated Recovery %		Estimated Recovery	
			Low	High	Low	High
Liquidation Proceeds						
Cash & Cash Equivalents	A	\$ 104,256	100%	100%	\$ 104,256	\$ 104,256
Trade Receivables	B	75,000	20%	85%	15,000	63,750
Inventory	C	98,080	40%	70%	39,232	68,656
Prepaid Assets	D	22,272	0%	10%	-	2,227
Property Plant and Equipment	E	37,906	15%	30%	5,686	11,372
Other Assets	F	1,112	0%	10%	-	111
Proceeds Available for Distribution					164,174	250,372
Costs of Liquidation and Distribution						
Chapter 7 Trustee Fees	G				1,798	4,383
Chapter 7 Professional Fees	H				3,647	2,984
Winddown & Liquidation Costs	I				1,676	1,371
Letter of Credit Facilities	J				4,104	-
					11,224	8,738
Adjusted Proceeds Available for Distribution					152,950	241,634
Superpriority Administrative Claims						
DIP Facility Claim	K				125,000	125,000
Carve Out for Professional Fees	L				4,400	4,400
					129,400	129,400
Proceeds Available after Superpriority Administrative Claims					23,550	112,234
Secured Debt Claims	M	202,427	12%	55%	23,550	112,234
Proceeds Available after Secured Debt Claims					-	-
Chapter 11 Administrative Claims						
Liabilities incurred in Chapter 11 at the operating entities	N	12,100	0%	0%	-	-
Employee Benefit Obligations	O	1,338	0%	0%	-	-
Priority Tax Claims	P	796	0%	0%	-	-
503(b)(9) and other miscellaneous	Q	1,495	0%	0%	-	-
Rejection of Assumed Leases	R	15,157	0%	0%	-	-
		<u>30,886</u>			-	-
Proceeds Available for Distribution to Pre-petition Unsecured Creditors					-	-
Unsecured 8.625% Notes Claims	S	190,765	0%	0%	-	-
Unsecured AcqCo Notes Claims	T	85,846	0%	0%	-	-
Unsecured Claims sharing Pari Passu with Lenders	U	13,089	0%	0%	-	-
HoldCo Interests	V	<u>110,000</u>	0%	0%	-	-
		<u>\$ 399,700</u>	0%	0%	<u>\$ -</u>	<u>\$ -</u>

C. Notes to Liquidation Analysis.

(i) Note A – Cash and Cash Equivalents.

Cash and cash equivalents are in the form of depository accounts and short term investments. These accounts are liquid, and a 100% recovery is assumed. The March 31, 2012 balance is based on the Debtors' business plan forecast.

(ii) Note B – Trade Receivables.

The trade receivables balance is based upon the business plan forecasted balances as of March 31, 2012. Low end recovery is based on the Revolving DIP Loan (as defined in the Interim DIP Order) advance ineligibles and advance rate (no advances are provided against retail receivables, which are due from schools that provide textbooks through financial aid). The high end is based on judgment to reflect the fact that majority of receivables are relatively new, and borrowing base calculations tend to be conservative by design.

(iii) Note C – Inventory.

The inventory balance is based upon the projected balance as of March 31, 2012. Low end recovery is based on the Revolving DIP Loan (as defined in the Interim DIP Order) advance ineligibles and advance rate (no advances are provided against rental inventory, which is in the hands of students and potentially very difficult to realize upon). The high end is based on judgment to reflect the fact that borrowing base calculations tend to be conservative by design.

(iv) Note D – Prepaid Assets.

Prepaid assets consist primarily of vendors requiring prepayment, prepaid consulting fees, insurance, maintenance, and leases and reflect the March 31, 2012 projected balance. There is assumed to be a minimal recovery for these assets. 0%-10% is based upon the assumption that a small percentage may be sold or refunded, however the majority will be exhausted prior to the conclusion of a liquidation.

(v) Note E – Property, Plant, and Equipment.

Property, plant, and equipment consists of land, buildings, furniture and fixtures, information systems, and leasehold improvements and reflect the March 31, 2012 business plan forecasted balance. The majority of the recovery relates to land and buildings. Land makes up less than 10% of the total value. The recovery for the buildings in a distressed sale is not expected to yield full value, and a recovery of 15%-30% is estimated, based on judgment.

(vi) Note F – Other Assets.

Other assets consist primarily of software development costs and reflects the March 31, 2012 business plan forecasted balance. There is minimal recovery assigned to this, however the software may be sold to other bookstores or have value to existing customers. Therefore, a recovery of 0%-10% is estimated.

(vii) Note G – Trustee Fees of Chapter 7 Estates.

Compensation for the chapter 7 trustee will be limited to fee guidelines in section 326(a) of the Bankruptcy Code and is calculated at 3% of estimated recovery of assets available for distribution, excluding cash on hand.

(viii) Note H – Chapter 7 Professional Fees.

Professional fees include ongoing Professional fees associated with winding down the business. These Professional fees include fees for legal and financial support. The cost to operate the business during the liquidation process is detailed in the winddown costs. Once the liquidation is complete, certain corporate and administrative functions would be required to oversee the distribution of proceeds, to maintain and close the accounting records and to prepare tax returns for the estates, among other things. For purposes of analysis, the low end recovery is 10% higher and the high end is 10% lower than the forecast of \$3.3 million.

(ix) Note I – Winddown & Liquidation Costs.

The estimated cost to operate the business during the liquidation process is detailed below. Once the liquidation is complete, certain corporate and administrative functions would be required to oversee the distribution of proceeds, to maintain and close the accounting records, and to prepare tax returns for the estates, among other things. For purposes of analysis, the low end recovery is 10% higher and the high end is 10% lower than the forecast of \$1.524 million.

(\$ in 000's)	Monthly Actual	Apr-Jun 2012		Jul-Sep 2012		Oct-Dec 2012		Total	Low Recovery	High Recovery
		Fcst	% of Act	Fcst	% of Act	Fcst	% of Act			
Estimated Wind Down Expenses										
Distribution Center Wage Expenses	\$ 256	\$ 384	50%	\$ -	0%	\$ -	0%	\$ 384	\$ 422	\$ 346
Corporate Payroll Wind Down Costs	200	299	50%	150	25%	75	13%	524	576	471
Distribution & Office Facility Expenses	77	124	54%	75	33%	75	33%	274	301	247
Estimated Severance		267		37		37		342	376	308
Total		<u>\$ 1,074</u>		<u>\$ 262</u>		<u>\$ 187</u>		<u>\$ 1,524</u>	<u>\$ 1,676</u>	<u>\$ 1,371</u>

(x) Note J – Letter of Credit Facilities.

Letter of Credit Facilities consist of three letters in the amounts of \$3 million, approximately \$700 thousand, and \$370 thousand. These letters are not funded and are collateralized against the DIP Facility. For purposes of the analysis, it is assumed that the letters of credit would both be drawn in the low recovery scenario and that neither would be drawn in the high recovery scenario.

(xi) Note K – DIP Facility Claim.

Upon filing the Chapter 11 Cases, the company entered into a \$200 million DIP facility. The Term portion of \$125 million was drawn upon filing, the remaining \$75 million DIP Revolving Loan remains unutilized and is assumed to remain undrawn through the liquidation period.

(xii) Note L - Carve Out for Professional Fees

The Final DIP Order stipulates a \$5 million Carve Out Cap (as defined in the Final DIP Order). The fees incurred by various professionals in conjunction with the chapter 11 cases that remained unpaid as of the Chapter 7 conversion date are assumed to be \$4.4 million.

(xiii) Note M - Secured Debt Claims

Represents the \$200 million 10% Senior Secured Notes outstanding plus interest accrued through March 2012, approximately \$200 thousand in outstanding mortgage obligations, \$240 thousand in surety bonds for real property leases, and approximately \$700 thousand in property tax claims.

(xiv) Note N - Liabilities Incurred in Chapter 11 at the Operating Entities

Represents business plan forecasted postpetition trade payables, accrued employee compensation, and accrued expenses incurred through March 31, 2012.

(xv) Note O - Employee Benefit Obligations.

Employee Benefit Obligations are the Debtors' obligations to fund the employee 401(k) program. The balance represents the actual liability as of November 30, 2011.

(xvi) Note P - Priority Tax Claims.

The balance represents the projected valid Claims based upon filed Proofs of Claim and scheduled Claims.

(xvii) Note Q - 503(b)(9) and Other Miscellaneous Administrative Claims

Represents the value of goods received by the Debtors 20 days prior to the commencement of these Chapter 11 Cases in which the goods were sold by the Debtors in the ordinary course, as well as other miscellaneous administrative claims.

(xviii) Note R - Rejection of Assumed Leases

On January 5, 2012, NBC assumed certain lease contracts. The Liquidation Analysis assumes rent calculations from April 1, 2012 through the earlier of the lease expiration date or 24 months per section 503(b)(7) of the Bankruptcy Code.

(xix) Note S - Unsecured 8.625% Claims.

Represents the \$175.0 million 8.625% Notes outstanding plus interest accrued through March 31, 2012.

(xx) Note T - Unsecured AcqCo Notes Claims

Represents the \$77.0 million AcqCo Notes outstanding plus interest accrued through March 31, 2012.

(xxi) Note U – Unsecured Claims.

Unsecured claims consist of unpaid prepetition trade Claims and lease rejection Claims. Trade Claims are estimated based on filed Proofs of Claim and scheduled Claims, and lease rejection Claims are estimated based on one year’s worth of rent expense, as follows:

(\$ in 000's)

Estimated Unsecured Vendor Claims	\$	7,169
Lease Rejection Claims		<u>5,920</u>
	\$	<u>13,089</u>

(xxii) Note V - HoldCo Interests.

Represents an estimate of equity holders’ investments into HoldCo and AcqCo.

XII. Projected Financial Information

Attached as **Exhibit B** are the unaudited pro forma financial statements (the “Financial Projections”), which consist of a statement of operations (the “Income Statement”), a statement of cash flow (the “Statement of Cash Flows”), and a statement of financial position (the “Balance Sheet”) for the time period from March 31, 2012 through March 31, 2016. The Financial Projections assume an Effective Date of May 31, 2012 and are based on the Debtors’ current business plan. A balance sheet (the “Pro Forma Balance Sheet”) has been provided as of the Effective Date with pro forma adjustments to account for (a) the reorganizing and related transactions pursuant to the Plan and (b) the implementation of “fresh start” accounting pursuant to Statement of Position 90-7 (“SOP 90-7”), Financial Reporting by Entities in Reorganization Under The Bankruptcy Code, as issued by the American Institute of Certified Public Accountants (the “AICPA”). The Financial Projections may not be in accordance with generally accepted accounting practices.

THE DEBTORS’ MANAGEMENT PREPARED THE FINANCIAL PROJECTIONS WITH THE ASSISTANCE OF THEIR PROFESSIONALS. THE DEBTORS’ MANAGEMENT DID NOT PREPARE SUCH FINANCIAL PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY AICPA OR THE RULES AND REGULATIONS OF THE SEC. THE DEBTORS’ INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE FINANCIAL PROJECTIONS THAT ACCOMPANY THIS DISCLOSURE STATEMENT AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE FINANCIAL PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE FINANCIAL PROJECTIONS, AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH FINANCIAL PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. THE FINANCIAL PROJECTIONS ARE QUALIFIED IN THEIR ENTIRETY BY THE DESCRIPTION THEREOF CONTAINED HEREIN AND IN THE NOTES ACCOMPANYING THE FINANCIAL PROJECTIONS.

MOREOVER, THE FINANCIAL PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE CONSUMMATION AND

IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, MAINTENANCE OF GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS, AND UNUSUAL WEATHER CONDITIONS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS (AS DETAILED HEREIN), AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET, AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THE FINANCIAL PROJECTIONS 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 MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE DEBTORS AND REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE FINANCIAL PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE ON WHICH THIS DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE FINANCIAL PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS AND INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

A. Notes to the Income Statement and Cash Flow Statement.

(i) Approach.

The Income Statement consolidates the financial performance of the Debtors' operations using an approach established by the Debtors' management and professionals to forecast operating results. The Income Statement accounts for conditions specific to each operating segment in which the Debtors' operate, including competitive pressures as well as the current state of the textbook industry. The Debtors' management team has considered various factors in developing the Financial Projections based on specific assumptions and information available to them. The Financial Projections should be reviewed in conjunction with the section entitled "Risk Factors" discussed herein.

The Financial Projections were prepared on a segment-level basis, taking into account trends within each operating segment. Revenue factors were developed specific to each segment and included drivers such as sales units, rental units, and price per unit. Gross margins were estimated based on current results and anticipated changes in the mix of sales versus rental and sales mix by new textbooks, used textbooks, general merchandise, and other items. Costs for each division were developed based on current relationships between actual costs and revenue and anticipated changes due to sales by source such as in-store, online third party marketplaces, or the Debtors' own online websites. Specific adjustments were made to some costs to account for operational initiatives implemented, or to be implemented, by the Debtors' management team.

(ii) *Operational Drivers.*

Total revenue represents gross revenues derived from the operation of college bookstores, the wholesale of used textbooks, and numerous businesses that complement the wholesale business. The Debtors' revenues from college bookstores are derived from both the number of bookstores that they operate, which fluctuate based on the acquisition or contract management of new stores net of any closed stores, plus expected changes in same store sales within those bookstores. The projections include certain assumptions about changes in the number of bookstores operated by the Debtors as well as certain trends in same store sales results. Estimates of same store sales were made for each primary revenue type within the college bookstore operations.

(iii) *Cost of Sales and Selling, General and Administrative Expenses.*

Cost of sales expenses primarily represent the direct operating expenses associated with generating revenue from sales of the Debtors' products and services. Those direct operating expenses are primarily derived from the cost of acquisition of new and used textbooks, as well as general merchandise, plus shipping costs incurred to get product to the appropriate bookstore or warehouse. Costs of sales for each primary sales category was estimated based on current trends. Cost of sales for the wholesale and complementary services businesses were estimated based on current trends.

Selling, general, and administrative ("SG&A") expenses are specific to each primary business operation, as well as the costs necessary to operate the corporate infrastructure. Each business operation includes labor and benefits, travel, outbound shipping, marketing and advertising, rent, and miscellaneous other costs, including commission payments to third party online marketplace operators. All of these costs were projected based on current operating levels, as adjusted for projected changes in the number of bookstores operated by the Debtors, and further adjusted for normal increases in each category of expense. Corporate SG&A primarily consists of the labor and benefits necessary to operate functions such as treasury, general accounting, information technology, senior management and the corresponding support structure related to these functions. Ongoing estimates for legal and other professional fees are included in the estimates for corporate SG&A.

(iv) *Gain on Retirement of Debt.*

Gain on retirement of debt relates to the extinguishment of the debt obligations as a result of the Plan. This amount includes amounts for the write off of accrued interest on certain liabilities subject to compromise as well as the write off of preferred stock balances – offset partially by an estimate for immediate write off of unamortized debt issuance costs associated with the prepetition obligations.

(v) *Interest Expense.*

Interest expense for the periods before May 31, 2012 includes interest accrued on all prepetition and post-petition debt for the assumed periods outstanding, excluding the 8.625% Notes and the AcqCo Notes. Interest expense after May 31, 2012 was estimated only for all post-petition obligations.

Interest expense for the projection period has been estimated based on terms of the Plan.

(vi) *Income Taxes.*

Income taxes were calculated based on an effective 40% blended United States federal and state tax rate. This tax rate assumes all Debtors will emerge as taxpayers. For purposes of forecasting provisions for taxes after the Effective Date, the Financial Projections assumes that the Debtors do not emerge with any available net operating losses (“**NOLs**”). A final assessment of the Debtors’ cancellation of debt income (“**CODI**”) and usable NOLs may vary based on the structure of the Plan and events occurring after the Effective Date.

(vii) *Capital Expenditures and Acquisitions.*

Capital expenditures projected in the Financial Projections are primarily maintenance in nature and include estimates to update leasehold improvements and computer infrastructure and replace machinery and equipment. While the projections do not contemplate any major new lines of business, there will be expenditures necessary to remodel stores and to maintain and existing equipment as it ages over the ordinary course of operations.

Investing activities also include estimated expenditures to acquire additional college bookstore operations including working capital investments and certain upfront bonus payments to colleges and universities who contract with the Debtors to operate their on campus bookstore, as well as certain investments in information systems for those new operations.

B. *Balance Sheet and Pro Forma Balance Sheet.*

The Pro Forma Balance Sheet contains certain adjustments as a result of consummation of the Plan. Liabilities subject to compromise will be extinguished and receive treatment based on the Plan. Certain liabilities subject to compromise will be converted to equity as a result of the Reorganized Debtors’ issuance of New Common Equity to satisfy certain Allowed Claims under the Plan.

The Pro Forma Balance Sheet reflects the Reorganized Debtors’ pro forma projected consolidated Balance Sheet as of the Effective Date. The Pro Forma Balance Sheet was developed from the Debtors’ March 31, 2012 estimated Balance Sheet, as adjusted for the projected income and cash flow for the two months ended May 31, 2012. Adjustments were made to the May 31, 2012 Balance Sheet for illustrative purposes only to demonstrate the effect of the Plan.

In addition, as part of the Debtors’ emergence from bankruptcy protection, they will be required to adopt fresh start accounting. Accordingly, the Debtors’ assets and liabilities will be recorded at fair value as of the fresh start reporting date. The fair value of the Debtors’ assets and liabilities may differ materially from the recorded values of assets and liabilities in the Financial Projections.

On the Effective Date, the Reorganized Debtors will use existing Cash and a portion of the proceeds from the Senior Secured Notes to satisfy Allowed General Administrative Claims, Allowed General Unsecured Claims, Allowed Other Priority Claims, and Allowed Other Secured Claims in full in Cash.

The Financial Projections assume the Debtors emerge with \$1.5 million of reinstated capital leases, the \$75 million New ABL Facility, up to \$80 million of the New Money First Lien Term Loan, and the \$100 million New Take-Back Notes, pursuant to the Plan.

XIII. Risk Factors

Holders of Claims and Interests entitled to vote should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement, the Plan, and the documents delivered together herewith, referred to, or incorporated by reference herein, prior to voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors' business or the Plan and its implementation.

A. The conditions precedent to the Confirmation and Consummation of the Plan may not occur.

As more fully set forth in Article IX of the Plan, the occurrence of Confirmation of the Plan and the Effective Date are each subject to a number of conditions precedent.

-The Bankruptcy Court May Not Authorize Substantive Consolidation of the Debtors' Estates. The Plan provides for substantive consolidation of the Debtors' Estates into a single Estate for purposes of Confirmation and Consummation. The Debtors, however, can provide no assurance that the Bankruptcy Court will authorize the Debtors to substantively consolidate all of their Estates.

-Parties in Interest May Object to the Plan's Classification of Claims and Interests. Section 1122 of the Bankruptcy Code provides that a plan may place a Claim or an Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests in such Class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

-The Debtors May Not Be Able to Satisfy Vote Requirements. Pursuant to section 1126(c) of the Bankruptcy Code, section 1129(a)(7)(A)(i) of the Bankruptcy Code will be satisfied with respect to Classes 1, 4, and 5 if at least two-thirds in amount and more than one-half in number of the Allowed Claims that vote in each such Class, vote to accept the Plan. In addition, the Debtors require the consent of Class 1 - Senior Secured Noteholders to give them New Common Equity in exchange for payment in full of their secured liens, and thus, the Debtors require their consent to confirm the Plan. There is no guarantee that the Debtors will receive the necessary acceptances from Holders of Claims in Class 1, 4, and 5. If Class 1, 4, or 5 vote to reject the Plan, the Debtors may elect to amend the Plan with the reasonable consent of the Plan Support Parties, seek Confirmation regardless of the rejection, or proceed with liquidation.

-The Debtors May Not Be Able to Secure Confirmation of the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of

distributions such holders would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A dissenting Holder of an Allowed Claim or Allowed Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and the voting results are appropriate, the Bankruptcy Court still can decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not “unfairly discriminate” and are “fair and equitable” to non-accepting Classes.

