THIS DISCLOSURE STATEMENT IS BEING DISTRIBUTED ON A CONFIDENTIAL BASIS ONLY TO CERTAIN HOLDERS OF THE COMPANY'S EXISTING DEBT AND EQUITY. IT IS INTENDED SOLELY FOR SUCH HOLDERS AND THEIR ADVISORS, AND SHOULD BE NOT BE DISTRIBUTED TO ANY OTHER PERSON(S) WITHOUT THE PRIOR CONSENT OF QHB HOLDINGS, LLC.

PROPOSAL TO RESTRUCTURE, DISCLOSURE STATEMENT AND SOLICITATION OF ACCEPTANCES OF A PREPACKAGED PLAN OF REORGANIZATION

QHB Holdings, LLC

THE PROPOSAL TO RESTRUCTURE AND SOLICITATION OF ACCEPTANCES OF THE PREPACKAGED PLAN OF REORGANIZATION WILL EXPIRE AT 12:00 NOON, PREVAILING EASTERN TIME, ON NOVEMBER 25, 2009, UNLESS EXTENDED BY US (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "VOTING DEADLINE"). HOLDERS OF BANK DEBT AND NOTES SHOULD REFER TO THE BALLOT ATTACHED HERETO AS SCHEDULE 4 FOR INSTRUCTIONS ON HOW TO ACCEPT THE TERMS OF THE PROPOSAL TO RESTRUCTURE AND VOTE ON THE PLAN OF REORGANIZATION.

QHB Holdings, LLC ("QHB Holdings") and certain of its direct and indirect subsidiaries (collectively, the "Company") are proposing to restructure their outstanding indebtedness (the "Restructuring") as set forth in this disclosure statement and solicitation of acceptances of a prepackaged plan of reorganization (as it may be supplemented and amended from time to time, collectively the "Disclosure Statement") and the related ballot ("Ballot") for accepting or rejecting the Restructuring proposal. The indicative terms of the restructuring are set forth in Schedule 2 hereof. The Restructuring may be effected as a consensual transaction outside of bankruptcy (the "Out-of Court Transaction") or as and in accordance with the prepackaged plan of reorganization attached hereto as Schedule 3 (as it may be amended and supplemented from time to time, the "Plan") to be approved in the Chapter 11 Cases described below.

The Restructuring includes four key elements described below.

- *First Lien Debt*. All of the outstanding debt under that certain First Lien Credit Agreement, dated as of June 20, 2006, by and among QHB Holdings and Quality Home Brands Holdings LLC ("Quality Home Brands") as borrower, and QHB Holdings and certain of its wholly-owned domestic subsidiaries of QHB Holdings as guarantors, on the one hand, and the several lenders from time to time party thereto (the "First Lien Lenders"), and BNP Paribas, as administrative agent and collateral agent (the "First Lien Agent") on the other hand, together with all documents, instruments and agreements executed or entered into in connection therewith, and any amendments thereto (the "First Lien Credit Agreement," and the outstanding indebtedness thereunder, the "First Lien Debt"), would be fully satisfied and restructured as follows:
    - $125.6 million of the existing First Lien Debt would be continued under the terms of an amended and restated First Lien Credit Agreement by and among Quality Home Brands as borrower, and QHB Holdings and all existing and future subsidiaries of Quality Home Brands as guarantors, on the one hand, and the existing First Lien Lenders, on the other hand (the "New First Lien Credit Agreement"), to become effective upon the closing of the proposed Restructuring ("Cash-Pay Term Loans");
    - existing term loans under the First Lien Credit Agreement that are not continued as Cash-Pay Term Loans (approximately $105.5 million as of the date of this Disclosure Statement) would be converted into new PIK term loans (the "PIK Term Loans");
    - each First Lien Lender would receive and assume its pro rata portion of the Cash-Pay Term Loans and the PIK Term Loans;
    - if the Restructuring is effected through the Out-of Court Transaction, existing revolving commitments in an aggregate amount of $20 million would be deemed reinstated as revolving commitments under a senior secured revolving loan facility under the New First Lien Credit Agreement (the "First-Out Revolving Credit Facility" and together with the Cash-Pay Term Loans and the PIK Term Loans, the "New Credit Facilities"). If, however, the Restructuring is effected pursuant to the Plan, the existing revolving commitments would be paid in full with the proceeds of debtor-in-possession financing and

the lenders under the debtor-in-possession financing would become revolving lenders under the New First Lien Credit Agreement; and

- the New Credit Facilities and the New First Lien Credit Agreement would contain the terms and conditions set forth in the Restructuring Term Sheet.

- *Second Lien Debt*. All of the outstanding debt under that certain Second Lien Credit Agreement, dated as of June 20, 2006, by and among QHB Holdings and Quality Home Brands as borrower, and QHB Holdings and certain of its wholly-owned domestic subsidiaries of QHB Holdings as guarantors, on the one hand, the several lenders from time to time party thereto (the "Second Lien Lenders"), and The Bank of New York, as administrative agent, on the other hand, together with all documents, instruments and agreements executed or entered into in connection therewith, and any amendments thereto (the "Second Lien Credit Agreement," and the outstanding indebtedness thereunder, the "Second Lien Debt"), would be fully satisfied by the issuance of equity.

    - In exchange for the Second Lien Debt, a newly-formed corporation that will directly own 100% of QHB Holdings ("New QHB") will issue to the Second Lien Lenders an aggregate amount of new common stock ("New Common Stock") sufficient to result in an aggregate common equity ownership of New QHB at closing of 91.75% (excluding, for this purpose, shares issuable upon conversion of that certain Series A Convertible Preferred Stock, par value $0.01 per share, of New QHB (the "New Preferred Stock"), and shares issuable under a new equity management incentive plan to be implemented by New QHB in connection with the Restructuring (the "Management Incentive Plan")).
    - Each Second Lien Lender would be entitled to its pro rata portion of the New Common Stock issued in exchange for the Second Lien Debt.
    - Immediately after giving effect to the Restructuring, there would be no Second Lien Debt outstanding.

- *QHB Holdings Notes*. All of the outstanding debt under QHB Holdings' Senior Notes (the "Notes," and the outstanding indebtedness thereunder, the "Note Claims") issued pursuant to that certain Note Purchase Agreement, dated as of June 20, 2006, by and among QHB Holdings and Apollo Investment Corporation ("Apollo"), would be fully satisfied by the issuance of equity.

    - New QHB would issue to each holder of the Notes (the "Noteholders") in exchange for its Note Claims, its pro rata share of New Common Stock to be issued in an amount sufficient to result in an aggregate common equity ownership of New QHB at closing of 7.50% (excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan).
    - Immediately after giving effect to the Restructuring, there would be no Note Claims outstanding.

- *Quad-C Preferred Investment*. Quad-C Partners VI, L.P. or its designee ("Quad-C") will purchase $20 million of New Preferred Stock with the terms set forth in the Restructuring Term Sheet (the "Private Placement").

    - The Private Placement will be on the terms and subject to the conditions of a purchase agreement (the "Preferred Stock Purchase Agreement"); however, the Company believes it will be able to satisfy all such conditions.

In conjunction with the Restructuring, the current ownership of QHB Holdings will be reorganized prior to the filing of any Chapter 11 Cases, and prior to completion of the Restructuring, through an equity reorganization (the "Equity Reorganization"), the primary features of which are summarized below. Pursuant to the Equity Reorganization, New QHB will be formed as a new Delaware corporation, with no prior operations. New QHB will become the direct owner of 100% of the equity of QHB Holdings through a merger between New QHB, as the survivor, and QHB Investors Holdings, Inc., the current majority owner of QHB Holdings. New QHB will be owned 100% by a newly-formed, Delaware limited liability company ("New QHB Parent"), which, in turn, will be owned by the former owners of QHB Holdings and the former owners of QHB Investors Holdings, Inc. (terminated by merger, as described above). Upon completion of the Restructuring, New QHB will issue the New Common Stock and the New Preferred Stock contemplated by the Restructuring and New QHB Parent's ownership of New QHB will be diluted to an aggregate equity ownership of New QHB of 0.75% (excluding for this purpose, shares

issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan) as contemplated by the Restructuring.

We refer to the First Lien Debt, Second Lien Debt and Note Claims to be satisfied through the Restructuring collectively as the "Old Debt." We refer to the First Lien Lenders and the Second Lien Lenders together as the "Prepetition Lenders."

If all the Prepetition Lenders and Noteholders approve the Restructuring, the Company intends to effect the Restructuring through a consensual Out-of-Court Transaction in which: (i) the proposed parties to the New First Lien Credit Agreement would execute, and deliver to each other, the New First Lien Credit Agreement; (ii) the Second Lien Lenders and New QHB would execute an exchange agreement (the "Second Lien Exchange Agreement") whereby the Second Lien Debt would be exchanged for New Common Stock; and (iii) the Noteholders and New QHB would execute an exchange agreement (the "Noteholder Exchange Agreement" and together with the Second Lien Exchange Agreement, the "Exchange Agreements") whereby the Note Claims would be exchanged for New Common Stock. The New First Lien Credit Agreement, Exchange Agreements and Preferred Stock Purchase Agreement (collectively the "Restructuring Agreements") would contain the specific terms and conditions governing the transactions contemplated thereby. The Company intends to provide copies of the Restructuring Agreements, certificate of designations of New Preferred Stock, certificate of incorporation for New QHB and bylaws for New QHB to the Prepetition Lenders and the Noteholders at least three (3) days prior to the Voting Deadline.

The Company is seeking the approval of all Prepetition Lenders and Noteholders, but is prepared to pursue the Restructuring even if such unanimous support is not achieved. If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates, including QHB Holdings may seek to commence cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code"), to consummate the Restructuring through the Plan, as set forth in the section entitled "The Plan" herein. To effect the Plan, sufficient holders of First Lien Debt, Second Lien Debt, and Note Claims (i.e., holders representing at least 66 2/3% in principal amount and more than 50% in number of those impaired creditors entitled to vote in those classes who actually vote) must vote in favor of the Plan and the other conditions to consummation of the Plan must be satisfied (including the satisfaction of conditions and the completion of the transactions contemplated by the Preferred Stock Purchase Agreement).

Only those parties who actually vote are counted for these purposes, and therefore, it is important that you submit your Ballot so that it is received by the Voting Deadline. If the Company effects the Restructuring through the Chapter 11 Cases, your election to accept the terms of the Restructuring shall constitute (A) a vote in favor of the Plan, (B) your consent to forbear from exercising any right you may have under the First Lien Credit Agreement or the Second Lien Credit Agreement to (1) enforce any guaranty granted by any subsidiary of the Company which is not a debtor under the Chapter 11 Case or (2) foreclose or otherwise enforce any lien against assets of, or held by, any subsidiary of the Company that is not a debtor under the Chapter 11 Case, in each case subject to the provisions set forth in the applicable Ballot (the "Forbearance"), (C) your consent to waive any provision of the First Lien Credit Agreement, Second Lien Credit Agreement or related loan documents that would prohibit the payment of Revolving Loans from the proceeds of the DIP Credit Agreement or require any Revolving Lender to share such payment with any other lender, and (D) your agreement not to sell, assign, transfer, hypothecate or otherwise dispose of, directly or indirectly (a "Transfer"), all or any of your Old Debt (or any option thereon or any right or interest related thereto, including any voting rights associated therewith), unless the transferee thereof agrees in writing to accept and be bound by the terms of the Restructuring. Any Transfer of Old Debt that does not comply with the foregoing requirement shall be void and shall be treated as if it never occurred. If the Company effects the Restructuring pursuant to the Out-of-Court Transaction, your election to accept the terms of the Restructuring shall constitute (i) in the case of First Lien Lenders, agreement to the terms of the New First Lien Credit Agreement and the ancillary security, collateral and other documents related thereto, (ii) in the case of the Second Lien Lenders, agreement to the terms of the Second Lien Exchange Agreement and (iii) in the case of the Noteholders, agreement to the terms of the Noteholder Exchange Agreement. Additionally, whether or not the Company pursues the Restructuring through the Chapter 11 Cases, if you are a First Lien Lender, your election to accept the terms of the Restructuring shall constitute consent to extend the existing limited waiver period granted by the First Lien Lenders under the Third Amendment and Limited Waiver, dated as of September

28, 2009 (the "Third Amendment") to the First Lien Credit Agreement by deleting the reference to "November 25, 2009" contained therein and inserting in lieu thereof "December 4, 2009" (the "Waiver Extension").

By accepting the Out-of-Court Transaction or voting to accept or reject the Plan, you are making certain certifications, as contained in the Ballot, and agreeing to certain provisions contained in the Plan including exculpation, injunction and release provisions.

Subject to the terms of the Exchange Agreements and the New First Lien Credit Agreement to be executed by the Company, the Company reserves the right to extend the Voting Deadline in its sole and absolute discretion, which may be for any or no reason, and to terminate or withdraw the proposal for the Restructuring or the Plan in any respect. Any extension of the Voting Deadline will be communicated by the Company no later than 10:00 a.m., Prevailing Eastern Time, on the next business day following the previously scheduled Voting Deadline.

You should consider the risk factors set forth in the section hereof entitled "Risk Factors" before you vote to accept or reject the Restructuring.

THIS SOLICITATION OF ACCEPTANCES OF THE RESTRUCTURING IS BEING CONDUCTED (I) TO OBTAIN AGREEMENT FROM PREPETITION LENDERS AND NOTEHOLDERS TO THE OUT-OF-COURT TRANSACTION AND, IF SUFFICIENT SUPPORT IS NOT OBTAINED, OR IF THE COMPANY DETERMINES TO PURSUE THE RESTRUCTURING THROUGH THE CHAPTER 11 CASES FOR OTHER REASONS, (II) TO OBTAIN SUFFICIENT ACCEPTANCES OF THE PLAN PRIOR TO THE FILING OF A VOLUNTARY CASE UNDER CHAPTER 11 OF THE BANKRUPTCY CODE. BECAUSE NO CHAPTER 11 CASE HAS YET BEEN COMMENCED, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY ANY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(A) OF THE BANKRUPTCY CODE. THE COMPANY HAS NOT AT THIS TIME TAKEN ANY ACTION TO APPROVE A BANKRUPTCY FILING AND, IF THE RESTRUCTURING IS CONSUMMATED THROUGH THE OUT-OF-COURT TRANSACTION, NONE OF NEW QHB, QHB HOLDINGS OR ITS SUBSIDIARIES WILL COMMENCE A BANKRUPTCY FILING TO CONSUMMATE THE PLAN.

Prior to voting on the Restructuring, holders of Old Debt are encouraged to read and consider carefully this entire Disclosure Statement, including the Plan, the Restructuring Term Sheet attached hereto as Schedule 2 and the matters described herein and in the Ballot.

In making a decision in connection with the Out-of-Court Transaction or the Plan, holders of Old Debt must rely on their own examination of the Company and the terms of the Restructuring, the Out-of-Court Transaction, and the Plan, including the merits and risks involved. Holders of Old Debt should not construe the contents of this Disclosure Statement as providing any legal, business, financial or tax advice. Each holder of Old Debt should consult with its own legal, business, financial and tax advisors with respect to any such matters concerning this Disclosure Statement, the Restructuring, the Out-of-Court Transaction, the Plan and the transactions contemplated thereby.

November 10, 2009

SECURITIES LAW MATTERS

The New Common Stock and the New Preferred Stock (the “New Securities” have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any U.S. state or other jurisdiction, nor is such registration contemplated. Any New Securities to be issued in the Restructuring pursuant to an Out-of-Court Transaction are being offered and sold under the private placement exemption provided by Section 4(2) of the Securities Act or Regulation D promulgated thereunder and similar exemptions under the laws of the states where the offering will be made. New Securities issued in the Restructuring pursuant to an Out-of-Court Transaction may be offered or sold only to investors that are qualified institutional buyers (“QIBs”) (as defined in Rule 144A under the Securities Act) or “institutional accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act). New Securities issued in the Restructuring pursuant to an Out-of-Court Transaction constitute “restricted securities” and may be transferred only as permitted under the Securities Act and other applicable securities laws, and in accordance with the restrictions described under “Securities Law Matters.”

If the Restructuring is effected through the Chapter 11 Cases, any New Common Stock offered and issued in exchange for Old Debt in accordance with the Plan will be offered and issued in reliance on the exemption from registration specified in Section 1145 of the Bankruptcy Code. New Preferred Stock issued in accordance with the Plan will not be eligible for the exemption from registration specified in Section 1145 of the Bankruptcy Code, and will be offered and sold only pursuant to the exemption provided by Section 4(2) of the Securities Act and exemptions of similar import in the laws of the states where the offering will be made. New Preferred Stock issued in accordance with the Plan will be offered or sold only to one or more QIBs or “institutional accredited investors,” will be considered “restricted securities” and may be transferred only as permitted under the Securities Act and other applicable securities laws, and in accordance with the restrictions described in Article XV - “Securities Law Matters.”

None of the New Securities to be issued on the Effective Date has been approved or disapproved by the Securities and Exchange Commission or by any state securities commission or similar public, governmental or regulatory authority, and neither the Securities and Exchange Commission nor any such state authority has passed upon the accuracy or adequacy of the information contained in this Disclosure Statement or upon the merits of the Plan. Any representation to the contrary is a criminal offense. Persons or entities trading in or otherwise purchasing, selling or transferring securities of the Company should evaluate this Disclosure Statement and the Plan in light of the purposes for which they were prepared.

This Disclosure Statement does not constitute an offer to sell or a solicitation of an offer to buy the New Securities in any jurisdiction in which it is unlawful to make such offer or solicitation.

This Disclosure Statement is submitted by the Company on a confidential basis to the holders of Old Debt who are QIBs or “institutional accredited investors” for informational use solely in connection with the consideration of the Out-of-Court Transaction or the Plan. Its use for any other purpose is not authorized. Distribution of this Disclosure Statement to any person other than a holder of Old Debt and any person retained to advise such person with respect to its participation in the Out-of-Court Transaction or the Plan (other than any such distribution by the Company or its advisors) is unauthorized, and until such time, if any, as the Plan is publicly filed with the Bankruptcy Court, any disclosure of any of its contents, without the Company’s prior written consent, is prohibited. Each holder of Old Debt, by accepting delivery of this Disclosure Statement, agrees to the foregoing and to make no copies or reproductions of this Disclosure Statement or any documents referred to in this Disclosure Statement in whole or in part (other than publicly available documents).

For New Hampshire Residents:

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated with the State of New Hampshire nor that fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the secretary of state that any document filed under New Hampshire Revised Statutes Annotated Chapter 421-B is true, complete, and not misleading. Neither any such fact nor the fact that an exemption is available for a security or transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

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ARTICLE I.

INTRODUCTION

All capitalized terms used in this Disclosure Statement and not defined herein shall have the meanings ascribed thereto in the Plan (see Exhibit "A" to the Plan, Glossary of Defined Terms). For ease of reference, all defined terms used in this Disclosure Statement that are not defined in the Plan are listed on Schedule 1 to this Disclosure Statement with reference to the page number where the term is defined. Unless otherwise stated, all references herein to "Schedules" and "Exhibits" are references to schedules and exhibits to this Disclosure Statement and the Plan, respectively.

This Disclosure Statement and the exhibits hereto, the accompanying ballots, and the related material are being provided in connection with the Company's solicitation to obtain acceptances of the Restructuring. The Company is soliciting such acceptances and votes from all holders of First Lien Debt, Second Lien Debt and Note Claims as of the Voting Record Date. Acceptances and/or votes are not being solicited from holders of any other claims against or interests in the Company because their consent is not necessary to effect the Restructuring through an Out-of-Court Transaction in accordance with the Restructuring Agreements and they are not entitled to vote on the Plan, as explained below. The purpose of this solicitation is to obtain sufficient approvals to enable the Restructuring to occur as an Out-of-Court Transaction pursuant to the Restructuring Agreements and, in the absence of such approvals, or, alternatively, to obtain sufficient acceptances of a joint prepackaged plan of reorganization prior to the commencement of any Chapter 11 Cases.

THE COMPANY HAS NOT FILED FOR RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE, AND THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH OR APPROVED BY THE BANKRUPTCY COURT, THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER GOVERNMENTAL OR REGULATORY AGENCY. THIS DISCLOSURE STATEMENT WILL BE SUBMITTED TO THE BANKRUPTCY COURT FOR APPROVAL ONLY IF THE COMPANY SEEKS RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE AND CONFIRMATION OF ITS JOINT PREPACKAGED PLAN OF REORGANIZATION.

IN ANTICIPATION OF THE POSSIBLE COMMENCEMENT OF THE CHAPTER 11 CASES TO EFFECT THE RESTRUCTURING, THIS DISCLOSURE STATEMENT DESCRIBES THE PLAN. CLASS 1 – PRIORITY CLAIMS, CLASS 4 – OTHER SECURED CLAIMS, CLASS 6 – GENERAL UNSECURED CLAIMS, CLASS 7 – NEW QHB EQUITY INTERESTS, AND CLASS 8 – OTHER EQUITY INTERESTS ARE UNIMPAIRED UNDER THE PLAN AND ARE THEREFORE DEEMED TO HAVE ACCEPTED THE PLAN. THE COMPANY IS SOLICITING ACCEPTANCES OF THE PLAN FROM CLASS 2 – FIRST LIEN LENDER CLAIMS, CLASS 3 – SECOND LIEN LENDER CLAIMS AND CLASS 5 – NOTEHOLDER CLAIMS.

THE COMPANY BELIEVES THAT THE RESTRUCTURING, EFFECTED THROUGH EITHER THE OUT-OF-COURT TRANSACTION OR THE PLAN, IS IN THE BEST INTEREST OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF CLAIMS AGAINST THE COMPANY. ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT RESTRUCTURING THROUGH EITHER THE OUT-OF-COURT TRANSACTION OR THE PLAN ARE URGED TO VOTE IN ITS FAVOR.

ARTICLE II.

NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is two-fold. First, if the Restructuring is effected through an Out-of-Court Transaction pursuant to the Restructuring Agreements, this Disclosure Statement enables you as a First Lien Lender, Second Lien Lender or Noteholder to make an informed decision in exercising your right to accept or reject the Restructuring and enter into the Restructuring Agreements and related agreements. Second, if the Restructuring is effected through the Plan, this Disclosure Statement enables you, as a creditor whose Claim is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Restructuring and the Plan. See “Confirmation and Consummation Procedures.”

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE RESTRUCTURING. PLEASE READ THIS DOCUMENT WITH CARE.

THE SUMMARIES OF THE TERMS OF THE RESTRUCTURING, THE RESTRUCTURING AGREEMENTS AND THE PLAN, AND THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RESTRUCTURING AGREEMENTS, THE PLAN AND THE EXHIBITS ANNEXED THERETO, AND TO THE EXHIBITS AND SCHEDULES ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF ANY RESTRUCTURING AGREEMENT OR THE PLAN, THE TERMS OF SUCH RESTRUCTURING AGREEMENT OR THE PLAN, AS APPLICABLE, SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF TITLE 11 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE “BANKRUPTCY RULES”) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW.

AS TO PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, NEW QHB, QHB HOLDINGS, OR ANY OF THEIR SUBSIDIARIES AND AFFILIATES.

ONE OF THE PURPOSES OF THIS SOLICITATION IS TO OBTAIN SUFFICIENT ACCEPTANCES OF THE RESTRUCTURING AND OF THE PLAN PRIOR TO THE DEBTORS' POSSIBLE COMMENCEMENT OF CASES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE. AT THIS TIME, NO CHAPTER 11 CASES HAVE BEEN COMMENCED. AS SUCH, THE BANKRUPTCY COURT HAS NOT YET APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(A) OF THE BANKRUPTCY CODE. IF THE COMPANY DOES NOT EFFECT THE RESTRUCTURING THROUGH THE OUT-OF-COURT TRANSACTION, AND INSTEAD FILES CHAPTER 11 CASES, THE COMPANY WILL PROMPTLY SEEK AN ORDER (I) APPROVING (A) THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION AND (B) THE SOLICITATION OF VOTES AS HAVING BEEN IN COMPLIANCE WITH SECTION 1126(B) OF THE BANKRUPTCY CODE AND (II) CONFIRMING THE JOINT PREPACKAGED PLAN OF REORGANIZATION AS DESCRIBED HEREIN.

Each Prepetition Lender and Noteholder that is entitled to vote to accept or reject the Restructuring should read this Disclosure Statement, the Restructuring Agreements and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Restructuring and the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Company and certain of the professionals it has retained, no person has been authorized to use or promulgate any information concerning the Company, its businesses, the Restructuring or the Plan other than the information contained in this Disclosure Statement, and if other information is given or made, such information may not be relied upon as having been authorized by the Company. You should not rely on any information relating to the Company, its businesses, the Restructuring or the Plan other than that contained in this Disclosure Statement and the Schedules and Exhibits hereto.

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

A. Voting Procedures and Ballots

The Company has retained Epiq Financial Balloting Group LLC to act as its solicitation, voting and information agent (the "Solicitation Agent") in connection with obtaining approval of and acceptance of the Restructuring, the Restructuring Agreements, and the Plan.

After carefully reviewing this Disclosure Statement, including the attached Schedules and Exhibits, please indicate your acceptance or rejection of the Restructuring, the Restructuring

Agreements and the Plan on the Ballot attached hereto as Schedule 4 and return the same by any means, including facsimile, telecopy transmission or electronic mail, as set forth thereon, so that it will be actually received by the Solicitation Agent no later than the Voting Deadline.

B. Voting Deadline

All Ballots must be actually received by the Solicitation Agent no later than November 25, 2009 at 12:00 noon, Prevailing Eastern Time.

C. Solicitation, Voting and Information Agent

Questions and requests for assistance or additional copies of this Disclosure Statement or the related Ballot may be directed to the Solicitation Agent. The contact information for the Solicitation Agent is as follows:

Epiq Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017
Attn: QHB Holdings LLC

Telephone: (646) 282-1800.

For detailed voting instructions and the name, address and phone number of the person you may contact if you have questions regarding the voting procedures, see the Ballot.

Ballots and all correspondence in connection with the Restructuring and the Plan should be sent or delivered to the Solicitation Agent in accordance with the instructions contained in the Ballot. Any holder that has questions concerning acceptance procedures should contact the Solicitation Agent at the telephone number set forth above.

D. Voting Record Date

The "Voting Record Date" for purposes of determining the holders of Old Debt that are eligible to vote on the Restructuring and/or the Plan is November 6, 2009.

E. The Ballot

There are three different voting choices in connection with the Restructuring, which are outlined in greater detail below. The Ballot was designed to assist holders of Claims to understand the voting process.

OPTION 1. ACCEPT the Restructuring; vote to AGREE to the Restructuring Agreements to which you are a party and to ACCEPT the Plan.

OPTION 2. REJECT the Restructuring; vote to NOT AGREE to the Restructuring Agreements to which you are a party and to REJECT the Plan.

OPTION 3. Take no action; not vote on the Restructuring or the Plan.

Holders of Claims that take no action, or fail to take timely action, may nevertheless be bound by the terms of the Plan and have the relevant treatment applied to their Old Debt if the Plan is consummated.

For the purpose of obtaining sufficient approvals for the Plan, only those parties who actually vote are counted, and therefore, it is important that you submit your Ballot so that it is received by the Voting Deadline. Your election to accept the terms of the Restructuring shall constitute (i) a vote in favor of the Plan, (ii) your consent to the Forbearance, (iii) your consent to waive any provision of the First Lien Credit Agreement, Second Lien Credit Agreement or related loan documents that would prohibit the payment of Revolving Loans from the proceeds of the DIP Credit Agreement or require any Revolving Lender to share such payment with any other lender, and (iv) your agreement not to sell, assign, transfer, hypothecate or otherwise dispose of, directly or indirectly (a "Transfer"), all or any of your Old Debt (or any option thereon or any right or interest related thereto, including any voting rights associated therewith), unless the transferee thereof agrees in writing to accept and be bound by the vote contained in the Ballot. Any Transfer of Old Debt that does not comply with the foregoing requirement shall be void and shall be treated as if it never occurred. If the Company effects the Restructuring pursuant to the Out-of-Court Transaction, your election to accept the terms of the Restructuring shall constitute (i) in the case of First Lien Lenders, agreement to the terms of the New First Lien Credit Agreement and the ancillary security, collateral and other documents related thereto, (ii) in the case of the Second Lien Lenders, agreement to the terms of the Second Lien Exchange Agreement and (iii) in the case of the Noteholders, agreement to the terms of the Noteholder Exchange Agreement. Additionally, whether or not the Company pursues the Restructuring through the Chapter 11 Cases, if you are a First Lien Lender, your election to accept the terms of the Restructuring shall constitute consent to the Waiver Extension. By accepting the Out-of-Court Transaction or voting to accept or reject the Plan, you are making certain certifications, as contained in the Ballot, and agreeing to certain provisions contained in the Plan including exculpation, injunction and release provisions.