Confirmation of the Plan is also subject to settlement, release, injunction, and related provisions, as described in Article VIII of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any non-accepting Class, as well as of any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

-The Debtors May Pursue Nonconsensual Confirmation. In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm such a plan at the proponents’ request if at least one impaired class of claims has accepted the plan (with such acceptance being determined without including the vote of any “insider” in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan “does not discriminate unfairly” and is “fair and equitable” with respect to the dissenting impaired classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation may result in, among other things, increased expenses relating to Professional Fee Claims.

-The Debtors May Object to the Amount or Classification of a Claim or Interest. Except as otherwise provided in the Plan, the Debtors and the Reorganized Debtors reserve the right to object to the amount or classification of any Claim or Interest under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim or Interest where such Claim or Interest is subject to an objection. Any Holder of a Claim or Interest that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

-The Effective Date May Not Occur. Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

-Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan. The distributions available to Holders of Allowed Claims and Allowed Interests under the Plan can be affected by a variety of contingencies, including whether or not the Debtors are consolidated and whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Allowed Interests under the Plan, will not affect the validity of the vote taken by the impaired Classes entitled to vote to accept or reject the Plan or require any sort of revote by such impaired Classes.

If the conditions precedent to Confirmation are not met or waived, the Plan will not be confirmed; and if the conditions precedent to Consummation are not met or waived, the Effective Date will not take place. In the event that the Plan is not confirmed or is not consummated, the Debtors may seek Confirmation of a new plan. However, if the Debtors do not secure sufficient working capital to continue their operations or if the new plan is not confirmed, the Debtors may be forced to liquidate their assets. While the Liquidation Analysis indicates that some Holders of Claims and Interests in Classes 1, 2, 3, 4, 5, 7, and 8 would receive a full or partial recovery, it also demonstrates that Holders of Claims in Classes 6 and 10 and Holders of Interests in Class 9 would receive no recovery in a hypothetical chapter 7 liquidation. For a more detailed description of the consequences of a liquidation scenario, see the Section herein entitled "Liquidation Analysis."

B. The Debtors cannot state with any degree of certainty the value of any recovery that will be available to Holders of Allowed Claims and Allowed Interests in voting Classes.

No less than three unknown factors make certainty of creditor recoveries under the Plan impossible. *First*, the Debtors cannot know with any certainty, at this time, (i) how much money will remain after paying all Allowed Claims that are senior to the voting Classes or (ii) the value of the Reorganized Debtors. *Second*, the Debtors cannot know with any certainty, at this time, the number or amount of Claims that ultimately will be Allowed. *Third*, the Debtors cannot know with any certainty, at this time, the number or size of Claims senior to the voting Classes or unclassified Claims that ultimately will be Allowed.

C. The Debtors may not be able to achieve their projected financial results or meet post-reorganization debt obligations.

The financial projections set forth on Exhibit B to this Disclosure Statement (the "Financial Projections") represent management's best estimate of the Debtors' future financial performance based on currently known facts and assumptions about the Debtors' future operations, as well as the U.S. and world economy in general and the industry segments in which the Debtors operate in particular, and there is no guarantee that the Financial Projections will be realized. The Debtors' actual financial results may differ significantly from the Financial Projections. To the extent the Reorganized Debtors do not meet their projected financial results or achieve projected revenues and cash flows, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service their debt obligations as they come due, may not be able to meet their operational needs, and the value of the New Common Equity may thereby be negatively affected. Further, a failure of the Reorganized Debtors to meet their projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Reorganized Debtors to seek additional working capital. The Reorganized Debtors may not be able to obtain such working capital when it is required. Moreover, even if the Reorganized Debtors were able to obtain additional working capital, it may only be available on unreasonable or cost prohibitive terms. For example, the Reorganized Debtors may be required to take on additional debt, the interest costs of which could adversely affect the results of the operations and financial condition of the

Reorganized Debtors. If any such required capital is obtained in the form of equity, the interests of the holders of the then-existing New Common Equity could be diluted.

D. A liquid trading market for the New Common Equity is unlikely to develop.

A liquid trading market for the New Common Equity is unlikely to develop. As of the Effective Date, the New Common Equity will not be listed for trading on any stock exchange or trading system. Consequently, the trading liquidity of the New Common Equity will be limited. The future liquidity of the trading market for the New Common Equity will depend upon, among other things, upon the number of holders of the New Common Equity, whether the stock is listed for trading on an exchange, and whether the New Common Equity is subject to the Shareholders Agreement, or Registration Rights Agreement, the terms of the New Common Equity, and the terms of the New Warrants, as applicable.

E. The Debtors May Face Tough and Increased Competition.

The Debtors' industry is highly competitive. A large number of actual and potential competitors exist, some of which are larger than the Debtors with substantially greater resources. Revenue levels and profit margins could be adversely affected if the Debtors experience increased competition in the markets in which they currently operate or in markets in which they will operate in the future. In addition, the increased competition may adversely impact the Debtors' ability to acquire an adequate supply of used textbooks. Also, the Debtors may face increased competition from publishers or third parties providing electronic books in a more desirable format.

F. The Economy and Credit Markets May Further Deteriorate.

As widely reported, the global credit markets and financial services industry have been experiencing a period of upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions, diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. There can be no assurance that there will not be further deterioration in credit and financial markets and confidence in economic conditions or that any recovery, if and when achieved, will be sustained. While the ultimate outcome of these events cannot be predicted, it may decrease student enrollment in colleges and universities due to the lack of financial aid and other sources of funding for education. Spending by students on textbooks and other general merchandise may also decrease due to the economic downturn.

G. The Debtors May be Unable to Obtain a Sufficient Supply of Used Textbooks.

The Debtors' ability to purchase a sufficient number of used textbooks largely determines their used textbook sales for future periods. Successfully acquiring books typically requires a visible presence on college campuses at the end of each semester, which requires hiring a significant number of temporary personnel. Textbook acquisition also depends upon college students' willingness to sell their used textbooks at the end of each semester. The unavailability of sufficient personnel or a shift in student preferences, could impair the Debtors' ability to acquire sufficient used textbooks to meet their sales objectives, thereby adversely affecting revenue levels and profit margins.

H. The Debtors May Not be Able to Successfully Contract-Manage Additional Bookstores.

Part of the Debtors' business strategy is to expand sales for their college bookstore operations by being awarded additional contracts to manage institutional bookstores. The Debtors may not be successful in competing for contracts to manage additional institutional bookstores. Due to their seasonal nature of business, the operations of the newly contract-managed bookstores may be affected by the time

of the fiscal year when a bookstore is contract-managed by us. In addition, the Debtors' integration of these future bookstores may not be successful, or the anticipated strategic benefits of these future bookstores may not be realized. If the Debtors are unable to successfully integrate their future bookstores, anticipated revenues and profit margins from these new bookstores could be adversely affected.

I. The Debtors May Not be Able to Successfully Renew Certain Contracts.

As the Debtors expand their operations in contract-management of university bookstores, they will increasingly be competing for the renewal of contracts for those stores as the current contracts expire. The Debtors' contracts are typically three to five years, with various renewal and cancellation clauses. The Debtors may not be successful in renewing their current contracts or those renewals may not be on terms that provide them the opportunity to improve or maintain the profitability of managing the bookstore. If the Debtors are unable to successfully renew contracts on profitable terms, profit margins could be adversely affected.

J. Publishers May Not Continue to Increase Prices of Textbooks.

The Debtors generally buy used textbooks based on publishers' prevailing prices for new textbooks just prior to the implementation by publishers of their annual price increases which historically have been 4% to 5%. The Debtors resell these textbooks shortly thereafter based upon the new higher prices, thereby creating an immediate margin increase. The Debtors' ability to increase their used textbook prices each fiscal year depends on annual price increases on new textbooks implemented by publishers. The failure of publishers to continue annual price increases on new textbooks could adversely impact the Debtors' revenue levels and profit margins.

K. Publisher Practices May Change.

Publishers have historically produced new editions of textbooks every two to four years. Changes in the business models of publishers to accelerate the new edition cycle or to significantly increase the number of textbooks with other materials packaged or bundled with them could reduce the supply of used textbooks available to the Debtors, thereby adversely impacting the Debtors' revenue levels and profit margins.

L. Certain Laws and Regulations May Change.

The Debtors' operations are subject to federal, state, and local laws relating to the protection of the environment and of human health and safety. As an owner and operator of real property, the Debtors can be found jointly and severally liable under such laws for costs associated with investigating, removing, and remediating any hazardous or toxic substances that may exist on, in, or about their real property. Some of the Debtors' properties may have been affected by the migration of hazardous substances released at neighboring third-party locations. Environmental conditions relating to any former, current, or future locations could adversely impact the Debtors' business and results of operations.

M. Estimated Valuation of the Reorganized Debtors, the New Common Equity, and the estimated recoveries to Holders of Allowed Claims and Allowed Interests are not intended to represent the potential market values (if any) of the New Common Equity.

The Debtors' estimated recoveries to Holders of Allowed Claims and Allowed Interests are not intended to represent the market value of the Reorganized Debtors' securities, if any. The estimated

recoveries are based on numerous assumptions (the realization of many of which will be beyond the control of the Reorganized Debtors), including: (a) the successful reorganization of the Debtors; (b) an assumed date for the occurrence of the Effective Date; (c) the Reorganized Debtors' ability to achieve the operating and financial results included in the Financial Projections; (d) the Reorganized Debtors' ability to maintain adequate liquidity to fund operations; and (e) the assumption that capital and equity markets remain consistent with current conditions.

N. Certain Holders of Claims will acquire the New Common Equity upon Consummation of the Plan.

Upon Consummation of the Plan, certain Holders of Claims will receive distributions of outstanding shares of the New Common Equity, and certain Holders of Claims will be in a position to exercise substantial influence over the outcome of actions requiring stockholder approval, including, among other things, election of directors. This concentration of ownership could also facilitate or hinder a negotiated change of control of the Reorganized Debtors and, consequently, affect the value of the New Common Equity.

O. Certain tax implications of the Debtors' bankruptcy and reorganization may increase the tax liability of the Reorganized Debtors.

Holders of Allowed Claims and Allowed Interests should carefully review the Section herein entitled, "Certain U.S. Federal Income Tax Consequences of the Plan," to determine how the tax implications of the Plan and the Chapter 11 Cases may adversely affect the Reorganized Debtors.

P. The Debtors' business is subject to seasonality.

The Debtors' business experiences seasonal business swings. The college and university semester and quarterly schedules drive the Debtors' business cycle and require the Debtors to make large orders and receive large shipments of new textbooks and general merchandise between mid-June and August and again between mid-October and December each year in advance of the "back-to-school" rush. This seasonality requires that the Debtors manage their cash flows over the course of the year. If sales were to fall substantially below what the Debtors would normally expect during certain periods, the Debtors' annual financial results would be adversely affected and the Debtors' ability to service their debt may also be adversely affected.

Q. The Debtors are subject to litigation, which, if adversely determined, could result in substantial losses.

As described in the Section herein entitled "Summary of Legal Proceedings," the Debtors are, from time to time, during the ordinary course of operating their business, subject to various litigation claims and legal disputes, including contract, lease, and employment claims.

Certain litigation claims may not be covered entirely or at all by the Debtors' insurance policies or their insurance carriers may seek to deny coverage. In addition, litigation claims can be expensive to defend and may divert the Debtors' attention from the operations of their business. Further, litigation, even if without merit, can attract adverse media attention. As a result, litigation can have a material adverse effect on the Debtors' business and, because the Debtors cannot predict the outcome of any action, it is possible that adverse judgments or settlements could significantly reduce the Debtors' earnings or result in losses.

R. The Debtors are subject to the credit risk of their customers.

The Debtors provide credit to their customers in the normal course of business and generally do not require collateral in extending such credit. This exposure could have an adverse effect on the Debtors' business, financial condition, results of operations, and cash flow. In addition, the Debtors may need to make credit decisions that could cause their business to decline or the collection of certain receivables could become impossible and they would need to write those off.

S. Increased prices for raw materials or finished goods used in the Debtors' products and/or interruptions in deliveries of raw materials or finished goods could adversely affect the Debtors' profitability, margins, and revenues.

The principal raw materials used by the Debtors' suppliers include paper, various fabrics, and plastics. The prices the Debtors pay their suppliers for new textbooks, clothing, and general merchandise are dependent in part on the market price for raw materials used to produce them. The price and availability of such raw materials may fluctuate substantially, depending on a variety of factors, including demand, crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation, economic climates, and other unpredictable factors. Any and all of these factors may be exacerbated by global climate change. Fluctuations in the price and availability of raw materials to their suppliers have not materially affected the Debtors' profitability in recent years. However, increases in raw material costs, together with other factors, might cause an increase in the cost of goods for the Debtors' suppliers which may be passed onto the Debtors through higher prices.

T. Increases in labor costs, potential labor disputes, and work stoppages at the Debtors' facilities or the facilities of their suppliers could materially adversely affect the Debtors' financial performance.

The Debtors' financial performance is affected by the availability of qualified personnel and the cost of labor. The Debtors employ approximately 1,100 full time employees, 700 part time employees, and 900 temporary workers. If the Debtors' workers were to engage in a strike, a work stoppage, or other slowdowns, the Debtors could experience disruptions of their operations. Such disruptions could result in a loss of business and an increase in operating expenses, which could reduce profit margins. In addition, the Debtors' labor force, which currently is non-unionized, may become subject to labor union organizing efforts, which could cause the Debtors to incur additional labor costs and increase the related risks currently faced. Strikes, work stoppages, or slowdowns experienced by these suppliers and customers could result in slowdowns or closures of facilities where components of the Debtors' products are manufactured or delivered. Any interruption in the production or delivery of these components could reduce sales, increase costs, and have a material adverse affect on the Debtors' business.

U. The Debtors' business will suffer if certain of their key officers or employees discontinue their employment.

The success of the Debtors' business is materially dependent upon the skills, experience, and efforts of certain of their key officers and employees. The loss of key personnel could have a material adverse effect on the Debtors' business, operating results, or financial condition. The Debtors may not succeed in attracting and retaining the personnel they need to generate sales and to expand their operations successfully, and, in such event, the Debtors' business could be materially and adversely affected. The loss of the services of any key personnel, or the Debtors' inability to hire new personnel with the requisite skills, could impair the Debtors' ability to develop new products or enhance existing products, sell products to their customers, or manage their business effectively.

V. The Debtors' historical financial information may not be comparable to the financial information of the Reorganized Debtors.

As a result of the Consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

W. The financial information is based on the Debtors' books and records and, unless otherwise stated, no audit was performed.

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to assure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects their financial condition, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

X. No legal or tax advice is provided by this Disclosure Statement.

This Disclosure Statement is not legal advice to any Entity. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or Interest should consult its own legal counsel and accountant with regard to any legal, tax, and other matters concerning its Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote to accept or reject the Plan or whether to object to Confirmation of the Plan.

Y. No admissions made.

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity (including the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims and Allowed Interests, or any other parties in interest.

Z. Failure to identify litigation claims or projected objections.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors, as applicable, may seek to investigate, file, and prosecute Claims and may object to Claims after Confirmation and Consummation of the Plan, irrespective of whether this Disclosure Statement identifies such Claims or objections to Claims.

AA. Information was provided by the Debtors and was relied upon by the Debtors' advisors.

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

BB. No representations outside this Disclosure Statement are authorized.

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors, counsel to the Ad Hoc Group of Senior Secured Noteholders, the ABL Agent, counsel to the Consenting 8.625% Noteholders, counsel to the JPMorgan Noteholders, and the Office of the United States Trustee for the District of Delaware.

XIV. Confirmation of the Plan

A. The Confirmation Hearing.

The Bankruptcy Court has scheduled the Confirmation Hearing for May 30, 2012 at 9:30 a.m., prevailing Eastern Time, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, located at 824 N. Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or by any notice of adjournment of the Confirmation Hearing filed by the Debtors and posted on their website at www.kccllc.net/nbc.

B. Requirements for Confirmation of the Plan.

The Debtors must satisfy various requirements to confirm the Plan, including those set forth in section 1129 of the Bankruptcy Code.

(i) *Requirements of Section 1129(a) of the Bankruptcy Code.*

The following requirements must be satisfied pursuant to section 1129(a) of the Bankruptcy Code before the Bankruptcy Court may confirm a plan of reorganization:

- The plan complies with the applicable provisions of the Bankruptcy Code.
- The proponents of the plan comply with the applicable provisions of the Bankruptcy Code.
- The plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made by the proponent, by the debtor, or by a person issuing securities or acquiring property under a plan, for services or for costs and expenses in or in connection with the case, in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.
- The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor or a successor to the debtor under the plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policies.

- The proponent of the plan has disclosed the identity of any “insider” (as defined in section 101 of the Bankruptcy Code) that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such insider.
- With respect to each holder within an impaired class of claims or interests —
 - each such holder (a) has accepted the plan or (b) will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date – the “best interests of creditors” test; or
 - if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class due to its election to retain a lien, each holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder’s interest in the estate’s interest in the property that secures such claims.
- With respect to each class of claims or interests, such class (a) has accepted the plan or (b) is not impaired under the plan (subject to the “cramdown” provisions discussed below).
- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:
 - with respect to a claim of a kind specified in sections 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of the claim will receive on account of such claim cash equal to the allowed amount of such claim, unless otherwise agreed;
 - with respect to a class of claim of the kind specified in sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive (a) if such class has accepted the plan, deferred cash payments of a value, on the effective date of the plan, equal to the allowed amount of such claim; or (b) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and
 - with respect to a priority tax claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such claim will receive on account of such claim deferred cash payments, over a period not exceeding five years from the Petition Date, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.
- If a class of claims is impaired under the plan, at least one class of claims that is impaired under the plan has accepted the plan, determined without including any acceptance of the plan by any “insider,” as defined in section 101 of the Bankruptcy Code.

- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.
- All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan—the “feasibility” requirement.
- The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(i)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

Section 1126(c) of the Bankruptcy Code provides that a class of claims has accepted a plan of reorganization if such plan has been accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class. Section 1126(d) of the Bankruptcy Code provides that a class of interests has accepted a plan of reorganization if such plan has been accepted by holders of such interests that hold at least two-thirds in amount of the allowed interests of such class.

The Debtors believe that the Plan will be able to satisfy each of the 1129(a) confirmation requirements. To determine whether the Plan meets the feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following the Chapter 11 Cases, and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

(ii) Requirements of Section 1129(b) of the Bankruptcy Code.

The Debtors believe the Plan can be confirmed even if certain classes of Claims or Interests vote to reject the Plan. The Bankruptcy Code permits confirmation of a plan of reorganization notwithstanding rejection of the plan by an impaired class so long as (a) the plan of reorganization otherwise satisfies the requirements for confirmation, (b) at least one impaired class of claims has accepted the plan of reorganization without taking into consideration the votes of any insiders in such class, and (c) the plan of reorganization is “fair and equitable” and does not “discriminate unfairly” as to any impaired class that has not accepted such plan. These so-called “cramdown” provisions are set forth in section 1129(b) of the Bankruptcy Code.

(1) “Fair and Equitable”.

The Bankruptcy Code establishes different “cramdown” tests for determining whether a plan is “fair and equitable” to dissenting impaired classes of secured creditors, unsecured creditors, and interest holders as follows:

Secured Creditors.

A plan of reorganization is fair and equitable as to an impaired class of secured claims that rejects the plan if the plan provides: (a) that each of the holders of the secured claims included in the rejecting class (i) retains the liens securing its claim to the extent of the allowed amount of such claim, to the extent of the allowed amount of such claims, whether the property subject to those liens is retained by the debtor

or transferred to another entity, and (ii) receives on account of its secured claim deferred cash payments having a present value, as of the effective date of the plan of reorganization, at least equal to the value of such Holder's interest in the Estate's interest in such property; (b) that each of the holders of the secured claims included in the rejecting class realizes the "indubitable equivalent" of its allowed secured claim; or (c) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds in accordance with clause (a) or (b) of this paragraph.

Unsecured Creditors.