Subject to the terms of the Exchange Agreements and the New First Lien Credit Agreement executed by the Company, the Company reserves the right to extend the Voting Deadline in its sole and absolute discretion, which may be for any or no reason, and to terminate or withdraw the proposal for the Restructuring or the Plan in any respect. Any extension of the Voting Deadline will be communicated by the Company no later than 10:00 a.m., Prevailing Eastern Time, on the next business day following the previously scheduled Voting Deadline.

ALL VOTES TO ACCEPT OR REJECT THE RESTRUCTURING AND THE PLAN MUST BE CAST BY USING THE APPROPRIATE BALLOT. VOTES WHICH ARE CAST IN ANY OTHER MANNER WILL NOT BE COUNTED.

THE COMPANY URGES ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE RESTRUCTURING AND THE PLAN.

ARTICLE III.

SUMMARY OF THE RESTRUCTURING AND TREATMENT UNDER PLAN

This summary highlights some basic information contained, or incorporated by reference, in this Disclosure Statement to help you understand the Company's business, the Restructuring and the Plan. It does not contain all of the information that is important to you. You should carefully read this Disclosure Statement to understand fully the terms of the Restructuring, as well as the information incorporated by reference herein. You should pay special attention to the information in the section entitled "Risk Factors" and the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

Unless stated otherwise, the discussion in this Disclosure Statement of our business includes the business of New QHB and its direct and indirect consolidated subsidiaries. Unless otherwise indicated or the context otherwise requires, "the Company," "we," "us" and "our" refer to New QHB and its direct and indirect subsidiaries on a consolidated basis.

A. Overview of the Restructuring and Solicitation Process

Through consummation of the Restructuring, we intend to reorganize our capital structure, significantly reduce our indebtedness, and improve our liquidity, while providing adequate time to execute our business strategy. On the terms and subject to the conditions described in this Disclosure Statement and the accompanying Ballot, we are proposing the Restructuring through the Out-of-Court Transaction as a means of fully satisfying the Old Debt and, in light of the possibility that we may pursue the Restructuring through the Plan, we are also soliciting acceptances of the Plan.

You may vote to (i) accept the terms of the Restructuring which will also constitute your agreement to the terms of any Restructuring Agreement to which you are a party and a vote to accept the Plan, (ii) reject the Restructuring which will also constitute your refusal to agree to any Restructuring Agreement to which you are a party and a vote to reject the Plan, or (iii) take no action with respect to the Restructuring, the Out-of-Court Transaction and the Plan. If you take no action with respect to the Restructuring, the Out-of-Court Transaction and the Plan, you will be deemed to have rejected the Restructuring. This means that all the Prepetition Lenders will not have accepted the Restructuring and that the conditions to completion of the Out-of-Court Transaction may not be satisfied. But it will not have any impact on the vote to approve or reject the Plan if the Company pursues the Restructuring through the Plan, and you may nevertheless be bound by the terms of the Plan and have the relevant treatment applied to your Old Debt if the Plan is consummated.

If we effect the Restructuring through the Out-of-Court Transaction in accordance with the Restructuring Agreements, the Old Debt will be restructured as described in this Disclosure Statement.

If we do not consummate the Restructuring through the Out-of-Court Transaction, and instead effect the Restructuring under the Plan, all holders of Old Debt will receive the treatment provided in the Plan upon consummation of the Plan (if approved by the Bankruptcy Court).

If we do not receive sufficient votes to effect the Restructuring in the Out-of-Court Transaction and we do not receive sufficient votes to accept the Plan, the Company expects that it will likely be necessary to file for bankruptcy protection without the benefit of an agreed plan of reorganization. No decision has been made by the Company's board of directors to file petitions for relief under the Bankruptcy Code.

B. Summary of the Terms of the Restructuring

The Restructuring is built around the following key elements:

- The Company's businesses will continue to be operated in substantially their current form whether or not the Company enters chapter 11.
- The Quad-C Entity will invest $20 million in the Company by its purchase of the New Preferred Stock on the terms and subject to the conditions of the Preferred Stock Purchase Agreement.
- Holders of First Lien Lender Claims will receive their respective rights under the New First Lien Credit Agreement.
- In exchange for the Second Lien Debt, holders of Second Lien Lenders will receive their pro rata share of New Common Stock to be issued in an amount sufficient to result in an aggregate common equity ownership of New QHB at closing of 91.75% (excluding shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan).
- In exchange for their Note Claims, Noteholders will receive their pro rata share of New Common Stock to be issued in an amount sufficient to result in an aggregate common equity ownership of New QHB at closing of 7.50% (excluding shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan).
- All other creditors and equity holders will retain all of their legal, equitable and contractual rights in and against the Company under the Restructuring.

C. Different Means of Implementation

If all the Prepetition Lenders and Noteholders approve the Restructuring, the Company intends to effect the Restructuring through a consensual Out-of-Court Transaction in which: (i) the proposed parties to the New First Lien Credit Agreement would execute, and deliver to each other, the New First Lien Credit Agreement; (ii) the Second Lien Lenders and New QHB would execute the Second Lien Exchange Agreement whereby the Second Lien Debt would be exchanged for New Common Stock; and (iii) the Noteholders and New QHB would execute the Noteholder Exchange Agreement, whereby the Note Claims would be exchanged for New Common Stock. The aforementioned Restructuring Agreements would contain the specific terms and conditions governing the transactions contemplated thereby.

The Company is seeking the approval of all Prepetition Lenders and Noteholders, but is prepared to pursue the Restructuring even if such unanimous support is not achieved. If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates, including QHB Holdings may seek to commence the Chapter 11 Cases to consummate the Restructuring through the Plan, as set forth in the section entitled "The Plan" herein.

D. Summary of Restructuring Transactions in Consensual Out-of-Court Transaction

The following table sets forth a summary of the Old Debt and New QHB Equity Interests subject to the Restructuring and indicates the consideration to be received by the Prepetition Lenders, Noteholders and New QHB Equity Interests pursuant to the Restructuring if it is effected through the Out-of-Court Transaction. The following summary is qualified in its entirety by reference to the Restructuring Agreements (which the Company intends to make available to the Prepetition Lenders and the Noteholders at least three (3) days prior to the Voting Deadline) and by reference to the Restructuring Term Sheet.

OLD DEBT		
Old Debt to Be Fully Satisfied	**Outstanding Amount**	**Consideration Under Restructuring and Plan**
First Lien Lender Claims	USD $231.1 million[1]	First Lien Debt is fully satisfied and restructured as follows: • $125.6 million of the existing First Lien Debt would be continued under the New First Lien Credit Agreement as Cash-Pay Term Loans. • Existing term loans under the First Lien Credit Agreement that are not continued as Cash-Pay Term Loans (approximately $105.5 million as of the date of this Disclosure Statement) would be converted into new PIK Term Loans under the New First Lien Credit Agreement. • Existing revolving commitments in an aggregate amount of $20 million would be deemed reinstated as the new First-Out Revolving Credit Facility under the New First Lien Credit Agreement. • Each First Lien Lender would assume its pro rata portion of the New Credit Facilities. • Each First Lien Lender would be entitled to security under the New First Lien Credit Agreement.
Second Lien Lender Claims	USD $101.2 million	Second Lien Debt is fully satisfied as follows: • New QHB will issue to the Second Lien Lenders their pro rata share of New Common Stock sufficient to result in an aggregate common equity ownership of New QHB at closing of 91.75% (excluding, for this purpose, shares issuable upon conversion of New Preferred Stock and shares issuable under the Management Incentive Plan).
Noteholder Claims	USD $54.7 million	The Note Claims are fully satisfied as follows: • New QHB will issue to Noteholders in exchange for their Note Claims, their pro rata share of New Common Stock to be issued in

[1] The outstanding amounts referenced in this Article III.(D) do not reflect interest or other charges that may continue to accrue in accordance with the terms of the agreements that govern the respective obligations listed above, or applicable law. Although changes in these amounts will not affect the consideration to be provided to the Second Lien Lenders and Noteholders in connection with the Restructuring, the outstanding amount of any one of the foregoing obligations may change following the date of this Disclosure Statement.

		an amount sufficient to result in an aggregate common equity ownership of New QHB at closing of 7.50% (excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan).
EQUITY INTERESTS		
New QHB Equity Interests	N / A	• New QHB Equity Holders shall retain their equity ownership of New QHB, but the issuance of New Common Stock in the restructuring of the Old Debt will result in an aggregate equity ownership of New QHB at closing of 0.75% (excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan).

E. Conditions to Closing of the Restructuring

The Out-of-Court Transaction is conditioned on (unless waived by the Company and the relevant Prepetition Lenders) the approval of all the Prepetition Lenders by the Voting Deadline, which approval would serve as their agreement to the relevant Restructuring Agreements. If the conditions to each Restructuring Agreement are not satisfied, the Company will not be able or obligated to consummate the Restructuring as an Out-of-Court Transaction. Each Restructuring Agreement is expected to include conditions that, among other things, require that the transactions contemplated by each other Restructuring Agreement must be consummated. Consequently, each element of the Out-of-Court Transaction is conditioned on each other element. Moreover, the Restructuring contemplated by the Plan requires the approvals of the requisite Prepetition Lenders as described in the section hereof entitled "Explanation of Chapter 11 – Confirmation of the Plan" and that the Private Placement be consummated on the terms and subject to the conditions of the Private Placement, which conditions the Company believes it can satisfy.

F. Summary of the Distributions under the Plan

If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates may seek to file Chapter 11 Cases to consummate the Restructuring through the Plan. The following is a summary of the distributions under the Plan. It is qualified in its entirety by reference to the full text of the Plan and by reference to the Restructuring Term Sheet. In addition, for a more detailed description of the terms and provisions of the Plan, see "The Chapter 11 Plan" section of this Disclosure Statement.

The claim amounts set forth below are based on information contained in the Company's books and records and reflect what the Company believes to be reasonable estimates of the likely resolution of any contingent, unliquidated and disputed claim amounts, but may differ materially from actual claim amounts that may be filed in the Chapter 11 Cases.

The following chart summarizes the estimated Plan Distributions to each class on the Plan Distribution Date (unless otherwise provided):[2]

[2] There can be no assurance that the estimated Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks,

Administrative, Priority Tax Claims and DIP Lender Claims[3]	
Classes of Claims	**Treatment of Classes of Claims**
Administrative Claims Estimated Allowed Claims: $6.0 million	Each holder of an Allowed Administrative Claim, other than a DIP Lender Claim, shall receive (i) the amount of such holder's Allowed Administrative Claim in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by the Filing Entities and such holder; provided, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; provided, further, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Filing Entities may be paid at the Filing Entities' election in the ordinary course of business.
Priority Tax Claims Estimated Allowed Claims: $2.0 million	At the election of the Filing Entities, each holder of an Allowed Priority Tax Claim will receive in full satisfaction of such holder's Allowed Priority Tax Claim (a) payments in Cash, in regular installments over a period ending not later that five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by the Filing Entities and such holder; or (c) such other treatment as may be agreed upon in writing by the Filing Entities and such holder; provided, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Priority Tax Claim or that is less favorable than the treatment provided to the most favored nonpriority General Unsecured Claims under the Plan.
DIP Lender Claims Estimated Allowed Claims: $2.2 million	Each holder of an Allowed DIP Lender Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such holder's Allowed DIP Lender Claim, on the later of the Effective Date or the date on which such DIP Lender Claim becomes payable pursuant to any agreement between the Filing Entities and the holder of such DIP Lender Claim, (i) Cash equal to the full amount of such holder's Allowed DIP Lender Claim or (ii) such other treatment upon which the Filing Entities and such holder shall have

uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

[3] Administrative Claims and Priority Tax Claims are treated in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of this Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

	agreed in writing. The holder(s) of DIP Lender Claims shall be deemed to have an Allowed Claim as of the Effective Date in such amount as may be (i) agreed upon by such Claimholder(s) and the Filing Entities or (ii) fixed by the Bankruptcy Court.
Claims and Equity Interests	
Classes of Claims	**Treatment of Classes of Claims**
Class 1 – Priority Claims Estimated Allowed Claims: $0.0 million Unimpaired	Each holder of an Allowed Priority Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed Priority Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights on the Distribution Date.
Class 2 – First Lien Lender Claims Estimated Allowed Claims: $231.1 million Impaired	Each holder of an Allowed First Lien Lender Claim shall, in full satisfaction of such holder's Allowed First Lien Lender Claims against any of the Filing Entities, receive its Pro Rata share of (i) the Cash-Pay Term Loans and (ii) the PIK Term Loans. The First Lien Lender Claims shall be Allowed in the aggregate amount of $230,668,467, plus PIK amounts and accrued and unpaid interest as of the Petition Date.
Class 3 – Second Lien Lender Claims Estimated Allowed Claims: $101.2 million Impaired	Each holder of an Allowed Second Lien Lender Claim shall, on the Distribution Date in full satisfaction of such holder's Allowed Second Lien Lender Claims against any of the Filing Entities, receive its Pro Rata share of 91.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Second Lien Lender Claims shall be Allowed in the aggregate amount of $101,155,243, plus accrued and unpaid interest as of the Petition Date.
Class 4 – Other Secured Claims Estimated Allowed Claims: $4.1 million Unimpaired	Each holder of an Allowed Other Secured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed Other Secured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the

	Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.
Class 5 – Noteholder Claims Estimated Allowed Claims: $54.7 million Impaired	Each holder of an Allowed Noteholder Claim shall, on the Distribution Date in full satisfaction of such holder's Allowed Noteholder Claims against any of the Filing Entities, receive its Pro Rata share of 7.5% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Noteholder Claims shall be Allowed in the aggregate amount of $54,697,428.
Class 6 – General Unsecured Claims Estimated Allowed Claims: $9.2 million Unimpaired	Each holder of an Allowed General Unsecured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed General Unsecured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.
Class 7 – New QHB Equity Interests Estimated Allowed Equity Interests: N/A Unimpaired	Each holder of an Allowed New QHB Equity Interest shall, on the Distribution Date in full satisfaction of such holders' Allowed New QHB Equity Interest, retain its equity interest in New QHB, which equity interest will be diluted by the issuance of New Common Stock, so that the holders of Allowed New QHB Equity Interests shall represent 0.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. Each holder of an Allowed New QHB Equity Interest in the Filing Entities shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable, and contractual rights to which such New QHB Equity Interests entitle such holder in respect of such New QHB Equity Interests shall be fully reinstated and retained on and after the Effective Date
Class 8 – Other Equity Interests Estimated Allowed Equity Interests: N/A Unimpaired	Each holder of an Allowed Other Equity Interest in the Filing Entities shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable, and contractual rights to which such Other Equity Interests entitle such holder in respect of such Other Equity Interests shall be fully reinstated and

	retained on and after the Effective Date.

G. Expenses

The Company will reimburse reasonable and documented out-of-pocket professional expenses incurred by or on behalf of Apollo, the Quad-C Parties, and the First Lien Agent in connection with the Restructuring and the Equity Reorganization and an aggregate amount of up to $100,000 of the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of the Second Lien Lenders (other than Apollo) in connection with the Restructuring and the Equity Reorganization; provided, that if such reasonable and documented out-of-pocket professional expenses of the Second Lien Lenders (other than Apollo) exceed $100,000 in the aggregate, each such Second Lien Lender shall be entitled to its Pro Rata Share of such expense reimbursement. Prior to the filing of the Chapter 11 Cases, such expenses will be reimbursed as incurred.

ARTICLE IV.

GENERAL INFORMATION

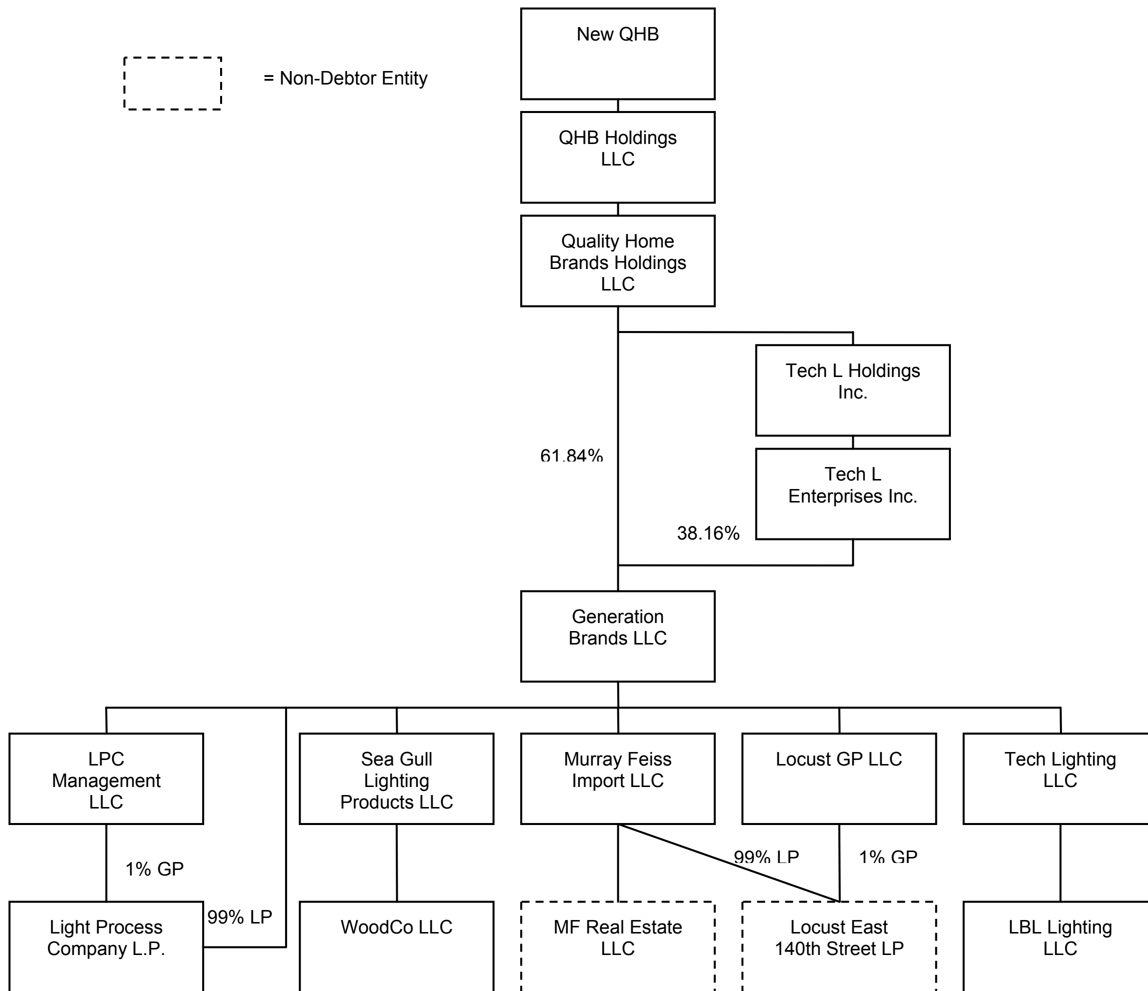
The Company-specific discussion below briefly describes the Company and its businesses as they exist as of the date of this Disclosure Statement.

A. Overview of the Company

The Company is a leading manufacturer, importer, marketer and supplier of decorative, functional, and specialty indoor and outdoor lighting products, ceiling fans, low-voltage and line-voltage track lighting systems and other home decor products. The Company sells over 27,000 distinct residential and commercial lighting products, which it distributes through a diversified multi-channel national network of over 4,000 customers consisting of electrical wholesale distributors, lighting showrooms, selected furniture stores, mail order catalogs and a variety of specialty retailers. The Company's products are also available at selected home centers and hardware stores such as Lowe's, Menards, HD Supply, The Great Indoors, Ace Hardware and TruServ. The Company operates primarily through three business units—Murray Feiss Import ("MFI"), Sea Gull Lighting Products ("SGL") and Encompass Lighting Group ("Encompass").

The Company's predecessors have a 90-year history and proven track record in the residential and commercial lighting market. SGL was founded in 1919 and is headquartered in Riverside, NJ. MFI was founded in 1955 and is headquartered in The Bronx, NY. In May 2004, investment funds affiliated with Quad-C Management Inc. acquired MFI and in 2005, combined it with SGL to form Quality Home Brands. Founded in 1983, Tech Lighting (the predecessor of Encompass) began as a retail showroom in downtown Chicago, IL. In 2005, Tech Lighting combined with LBL Lighting to become Encompass Lighting, a premier designer and manufacturer of architectural lighting systems. In 2006, QHB Holdings acquired Encompass, adding it to the Quality Home Brands family.

The organizational chart on the following page illustrates the structure of the Company following the Equity Reorganization.



1. Our Business Operations

a. Business Units

The Company sells its products through three primary business units, each of which has multiple complementary brands that target specific end markets:

Murray Feiss Import. MFI is a leading designer, supplier and marketer of residential lighting products serving over 1,500 specialty lighting and furniture stores under the highly-regarded Feiss brand and on a private label basis through Royce which targets mass-market "big-box" retailers. The products sold under the Feiss and Royce brand names include transitional-styled chandeliers, outdoor lighting, lamps and vanity bath lights. These products are primarily marketed to the remodeling and custom homebuilder end markets.

Sea Gull Lighting. SGL is a leading manufacturer, importer, marketer and supplier of decorative and specialty indoor and outdoor lighting and ceiling fan products serving the electrical wholesale, lighting showroom, homebuilder and consumer markets. SGL's broad

product offerings has enabled it to achieve approximately a 65% market share[4] among the nation's top builders market through directed-buy agreements with leading US homebuilders, including Pulte Homes, KB Home, Lennar, Centex, Standard Pacific and others.

Encompass Lighting Group. Encompass is a premier designer and manufacturer of architectural lighting systems serving the residential and commercial end markets with a leading market position in the low-voltage lighting systems category, with approximately 50% market share.[5] Encompass offers an extensive line of premium fixtures, low-voltage track lighting, decorative pendants, wall and bath fixtures, chandeliers, and outdoor lighting products.

b. Brand Overview/Products

<table>
<tr><th>Brand</th><th>Products</th><th>Channels of Distribution</th><th>End Market</th></tr>
<tr><td>Murray Feiss</td><td>Broad line of mid-range lighting fixtures and ceiling fans</td><td>Lighting showrooms</td><td>Custom home markets, Remodelers</td></tr>
<tr><td colspan="4">Murray Feiss sells to over 1,500 independent specialty lighting and home furnishing retail stores. The MFI line consists of approximately 2,300 products divided among several major categories, including chandeliers, outdoor lighting, lamps, vanity strips (bathroom), wall brackets, pendants, mini chandeliers, flush and semi-flush mounts, mirrors, bathroom accessories and home decor. Complementary products are grouped into approximately 50 indoor and 20 outdoor "families."</td></tr>
<tr><td>Sea Gull Lighting</td><td>Broad line of mid-range lighting fixtures and ceiling fans</td><td>Electrical distributors, Lighting showrooms, Mass market retailers</td><td>Homebuilders and contractors & Consumers</td></tr>
<tr><td colspan="4">Sea Gull manufactures over 4,000 fixtures and ceiling fans for residential and commercial markets and distributes its products through a national network of approximately 4,000 electrical wholesale distributors, lighting showrooms, furniture stores and mail order catalogs. Sea Gull's electrical distributor customers are suppliers to national homebuilders, electrical contractors and select home centers. Approximately 40% of revenues are derived from products for the homebuilder market. Sea Gull's broad distribution network has established the brand as a key supplier to large national and regional homebuilders.</td></tr>
<tr><td>Royce Lighting</td><td>Fixtures, lamps</td><td>Mass market retailers, Home Centers</td><td>Remodelers, DIYers</td></tr>
<tr><td colspan="4">Royce targets mass-market "big box" chains and home improvement retailers and currently services 12 national accounts, with Lowe's accounting for the majority of its sales. The line consists of approximately 600 items that are comprised of chandeliers, outdoor lighting, lamps, vanity strips, wall brackets, flush and semi flush mounts, mini chandeliers, mirrors, and bathroom accessories. Its products are sold under customers' private label brands, the Royce brand or under The Colonial Williamsburg licensed brand.</td></tr>
<tr><td>Monte Carlo</td><td>Decorative ceiling fans</td><td>Mass market retailers, lighting showrooms</td><td>High-end residential</td></tr>
<tr><td colspan="4">Monte Carlo offers a diverse product line of ceiling fans influenced by fashion and design trends. The fans are sold primarily through home centers, home décor stores and lighting showrooms. Major style groups of Monte Carlo fans include ornate, contemporary, lifestyle, natural, transitional, traditional, high performance and indoor/outdoor. Monte Carlo sells 1,500 products, including accessories, and publishes a separate catalog every two years. Monte Carlo also sells a line of lighting accessories that complements its most popular fan designs.</td></tr>
</table>

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[4] Percentage based on management estimates.
[5] Percentage based on management estimates.

Light Process Company	Energy efficient lighting products	Lighting showrooms, lighting specifiers, electrical distributors	Hospitality, Multi-family residential
LPC manufactures energy saving lighting products that serve the building maintenance industry. The products are designed primarily for the hospitality industry (hotels, motels and restaurants) and apartment complex common areas.			
Tech Lighting	Low-voltage track lighting systems, pendants	Lighting showrooms, electrical distributors, mass market retailers	Commercial, High-end residential
Tech Lighting provides low-voltage track lighting systems, pendants, chandeliers and recessed lighting for both residential and commercial applications. Tech has become one of the "Top 20" architectural lighting brands as voted by the readers of Architectural Lighting in 2005 – the Company's fourth straight "ACE" (Architects Choice for Excellence) Award.			
LBL Lighting	Low-voltage lighting products	Mass market retailers, lighting showrooms, electrical distributors,	Hospitality, High-end residential
The LBL Lighting brand is recognized for its artistic stylings and uniquely designed glass used for low voltage track lighting applications. LBL products include unique ceiling, suspension and outdoor lighting, recessed lighting and traditional track lighting products and have particular appeal in the hospitality and residential markets.			

c. Customers

The Company has a highly diversified customer base with access to all major market segments across the residential and commercial end markets. Customers include electrical distributors, lighting showrooms, national accounts, retail home improvement centers and homebuilders. The Company's top ten customers accounted for approximately 28%, 30% and 26% of net sales in fiscal 2008, 2007 and 2006, respectively. A single customer, Lowe's, accounted for 11.4%, 12.8% and 12.6% of the Company's net sales in fiscal 2008, 2007 and 2006, respectively.

d. Sales and Marketing

MFI uses a number of sales agencies to cover its 1,500 independent specialty retailers and showrooms, as well as its furniture and home décor markets. There are also four sales agencies and nine sales representatives that serve both market segments. MFI annually publishes a "Big Book" catalog that displays all its active products in full color. The comprehensive catalog provides design ideas for consumers and offers ordering assistance for specialty lighting customers. MFI also maintains a website, Feiss.com, which provides search capabilities for all types of lighting products and assists consumers in finding MFI retailers. Royce products are sold to mass-market chains and home improvement centers through a single sales agency. This agency manages 12 national retail accounts comprising over 1,000 locations across North America. MFI maintains an in-house sales team to manage the Lowe's account and maintains an office for its National Retail Vice President and the Lowe's support team near Lowe's headquarters in Mooresville, NC.

SGL has a group of seasoned in-house sales professionals dedicated to national and regional relationships with large homebuilders. Although SGL doesn't sell directly to homebuilders, the Company has found that having a dedicated sales force for both the distributors and

homebuilders is the most effective way to maintain strong relationships with its primary end-markets. The homebuilder group works with distributors and homebuilders to educate them about product features, installation techniques and product forecasting, and to ensure that new product development meets consumer needs. SGL also produces a product catalog, which is imprinted with its partnering distributors' names, logo and contact information on the cover and provided to partnering distributors for circulation to the distributors' customers. The Company also produces product supplements throughout the year to highlight specific product categories and to serve niche markets. Sea Gull and Monte Carlo host appealing web sites, which combine an online catalog with an online purchasing program that credits partnering dealers for the sales of product in their local markets.

Encompass has relationships with approximately 150 independent sales representative agencies to reach and train customers in the lighting showroom and electrical distributor channels. Encompass' sales representatives market to showrooms by promoting and maintaining in-store product displays and providing product training to showroom floor salespersons. Encompass' sales representatives also market to architects, specifiers, and interior designers by giving product presentations at their offices, assisting on project lay-outs, and ensuring that their resource libraries have up-to-date catalog and product information.

e. Manufacturing and Supply

MFI sources substantially all of its Feiss and Royce products from one supplier in Zhongshan City, China. Each of these brands has its own dedicated production facility, which is controlled by one Chinese family and employs over 1,000 workers. This supplier has been in place since 1999 and represents 95.7%, 99.1%, 99.5% and 99.3% of total purchases in 2009, 2008, 2007 and 2006, respectively. The factories are contractually closed to any other production and 100% of their production supports the Company. MFI has no contractual minimum purchase requirements and no restrictions on sourcing products elsewhere. MFI also maintains a high degree of control over operations. MFI either hires or approves all management level personnel, many of whom previously worked for the Company's former suppliers and key executives of the Company visit the factories regularly. MFI also maintains a liaison office in China which is responsible for quality control and facilitating shipping and logistics for Asian sourced sub-components.

SGL sources approximately 97% of its proprietary components from a network of 15 suppliers in China and manufactures or assembles 3% of its products domestically.

Encompass sources its proprietary components and various finished goods globally before completing inspection and final assembly in its Skokie, IL facility. Encompass purchases approximately 52% of its components and finished goods through an exclusive relationship with a single Chinese supplier. The Company, which is this supplier's single largest customer, has an understanding with the supplier, that it will not sell or supply any products or components to any other low-voltage track lighting systems manufacturer in the world. The supplier produces the Company's products in a facility that is dedicated solely to the Company.

f. Distribution

MFI and SGL sell the majority of their products through electrical distributors and lighting showrooms and maintain relationships with the top distributor outlets across the United States and Canada. SGL also maintains direct contacts with over 125 national and regional homebuilders. SGL's & MFI's warehousing and distribution activities are centralized in Burlington Township, NJ. Each maintains separate facilities in Las Vegas, NV. Royce-branded products are largely direct-shipped from China to the customer, with some warehousing and shipping at the Las Vegas location.

Encompass sells its products through a network of lighting showrooms, distributors, national accounts, and national retailers. Encompass estimates that of the approximately 2,600 retail lighting showrooms in the United States and Canada, approximately 1,500 sell Tech Lighting products and 860 sell LBL products. Management estimates that of the approximately 3,100 electrical distributors nationwide, the Tech Lighting brand currently has active accounts with 1,500 electrical distributors while the LBL Lighting brand has active accounts with 870 electrical distributors. In most cases, Encompass ships directly to its customers from its Skokie facility.

g. Facilities

MFL leases an aggregate of 330,000 square feet in 5 separate sites as its eastern and western distribution facilities, and showrooms. SGL leases an aggregate of 667,479 square feet in 6 separate sites as its manufacturing facilities, eastern and western distribution facilities, and showrooms. SGL also owns a 345,000 square foot facility in Riverside, NJ, which serves as corporate headquarters. Encompass leases an aggregate of 192,483 square feet at its Skokie, IL headquarters, warehouse and assembly facility. The lease expires in February 28, 2011 with an option for an additional 5 years. Certain of the Company's facilities are subject to sale agreements as more fully discussed under section "C" below, titled "Real Property Transactions Commenced Prior to the Restructuring."

h. Raw Materials

Raw materials and components used in the production of the Company's products include steel, brass, copper, aluminum, plastics, petrochemicals, glass, solenoids, lighting ballasts, printed circuit boards, integrated circuit chips and cord sets from a number of suppliers. These components and raw materials are readily available through long standing supplier relationships. While, at the present time, raw materials and components essential to the Company's business are in adequate supply, increases in the demand for or disruptions in the supply of these raw materials could increase the Company's costs and have a negative effect on demand for the Company products. The Company has generally been able to pass along increases in cost in the form of higher selling prices for its products, however, there can be no assurance that disruptions in either supply or price of these materials will not negatively affect future results.

i. Research and Development

The Company believes that its research and development efforts and consistent new product introductions are competitive advantages. The Company's design philosophy is focused on

addressing the changing practical, aesthetic and construction needs of customers, while seeking to deliver high quality products that can be manufactured efficiently and at a low cost. The Company's design team consists of approximately 35 dedicated research, development and testing personnel who are responsible for introducing 600 new products every year. Research and development expense for fiscal 2008, 2007 and 2006 was $7.1 million, $7.0 million and $5.7 million, respectively.

j. Intellectual Property

The Company owns or has licenses to use various patents and trademarks related to its products, processes and businesses, and relies on copyright, patent, trade secret and trademark laws to protect these proprietary rights. Despite these protections, unauthorized parties may infringe on the Company's intellectual property or may claim that the Company has infringed upon the intellectual property rights held by such parties. The Company is not aware of any pending claims where the Company does not have the right to use intellectual property that is material to it.

k. Competition

The lighting industry served by the Company is highly fragmented and competitive. Lighting product manufacturers range from small private firms marketing a single product to large publicly owned and multinational firms serving a broad range of customers with a multitude of products. Competition is based on many factors, including product design, product quality, product selection, price, brand recognition, channel penetration and customer service, energy efficiency, customer relationships and maintenance costs. The decorative residential lighting market is highly fragmented, with no company having a controlling market share. Companies that compete directly against the Company in the broader residential lighting market include: Minka, Kichler Lighting, Thomas Lighting and Progress Lighting, Savoy House and Quoizel.

In the low-voltage market, the Company's competitors include Bruck Lighting Systems, Con-Tech Lighting, Eurofase, Genlyte Group (brand name Translite Sonoma), Juno Lighting (brand names Juno and Alfa Lighting), W.A.C. Lighting, and several other small participants. Through its T~trak brand, Encompass competes at the high-end of the traditional line-voltage track market. Other line-voltage track market competitors include Acuity Brands (brand name Lithonia), Cooper Lighting, ERCO, the Genlyte Group (brand name Lightolier), Home Depot (brand name Hampton Bay), Schneider/Juno Lighting, LSI Industries, W.A.C. Lighting, and several other companies.

The competitive dynamics at the high-end of the line-voltage track market are much the same as the low-voltage lighting systems category. The Company's 2thousand degrees brand competes at the high-end of the decorative art-glass category. Other competitors in this category include Genlyte Group (brand name Sonoma), Besa, Niedhardt, W.A.C. Lighting and several other companies. Product innovation, quality, and customer service are critical differentiators among the various competitors. Price has been less important than these factors.

l. Environmental Regulation

The Company is subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment, including the generation, storage, handling, transportation and disposal of hazardous substances. The Company believes that, as a general matter, its policies, practices and procedures are designed to prevent unreasonable risk of environmental damage and personal injury to its employees and its customers' employees and that the handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. Nonetheless, no system of guidelines, procedures and controls can eliminate the risk of environmental damage and personal injury completely. Environmental laws and regulations have generally become stricter in recent years, and state and federal governments domestically and internationally are considering new laws and regulations governing raw material composition, air emissions, and energy-efficiency and the future costs of compliance may be substantial. The Company cannot assure you that these matters will not have a material impact on earnings, capital expenditures, or competitive position.

The Company is the subject of asbestos-related litigation, the outcome of which cannot be predicted. See "Pending Litigation" for further discussion of this matter.

m. Employees

The Company employs approximately 656 employees in its U.S. locations. The Production, Maintenance and Service Employees Union— Local No. 3 AFL-CIO, covers most of the employees who are in MFI's parts, rework and maintenance departments—approximately 11 people. The labor partnership has existed for over 30 years with an agreement in place through March 2010. SGL has a labor contract with United Electrical, Radio and Machine Workers of America covering 59 employees at its Burlington and Riverside, NJ, facilities. Encompass' 300 employees are non-union. The Company believes that it has good relationships with both its unionized and non-unionized employees.

2. Management

Set forth in the table below are the names, position or positions of the current board of directors (each a "Director" and collectively, the "Board of Directors") and current key executive officers of the Company's entities. The Board of Directors oversees the business and affairs of each of the Company entities. A brief biography of each of the officers is provided immediately following this list.

Name	Position(s)
Anthony R. Ignaczak	Director, President – QHB Investors Holdings, Inc.
	Director, President – QHB Investors, Inc.

	Director, Vice President, Assistant Secretary – QHB Holdings LLC
	President – Quality Home Brands Holdings LLC
	Director, President, Manager – Generation Brands LLC
Timothy W. Billings	Vice President, Secretary, Treasurer – QHB Investors Holdings, Inc.
	Vice President, Secretary, Treasurer – QHB Investors, Inc.
	Director, Vice President, Assistant Secretary – QHB Holdings LLC
	Secretary, Treasurer – Quality Home Brands Holdings LLC
	Director, Vice President, Secretary, Treasurer – Generation Brands
Michael Brooks	Assistant Secretary, Assistant Treasurer – QHB Investors Holdings,
	Assistant Secretary, Assistant Treasurer – QHB Investors, Inc.
	Director, Assistant Secretary – QHB Holdings LLC
	Director, Assistant Secretary – Generation Brands LLC
T. Tracy Bilbrough	Director, Chief Executive Officer – QHB Holdings LLC
	Chairman – Quality Home Brands Holdings LLC
	Chairman – Generation Brands LLC
Terrence D. Daniels	Director – QHB Holdings, LLC
	Director – Generation Brands LLC
Daniel Macsherry	Chief Financial Officer, Executive Vice President, Assistant Secreta Holdings LLC
	Chief Financial Officer, Executive Vice President, Assistant Secreta Home Brands Holdings LLC
	Chief Financial Officer, Executive Vice President, Assistant Secreta Brands LLC
W. Allen Fromm	Executive Vice President – QHB Holdings LLC
	Executive Vice President, Chief Supply Chain Officer – Generation

Anthony R. Ignaczak has led investments in a variety of industries including logistics, franchising, broadcasting, building products distribution, home furnishing and specialty finance. He currently sits on the Board of Directors of Asset Acceptance Capital Corp., Augusta Sportswear Group, Generation Brands, max Media and Spa and Bath Holdings. Prior to joining Quad-C, he worked in both the Merchant Banking Group at Merrill Lynch and the Mergers and Acquisitions Group at Drexel Burnham Lambert. While at Drexel Burnham Lambert and Merrill Lynch, he worked on numerous leveraged buyout financings involving public offerings and private placements of high yield debt.

Timothy Billings currently sits on the Board of Directors for Class Party Rentals, Document Technologies, Inc. and Generation Brands. Prior to joining Quad-C, he was a principal at Mid Ocean Partners, a New York and London based middle market private equity fund where he was responsible for sourcing, evaluating and executing leveraged buyouts, recapitalizations and late-stage growth, investments in a variety of industries including business services, communications, consumer, media and leisure. He was also a Vice President at DB Capital Partners and an Associate Director in the corporate finance department of USB. He has previously served on the boards of a number of private and public companies in connection with his investment activities.

Michael Brooks joined Quad-C in 2007 and works in a variety of sectors including currently working with Cloverhill, Generation Brands and TCL Companies. Prior to joining Quad-C, He was an Analyst in the Leveraged Finance Group at Bear, Stearns & Co Inc. where he focused on debt financing transactions and financial sponsor acquisitions in a variety of industries.

T. Tracy Bilbrough currently serves as President and Chief Executive Officer of Generation Brands, having been appointed to the role upon joining the company in March 2006. He was appointed to the Board of Directors in June 2006. From May 2000 to March 2006, Mr. Bilbrough was President and Chief Executive Officer of Juno Lighting Inc. This followed a nineteen year career at Black and Decker Corporation and three years as a Division President at Thomas and Betts Corp. Mr. Bilbrough has an MBA from the University of Baltimore and a Bachelors degree in economics from Loyola College.

Daniel Macsherry currently serves as the Executive Vice President and Chief Financial Officer of Generation Brands LLC, having been appointed to the role upon joining the company in August 2006. Prior to joining Generation Brands LLC, he served as Vice President and Chief Financial Officer of Irwin Tool division of Newell Rubbermaid from August 2004 to August 2006 and Executive Vice President of Business Development of Juno Lighting Inc. from September 2000 to August 2004. This followed a career in financial roles at Peat Marwick, Black and Decker Corp. and Stanley-Bostich. Mr. Macsherry holds a Bachelor's degree in Accounting from Drexel University.

Terrence D. Daniels founded Quad-C in 1989 and has been integrally involved with each of its portfolio companies as a Board member and advisor. Prior to founding Quad-C in 1989, he served as a Vice Chairman and Director of W.R. Grace & Co. He was primarily responsible for restructuring W.R. Grace in the mid-1980s, negotiating over $4 billion of acquisitions and divestitures. He also had operating responsibility for Grace's Specialty Chemical, Health Care,

Retail and Restaurant, Natural Resources and Corporate Technical Groups. Combined, these operations consisted of more than 100 individual businesses located in over 40 countries. He also served as Chairman, President, and Chief Executive Officer of Western Publishing and as Senior Vice President for corporate development of Mattel.

W. Allen Fromm Executive Vice President and Chief Supply Chain Officer of Generation Brands, having been appointed to the role upon joining the company in September 2006. From April 2001 to September 2006, Mr. Fromm was Executive Vice President of Operations at Juno Lighting Inc. This followed a 21 year career in Marketing, Product Management and Purchasing at Black and Decker Corp. Mr. Fromm holds an MBA from the University of Baltimore and a Bachelors degree in Business Education from Bowling Green University.

The Company has approved the payment of an aggregate amount of approximately $1.5 million in restructuring compensation to 11 key executives, approximately $580,500 of which shall be payable upon the closing date of the Restructuring, approximately $382,500 of which shall be payable one year following the closing date of the Restructuring, $250,000 of which shall be payable on December 31, 2010 and $250,000 of which shall be payable on December 31, 2011.

B. Capital and Debt Structure

1. Debt

First Lien Credit Agreement. On or about June 20, 2006, QHB Holdings and Quality Home Brands, as borrower, entered into the First Lien Credit Agreement with BNP Paribas, as successor administrative agent and successor collateral agent, and the First Lien Lenders. The First Lien Credit Agreement provided Quality Home Brands with a term loan commitment of $290 million (as amended from time to time, the "First Lien Term Loan") and a revolving loan commitment of $30 million (as amended from time to time, the "First Lien Revolver" and, together with the First Lien Term Loan, the "First Lien Debt"). The First Lien Term Loan matures on December 20, 2012 and the First Lien Revolver matures on June 20, 2012. The First Lien Debt is guaranteed by QHB Holdings and each of Quality Home Brands' subsidiaries other than Locust East 140th Street L.P. and MF Real Estate LLC (the "Guarantors"), and is secured by liens on substantially all of the assets of Quality Home Brands and the Guarantors. As of November 9, 2009, the amounts outstanding under the First Lien Term Loan and the First Lien Revolver were $231.1 million and $8.2 million, respectively, excluding accrued interest since September 30, 2009.

The First Lien Credit Agreement was amended on July 29, 2008 to, among other things, reduce the revolving commitments by $10 million. In connection with this first amendment, Quality Home Brands was also required to commit to prepay the First Lien Term Loan by reducing the principal balance thereof by no less than $15 million on or before June 26, 2009 solely from the proceeds of equity issuances or the sale of properties owned by the Company and located in the Bronx, New York. In support of this obligation, Quad-C Partners VI, L.P. entered into a Sponsor Support Agreement, dated as of July 2008, with certain parties to the First Lien Credit Agreement, pursuant to which it committed to purchase or cause the members of QHB

Holdings to purchase, on or before June 26, 2009, capital stock of QHB Holdings in an amount sufficient to yield net proceeds to QHB Holdings in an amount no less than $15 million, less the amount of any prepayments made on the First Lien Term Loan from the proceeds of the permitted asset sales. The Company's prepayment obligation was satisfied as described in section "C" below, titled "Real Property Transactions Commenced Prior to the Restructuring."

Second Lien Credit Agreement. On or about June 20, 2006, QHB Holdings and Quality Home Brands, as borrower, entered into the Second Lien Credit Agreement with The Bank of New York, as successor administrative agent, and the Second Lien Lenders. The Second Lien Credit Agreement provides Quality Home Brands with a term loan commitment of $100 million (as amended from time to time, the "Second Lien Term Loan") and matures on June 20, 2013. The Second Lien Term Loan is guaranteed by the Guarantors and is secured by liens on substantially all of the assets of Quality Home Brands and the Guarantors, which liens are junior in priority to the liens securing the First Lien Credit Agreement. As of November 9, 2009, the amount outstanding under the Second Lien Term Loan was $101.16 million.

Senior Notes. Pursuant to that certain Note Purchase Agreement by and between QHB Holdings and Apollo, dated as of June 20, 2006, Apollo purchased the Notes in an aggregate original principal amount of $35 million, which are scheduled to mature in December 2013. Pursuant to the Second Amendment to the Note Purchase Agreement, dated July 2008, the Notes currently accrue interest at 14.5% per annum. The Notes are not guaranteed and are unsecured. As of October 31, 2009, the principal amount outstanding under the Notes was approximately $54.7 million.

The proceeds from the First Lien Credit Agreement, the Second Lien Credit Agreement and the Notes were used by Quality Home Brands to refinance then-existing debt and to finance the acquisition of Encompass for a purchase price of $285 million.

2. Equity

In conjunction with the Restructuring, the current ownership of QHB Holdings will be reorganized prior to the filing of any Chapter 11 Cases, and prior to completion of the Restructuring, through the Equity Reorganization, the primary features of which are summarized below. Pursuant to the Equity Reorganization, New QHB will be formed as a new Delaware corporation, with no prior operations. New QHB will become the direct owner of 100% of the equity of QHB Holdings through a merger between New QHB, as the survivor, and QHB Investors Holdings, Inc., the current indirect majority owner of QHB Holdings. New QHB will be owned 100% by a newly-formed, Delaware limited liability company ("New QHB Parent"), which, in turn, will be owned by the former owners of QHB Holdings and the former owners of QHB Investors Holdings, Inc. (terminated by merger, as described above). Upon completion of the Restructuring, New QHB will issue the New Common Stock and the New Preferred Stock contemplated by the Restructuring and New QHB Parent's ownership of New QHB will be diluted to an aggregate equity ownership of New QHB of 0.75% (excluding for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan) as contemplated by the Restructuring.

C. Real Property Transactions Commenced Prior to Restructuring

On June 25, 2009, QHB Holdings entered into a Purchase Agreement (as amended, the "Purchase Option Agreement") with QHB Investors Real Estate Holdings, Inc. ("QHBIREH"), an affiliate of Quad-C. Under the terms of the Purchase Option Agreement, QHBIREH acquired the right to purchase (the "Purchase Option"), at QHBIREH's election, one of four defined packages each consisting of a variable number of Class C shares of QHB Holdings (the "Class C Shares") and/or real properties that are owned by wholly-owned subsidiaries of QHB Holdings. The aggregate consideration (the "Option Price") payable by QHBIREH for the Purchase Option consists of $15 million, which was paid on execution of the Purchase Option Agreement, plus an additional amount, payable on exercise of the Purchase Option, equal to the transaction expenses (including, if a real property is included in the selected package, the repayment of a mortgage note securing the real properties) incurred, or to be incurred, by QHB Holdings and its subsidiaries in connection with the transfer of the Class C Shares and/or real properties constituting the package selected by QHBIREH. The Option Price was used by the Company to satisfy its obligation to prepay $15 million of First Lien Debt as described under "B. Capital and Debt Structure. – Debt" above.

The four packages from which QHBIREH must make a selection consist of (i) Class C Shares only, (ii) Class C Shares and the Company's headquarters building (the "Rose Feiss Property") located in the Bronx, New York, (iii) Class C Shares and a Company warehouse (the "Locust East Property") located in the Bronx, New York or (iv) Class C shares and the Rose Feiss Property and the Locust East Property.

In connection with the Equity Reorganization, QHBIREH will assign its rights to receive the share consideration included in the package selected to New QHB, but will retain the right to select the package of real properties and Class C Shares to be received and will retain the right to receive title to any real property contained in the package selected. As a result, following the Equity Reorganization, New QHB will own all of the outstanding and contingent equity interests in QHB Holdings. Any share consideration, would not increase the 0.75% of New Common Stock to be issued to owners of New QHB in accordance with the terms of the Restructuring.

If QHBIREH elects to receive a package which includes the Rose Feiss Property, QHB Holdings has agreed to enter into a five (5) year lease (the "QHBIREH Lease") of the Rose Feiss Property at a rental rate determined by market rates for the appraised value of the Rose Feiss Property as of June 25, 2009. On October 12, 2009, MF Real Estate LLC, a wholly owned subsidiary of QHB Holdings, entered into an agreement to sell the Rose Feiss Property under a Purchase and Sale Agreement (the "RF Sale Agreement") with a third party. If consummated, the sale under the terms of the RF Sale Agreement will permit a subsidiary of QHB Holdings to enter into a five year lease of the Rose Feiss Property on terms that are more favorable than the terms of the QHBIREH Lease. On October 12, 2009, QHBIREH and QHB Holdings entered into an Agreement Regarding Sale Agreement, pursuant to which QHBIREH agreed to either sell, or consent to the sale of, the Rose Feiss Property pursuant to the RF Sale Agreement. In either case, QHBIREH would retain the net proceeds from the sale after deducting transactions expenses (including repayment of the mortgage note securing the Rose Feiss Property).

QHBIREH must select the package it will receive before December 31, 2009 or it will be deemed to have elected a package consisting solely of Class C Shares of QHB. Prior to the commencement of the Chapter 11 Cases or the consummation of the Out-of-Court Transaction, the Company will extend the election deadline to at least December 31, 2010 or, to the extent necessary to remediate certain environmental issues at one of the two properties, as late as December 31, 2012.

Under the Preferred Stock Purchase Agreement the obligations of Quad-C to purchase $20 million of New Preferred Stock will be subject to several conditions, including a condition that certain material contracts are assumed by the Company if the Restructuring is consummated pursuant to the Plan. It is expected that the Purchase Option Agreement and certain related agreements will be included among those material contracts.

D. Events Leading to the Need for Restructuring

QHB Holdings was formed in October 2005 in conjunction with the acquisition of Sea Gull Lighting Products, Inc. by Murray Feiss Import LLC. In June 2006, the Company acquired Encompass Lighting Group, a designer and manufacturer of low-voltage track lighting systems in North America. In conjunction with the acquisition of Encompass Lighting Group, the Company incurred the Old Debt and raised approximately $20 million in new equity.

In 2007 due to the downturn in the housing market, the Company's business began to deteriorate. The Company sought and, in July 2008 achieved, amendments to the First Lien Credit Agreement and the Second Lien Credit Agreement, which relaxed certain financial covenants and amended the pricing of those facilities. In return, the Company prepaid approximately $20 million of the First Lien Credit Facility. Additionally, the Company agreed to a provision requiring a $15 million reduction of principal by June 26, 2009 funded by the proceeds of assets sales or the issuance of equity.

Following the amendments to the credit agreements, the deterioration in the business accelerated. By the first quarter of 2009, the Company sought and obtained additional covenant relief from the First Lien Lenders and the Second Lien Lenders to avoid a default. However, the business continued to be negatively affected by the challenging economic environment, and by May 2009, the Company recognized that if the operating environment continued to deteriorate, the Company could potentially face a covenant default later in the year. Furthermore, the Company came to the conclusion that the capital structure was unsustainable and did not provide the financial flexibility necessary to operate in the current business environment. It was at that time that the Company engaged a financial advisor and began assessing various restructuring alternatives.

Since that time the Company has engaged in discussions with Apollo and the Prepetition Lenders on a consensual Restructuring transaction. In September the Company determined that it was unlikely it would remain in compliance with the financial covenants under the First Lien Credit Agreement. The Company sought and received a waiver of a payment default and a temporary waiver of certain potential covenant defaults under the First Lien Credit Agreement to allow time to negotiate the Restructuring. The temporary waiver expires on November 25, 2009.

The Restructuring will result in the elimination of over $150 million in debt. The $20 million equity investment by Quad-C will significantly improve the Company's liquidity position. The New First Lien Credit Facility will extend the maturity of the Cash-Pay Term Loans and PIK Term Loans to 2014 and increase the Company's financial flexibility by aligning financial covenants to the Company's anticipated ongoing business performance and by providing an option to PIK a portion of the interest.

ARTICLE V.

SELECTED FINANCIAL INFORMATION

A. Annual Consolidated Financial Information for QHB Holdings

As of September 25, 2009, the Company's consolidated balance sheet reflected total assets of approximately $458 million. Of this amount, approximately $15 million was comprised of cash and cash equivalents, approximately $56 million was comprised of property and equipment, net of depreciation, approximately $45 million was comprised of inventories, approximately $47 million was comprised of accounts receivable, and approximately $295 million in remaining assets. The Company's consolidated balance sheet also reflected total liabilities of approximately $434 million.

B. Consolidated Financial Statements for QHB Holdings

Consolidated financial statements for the Company for the fiscal years ended December 2007 and December 2008, and the quarter ended September 25, 2009 are attached to this Disclosure Statement as Schedule 7.

ARTICLE VI.

FINANCIAL PROJECTIONS AND ASSUMPTIONS

A. Purpose and Objectives

The value of the securities to be issued pursuant to the Restructuring, through the Out-of-Court Transaction or the Plan, and the estimated recoveries by holders of Allowed Claims who receive such securities depend in part upon the ability of the Company to achieve the financial results projected on the basis of their assumptions.

In order to maximize creditor recoveries, the Company must seek to maximize the value of their businesses. Additionally, for the Plan to meet the feasibility test of section 1129(a)(11) of the Bankruptcy Code, the Bankruptcy Court must conclude that confirmation of the Plan is not reasonably likely to lead to the liquidation or further reorganization.

With these considerations in mind, the Company's management and advisors formulated projections and assumptions, which in turn served as the basis for the Restructuring. The

Company believes that the assumptions underlying the projections are reasonable under the circumstances and that achieving the projections set forth in this Disclosure Statement will maximize the value of the Company's businesses.

B. Projected Consolidated Financial Statements

The Company's management and advisors prepared the projected operating and financial results (the "Projections") on a consolidated basis through the period ending December 25, 2013. The Projections are attached to this Disclosure Statement as Schedule 6.

The Projections should be read in conjunction with the assumptions, qualifications and the footnotes to the tables containing the Projections as well as the "Risk Factors" section of this Disclosure Statement.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING "ADEQUATE INFORMATION" UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS OR EQUITY INTERESTS IN, THE COMPANY OR ANY OF THEIR AFFILIATES.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE COMPANY'S MANAGEMENT AND PROFESSIONALS. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES, IF ANY, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED OR MAY BE UNDERSTATED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. THE COMPANY CAUTIONS THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE ABILITY OF THE COMPANY, THE DEBTORS AND NEW QHB TO ACHIEVE THE PROJECTED RESULTS FOLLOWING THE RESTRUCTURING. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED

BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE COMPANY'S INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE COMPANY DOES NOT, AS A MATTER OF COURSE, PUBLISH ITS BUSINESS PLANS AND STRATEGIES OR PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE COMPANY DOES NOT INTEND, AND DISCLAIMS ANY OBLIGATION, TO: (1) FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE, OR TO HOLDERS OF SECURITIES OF ANY FILING ENTITY, OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE; (2) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE BANKRUPTCY COURT OR ANY GOVERNMENTAL AGENCY OR ENTITY; OR (3) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE. HOWEVER, FROM TIME TO TIME, THE COMPANY MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH PURSUING FINANCINGS (INCLUDING THE EXIT FINANCING), CREDIT RATINGS AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

ARTICLE VII.