A plan of reorganization is fair and equitable as to an impaired class of unsecured claims that rejects the plan if the plan provides that: (i) each Holder of a claim included in the rejecting class receives or retains under the plan property of a value, as of the effective date of the plan of reorganization, equal to the amount of its allowed claim; or (ii) the holders of claims and Interests that are junior to the claims of the rejecting class will not receive or retain any property under the plan of reorganization on account of such junior claims or interests.

Holder of Interests.

A plan of reorganization is fair and equitable as to an impaired class of Interests that rejects the plan if the plan provides that: (a) each holder of an Interest included in the rejecting class receives or retains under the plan property of a value, as of the effective date of the plan of reorganization, equal to the greatest of the allowed amount of (i) any fixed liquidation preference to which such holder is entitled, (ii) the fixed redemption price to which such Holder is entitled, or (iii) the value of the Interest; or (b) the Holder of any Interest that is junior to the Interests of the rejecting class will not receive or retain any property under the plan of reorganization on account of such junior interest.

The Plan is fair and equitable as to Holders of Claims in Class 1 because the Senior Secured Noteholders will either be paid in full pursuant to the Plan or will be otherwise receive a 100% recovery. The Plan is fair and equitable as to Holders of Claims in Classes 4 and 5, pursuant to the absolute priority rule, the Debtors have sufficient support from such Holders so that such Classes vote to accept the Plan. The Plan is fair and equitable as to Holders of Claims in Classes 2, 3, 4, and 7 and Holders of Interests in Class 8 because the Plan provides that their Allowed Claims and Allowed Interests are Unimpaired. The Plan is fair and equitable as to Holders of Claims in Class 10 and Holders of Interests in Class 9 because the Holder of any Claim or Interest that is junior to Classes 10 and 11 will not receive or retain any property under the Plan on account of such junior interest. The Debtors believe the Plan is fair and equitable as to Holders of Claims in Class 10 and Holders of Interests in Class 9, who are conclusively deemed to have rejected the Plan, because there are no Claims or Interests junior to Class 9 Interests and Class 10 Claims and, as such, the Plan does not provide any distribution to such Claims or Interests.

(2) "Unfair Discrimination".

A plan of reorganization does not "discriminate unfairly" if a dissenting class is treated substantially equally to other classes similarly situated and no such class receives more than it is legally entitled to receive for its claims or interests. The Debtors do not believe that the Plan discriminates unfairly against any impaired Class of Claims or Interests.

The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

XV. Effect of Confirmation of the Plan

A. Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article VIII of the Plan, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the following Causes of Action, which shall be deemed released and waived by the Debtors and Reorganized Debtors as of the Effective Date: (i) the Causes of Action released by the Debtors pursuant to the releases and exculpations contained in the Plan, including in Article VIII of the Plan; and (ii) all Causes of Action that arise under (A) sections 544, 547, and 548 of the Bankruptcy Code and (B) state fraudulent conveyance law, in each case, solely related to payments made in the 90 days prior to the Petition Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against it. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The applicable Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

B. Retention of Jurisdiction by the Bankruptcy Court.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code to the extent provided under applicable law, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying, or supplementing, after the Effective Date, pursuant to Article V of the Plan, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired;

4. ensure that distributions to Holders of Allowed Claims and Allowed Interests are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

7. enter and implement such orders as may be necessary to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code; and

9. grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to 365(d)(4) of the Bankruptcy Code;

10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan.

This list of matters over which the Bankruptcy Court will retain exclusive jurisdiction following the Confirmation and Consummation of the Plan is not exhaustive. For a full list of the matters over which the Bankruptcy Court retains jurisdiction through and after the Effective Date, please see Article XI of the Plan.

C. Settlement, Release, Injunction, and Related Provisions.

(i) Discharge of Claims and Termination of Interests.

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any

Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Proof of Interest based upon such debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtors or Affiliates with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

(ii) *Release of Liens.*

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, except for Other Secured Claims that the Debtors elect to reinstate in accordance with Article III.B.2 of the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns.

(iii) *Releases by the Debtors.*

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any claim or interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than claims or liabilities arising out

of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence.

(iv) *Releases by Holders of Claims and Interests.*

As of the Effective Date, except as otherwise provided in the Plan, the Releasing Parties are deemed to have released and discharged the Debtors, the Reorganized Debtors, their Estates, and the Released Parties from any and all claims, interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

(v) *Exculpation.*

Except as otherwise specifically provided in the Plan, no Released Party shall have or incur, and each Released Party is hereby released and exculpated from any claim, obligation, Cause of Action, or liability for any Exculpated Claim, except for gross negligence or willful misconduct (including actual fraud), but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Released Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation and distribution of the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes, the New Common Equity, and the New Warrants pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

(vi) *Injunction.*

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan (including any obligations under the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes, the New Common Equity, the New Warrants, and documents and instruments related thereto), or Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been released pursuant to Articles VIII.C or VIII.D of the Plan, discharged pursuant to Article VIII.A of the Plan, or are subject to exculpation pursuant to Article VIII.E of the Plan are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors or the

Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

XVI. Important Securities Laws Disclosure

Under the Plan, shares of New Common Equity will be distributed to Holders of Claims in Class 1 and shares of the New Warrants will be distributed to Class 4.

The Reorganized Debtors will rely on section 1145 of the Bankruptcy Code to exempt from the registration requirements of the Securities Act the offer, issuance, and distribution of the New Common Equity, the New Take-Back Notes, the New Money First Lien Term Loan, and the New Warrants. Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws when such securities are to be exchanged for claims or principally in exchange for claims and partly for cash. In general, securities issued under section 1145 may be resold without registration unless the recipient is an “underwriter” with respect to those securities. Section 1145(b)(1) of the Bankruptcy Code defines an “underwriter” as any person who:

- purchases a claim against, an interest in, or a claim for an administrative expense against the debtor, if that purchase is with a view to distributing any security received in exchange for such a claim or interest;
- offers to sell securities offered under a plan of reorganization for the holders of those securities;
- offers to buy those securities from the holders of the securities, if the offer to buy is (a) with a view to distributing those securities, and (b) under an agreement made in connection with the plan of reorganization, the completion of the plan of reorganization, or with the offer or sale of securities under the plan of reorganization; or
- is an issuer with respect to the securities, as the term “issuer” is defined in Section 2(a)(11) of the Securities Act.

To the extent that Entities who receive the New Common Equity or the New Warrants are deemed to be “underwriters,” resales by those Entities would not be exempted from registration under the Securities Act or other applicable law by section 1145 of the Bankruptcy Code. Those Entities would, however, be permitted to sell New Common Equity, New Warrants, or other securities without

registration if they are able to comply with the provisions of Rule 144 under the Securities Act, as described further below.

You should confer with your own legal advisors to help determine whether or not you are an “underwriter.”

Under certain circumstances, holders of New Common Equity or New Warrants deemed to be “underwriters” may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act, to the extent available, and in compliance with applicable state securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold, the requirement that the securities be sold in a “brokers transaction” or in a transaction directly with a “market maker,” and that notice of the resale be filed with the SEC.

XVII. Nominee Voting Instructions

Only the Holders of Claims in Classes 1, 4, and 5 are entitled to vote to accept or reject the Plan, and such Holders may do so by completing the appropriate Ballots and returning them in the envelope provided. The failure of a Holder to deliver a duly executed Ballot will be deemed to constitute an abstention by such Holder with respect to voting to accept or reject the Plan, and such abstentions will not be counted as votes to accept or reject the Plan. Voting instructions are attached to each Ballot.

With respect to certain Holders of Claims in Classes 1 and 4, a broker, dealer, commercial bank, trust company, or other agent or nominee of beneficial holders (each, a “Nominee”) should deliver the Ballot and other documents relating to the Plan, including this Disclosure Statement, to each beneficial owner of the eligible Claims for which they serve as Nominee (“Beneficial Owner”).

A Nominee has two options with respect to voting. Under the first option, the Nominee will forward the solicitation package, including the Ballot and related subscription forms, to each Beneficial Owner for voting and include a return envelope provided by and addressed to the Nominee so that the Beneficial Owner may return the completed Beneficial Owner Ballot to the Nominee. Upon receipt of the Ballots, the Nominee will summarize the individual votes of its respective Beneficial Owners on the appropriate Master Ballot and then return the Master Ballot to the Claims and Balloting Agent before the Voting Deadline.

Under the second option, if the Nominee elects to “pre-validate” Ballots:

- The Nominee shall forward the solicitation package or copies thereof (including (a) this Disclosure Statement (together with the Plan attached thereto as Exhibit A, and all other exhibits), (b) an individual Ballot that has been pre-validated, as indicated in the paragraph immediately below, and (c) a return envelope provided by and addressed to the Claims and Balloting Agent) to the Beneficial Owner within five business days of the receipt by such nominee of the solicitation package;
- To “pre-validate” a Ballot, the Nominee shall complete and execute the Ballot and indicate on the Ballot the name of the registered Holder, the amount of securities held by the Nominee for the Beneficial Owner, and the account number(s) for the account(s) in which such securities are held by the Nominee; and

- The Beneficial Owner shall return the pre-validated Ballot to the Claims and Balloting Agent by the voting deadline.

If a Master Ballot is received after the Voting Deadline, the votes and elections on such Master Ballot may be counted only in the sole and absolute discretion of the Debtors in consultation with Ad Hoc Group of Senior Secured Noteholders. The method of delivery of a Master Ballot to be sent to the Balloting Agent is at the election and risk of each Nominee. Except as otherwise provided in this Disclosure Statement, such delivery will be deemed made only when the executed Master Ballot is actually received by the Balloting Agent. Instead of effecting delivery by mail, it is recommended, though not required, that such entities use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. No Ballot should be sent to the Debtors, or the Debtors' financial or legal advisors, but only to the Claims and Balloting Agent as set forth under "How do I vote for or against the Plan?" in the Section herein entitled "Questions and Answers Regarding this Disclosure Statement and the Plan."

Nominees must provide appropriate information for each of the items on the Master Ballot, including identifying the votes to accept or reject the Plan.

By returning a Master Ballot, each Nominee will be certifying to the Debtors and the Bankruptcy Court, among other things, that:

- it has received a copy of this Disclosure Statement and other solicitation materials attached to this Disclosure Statement, and it has delivered the same to the Beneficial Owners;
- it has received a completed and signed Ballot from each Beneficial Owner whose vote is reflected on such Master Ballot;
- it is a bank, broker, or other nominee (or agent thereof) that holds the securities being voted on behalf of the Beneficial Owners identified on such Master Ballot;
- it has properly disclosed (a) the number of such Beneficial Owners, (b) the amount of securities held by each such Beneficial Owner, (c) each Beneficial Owner's respective vote, if any, concerning the Plan, and (d) the customer account, serial number, and/or other identification number for each such Beneficial Owner;
- each such Beneficial Owner has certified to the nominee that such Beneficial Owner has not submitted any other Ballots for such Claims held in other accounts or other names, or, if it has submitted another ballot held in other accounts or names, that the Beneficial Owner has certified to the Nominee that such Beneficial Owner has cast the same vote for such Claims, and the undersigned has identified such other accounts or owner and such other Ballots;
- it has been authorized by each such Beneficial Owner to vote on the Plan; and
- it will maintain the original Beneficial Owner Ballot returned by each Beneficial Owner (whether properly completed or defective) for one year after the Voting Deadline (or such other date as is set by subsequent Bankruptcy Court order) for disclosure to the Bankruptcy Court or the Debtors, if so ordered.

Except as otherwise provided herein, each Master Ballot must be returned in sufficient time to allow it to be RECEIVED by the Claims and Balloting Agent by no later than the Voting Deadline.

XVIII. Certain U.S. Federal Income Tax Consequences of the Plan

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and Reorganized Debtors and certain Holders of Claims. This summary does not address the United States federal income tax consequences to Holders (i) whose Claims or Interests are Unimpaired or otherwise entitled to payment in full under the Plan or (ii) that are deemed to reject the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations thereunder (the "Treasury Regulations"), and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service (the "IRS") as to any of the tax consequences of the Plan discussed below. This summary is not binding on the IRS or the courts. There can be no assurance that the IRS will not assert, or that a court will not sustain, a different position than any position discussed below.

This summary does not address all aspects of United States federal income taxation that may be relevant to the Debtors and Reorganized Debtors or to certain Holders in light of their individual circumstances, nor does it discuss tax issues applicable to Holders of Claims that are not "United States persons" (as such term is defined in the Internal Revenue Code) or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, brokers, dealers and traders in securities, financial institutions, governmental authorities or agencies, insurance companies, mutual funds, pass-through entities, regulated investment companies, small business investment companies, tax-exempt organizations, and trusts and those holding, or who will hold, Claims, Interests, New Common Equity, or New Warrants as part of a hedge, straddle, conversion or constructive sale transaction). This summary assumes (i) each Holder of a Claim holds its Claim, New Common Equity, or New Warrants as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code and (ii) the debt obligations(s) underlying each Allowed Claim is properly treated as debt (rather than equity) of the Debtors. Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors and Reorganized Debtors and Holders of Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local, estate, gift, foreign, or other tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES 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 PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, ESTATE, GIFT, FOREIGN, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE. TAX

ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE MARKETING OR PROMOTION OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain United States Federal Income Tax Consequences to the Debtors.

The Debtors expect to report consolidated net operating loss ("NOL") carryforwards for U.S. federal income tax purposes of approximately \$3 million as of the Petition Date. As discussed below, the amount of the Debtors' NOL carryforwards is expected to be significantly reduced or eliminated upon implementation of the Plan.

(i) *Transfer of Business Assets.*

The Debtors intend to take the position that the transaction undertaken pursuant to the Plan constitutes a taxable sale of substantially all of the assets of NBC to the Reorganized Debtors. As a consequence, New NBC should obtain a tax basis in the assets received from NBC equal to their cost to New NBC, which generally should equal the fair market value of New NBC stock transferred to NBC plus the amount of liabilities assumed by New NBC.

Provided the transaction undertaken pursuant to the Plan constitutes a taxable transfer, NBC would recognize gain or loss upon the transfer of assets to New NBC in an amount equal to the difference between the fair market value of its assets and its tax basis in such assets. The Debtors believe that no significant federal, state, or local tax liability, if any, should be incurred upon the transfer. However, this conclusion is based in part on the amount of NBC's deductions and losses that will arise during the current taxable year and next taxable year. The amount of those deductions and losses is uncertain.

There is no assurance that the exchange will be treated by the IRS as a taxable sale of assets by NBC to New NBC. Instead, the IRS may take the position that the exchange qualifies as a tax-free reorganization, and, therefore, NBC would not recognize any gain or loss on the exchange. Instead, New NBC would succeed to certain tax attributes of NBC, including NBC's tax basis in the assets transferred to New NBC, but only after taking into account the reduction in such tax attributes and tax basis on account of the discharge of indebtedness pursuant to the Plan. Thus, New NBC would generally have no NOL carryforwards (as described below) and would have a significantly diminished tax basis in the assets received from NBC, with the result that future tax depreciation and amortization with respect to New NBC's real and personal property would be substantially reduced. Indeed, to the extent that the property is inventory, it is possible that New NBC could realize income from the sale of such inventory.

(ii) *Reduction of NOLs.*

The Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes, such as NOL carryforwards, current year NOLs, tax credits, and tax basis in assets, by the amount of any cancellation of indebtedness ("COD") realized upon consummation of the Plan. COD is the amount by which the indebtedness discharged (reduced by any unamortized discount) exceeds any consideration given in exchange therefor, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as where the payment of the canceled debt would have given rise to a tax deduction). Assuming that the transaction is treated as a taxable purchase by New NBC of the assets of NBC, this COD and attribute should not result in any tax liability for the Debtors or New NBC.

(iii) *Limitation on NOL Carryforwards and Other Tax Attributes.*

Under section 382 of the Tax Code, if a corporation undergoes an “ownership change,” the amount of any remaining NOL and tax credit carryforwards and, possibly, certain other tax attributes of the Debtors allocable to periods prior to the Effective Date (collectively, “Pre-Change Losses”) that may be utilized to offset future taxable income generally are subject to an annual limitation. Because (i) substantially all of the Debtor’ Pre-Change Losses will likely be eliminated or substantially reduced and (ii) the Debtors intend to take the position that the transaction undertaken pursuant to the Plan constitutes a taxable sale of substantially all of NBC’s assets to the Reorganized Debtors, New NBC should not succeed to any of the Pre-Change Losses of NBC and hence the section 382 limitation will not be relevant to NBC or New NBC.

B. Certain United States Federal Income Tax Consequences to the Holders of Allowed Claims.

As described above, the Debtors intend to take the position that the transaction undertaken pursuant to the Plan constitutes a taxable sale of substantially all of NBC’s assets to the Reorganized Debtors. As a consequence, Holders of Claims will be treated as exchanging such Claims for Cash, New Common Equity, New Take-Back Notes, and/or New Warrants, if any, in a taxable exchange.

(i) Consequences to Holders of Class 1 Claims.

Pursuant to the Plan, and in full satisfaction of its Claim, a Holder of an Allowed Class 1 Claim will receive its Pro Rata share of 100% of the New Common Equity and its Pro Rata share of the New Take-Back Notes, and the right to participate in the New Money First Lien Term Loan on a Pro Rata basis, based on holding of Senior Secured Notes Claims. A Holder that receives New Common Equity and New Take-Back Notes should be treated as exchanging its Claims for such Cash and New Take-Back Notes in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (1) the sum of the fair market value as of the Effective Date of the New Common Equity received and the “issue price” (as defined below) of the New Take-Back Notes received to the extent that such Equity and Notes are not allocable to accrued interest and (2) the Holder’s tax basis in the Claims surrendered by the Holder. Such gain or loss should be capital in nature and should be long term capital gain or loss if the Claims were held for more than one year by the Holder. To the extent that a portion of the New Common Equity and New Take-Back Notes received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income. See “accrued interest,” below. A Holder’s tax basis in the New Common Equity and New Take-Back Notes received should equal their fair market value as of the Effective Date. A Holder’s holding period for the New Common Equity and New Take-Back Notes received should begin on the day following the Effective Date.

The IRS may take the position that the exchange constitutes a tax-free reorganization. If the IRS were to succeed in asserting that exchange qualifies as a tax-free reorganization, the tax consequences to Holders of Claims that receive New Common Equity and New Take-Back Notes received may differ from the consequences described above.

(ii) Consequences to Holders of Class 4 Claims.

Pursuant to the Plan, and in full satisfaction of its Claim, a Holder of an Allowed Class 4 Claim will receive its Pro Rata share of the New Warrants (the “Warrants”). A Holder that receives Warrants should be treated as exchanging its Claims for such Warrants in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (1) the fair market value as of the Effective Date of the Warrants received that is not allocable to accrued interest and (2) the Holder’s tax basis in the Claims surrendered by the Holder. Such gain or loss should be capital in nature and should be long term capital gain or loss if the Claims were held for more than one year by the Holder. To the extent that a portion of the Warrants received in the exchange is allocable to accrued interest, the Holder may

recognize ordinary income. See “accrued interest,” below. A Holder’s tax basis in the Warrants should equal their fair market value as of the Effective Date. A Holder’s holding period for the Warrants should begin on the day following the Effective Date.

The IRS may take the position that the exchange constitutes a tax-free reorganization. If the IRS were to succeed in asserting that the exchange qualifies as a tax-free reorganization, the tax consequences to Holders of Claims that receive Warrants may differ from the consequences described above.

(iii) Consequences to Holders of Class 5 Claims.

Pursuant to the Plan, and in full satisfaction of its Interests, each Holder of an Allowed Class 5 Claim will receive its Pro Rata share of Cash.

A Holder who receives Cash in exchange for its Claim pursuant to the Plan generally will recognize income, gain, or loss for federal income tax purposes in an amount equal to the difference between (1) the amount of Cash received in exchange for its Claim and (b) the Holder’s adjusted tax basis in its Claim. The character of such gain or loss as 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, the nature of the Claim in such Holder’s hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, the extent to which any portion of the Cash received in the exchange is allocable to accrued interest (see “accrued interest” below), and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim.

(iv) Accrued Interest.

To the extent that any amount received by a Holder of a surrendered Allowed Claim under the Plan is attributable to accrued but unpaid interest and such amount has not previously been included in the Holder’s gross income, such amount should be taxable to the Holder as ordinary interest income. Conversely, a Holder of a surrendered Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the debt instrument(s) constituting such Claim was previously included in the Holder’s gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

The extent to which the consideration received by a Holder of a surrendered Allowed Claim will be attributable to accrued interest on the debt instrument(s) constituting the surrendered Allowed Claim is unclear. Certain Treasury Regulations generally treat a payment under a debt instrument first as a payment of accrued and untaxed interest and then as a payment of principal. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear. Pursuant to the Plan, distributions in respect of Allowed Claims will be allocated first to the principal amount of such claims (as determined for United States federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest. However, the provisions of the Plan are not binding on the IRS nor a court with respect to the appropriate tax treatment for creditors.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE UNITED STATES FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

(v) Consequences to Holders of New Take-Back Notes.

(a) Treatment of the New Take-Back Notes as Debt or Equity.

Whether the New Take-Back Notes are treated as debt or equity for U.S. federal income tax purposes will depend on the number of factual considerations, including the likelihood that scheduled payments will be made on the New Take-Back Notes and the Reorganized Debtors' intent to repay the New Take-Back Notes. The Reorganized Debtors expect to treat the New Take-Back Notes as debt, but the Reorganized Debtors' ultimate determination as to how to characterize the New Take-Back Notes may change depending on these other considerations. Furthermore, regardless of how the Reorganized Debtors characterize the New Take-Back Notes, the IRS could challenge their characterization.

To the extent that the New Take-Back Notes are classified as equity, they will be treated for U.S. federal income tax purposes as described in "Consequences to Holders of New Common Equity," below, and any interest on the New Take-Back Notes will likely be taxable as a dividend as it accrues. The remainder of this discussion describes the treatment of the New Take-Back Notes if they are respected as debt.

(b) Issue Price of the New Take-Back Notes.

The determination of the "issue price" of the New Take-Back Notes will depend, in part, on whether the New Take-Back Notes or the Class 1 Claims are traded on an "established market" at any time during the 60-day period ending 30 days after the exchange. In general, a debt instrument (or the property exchanged therefor) will be treated as traded on an established market if (a) it is listed on (i) a qualifying national securities exchange, (ii) certain qualifying interdealer quotation systems, or (iii) certain qualifying foreign securities exchanges, (b) it appears on a system of general circulation that provides a reasonable basis to determine fair market value, or (c) the price quotations are readily available from dealers, brokers or traders. The issue price of a debt instrument that is traded on an established market or that is issued for another debt instrument so traded would be the fair market value of such debt instrument or such other debt instrument, as the case may be, on the issue date as determined by such trading. The issue price of a debt instrument that is neither so traded nor issued for another debt instrument so traded would be its stated principal amount.

Accordingly, if neither the New Take-Back Notes nor the Class 1 Claims are "publicly traded" within the meaning of the applicable Treasury Regulations, the "issue price" of the New Take-Back Notes should equal their stated principal amount. However, if the New Take-Back Notes or Class 1 Claims are "publicly traded" within the meaning of the applicable Treasury Regulations, the issue price of the New Take-Back Notes would be the fair market value, at the time of the exchange, (1) of the New Take-Back Notes if they are treated as publicly traded or (2) of the Class 1 Claims if they are treated as publicly traded and the Convertible A Notes are not treated as publicly traded.

(c) Qualified Stated Interest.

A Holder generally will be required to recognize and include in gross income qualified stated interest on the New Take-Back Notes as ordinary income at the time it is paid or accrued on the New Take-Back Notes in accordance with such holder's method of accounting for U.S. federal income tax purposes. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. The New Take-Back Notes currently provide for qualified stated interest of 15% on an annual basis.

(d) Original Issue Discount.

Under the rules governing original issue discount (“OID”), regardless of a Holder’s method of accounting, a Holder will be required to accrue its pro rata share of OID on the New Take-Back Notes on a constant yield basis and include such accruals in gross income, whether or not such Holder receives a payment of interest solely in cash on the New Take-Back Notes on the scheduled interest payment date. The amount of OID on the New Take-Back Notes is the difference between their “stated redemption price at maturity” (i.e., the sum of all payments to be made on the New Take-Back Notes other than “qualified stated interest,” as defined above) and their “issue price” (as defined above). Because the “stated redemption price at maturity” on the New Take-Back Notes will likely exceed their “issue price” by more than a de minimis threshold, the New Take-Back Notes will be considered as issued with OID.

The amount of OID that a Holder is required to include in income is the sum of the “daily portions” of OID with respect to the New Take-Back Notes for each day during the taxable year in which the Holder is the beneficial owner of the New Take-Back Notes. The “daily portions” of OID in respect of the New Take-Back Notes are determined by allocating to each day in an “accrual period” the ratable portion of interest on the New Take-Back Notes that accrues in the “accrual period.” The “accrual period” for the New Take-Back Notes may be of any length and may vary in length over the term of the New Take-Back Notes, provided that each “accrual period” is no longer than one year and that each scheduled payment of interest or principal occurs on the first or final day of an “accrual period.”

The amount of OID on the New Take-Back Notes that accrues in an “accrual period” is the product of the “yield to maturity” on the New Take-Back Notes (determined on the basis of compounding at the close of each accrual period and adjusted to reflect the length of the accrual period) and the “adjusted issue price” of the New Take-Back Notes at the beginning of such accrual period, reduced by any qualified stated interest allocable to the accrual period. The “yield to maturity” on the New Take-Back Notes is the discount rate that, when used in computing the present value of all payments to be made under the New Take-Back Notes, produces an amount equal to their issue price. The “adjusted issue price” of the New Take-Back Notes at the beginning of the first “accrual period” will equal their “issue price” (as described above) and for any “accrual periods” thereafter will be (x) the sum of the “issue price” of the New Take-Back Notes and any OID previously accrued thereon minus (y) the amount of any payments previously made on the New Take-Back Notes other than payments of qualified stated interest.

The rules regarding OID are complex and the rules described above may not apply in all cases. Accordingly, Holders are urged to consult their own independent tax advisors regarding the application of the OID rules to the New Take-Back Notes.

(e) Bond Premium.

If a Holder’s initial tax basis in a New Take-Back Note is greater than its stated principal amount, such Holder will be treated as having acquired the New Take-Back Note with “amortizable bond premium” equal in amount to such excess. A Holder may elect (with respect to the New Take-Back Note and all of the Holder’s other obligations with amortizable bond premium held on or acquired by such Holder after the first day of the first taxable year to which such election applies) to amortize such premium using a constant yield method over the remaining term of the New Take-Back Note and may offset interest income otherwise required to be included in respect of the New Take-Back Note during any taxable year by the amortized amount of such excess for the taxable year. This election may only be revoked with the consent of the IRS.

(f) Sale, Conversion, Exchange, Redemption or Retirement of the New Take-Back Notes.

Upon a sale, or exchange of a New Take-Back Note for cash or other property, a Holder will generally recognize capital gain or loss equal to the difference between the amount of cash and the fair market value of any property realized on the sale or exchange (less an amount equal to any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income by the Holder) and such Holder's adjusted tax basis in the New Take-Back Note. Such capital gain or loss should be long-term capital gain or loss if the New Take-Back Note was held for more than one year. A Holder's adjusted tax basis in a New Take-Back Note will generally be equal to the Holder's purchase price for the New Take-Back Note, increased by any accrued OID. Capital gains of non-corporate Holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

(g) Medicare Tax.

Certain Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of capital assets for taxable years beginning after December 31, 2012. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of New Take-Back Notes.

(vi) *Consequences to Holders of New Common Equity.*

(a) Dividends on New Common Equity.

Any distributions made on account of the New Common Equity will constitute dividends for United States federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtors as determined under United States federal income tax principles. To the extent that a Holder receives distributions that would otherwise constitute dividends for United States federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the Holder's basis in its shares. Any such distributions in excess of the Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain. Subject to certain exceptions, dividends received by noncorporate Holders prior to 2013 will be taxed under current law at a maximum rate of 15%, provided that certain holding period requirements and other requirements are met.

Dividends paid to Holders that are corporations generally will be eligible for the dividends-received deduction so long as there are sufficient earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

(vii) *Sale, Redemption, or Repurchase of New Common Equity.*

Unless a non-recognition provision applies, Holders generally will recognize capital gain or loss upon the sale, redemption or other taxable disposition of New Common Equity.

(a) Medicare Tax.

Certain Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, dividends and gains from the sale or other disposition of capital assets for taxable years beginning after December 31, 2012. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of New Common Equity.

(viii) *Tax Consequences to Holders who Exercise Warrants.*

A Holder of an Allowed Claim who receives Warrants generally will not recognize gain or loss upon the exercise of such Warrants to acquire New Common Equity. New Common Equity that such a Holder acquires pursuant to the exercise of the Warrants will have a tax basis equal to the Holder's adjusted basis in the Warrants so exercised, increased by any amount paid to exercise the Warrants. If the Warrants are allowed to lapse unexercised, a Holder will have a loss equal to such Holder's adjusted basis in the Warrants. Such loss could be a capital loss even if a Holder did not hold its original Claim as a capital asset. The deductibility of capital losses is subject to certain limitations.

(ix) *Information Reporting and Backup Withholding.*

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Code. In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 28%) with respect to distributions or payments made pursuant to the Plan unless that Holder complies with the applicable requirements of the backup withholding rules and: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided, however*, that the required information is provided to the IRS.

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its United States federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, ESTATE, GIFT, FOREIGN, OR OTHER TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XIX. Recommendation of the Debtors

In the opinion of the Debtors, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for a larger distribution to the Debtors' creditors and other parties in interest than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Allowed Interests than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims and Interests entitled to vote to accept or reject the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: April 10, 2012

Respectfully submitted,

NEBRASKA BOOK COMPANY, INC.
(for itself and on behalf of each of its affiliated
debtors)

By: /s/ Barry S. Major
Name: Barry S. Major
Title: President and Chief Operating Officer

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Counsel to the Debtors and
Debtors in Possession

EXHIBIT A

PLAN OF REORGANIZATION

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

In re:)	
)	Chapter 11
NEBRASKA BOOK COMPANY, INC., <i>et al.</i> , ¹)	Case No. 11-12005 (PJW)
)	
Debtors.)	Jointly Administered
)	

**THIRD AMENDED JOINT PLAN OF REORGANIZATION OF NEBRASKA BOOK COMPANY, INC.,
ET AL., PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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Counsel to the Debtors and Debtors in Possession

Dated: April __, 2012

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Nebraska Book Company, Inc. (9819); Campus Authentic LLC (9156); College Bookstores of America, Inc. (9518); NBC Acquisition Corp. (3347); NBC Holdings Corp. (7477); NBC Textbooks LLC (1425); Net Textstore LLC (6469); and Specialty Books, Inc. (4807). The location of the debtors' service address is: 4700 South 19th Street, Lincoln, Nebraska 68512.

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INTRODUCTION

Nebraska Book Company, Inc. and its affiliates Campus Authentic LLC, College Bookstores of America, Inc., NBC Acquisition Corp., NBC Holdings Corp., NBC Textbooks LLC, Net Textstore LLC, and Specialty Books, Inc., as debtors and debtors in possession (each, a “Debtor” and, collectively, the “Debtors”) propose this joint plan of reorganization (the “Plan”) for the resolution of the outstanding claims against and interests in the Debtors pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article I.A hereof. Holders of Claims and Interests may refer to the Disclosure Statement for a discussion of the Debtors’ history, businesses, assets, results of operations, historical financial information, and accomplishments during the Chapter 11 Cases, and projections of future operations, as well as a summary and description of the Plan and certain related matters. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

ALL HOLDERS OF CLAIMS AND INTERESTS, TO THE EXTENT APPLICABLE, ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. AS PART OF THE SETTLEMENT EMBODIED IN THE PLAN, THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF THE ESTATES FOR ALL PURPOSES ASSOCIATED WITH CONFIRMATION AND CONSUMMATION.

ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, AND GOVERNING LAW

A. *Defined Terms.*

As used in this Plan, capitalized terms have the meanings set forth below.

1. “503(b)(9) Claim” means a Claim or any portion thereof entitled to administrative expense priority pursuant to section 503(b)(9) of the Bankruptcy Code.
2. “8.625% Noteholders” means the Holders of the 8.625% Notes.
3. “8.625% Notes” means the \$175 million 8.625% senior subordinated notes due March 15, 2012, issued by NBC pursuant to the 8.625% Notes Indenture.
4. “8.625% Notes Claim” means any Claim derived from or based upon the 8.625% Notes and the 8.625% Notes Indenture other than Indenture Trustee Fees.
5. “8.625% Notes Indenture” means that certain indenture, dated March 4, 2004, by and among NBC, as borrower, all NBC subsidiaries, as guarantors, and BNY Midwest Trust Company, as trustee.
6. “8.625% Notes Trustee” means The Bank of New York Mellon Trust Company, N.A. as successor indenture trustee under the 8.625% Notes Indenture.
7. “AcqCo” means NBC Acquisition Corp., the Holder of 100% of the Equity Securities in NBC.
8. “AcqCo Noteholders” means the Holders of the AcqCo Notes.
9. “AcqCo Notes” means the \$77 million 11% senior discount notes due December 15, 2013, issued by AcqCo pursuant to the AcqCo Notes Indenture.
10. “AcqCo Notes Claim” means any Claim derived from or based upon the AcqCo Notes.

11. “*AcqCo Notes Indenture*” means that certain indenture, dated March 4, 2004, by and between AcqCo, as borrower, and U.S. Bank National Association, as successor trustee.

12. “*AcqCo Notes Trustee*” means U.S. Bank National Association, as successor indenture trustee under the AcqCo Notes Indenture.

13. “*Ad Hoc Group of Senior Secured Noteholders*” means that certain ad hoc group of holders of Senior Secured Notes holding collectively more than 50% of the outstanding Senior Secured Notes.

14. “*Administrative Claim*” means a Claim for costs and expenses of administration of the Estates under sections 503(b) (including 503(b)(9) Claims), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors, (b) Allowed Claims of Retained Professionals in the Chapter 11 Cases; and (c) all fees and charges assessed against the Estates under chapter 123 of title 28 of the United States Code, 28 U.S.C. §§ 1911–1930.

15. “*Administrative Claim Bar Date*” means the deadline for filing requests for payment of Administrative Claims, which shall be 30 days after the Effective Date, except with respect to 503(b)(9) Claims, as to which an earlier deadline was established by the *Order (A) Setting Bar Dates for Filing Proofs of Claim and Requests for Payment Under Section 503(b)(9) of the Bankruptcy Code, (B) Approving the Form and Manner for Filing Proofs of Claim and Section 503(b)(9) Requests for Payment, and (C) Approving Notice Thereof* [Docket No. 197], entered by the Bankruptcy Court on July 21, 2011.

16. “*Affiliate*” has the meaning set forth in section 101(2) of the Bankruptcy Code; *provided, however*, that the Holders of the Holdco Interests, including Weston Presidio, shall not be considered Affiliates.

17. “*Allowed*” means with respect to any Claim or Interest, except as otherwise provided herein: (a) a Claim or Interest that is evidenced by a Proof of Claim or Proof of Interest, as applicable, by the applicable Bar Date or that is not required to be evidenced by a Filed Proof of Claim or Proof of Interest, as applicable, under the Bankruptcy Code or a Final Order, any objections to which shall be Filed on or before the later of (1) the date that is 180 days after the Effective Date and (2) such date as may be fixed by the Bankruptcy Court, after notice and a hearing, upon motion filed before the date that is 180 days after the Effective Date; (b) a Claim or Interest that is scheduled by the Debtors as neither disputed, contingent, nor unliquidated, and as for which no Proof of Claim or Proof of Interest, as applicable, has been timely Filed; or (c) a Claim or Interest that is Allowed (i) pursuant to the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court, or (iii) pursuant to any contract, instrument, indenture, or other agreement entered into or assumed in connection herewith. Except as otherwise specified in the Plan or any Final Order, the amount of an Allowed Claim shall not include interest on such Claim from and after the Petition Date. For purposes of determining the amount of an Allowed Claim, there shall be deducted therefrom an amount equal to the amount of any Claim that the Debtors may hold against the Holder thereof, to the extent such Claim may be offset, recouped, or otherwise reduced under applicable law. Any Claim or Interest that has been or is hereafter identified in the Schedules as disputed, contingent, or unliquidated, and for which no Proof of Claim or Proof of Interest has been timely Filed, is not considered Allowed and shall be expunged without further action by the Reorganized Debtors and without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity. Notwithstanding anything to the contrary herein, no Claim of any entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such entity pays in full the amount that it owes such Debtor or Reorganized Debtor, as the case may be.

18. “*Amended Plan Support Agreement*” means that certain amended plan support agreement, dated as of March 23, 2012, by and among the Debtors, the Senior Secured Notes Steering Committee, and the Consenting 8.625% Noteholders.

19. “*Backstop Commitment*” means that certain commitment to backstop funding of the New-Money First Lien Term Loan, by and among the Debtors and the Backstop Parties, the final documentation of which remains subject to negotiation between the Debtors and the Backstop Parties, as well as Bankruptcy Court approval.

20. “*Backstop Parties*” means those certain Senior Secured Noteholders party to the Backstop Agreement.
21. “*Bankruptcy Court*” means the United States Bankruptcy Court for the District of Delaware.
22. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local, and chambers rules of the Bankruptcy Court.
23. “*Bar Date*” means the date established by the Bankruptcy Court by which Proofs of Claim and Proofs of Interests must be Filed with respect to such Claims, as ordered by the Bankruptcy Court in the *Order (A) Setting Bar Dates for Filing Proofs of Claim and Requests for Payment Under Section 503(b)(9) of the Bankruptcy Code, (B) Approving the Form and Manner for Filing Proofs of Claim and Section 503(b)(9) Requests for Payment, and (C) Approving Notice Thereof* [Docket No. 197] and the *Order Authorizing the Debtors to (A) Assume Certain Unexpired Leases, (B) Set Cure Amounts with Respect Thereto, (C) Reject Certain Unexpired Leases and Ancillary Contracts Effective as of February 29, 2012 and (D) Set the Bar Dates for Filing Proofs of Claim Related Thereto* [Docket No. 870].
24. “*Business Day*” means any day, other than a Saturday, Sunday, or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).
25. “*Cash*” means cash and cash equivalents, including bank deposits, checks, and other similar items in legal tender of the United States of America.
26. “*Causes of Action*” means any claims, causes of action, demands, rights, actions, suits, obligations, liabilities, accounts, defenses, offsets, powers, privileges, licenses, and franchises of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Causes of Action also include: (a) all rights of setoff, counterclaim, or recoupment and claims on contracts or for breaches of duties imposed by law; (b) the right to object to or otherwise contest Claims or Interests; (c) claims pursuant to sections 362, 510, 542, 543, 544 through 550, or 553 of the Bankruptcy Code; and (d) such claims and defenses as fraud, mistake, duress, and usury, and any other defenses set forth in section 558 of the Bankruptcy Code.
27. “*Certificate*” means any instrument evidencing a Claim or an Interest.
28. “*Chapter 11 Cases*” means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all the Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.
29. “*Claim*” means any claim against the Debtors, as defined in section 101(5) of the Bankruptcy Code, including: (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.
30. “*Claims and Balloting Agent*” means Kurtzman Carson Consultants, LLC, located at 2335 Alaska Avenue, El Segundo, California 90245, (888) 647-1738.
31. “*Claims Register*” means the official register of Claims maintained by the Claims Agent.
32. “*Class*” means a class of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.
33. “*CM/ECF*” means the Bankruptcy Court’s Case Management and Electronic Case Filing system.

34. “*Committee*” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee pursuant to section 1102 of the Bankruptcy Code.

35. “*Confirmation*” means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article IX.A hereof having been (a) satisfied or (b) waived pursuant to Article IX.C hereof.

36. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

37. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

38. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

39. “*Consenting 8.625% Noteholders*” means JPMorgan Noteholders, Cerberus Partners, L.P., and Standard General L.P., collectively.

40. “*Consummation*” means the occurrence of the Effective Date.