EXPLANATION OF CHAPTER 11

A. Filing Entities

If sufficient approvals for the Restructuring are not obtained, the Company may seek to commence individual Chapter 11 Cases for certain or all of the following prospective debtors, or such other affiliates thereof that the Company for any reason determines should be included as a debtor in the Chapter 11 Cases (collectively, the "Filing Entities"):

New QHB
(Fed. EIN 27-1280247)

Quality Home Brands Holdings LLC
(Fed. EIN 20-5100532)

QHB Holdings LLC
(Fed. EIN 04-3790554)

Generation Brands LLC
(Fed. EIN 20-8831825)

Murray Feiss Import LLC
(Fed. EIN 04-3790556)

Locust GP LLC
(Fed. EIN 04-3790565)

LPC Management, LLC
(Fed. EIN 32-2133596)

Light Process Company, L.P.
(Fed. EIN 74-1882730)

Sea Gull Lighting Products LLC
(Fed. EIN 22-2928003)

WoodCo LLC
(Fed. EIN 23-1861169)

Tech L Enterprises Inc.
(Fed. EIN 20-0947690)

Tech Lighting LLC
(Fed. EIN 36-4242152)

LBL Lighting LLC
(Fed. EIN 36-2751784)

Tech L Holdings, Inc.
(Fed. EIN 20-5100613)

B. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which a debtor in possession may reorganize its business for the benefit of its creditors, stockholders and other parties in interest. The date on which a chapter 11 case is commenced is known as the Petition Date.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in possession as of the date the petition is filed. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. If the Company commences a case under chapter 11, the Filing Entities intend to remain in possession of their property and continue to operate their businesses as debtors in possession. See "Anticipated Events during the Chapter 11 Cases."

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts by creditors or other third parties to collect prepetition claims from the debtor or otherwise interfere with its property or business. Exempted from the automatic stay are governmental authorities seeking to exercise regulatory or policing powers. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in a debtor's estate. Unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the "Filing Period"), and the debtor will have 180 days to solicit acceptance of such plan (the "Solicitation Period"). As the Filing Entities intend to file the Plan on the first day of any Chapter 11 Cases, i.e. during the Filing Period, no other creditor or party in interest may file a plan until the expiration of the Solicitation Period.

C. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. In either event, upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and equity holders, and the prior obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. For a description of key components of the Plan, see "Overview of the Plan," below.

After a plan of reorganization has been filed, the holders of impaired claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims and Interests against the Filing Entities to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Filing Entities' solicitation of votes on the Plan.

D. The Confirmation Hearing

If Company commences their prepackaged Chapter 11 Cases, the Bankruptcy Court would schedule a hearing on the confirmation of the Plan (the "Confirmation Hearing"). At the Confirmation Hearing, the Bankruptcy Court would consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether the Plan is feasible and whether the Plan is in the best interests of the holders of Claims against and Equity Interests in the entities that have commenced Chapter 11 Cases. At that time, the Filing Entities would submit a report to the Bankruptcy Court concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objection to confirmation of the Plan would have to be made in writing and filed with the Bankruptcy Court and served on all required parties by the objection deadlines set by the Bankruptcy Court. Unless an objection to confirmation is timely served and filed, it may not be considered by the Bankruptcy Court.

E. Confirmation of a Plan

If all classes of claims and equity interests accept a plan of reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. See "Confirmation and Consummation Procedures – Confirmation of the Plan." **The Filing Entities believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code.**

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan of reorganization for the bankruptcy court to determine that the class has accepted the plan. See "Confirmation and Consummation Procedures."

In addition, classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. See "Confirmation and Consummation Procedures."

Accordingly, acceptances of a plan will generally be solicited only from those persons who hold Claims or Interests in an impaired class. **Holders of Claims and Interests in the following classes are unimpaired and deemed to have accepted the Plan, and therefore, are not entitled to vote on the Plan: Class 1 – Priority Claims; Class 4 – Other Secured Claims; Class 6 – General Unsecured Claims; Class 7 – New QHB Equity Interests; and Class 8 – Other Equity Interests.**

Only holders of Claims or Interests in the following classes are impaired and entitled to vote to accept or reject the Plan: Class 2 – First Lien Lender Claims; Class 3 – Second Lien Lender Claims; and Class 5 – Noteholder Claims. Only the votes of holders of Claims or Interests in these impaired Classes were solicited.

The Plan treats all Filing Entities as a single Estate solely for purposes of voting (where applicable) on the Plan, confirmation of the Plan and determining treatment of and making distributions in respect of Claims against and Equity Interests in the Filing Entities. The Plan contemplates that each of the Filing Entities will be able to satisfy the requirements of sections 1129(a)(8) of the Bankruptcy Code. Accordingly, for purposes of determining whether the Plan satisfies sections 1129(a)(8) of the Bankruptcy Code with respect to each of the Filing Entities, the Filing Entities will tabulate votes on an individual debtor basis. See "Confirmation and Consummation Procedures – Confirmation of the Plan – Acceptance."

ARTICLE VIII.

OVERVIEW OF THE PLAN

THE COMPANY HAS NOT COMMENCED A CHAPTER 11 CASE, NOR HAS IT TAKEN ANY CORPORATE ACTION AUTHORIZING THE COMMENCEMENT OF SUCH A CASE. IF THE RESTRUCTURING CANNOT BE CONSUMMATED THROUGH AN OUT-OF-COURT TRANSACTION, HOWEVER, THE COMPANY MAY COMMENCE CHAPTER 11 CASES UNDER THE BANKRUPTCY CODE TO RESTRUCTURE ITS FINANCIAL AFFAIRS. THIS DISCLOSURE STATEMENT SOLICITS YOUR ADVANCE ACCEPTANCE OF THE PLAN OF REORGANIZATION, WHICH CONTAINS IMPORTANT INFORMATION RELEVANT TO YOUR DECISION TO ACCEPT THE PLAN OF REORGANIZATION. PLEASE READ THE PLAN OF REORGANIZATION COMPLETELY AND CAREFULLY.

To enhance the likelihood that the Company will succeed in its restructuring efforts, it has formulated the Plan for its reorganization under chapter 11 of the Bankruptcy Code. The Plan provides the treatment set forth below to holders of claims against and interests in the Filing Entities, which treatment is substantially similar to the treatment provided pursuant to the Out-of-Court Transaction. If the Plan is confirmed and consummated, all holders of claims against

and interests in the Filing Entities would receive the treatment set forth below, whether or not they vote for acceptance of the Plan.

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statements of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and interests in the Filing Entities under the Plan and will, upon the Effective Date, be binding upon all holders of Claims against and interests in the Filing Entities and the Estates, the Filing Entities as reorganized on and after the Effective Date (the "Reorganized Filing Entities") and other parties in interest. In the event of any conflict between this Disclosure Statement, on the one hand, and the Plan or any other operative document thereunder, on the other hand, the terms of the Plan and such other operative document are controlling.

WE HAVE NOT MADE ANY DECISION AT THIS TIME TO COMMENCE ANY CHAPTER 11 CASES, AND RESERVE ALL OF OUR RIGHTS TO PURSUE ANY AND ALL OF OUR STRATEGIC ALTERNATIVES IN THE EVENT THE OUT-OF-COURT TRANSACTION IS NOT CONSUMMATED.

ARTICLE IX.

ANTICIPATED EVENTS DURING THE CHAPTER 11 CASES

If the Company does not consummate the Restructuring through the Out-of-Court Transaction and it determines to pursue the Plan, the Filing Entities may file voluntary petitions for relief under chapter 11 of the Bankruptcy Code. At that time, all actions and proceedings against the Filing Entities and all acts to obtain property from the Filing Entities will be stayed under section 362 of the Bankruptcy Code. The Filing Entities will continue to operate their businesses and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

The Filing Entities do not expect the Chapter 11 Cases to be protracted. To expedite their emergence from chapter 11, the Filing Entities on the Petition Date, in addition to filing this Disclosure Statement and the Plan, would file motions seeking the relief detailed below, among other relief, from the Bankruptcy Court. Such relief, if granted, will facilitate the administration of the Chapter 11 Cases; there can be no assurance, however, that the Bankruptcy Court will grant the relief sought.

A. Timetable

Assuming that the Bankruptcy Court approves the Filing Entities' Disclosure Statement and confirms the Plan, on the schedule requested by the Filing Entities, the Filing Entities would seek to emerge from chapter 11 within approximately two (2) months of the Petition Date. There

can be no assurance, however, that the Bankruptcy Court's orders will permit the Chapter 11 Cases to proceed as expeditiously as anticipated.

B. First Day Pleadings and Orders

1. Joint Administration

In order to expedite the administration of the Chapter 11 Cases and reduce administrative expenses, the Filing Entities intend to seek the joint administration of the Chapter 11 Cases for procedural purposes.

2. Interim Compensation and Reimbursement of Professional Persons and Committee Members

In an effort to enable all parties to monitor the costs of administration, enable the maintenance of a more level cash flow availability and implement efficient cash management, the Filing Entities intend to seek the approval and implementation of procedures they have developed with which all Professional Persons would be required to comply in seeking payment of compensation and reimbursement of expenses, and with which all members of any statutory committee would be required to comply in seeking reimbursement of their expenses.

3. Combined Disclosure Statement and Confirmation Hearing

The Filing Entities intend to seek an order scheduling a combined hearing on this Disclosure Statement and confirmation of the Plan, i.e., a Confirmation Hearing, for a date not more than 45 days following the Petition Date. At the Confirmation Hearing, the Filing Entities will seek approval of this Disclosure Statement and confirmation of the Plan pursuant to sections 1125, 1128 and 1129 of the Bankruptcy Code. At that time, the Filing Entities will also request that the Bankruptcy Court approve the prepetition solicitation of votes on the Plan. There can be no assurance that the Bankruptcy Court will approve the Filing Entities' request to schedule the Confirmation Hearing within 45 days of the Petition Date.

4. Debtor-in-Possession Financing

If the Filing Entities file for chapter 11, they will need to obtain short-term working capital financing under the terms outlined in the Restructuring Term Sheet (the "DIP Facility"), to provide them with the needed liquidity to ensure the efficient operations and future growth of their businesses and promote a successful reorganization. Among other things, such DIP Facility will allow the Filing Entities to (a) maintain business relationships with vendors, suppliers, and customers, (b) make payroll, (c) make capital expenditures, (d) repay other debt obligations, and (e) satisfy other working capital and operational needs.

On the Petition Date, the Filing Entities intend to file a motion with the Bankruptcy Court to obtain an order (the "DIP Order"): (a) authorizing the Filing Entities to enter into the DIP Credit Agreement, (b) requesting that the Bankruptcy Court grant certain rights, protections and liens to and for the benefit of the DIP Lenders as set forth therein, and (c) authorizing the Filing Entities to make borrowings under the DIP Credit Agreement. In accordance with the terms of the Restructuring Term Sheet, those First Lien Lenders who are lenders under the senior secured

revolving credit facility component of the First Lien Credit Agreement (the “Revolver Lenders”) have agreed to provide the DIP Facility. The Restructuring Term Sheet contemplates that the Revolver Lenders will become the DIP Lenders and the Revolver Lender Claims will be paid in full with the proceeds of the DIP Facility.

Under the terms of the Restructuring Term Sheet, the DIP Facility will be, inter alia, (a) in the aggregate principal amount of up to $20 million, of which up to $5 million will be available for letters of credit, (b) entitled to super-priority claim status pursuant to section 364(c)(1) of the Bankruptcy Code, and (c) secured by a perfected first priority lien on all unencumbered property and assets of the Filing Entities. Pursuant to the DIP Order, the DIP Lender Claims will be paid in full on the Effective Date. Further, the DIP Lenders have agreed to become the Exit Revolver Lenders under the Exit Revolver, the proceeds of which will be used to pay the DIP Lender Claims in full. The Company estimates the DIP Lender Claims will amount to approximately $2.2 million on the Effective Date.

5. Business Operations

a. Cash Management

Because the Filing Entities expect the Chapter 11 Cases to be pending for less than two (2) months, and because of the administrative hardship that any operating changes would impose, the Filing Entities intend to seek authority to continue using their existing cash management system, bank accounts and business forms and to follow their internal investment and deposit guidelines. Absent the Bankruptcy Court’s authorization of the continued use of the cash management system, the Filing Entities’ cash flow could be impaired to the detriment of the Filing Entities’ Estate and creditors.

Continued use of their existing cash management system will facilitate the Filing Entities’ smooth and orderly transition into the Chapter 11 Cases, minimize the disruption of their businesses while in chapter 11, and expedite their emergence from chapter 11. As a result of set-up time and expenses, requiring the Filing Entities to adopt and implement a new cash management system would likely increase the costs of the Chapter 11 Cases. For the same reasons, requiring the Filing Entities to close their existing bank accounts and establish new accounts or requiring them to create new business forms would only frustrate their efforts to reorganize expeditiously.

b. Maintenance of Utility Services

In connection with the operation of their businesses and management of their properties, the Filing Entities obtain a wide range of utility services (collectively, the “Utility Services”) from certain utility companies (the “Utility Companies”), including electricity, telephone and similar service suppliers for which no alternate service could be expected. If the Filing Entities file Chapter 11 Cases, it will be essential that the Utility Services continue uninterrupted after the Petition Date. As such, the Filing Entities intend to seek an order (i) prohibiting the Utility Companies from altering, refusing or discontinuing service to the Filing Entities; (ii) deeming the Utility Companies adequately assured of future payment, with limited exception; and (iii) establishing procedures for determining requests for additional adequate assurances of payment.

c. Payment of Prepetition Trust Fund Taxes and Governmental Fees

In the ordinary course of their operations, the Filing Entities collect sales, use, employee-related withholding and other trust fund type taxes (however denominated) (the "Trust Fund Taxes") from their customers and other parties and remit such taxes to the appropriate federal, state and local taxing authorities (collectively, the "Taxing Authorities"). In the Chapter 11 Cases, the Filing Entities intend to seek authority to pay prepetition Trust Fund Taxes owed to the Taxing Authorities in the ordinary course of business as such payments become due and payable and to the extent adequate funds are available to make such payments.

d. Maintenance of Insurance Coverage

In connection with the daily operation of their businesses, the Filing Entities maintain certain insurance policies (collectively, the "Insurance Policies"). The continuation of the Insurance Policies is crucial given that they provide a comprehensive range of coverage in full force and effect for the Company, its business and properties. Accordingly, the Filing Entities intend to seek postpetition authority to (i) maintain insurance coverage levels required under their corporate risk program, including authority to revise, extend, supplement, renew or change insurance coverage as needed; (ii) maintain their insurance premium financing program, including authority to renew, supplement or enter new financing arrangements as needed; and (iii) pay any prepetition and postpetition obligations associated therewith.

e. Critical Vendors and Service Providers

In the ordinary course of their businesses, the Filing Entities rely on certain third-party vendors and service providers to supply goods, materials and services that the Filing Entities cannot operate without or cannot replace without incurring exorbitant costs (the "Vendors"). Notwithstanding provisions of the Bankruptcy Code that would otherwise require the Filing Entities to defer payment of Trade Claims until the Effective Date, because of the essential nature of their Vendors, the Filing Entities intend to seek authority from the Bankruptcy Court to establish procedures for the resolution and payment of such Vendors' prepetition general unsecured claims against the Filing Entities arising from or with respect to the delivery of goods or services to the Filing Entities in the ordinary course of business, including to pay, in the ordinary course of business, the Trade Claims of those providers of goods and services that agree in writing to continue to provide the Filing Entities with customary trade terms on an ongoing basis. Such claims are among the claims included in the class of Claims denominated Class 6 – General Unsecured Claims under the Plan, which will not be impaired under the Plan.

6. Employee-Related Matters

The Filing Entities believe that they have a valuable asset in their work force and that any delay in paying prepetition compensation or benefits to their employees would destroy their relationships with employees and irreparably harm employee morale at a time when the continued dedication, confidence and cooperation of their employees is most critical. The Filing Entities are grateful to their employees for their help, without which a restructuring would not be possible. Accordingly, the Filing Entities will seek authority to pay compensation and benefits in the Chapter 11 Cases which were accrued but unpaid as of the Petition Date.

C. Representation of the Filing Entities as Debtors in Possession

The Filing Entities intend to seek retention of certain professionals to represent it and assist them in connection with the Chapter 11 Cases. These professionals have been intimately involved with the negotiation and development of the restructuring transactions and the Plan.

In August 2009, the Company retained White & Case LLP ("White & Case") to provide legal advice with respect to a variety of issues, including restructuring and bankruptcy advice, and preparation of the requisite petitions, pleadings, exhibits, lists and schedules in connection with the potential commencement of the Chapter 11 Cases. Thomas E Lauria is proposed to act as lead counsel for the Filing Entities in any Chapter 11 Cases.

In anticipation of the volume of matters that are likely to come before the Bankruptcy Court in the Chapter 11 Cases, and the special familiarity and experience with the practice and procedure of the District of Delaware, where the Filing Entities expect they might file any prospective Chapter 11 Cases, the Filing Entities also intend to retain Fox Rothschild LLP ("Fox Rothschild") to serve as Delaware bankruptcy co-counsel in connection with the prosecution of Chapter 11 Cases, with Jeffrey M. Schlerf to act as counsel.

The Filing Entities currently employ certain professionals, in the ordinary course of business, to render services to the Company (collectively, the "Ordinary Course Professionals"), including legal services and certain accounting, tax and consulting services, which are necessary to the day-to-day continuation of the Company's operations. The Filing Entities intend to seek authority to continue to employ the Ordinary Course Professionals.

In addition to White & Case, Fox Rothschild, and the Ordinary Course Professionals, the Filing Entities also intend to seek approval from the Bankruptcy Court for the retention of Barclays Capital as their financial advisor, led by Mark Shapiro. Additionally, Epiq Financial Balloting Group LLC, would be retained to serve as Claims Agent and Solicitation Agent.

D. Filing Entities' Schedules; Bar Date; Claims Objections and Estimated Amount of Claims

1. Schedules and Statements

Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007 direct that, unless otherwise ordered by the court, a debtor must prepare and file certain schedules of assets and liabilities, executory contracts and unexpired leases and related information (the "Schedules") and statements of financial affairs (the "Statements") within fifteen (15) days of the commencement of a chapter 11 case. The Filing Entities intend to file their Schedules and Statements as soon as practicable, but may, if necessary, request that the Bankruptcy Court provide them with a short extension of the deadline to do so.

2. Bar Date

Upon commencement of Chapter 11 Cases, the Filing Entities intend to seek establishment of a deadline (the "Bar Date") for holders of alleged Claims against them as of the Petition Date to file proofs of claim against them.

3. Claims Objections

In the ordinary course of business, the Filing Entities maintain books and records (the "Books and Records") that reflect, among other things, their liabilities and the amounts owed to their creditors in connection with such liabilities. Once a Bar Date is established and proofs of claim are filed in accordance therewith, the Filing Entities and their professionals intend to conduct a review of the proofs of claim submitted in the Chapter 11 Cases, including any supporting documentation, and compare the Claims asserted in the proofs of claim with the Books and Records to determine the validity of such Claims. Such review will form the basis of allowing or disallowing Claims for treatment under the Plan.

4. Estimation of Claims

Although no Chapter 11 Cases have commenced, no Bar Date established, and no proofs of claim filed, the Filing Entities realize the dollar amounts are critical to demonstrating the feasibility of the Plan, and therefore, as of the date hereof, estimate the total amount of Claims against them based on their Books and Records will be substantially as follows: Administrative Claims – $6.0 million; Priority Tax Claims – $2.0 million; Priority Claims – $0.0 million; First Lien Lender Claims – $231.1 million; Second Lien Lender Claims – $101.16 million; Other Secured Claims – $4.1 million; General Unsecured Claims – $9.2 million; Noteholder Claims – $54.7 million.

ARTICLE X.

PENDING LITIGATION

The Filing Entities are involved in legal proceedings from time to time incidental to the ordinary conduct of their business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Filing Entities to make additional expenditures in excess of reserves that may be established. In the ordinary course of business, various claims, suits and complaints have been filed against us in addition to the one specifically referred to below. Although the final resolution of any such matters could have a material effect on the Filing Entities' operating results for a particular reporting period, the Filing Entities believe that they should not materially affect their consolidated financial position.

Sea Gull Lighting Products, LLC ("Sea Gull") is currently a defendant in one asbestos-related lawsuit. Sea Gull is one of many defendants in that lawsuit, which is pending in New Jersey. In that lawsuit, the plaintiff's personal injury allegations against Sea Gull involve alleged exposure to an asbestos-containing product or products allegedly manufactured by Sea Gull.

The Company believes that the estimated costs of the asbestos-related lawsuit involving Sea Gull will not have a material adverse effect on the Company's consolidated financial condition or liquidity. However, there is no assurance that the Company or Sea Gull will not be subject to additional claims in the future or that the ultimate liability with respect to asbestos claims will not present significantly greater and longer lasting financial exposure than currently expected. The ultimate liability with respect to the current claim, and any unasserted claims, is

subject to various uncertainties, including, but not limited to, the following: the number of claims that are brought in the future; the costs of defending and settling these claims; the risk of an adverse jury verdict or verdicts; and possible changes in the litigation environment or federal and state law governing asbestos claimants. Because of the uncertainties related to such claims, it is possible that the ultimate liability could have a material adverse effect on the Company's business, financial condition and results of operations.

ARTICLE XI.

THE CHAPTER 11 PLAN

As a result of the chapter 11 process and through the Plan, the Company expects that creditors will obtain a substantially greater recovery from the Estates than the recovery that would be available if the Assets had been liquidated under chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as Schedule 3 and forms part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

A. Treatment of Intercompany Claims

1. Non-Consolidated Plan

Although the Plan will be filed as a joint Plan for each Filing Entity for purposes of administrative convenience and efficiency, the Plan does not provide for the substantive consolidation of the Filing Entities. Accordingly, each Filing Entity shall be considered a single estate solely for purposes of voting on the Plan, confirmation of the Plan and making Plan Distributions in respect of Claims against and Equity Interests in the Filing Entities under the Plan. Such joint administration shall not affect any Filing Entity's status as a separate legal entity, change the organizational structure of the Filing Entities' business enterprise, constitute a change of control of any Filing Entity for any purpose, cause a merger or consolidation of any legal entities, nor cause the transfer of any assets; and, except as otherwise provided by or permitted in the Plan, all Filing Entities shall continue to exist as separate legal entities. This joint administration serves only as a mechanism to effect a fair distribution of value to the Filing Entities' constituencies.

2. Intercompany Claims

In accordance with Section 2.4 of the Plan and except as otherwise provided in the Plan, on and subject to the occurrence of the Effective Date, Administrative Claims and Intercompany Claims between and among the Filing Entities (and their Affiliates, excluding the Quad-C Parties) shall, solely for purposes of receiving Plan Distributions, be deemed resolved and therefore not entitled to any Plan Distribution and shall not be entitled to vote on the Plan.

B. Classification and Treatment of Claims and Equity Interests

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123, the Plan divides Claims and interests into Classes and sets forth the treatment for

each Class (other than DIP Lender Claims, Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), need not and have not been classified). The Filing Entities are required, under section 1122 of the Bankruptcy Code, to classify Claims against and interests in the Filing Entities into Classes, each of which contain Claims and interests that are substantially similar to the other Claims and interests in such Class. We believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122, but if Chapter 11 Cases were to be commenced, it is possible that a holder of a Claim or interest may challenge our classification of Claims and interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, we would intend, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, to make such reasonable modifications of the classifications through the Plan to permit confirmation and to use the acceptances of the Plan that are marked on the Ballots for the purpose of obtaining the approval of the reconstituted Class or Classes of which each accepting holder ultimately would be deemed to be a member. Any such reclassification could adversely affect the Class in which such holder initially was a member, or any other Class in the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan. Furthermore, a reclassification of a Claim or interest after approval of the Plan could necessitate a resolicitation of acceptances of the Plan.

The classification of Claims and interests and the nature of distributions to members of each Class are summarized below. We believe that the consideration, if any, that would be provided through the Plan to holders of Claims and interests would reflect an appropriate resolution of their Claims and interests, and would take into account the differing nature and priority (including applicable contractual subordination) of such Claims and interests. The Bankruptcy Court would be required to find, however, that a number of statutory tests are met before it could confirm the Plan. Many of these tests are designed to protect the interests of holders of Claims or interests who would not be entitled to vote on the Plan, or would not vote to accept the Plan, but who would be bound by the provisions of the Plan if it were confirmed by the Bankruptcy Court. Although we believe that the Plan could be confirmed, there can be no assurance that the requirements of such applicable section of the Bankruptcy Code would be satisfied.

1. Administrative Claims and Priority Tax Claims

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims and in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of the Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

a. Treatment of Administrative Claims

All Administrative Claims shall be treated as follows and shall be allocated among the Filing Entities, as determined by the Bankruptcy Court, on a fair and equitable basis:

The holder of an Administrative Claim, other than (i) a DIP Claim, (ii) a Fee Claim, (iii) a liability incurred and payable in the ordinary course of business by a Filing Entity (and not past due), or (iv) an Administrative Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Filing Entities, the Creditors' Committee (if any) and the Office of the United States Trustee, notice of such Administrative Claim within forty (40) days after service of Notice of Confirmation. Such notice must include at a minimum (i) the name of the Filing Entity or Filing Entities purported to be liable for the Claim, (ii) the name of the holder of the Claim, (iii) the amount of the Claim and (iv) the basis of the Claim. Failure to file and serve such notice timely and properly shall result in the Administrative Claim being forever barred and discharged.

Each Professional Person who holds or asserts a Fee Claim shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. The failure to timely file and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.

An Administrative Claim with respect to which notice has been properly filed and served pursuant to Section 5.2(a) of the Plan shall become an Allowed Administrative Claim if no objection is filed within thirty (30) days after the later of (i) the Effective Date, (ii) the date of service of the applicable notice of Administrative Claim or (iii) such later date as may be (A) agreed to by the holder of such Administrative Claim or (B) approved by the Bankruptcy Court on motion of a party in interest, without notice or a hearing. If an objection is filed within such 30-day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. A Fee Claim in respect of which a Fee Application has been properly filed and served pursuant to Section 5.2(b) shall become an Allowed Administrative Claim only to the extent allowed by order of the Bankruptcy Court.

Notwithstanding the foregoing, an Administrative Claim with respect to (i) the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of Apollo, the Quad-C Parties, and the First Lien Agent in connection with the Restructuring and the Equity Reorganization and (ii) an aggregate of up to $100,000 of the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of the Second Lien Lenders (other than Apollo) in connection with the Restructuring and the Equity Reorganization shall become an Allowed Administrative Claim on the Effective Date; provided, that if such reasonable and documented out-of-pocket professional expenses of the Second Lien Lenders (other than Apollo) exceed $100,000 in the aggregate, each such Second Lien Lender shall be entitled to its Pro Rata Share of such expense reimbursement.

On the Plan Distribution Date, each holder of an Allowed Administrative Claim, other than an Allowed DIP Lender Claim, shall receive (i) the amount of such holder's Allowed Administrative Claim in one Cash payment or (ii) such other treatment as may be agreed upon in writing by the Filing Entities and such holder; provided, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; provided, further, that an Administrative Claim representing a liability incurred in the ordinary course of business may be paid at the Filing Entities' election in the ordinary course of business.

b. Treatment of DIP Lender Claims

Each holder of an Allowed DIP Lender Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed DIP Lender Claim, on the Effective Date, (i) Cash equal to the full amount of such holder's Allowed DIP Lender Claim or (ii) such other treatment as to which the Debtors and such holder shall have agreed upon in writing. The holder(s) of DIP Lender Claims shall be deemed to have an Allowed Claim as of the Effective Date in such amount as may be (i) agreed upon by such Claimholder(s) and the Debtors or (ii) fixed by the Bankruptcy Court.

c. Treatment of Priority Tax Claims

At the election of the Filing Entities, each holder of an Allowed Priority Tax Claim will receive in full satisfaction of such Allowed Priority Tax Claim (a) payments in Cash, in regular installments over a period ending not later that five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by the Filing Entities and such holder; or (c) such other treatment as may be agreed upon in writing by the Filing Entities and such holder; provided, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Priority Tax Claim or that is less favorable than the treatment provided to the most favored nonpriority General Unsecured Claims under the Plan. The Confirmation Order shall enjoin any holder of an Allowed Priority Tax Claim from commencing or continuing any action or proceeding against any responsible person, officer or director of the Filing Entities that otherwise would be liable to such holder for payment of a Priority Tax Claim so long as the Filing Entities are in compliance with this Section. So long as the holder of an Allowed Priority Tax Claim is enjoined from commencing or continuing any action or proceeding against any responsible person, officer or director under this Section or pursuant to the Confirmation Order, the statute of limitations for commencing or continuing any such action or proceeding shall be tolled.

2. **Treatment of Classified Claims against and Equity Interests in the Filing Entities**

a. Class 1 – Priority Claims

Each holder of an Allowed Priority Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed Priority Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights on the Distribution Date.

b. Class 2 – First Lien Lender Claims

Each holder of an Allowed First Lien Lender Claim shall, in full satisfaction of such holders' Allowed First Lien Lender Claims against any of the Debtors, receive its Pro Rata Share of (i) the Cash-Pay Term Loans and (ii) the PIK Term Loans. The First Lien Lender Claims

shall be Allowed in the aggregate amount of $230,668,467, plus PIK amounts and accrued and unpaid interest as of the Petition Date.

c. Class 3 – Second Lien Lender Claims

Each holder of an Allowed Second Lien Lender Claim shall, on the Distribution Date in full satisfaction of such holders' Allowed Second Lien Lender Claims against any of the Debtors, receive its Pro Rata Share of 91.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Second Lien Lender Claims shall be Allowed in the aggregate amount of $101,155,243, plus accrued and unpaid interest as of the Petition Date.

d. Class 4 – Other Secured Claims

Each holder of an Allowed Other Secured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed Other Secured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.

e. Class 5 – Noteholder Claims

Each holder of an Allowed Noteholder Claim shall, on the Distribution Date in full satisfaction of such holders' Allowed Noteholder Claims against any of the Filing Entities, receive its Pro Rata Share of 7.5% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Noteholder Claims shall be Allowed in the aggregate amount of $54,697,428.

f. Class 6 – General Unsecured Claims

Each holder of an Allowed General Unsecured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Filing Entity or its successor under the Plan, and such Allowed General Unsecured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.

g. Class 7 – New QHB Equity Interests

Each holder of an Allowed New QHB Equity Interest shall, on the Distribution Date in full satisfaction of such holders' Allowed New QHB Equity Interest, retain its equity interest in New QHB, which equity interest will be diluted by the issuance of New Common Stock, so that the holders of Allowed New QHB Equity Interests shall represent 0.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock

and shares issuable under the Management Incentive Plan. Each holder of an Allowed New QHB Equity Interest in the Filing Entities shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable, and contractual rights to which such New QHB Equity Interests entitle such holder in respect of such New QHB Equity Interests shall be fully reinstated and retained on and after the Effective Date.

h. Class 8 – Other Equity Interests

Each holder of an Allowed Other Equity Interest in the Filing Entities shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Other Equity Interests entitle such holder in respect of such Other Equity Interests shall be fully reinstated and retained on and after the Effective Date.

C. Means for Implementation of the Plan

1. Operations between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Filing Entities will continue to operate their businesses as debtors in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules and all orders of the Bankruptcy Court that are then in full force and effect.

2. Corporate Action

The entry of the Confirmation Order shall constitute authorization for the Reorganized Filing Entities, the Filing Entities and their Affiliates to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including, without limitation, any action required by the stockholders or directors of Reorganized New QHB, the Reorganized Filing Entities, the Filing Entities and their Affiliates, including, among other things, (a) the adoption of the by-laws, certificates of incorporation, or limited liability company membership agreements, as applicable, for Reorganized New QHB and the other members of the Reorganized Filing Entities, as of the Effective Date (the "Reorganized Filing Entities' Constituent Documents"), (b) all transfers of Assets that are to occur pursuant to the Plan, (c) the incurrence of all obligations contemplated by the Plan and the making of Plan Distributions, (d) the issuance of the New Common Stock and the New Preferred Stock, (e) the execution and delivery of the New First Lien Credit Agreement, (f) the execution and delivery of the Preferred Stock Purchase Agreement, (g) the implementation of all settlements and compromises as set forth in or contemplated by the Plan, (h) the resolution of all intercompany accounts of the Filing Entities through capital contributions, compromise or in any other reasonable fashion, and (i) the execution and delivery or consummation of any and all transactions, contracts or arrangements permitted by applicable law, order, rule or regulation. On the Effective Date, the officers of the Filing Entities and the Reorganized Filing Entities are authorized and directed to do all things and to execute and deliver all agreements, documents, instruments, notices and certificates as are

contemplated by the Plan and to take all necessary actions required in connection therewith, in the name of and on behalf of the Filing Entities and the Reorganized Filing Entities, as applicable. All obligations of the Filing Entities to indemnify and hold harmless their current and former directors, officers and employees, whether arising under the Filing Entities' constituent documents, contract, law or equity, shall be assumed by, and assigned to, the applicable Reorganized Filing Entities upon the occurrence of the Effective Date with the same effect as though such obligations constituted executory contracts that are assumed (or assumed and assigned, as applicable) under section 365 of the Bankruptcy Code, and all such obligations shall be fully enforceable on their terms from and after the Effective Date. The prosecution of any so-indemnified Cause of Action shall, upon the occurrence of the Effective Date, be enjoined and prohibited, except solely for the purpose of obtaining a recovery from the issuer of any available insurance policy proceeds.

3. Termination of Certain Debt Obligations

Upon the occurrence of the Effective Date, all notes, instruments, certificates and other documents evidencing the First Lien Lender Claims, Second Lien Lender Claims and the Noteholder Claims will be cancelled and annulled, except for the rights of the holders of First Lien Lender Claims, Second Lien Lender Claims and Noteholder Claims, respectively, to receive the treatment provided under the Plan.

4. Continued Corporate Existence of the Filing Entities

Each of the Filing Entities shall continue to exist after the Effective Date as a separate entity, with all the powers available to such legal entity, in accordance with applicable law and pursuant to its certificate of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws or other organizational documents are amended and restated by the Plan; provided, that the Reorganized Filing Entities' Constituent Documents shall become effective upon the occurrence of the Effective Date. Nothing in Section 7.4 of the Plan shall prejudice any right to terminate the existence of any Filing Entity or Reorganized Filing Entity under applicable law after the Effective Date. On or after the Effective Date, the Reorganized Filing Entities may, within their sole and exclusive discretion, take such action as permitted by applicable law and their constituent documents, as they determine is reasonable and appropriate.

5. Re-Vesting of Assets

Upon the occurrence of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, title to all of the Assets of the Filing Entities and their respective Estates will vest in the Filing Entities and in the Reorganized Filing Entities, as applicable, free and clear of all liens, Claims, Causes of Action, interests, security interests and other encumbrances and without further order of the Bankruptcy Court. On and after the occurrence of the Effective Date, except as otherwise provided in the Plan, the Filing Entities and the Reorganized Filing Entities may operate their businesses and may use, acquire and dispose of their Assets free of any restrictions of the Bankruptcy Code.

6. Initial Boards of Directors

a. Filing Entities other than Reorganized New QHB

On the Effective Date, the initial board of directors (or managers, as applicable) of each Filing Entity, except Reorganized New QHB, will be comprised of the individuals who hold such positions as of the Effective Date.

b. Reorganized New QHB at Effective Date

On the Effective Date, the initial board of directors of Reorganized New QHB shall consist of seven (7) members comprised of the following individuals:

- the Chief Executive Officer of Reorganized New QHB;
- four (4) individuals to be selected by the Quad-C Entity in its sole discretion;
- one (1) individual to be nominated and elected by the Second Lien Lenders in their sole discretion; and
- one (1) individual to be selected by Apollo, in its sole discretion.

c. Identity of Directors

The identities of the members of the board of directors of Reorganized New QHB will be disclosed prior to the conclusion of the Confirmation Hearing.

d. Reorganized New QHB After Effective Date

From and after the Effective Date, the board of directors of Reorganized New QHB shall consist of seven (7) members selected and determined in accordance with the provisions of the Reorganized New QHB Constituent Documents and applicable law. The Reorganized New QHB Constituent Documents shall provide that: (i) the Chief Executive Officer of Reorganized New QHB will be a member of the board of directors of Reorganized New QHB; (ii) the holders of New Preferred Stock and the New Common Stock into which it is converted, voting together as a class, shall have the right to nominate and elect four (4) members of the board of directors of Reorganized New QHB and shall maintain that right only for such time as the original holders of such New Preferred Stock that is issued under the Plan and their Affiliates, in the aggregate, continue to hold shares representing or convertible into at least 50% of the New Common Stock into which such New Preferred Stock has been converted or is convertible (calculated, for this purpose, on an "as-converted" basis); (iii) the Second Lien Lenders, voting together as a class, shall have the right to nominate and elect one (1) member of the board of directors of Reorganized New QHB and shall maintain that right only for such time as such holders, and their Affiliates in the aggregate, continue to hold at least 50% of the New Common Stock originally issued to such Second Lien Lenders under the Plan; provided, that Apollo shall not be entitled to participate in the nomination of such director, but shall be entitled to a vote on the election of such director; (iv) Apollo shall have the right to nominate and elect one (1) member of the board of directors of Reorganized New QHB and shall maintain that right only for such time as Apollo

and its Affiliates in the aggregate continue to hold at least 50% of the New Common Stock originally issued to it under the Plan; and (v) the holders of the New Common Stock and the New Preferred Stock, voting together as a single class on an as-converted basis, shall have the right to vote on and elect any director not elected pursuant to the special voting rights described above either because of the lapse of such special voting rights or otherwise.

7. Management and Officers

Except as set forth in Section 7.6 of the Plan, upon the occurrence of the Effective Date, the management and operation of each of the entities comprising the Reorganized Filing Entities will be the general responsibility of each of such entity's then current board and management. Entry of the Confirmation Order will ratify and approve all actions taken by each of the Filing Entities from the Petition Date through and until the Effective Date.

8. Director and Officer Liability Insurance

The Filing Entities' coverage under their director and officer liability insurance policies (including any tail coverage) shall remain in full force and effect after the Effective Date for the term provided under such policies. To the extent executory, such policies shall be deemed assumed pursuant to Article XIII of the Plan.

9. Management Incentive Plan

Pursuant to the Plan, up to 12.5% of the New Common Stock will be reserved for distribution under the Management Incentive Plan. The terms of and allocations of New Common Stock under the Management Incentive Plan shall be determined by the board of directors of Reorganized New QHB from time to time following the Effective Date.

10. Causes of Action

Except as otherwise set forth in the Plan, all Causes of Action of any of the Filing Entities and their respective Estates shall, upon the occurrence of the Effective Date, be transferred to, and be vested in, the Reorganized Filing Entities for the benefit of holders of Allowed Claims under the Plan. Except as otherwise provided in the Plan, the rights of the Reorganized Filing Entities to commence, prosecute or settle such Causes of Action, in their sole discretion, shall be preserved notwithstanding the occurrence of the Effective Date.

No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Reorganized Filing Entities will not pursue any and all available Causes of Action against them. The Reorganized Filing Entities and the Estates expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Filing Entities and the Reorganized Filing Entities expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including without limitation, 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 or after the confirmation or consummation of the Plan.

11. <u>Appointment of the Disbursing Agent</u>

Upon the occurrence of the Effective Date, Reorganized New QHB will be appointed to serve as the Disbursing Agent and will have all powers, rights, duties and protections afforded the Disbursing Agent under the Plan.

12. <u>New First Lien Credit Agreement</u>

On the Effective Date, the Filing Entities shall enter into the New First Lien Credit Agreement. Upon the occurrence of the Effective Date, each holder of an Allowed First Lien Lender Claim shall be deemed a party to the New First Lien Credit Agreement without further act or action by the Reorganized Filing Entities, the administrative agent under the New First Lien Credit Agreement or any holder of an Allowed First Lien Lender Claim.

13. <u>Sources of Cash for Plan Distributions</u>

All Cash necessary for the Disbursing Agent to make payments and Plan Distributions will be obtained from the proceeds of the Exit Revolver, the sale of the New Preferred Stock and the Filing Entities' existing Cash balances.

14. <u>Investment of Funds Held by the Disbursing Agent; Tax Reporting by the Disbursing Agent</u>

The Disbursing Agent may, but shall not be required to, invest any funds held by the Disbursing Agent pending the distribution of such funds pursuant to the Plan in investments that are exempt from federal, state and local taxes. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent may (a) treat the funds and other property held by it as held in a single trust for federal income tax purposes in accordance with the trust provisions of the Internal Revenue Code (sections 641, <u>et</u> <u>seq.</u>), and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

15. <u>Releases by the Filing Entities</u>

As of the Effective Date, for good and valuable consideration, the Filing Entities and the Reorganized Filing Entities in their individual capacities and as Debtors in Possession shall be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Filing Entities, the Reorganized Filing Entities, the Chapter 11 Cases, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Filing Entities or their Estates or the Reorganized Filing Entities against (a) the Filing Entities' and their non-debtor affiliates' present and former officers and directors, (b) the attorneys, accountants, investment bankers, bankruptcy and restructuring advisors and financial

advisors of each of the Filing Entities; except, that nothing in this section shall be construed to release any party or entity from (a) willful misconduct or gross negligence as determined by a Final Order or (b) any objections by the Filing Entities or the Reorganized Filing Entities to Claims filed by such party or entity against any Filing Entity and/or its Estate. Notwithstanding the foregoing, nothing contained herein shall release from Avoidance Actions any attorneys, accountants, investment bankers, bankruptcy and restructuring advisors and financial advisors of each of the Filing Entities that were not employed by the Filing Entities after the Petition Date.

As of the Effective Date, for good and valuable consideration, the Filing Entities and the Reorganized Filing Entities in their individual capacities and as Debtors in Possession also shall be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Filing Entities, the Reorganized Filing Entities, the Chapter 11 Cases, the Plan or the Disclosure Statement, or the Prepetition Credit Facilities or Note Purchase Agreement and that could have been asserted by or on behalf of the Filing Entities or their Estates or the Reorganized Filing Entities against the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo or the Quad-C Parties, including, but not limited to, all Avoidance Actions against such Prepetition Lenders, Prepetition Agents, DIP Lenders, DIP Agent, Apollo or the Quad-C Parties and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers; except that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order.

16. Releases by Creditors

Except as provided in the Plan, subject to the occurrence of the Effective Date, any holder of a Claim that is impaired under the Plan shall be presumed conclusively to have released the Filing Entities, the Reorganized Filing Entities, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, and the Quad-C Parties, and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, as well as the Filing Entities' officers, directors and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim; except that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; except, further, that the foregoing releases shall not apply to any holder of a Claim if such holder "opts out" of the releases provided in this Section by a timely written election pursuant to such holder's Ballot; except, further, however, that each holder of a Second Lien Lender Claim who executed that certain Standstill Agreement, dated October 2, 2009, entered into by and among any such holder and QHB Holdings and Quality Home Brands is presumed conclusively to have elected to provide the foregoing release to the Filing Entities, and each of their domestic subsidiaries, directors, managers, officers, shareholders, partners, members, advisors, representatives and agents, irrespective of such holder's Ballot.

17. Quad-C Entity Release

In addition to any releases provided pursuant to the Plan, the Quad-C Entity's obligations under the Preferred Stock Purchase Agreement will be conditioned upon, among other things, the Quad-C Parties receiving a general release from each of the Prepetition Lenders and the Noteholders.

D. Plan Distribution Provisions

1. Plan Distributions

The Disbursing Agent will make all Plan Distributions. In the event a Plan Distribution will be payable on a day other than a Business Day, such Plan Distribution will instead be paid on the immediately succeeding Business Day, but will be deemed to have been made on the date otherwise due. For federal income tax purposes, except to the extent a Plan Distribution is made in connection with reinstatement of an obligation pursuant to section 1124 of the Bankruptcy Code, a Plan Distribution will be allocated first to the principal amount of a Claim and then, to the extent the Plan Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

2. Timing of Plan Distributions

Except for Plan Distributions that will be made on the Effective Date in accordance with the Plan, each Plan Distribution will be made on the relevant Plan Distribution Date therefor and will be deemed to have been timely made if made on such date or within ten (10) days thereafter.

3. Address for Delivery of Plan Distributions/Unclaimed Plan Distributions

Subject to Bankruptcy Rule 9010, any Plan Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth (a) in the Schedules, (b) on the proof of Claim filed by such holder, (c) in any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e), and (d) in any notice served by such holder giving details of a change of address. If any Plan Distribution is returned to the Disbursing Agent as undeliverable, no Plan Distributions shall be made to such holder unless the Disbursing Agent is notified of such holder's then current address within ninety (90) days after such Plan Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited its right to such Plan Distribution, and the undeliverable Plan Distributions shall be returned to Reorganized New QHB.

4. De Minimis Plan Distributions

No Plan Distribution of less than fifty dollars ($50.00) shall be made by the Disbursing Agent to the holder of any Claim unless a request therefor is made in writing to the Disbursing Agent. If no request is made as provided in the preceding sentence within ninety (90) days of the Effective Date, all such Plan Distributions shall revert to Reorganized New QHB.

5. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued. Any claim in respect of such a voided check shall be made within one hundred and eighty (180) days after the date of issuance of such check. If no request is made as provided in the preceding sentence, any claims in respect of such voided check shall be discharged and forever barred and such unclaimed Plan Distribution shall revert to Reorganized New QHB.

6. Manner of Payment under the Plan

Unless the Person receiving a Plan Distribution agrees otherwise, any Plan Distribution to be made in Cash under the Plan shall be made, at the election of the Disbursing Agent by check drawn on a domestic bank or by wire transfer from a domestic bank. Cash payments to foreign creditors may, in addition to the foregoing, be made at the option of the Disbursing Agent in such funds and by such means as are necessary or customary in a particular foreign jurisdiction..

7. Expenses Incurred on or after the Effective Date and Claims of the Disbursing Agent

Except as otherwise ordered by the Bankruptcy Court or as provided herein, the amount of any reasonable fees and expenses incurred (or to be incurred) by the Disbursing Agent on or after the Effective Date (including, but not limited to, taxes) shall be paid when due. Professional fees and expenses incurred by the Disbursing Agent from and after the Effective Date in connection with the effectuation of the Plan shall be paid in the ordinary course of business. Any dispute regarding compensation shall be resolved by agreement of the parties, or if the parties are unable to agree, as determined by the Bankruptcy Court.

8. Fractional Plan Distributions

Notwithstanding anything to the contrary contained herein, no Plan Distributions of fractional shares or fractions of dollars (whether in Cash or notes) will be made. Fractional shares and fractions of dollars (whether in Cash or notes) shall be rounded to the nearest whole unit (with any amount equal to or less than one-half share or one-half dollar, as applicable, to be rounded down).

9. Special Plan Distribution Provisions for Equity Interests

For the purpose of making Plan Distributions, the transfer ledger or similar register in respect of the New QHB Equity Interests shall be closed as of the close of business on the Effective Date, and the Disbursing Agent shall be entitled to recognize and deal for all purposes herein with only those holders of record stated on the transfer ledger or similar register maintained by New QHB as of the close of business on the Effective Date. The stock of Reorganized New QHB shall be restricted and may be transferred only as permitted under the Securities Act and other applicable securities laws, and in accordance with the restrictions described under "Securities Law Matters" in Article XV hereof.

10. <u>Special Distribution Provisions Concerning the Prepetition Credit Facilities</u>

The following additional provisions apply specifically to Plan Distributions to be made to the holders of Allowed Prepetition Lender Claims under the Plan:

a. Service of Prepetition Agents.

The Prepetition Agents and their agents, successors and assigns or such entity appointed by the Prepetition Lenders will facilitate the making of Plan Distributions to the holders of Allowed Prepetition Lender Claims for which they serve as agent and upon the completion thereof, will be discharged of all their respective obligations associated with the Prepetition Credit Facilities. The rights of holders of Allowed Prepetition Lender Claims will continue in effect for the sole purpose of allowing and requiring the Prepetition Agents to make Plan Distributions on account of such Claims. Any actions taken by the Prepetition Agents with respect to Allowed Prepetition Lender Claims that are not for the purposes authorized herein will be null and void.

b. Substitution of the Prepetition Agents; Distributions.

Upon the occurrence of the Effective Date, the Claims of the applicable Prepetition Agents will be, for all purposes under the Plan, including, without limitation, the right to receive distributions hereunder, substituted for all Claims of individual holders of Allowed Prepetition Lender Claims. On the Plan Distribution Date, which for the purposes of this section shall be the Effective Date, all Prepetition Lender Claims will be settled and compromised in exchange for the distribution to the Prepetition Agents of the applicable Plan Distributions to the holders of Allowed Prepetition Lender Claims as specified in Section 4.1(b) and 4.1(c); provided, that the Prepetition Agents will return to the Disbursing Agent any Plan Distributions held on account of any Allowed Prepetition Lender Claims as to which the requirements of Section 8.11 are not satisfied by the first (1st) anniversary of the Effective Date.

c. Enforcement of Rights of Prepetition Agents.

The rights, liens (including the charging liens) and Claims of the Prepetition Agents with respect to the collection of their fees and expenses from the holders of Allowed Prepetition Lender Claims will survive confirmation of the Plan and may be fully enforced by the Prepetition Agents. All distributions to the Prepetition Agents on behalf of the holders of Allowed Prepetition Lender Claims shall be applied by the Prepetition Agents as provided by the applicable agreement.

11. <u>Surrender and Cancellation of Instruments</u>

As a condition to receiving any Plan Distribution, on or before the Plan Distribution Date, the holder of an Allowed Claim evidenced by a certificate, instrument or note, other than any such certificate, instrument or note that is being reinstated or being left unimpaired under the Plan, will (i) surrender such certificate, instrument or note representing such Claim, including, without limitation, any guaranties except to the extent assumed by the Filing Entities and (ii) execute and deliver such other documents as may be necessary to effect the Plan. Such certificate, instrument or note, including any such guaranties, will thereafter be cancelled and

extinguished. The Disbursing Agent will have the right to withhold any Plan Distribution to be made to or on behalf of any holder of such Claims unless and until (1) such certificates, instruments or notes, including any such guaranties, are surrendered or (2) any relevant holder provides to the Disbursing Agent an affidavit of loss or such other documents as may be required by the Disbursing Agent together with an appropriate indemnity in the customary form. Any such holder who fails to surrender such certificates, instruments or notes, including any such guaranties, or otherwise fails to deliver an affidavit of loss and indemnity prior to the second anniversary of the Effective Date, will be deemed to have forfeited its Claims and will not participate in any Plan Distribution. All property in respect of such forfeited Claims will revert to the Reorganized Filing Entities.

Notwithstanding the foregoing, on the Effective Date, all notes, stock, instruments, certificates and other documents evidencing the First Lien Lender Claims, the Second Lien Lender Claims and the Noteholder Claims, will be cancelled, and the obligations of the Filing Entities thereunder or in any way related thereto will be fully released and discharged except to the extent provided in Article VIII of the Plan.

E. Capital Raising Transactions

1. Issuance of New Preferred Stock

a. Private Placement

On the terms and subject to the conditions of, the Preferred Stock Purchase Agreement, Reorganized New QHB will raise $20,000,000 from the issuance of New Preferred Stock to the Quad-C Entity pursuant to the Plan in a Private Placement that is exempt from registration under the Securities Act by virtue of Section 4(2) thereof and Regulation D promulgated thereunder. The transactions contemplated by the Preferred Stock Purchase Agreement will be conditioned on, among other things, the completion of the Restructuring as contemplated in this Disclosure Statement.

b. Use of Proceeds from the Private Placement

Reorganized New QHB will apply the net proceeds from the sale of the New Preferred Stock in the Private Placement to fund the payment of Allowed Claims and Allowed Administrative Claims as provided in the Plan, and for working capital requirements and general corporate purposes.

c. Distribution of New Preferred Stock

On or as soon as reasonably practicable after the Effective Date, the Disbursing Agent will distribute the New Preferred Stock to the Quad-C Entity or its designee, pursuant to the terms of the Preferred Stock Purchase Agreement.

F. Procedures For Resolving And Treating Contested Claims

1. Objection Deadline

As soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date (subject to being extended by the order of the Bankruptcy Court upon motion of the Disbursing Agent without notice or a hearing), objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made.

2. Prosecution of Contested Claims

The Disbursing Agent may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted as provided herein will be litigated to Final Order or compromised and settled in accordance with Section 10.3 of the Plan.

3. Claims Settlement

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Disbursing Agent will have authority to settle or compromise all Claims and Causes of Action without further review or approval of the Bankruptcy Court, other than (a) the settlement or compromise of a Claim where the difference between the amount of the Claim listed on the Filing Entities' Schedules and the amount of the Claim proposed to be Allowed under the settlement is in excess of $500,000 or (b) any settlement or compromise of a Claim or Cause of Action that involves an Insider.

4. Entitlement to Plan Distributions Upon Allowance

Notwithstanding any other provision of the Plan, no Plan Distribution will be made with respect to any Claim to the extent it is a Contested Claim, unless and until such Contested Claim becomes an Allowed Claim, subject to the setoff rights as provided in Section 15.18 of the Plan. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when) the holder of such Allowed Claim will thereupon become entitled to receive the Plan Distributions in respect of such Claim, the same as though such Claim had been an Allowed Claim on the Effective Date.

5. Estimation of Claims

The Disbursing Agent may, at any time, request that the Bankruptcy Court estimate any Contested Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Disbursing Agent has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contested Claim, that estimated amount will constitute the Allowed amount of such Claim for all purposes under the Plan. All of the objection, estimation, settlement and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one

another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

G. Conditions Precedent to Confirmation of the Plan and the Occurrence of the Effective Date

1. Conditions Precedent to Confirmation

The following are conditions precedent to confirmation of the Plan:

(a) The Clerk of the Bankruptcy Court shall have entered an order or orders (i) approving the Disclosure Statement as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (ii) determining that all votes are binding and have been properly tabulated as acceptances or rejections of the Plan; (iii) confirming and giving effect to the terms and provisions of the Plan; (iv) determining that all applicable tests, standards and burdens in connection with the Plan have been duly satisfied and met by the Filing Entities and the Plan; (v) approving the Plan Documents; and (vi) authorizing the Filing Entities to execute, enter into, and deliver the Plan Documents and to execute, implement and to take all actions otherwise necessary or appropriate to give effect to the transactions and transfer of Assets contemplated by the Plan and the Plan Documents;

(b) The Confirmation Order, the Plan Documents and the Plan are consistent in all material respects with the Restructuring Term Sheet;

(c) The Confirmation Order, the Plan Documents and the Plan are each in a form satisfactory to the Debtors;

(d) The New First Lien Credit Agreement is in a form satisfactory to the First Lien Agent and DIP Agent, whose consent shall not be unreasonably withheld, and, to the extent that the provisions of the Confirmation Order, the Plan Documents and the Plan would affect the First Lien Lenders, such provisions shall be in a form satisfactory to the First Lien Agent and DIP Agent, whose consent shall not be unreasonably withheld;

(e) The Debtors shall have received fully executed commitments from all of the Exit Revolver Lenders, which shall not have been terminated or repudiated, to provide the financing contemplated by the Exit Revolver; and

(f) The Quad-C Entity shall have executed and delivered the Preferred Stock Purchase Agreement, which shall not have been terminated or repudiated.

2. Conditions Precedent to the Occurrence of the Effective Date

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order shall have been entered by the Bankruptcy Court, be in full force and effect and not be subject to any stay or injunction;

(b) All necessary consents, authorizations and approvals shall have been given for the transfers of property and the payments provided for or contemplated by the Plan;

(c) All conditions to (i) the obligations of the Filing Entities under the Plan and the Plan Documents; (ii) the obligations of all parties under the New First Lien Credit Agreement; and (iii) the obligations of all parties under the Preferred Stock Purchase Agreement, shall have been satisfied or waived in accordance with the terms of the Plan or the applicable Plan Document, New First Lien Credit Agreement or Preferred Stock Purchase Agreement;

(d) The New First Lien Credit Agreement shall have become effective;

(e) The transactions contemplated by the Preferred Stock Purchase Agreement shall have been completed; and

(f) The DIP Lender Claim, if any, shall have been paid in full.