41. “*Cure Claim*” means a Claim based upon the Debtors’ defaults on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to section 365 of the Bankruptcy Code.

42. “*DIP Claims*” means any and all Claims arising under or related to the DIP Facility.

43. “*DIP Facility*” means the Debtors’ \$200 million debtor-in-possession financing facility, approved on a final basis by the Bankruptcy Court on July 21, 2011 [Docket No. 195].

44. “*DIP Lenders*” means the DIP Agent and the banks, financial institutions, and other lender parties under the DIP Facility.

45. “*Disbursing Agent*” means the Reorganized Debtors or the Entity or Entities selected by the Debtors or the Reorganized Debtors, as applicable, to make or facilitate distributions pursuant to the Plan; *provided*, that the 8.625% Notes Trustee shall be the Disbursing Agent with respect to 8.625% Notes, and the AcqCo Notes Trustee shall be the Disbursing Agent with respect to the AcqCo Notes, and the Senior Secured Notes Trustee shall be the Disbursing Agent with respect to the Senior Secured Notes.

46. “*Disclosure Statement*” means the *Disclosure Statement Relating to the Third Amended Joint Plan of Reorganization of Nebraska Book Company, Inc., et al., Pursuant to Chapter 11 of the Bankruptcy Code*, dated April 10, 2012, including all exhibits and schedules thereto and references therein that relate to the Plan, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law.

47. “*Disputed*” means, with regard to any Claim or Interest, a Claim or Interest that is not Allowed.

48. “*Distribution Date*” means the Effective Date.

49. “*Distribution Record Date*” means other than with respect to any publicly held securities, the record date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be 20 days before the first day of the Confirmation Hearing, originally scheduled by the Bankruptcy Court in the Order approving the Disclosure Statement.

50. “*Effective Date*” means the date selected by the Debtors in consultation with the Senior Secured Notes Steering Committee for the Consummation of the Plan, including the issuance of all securities, notes, instruments, certificates, and other documents required to be issued pursuant to the Plan. Any action to be taken on the Effective Date may be taken on or as soon as reasonably practicable after the Effective Date.

51. “*Employment Obligations*” means any existing obligations to employees to be assumed by the Debtors, as well as the incentive-based compensation programs that are in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee, to be implemented by the Debtors on the Effective Date.

52. “*Entity*” means an entity as such term is defined in section 101(15) of the Bankruptcy Code.

53. “*Equity Security*” means any equity security, as defined in section 101(16) of the Bankruptcy Code, in a Debtor.

54. “*Estate*” means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

55. “*Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. § 78a, *et seq.*

56. “*Exculpated Claim*” means any Claim related to any act or omission in connection with, relating to, or arising out of the Plan or Restructuring Transactions, the formulation, preparation, dissemination, negotiation of any document in connection with the Plan, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan, the pursuit of Consummation, the administration and implementation of the Plan, or the distribution of property pursuant to the Plan.

57. “*Executory Contract*” means a contract to which one or more of the Debtors is a party and that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

58. “*Federal Judgment Rate*” means the federal judgment rate in effect as of the Petition Date.

59. “*File*” or “*Filed*” means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

60. “*Final Order*” means an order or judgment of the Bankruptcy Court, or court of competent jurisdiction with respect to the subject matter, as entered on the docket in any Chapter 11 Case or the docket of any court of competent jurisdiction, that has not been reversed, stayed, modified, or amended, and as to which the time to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be timely Filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order, or has otherwise been dismissed with prejudice.

61. “*General Administrative Claim*” means any Administrative Claim, including Cure Claims, other than a Professional Fee Claim.

62. “*General Unsecured Claim*” means any Unsecured Claim other than the following: (a) AcqCo Notes Claims; (b) 8.625% Notes Claims; (c) Intercompany Claims; (d) Administrative Claims; (e) Professional Fee Claims; (f) Reimbursable Expenses; and (g) Other Priority Claims.

63. “*Governmental Unit*” means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

64. “*Holdback Amount*” means the aggregate holdback of those Professional fees billed to the Debtors during the Chapter 11 Cases that are held back pursuant to the Professional Fee Order or any other order of the Bankruptcy Court, which amount is to be deposited in the Holdback Escrow Account as of the Effective Date. The Holdback Amount shall not be considered property of the Debtors or the Reorganized Debtors. When all Professional Fee Claims have been paid, amounts remaining in the Holdback Escrow Account, if any, shall be paid to the Reorganized Debtors.

65. “*Holdback Escrow Account*” means the escrow account established by the Reorganized Debtors into which Cash equal to the Holdback Amount shall be deposited on the Effective Date for the payment of Allowed Professional Fee Claims to the extent not previously paid or disallowed.

66. “*HoldCo*” means NBC Holdings Corp.

67. “*HoldCo Interests*” means all existing Interests in HoldCo, including all existing Equity Securities issued by HoldCo, and those certain Equity Securities in AcqCo held by Weston Presidio.

68. “*Holder*” means an Entity holding a Claim or an Interest, as applicable.

69. “*Impaired*” means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

70. “*Indentures*” means the 8.625% Notes Indenture, the AcqCo Notes Indenture, and the Senior Secured Notes Indenture.

71. “*Indenture Trustees*” means the 8.625% Notes Trustee, the AcqCo Notes Trustee, and the Senior Secured Notes Trustee.

72. “*Indenture Trustee Charging Lien*” means any Lien or other priority in payment to which any of the Indenture Trustees are entitled, pursuant to the Indentures, against distributions to be made to Holders of the 8.625% Notes, the AcqCo Notes, or the Senior Secured Notes for payment of any fees or expenses due to any Indenture Trustee under an applicable Indenture.

73. “*Indenture Trustee Fees*” means the reasonable and documented compensation, fees, expenses, disbursements, and indemnity claims arising under the applicable Indenture, including attorneys’ and agents’ fees, expenses, and disbursements, incurred under the applicable Indenture by any of the Indenture Trustees, whether prior to or after the Petition Date and whether prior to or after the Consummation of the Plan; provided, that such Indenture Trustee Fees under the AcqCo Notes Indenture shall not exceed \$80,000.

74. “*Intercompany Claim*” means any Claim in a Debtor held by another Debtor affiliate.

75. “*Intercompany Interest*” means any Interest in a Debtor affiliate held by another Debtor affiliate, other than the HoldCo Interests.

76. “*Intercreditor Agreement*” means that certain agreement, dated December 2, 2009, by and among the Debtors, the ABL Agent, and the Senior Secured Notes Trustee.

77. “*Interest*” means any: (a) Equity Security, including all issued, unissued, authorized, or outstanding shares of capital stock of the Debtors together with any warrants, options, or contractual rights to purchase or acquire such Equity Securities at any time and all rights arising with respect thereto; and (b) partnership, limited liability company, or similar interest in the Debtors.

78. “*JPMorgan Noteholders*” means J.P. Morgan Investment Management Inc., in its capacity as investment advisor to certain holders of Senior Secured Notes, 8.625% Notes, and AcqCo Notes.

79. “*Judicial Code*” means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

80. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.
81. “*Management Equity Incentive Plan*” means the management equity incentive plan to be implemented on the Effective Date, the form of which shall be included in the Plan Supplement and shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee, pursuant to which (a) 10% of the fully-diluted New Common Equity shall be reserved for issuance to certain management employees and (b) pursuant to which an additional 1% of fully-diluted New Common Equity will be distributed to certain management employees upon a non-affiliate change of control event pursuant to the Plan.
82. “*NBC*” means Nebraska Book Company, Inc.
83. “*New ABL Facility*” means the \$75 million asset-backed revolving credit facility, the form of which shall be included in the Plan Supplement.
84. “*New Board*” means the board of directors of NBC on and after the Effective Date to be appointed in accordance with Article IV.M hereto.
85. “*New Common Equity*” means common equity in New NBC.
86. “*New Money First Lien Term Loan*” means up to \$80 million (prior to adjustment for fees earned in-kind, as described below) in new loan to be issued by New NBC, participation in which shall be offered to all existing Senior Secured Noteholders in accordance with the New Money First Lien Term Loan Offering Procedures, substantially in accordance with the terms set forth on Exhibit A, the form of which shall be included in the Plan Supplement.
87. “*New Money First Lien Term Loan Offering*” means the offering of rights to Senior Secured Noteholders to contribute their Pro Rata share of cash to the New Money First Lien Term Loan.
88. “*New Money First Lien Term Loan Offering Procedures*” means the Debtors’ procedures for the implementation of the New Money First Lien Term Loan Offering, the final documentation of which remains subject to negotiation between the Debtors and the Backstop Parties, as well as Bankruptcy Court approval.
89. “*New NBC*” means that certain corporation formed under the laws of Delaware after the date of the Disclosure Statement and on or prior to the Effective Date.
90. “*New NBC Holdings*” means that certain corporation formed under the laws of Delaware after the date of the Disclosure Statement and on or prior to the Effective Date that is a wholly-owned subsidiary of New NBC.
91. “*New NBC Opco*” means that certain corporation formed under the laws of Delaware after the date of the Disclosure Statement and on or prior to the Effective Date that is a wholly-owned subsidiary of New NBC Holdings.
92. “*New Organizational Documents*” means such certificates or articles of incorporation, by-laws, or such other applicable formation documents of each of the Reorganized Debtors, which form shall be included in the Plan Supplement and shall be in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee.
93. “*New Take-Back Notes*” means the \$100 million in new notes to be distributed on a Pro Rata basis to the Senior Secured Noteholders, substantially in accordance with the terms set forth on Exhibit B, the form of which shall be included in the Plan Supplement, which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee.

94. “*New Take-Back Notes Indenture*” means the indenture for the New Take-Back Notes, the form of which shall be included in the Plan Supplement, which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee.

95. “*New Take-Back Notes Indenture Trustee*” means the indenture trustee for the New Take-Back Notes.

96. “*New Warrants*” means the warrants that may be issued to Holders of 8.625% Notes Claims, substantially in accordance with the terms set forth on Exhibit C, the form of which shall be included in the Plan Supplement, which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee and the Consenting 8.625% Noteholders.

97. “*Other Secured Claim*” means any Secured Claim other than a/an: (a) Senior Secured Notes Claim or (b) Intercompany Claim.

98. “*Petition Date*” means June 27, 2011, the date on which the Debtors commenced the Chapter 11 Cases.

99. “*Plan*” means this *Third Amended Joint Plan of Reorganization of the Nebraska Book Company, Inc., et al. Pursuant to Chapter 11 of the Bankruptcy Code*, including the Plan Supplement, which is incorporated herein by reference.

100. “*Plan Support Agreement*” means that certain Plan Support Agreement, dated as of March 7, 2012 by and among the Debtors and the Senior Secured Notes Steering Committee.

101. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules, and exhibits to the Plan to be Filed by the Debtors, and in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee, no later than ten days prior to the deadline to vote on the Plan or such later date as may be approved by the Bankruptcy Court on notice to parties in interest, and additional documents filed with the Bankruptcy Court prior to the Effective Date as amendments to the Plan Supplement comprised of, among other documents, the following: (a) New Organizational Documents; (b) Rejected Executory Contract and Unexpired Lease List; (c) a list of retained Causes of Action; (d) Restructuring Transactions Memorandum; (e) Management Equity Incentive Plan and employment agreements with certain management employees; (f) New ABL Facility; (g) New Take-Back Notes Indenture; (h) New Money First Lien Term Loan; (i) Registration Rights Agreement; (j) Shareholders Agreement; (k) the form of the New Warrants; and (l) the identity of the New Board and management for the Reorganized Debtors, with documents identified in (a) through (l). Any reference to the Plan Supplement in the Plan shall include each of the documents identified above as (a) through (l). The Debtors shall have the right to amend the documents contained in the Plan Supplement through and including the Effective Date in accordance with Article IX hereof, but such amendments shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee.

102. “*Postpetition Period*” means the period of time following the Petition Date through the Confirmation Date.

103. “*Other Priority Claims*” means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

104. “*Priority Tax Claim*” means the Claims of governmental units of the type specified in section 507(a)(8) of the Bankruptcy Code.

105. “*Pro Rata*” means the proportion that a Claim or Interest in a particular class bears to the aggregate amount of the Claims or Interests in that class, or the proportion of the Claims or Interests in a particular class and other classes entitled to share in the same recovery as such Claim or Interest under the Plan.

106. “*Professional*” means an Entity: (a) employed pursuant to a Bankruptcy Court order in accordance with sections 327, 363, or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 331, and 363 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

107. “*Professional Fee Claims*” means all Administrative Claims for the compensation of Professionals and the reimbursement of expenses incurred by such Professionals through and including the Effective Date.

108. “*Professional Fee Order*” means that certain order of the Bankruptcy Court entered on July 21, 2011, establishing procedures for interim compensation and reimbursement of expenses of Professionals [Docket No. 199].

109. “*Proof of Claim*” means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

110. “*Proof of Interest*” means a proof of Interest Filed against any of the Debtors in the Chapter 11 Cases.

111. “*Registration Rights Agreement*” means the registration rights agreement to be implemented on the Effective Date, the form of which shall be included in the Plan Supplement and which shall be reasonably satisfactory in form and substance to the Ad Hoc Group of Senior Secured Noteholders and the Consenting 8.625% Noteholders.

112. “*Reimbursable Expenses*” means: the reasonable and documented fees and expenses incurred by (a) the Ad Hoc Group of Senior Secured Noteholders for their employment of (i) Brown Rudnick LLP, as legal counsel; (ii) Young Conaway Stargatt & Taylor LLP, as Delaware counsel; and (iii) Duff & Phelps Securities, LLC, as financial advisor, pursuant to the terms of Duff & Phelps Securities, LLC’s engagement letter dated June 30, 2011, and (b) the Consenting 8.625% Noteholders for their employment of professionals in an amount not to exceed \$1.75 million to be allocated by agreement among the Consenting 8.625% Noteholders.

113. “*Reinstated*” means: (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim or Interest entitles the Holder of such Claim or Interest so as to leave such Claim or Interest Unimpaired; or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (ii) reinstating the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim or Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Interest arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensating the Holder of such Claim or Interest (other than a Debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable, or contractual rights to which such Claim or Interest entitles the Holder.

114. “*Rejected Executory Contract and Unexpired Lease List*” means the list (as may be amended), as determined by the Debtors or the Reorganized Debtors, as applicable, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be rejected by the Reorganized Debtors pursuant to the provisions of Article V hereof and will be included in the Plan Supplement.

115. “*Released Party*” means each of: (a) the Senior Secured Noteholders, in their capacity as such; (b) the Senior Secured Notes Trustee, in its capacity as such; (c) the 8.625% Noteholders, in their capacity as such only if Class 4 8.625% Notes Claims votes to accept and does not object to the Plan; (d) the 8.625% Notes Trustee, in its capacity as such; (e) the AcqCo Noteholders, in their capacity as such; and (f) the AcqCo Notes Trustee, in its

capacity as such; (g) the Holders of HoldCo Interests, in their capacity as such; (h) the Committee; and (i) the DIP Lenders, in their capacity as such; (j) with respect to each of the foregoing entities in clauses (a) through (i), such Entity's current and former affiliates, subsidiaries, officers, directors, principals, members, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case in their capacity as such; and (k) the Debtors' current and former affiliates, subsidiaries, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case in their capacity as such.

116. "*Releasing Parties*" means each of the following in its capacity as such: (a) those Holders of Claims that are deemed to accept the Plan; (b) all Holders of Claims who vote to accept the Plan; and (c) all Holders in voting classes who abstain from voting on the Plan and who do not opt out of the releases provided by the Plan.

117. "*Reorganized Debtors*" means: (a) the Debtors, as reorganized pursuant to and under the Plan or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date; (b) New NBC; (c) New NBC Holdings; and (d) New NBC Opco.

118. "*Requisite Consenting 8.625% Noteholders*" means two-thirds (2/3) in number of Consenting 8.625% Noteholders.

119. "*Requisite Consenting Senior Secured Noteholders*" means members of the Senior Secured Notes Steering Committee holding 66 2/3% in aggregate principal amount of the Senior Secured Notes Claims held at such time by the Senior Secured Notes Steering Committee.

120. "*Reorganized Debtors Total Enterprise Value*" means the value of the Reorganized Debtors in the amount of approximately \$220.0 million as of the Effective Date.

121. "*Restructuring Documents*" means the Plan, the Disclosure Statement, the Plan Supplement, the Amended Plan Support Agreement, the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes, the New Common Equity, the New Warrants, and the various agreements and other documentation formalizing the Plan.

122. "*Restructuring Transactions*" means those mergers, amalgamations, consolidations, arrangements, continuances, restructurings, transfers, conversions, dispositions, liquidations, dissolutions, or other corporate transactions that the Debtors determine to be necessary, and are reasonably satisfactory in form and Substance to the Senior Secured Notes Steering Committee to implement the Plan.

123. "*Restructuring Transactions Memorandum*" means the memorandum describing the Restructuring Transactions, including those inter-company mergers, consolidations, amalgamations, arrangements, continuances, restructurings, transfers, conversions, dispositions, liquidations, dissolutions, or other corporate transactions that the Debtors or the Reorganized Debtors may determine to be necessary to implement the Restructuring Transactions and to effect a restructuring of a Debtor's business or a restructuring of the overall corporate structure of the Reorganized Debtors, which will be included in the Plan Supplement, and which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee.

124. "*Schedules*" means the schedules of assets and liabilities, schedules of Executory Contracts or Unexpired Leases, and statement of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code, the official bankruptcy forms, and the Bankruptcy Rules, as they may be amended, modified, or supplemented from time to time.

125. "*Secured*" means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) Allowed as such pursuant to the Plan.

126. “*Securities Act*” means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, together with the rules and regulations promulgated thereunder.

127. “*Security*” means a security as defined in section 2(a)(1) of the Securities Act.

128. “*Senior Secured Notes*” means the \$200 million 10% senior secured notes due December 1, 2011, issued by NBC pursuant to the Senior Secured Notes Indenture.

129. “*Senior Secured Notes Claims*” means any Claim derived from or based upon the Senior Secured Notes.

130. “*Senior Secured Notes Indenture*” means that certain indenture, dated October 2, 2009, by and among NBC, all of NBC’s affiliates, as guarantors, and Wilmington Trust, National Association (successor by merger to Wilmington Trust FSB), as trustee and collateral agent.

131. “*Senior Secured Notes Steering Committee*” means those certain members of the Ad Hoc Group of Senior Secured Noteholders that are party to the Plan Support Agreement and Amended Plan Support Agreement.

132. “*Senior Secured Notes Trustee*” means Wilmington Trust, National Association (successor by merger to Wilmington Trust FSB), as trustee and collateral agent under the Senior Secured Notes Indenture.

133. “*Shareholders Agreement*” means the shareholders agreement, if any, to be implemented on the Effective Date, the form of which shall be included in the Plan Supplement and shall be reasonably satisfactory in form and substance to the Ad Hoc Group of Senior Secured Noteholders and the Consenting 8.625% Noteholders.

134. “*Stipulation*” means that certain *Stipulation, Agreement, and Final Order Granting Adequate Protection Under Sections 361, 362, 363, and 507 of the Bankruptcy Code* [Docket No. 78], entered by the Bankruptcy Court on June 30, 2011, as amended or modified by order of the Bankruptcy Court.

135. “*Subordinated Securities Claim*” means a Claim of the type described in and subject to subordination pursuant to section 510(b) of the Bankruptcy Code.

136. “*Unexpired Lease*” means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

137. “*Unimpaired*” means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

138. “*U.S. Trustee*” means the Office of the U.S. Trustee for the District of Delaware.

139. “*Unsecured Claim*” means any Claim that is not a Secured Claim.

140. “*Weston Presidio*” means a group of jointly managed private equity funds, including Weston Presidio Capital, III, L.P., Weston Presidio Capital IV, L.P., WPC Entrepreneur Fund, L.P., and WPC Entrepreneur Fund II, L.P.

B. Rules of Interpretation.

For purposes of the Plan: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (2) unless otherwise specified, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) unless otherwise specified, any reference herein to an existing document, schedule, or exhibit, whether or not Filed, having been Filed or to be Filed shall mean that document,

schedule, or exhibit, as it may thereafter be amended, modified, or supplemented; (4) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (6) unless otherwise specified, all references herein to exhibits are references to exhibits in the Plan Supplement; (7) unless otherwise specified, the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (8) subject to the provisions of any contract, certificate of incorporation, by-law, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with the applicable federal law, including the Bankruptcy Code and Bankruptcy Rules; (9) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (10) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (11) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; (12) all references to docket numbers of documents Filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (13) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; and (14) any immaterial effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity. Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

C. Computation of Time.

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein. If the date on which a transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

D. Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided, however*, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in Delaware shall be governed by the laws of the state of incorporation of the relevant Debtor or the Reorganized Debtors, as applicable.

E. Reference to Monetary Figures.

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

**ARTICLE II.
ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III hereof.

A. Administrative Claims.

1. General Administrative Claims.

Except as specified in this Article II hereof, unless otherwise agreed to by the Holder of a General Administrative Claim and the Debtors or the Reorganized Debtors, as applicable, each Holder of an Allowed General Administrative Claim will receive, in full satisfaction of its General Administrative Claim, Cash equal to the amount of such Allowed General Administrative Claim either: (a) on the Effective Date; (b) if the General Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which an order allowing such General Administrative Claim becomes a Final Order, or as soon thereafter as reasonably practicable; or (c) if the Allowed General Administrative Claims are based on liabilities incurred by the Debtors in the ordinary course of their business during the Postpetition Period, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed General Administrative Claims, without any further action by the Holders of such Allowed General Administrative Claims. All fees and disbursements payable under the Stipulation shall be paid in accordance with the terms thereof.

2. Professional Compensation.

(a) Final Fee Applications.

All final requests for payment of Professional Fee Claims, including the Holdback Amount and Professional Fee Claims incurred during the period from Petition Date through the Effective Date, must be filed with the Bankruptcy Court and served on the Reorganized Debtors no later than 30 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court in the Chapter 11 Cases, the allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court, and then promptly paid by the Reorganized Debtors.

(b) Payment of Interim Amounts.

Subject to the Holdback Amount, on the Effective Date, the Debtors or the Reorganized Debtors, as applicable, shall pay all amounts owing to Professionals for all outstanding amounts payable in accordance with the Professional Fee Order relating to prior periods through the Effective Date. To receive payment, on or before the Effective Date, each Professional shall submit a detailed invoice covering such period in the manner and providing the detail as set forth in the Professional Fee Order.

(c) Post-Effective Date Fees and Expenses.

Except as otherwise specifically provided in the Plan, from and after the Effective Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation of the Plan and Consummation incurred by the Reorganized Debtors. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331, 363, and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

B. DIP Claims.

Except to the extent that a Holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed DIP Claim, each such Allowed DIP Claim shall be paid in full in Cash by the Debtors on the Effective Date.

C. Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

D. Indenture Trustee Fees.

On the Effective Date, the Reorganized Debtors shall pay in Cash the Indenture Trustee Fees, without the need for the Indenture Trustees to file fee applications with the Bankruptcy Court; *provided, however*, that (i) the Indenture Trustees shall provide the Debtors, the Senior Secured Notes Steering Committee, the U.S. Trustee, and the Committee with the invoices for which it seeks payment at least 10 days prior to the Effective Date; and (ii) the Debtors, the Senior Secured Notes Steering Committee, the U.S. Trustee and the Committee do not object to the reasonableness of the Indenture Trustee Fees. To the extent that the Debtors, the Senior Secured Notes Steering Committee, the U.S. Trustee, or the Committee object to the reasonableness of any portion of the Indenture Trustee Fees, the Reorganized Debtors shall not be required to pay such Disputed portion until either such objection is resolved or a further order of the Bankruptcy Court is entered providing for payment of such Disputed portion. Notwithstanding anything in the Plan to the contrary, each Indenture Trustee Charging Lien shall be discharged solely upon payment of any fees and expenses due to any Indenture Trustee under an applicable Indenture in full and the termination of such Indenture Trustee's duties under the applicable Indenture. Nothing in the foregoing shall in any way limit, impair, or affect the rights of the Senior Secured Notes Trustee under the Senior Secured Notes Indenture to the reimbursement of costs, including the reimbursement of the reasonable compensation and expenses, disbursements and advances of the Senior Secured Notes Trustee's agents, counsel, accountants, and experts.

**ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

A. Classification of Claims and Interests.

Claims and Interests, except for Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in this Article III. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Substantive Consolidation of the Debtor Estates.

Pursuant to Article IV.A hereof, the Plan provides for the consensual substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation and Consummation. As a result of the substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate identification of the Debtors.

2. Class Identification.

The classification of Claims and Interests against the Debtors pursuant to the Plan is as follows:

Class	Claims and Interests	Status	Voting Rights
Class 1	Senior Secured Notes Claims	Impaired	Entitled to Vote
Class 2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 3	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)

Class	Claims and Interests	Status	Voting Rights
Class 4	8.625% Notes Claims	Impaired	Entitled to Vote
Class 5	General Unsecured Claims	Impaired	Entitled to Vote
Class 6	AcqCo Notes Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
Class 7	Intercompany Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 8	Intercompany Interests	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Class 9	HoldCo Interests	Impaired	Not Entitled to Vote (Deemed to Reject)
Class 10	Subordinated Securities Claims	Impaired	Not Entitled to Vote (Deemed to Reject)

B. Treatment of Claims and Interests.

1. Class 1 - Senior Secured Notes Claims.

- (a) *Classification:* Class 1 consists of all Senior Secured Notes Claims.
- (b) *Allowance:* The Senior Secured Notes Claims are allowed in the full principal amount of \$200,000,000 plus (i) all accrued and unpaid interest, including interest accruing on and after the Petition Date, and interest on overdue installments of interest, and (ii) any other reasonable fees, costs, or charges each as provided for under the Senior Secured Notes Indenture.
- (c) *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 1 agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 1, each such Holder thereof shall receive (i) its Pro Rata share of 100% of the New Common Equity subject to dilution from the Management Equity Incentive Plan and New Warrants; (ii) its Pro Rata share of the New Take-Back Notes; and (iii) the right to participate in the New Money First Lien Term Loan on a Pro Rata basis, based on such Holder's Allowed Senior Secured Notes Claims.
- (d) *Voting:* Class 1 is Impaired under the Plan. Holders of Allowed Claims in Class 1 are entitled to vote to accept or reject the Plan.

2. Class 2 - Other Secured Claims.

- (a) *Classification:* Class 2 consists of all Other Secured Claims.
- (b) *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 2 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 2, each such Holder shall receive, at the option of the Debtors, either:
 - (i) payment in full in cash;
 - (ii) delivery of collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code;
 - (iii) reinstatement of such Other Secured Claims; or

- (iv) other treatment rendering such Claim Unimpaired.
 - (c) *Voting:* Class 2 is Unimpaired under the Plan. Holders of Claims in Class 2 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.
3. Class 3 - Other Priority Claims
- (a) *Classification:* Class 3 consists of all Other Priority Claims.
 - (b) *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 3 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 3, each such Holder shall receive, at the option of the Debtors, either:
 - (i) payment in full in cash; or
 - (ii) other treatment rendering such Claim Unimpaired.
 - (c) *Voting:* Class 3 is Unimpaired under the Plan. Holders of Claims in Class 3 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.
4. Class 4 - 8.625% Notes Claims.
- (a) *Classification:* Class 4 consists of all 8.625% Notes Claims.
 - (b) *Allowance:* The 8.625% Notes Claims shall be allowed in an aggregate amount equal to approximately \$179,234,636.42.
 - (c) *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 4 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 4, to the extent that Class 4 votes to accept the Plan and only if no Consenting 8.625% Noteholder objects to the Plan, each Holder of 8.625% Notes Claims shall receive its Pro Rata share of the New Warrants.
 - (d) *Voting:* Class 4 is Impaired under the Plan. Holders of Allowed Claims in Class 4 are entitled to vote to accept or reject the Plan.
5. Class 5 - General Unsecured Claims.
- (a) *Classification:* Class 5 consists of all General Unsecured Claims.
 - (b) *Treatment:* On the Effective Date, except to the extent that a Holder of an Allowed Claim in Class 5 agrees to a less favorable treatment of its Allowed Claim or has been paid prior to the Effective Date, each Holder of an Allowed Class 5 Claim shall receive a cash payment in an amount equal to 4% of each such Holder's Allowed Class 5 Claim.
 - (c) *Voting:* Class 5 is Impaired under the Plan. Holders of Allowed Claims in Class 5 are entitled to vote to accept or reject the Plan.

6. Class 6 - AcqCo Notes Claims.
- (a) *Classification:* Class 6 consists of all AcqCo Notes Claims.
 - (b) *Treatment:* On the Effective Date, all Claims in Class 6 shall be cancelled without any distribution on account of such Claims.
 - (c) *Voting:* Class 6 is Impaired under the Plan. Holders of Claims in Class 6 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.
7. Class 7 - Intercompany Claims.
- (a) *Classification:* Class 7 consists of all Intercompany Claims.
 - (b) *Treatment:* Intercompany Claims shall be, at the Debtors' or Reorganized Debtors' option, either (i) Reinstated as of the Effective Date or (ii) cancelled without any distribution on account of such Claims.
 - (c) *Voting:* Class 7 is Unimpaired under the Plan. Holders of Claims in Class 7 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.
8. Class 8 - Intercompany Interests.
- (a) *Classification:* Class 8 consists of all Intercompany Interests.
 - (b) *Treatment:* Intercompany Interests shall be, at the Debtors' or Reorganized Debtors' option, either (i) Reinstated as of the Effective Date or (ii) cancelled without any distribution on account of such Interests.
 - (c) *Voting:* Class 8 is Unimpaired under the Plan. Holders of Interests in Class 8 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.
9. Class 9 - HoldCo Interests.
- (a) *Classification:* Class 9 consists of all HoldCo Interests.
 - (b) *Treatment:* On the Effective Date, all Interests in Class 9 shall be cancelled without any distribution on account of such Claims.
 - (c) *Voting:* Class 9 is Impaired under the Plan. Holders of Claims in Class 9 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

10. Class 10 - Subordinated Securities Claims.

- (a) *Classification:* Class 10 consists of all Subordinated Securities Claims.
- (b) *Treatment:* On the Effective Date, all Claims in Class 10 shall be cancelled without any distribution on account of such Claims.
- (c) *Voting:* Class 10 is Impaired under the Plan. Holders of Claims in Class 10 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

C. *Special Provision Governing Unimpaired Claims.*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

D. *Acceptance or Rejection of the Plan.*

1. Voting Classes.

Classes 1, 4, and 5 are Impaired under the Plan. The Holders of Claims and Interests in such Classes are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan.

Classes 2, 3, 7, and 8 are Unimpaired under the Plan. The Holders of Claims and Interests in such Classes are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

3. Presumed Rejection of Plan.

Classes 6, 9, and 10 are Impaired and shall receive no distribution under the Plan. The Holders of Claims and Interests in such Classes are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

E. *Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code.*

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by Classes 1, 4, or 5. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

F. *Controversy Concerning Impairment.*

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

G. *Subordinated Claims.*

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination,

section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

ARTICLE IV. MEANS FOR IMPLEMENTATION OF THE PLAN

A. Substantive Consolidation.

The Plan shall serve as a motion by the Debtors seeking entry of a Bankruptcy Court order substantively consolidating all of the Estates and its subsidiaries into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

If substantive consolidation of all of the Estates is ordered, then on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of NBC for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor shall be treated as one collective obligation of the Debtors. Substantive consolidation shall not affect the legal and organizational structure of the Reorganized Debtors' Entities or their separate corporate existences or any prepetition or postpetition guarantees, Liens, or security interests that are required to be maintained under the Bankruptcy Code, under the Plan, any contract, instrument, or other agreement or document pursuant to the Plan (including the New ABL Facility, New Money First Lien Term Loan, New Take-Back Notes, New Warrants, Registration Rights Agreement, or Shareholders Agreement, or the identity of the New Board and management), or, in connection with contracts or leases that were assumed or entered into during the Chapter 11 Cases. Any alleged defaults under any applicable agreement with the Debtors, the Reorganized Debtors, or their Affiliates arising from substantive consolidation under the Plan shall be deemed cured as of the Effective Date.

Notwithstanding the substantive consolidation provided for herein, nothing shall affect the obligation of each and every Debtor to pay Quarterly Fees to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930 until such time as a particular case is closed, dismissed, or converted.

B. General Settlement of Claims and Interests.

As discussed in detail in the Disclosure Statement and as otherwise provided herein, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. Subject to Article VI hereof, all distributions made to Holders of Allowed Claims and Allowed Interests in any Class are intended to be and shall be final.

C. Restructuring Transactions.

On the Effective Date, the applicable Debtors or the Reorganized Debtors shall enter into the Restructuring Transactions in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee, and shall take any actions as may be necessary to effect a corporate restructuring of their respective businesses or a corporate restructuring of the overall corporate structure of the Debtors, to the extent provided therein. The Restructuring Transactions may include one or more inter-company mergers, consolidations, amalgamations, arrangements, continuances, restructurings, conversions, dissolutions, transfers, liquidations, or other corporate transactions as may be determined by the Debtors to be necessary, and in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee. The actions to implement the Restructuring Transactions may include: (1) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and

delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; and (4) all other actions that the applicable Entities determine to be necessary, including making filings or recordings that may be required by applicable law in connection with the Plan.

The terms of the Restructuring Transactions shall be structured to preserve favorable tax attributes of the Debtors and to minimize taxes payable by the Ad Hoc Group of Senior Secured Noteholders to the extent practicable and in a manner reasonably satisfactory to the Senior Secured Notes Steering Committee.

D. Continued Corporate Existence, Vesting of Assets in the Reorganized Debtors, and Mergers.

On the Effective Date, the New Board shall be established, and the Reorganized Debtors, as applicable, shall adopt their New Organizational Documents and the Management Equity Incentive Plan. Reorganized Debtors shall be authorized to adopt any other agreements, documents, and instruments and to take any other actions contemplated under the Plan as necessary to consummate the Plan.

On the Effective Date or as soon as practicable thereafter, the Debtors or Reorganized Debtors shall consummate, pursuant to section 1123(a)(5)(D) of the Bankruptcy Code, those transactions and sales of property set forth in the Plan Supplement.

E. Existing Letters of Credit.

On the Effective Date all Existing Letters of Credit shall be replaced or cash collateralized (in Cash in an amount equal to 101% of the face amount of such Existing Letters of Credit).

F. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall fund distributions under the Plan with Cash on hand, including Cash from operations, the New ABL Facility, the New Money First Lien Term Loan, New Take-Back Notes, the New Common Equity, and the New Warrants.

On the Effective Date, New NBC shall issue or reserve for issuance all securities required to be issued pursuant hereto.

1. New ABL Facility.

On the Effective Date, the Reorganized Debtors will obtain access to the New ABL Facility, which shall be reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee. Confirmation shall be deemed approval of New ABL Facility (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) and authorization for the Reorganized Debtors to enter into and execute New ABL Facility documents, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New ABL Facility.

2. New Money First Lien Term Loan.

On the Effective Date, the Reorganized Debtors will obtain access to the New Money First Lien Term Loan, which shall be in accordance with Exhibit A and reasonably satisfactory in form and substance to the Backstop Parties (as defined in the New Money First Lien Term Loan) and Ad Hoc Group of Senior Secured Noteholders. Confirmation shall be deemed approval of New Money First Lien Term Loan (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) and authorization for the Reorganized Debtors to enter into and execute the New Money First Lien Term Loan documents, subject to such modifications as the

Reorganized Debtors may deem to be reasonably necessary to consummate such New Money First Lien Term Loan, which modifications must be in form and substance reasonably satisfactory to the Backstop Parties.

The Plan contemplates that the Debtors may implement the New Money First Lien Term Loan Offering through which the Senior Secured Noteholders will be entitled to contribute their Pro Rata share based on the amount of their Allowed Senior Secured Notes Claims to the New Money First Lien Term Loan. To the extent certain of the Senior Secured Noteholders opt not to contribute their Pro Rata share of Cash to the New Money First Lien Term Loan, the Backstop Parties will provide sufficient cash for the New Money First Lien Term Loan to be fully funded.

3. Issuance of New Take-Back Notes.

On the Effective Date, the Reorganized Debtors shall issue the New Take-Back Notes to the Senior Secured Noteholders, which shall be on the terms set forth on Exhibit B and reasonably satisfactory in form and substance to the Senior Secured Notes Steering Committee. Confirmation shall be deemed approval of the New Take-Back Notes (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) and authorization for the Reorganized Debtors to enter into and execute New Take-Back Notes documents, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New Take-Back Notes, which modifications must be in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee.

4. Issuance of New Common Equity.

The issuance of the New Common Equity, including options, or other equity awards, if any, reserved for the Management Equity Incentive Plan, by New NBC is authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests. New NBC shall be authorized to issue a certain number of shares of New Common Equity pursuant to its New Organizational Documents. On the Effective Date, the Debtors shall issue all securities, notes, instruments, certificates, and other documents required to be issued pursuant to the Plan.

All of the shares of New Common Equity issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance referred to in Article VI hereof shall be governed by the terms and conditions set forth in the Plan 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. For purposes of distribution, the New Common Equity shall be deemed to have the value assigned to it based upon, among other things, the Reorganized Debtors Total Enterprise Value, regardless of the date of distribution.

The Holders of New Common Equity and Holders of New Warrants may be parties to the Shareholders Agreement, which shall be reasonably satisfactory to the Senior Secured Notes Steering Committee.

The holders of New Common Equity and the Debtors shall be parties to the Registration Rights Agreement, which shall be reasonably satisfactory to the Senior Secured Notes Steering Committee, obligating the Reorganized Debtors to register for resale certain shares of the New Common Equity under the Securities Act in accordance with the terms set forth in such agreement.

5. Issuance of New Warrants.

If Class 4 votes to accept the Plan and does not object to the Plan, New NBC shall issue the New Warrants to the Holders of Claims in Class 4. All of the New Warrants issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

Each distribution and issuance referred to in Article VI hereof shall be governed by the terms and conditions set forth in the Plan 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.

G. Intercompany Account Settlement.

The Debtors and the Reorganized Debtors, as applicable, will be entitled to transfer funds between and among themselves as they determine to be necessary to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices and will not violate the terms of the Plan.

H. Corporate Existence.

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and by-laws (or other formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

I. Vesting of Assets in the Reorganized Debtors.

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens securing obligations under the New ABL Facility, New Money First Lien Term Loan, New Take-Back Notes, and the Liens securing obligations on account of Other Secured Claims that are Reinstated pursuant to the Plan). On and after the Effective Date, except as otherwise provided in the Plan, each of the Reorganized Debtors may operate their business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

J. Cancellation of Existing Securities and Agreements.

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, certificates, and other documents evidencing Claims or Interests, including 8.625% Notes Claims, AcqCo Notes Claims, Senior Secured Notes Claims, Subordinated Securities Claims, and credit agreements, shall be deemed cancelled and surrendered without any need for a Holder to take further action with respect to any note(s) or security and the obligations of the Debtors or Reorganized Debtors, as applicable, thereunder or in any way related thereto shall be deemed satisfied in full and discharged, and the Indenture Trustees shall be released from all duties thereunder; *provided, however*, that notwithstanding Confirmation or Consummation, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (i) allowing Holders to receive distributions under the Plan and (ii) allowing the Indenture Trustees to make the distributions to be made on account of the Senior Secured Notes and the 8.625% Notes, as applicable, (iii) permitting the Indenture Trustees to assert their respective Indenture Trustee Charging Liens against such distributions under the Plan for payment of the Indenture Trustee Fees; *provided, further, however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors, as applicable, *provided further, however*, that the foregoing shall not affect the cancellation of shares issued pursuant to the Restructuring Transactions nor any other shares held by one Debtor in the capital of another Debtor. Subject to the preceding sentence of this Article IV.J, the Indenture Trustees and their agents, successors, and assigns shall be discharged of all of their obligations associated with the Indentures, as applicable, and shall be released from all claims related to such obligations.