3. Waiver of Conditions

The Filing Entities may waive, without notice to any parties in interest or order of the Bankruptcy Court, any one or more of the conditions set forth in Section 11.1 or Section 11.2, except (i) Section 11.1(b) shall not be waived; (ii) Sections 11.1(d) and 11.2(d) shall not be waived without the written consent of the First Lien Agent, which shall not be unreasonably withheld; and (iii) Section 11.2(f) shall not be waived without the written consent of the DIP Agent, which shall not be unreasonably withheld.

4. Effect of Non-Occurrence of the Effective Date

If the Effective Date shall not occur, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against or Equity Interests in a Filing Entity; (b) prejudice in any manner the rights of the Filing Entities, including, without limitation, any right to seek a further extension of the exclusivity periods under section 1121(d) of the Bankruptcy Code; or (c) constitute an admission, acknowledgement, offer or undertaking by the Filing Entities.

H. The Disbursing Agent

1. Powers and Duties

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall be empowered and directed to: (a) take all steps and execute all instruments and documents necessary to make Plan Distributions to holders of Allowed Claims; (b) comply with the Plan and the obligations thereunder; (c) employ, retain or replace professionals to represent it with respect to its responsibilities; (d) object to Claims as specified in Article X of the Plan, and prosecute such objections; (e) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment or Allowance of any Claim as provided in Article X of the Plan; (f) make annual and other periodic reports regarding the status of distributions under the Plan to the holders of Allowed Claims that are outstanding at such time, with such reports to be made available upon request to the holder of any Contested Claim; and (g) exercise such other powers

as may be vested in the Disbursing Agent pursuant to the Plan, the Plan Documents or order of the Bankruptcy Court.

2. Plan Distributions

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall make the required Plan Distributions specified under the Plan on the relevant Plan Distribution Date therefor.

3. Exculpation of Disbursing Agent

Except as otherwise provided in Section 12.3 of the Plan, the Disbursing Agent, together with its officers, directors, employees, agents and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and Equity Interests and all other parties in interest, from any and all Causes of Action arising out of the discharge of the powers and duties conferred upon the Disbursing Agent (and each of its respective paying agents), by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence. No holder of a Claim or an Equity Interest, or representative thereof, shall have or pursue any Cause of Action (a) against the Disbursing Agent or its respective officers, directors, employees, agents, and representatives for making Plan Distributions in accordance with the Plan or (b) against any holder of a Claim for receiving or retaining Plan Distributions as provided for by the Plan. Nothing contained in this Section shall preclude or impair any holder of an Allowed Claim or Allowed Equity Interest from bringing an action in the Bankruptcy Court against any Filing Entity to compel the making of Plan Distributions contemplated by the Plan on account of such Claim or Equity Interest.

I. Treatment of Executory Contracts and Unexpired Leases

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

On the Effective Date, all executory contracts and unexpired leases of the Filing Entities will be assumed pursuant to the provisions of section 365 of the Bankruptcy Code, except: (i) any executory contracts and unexpired leases that are the subject of separate motions to reject, assume, or assume and assign filed pursuant to section 365 of the Bankruptcy Code by the Filing Entities before the Effective Date; (ii) contracts and leases listed in any "Schedule of Rejected Executory Contracts and Unexpired Leases" (the "Rejected Contract Schedule") to be filed by the Filing Entities with the Bankruptcy Court prior to the Confirmation Hearing; (iii) all executory contracts and unexpired leases rejected under this Plan or by order of the Bankruptcy Court entered before the Effective Date; (iv) any executory contract or unexpired lease that is the subject of a dispute over the amount or manner of cure pursuant to the next section hereof and for which the Filing Entities make a motion to reject such contract or lease based upon the existence of such dispute filed at any time; and (v) any agreement, obligation, security interest, transaction or similar undertaking that the Filing Entities believe is not executory.

Inclusion of a contract, lease or other agreement on any Rejected Contract Schedule constitutes adequate and sufficient notice that (i) any Claims arising thereunder or related thereto shall be treated as General Unsecured Claims under the Plan and (ii) the Filing Entities are no

longer bound by, or otherwise obligated to perform, any such obligations, transactions or undertakings relating thereto or arising thereunder from and after the date of such rejection. The exclusion of a contract, lease or other agreement from any Rejected Contract Schedule will not constitute an admission by the Filing Entities as to the characterization of whether any such included contract, lease or other agreement is, or is not, an executory contract or unexpired lease or whether any claimants under any such contract, lease or other agreement are time-barred from asserting Claims against the Filing Entities. The Filing Entities reserve all rights with respect to the characterization of any such agreements.

The Plan will constitute a motion to reject such executory contracts and unexpired leases set forth in any Rejected Contract Schedule filed by the Filing Entities with the Bankruptcy Court prior to the Confirmation Hearing, and the Filing Entities will have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court will constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected agreement, executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interests of the Filing Entities and their Estates.

The Plan will constitute a motion to assume such executory contracts and unexpired leases assumed pursuant to Section 13.1(a) of the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court will constitute approval of such assumptions pursuant to sections 365(a) and (b) of the Bankruptcy Code. Any non-debtor counterparty to an agreement designated as being assumed in Section 13.1(a) of the Plan who disputes the assumption of such executory contract or unexpired lease must file with the Bankruptcy Court and serve upon the Filing Entities a written objection to the assumption, which objection shall set forth the basis for the dispute by no later than ten (10) Business Days prior to the Confirmation Hearing. The failure to timely object will be deemed a waiver of any and all objections to the assumption of executory contracts and unexpired leases designated as being assumed in Section 13.1(a) of the Plan.

2. Cure

At the election of the Filing Entities, any monetary defaults under each executory contract and unexpired lease to be assumed under this Plan will be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code: (a) by payment of the default amount in Cash on the Effective Date or as soon thereafter as practicable or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (i) the amount of any cure payments; (ii) the ability to provide adequate assurance of future performance under the contract or lease to be assumed or assigned; or (iii) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving assumption or assignment, as applicable. The Filing Entities believe that they are current on all obligations under all of the executory contracts and unexpired leases to be assumed pursuant to Section 13.1(a) of the Plan, and thus the Filing Entities believe that no cure obligations are owed. Any non-debtor counterparty to an executory contract or unexpired lease who disputes whether the Filing Entities have any cure obligations with respect to the executory contract or unexpired lease to which they are a party must file with the Bankruptcy Court, and serve upon the Filing

Entities and the Creditors' Committee, if any, a written objection regarding the cure obligation, which objection must set forth the basis for the dispute, the alleged correct cure obligation, and any other objection related to the assumption of the relevant agreement by no later than ten (10) Business Days prior to the Confirmation Hearing. If a non-debtor counterparty fails to file and serve an objection which complies with the foregoing, the non-debtor counterparty will be deemed to have waived any and all objections to the assumption of the relevant agreement as proposed by the Filing Entities, including the lack of any cure obligations.

3. Claims Arising from Rejection, Expiration or Termination

Claims created by the rejection of executory contracts and unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Filing Entities (a) in the case of an executory contract or unexpired lease rejected by the Filing Entities prior to the Confirmation Date, in accordance with the Bar Date Notice, or (b) in the case of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to the Confirmation Date or (ii) is rejected pursuant to Section 13 of the Plan, no later than thirty (30) days after the Confirmation Date. Any such Claims for which a proof of claim is not filed and served by the deadlines set forth in the Bar Date Notice or Section 13.3 of the Plan, as applicable, will be forever barred from assertion and will not be enforceable against the Filing Entities, the Reorganized Filing Entities, their respective Estates, Affiliates or Assets. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as General Unsecured Claims under the Plan subject to objection by the Disbursing Agent.

4. Executory Contracts Involving Intellectual Property

Prior to the commencement of the Chapter 11 Cases, if any, the Company may seek to transfer certain executory contracts that involve intellectual property to a non-debtor subsidiary or affiliate of New QHB, whose assets would continue to be subject to the security interests of the Prepetition Lenders arising from the First Lien Credit Agreement and the Second Lien Credit Agreement. The executory contracts involving intellectual property may include, without limitation, brand licensing contracts, intellectual property and technology licensing contracts, manufacturing and distribution contracts and royalty contracts (the "IP Contracts"). It is expected that such IP Contracts would be transferred back to the Reorganized Filing Entity from which it was transferred following the Effective Date. By transferring the IP Contracts to a non-debtor subsidiary or affiliate of New QHB and then transferring them back to the applicable Reorganized Filing Entity post-Effective Date, the Company believes that it will be able to avoid any adverse effects on its rights with respect to the IP Contracts that may otherwise result from the commencement of the Chapter 11 Cases.

In connection with the potential transfer of the IP Contracts, the Company has sought the agreement of the Prepetition Lenders constituting the Required Lenders (as defined in each of the First Lien Credit Agreement and the Second Lien Credit Agreement) to refrain from exercising any rights under the First Lien Credit Agreement or Second Lien Credit Agreement (as applicable) to (a) enforce any guaranty granted by any subsidiary of the Company which is not a debtor under the Chapter 11 Cases or (b) to foreclose or otherwise enforce any lien against assets

of, or held by, any subsidiary of the Company that is not a debtor under the Chapter 11 Cases, in each case so long as the Company is a debtor under the Chapter 11 Cases. Such agreement by such Prepetition Lenders shall be a condition to the acceptance of the Restructuring and the Plan.

J. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court will retain and will have exclusive jurisdiction over any matter (a) arising under the Bankruptcy Code, (b) arising in or related to the Chapter 11 Cases or the Plan or (c) that relates to the following:

(a) To hear and determine any and all motions or applications pending on the Confirmation Date or thereafter brought in accordance with Article XIII of the Plan for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases to which any of the Filing Entities is a party or with respect to which any of the Filing Entities may be liable, and to hear and determine any and all Claims and any related disputes (including, without limitation, the exercise or enforcement of setoff or recoupment rights, or rights against any third party or the property of any third party resulting therefrom or from the expiration, termination or liquidation of any executory contract or unexpired lease);

(b) To determine any and all adversary proceedings, applications, motions and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Disbursing Agent or the Filing Entities, as applicable, after the Effective Date;

(c) To hear and determine any objections to the allowance of Claims, whether filed, asserted or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow, disallow or estimate any Contested Claim in whole or in part;

(d) To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

(e) To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(f) To hear and determine all Fee Applications and applications for allowances of compensation and reimbursement of any other fees and expenses authorized to be paid or reimbursed under the Plan or the Bankruptcy Code;

(g) To hear and determine all controversies, suits and disputes that may relate to, impact upon or arise in connection with the Plan, the Plan Documents or their interpretation, implementation, enforcement or consummation;

(h) To hear and determine all controversies, suits and disputes that may relate to, impact upon or arise in connection with the Confirmation Order (and all exhibits to the Plan) or its interpretation, implementation, enforcement or consummation;

(i) To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or Cause of Action by, on behalf of, or against the Estates;

(j) To determine such other matters that may be set forth in the Plan, or the Confirmation Order, or that may arise in connection with the Plan, or the Confirmation Order;

(k) To hear and determine matters concerning state, local and federal taxes, fines, penalties or additions to taxes for which the Reorganized Filing Entities, the Filing Entities, the Debtors in Possession or the Disbursing Agent may be liable, directly or indirectly, in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(l) To hear and determine all controversies, suits and disputes that may relate to, impact upon or arise in connection with any setoff and/or recoupment rights of the Filing Entities or any Person under the Plan;

(m) To hear and determine all controversies, suits and disputes that may relate to, impact upon or arise in connection with Causes of Action of the Filing Entities (including Avoidance Actions) commenced by the Disbursing Agent, the Filing Entities or any third parties, as applicable, before or after the Effective Date;

(n) To enter an order or final decree closing the Chapter 11 Cases;

(o) To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan or the Confirmation Order;

(p) To enter any and all appropriate orders necessary to effect and otherwise enforce the Implementation Order; and

(q) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code.

K. Other Material Provisions of the Plan

1. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Filing Entities on or before the Effective Date.

2. Satisfaction of Claims

The rights afforded in the Plan and the treatment of all Claims and Equity Interests therein will be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever against the Filing Entities and the Debtors in Possession, or any of their Estates, Assets, properties or interests in property. Except as

otherwise provided in the Plan, on the Effective Date, all Claims against and Equity Interests in the Filing Entities and the Debtors in Possession shall be satisfied, discharged and released in full. Neither the Reorganized Filing Entities nor the Filing Entities will be responsible for any pre-Effective Date obligations of the Filing Entities or the Debtors in Possession, except those expressly assumed by the Reorganized Filing Entities or any such Filing Entity, as applicable. Except as otherwise provided in the Plan, all Persons will be precluded and forever barred from asserting against the Reorganized Filing Entities, the Filing Entities, their respective successors or assigns, or their Estates, Affiliates, Assets, properties or interests in property any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date.

3. Special Provisions Regarding Insured Claims

Plan Distributions to each holder of an Allowed Insured Claim against any Filing Entity will be made in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified; except, that there shall be deducted from any Plan Distribution on account of an Insured Claim, for purposes of calculating the Allowed amount of such Claim, the amount of any insurance proceeds actually received by such holder in respect of such Allowed Insured Claim. Nothing in Section 15.3 of the Plan shall constitute a waiver of any Claim, right or Cause of Action the Filing Entities or their Estates may hold against any Person, including any insurer. Pursuant to section 524(e) of the Bankruptcy Code, nothing in the Plan shall release or discharge any insurer from any obligations to any Person under applicable law or any policy of insurance under which a Filing Entity is an insured or beneficiary.

4. Third Party Agreements; Subordination

The Plan Distributions to the various classes of Claims and Equity Interests hereunder will not affect the right of any Person to levy, garnish, attach or employ any other legal process with respect to such Plan Distributions by reason of any claimed subordination rights or otherwise. All such rights and any agreements relating thereto will remain in full force and effect, except as otherwise compromised and settled pursuant to the Plan. Plan Distributions will be subject to and modified by any Final Order directing distributions other than as provided in the Plan. The right of the Filing Entities or the Creditors' Committee, if any, to seek subordination of any Claim or Equity Interest pursuant to section 510 of the Bankruptcy Code is fully reserved, and the treatment afforded any Claim or Equity Interest that becomes a Subordinated Claim or subordinated Equity Interest at any time shall be modified to reflect such subordination.

5. Exculpation

None of the Filing Entities, the Reorganized Filing Entities, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, or the Quad-C Parties, or any of their respective officers, directors, members, equity holders, employees, agents, representatives, advisors, attorneys or successors and assigns shall have or incur any liability to any Person for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan,

the consummation of the Plan, or the implementation or administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence determined by a Final Order of the Bankruptcy Court, and, in all respects shall be entitled to rely upon the advice of counsel and all information provided by other exculpated persons herein without any duty to investigate the veracity or accuracy of such information with respect to their duties and responsibilities under the Plan.

6. Discharge of Liabilities

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, the Filing Entities and the Reorganized Filing Entities will be discharged from all Claims and Causes of Action to the fullest extent permitted by section 1141 of the Bankruptcy Code, and all holders of Claims and Equity Interests shall be precluded from asserting against the Reorganized Filing Entities and its Affiliates, the Filing Entities, their Assets, or any property dealt with under the Plan, any further Claim or other Cause of Action based upon any act or omission, transaction, event, thing, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, REORGANIZED NEW QHB AND ITS AFFILIATES WILL NOT HAVE OR BE CONSTRUED TO HAVE OR MAINTAIN ANY LIABILITY, CLAIM, OR OBLIGATION THAT IS BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OTHER OCCURRENCE OR THING OCCURRING OR IN EXISTENCE ON OR PRIOR TO THE EFFECTIVE DATE OF THE PLAN AND NO SUCH LIABILITY, CLAIM, OR OBLIGATION FOR ANY ACTS WILL ATTACH TO REORGANIZED NEW QHB OR ITS AFFILIATES.

7. Discharge of Filing Entities

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, without further notice or order, all Claims of any nature whatsoever will be automatically discharged forever. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Filing Entities, the Reorganized Filing Entities, their Estates, and all successors thereto will be deemed fully discharged and released from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code, or (c) the holder of a Claim based upon such debt has accepted the Plan. The Confirmation Order will be a judicial determination of discharge of all liabilities of the Filing Entities, the Reorganized Filing Entities, their Estates, and all successors thereto. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Filing Entities, the Reorganized Filing Entities, their Estates, or any successor thereto at any time obtained to the extent it relates to a discharged Claim, and operates as an injunction against the prosecution of any action against the Filing Entities, the Reorganized Filing Entities or property of the Filing Entities or the Reorganized Filing Entities or their Estates to the extent it relates to a discharged Claim.

8. Notices

Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing (including, without express or implied limitation, those delivered 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:

QHB Holdings LLC
Attention: T. Tracy Bilbrough
1100 Crescent Green, Suite 105
Cary, North Carolina 27518
Telephone: (856) 764-4126
Facsimile: (919) 852-0700

White & Case LLP
Attention: Thomas E Lauria, Esq.
Wachovia Financial Center
200 South Biscayne Boulevard, Suite 4900
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

Fox Rothschild LLP
Attention: Jeffrey M. Schlerf, Esq.
919 N. Market St, 16th floor
Wilmington, DE 19801
Telephone: (302) 622-4212
Facsimile: (302) 656-8920

9. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws of the State of New York, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan and any agreements, documents and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

10. Expedited Determination

The Disbursing Agent is hereby authorized to file a request for expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed with respect to the Filing Entities.

11. Exemption from Transfer Taxes

Pursuant to section 1146 of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge

or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, will not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

12. **Retiree Benefits**

Pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, will continue to be paid in accordance with applicable law.

13. **Notice of Entry of Confirmation Order and Relevant Dates**

Promptly upon entry of the Confirmation Order, the Filing Entities will publish as directed by the Bankruptcy Court and serve on all known parties in interest and holders of Claims and Equity Interests, notice of the entry of the Confirmation Order and all relevant deadlines and dates under the Plan, including, but not limited to, the deadline for filing notice of Administrative Claims and the deadline for filing rejection damage Claims.

14. **Interest and Attorneys' Fees**

Interest accrued after the Petition Date will accrue and be paid on Claims only to the extent specifically provided for in the Plan, the Plan Documents, the Confirmation Order, the DIP Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan, the Plan Documents or as ordered by the Bankruptcy Court.

15. **Modification of the Plan**

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Filing Entities at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Filing Entities will have complied with section 1125 of the Bankruptcy Code. The Filing Entities may modify the Plan at any time after confirmation and before substantial consummation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A holder of a Claim that has accepted the Plan will be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

16. **Revocation of Plan**

The Filing Entities reserve the right to revoke and withdraw the Plan and/or to adjourn the Confirmation Hearing with respect to any one or more of the Filing Entities prior to the occurrence of the Effective Date. If the Filing Entities revoke or withdraw the Plan with respect to any one or more of the Filing Entities, or if the Effective Date does not occur as to any Filing

Entity, then, as to such Filing Entity, the Plan and all settlements and compromises set forth in the Plan and not otherwise approved by a separate Final Order shall be deemed null and void and nothing contained herein and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims against or Equity Interests in such Filing Entity or to prejudice in any manner the rights of any of the Filing Entities or any other Person in any other further proceedings involving such Filing Entity.

In the event that the Filing Entities choose to adjourn the Confirmation Hearing with respect to any one or more of the Filing Entities, the Filing Entities reserve the right to proceed with confirmation of the Plan with respect to those Filing Entities in relation to which the Confirmation Hearing has not been adjourned. With respect to those Filing Entities for which the Confirmation Hearing has been adjourned, the Filing Entities reserve the right to amend, modify, revoke or withdraw the Plan and/or submit any new plan of reorganization at such times and in such manner as they consider appropriate, subject to the provisions of the Bankruptcy Code.

17. Setoff Rights

In the event that any Filing Entity has a Claim of any nature whatsoever against the holder of a Claim against such Filing Entity, then such Filing Entity may, but is not required to, setoff against the Claim (and any payments or other Plan Distributions to be made in respect of such Claim hereunder) such Filing Entity's Claim against such holder, subject to the provisions of sections 553, 556 and 560 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan will constitute a waiver or release of any Claims that any Filing Entity may have against the holder of any Claim.

18. Compliance with Tax Requirements

In connection with the Plan, the Filing Entities and the Disbursing Agent, as applicable, will comply with all withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities and all Plan Distributions hereunder will be subject to such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a Plan Distribution will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of such Plan Distribution. The Disbursing Agent has the right, but not the obligation, to not make a Plan Distribution until such holder has made arrangements satisfactory to the Disbursing Agent for payment of any such tax obligations.

19. Rates

The Plan does not provide for the change of any rate that is within the jurisdiction of any governmental regulatory commission after the occurrence of the Effective Date. Where a Claim has been denominated in foreign currency on a proof of Claim, the Allowed amount of such Claim shall be calculated in legal tender of the United States based upon the conversion rate in place as of the Petition Date and in accordance with section 502(b) of the Bankruptcy Code.

20. Dissolution of the Creditors' Committee

Upon the Effective Date, the Creditors' Committee, if any, will dissolve automatically, whereupon its members, professionals and agents will be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to (a) applications for Fee Claims or reimbursement of expenses incurred as a member of the Creditors' Committee and (b) any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order or pending appeals of orders entered in the Chapter 11 Cases

21. Injunctions

On the Effective Date and except as otherwise provided herein, all Persons who have been, are, or may be holders of Claims against or Equity Interests in the Filing Entities will be permanently enjoined from taking any of the following actions against or affecting the Reorganized Filing Entities or their Affiliates, the Filing Entities or their Affiliates, the Estates, the Assets or the Disbursing Agent, or any of their current or former respective members, directors, managers, officers, employees, agents and professionals, successors and assigns or their respective assets and property with respect to such Claims or Equity Interests (other than actions brought to enforce any rights or obligations under the Plan):

(a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);

(b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;

(c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and

(d) asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Filing Entities may have or assert in respect of the above referenced Claims are fully preserved in accordance with Section 14.18 of the Plan.

22. Binding Effect

The Plan is binding upon the Reorganized Filing Entities, the Filing Entities, the holders of all Claims and Equity Interests, parties in interest, Persons and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

23. Severability

IN THE EVENT THE BANKRUPTCY COURT DETERMINES THAT ANY PROVISION OF THE PLAN IS UNENFORCEABLE EITHER ON ITS FACE OR AS APPLIED TO ANY CLAIM OR EQUITY INTEREST OR TRANSACTION, THE FILING ENTITIES MAY MODIFY THE PLAN IN ACCORDANCE WITH SECTION 15.16 OF THE PLAN SO THAT SUCH PROVISION SHALL NOT BE APPLICABLE TO THE HOLDER OF ANY SUCH CLAIM OR EQUITY INTEREST OR TRANSACTION. SUCH A DETERMINATION OF UNENFORCEABILITY SHALL NOT (A) LIMIT OR AFFECT THE ENFORCEABILITY AND OPERATIVE EFFECT OF ANY OTHER PROVISION OF THE PLAN OR (B) REQUIRE THE RESOLICITATION OF ANY ACCEPTANCE OR REJECTION OF THE PLAN.

24. No Admissions

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED CAUSES OF ACTION, THE PLAN SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THE PLAN SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES AND OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, NEW QHB OR ANY OF ITS SUBSIDIARIES AND AFFILIATES, AS DEBTORS AND DEBTORS IN POSSESSION IN THE CHAPTER 11 CASES.

25. Plan Controls

Unless otherwise specified, all section, article, and exhibit references in the Plan are to the respective section in, article of, or exhibit to the Plan, as the same may be amended, waived or modified from time to time. Words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender. This Disclosure Statement may be referred to for purposes of interpretation to the extent any term or provision of the Plan is determined by the Bankruptcy Court to be ambiguous.

ARTICLE XII.

RISK FACTORS

The holder of a Claim should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Restructuring, the Restructuring Agreements and/or Plan.

A. General Considerations

The Out-of-Court Transaction and the Plan independently set forth the means for satisfying the Claims against and Equity Interests in the Filing Entities. Reorganization of the

Filing Entities' businesses and operations under the proposed Restructuring also avoids the potentially adverse impact of a protracted and costly reorganization.

B. Certain Considerations with Respect to the Restructuring

The Restructuring may not be consummated. If the conditions to each Restructuring Agreement are not satisfied, the Company will not be able or obligated to consummate the Restructuring as an Out-of-Court Transaction. Each Restructuring Agreement is expected to include conditions that, among other things, require that the transactions contemplated by each other Restructuring Agreement must be consummated. Consequently, each element of the Out-of-Court Transaction is conditioned on each other element. Moreover, the Restructuring contemplated by the Plan requires the approvals of the requisite Prepetition Lenders as described in the section hereof entitled "Explanation of Chapter 11 – Confirmation of the Plan" and that the Private Placement be consummated on the terms and subject to the conditions of the Private Placement. Consequently, there can be no assurance that the Restructuring will be completed as either an Out-of-Court Transaction or through the Plan.

The restructuring efforts may not be successful. The Restructuring is designed to improve the Company's consolidated balance sheet and capital structure over time by decreasing the Company's outstanding consolidated debt and significantly reducing its annual interest expense. However, these efforts may not be successful. Accordingly, the Company cannot ensure that it will be able to achieve its objectives with respect to its business restructuring strategy, regardless of whether the Restructuring is consummated.

The Plan may negate the acceptance requirements of the Out-of-Court Transaction. If the Out-of-Court Transaction is not consummated, but the Filing Entities receive sufficient votes in favor of the Plan, holders of Old Debt that did not vote to accept the Plan may nevertheless receive the same consideration as if they had accepted the Out-of-Court Transaction. If the Company chooses to effect the Restructuring through the Plan in the Chapter 11 Cases, all holders of Old Debt will be bound by the terms of the Plan whether or not they vote to accept the Plan. If the Plan is approved, a holder of Old Debt that did not vote to accept the Plan will nevertheless receive the same consideration as such holder would have received in the proposed Out-of-Court Transaction.

The Out-of-Court Transaction and the Plan may not be successful. If the Out-of-Court Transaction is not consummated and the Plan is not approved, the Company will likely need to seek relief under the Bankruptcy Code without the benefit of a plan of reorganization approved by the claimants, unless it is able to obtain alternative financing. If the Filing Entities seek bankruptcy relief under such circumstances, holders of Old Debt may receive consideration that is substantially less than what is being offered in the Restructuring. If the Company obtains alternative financing, that financing will likely be on a secured basis and the lenders providing such financing will have priority over holders of Old Debt in any ensuing bankruptcy.

C. Certain Considerations with Respect to the Company's Business

The following are considered to be critical risks to the success of the Company's business:

- The current downturn in economic and market conditions and decreased demand for new construction and remodeling could be prolonged and could materially and adversely affect the Company's business and financial position.

- If the Company fails to accurately anticipate technology and market trends, respond on a timely basis with their own development of new products and enhancements to existing products, and achieve broad market acceptance of these products and enhancements, their competitive position may be harmed and they may not achieve sufficient growth in revenue to attain, or sustain, profitability.

- The Company may be unable to sustain significant customer and distributor relationships.

- Any interruption or delay in the supply of components, or the Company's inability to obtain components from alternate sources at acceptable prices in a timely manner, could harm their business, financial condition and results of operations.

- The Company is subject to risks associated with international commerce, including unexpected changes in legal and regulatory requirements, changes in tariffs and trade policies, risks associated with the protection of intellectual property and political and economic instability.

- The Company's results may be adversely affected by fluctuations in the cost or availability of raw materials and components.

- The Company depends on distributors and independent sales representatives for a substantial portion of their revenue and sales, and the failure to manage successfully their relationships with these third parties, or the termination of these relationships, could cause their revenue to decline and harm their business.

- A significant product recall or product liability case could result in significant losses, destruction of product inventory, lost sales, adverse publicity, damage to reputation and a loss of consumer confidence in the Company's products, which could have a material adverse effect on their business, financial condition and results of operations.

- If the Company is unable to attract or retain qualified personnel, their business and product development efforts could be harmed.

- If the Company is unable to obtain and adequately protect their intellectual property rights, their ability to commercialize their products could be substantially limited.

- The Company is subject to competition from a wide variety of companies active in the lighting industry, many of whom are not facing the financial difficulties affecting the Company.

- The Company is subject to a broad range of environmental, health, and safety laws and regulations and may be exposed to substantial environmental, health and safety costs and liabilities.