K. Corporate Action.

Upon the Effective Date, all actions contemplated under the Plan shall be deemed authorized and approved in all respects, including: (1) adoption or assumption, as applicable, of the agreements with existing management; (2) selection of the directors and officers for the Reorganized Debtors; (3) the distribution of the New Common Equity; (4) implementation of the Restructuring Transactions as set forth in the Restructuring Transactions Memorandum; (5) adoption of the Management Equity Incentive Plan; (6) issuance of the New Take-Back Notes; (7) issuance of the New Warrants; (8) entry into the New ABL Facility; (9) entry into the New Money First-Lien Term Loan; (10) adoption of the Shareholders Agreement and Registration Rights Agreement; and (11) all other actions contemplated under the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated under the Plan (or necessary or desirable to effect the transactions contemplated under the Plan) in the name of and on behalf of the Reorganized Debtors, including the New ABL Facility, New Money First Lien Term Loan, New Take-Back Notes Indenture, New Warrants, Shareholders Agreement, and Registration Rights Agreement, as applicable, and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.K shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the New Common Equity shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of such securities by an officer or director (or a director deputized for purposes thereof) as of the Effective Date.

L. New Organizational Documents.

On or immediately prior to the Effective Date, the New Organizational Documents shall be drafted or amended, as applicable, in a manner, form and substance reasonably satisfactory to the Debtors and the Senior Secured Notes Steering Committee. Each of the Reorganized Debtors will file its New Organizational Documents with the applicable Secretaries of State and/or other applicable authorities in its respective state, province, or country of incorporation in accordance with the corporate laws of the respective state, province, or country of incorporation. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents will prohibit the issuance of non-voting equity securities. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Organizational Documents and other constituent documents as permitted by the laws of their respective state, province, or country of incorporation and its respective New Organizational Documents.

M. Directors and Officers of the Reorganized Debtors.

As of the Effective Date, the term of the current members of the board of directors of the Debtors shall expire, and the initial boards of directors, including the New Board, and the officers of each of the Reorganized Debtors shall be appointed in accordance with the respective New Organizational Documents. The New Board shall consist of seven members, and shall include: (a) the Chief Executive Officer of the Debtors; (b) four members to be selected by the Senior Secured Notes Steering Committee based on the Pro Rata holdings of Senior Secured Notes as determined by the Senior Secured Notes Steering Committee, and as of date determined by the Senior Secured Notes Steering Committee reasonably in advance of the Confirmation Hearing; and (c) two members to be independent directors, unanimously approved by the Senior Secured Notes Steering Committee and the Debtors' Chief Executive Officer. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial board of directors or be an officer of each of the Reorganized Debtors. To the extent any such director or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director or officer. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

N. Effectuating Documents; Further Transactions.

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary to effectuate, implement, and further evidence the terms and conditions of the Plan and the Securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

O. Section 1146 Exemption.

Pursuant to section 1146 of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

P. Director and Officer Liability Insurance.

On or before the Effective Date, the Reorganized Debtors will obtain sufficient liability insurance policy coverage for the five-year period following the Effective Date for the Debtors' current and former directors and officers serving from and after the Petition Date.

Q. Management Equity Incentive Plan.

On the Effective Date, the Debtors shall adopt the Management Equity Incentive Plan. The Management Equity Incentive Plan will cover 10% of the fully-diluted shares of New Common Equity in the Reorganized Debtors. On the Effective Date, the Management Equity Incentive Plan will provide for the issuance of 4% of the fully-diluted New Common Equity of the Reorganized Debtors, which will vest in four equal annual installments on each of the first four anniversaries of the Effective Date. The Chief Executive Officer will determine individual awards, in his discretion, based on a range (such range subject to the consent of the Senior Secured Notes Steering Committee, with such consent not to be unreasonably withheld). The Management Equity Incentive Plan will provide for the issuance to management upon the Effective Date of 2% of the fully-diluted New Common Equity of the Reorganized Debtors in the form of stock options, exercisable at Plan value, and will vest and become exercisable in annual installments, as determined by the New Board over a period that will not exceed four years. The New Board, in its sole discretion, will determine all remaining awards.

The Management Equity Incentive Plan will also provide for the issuance to management of 1% of the fully-diluted New Common Equity of the Reorganized Debtors upon the occurrence of a non-affiliate change of control event ("CIC Grant"), solely to management members existing as of the Effective Date and still employed by the Reorganized Debtors as of the occurrence of the change of control event, *provided, however*, that such award shall only be triggered if the New Take-Back Notes remain extant at the time of said change of control event. The Reorganized Debtors will determine the allocation of the CIC Grant among management. There shall, however, be no reallocation of a prospective recipient's award among remaining management at such time as a prospective recipient leaves the employ of the Reorganized Debtors, and his/her prospective award is forfeited. Such award shall also be reduced Pro Rata if the non-affiliate change of control premium is lowered prior to the occurrence of a change of control event.

R. Employee and Retiree Benefits.

In consideration for releasing all Claims and Interests, all employees that are party to employment, retirement, indemnification, and other agreements or arrangements with the Debtors in place as of the Effective Date, including the Debtors' officers, directors, or employees, who will continue in such capacities or similar capacities after the Effective Date, or are party to variable incentive plans regarding payment of a percentage of

annual salary based on performance goals and financial targets for certain employees identified as key leaders, top level managers, or sales leaders shall either: (a) have their current agreements assumed pursuant to the Plan; or (b) receive new employment agreements with the Reorganized Debtors, which shall have economic terms that are not less favorable to such employee than such employee's current employment agreement, in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee or New Board, as applicable.

S. Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article VIII hereof, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the following Causes of Action, which shall be deemed released and waived by the Debtors and Reorganized Debtors as of the Effective Date: (i) the Causes of Action released by the Debtors pursuant to the releases and exculpations contained in the Plan, including in Article VIII; and (ii) all Causes of Action that arise under (A) sections 544, 547, and 548 of the Bankruptcy Code and (B) state fraudulent conveyance law, in each case, solely related to payments made in the 90 days prior to the Petition Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against it. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.**

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The applicable Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

**ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

A. Assumption and Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, except as otherwise provided herein, all Executory Contracts or Unexpired Leases, not previously assumed or rejected pursuant to an order of the Bankruptcy Court, will be deemed assumed, in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, other than those Executory Contracts or Unexpired Leases that: (1) previously were assumed or rejected by the Debtors; (2) are identified on the Rejected Executory Contract and Unexpired Lease List; (3) are the subject of a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; or (4) are subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and the rejection of the Executory Contracts or Unexpired Leases listed on the Rejected Executory Contract and Unexpired Lease List pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order. Each Executory Contract and Unexpired Lease

assumed pursuant to this Article V.A or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revert in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Notwithstanding anything to the contrary in the Plan, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the schedules of Executory Contracts and Unexpired Leases identified in this Article V and in the Plan Supplement at any time through and including 45 days after the Effective Date.

B. Indemnification Obligations.

All indemnification provisions, consistent with applicable law, currently in place (whether in the by-laws, certificates of incorporation, board resolutions, indemnification agreements, or employment contracts) for the current and former directors, officers, employees (each of the foregoing serving in such capacity after the Petition Date), attorneys, accountants, investment bankers, and the Debtors shall be assumed by the applicable Debtor, effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, to the extent such Indemnification Obligation is executory, unless such Indemnification Obligation previously was rejected by the Debtors pursuant to a Final Order or is the subject of a motion to reject pending on the Effective Date. Each Indemnification Obligation that is assumed, deemed assumed, honored, or reaffirmed shall remain in full force and effect, shall not be modified, reduced, discharged, impaired, or otherwise affected in any way, and shall survive Unimpaired and unaffected, irrespective of when such obligation arose.

C. Claims Based on Rejection of Executory Contracts or Unexpired Leases.

Unless otherwise provided by a Final Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within 30 days after the later of (1) the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection, (2) the effective date of such rejection, or (3) the Effective Date. **Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.** All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III.B.5 hereof.

D. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed.

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitation described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least ten days prior to the Confirmation Hearing, the Debtors shall provide for notices of proposed assumption and proposed cure amounts to be sent to applicable third parties and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be filed, served, and actually received by the Debtors at least three days prior to the Confirmation Hearing. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. **Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.**

E. Preexisting Obligations to the Debtors under Executory Contracts and Unexpired Leases.

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors or the Reorganized Debtors, as applicable, under such Executory Contracts or Unexpired Leases.

F. Insurance Policies.

Each of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. Unless otherwise provided in the Plan, on the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of all insured Claims.

G. Modifications, Amendments, Supplements, Restatements, or Other Agreements.

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

H. Reservation of Rights.

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any of the Reorganized Debtors has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 30 days following entry of a Final Order resolving such dispute to alter its treatment of such contract or lease.

I. Nonoccurrence of Effective Date.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code, unless such deadline(s) have expired.

J. Contracts and Leases Entered Into After the Petition Date.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the applicable Debtor or the Reorganized

Debtors liable thereunder in the ordinary course of their business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI. PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed.

Unless otherwise provided in the Plan, on the Effective Date (or if a Claim is not an Allowed Claim or Allowed Interest on the Effective Date, on the date that such Claim or Interest becomes an Allowed Claim or Allowed Interest, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim or Allowed Interests shall receive the full amount of the distributions that the Plan provides for Allowed Claims or Allowed Interests in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims or Disputed Interests, distributions on account of any such Disputed Claims or Disputed Interests shall be made pursuant to the provisions set forth in Article VII hereof. Except as otherwise provided in the Plan, Holders of Claims or Interests shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date.

B. Disbursing Agent.

All distributions under the Plan shall be made by the Disbursing Agent on the Effective Date. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. Additionally, in the event that the Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors.

C. Rights and Powers of Disbursing Agent.

1. Powers of the Disbursing Agent.

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Record Date for Distribution.

On the Distribution Record Date, the Claims Register shall be closed and any party responsible for making distributions shall instead be authorized and entitled to recognize only those record Holders listed on the Claims Register as of the close of business on the Distribution Record Date.

2. Delivery of Distributions in General.

Except as otherwise provided herein, the Reorganized Debtors shall make distributions to Holders of Allowed Claims and Allowed Interests as of the Distribution Record Date at the address for each such Holder as indicated on the Debtors' records as of the date of any such distribution; *provided, however*, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors; *provided further, however*, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that Holder.

3. Minimum Distributions.

No fractional shares of New Common Equity shall be distributed and no Cash shall be distributed in lieu of such fractional amounts. When any distribution pursuant to the Plan on account of an Allowed Claim or Allowed Interest would otherwise result in the issuance of a number of shares of New Common Equity that is not a whole number, the actual distribution of shares of New Common Equity shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefore. The total number of authorized shares of New Common Equity to be distributed to holders of Allowed Claims and Allowed Interests shall be adjusted as necessary to account for the foregoing rounding.

4. Undeliverable Distributions and Unclaimed Property.

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

E. Manner of Payment.

1. All distributions of the New Common Equity to the Holders of Claims and Interests under the Plan shall be made by the Disbursing Agent on behalf of Reorganized Debtors.

2. All distributions of the New Money First Lien Term Loan, New Take-Back Notes, and New Warrants, as applicable, to the Holders of Claims under the Plan shall be made by the Disbursing Agent on behalf of the Reorganized Debtors.

3. All distributions of Cash to the Holders of Claims and Interests under the Plan shall be made by the Disbursing Agent on behalf of the applicable Debtor.

4. At the option of the Disbursing Agent, any Cash payment to be made hereunder may be made by check or wire transfer or as otherwise required or provided in applicable agreements.

F. Section 1145 Exemption.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Common Equity, the New Take-Back Notes, the New Money First Lien Term Loan, and the New Warrants, as contemplated by Article III.B hereof to Classes 1 and 4, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution, or sale of Securities. In addition, under section 1145 of the Bankruptcy Code, such New Common Equity will be freely tradable in the U.S. by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities

Act, and compliance with applicable securities laws and any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Securities or instruments and subject to any restrictions in the Shareholders Agreement, Registration Rights Agreement, and the Reorganized Debtors' New Organizational Documents.

G. Compliance with Tax Requirements.

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Disbursing Agent shall be authorized to take all actions necessary to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

H. Allocations.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

I. No Postpetition Interest on Claims.

Unless otherwise specifically provided for in the Plan, or the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims against the Debtors, and no Holder of a Claim against the Debtors shall be entitled to interest accruing on or after the Petition Date on any such Claim. For the avoidance of doubt, Holders of Senior Secured Notes Claims are entitled to postpetition interest pursuant to the Stipulation and shall be paid in accordance with the terms thereof.

J. Setoffs and Recoupment.

The Debtors may, but shall not be required to, setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against the Holder of such Claim.

K. Claims Paid or Payable by Third Parties.

1. Claims Paid by Third Parties.

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or a Reorganized Debtor. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Debtor annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties.

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

**ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT,
UNLIQUIDATED, AND DISPUTED CLAIMS**

A. Allowance of Claims.

After the Effective Date, each the Reorganized Debtors shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately prior to the Effective Date.

B. Claims Administration Responsibilities.

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (1) to File, withdraw, or litigate to judgment, objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court.

C. Estimation of Claims and Interests.

Before or after the Effective Date, the Debtors or the Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim or Disputed Interest that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim or Interest that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Adjustment to Claims or Interests without Objection.

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, may be adjusted or expunged on the Claims Register by the Reorganized Debtors without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

E. Time to File Objections to Claims.

Any objections to Claims shall be Filed on or before the later of (1) the date that is 180 days after the Effective Date and (2) such date as may be fixed by the Bankruptcy Court, after notice and a hearing, upon motion filed before the date that is 180 days after the Effective Date.

F. Disallowance of Claims or Interests.

Any Claims or Interests held by Entities from which property is recoverable under section 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims or Interests may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an indemnification obligation to a director, officer, or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order, or approval of the Bankruptcy Court. All Claims Filed on account of an employee benefit shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent the Reorganized Entities elect to honor such employee benefit, without any further notice to or action, order, or approval of the Bankruptcy Court.

Except as provided herein or otherwise agreed, any and all Proofs of Claim filed after the Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court, and Holders of such Claims may not receive any distributions on account of such Claims, unless on or before the Confirmation Hearing such late Claim has been deemed timely filed by a Final Order.

G. Amendments to Claims or Interests.

On or after the Effective Date, a Claim or Interest may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, and any such new or amended Claim or Interest Filed shall be deemed disallowed in full and expunged without any further action.

H. No Distributions Pending Allowance.

If an objection to a Claim or Interest or portion thereof is filed as set forth in Article VII.B hereof, no payment or distribution provided under the Plan shall be made on account of such Claim or Interest or portion thereof unless and until such Disputed Claim or Interest becomes an Allowed Claim or Interest.

I. Distributions After Allowance.

To the extent that a Disputed Claim or Disputed Interest ultimately becomes an Allowed Claim or Allowed Interest, distributions (if any) shall be made to the Holder of such Allowed Claim or Allowed Interest in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim or Disputed Interest becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim or Interest the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, less any previous distribution (if any) that was made on account of the undisputed portion of such Claim or Interest, without any interest, dividends, or accruals to be paid on account of such Claim or Interest unless required under applicable bankruptcy law (except as required with regard to the Claims in Class 4 of the Plan).

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS

A. Discharge of Claims and Termination of Interests.

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Proof of Interest based upon such debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtors or Affiliates with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

B. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, except for Other Secured Claims that the Debtors elect to reinstate in accordance with Article III.B.2 hereof, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns.

C. Releases by the Debtors.

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any claim or interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence.

D. Releases by Holders of Claims and Interests.

As of the Effective Date, except as otherwise provided in the Plan, the Releasing Parties are deemed to have released and discharged the Debtors, the Reorganized Debtors, their Estates, and the Released Parties from any and all claims, interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

E. Exculpation.

Except as otherwise specifically provided in the Plan, no Released Party shall have or incur, and each Released Party is hereby released and exculpated from any claim, obligation, Cause of Action, or liability for any Exculpated Claim, except for gross negligence or willful misconduct (including actual fraud), but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Released Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation and distribution of the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes, the New Common Equity, and the New Warrants pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

F. Injunction.

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan (including any obligations under the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes, the New Common Equity, the New Warrants, and documents and instruments related thereto), or Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been released pursuant to Article VIII.C or Article VIII.D hereof, discharged pursuant to Article VIII.A hereof, or are subject to exculpation pursuant to Article VIII.E hereof are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors or the Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (3) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on

account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

G. Protections Against Discriminatory Treatment.

Consistent with section 525 of the Bankruptcy Code and the Supremacy Clause of the U.S. Constitution, all Entities, including Governmental Units, shall not discriminate against the Reorganized Debtors or deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors, or another Entity with whom the Reorganized Debtors have been associated, solely because each Debtor has been a debtor under chapter 11 of the Bankruptcy Code, has been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtors are granted or denied a discharge), or has not paid a debt that is dischargeable in the Chapter 11 Cases.

H. Setoffs.

Except as otherwise expressly provided for in the Plan, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, may setoff against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any Claims, rights, and Causes of Action of any nature that such Debtor or the Reorganized Debtors, as applicable, may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); *provided, however*, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights, and Causes of Action that such Reorganized Debtor may possess against such Holder. In no event shall any Holder of Claims be entitled to set off any Claim against any Claim, right, or Cause of Action of a Debtor or a Reorganized Debtor, as applicable, unless such Holder has timely Filed a Proof of Claim with the Bankruptcy Court preserving such setoff.

I. Recoupment.

In no event shall any Holder of Claims or Interests be entitled to recoup any Claim or against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

J. Subordination Rights.

The classification and treatment of all Claims and Interests under the Plan shall conform to and with the respective contractual, legal, and equitable subordination rights of such Claims and Interests, and any such rights shall be settled, compromised, and released pursuant to the Plan.

K. Document Retention.

On and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with their standard document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors.

L. Reimbursement or Contribution.

If the Bankruptcy Court disallows a Claim for reimbursement or contribution of an Entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the time of allowance or disallowance, such Claim shall be forever disallowed and expunged notwithstanding section 502(j) of

the Bankruptcy Code, unless prior to the Confirmation Date: (1) such Claim has been adjudicated as non-contingent; or (2) the relevant Holder of a Claim has Filed a non-contingent Proof of Claim on account of such Claim and a Final Order has been entered prior to the Confirmation Date determining such Claim as no longer contingent.

**ARTICLE IX.
CONDITIONS PRECEDENT TO CONFIRMATION
AND CONSUMMATION OF THE PLAN**

A. Conditions Precedent to Confirmation.

It shall be a condition to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C hereof:

1. the Bankruptcy Court shall have entered the Confirmation Order in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee; and

2. the Confirmation Order shall:

- (a) authorize the Debtors and the Reorganized Debtors to take all actions necessary to enter into, implement, and consummate the contracts, instruments, releases, leases, indentures, and other agreements or documents created in connection with the Plan;
- (b) decree that the provisions of the Confirmation Order and the Plan are nonseverable and mutually dependent;
- (c) authorize the Reorganized Debtors to (i) issue the New Common Equity pursuant to the exemption from registration under the Securities Act provided by section 1145 of the Bankruptcy Code or other exemption from such registration or pursuant to one or more registration statements, (ii) issue the New Warrants, (iii) issue the New Take-Back Notes, (iv) issue the New Money First Lien Term Notes, and (v) enter into any agreements, transactions, and sales of property as set forth in the Plan Supplement;
- (d) decree that the Confirmation order shall supersede any Bankruptcy Court orders issued prior to the Confirmation Date that may be inconsistent with the Confirmation Order;
- (e) authorize the implementation of the Plan in accordance with its terms; and
- (f) provide that, pursuant to section 1146 of the Bankruptcy Code, the assignment or surrender of any lease or sublease, and the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with the Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of assets contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax (including, any mortgages or security interest filing to be recorded or filed in connection with the New ABL Facility, the New Money First Lien Term Loan, and the New Take-Back Notes, as applicable).

B. Conditions Precedent to the Effective Date.

It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C hereof:

1. the Confirmation Order shall (a) have been entered in a form and substance reasonably satisfactory to the Debtors and the Senior Secured Notes Steering Committee;

2. the final version of the Plan Supplement and all of the schedules, documents, and exhibits contained therein shall have been in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee and Filed; provided that the New Warrants, the Registration Rights Agreement, and the Shareholders Agreement, if any, shall also be in form and substance reasonably satisfactory to the Consenting 8.625% Noteholders;

3. all actions, documents, Certificates, and agreements necessary to implement the Plan, including documents contained in the Plan Supplement, shall have been in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee and effected or executed and delivered, as the case may be, to the required parties and, to the extent required, Filed with the applicable Governmental Units in accordance with applicable laws;

4. all authorizations, consents, regulatory approvals, rulings, or documents that are necessary to implement and effectuate the Plan shall have been received; and

5. the Debtors shall have entered into the New ABL Facility, the New Money First Lien Term Loan, the New Take-Back Notes Indenture, the New Warrants, the Registration Rights Agreement, and the Shareholders Agreement, as applicable, in a form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee.

C. Waiver of Conditions.

The conditions to Confirmation and Consummation set forth in this Article IX may be waived only by consent of the Debtors and the Ad Hoc Group of Senior Secured Noteholders without notice, leave, or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate the Plan.

D. Effect of Failure of Conditions.

If Consummation does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by the Debtors, Holders of Claims, or Holders of Interests or any Causes of Action; (2) prejudice in any manner the rights of the Debtors, any Holders, or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders, or any other Entity in any respect, including with respect to substantive consolidation and similar arguments.

**ARTICLE X.
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN**

A. Modification and Amendments.

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan, whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code; provided, that (i) to the extent any such modifications are adverse to the Senior Secured Noteholders, such modifications shall be subject to the consent of the Requisite Consenting Senior Secured Noteholders and the Requisite Consenting 8.625% Noteholders and (ii) to the extent any such modifications are adverse to the 8.625% Noteholders, such modifications shall be subject to the consent of the Requisite Consenting 8.625% Noteholders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, each of the Debtors expressly reserves its respective rights to revoke or withdraw, or, with the reasonable consent of the Requisite Consenting Senior Secured Noteholders and, to the extent any such modifications are adverse to the 8.625% Noteholders or Senior Secured Noteholders, the Requisite Consenting 8.625% Noteholders, to alter, amend, or modify the Plan with respect to such Debtor, one or more times, after Confirmation, and, to the extent necessary may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be

necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with this Article X.

B. *Effect of Confirmation on Modifications.*

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

C. *Revocation or Withdrawal of Plan.*

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases effected under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims, Interests or Causes of Action; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by such Debtor or any other Entity, including with respect to substantive consolidation and similar arguments.

**ARTICLE XI.
RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code to the extent provided under applicable law, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying, or supplementing, after the Effective Date, pursuant to Article V hereof, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired;

4. ensure that distributions to Holders of Allowed Claims and Allowed Interests are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

7. enter and implement such orders as may be necessary to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

9. grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code;

10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

11. issue injunctions, enter and implement other orders, or take such other actions as may be necessary to restrain interference by any Entity with Consummation or enforcement of the Plan;

12. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the releases, injunctions, and other provisions contained in Article VIII hereof and enter such orders as may be necessary to implement such releases, injunctions, and other provisions;

13. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.K.1 hereof;

14. enter and implement such orders as are necessary if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;

16. enter an order or Final Decree concluding or closing the Chapter 11 Cases;

17. adjudicate any and all disputes arising from or relating to distributions under the Plan;

18. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

19. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

20. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

21. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

22. hear and determine all disputes involving the existence, nature, scope, or enforcement of any exculpations, discharges, injunctions and releases granted in the Plan, including under Article VIII hereof, regardless of whether such termination occurred prior to or after the Effective Date;

23. except as otherwise limited herein, recover all assets of the Debtors and property of the Estates, wherever located;

24. hear and determine all applications for allowance and payment of Professional Fee Claims;
25. enforce all orders previously entered by the Bankruptcy Court; and
26. hear any other matter not inconsistent with the Bankruptcy Code.

**ARTICLE XII.
MISCELLANEOUS PROVISIONS**

A. Immediate Binding Effect.

Subject to Article IX.B hereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Additional Documents.

On or before the Effective Date, the Debtors, with consent of the Senior Secured Notes Steering Committee, such consent not to be unreasonably withheld, may file with the Bankruptcy Court such agreements and other documents as may be necessary to effectuate and further evidence the terms and conditions of the Plan. The Debtors or the Reorganized Debtors, as applicable, with the consent of the Senior Secured Notes Steering Committee, such consent not to be unreasonably withheld, and all Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Payment of Statutory Fees.

All fees payable pursuant to section 1930(a) of the Judicial Code, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid by each of the Reorganized Debtors (or the Disbursing Agent on behalf of each of the Reorganized Debtors) for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

D. Reimbursable Expenses.

On the Effective Date, the Debtors or the Reorganized Debtors, as applicable, shall promptly pay in Cash in full all Reimbursable Expenses. All Reimbursable Expenses paid pursuant to the Plan shall not be subject to setoff, recoupment, reduction, or allocation of any kind and shall not require the filing or approval of any fee application.

E. Statutory Committee and Cessation of Fee and Expense Payment.

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases shall dissolve and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases. The Reorganized Debtors shall no longer be responsible for paying any fees or expenses incurred by the members of or advisors to any statutory committees after the Effective Date.

F. Reservation of Rights.

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the Filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement

shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

G. Successors and Assigns.

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

H. Notices.

All notices, requests, and demands to or upon the Debtors to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

1. if to the Debtors, to:

Nebraska Book Company, Inc.
4700 South 19th Street,
Lincoln, Nebraska 68512
Attention: Barry S. Major, President and Chief Operating Officer
Email address: bmajor@nebook.com

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Facsimile: (212) 446-4900
Attention: Marc Kieselstein, P.C., Chad J. Husnick, Esq., and Daniel Hodgman, Esq.
E-mail addresses: marc.kieselstein@kirkland.com, chad.husnick@kirkland.com, and daniel.hodgman@kirkland.com

2. if to the Ad Hoc Group of Senior Secured Noteholders or a transferee thereof:

Brown Rudnick
One Financial Center
Boston, Massachusetts 02111
Attention: Steven D. Pohl, Esq., and Howard Steel, Esq.
Email address: spohl@brownrudnick.com and hsteel@brownrudnick.com

After the Effective Date, the Debtors have authority to send a notice to Entities that to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

I. Term of Injunctions or Stays.

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the

Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

J. Entire Agreement.

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

K. Exhibits.

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at <http://kccllc.net/nbc> or the Bankruptcy Court's website at www.deb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

L. Nonseverability 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 shall 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 shall then be applicable as altered or interpreted. 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 shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent; and (3) nonseverable and mutually dependent.

M. Votes Solicited in Good Faith.

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Securities offered and sold under the Plan and any previous plan, and, therefore, neither any of such parties or individuals or the Reorganized Debtors will have any liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Securities offered and sold under the Plan and any previous plan.

N. Closing of Chapter 11 Cases.

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

O. Waiver or Estoppel.

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if

such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court prior to the Confirmation Date.

P. Conflicts.

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement, the Plan Supplement, or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control.

Dated: April 10, 2012

Respectfully submitted,

NEBRASKA BOOK COMPANY, INC.
(for itself and on behalf of each of its affiliated debtors)

By: /s/ Barry S. Major
Name: Barry S. Major
Title: President and Chief Operating Officer

Prepared by:

KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022-4611
(212) 446-4800 (telephone)

- and -

PACHULSKI STANG ZIEHL & JONES LLP
919 North Market Street, 17th Floor
Wilmington, Delaware 19899-8705
(302) 652-4100 (telephone)

Counsel to the Debtors and Debtors in Possession

EXHIBIT A
NEW MONEY FIRST LIEN TERM LOAN

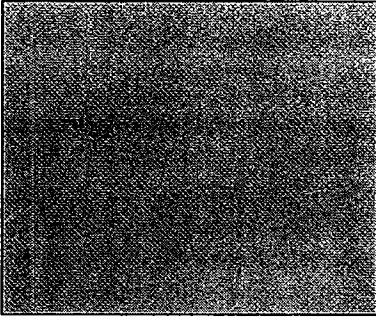
**Up to \$80 Million New Money
First Lien Term Loan**

- Up to \$80 million (prior to potential adjustment for fees earned in-kind, as described below) New Money First Lien Term Loan, subject only to liens on the collateral securing the New ABL Revolver and customary permitted liens.
- Participation in the New Money First Lien Term Loan shall be offered to all existing Holders of Senior Secured Notes.
- The New Money First Lien Term Loan will be fully backstopped.
 - The New Money First Lien Term Loan backstop will be made available to the members of the Senior Secured Notes Steering Committee.
- As consideration for backstopping the New Money First Lien Term Loan, Backstop Parties shall receive the following from and after execution of a mutually acceptable Backstop Agreement:
 - A Commitment Fee of 1% per month on the total face value of the backstop commitment for each month that the backstop commitment is outstanding, until funding;
 - A Funding Fee of 1% of the aggregate funded amount of the backstop; and
 - Each of the Commitment Fee and Funding Fee shall be payable at closing in kind in first lien debt.
- The New Money First Lien Term Loan shall have the following terms:
 - 3-year maturity;
 - Annual interest rate of 8.00% for year 1, 11.00% for year 2, and 12.00% for year 3;
 - Financial maintenance covenant to be reasonably agreed upon between the Company and the Senior Secured Notes Steering Committee prior to the Confirmation Hearing;
 - Interest paid monthly;
 - Mandatory 100% Excess Cash Flow ("ECF") sweep to pay principal amount of the New Money First Lien Term Loan (and applied first to any unpaid interest) to be done no less than semi-annually (the "ECF Sweep");
 - Callable at 100% in year 1, 105% in year 2, and 100% in year 3;
 - First lien on unencumbered collateral not reserved by the ABL facility and second lien on collateral reserved by the ABL facility; and
 - Other terms and conditions that are in form and substance reasonably satisfactory to the Steering Committee members and the Debtors.

EXHIBIT B
NEW TAKE-BACK NOTES

\$100 Million New Take-Back Notes

- New Take-Back Note of \$100 million to be distributed on a pro-rata basis to the existing second lien noteholders.
- Terms and conditions include the following:
 - 4-year maturity;
 - Annual interest rate of 15% on a cash pay basis;
 - Interest shall be paid semi-annually;
 - Financial maintenance covenant to be reasonably agreed upon between the Company and the Senior Secured Notes Steering Committee prior to the Confirmation Hearing;
 - Callable at 105% throughout term and at maturity payable at 105;
 - Second lien on unencumbered collateral not reserved by the ABL facility and a third lien on the collateral reserved by ABL facility; Upon repayment in full (not via a refinancing) of the New Money First Lien Term Loan, collateral shall become a first lien on unencumbered collateral not reserved by the ABL facility and a second lien on the collateral reserved by the ABL facility;
 - Covenant of no additional senior secured indebtedness outside of the ABL facility and New Money First Lien Term Loan;
 - Once the New Money First Lien Term Loan is fully redeemed, on a semi-annual basis the ECF Sweep shall be available and offered to repurchase outstanding indebtedness under New Second Lien Take-Back Note at 102.5% of the face value repurchased (the "New Take-Back Note Paydown") and to make certain Restricted Payments (as will be further defined in substance; the "Restricted Payment Allowance") in respect of the following ratios of Total Debt to EBITDA (the "Total Leverage Ratio") (minimum required level of EBITDA subject to discussion):
 - **>3.00x:** 75% New Take-Back Note Paydown/25% Restricted Payment Allowance
 - **2.00x - 3.00x:** 50% New Take-Back Note Paydown/50% Restricted Payment Allowance
 - **1.50x – 2.00x:** 25% New Take-Back Note Paydown/75% Restricted Payment Allowance
 - **<1.5x:** 15% New Take-Back Note Paydown/85% Restricted Payment Allowance;
 - "Total Leverage Ratio" to include average daily balance of ABL facility;
 - Limitations on the incurrence of debt senior to the New Second Lien Take-Back Note via direct contractual prohibition of new senior indebtedness;
 - Change of control put at 110% for non-affiliates (non-members of the Senior Secured Notes Steering Committee);
 - For transfer to affiliates (Senior Secured Notes



Steering Committee members) - 10% premium payable in PIK as of the change of control event (e.g., added to the principal amount of the New Take-Back Note);

- Company will obtain rating from two credit agencies (presumably S&P and Moody's); and
- Other terms and conditions that are in form and substance reasonably satisfactory to the Senior Secured Notes Steering Committee members and the Debtors.

EXHIBIT C
NEW WARRANTS

Warrants

- New Warrants for 22% of the fully diluted New Common Equity of the Reorganized Debtors shall be distributed to the 8.625% Noteholders. The New Warrants shall be issued in two tranches:
 - 7.0% of the fully diluted New Common Equity in the form of 7-year warrants struck at an equity value of \$100.0 million;
 - 15.0% of the fully diluted New Common Equity in the form of 7-year warrants struck at an equity value of \$150.0 million; and
 - 8.625% Noteholders will only be eligible to receive the New Warrants if the class votes in favor of the Plan and no Consenting 8.625% Noteholder objects to the Plan..

EXHIBIT B

REORGANIZED DEBTORS' FINANCIAL PROJECTIONS

EXHIBIT B**REORGANIZED DEBTORS' FINANCIAL PROJECTIONS**

	For the Year Ending March 31				
	2012	2013	2014	2015	2016
<u>INCOME STATEMENT</u>					
Revenue	\$549.2	\$505.8	\$514.6	\$543.1	\$585.3
Cost of sales	(338.0)	(306.5)	(310.7)	(328.4)	(353.4)
Gross profit	\$211.1	\$199.3	\$203.9	\$214.7	\$232.0
Operating expenses:					
SG&A	(168.0)	(154.7)	(155.9)	(162.5)	(175.3)
Depr & amort	(16.9)	(17.2)	(17.5)	(17.9)	(18.2)
Goodwill Impairment Charge	(122.6)	-	-	-	-
	(307.5)	(171.8)	(173.5)	(180.4)	(193.5)
Income from operations	(\$96.3)	\$27.5	\$30.5	\$34.3	\$38.4
Other expenses					
Interest expense, net	(39.7)	(20.2)	(23.4)	(22.7)	(20.6)
Gain on extinguishment of debt	-	372.9	-	-	-
	(39.7)	352.7	(23.4)	(22.7)	(20.6)
Income before taxes	(\$136.0)	\$380.2	\$7.1	\$11.6	\$17.9
Reorg / Admin costs	(23.0)	(10.2)	-	-	-
Income taxes	5.4	(2.9)	(2.8)	(4.6)	(7.1)
Net income	(\$153.7)	\$367.0	\$4.3	\$7.0	\$10.7

Unaudited amounts; subject to Fresh Start Accounting

Does not include any potential impact of CODI and/or rental deferral accounting

	For the Year Ending March 31				
	2012	2013	2014	2015	2016
BALANCE SHEET					
Cash	\$104.0	\$47.8	\$47.6	\$47.4	\$47.2
A/R and Inventory	173.1	170.8	172.2	178.5	189.1
Other Current Assets	22.3	23.5	24.1	24.5	24.7
Total Current Assets	\$299.4	\$242.2	\$244.0	\$250.4	\$261.0
PP&E, net	37.9	37.2	37.6	38.3	39.1
Goodwill & Other Intangibles	113.2	106.6	100.6	95.2	90.2
Debt Issue and Other	3.0	2.7	1.5	0.3	0.2
Total Assets	\$453.4	\$388.7	\$383.7	\$384.2	\$390.4
Current Maturities of Debt	577.3	–	–	–	–
Current Liabilities	24.2	26.2	26.5	28.0	30.5
Total Current Liabilities	601.5	26.2	26.5	28.0	30.5
Long Term Debt	0.1	158.4	148.0	139.2	131.3
Deferred Income Taxes	39.1	40.2	41.3	42.3	43.4
Capital Leases	1.5	1.3	1.1	0.9	0.7
Other	2.3	2.3	2.3	2.3	2.3
Preferred	15.6	–	–	–	–
Stockholder's Equity (Deficit)	(206.7)	160.3	164.5	171.5	182.2
Total Liabilities and Equity	\$453.4	\$388.7	\$383.7	\$384.2	\$390.4

Unaudited amounts; subject to Fresh Start Accounting

Does not include any potential impact of CODI and/or rental deferral accounting

	<u>Projected 5/31/2012</u>	<u>Recapitalization Adjustments</u>	<u>Pro Forma 5/31/2012</u>
<u>BALANCE SHEET ADJUSTMENTS</u>			
Cash	70.1	(62.1)	8.0
A/R and Inventory	195.1	-	195.1
Other Current Assets	22.3	-	22.3
Total Current Assets	<u>\$287.4</u>	<u>(\$62.1)</u>	<u>\$225.3</u>
PP&E, net	37.9	-	37.9
Goodwill & Other Intangibles	113.2	-	113.2
Debt Issue and Other	3.0	1.0	4.0
Total Assets	<u>\$441.5</u>	<u>(\$61.1)</u>	<u>\$380.4</u>
Current Maturities of Debt	577.3	(577.3)	-
Current Liabilities	24.2	(12.4)	11.9
Total Current Liabilities	<u>\$601.5</u>	<u>(\$589.6)</u>	<u>\$11.9</u>
Long Term Debt	0.1	183.2	183.3
Deferred Income Taxes	39.1	0.0	39.1
Capital Leases	1.5	0.0	1.5
Other	2.3	0.0	2.3
Preferred Stock	15.6	(15.6)	-
Stockholder's Equity (Deficit)	(218.6)	360.9	142.2
Total Liabilities and Equity	<u>\$441.5</u>	<u>(\$61.1)</u>	<u>\$380.4</u>

Unaudited amounts; subject to Fresh Start Accounting

Does not include any potential impact of CODI and/or rental deferral accounting

For the Year Ending March 31

<u>CASH FLOW STATEMENT</u>	2012	2013	2014	2015	2016
Net income	(153.7)	367.0	4.3	7.0	10.7
Adjustments					
Depr & amort	16.9	17.2	17.5	17.9	18.2
Non-cash interest and amort of debt issue costs	5.0	1.2	1.2	1.2	0.2
Goodwill Impairment	122.6	-	-	-	-
Gain on debt extinguishment	-	(372.9)	-	-	-
Changes in operating assets and liabilities, net of acq's)					
A/R and inventory	(28.0)	4.0	2.5	0.1	(2.6)
Other current assets	(2.5)	(1.3)	(0.6)	(0.3)	(0.2)
Current liabilities	(25.6)	9.5	(0.7)	(0.1)	0.5
Change in taxes	(1.7)	1.1	1.1	1.1	1.1
Net cash flows from operating activities	(\$67.0)	\$25.9	\$25.3	\$26.8	\$27.8
 <u>CASH FLOW FROM INVESTING ACTIVITIES:</u>					
Capital expenditures	(6.0)	(9.0)	(10.0)	(10.0)	(10.0)
Acquisitions	(2.0)	(2.2)	(4.8)	(8.0)	(10.0)
Net cash flows from investing activities	(\$8.0)	(\$11.2)	(\$14.8)	(\$18.0)	(\$20.0)
 <u>CASH FLOW FROM FINANCING ACTIVITIES:</u>					
Proceeds from issuance of long-term debt	-	80.0	-	-	-
Payment of financing costs	-	(0.8)	-	-	-
Payment to Second Liens noteholders	-	-	-	-	-
Payment of long-term debt	(1.1)	(25.1)	(10.6)	(9.0)	(8.1)
Borrowing under DIP credit facility	123.8	-	-	-	-
Payments under DIP credit facility	-	(125.0)	-	-	-
Net cash flows from financing activities	\$122.6	(\$70.9)	(\$10.6)	(\$9.0)	(\$8.1)
 Beginning Cash	56.4	104.0	47.8	47.6	47.4
Change In Cash	47.6	(56.2)	(0.2)	(0.2)	(0.2)
Ending Cash	\$104.0	\$47.8	\$47.6	\$47.4	\$47.2

Unaudited amounts; subject to Fresh Start Accounting

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