D. Certain Bankruptcy Considerations

If the Company pursues the Restructuring through the Plan, and the Plan is not confirmed and consummated, there can be no assurance that any alternative plan of reorganization or restructuring would be on terms as favorable to the holders of impaired Claims as the terms of the Plan. In addition, if a protracted reorganization were to occur, there is a substantial risk that holders of Claims would receive less than they would receive under the Plan. See the Liquidation Analysis.

Necessity of the Exit Facility and the Private Placement. If the Plan is confirmed, but the Filing Entities do not enter into the Exit Facility or the Private Placement is not completed, the Company will likely need to amend the Plan to provide for alternative treatment of Claims and Equity Interests. To the extent that the Filing Entities do not enter into the Exit Facility or effect the Private Placement as contemplated by the Plan, there can be no assurance that any alternative plan of reorganization would be on terms as favorable to the holders of impaired Claims and Equity Interests as the terms of the Plan. If any modifications to the Plan are material, it will be necessary to resolicit votes from those adversely affected by the modifications with respect to such amended Plan.

Risk of Non-Occurrence of the Effective Date. Although the Filing Entities believe that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to the timing or as to whether the Effective Date will occur.

General Effect. The filing of bankruptcy petitions by the Company, and the publicity attendant thereto, may adversely affect the Company's business. The Company believes that any such adverse effects may worsen during the pendency of protracted Chapter 11 Cases if the Plan is not confirmed as expected.

Effect of the Chapter 11 Cases on Relations with Customers and Suppliers. Although the Company believes that it has good relationships with its customers, suppliers and other vendors, and intends to seek authority from the Bankruptcy Court on the Petition Date to continue its manufacturing, distribution and retail operations, as well as payment of suppliers and

other vendors in the ordinary course, there can be no assurance that such customers, suppliers and other vendors will continue to consummate transactions with the Company after the commencement of the Chapter 11 Cases. Therefore, the Chapter 11 Cases may adversely affect the Company's business.

E. Inherent Uncertainty of Financial Projections

The Projections set forth in Schedule 6 hereto cover the Company's operations through year 2013. These Projections are based on numerous assumptions, including the timing, confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Filing Entities, industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Reorganized Filing Entities and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Disclosure Statement is approved by the Bankruptcy Court may affect the actual financial results of the Filing Entities' or the Reorganized Filing Entities' operations. These variations may be material and may adversely affect the ability of the Reorganized Filing Entities to make payments with respect to post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation or other assurance of the actual results that will occur.

Except with respect to the Projections and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Company, Filing Entities and the Reorganized Filing Entities do not intend to update the Projections for the purposes hereof; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections.

F. Certain Considerations Relating to New Common Stock

Lack of Trading Market. The New Common Stock to be issued to Second Lien Lenders and Noteholders in accordance with the Restructuring will not be listed for trading on any national securities exchange or quotation system. Moreover, no assurance can be given that there will be any active trading market for the New Common Stock. Even if an active trading market does develop, the Company cannot assure you that it will continue for any period of time or at what price or prices the New Common Stock will trade. Lack of liquidity in the New Common Stock also may make it more difficult for the Company to raise additional capital, if necessary, to support its financing needs.

Transfer Restrictions. The New Common Stock to be issued in the Restructuring will be subject to certain restrictions on transfer pursuant to the Securities Act, as more fully set forth under Article XV hereof. Additionally, the New Common Stock will be subject to restrictions on transfer to prevent Reorganized New QHB from becoming a "reporting company" under the Securities Exchange Act of 1934, as amended as more fully described in Article XV hereof.

Potential Dilution. The Management Incentive Plan will reserve certain shares of New Common Stock for issuance to certain members of management and employees of Reorganized New QHB. Additionally, the New Preferred Stock may be converted into shares of New Common Stock. If the New Preferred Stock is converted or shares of New Common Stock are issued under the Management Incentive Plan, the ownership percentage represented by the New Common Stock of Reorganized New QHB distributed to Second Lien Lenders and Noteholders pursuant to the Restructuring would be diluted.

Dividends. The Company anticipates that no cash dividends or other distributions will be paid with respect to the New Common Stock in the foreseeable future.

G. Methods of Solicitation

Section 1126(b) of the Bankruptcy Code provides that the holder of a claim against, or interest in, a debtor who accepts or rejects a plan of reorganization before the commencement of a chapter 11 case is deemed to have accepted or rejected such plan under the Bankruptcy Code so long as the solicitation of such acceptance was made in accordance with applicable non-bankruptcy law governing the adequacy of disclosure in connection with such solicitations, or, if such laws do not exist, such acceptance was solicited after disclosure of "adequate information," as defined in section 1125 of the Bankruptcy Code. In addition, Bankruptcy Rule 3018(b) states that a holder of a claim or interest who has accepted or rejected a plan before the commencement of the case under the Bankruptcy Code will not be deemed to have accepted or rejected the plan if the court finds, after notice and a hearing, that the plan was not transmitted in accordance with reasonable solicitation procedures.

The Company believes that the use of the Disclosure Statement and Ballots for the purpose of soliciting acceptances of the Plan is in compliance with the Bankruptcy Code. Moreover, the Company believes that its solicitation of votes to accept or reject the Plan from Holders of Claims in Class 2 – First Lien Lender Claims; Class 3 – Second Lien Lender Claims; and Class 5 – Noteholder Claims is proper under applicable non-bankruptcy law, rules, and regulations, and contains adequate information as defined by section 1125(a) of the Bankruptcy Code. The Company also believes that it is not required to solicit any other class under the Bankruptcy Code or applicable non-bankruptcy law, rules or regulations. While the Company believes its solicitation of the Plan meets the requirements of section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b), there can be no assurance that the Bankruptcy Court will agree. If the Bankruptcy Court determines that the solicitation does not comply with the requirements of section 1126(b) of the Bankruptcy Code, the Company may seek to resolicit acceptances, and, in such event, confirmation of the Plan could be delayed and possibly jeopardized.

H. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and interests in, the Filing Entities. The Bankruptcy Code also provides that the Plan may place a Claim or interest in a particular Class only if such Claim or interest is substantially similar to the other Claims or interests of such Class. The Company believes that all Claims and Equity Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Company presently anticipates that it would seek (i) to modify the Plan to provide for whatever classification might be required for confirmation and (ii) to use the acceptances received from any creditor pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such creditor ultimately is deemed to be a member. Any such reclassification of creditors, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which such creditor was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan requires resolicitation, the Filing Entities will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan of any holder of Claims pursuant to this solicitation will constitute a consent to the Plan's treatment of such holder regardless of the Class as to which such holder is ultimately deemed to be a member. The Company believes that under the Bankruptcy Rules the Filing Entities would be required to resolicit votes for or against the Plan only when a modification adversely affects the treatment of the Claim of any creditor or equity holder.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or interest of a particular Class unless the holder of a particular Claim or interest agrees to a less favorable treatment of its Claim or interest. The Company believes that it has complied with the requirement of equal treatment. However, to the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the confirmation and Effective Date of the Plan and could increase the risk that the Plan will not be consummated.

I. Claims Estimations

There can be no assurance that the estimated Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

ARTICLE XIII.

PLAN CONFIRMATION AND CONSUMMATION PROCEDURES

A. Overview

A plan of reorganization may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and equity holders, and the obligations owed by the debtor to such parties are compromised and

exchanged for the obligations specified in the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims and Equity Interests against the Filing Entities to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Company's solicitation of votes on the Plan if the Company pursues the Restructuring through the Plan.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. Section 1129(a) sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests of creditors" test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims or equity interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the bankruptcy court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under a plan without the need for further financial reorganization. The Company believes that the Plan satisfies all of the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests of creditors" test and the "feasibility" requirement.

The Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan of reorganization for the bankruptcy court to determine that the class has accepted the plan. Rather, a class of creditors will be determined to have accepted the plan if the bankruptcy court determines that the plan has been accepted by a majority in number and two-thirds in amount of those claims actually voting in such class. Similarly, a class of equity security holders will have accepted the plan if the bankruptcy court determines that the plan has been accepted by holders of two-thirds of the number of shares actually voting in such class.

In addition, classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable or contractual rights associated with the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity on the effective date of the plan. Except for Class 2 – First Lien Lender Claims; Class 3 – Second Lien Lender Claims; and Class 5 – Noteholder Claims, which are impaired, all classes of Claims and Equity Interests are unimpaired under the Plan and therefore, are not entitled to vote on the Plan.

B. Confirmation of the Plan

1. Elements of Section 1129 of the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under section 1129 of the Bankruptcy Code are satisfied. Among the requirements for confirmation of a plan of reorganization are that:

(a) The Plan complies with the applicable provisions of the Bankruptcy Code.

(b) Each of the Filing Entities has complied with the applicable provisions of the Bankruptcy Code.

(c) The Plan has been proposed in good faith and not by any means proscribed by law.

(d) Any payment made or promised by the Filing Entities or by an entity issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court; and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

(e) The Filing Entities have 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 Filing Entities or a successor to the Filing Entities under the Plan and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Filing Entities have disclosed the identity of any Insider that will be employed or retained by such Filing Entity and the nature of any compensation for such Insider.

(f) With respect to each impaired class of Claims, each holder of an impaired Claim either has accepted the Plan or will receive or retain under the Plan, on account of the Claims held by such entity, property of a value, as of the applicable consummation date under the Plan, that is not less than the amount that such entity would receive or retain if the Filing Entities were liquidated on such date under chapter 7 of the Bankruptcy Code.

(g) In the event that the Filing Entities do not move to confirm the Plan non-consensually, each class of Claims entitled to vote has either accepted the Plan or is not impaired under the Plan.

(h) Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims and Priority Claims will be paid in full on the applicable consummation date and that Priority Tax Claims will be paid in full, in cash, on the applicable consummation date or as soon as practicable thereafter; however, the Filing Entities shall have the right to make deferred cash payments on

account of such Priority Tax Claims over a period not exceeding six (6) years after the date of assessment of such Claims, having a value, as of the applicable consummation date, equal to the allowed amount of such Claims.

(i) At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

(j) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Filing Entities or any other successor to the Filing Entities under the Plan, unless such liquidation or reorganization is proposed in the Plan.

(k) All fees payable under section 1930 of Title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

(l) The Plan provides for the continuation after the consummation of the Plan of payment of all retiree benefits, if any, at the level established under section 1114(e)(1)(B) or (g) of the Bankruptcy Code at any time prior to confirmation of the Plan, for the duration of the period any of the Filing Entities has obligated itself to provide such benefits.

The Filing Entities believe that the Plan will satisfy all the statutory provisions of chapter 11 of the Bankruptcy Code, that they have complied or will have complied with all of the provisions of the Bankruptcy Code, and that the Plan is being proposed and will be submitted to the Bankruptcy Court in good faith.

2. Acceptance

A class of Claims will have accepted the Plan if the Plan is accepted, with reference to a class of Claims, by the holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims of each such class of Claims.

The Filing Entities intend to tabulate all votes on the Plan on a non-consolidated basis, by-class and by-debtor, for the purpose of determining whether the Plan satisfies sections 1129(a)(8) of the Bankruptcy Code with respect to each Filing Entity.

3. Confirmation Without Acceptance of All Impaired Classes: The "Cramdown" Alternative

If a plan is rejected by an impaired class, but "does not discriminate unfairly" and is "fair and equitable" as to such class, such plan nevertheless may be confirmed pursuant to the "cramdown" provisions of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if such plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. A bankruptcy court may confirm a plan at the request of the debtors if the plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the plan.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A plan is fair and equitable as to a class of claims which rejects such plan if it provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of such plan, equal to the allowed amount of such claim or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if such plan provides (a) that each holder of such equity interest included in the rejecting class receive or retain on account of that equity interest property that has a value, as of the effective date of such plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such equity interest or (b) that the holder of any equity interest that is junior to the equity interests of such class will not receive or retain any property at all on account of such junior equity interest under such plan.

4. Best Interests Test

With respect to each impaired class of holders of Claims, confirmation of the Plan requires that each such holder either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the applicable consummation date under the Plan, that is not less than the value such holder would receive or retain if the Filing Entities were liquidated under chapter 7 of the Bankruptcy Code.

To determine what holders of Claims of each impaired class would receive if the Filing Entities were liquidated, the Bankruptcy Court must determine the proceeds that would be generated from the liquidation of the properties and interests in property of the Filing Entities in a chapter 7 liquidation case. The proceeds that would be available for satisfaction of General Unsecured Claims against and Equity Interests in the Filing Entities would consist of the proceeds generated by disposition of the unencumbered equity in the properties and interests in property of the Filing Entities and the cash held by the Filing Entities at the time of the commencement of the liquidation case. Such proceeds would be reduced by the costs and expenses of the liquidation and by such additional administration and priority claims that may result from the termination of the business of the Filing Entities and the use of chapter 7 for the purposes of liquidation.

The costs of liquidation under chapter 7 of the Bankruptcy Code would include the fees payable to a trustee in bankruptcy and the fees that would be payable to additional attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Filing Entities during the Chapter 11 Cases, such as compensation for attorneys, financial advisors, accountants and costs that are allowed in the chapter 7 case. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Filing Entities during the pendency of the Chapter 11 Cases.

The foregoing types of Claims and such other Claims which may arise in the liquidation cases or result from any pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay General Unsecured Claims arising on or before the Petition Date.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the liquidation of the properties and interests in property of the Filing Entities (net of the amounts attributable to the aforesaid claims) is then compared with the present value offered to such classes of Claims and Equity Interests under the Plan.

In applying the "best interests" test, it is possible that Claims and Equity Interests in the chapter 7 cases may not be classified according to the seniority of such Claims and Equity Interests as provided in the Plan. In the absence of a contrary determination by the Bankruptcy Court, all General Unsecured Claims arising on or before the Petition Date which have the same rights upon liquidation would be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the chapter 7 cases of the Filing Entities. The distributions from the liquidation proceeds would be calculated ratably according to the amount of the Claim held by each creditor. Therefore, creditors who claim to be third-party beneficiaries of any contractual subordination provisions might have to seek to enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. The Filing Entities believe that the most likely outcome of liquidation proceedings under chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full with interest, and no stockholder receives any distribution until all creditors are paid in full with interest.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" environment in which such a liquidation would likely occur; (iii) the adverse effects on the salability of business segments as a result of the likely departure of key employees and the loss of customers; and (iv) the substantial increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 cases, the Filing Entities have determined that confirmation of the Plan will provide each holder of a Claim or Equity Interest with a greater recovery than it would receive pursuant to liquidation of the Filing Entities under chapter 7 of the Bankruptcy Code.

In order to determine the amount of liquidation value available to creditors, the Filing Entities prepared a liquidation analysis that provides an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation for the Filing Entities (the "Liquidation Analysis"). The Liquidation Analysis is attached to this Disclosure Statement as Schedule 5.

While the Filing Entities believe that the assumptions underlying the Liquidation Analysis are reasonable, it is possible that certain of those assumptions would not be realized in an actual liquidation. Notwithstanding the foregoing, the Filing Entities believe that any liquidation analysis with respect to the Filing Entities is inherently speculative. The Liquidation Analysis for the Filing Entities necessarily contains estimates of the net proceeds that would be received from a forced sale of assets and/or business units, as well as the amount of Claims that will ultimately become Allowed Claims. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

The Company believes that the recovery value under the Plan is greater than the Prepetition Lenders and Noteholders would receive in a chapter 7 liquidation. As set forth in the Liquidation Analysis, holders of First Lien Lender Claims would receive a recovery that would be no higher than 30% in liquidation. The best interests test standard is satisfied with respect to such lenders in that, under the Plan, the principal amount of their First Lien Debt will not be reduced, and such debt will be paid at a higher rate of interest under the New Credit Facility. Additionally, because the Plan will deleverage the Company's assets, obligations under the New Credit Facility are much less susceptible to the default risk. Further, the Company's ongoing obligations under the New Credit Facility will be subject to the same recourse with respect to the assets of the Company, and thus, because the security interest is the same, the First Lien Lenders' interest in the Company's assets will not be affected.

Similarly, the best interests test standard is satisfied as to the Second Lien Lenders and the Noteholders. As established in the Liquidation Analysis, the First Lien Lenders would receive less than a 100% recovery in liquidation; therefore, the Second Lien Lenders and the Noteholders would not receive any recovery under that scenario. By contrast, under the Plan, the Second Lien Lenders and the Noteholders will receive New Common Stock and, therefore, the ability to share in the potential upside of the Company's business going forward. Lastly, the Plan provides for the payment in full to all general unsecured creditors, which, according to the Liquidation Analysis, would not occur in a hypothetical chapter 7 case.

Accordingly, the Filing Entities believe that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied because the Filing Entities believe that the members of each impaired Class will receive greater or equal value under the Plan than they would in a liquidation. Although the Filing Entities believe that the Plan meets the "best interests" test of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will determine that the Plan meets this test.

5. Feasibility

The Bankruptcy Code requires that the Bankruptcy Court determine that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Filing Entities. For purposes of showing that the Plan meets this feasibility standard, the Filing Entities have analyzed the ability of the Reorganized Filing Entities to meet their obligations under the Plan and retain sufficient liquidity and capital resources to conduct their business.

The Filing Entities believe that with the deleveraged capital structure contemplated under the Restructuring, the Filing Entities will be able to achieve the financial results set forth in the Projections. Based on the terms of the Plan, (it is assumed that the Effective Date will occur on or about thirty to sixty days following the Petition Date) at emergence the Reorganized Filing Entities shall have been released from more than $155.9 million in debt obligations and the ongoing interest payments related thereto.

Holders of Claims against and Equity Interests in the Filing Entities are advised, however, that the Projections were not prepared with a view toward compliance with the published guidelines of the American Institute of Certified Public Accountants or any other regulatory or professional agency or body or generally accepted accounting principles.

In addition to the assumptions footnoted in the Projections themselves, the Projections also assume that (i) the Plan will be confirmed and consummated in accordance with its terms; (ii) there will be no material adverse change in legislation or regulations, or the administration thereof, including environmental legislation or, regulations, that will have an unexpected effect on the operations of Reorganized Filing Entities; (iii) there will be no change in United States generally accepted accounting principles that will have a material effect on the reported financial results of the Reorganized Filing Entities; and (iv) there will be no material contingent or unliquidated litigation or indemnity claims applicable to the Reorganized Filing Entities. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and considered reasonable by the Filing Entities when taken as a whole, the assumptions and estimates underlying the Projections are subject to significant business, economic and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Filing Entities.

Accordingly, the Projections are only estimates that are necessarily speculative in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and are likely to increase over time. The Projections should therefore not be regarded as a representation by the Filing Entities or any other person that the results set forth in the Projections will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The Projections should be read together with the information in the sections of this Disclosure Statement entitled "Risk Factors" which set forth important factors that could cause actual results to differ from those in the Projections.

The Filing Entities do not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Filing Entities do not intend to update or revise the Projections to reflect changes in general economic or industry conditions. Whether actual results will conform to the Projections is subject to a number of risks and uncertainties, including all of the risks described under the section entitled "Risk Factors" above, as well as the following:

- the high degree of competition in the Filing Entities' business;
- the susceptibility of the Filing Entities' business to general economic conditions;
- discovery of unknown contingent liabilities;
- the interest rate environment;
- the ability to retain the customer base; and
- future capital requirements.

C. Effect of Confirmation

Under section 1141 of the Bankruptcy Code, the provisions of a confirmed plan bind the debtor, any entity issuing securities under the plan, any entity acquiring property under the plan

and any creditor or equity security holder, whether or not the claim or interest of such creditor or equity security holder is impaired under the plan and whether or not such creditor or equity security holder voted to accept the plan. Further, after confirmation of a plan, the property dealt with by the plan is free and clear of all claims and interests of creditors and equity security holders, except as otherwise provided in the plan or the confirmation order.

ARTICLE XIV.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain U.S. federal income tax consequences expected to result from the implementation of the Restructuring. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), as in effect on the date of this Disclosure Statement and on U.S. Treasury Regulations in effect (or in certain cases, proposed) on the date of this Disclosure Statement, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view with respect to one or more of the issues discussed below, and no ruling from the IRS has been or is expected to be sought with respect to any issues which may arise under the Restructuring.

The following summary is for general information only and discusses certain U.S. federal income tax consequences of the Restructuring to the Company, the "U.S. Holders" of Old Debt and the "U.S. Holders" of New Securities, or the Cash-Pay Term Loans, PIK Term Loans or any debt instruments issued in respect of the New Credit Facilities (sometimes referred to together as "New Debt") who receive such Stock or New Debt as a result of the Restructuring. This summary assumes that the Equity Reorganization will have taken place prior to the consummation of the Restructuring and this summary does not address the U.S. federal income tax consequences of the Equity Reorganization. For purposes of this summary, a "U.S. Holder" is a beneficial owner of New Securities or New Debt that, for U.S. federal income tax purposes, is: (a) a citizen or resident of the United States; (b) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust if such trust validly elects to be treated as a United States person for U.S. federal income tax purposes, or if (I) a court within the United States is able to exercise primary supervision over its administration and (II) one or more United States persons have the authority to control all of the substantial decisions of such trust. This summary does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular holder. The tax treatment of a U.S. Holder may vary depending upon such holder's particular situation. The following discussion does not address state, local or foreign tax considerations that may be applicable to the Company and U.S. Holders. This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, dealers or traders in securities or currencies, tax-exempt entities, persons that hold an equity interest or a security in the Company as a position in a "straddle" or as part of a "hedging," "conversion" or "integrated" transaction for U.S. federal income tax purposes, persons that have a "functional currency" other than the U.S. dollar, persons who hold an equity

interest or a security in the Company through a partnership (or other entity treated as a partnership for U.S. federal income tax purposes), persons who acquired an equity interest or a security in the Company in connection with the performance of services and persons who are not United States persons (as defined in the Tax Code).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Old Debt, New Securities or New Debt, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any such partner should consult its tax advisor as to its tax consequences.

EACH HOLDER OF OLD DEBT IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE RESTRUCTURING. EACH HOLDER OF NEW SECURITIES AND NEW DEBT SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE RECEIPT, OWNERSHIP AND DISPOSITION OF SUCH NEW SECURITIES OR NEW DEBT.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Tax Consequences to the Company

1. Cancellation of Debt Income.

The Company generally will realize cancellation of debt ("COD") income with respect to the exchange of Second Lien Debt and Note Claims for New Common Stock pursuant to the Restructuring to the extent that the consideration received in respect of such claim by holders of Second Lien Debt and Note Claims is less than the adjusted issue price, including accrued but unpaid interest, of such Second Lien Debt and Note Claims discharged thereby. In addition, to the extent that the amendment and restatement of the First Lien Credit Agreement results in a "significant modification" of the First Lien Debt for U.S. federal income tax purposes, the Company generally will realize COD income with respect to the resulting "deemed exchange" of First Lien Debt for New Debt pursuant to the Restructuring to the extent that the consideration

received in respect of such claim by holders of First Lien Debt is less than the adjusted issue price, including accrued but unpaid interest, of such First Lien Debt discharged thereby. The amount of consideration paid to a creditor generally would equal the amount of cash, the fair market value of property (including fair market value of any stock under Section 108(e)(8) of the Tax Code), and/or the issue price of any new debt instrument issued (or deemed issued) to such creditor (under Section 108(e)(10) of the Tax Code).

The "issue price" of New Debt issued to a U.S. Holder of First Lien Debt in an exchange (including a deemed exchange) will depend on whether either (x) the New Debt or (y) the First Lien Debt exchanged therefor are "publicly traded" under applicable Treasury Regulations. If neither (a) the New Debt nor (b) the First Lien Debt exchanged therefor is so traded, the issue price of the New Debt will be equal to its stated principal amount. If the New Debt is "traded on an established securities market," then the issue price of the New Debt will be the fair market value of the New Debt. If the First Lien Debt is "traded on an established securities market" (but the New Debt received in exchange therefor is not), the issue price of the New Debt will generally be equal to the fair market value of the First Lien Debt exchanged therefor at the time of the exchange. The Company has made no determination yet as to whether it will treat the New Debt or the First Lien Debt as "publicly traded" for this purpose. If either the New Debt or First Lien Debt is treated as publicly traded, then the Company may be treated as realizing additional COD income as a result of the amendment and restatement of the First Lien Credit Agreement.

Under Section 108 of the Tax Code, COD income will not be recognized (i) if the COD income occurs in a case brought under the Bankruptcy Code, provided the taxpayer is under the jurisdiction of a court in such case and the cancellation of indebtedness is granted by the court or is pursuant to a plan approved by the court (the "Bankruptcy Exception") or (ii) if the COD income occurs outside of a case brought under the Bankruptcy Code, to the extent the Company is insolvent within the meaning of Section 108(d)(3) of the Tax Code (the "Insolvency Exception"). Generally, under Section 108(b) of the Tax Code, any COD income excluded from income under the Bankruptcy Exception or Insolvency Exception must be applied against and reduce certain tax attributes of the taxpayer. Unless the taxpayer elects to have such reduction apply first against the basis of its depreciable property, such reduction is first applied against net operating losses ("NOLs") of the taxpayer (including NOLs from the taxable year of discharge and any NOL carryover to such taxable year) and then to certain tax credits, capital loss and capital loss carryovers and tax basis. If the Restructuring occurs pursuant to the Plan, the Company will be under the jurisdiction of the Bankruptcy Court in such case, and any cancellation of the Old Debt will be pursuant to the Plan. As a result, in such case, the Company will not be required to recognize any COD income realized as a result of the implementation of the Restructuring. If the Restructuring occurs through an Out-of Court Transaction, then the Company will not be required to recognize any COD income realized as a result of the Restructuring to the extent of the Company's insolvency.

Notwithstanding the foregoing, the Company will be required to reduce its tax attributes in an amount equal to the amount of COD income excluded from income under the Bankruptcy Exception or Insolvency Exception, as the case may be. The Company anticipates that it will

realize COD income as a result of the consummation of the Restructuring and intends to reduce certain of its tax attributes by the amount of such COD income.

2. Accrued Interest.

To the extent that there exists accrued but unpaid interest on the Old Debt and to the extent that such accrued but unpaid interest has not been deducted previously by the Company, portions of payments made in consideration for the satisfaction of such Old Debt that are allocable to such accrued but unpaid interest should be deductible by the Company. Any such interest that is not paid generally will not be deductible by the Company and generally will not give rise to COD income.

To the extent that the Company has previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to the Company. If such amounts are not paid, they will give rise to COD income that would be excluded from gross income pursuant to the Bankruptcy Exclusion in the case of a Restructuring pursuant to the Plan or that would be excluded from gross income to the extent of the Company's insolvency under the Insolvency Exception in the case of a Restructuring pursuant to an Out-of-Court Transaction. As a result, the Company generally would be required to reduce its tax attributes to the extent of such interest previously deducted and not paid.

3. Utilization of Company Net Operating Loss Carryforwards.

a. *Limitation on NOLs and Other Tax Attributes.*

Following the implementation of the Restructuring, any remaining NOLs, tax credit carryforwards, losses or deductions that are "built-in" (i.e., economically accrued but unrecognized) and possibly, certain other tax attributes of the Company allocable to periods prior to the Effective Date (collectively, "Pre-Change Losses") may be subject to an annual limitation under Section 382 of the Tax Code if there is an "ownership change" of the Company (unless, in the case of a Restructuring pursuant to the Plan, a special bankruptcy exception applies, as discussed in "*Special Bankruptcy Exceptions*" below). In general, an ownership change occurs when the percentage of a corporation's stock owned by certain "5 percent shareholders" increases by more than 50 percentage points in the aggregate over the lowest percentage owned by them at any time during the applicable "testing period" (generally, the shorter of (a) the 36-month period preceding the testing date or (b) the period of time since the most recent ownership change of the corporation).

b. *General Section 382 Annual Limitation.*

In general, the amount of the annual limitation to which a loss corporation (or a loss consolidated group) that undergoes an ownership change would be subject is equal to the product of (i) the fair market value of the stock of the loss corporation immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (determined based on interest rates published monthly by the IRS) (the "Section 382 Limitation"). Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, the

annual Section 382 Limitation may be further reduced if the loss corporation (or the loss consolidated group) (i) does not continue its historic business or uses a significant portion of its assets in a new business for two years after the ownership change or (ii) undergoes a second ownership change. In addition, if a loss corporation (or loss consolidated group or subgroup) has a "net unrealized built-in loss" beyond a certain minimum amount immediately before an ownership change, then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as a Pre-Change Loss and will be subject to the annual limitation. Conversely, if the loss corporation (or loss consolidated group) has a net unrealized built-in gain beyond a certain minimum amount immediately before an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the annual limitation in the year recognized. The rules applicable to net unrealized built-in losses and net unrealized built-in gains generally apply to consolidated groups on a consolidated basis; however, with respect to net unrealized built-in losses, special rules apply to a corporation that joins the consolidated group within five years prior to the ownership change.

c. *Special Bankruptcy Exceptions.*

The Tax Code provides two alternative bankruptcy exceptions from the Section 382 Limitation for loss corporations undergoing an ownership change pursuant to a bankruptcy proceeding. The first exception, Section 382(l)(5) of the Tax Code, applies where qualified (so-called "old and cold") creditors and existing shareholders of the debtor receive at least fifty (50)% of the vote and value of the stock of the reorganized debtor in a case under the Bankruptcy Code. Under this exception, a debtor's pre-ownership change NOLs are not subject to the Section 382 Limitation but are instead reduced by the amount of any interest deductions allowed during the three taxable years preceding the taxable year in which the ownership change occurs, and during the part of the taxable year prior to and including the effective date of the bankruptcy reorganization, in respect of the debt converted into stock of the debtor in the reorganization. Moreover, if this exception applies, any further ownership change of the debtor within a two (2)-year period after the original ownership change to which this exception applied will preclude the debtor's utilization of any pre-change losses at the time of the subsequent ownership change against future taxable income.

An "old and cold" creditor is a creditor that has held the debt of the debtor for at least eighteen (18) months prior to the date of the filing of the case or that has held "ordinary course indebtedness" at all times it has been outstanding.

The second bankruptcy exception, Section 382(1)(6) of the Tax Code, provides relief in the form of a relaxed computation of the Section 382 Limitation. Treasury Regulations promulgated under Section 382(1)(6) of the Tax Code provide that the value of the loss corporation for purposes of computing the Section 382 Limitation will be the lesser of (i) the value of the stock of the loss corporation immediately after the ownership change and (ii) the value of the loss corporation's gross assets immediately before the ownership change, subject to certain adjustments. Section 382(l)(6) does not require, as does Section 382(l)(5), that the Section 382 Limitation be reduced by prior interest deductions taken in respect of the debt converted into stock of the debtor in the reorganization.

The Restructuring will trigger an ownership change of the Company. In the case of a Restructuring pursuant to the Plan, it is not known at the present time whether the Section 382(l)(5) exception could be applicable to such ownership change. Moreover, in such case, even if the Section 382(l)(5) exception is applicable, (i) the Section 382(l)(5) exception may require significant reductions in the Company's NOLs in the amount of certain previous interest deductions, as described above, and (ii) a subsequent ownership change within the two-year period following the Effective Date would reduce the Section 382 Limitation for periods following the subsequent ownership change to zero. Therefore, in the case of a Restructuring pursuant to the Plan, the Company may choose to apply Section 382(l)(6) to such ownership change. In such case, the Company's use of pre-ownership change NOLs, to the extent remaining after the reduction thereof as a result of the COD income realized by the Company (as described above), will be limited and generally will not exceed each year the sum of (i) the product of the longterm tax-exempt rate and the value of the reorganized Company and (ii) the reorganized Company's recognized built-in gains, if any, taken into account for such year.

B. U.S. Federal Income Tax Consequences to U.S. Holders of Old Debt that are Paid in Full Using New Common Stock or New Debt

1. <u>In General</u>

The U.S. federal income tax consequences to a U.S. Holder of Old Debt that exchanges such Old Debt for New Common Stock or New Debt, as the case may be, under the Restructuring may vary depending upon, among other things: (i) the type of consideration received by such holder in exchange for the Old Debt; (ii) the nature of the indebtedness owing to such holder; (iii) whether such holder has previously claimed a bad debt or worthless security deduction in respect of such Old Debt; and (iv) whether the Second Lien Debt or Note Claims constitute a "security" for U.S. federal income tax purposes. For tax purposes, the modification of a debt instrument may represent an exchange of the debt instrument for a new debt instrument, even though no actual transfer takes place.

2. <u>Consequences of Exchanging Second Lien Debt or Note Claims for Stock</u>

If a U.S. Holder's Second Lien Debt or Note Claims are treated as "securities" (as described below) for U.S. federal income tax purposes and such U.S. Holders together with other persons contributing property to the Company in exchange for New Securities as part of the Restructuring are in "control" of the Company immediately after such exchange (the "<u>Control Test</u>"), then the exchange of such Second Lien Debt or Note Claims for New Securities may be treated as a tax-free transaction under the Tax Code. For this purpose, "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of the Company and at least 80 percent of the total number of shares of all non-voting classes of stock of the Company. If a U.S. Holder's Second Lien Debt or Note Claims are not treated as "securities" for U.S. federal income tax purposes or the Control Test is not satisfied, a U.S. Holder should be treated as exchanging its Second Lien Debt or Note Claims for New Securities in a fully taxable exchange.

The determination of whether Second Lien Debt or Note Claims constitute a "security" depends upon the nature of the indebtedness or obligation. Important factors to be considered include, among other things, the length of time to maturity, the degree of continuing interest in the issuer, and the purpose of the borrowing. Generally, corporate debt instruments that mature within five years of issuance are not considered "securities" and corporate debt instruments that mature ten years or more from the time of issuance are considered "securities". Claims for accrued interest generally are not considered "securities". Holders of Second Lien Debt or Note Claims should consult their own tax advisors regarding whether their Second Lien Debt or Note Claims constitute "securities" for these purposes.

If a U.S. Holder's Second Lien Debt or Note Claims are treated as "securities" for U.S. federal income tax purposes and the Control Test is satisfied, the exchange of a U.S. Holder's Second Lien Debt or Note Claims for New Common Stock may qualify as a tax-free transaction. In such case, (i) a holder will not recognize loss with respect to the exchange and (ii) if there is gain (i.e. the fair market value of the consideration received exceeds the tax basis of the property exchanged) a holder will recognize such gain up to the value of any property (other than New Common Stock) and any cash received (except to the extent such property or cash is paying accrued but unpaid interest on the Second Lien Debt or Note Claims). In such case, a U.S. Holder receiving solely New Common Stock should obtain a tax basis in such New Common Stock equal to the tax basis of the Second Lien Debt or Note Claims exchanged therefor, and allocated according to the fair market value of such New Common Stock as of the date of exchange. In such case, a U.S Holder should have a holding period for the New Common Stock that includes the holding period for the Second Lien Debt or Note Claims exchanged therefor.

If a U.S. Holder's Second Lien Debt or Note Claims are not treated as "securities" for U.S. federal income tax purposes or the control test is not satisfied, a U.S. Holder that exchanges its Second Lien Debt or Note Claims for New Common Stock should be treated as exchanging its Old Debt for New Common Stock in a fully taxable exchange. In that case, the U.S. Holder should recognize gain or loss equal to the difference between (i) the fair market value of the New Common Stock received as of the date of the exchange that is not allocable to accrued interest and (ii) such holder's tax basis in the Second Lien Debt or Note Claims, as the case may be, surrendered by such holder. Subject to the discussion of market discount below, such gain or loss generally will be capital in nature and would be long-term capital gain or loss if the Second Lien Debt or Note Claims, as the case may be, were held for more than one year by such holder. To the extent that a portion of the New Common Stock received in the exchange is allocable to accrued interest, the U.S. Holder may recognize ordinary income. A U.S. Holder's tax basis in the New Common Stock should be equal to the fair market value of the New Common Stock as of the date of the exchange. A U.S. Holder's holding period for the New Common Stock should begin on the day following the date of the exchange.

3. <u>Consequences of Modifying Existing Debt Instruments</u>

Where a U.S. Holder's First Lien Debt is continued as Cash-Pay Term Loans or converted into PIK Term Loans, such continuation or conversion may be a modification of a debt instrument that, if significant, will be treated as a "deemed exchange" of such First Lien Debt (an "old" debt instrument) for the New Debt (a "new" debt instrument) under the Treasury Regulations promulgated under Section 1001 of the Tax Code. Such a "deemed exchange"

would be a taxable event, unless a non-recognition provision of the Tax Code were to apply. If the debt modification does not constitute a significant modification of the old debt instrument, the modification would not result in a "deemed exchange" of a holder's old debt instrument for new debt instrument, and therefore, a holder would not recognize gain or loss as a result of a deemed exchange.

If the modification constitutes a significant modification, the resulting "deemed exchange" of a holder's old debt instrument for new debt instrument would constitute a taxable exchange. A U.S. Holder generally will recognize gain or loss on such deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new debt instruments as determined under Section 1273 or 1274 of the Tax Code and (ii) such holder's adjusted tax basis in the old debt instruments. Subject to the discussion of market discount below, any gain recognized in a taxable exchange generally will be capital gain and will be long-term capital gain if, at the time of the deemed exchange, the old debt instruments have been held for more than one year. However, U.S. Holders may not be allowed to recognize currently any loss resulting from the deemed exchange if the deemed exchange is treated as involving 'substantially identical' properties and thus as a "wash sale" within the meaning of Section 1091 of the Tax Code.

The Company has not made a determination yet as to whether or not the continuation or conversion of the First Lien Debt into New Debt constitutes a signification modification. The application of the Treasury Regulations promulgated under Section 1001 of the Tax Code to the continuation and conversion of the First Lien Debt into New Debt and the U.S. federal income tax consequences of any resulting deemed exchange is complex. U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of the continuation and conversion of their First Lien Debt into New Debt.

4. <u>Accrued but Unpaid Interest</u>

In general, to the extent a U.S. Holder of a debt instrument receives cash or property in satisfaction of interest accrued during the holding period of such instrument, such amount will be taxable to such holder as interest income (if not previously included in such holder's gross income). Conversely, such holder may recognize a deductible loss to the extent that any accrued interest claimed or amortized original issue discount was previously included in its gross income and is not paid in full. The extent to which cash or property received by a U.S. Holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Restructuring, all distributions in satisfaction of any Old Debt will be allocated first to the principal amount of such Old Debt, and thereafter to accrued but unpaid interest, if any. However, there is no assurance that such allocation will be respected by the IRS for U.S. federal income tax purposes.

Each U.S. Holder of Old Debt is urged to consult its tax advisor regarding the inclusion in income of amounts received in satisfaction of accrued but unpaid interest, the allocation of consideration between principal and interest, and the deductibility of previously included unpaid interest and original issue discount for tax purposes.

5. Market Discount

If a U.S. Holder of Old Debt purchased such debt obligation at a price less than its issue price, the difference would constitute "market discount'' for U.S. federal income tax purposes. In general, unless the U.S. Holder previously elected to include market discount in income currently as it accrued, any gain realized by a holder on the actual or deemed exchange of its Old Debt under the Restructuring would be treated as ordinary income to the extent of the lesser of (a) the gain recognized or (b) the portion of the market discount that has accrued while such debt obligation was held by the U.S. Holder.

C. Consequences of Ownership of New Securities and New Debt Issued Pursuant to the Restructuring

The following is a description of the principal U.S. federal income tax consequences that may be relevant to a U.S. Holder with respect to the ownership and disposition of the New Securities and the New Debt. This discussion addresses only the U.S. federal income tax considerations of U.S. Holders that will receive New Securities or New Debt under the Restructuring and that will hold such New Securities or New Debt as capital assets.

1. Consequences of Ownership of New Securities Issued Pursuant to the Restructuring.

a. Distributions.

The gross amount of any distribution of cash or property made to a U.S. Holder with respect to the New Securities generally will be includible in gross income by such holder as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of the Company as determined under U.S. federal income tax principles. Dividends received by corporations may qualify for a dividends-received-deduction if certain holding period and taxable income requirements are satisfied, but such corporate holders may be subject to "extraordinary dividend" provisions of the Tax Code. Dividends received by non-corporate holders in taxable years beginning before January 1, 2011 may qualify for a reduced rate of taxation if certain holding period and other requirements are met.

A distribution in excess of the Company's current and accumulated earnings and profits will first be treated as a return of capital to the extent of the holder's adjusted basis in the New Securities and will be applied against and reduce such basis. To the extent that such distribution exceeds the holder's adjusted basis in the New Securities, the distribution will be treated as capital gain, which will be treated as long-term capital gain if such holder's holding period in the New Securities exceeds one year as of the date of the distribution. Long term capital gains may be eligible for reduced rates of taxation.

b. Sale or Exchange of New Securities.

For U.S. federal income tax purposes, a U.S. Holder generally will recognize capital gain or loss on the sale, exchange or other taxable disposition of any of the New Securities in an amount equal to the difference, if any, between the amount realized for the New Securities and such holder's adjusted tax basis in the New Securities. Capital gains of non-corporate holders

derived with respect to a sale, exchange or other disposition of New Securities held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Tax Code.

2. Consequences of Ownership of New Debt Issued Pursuant to the Restructuring.

a. Interest

So long as the issue price of the Cash Pay Term Loans is equal to the stated principal amount of such debt, it is expected that the Cash Pay Term Loans will not be issued with original issue discount ("OID") for federal income tax purposes. In such case, interest paid to a U.S. Holder on Cash Pay Term Loans will be includible in such holder's gross income as ordinary interest income in accordance with such holder's usual method of tax accounting. If the issue price of the Cash Pay Term Loans is not equal to the stated principal amount of such loans, then the Cash Pay Term Loans likely would be treated as issued with OID with the consequences described below under "Original Issue Discount".

Because interest on the PIK Term Loans is payable in PIK interest in certain circumstances, the PIK Term Loans will be treated as issued with OID, as described below. The issuance of additional indebtedness in respect of PIK interest ("PIK Notes") is generally not treated as a payment of interest. Instead, the PIK Term Loans and any PIK Notes issued in respect of PIK interest thereon are treated as a single debt instrument under the OID rules.

b. Original Issue Discount

If the PIK Term Loans or the Cash Pay Term Loans are treated as issued with OID ("OID Notes"), a U.S. Holder of OID Notes will be required to include OID in gross income on an annual basis under a constant yield accrual method, regardless of its regular method of tax accounting. In general, the amount of OID on a debt instrument is equal to the excess of (i) the sum of the debt instrument's stated redemption price at maturity over (ii) the issue price of the debt instrument as determined under Section 1273 or 1274 of the Tax Code. The stated redemption price at maturity of a debt instrument will include all payments on the instrument other than payments of "qualified stated interest." Stated interest on the New Debt will be treated as qualified stated interest.

A U.S. Holder of an OID Note must include OID in gross income for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of its regular method of tax accounting. As a result, a U.S. Holder will include OID in income in advance of the receipt of cash attributable to such income. The amount of OID includible in income by an initial U.S. Holder of an OID Note is the sum of the "daily portions" of OID with respect to the OID Note for each day during the taxable year or portion thereof in which such U.S. Holder holds such OID Note ("Accrued OID"). A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of an OID Note may be of any length and may vary in length over the term of the OID Note, *provided* that each accrual period is no longer than one (1) year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of

the OID Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of qualified stated interest allocable to such accrual period. The adjusted issue price of an OID Note at the start of any accrual period is equal to its issue price, increased by the Accrued OID for each prior accrual period and reduced by any prior payments made on such OID Note (other than payments of qualified stated interest).

When the Company pays interest in cash on the PIK Term Loans, U.S. Holders will not be required to adjust their OID inclusions. Each payment made in cash under a PIK Term Loan will be treated first as a payment of any accrued OID that has not been allocated to prior payments and second as a payment of principal. U.S. Holders generally will not be required to include separately in income cash payments received on the PIK Term Loans to the extent such payments constitute payments of previously accrued OID.

The rules regarding OID are complex. Accordingly, U.S. Holders are urged to consult their own tax advisors regarding their application.

c. Sale, Exchange or Retirement of New Debt

Upon the sale, exchange or retirement of New Debt a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement, other than accrued but unpaid interest which will be taxable as such, and such holder's adjusted tax basis in the New Debt. A U.S. Holder's adjusted tax basis in New Debt generally will be the U.S. Holder's cost therefor, increased by any OID taken into account with respect to the New Debt and reduced by any principal payments received by such U.S. Holder. Any such gain or loss will be capital gain or loss. Capital gains of non-corporate holders derived with respect to a sale, exchange, or other disposition of New Debt held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Tax Code.

D. Backup Withholding Tax and Information Reporting Requirements

U.S. federal backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of the Company's stock or debt obligations regardless of whether such stock or debt obligations existed prior to the Restructuring or were issued pursuant to the Restructuring. Information reporting generally will apply to payments under the Restructuring and to payments of dividends on, interest on, and proceeds from the sale or redemption of such stock or debt obligations made within the United States to a holder of the Company's stock or debt obligations. A payor will be required to withhold backup withholding tax from any payments made under the Restructuring, and payments of dividends on, interest on or the proceeds from the sale or redemption of, the Company's stock or debt obligations within the United States to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 28 percent.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

THE ABOVE SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL, PURPOSES ONLY. ALL HOLDERS OF OLD DEBT, NEW SECURITIES OR NEW DEBT ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE RESTRUCTURING.

ARTICLE XV.

SECURITIES LAW MATTERS

This Article describes the U.S. securities laws governing the issuance of the New Common Stock and the New Preferred Stock (the "New Securities") pursuant to the Restructuring under the two methods of implementation contemplated by this Disclosure Statement. The first section discusses the U.S. securities laws that would govern if the Restructuring is effected through the Out-of-Court Transaction, and the second section discusses issuance of the New Securities through the filing of Chapter 11 Cases under the Plan. The indicative terms of the New Securities offered pursuant to this Disclosure Statement are described at Exhibit "C" of the Plan and Schedule 2 attached to this Disclosure Statement.

A. New Securities Issued in the Out-of-Court Transaction

1. Issuance of New Securities

The New Securities have not been registered under the Securities Act or the securities laws of any U.S. state or other jurisdiction, nor is such registration contemplated. Any New Securities issued in the Out-of-Court Transaction are being offered and sold only under the private placement exemption provided by Section 4(2) of the Securities Act and similar exemptions under the laws of the states where the offering will be made. The New Securities may be offered or sold only to investors that are qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act) or "institutional accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7)) under the Securities Act). Purchasers of the New Securities will be required to make certain acknowledgments, representations and agreements as to their status as "qualified institutional buyers" or "institutional accredited investors."

2. Subsequent Transfers

Shares of the New Securities offered and sold pursuant to the Out-of-Court Transaction will not have been registered under the Securities Act and will therefore be considered "restricted securities" under U.S. securities laws. As such, holders of the New Securities may not sell or

otherwise transfer the New Securities unless such sale or transfer is made pursuant to an effective registration statement under the Securities Act or an applicable exemption from registration thereunder. Holders of the New Securities who propose to transfer or sell shares pursuant to an exemption under the Securities Act must, prior to such transfer or sale, furnish to Reorganized New QHB such certifications, legal opinions or other information as it may reasonably require. Certificates representing the New Securities that are restricted securities will bear a legend to such effect set forth below under "Representations and Acknowledgements."

Subject to the transfer of restrictions noted under subsection C of this Article ("Additional Restrictions on Transfers"), Holders of the New Securities that are not deemed to be affiliates of the Company may transfer or sell the New Securities freely once they have satisfied a one-year holding period. Holders of the New Securities that are deemed to be affiliates of the Company may transfer or sell such securities once they have satisfied a one-year holding period provided the following requirements of Rule 144 under the Securities Act are satisfied before effecting the transfer or sale of their shares:

- current information regarding the Company is available;
- the transfer or sale complies with the volume limitations and manner of sale requirements set forth in Rule 144; and
- a Form 144 is filed with the SEC.

There is no guarantee that the Company will make available such current information.

B. B. New Securities Issued in Accordance with the Plan

1. Issuance of New Securities

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 securities laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold prepetition or administrative claims against the debtor or interests in the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claim or interest and partly for cash or property. Except as noted below, we believe that the offer and sale of the New Common Stock satisfy the requirements of Section 1145(a)(1) of the Bankruptcy Code and therefore, is exempt from registration under the Securities Act and state securities laws.

The New Preferred Stock will not be issued pursuant to the exemption provided under Section 1145(a)(1) of the Bankruptcy Code since such securities will be not issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claim or interest and partly for cash or property. As a result, New Preferred Stock issued in accordance with the Plan is being offered and sold only pursuant to the exemption provided by Section 4(2) of the Securities Act and exemptions of similar import in the laws of the states

where the offering will be made. New Preferred Stock will be offered or sold only to QIBs or "institutional accredited investors." Purchasers of New Preferred Stock will be required to make certain acknowledgments, representations and agreements as to their status as QIBs or "institutional accredited investors."

2. Subsequent Transfers

Subject to the Additional Restrictions on Transfers, the New Common Stock to be issued pursuant to the Plan will generally be freely transferred by recipients following the initial issuance under the Plan and all resales and subsequent transfers of the New Common Stock are exempt from registration under the Securities Act and state securities laws, unless the holder is an "underwriter" with respect to such securities. Section 1145(b) of the Bankruptcy Code defines four types of "underwriters":

(i) persons who purchase a claim against, an interest in, or a claim for an administrative expense against the debtor with a view to distributing any security received in exchange for such claim or interest;

(ii) persons who offer to sell securities offered under a plan for the holders of such securities;

(iii) persons who offer to buy such securities from the holders of such securities, if the offer to buy is:

(A) with a view to distributing such securities; and

(B) under an agreement made in connection with the plan, the consummation of the plan or with the offer or sale of securities under the plan; or

(iv) a person who is an "issuer" with respect to the securities as the term "issuer" is defined in Section 2(11) of the Securities Act.

Under Section 2(11) of the Securities Act, an "issuer" includes any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control of the issuer.

To the extent that persons who receive New Common Stock pursuant to the Plan are deemed to be "underwriters," resales by such persons would not be exempted by Section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Persons deemed to be underwriters may, however, be permitted to sell such New Common Stock without registration pursuant to the provisions of Rule 144 under the Securities Act. These provisions may permit the public sale of securities received by "underwriters" if current information regarding the issuer is publicly available and if volume limitations and certain other conditions are met.

Whether or not any particular person would be deemed to be an "underwriter" with respect to the New Common Stock or other security to be issued or extended, as applicable,

pursuant to the Plan would depend upon various facts and circumstances applicable to that person. Accordingly, we express no view as to whether any particular person receiving New Common Stock or other securities under the Plan would be an "underwriter" with respect to such New Common Stock or other securities.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, WE DO NOT MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN. We recommend that potential recipients of the New Common Stock consult their own counsel concerning whether they may freely trade the New Common Stock under the Securities Act and/or state securities laws.

For restrictions on the subsequent transfers of shares of New Preferred Stock offered and sold under the exemption provided by Section 4(2) of the Securities Act, see "A. New Securities Issued in the Out-of-Court Transaction — 2. Subsequent Transfers" above.

3. <u>Delivery of Disclosure Statement</u>

Under Section 1145(a)(4) of the Bankruptcy Code, "stockbrokers" (as that term is defined in Section 101(53A) of the Bankruptcy Code) are required to deliver to their customers, for the first 40 days after the Effective Date, a copy of this Disclosure Statement (and any supplement to it ordered by the Bankruptcy Court) at or before the time of delivery of any security issued under the Plan.

C. C. Additional Restrictions on Transfer

The Company is currently not required to file reports with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act") because it does not have a class of equity securities with 500 or more "holders of record" (as understood for purposes of Section 12(g) of the Exchange Act). The Company believes that the number of record holders of the New Securities will be less than 500 in the aggregate and that it will not become a "reporting company" under the Exchange Act as a result of the transactions provided for in the Disclosure Statement.

The New Common Stock and the New Preferred Stock will be subject to restrictions on transfer to prevent Reorganized New QHB from becoming a "reporting company" under the Exchange Act. Specifically, no holder of shares of the New Securities shall transfer any such shares to any person, nor shall Reorganized New QHB effect the transfer of any shares of the New Securities to any person, if, at the time of such transfer, Reorganized New QHB has more than a number of record holders of the New Securities in the aggregate to be specified in the constituent documents of Reorganized New QHB, or if the board of directors reasonably determines that such transfer would, if effected, result in Reorganized New QHB having more than such number of holders of record of the New Securities in the aggregate.

D. D. Representations and Acknowledgements

By acquiring the New Common Stock in the Out-of-Court Transaction, or the New Preferred Stock in the Out-of-Court Transaction or in accordance with the Plan, each holder will be deemed to have made the following acknowledgements and representations:

(1) It (A) is a QIB or an "institutional accredited investor" and (B) is acquiring the New Common Stock or the New Preferred Stock for its own account or for the account of a QIB or an "institutional accredited investor;"

(2) It understands that the New Common Stock and the New Preferred Stock are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the New Common Stock and the New Preferred Stock have not been and will not be registered under the Securities Act or any other applicable securities laws and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the New Common Stock or the New Preferred Stock, such New Common Stock or the New Preferred Stock may be offered, resold, pledged or otherwise transferred only pursuant to an effective registration statement under the Securities Act or in accordance with an exemption from such requirements, and that (B) Holders of New Common Stock or New Preferred Stock who propose to transfer or sell shares pursuant to an exemption must, prior to such transfer or sale, furnish to New QHB such certifications, legal opinions or other information as it may reasonably require, and (C) it will, and each subsequent holder is required to, notify any subsequent purchaser of the New Common Stock or the New Preferred Stock from it of the resale restrictions referred to in clauses (A) and (B) above; and

(3) It understands that the New Common Stock and the New Preferred Stock will, unless otherwise agreed by the Company and the holder thereof, bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR IN ACCORDANCE WITH AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR IN ACCORDANCE WITH AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AND THE CERTIFICATE OF INCORPORATION;

(2) IN CONNECTION WITH ANY RESALE OR TRANSFER PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT, THE HOLDER SHALL, PRIOR TO SUCH TRANSFER OR SALE, FURNISH TO NEW QHB SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

ARTICLE XVI.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Company has evaluated numerous alternatives to the Restructuring and the Plan, including, without limitation, the sale of the Filing Entities as a going concern, either as an entirety or on limited bases and the liquidation of the Filing Entities. After studying these alternatives, the Company has concluded that the Restructuring is the best alternative and, if the Restructuring is not effected through the Out-of-Court Transaction, the Plan will maximize recoveries of holders of Claims and Equity Interests. The following discussion provides a summary of the analysis of the Company supporting its conclusion that liquidation or an alternative plan of reorganization for the Filing Entities will not provide higher value to holders of Claims and Equity Interests.

A. Liquidation Under Chapter 7 of the Bankruptcy Code

If the Restructuring is not effected through the Out-of-Court Transaction and the Filing Entities pursue the Plan, but no plan of reorganization can be confirmed, the Chapter 11 Cases of the Filing Entities may be converted to cases under chapter 7, in which event a trustee would be elected or appointed to liquidate the properties and interests in property of the Filing Entities for distribution to their creditors in accordance with the priorities established by the Bankruptcy Code. The Company believes that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for under the Plan because of (1) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee for bankruptcy and professional advisors to such trustee; (2) the erosion in value of assets in the context of the expeditious liquidation required under chapter 7 and the “forced sale” environment in which such a liquidation would likely occur; (3) the adverse effects on the salability of business segments as a result of the likely departure of key employees and the loss of customers; and (4) the substantial increases in claims which would have to be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases. Accordingly, the Company has determined that confirmation of the Plan will provide each holder of a Claim or Equity Interest with a greater recovery than it would receive pursuant to liquidation of the Filing Entities under chapter 7.

A discussion of the effects that a chapter 7 liquidation would have on the holders of Claims and Equity Interests is set out in the Liquidation Analysis.

B. Alternative Plans of Reorganization

If the Plan is not confirmed, any other party in interest could undertake to formulate a different plan of reorganization. Such a plan of reorganization might involve either a reorganization and continuation of the business of the Filing Entities, the sale of the Filing Entities as a going concern, or an orderly liquidation of their properties and interests in property. With respect to an alternative plan of reorganization, the Company has examined various other alternatives in connection with the process involved in the formulation and development of the Plan. The Company believes that the Plan, as described herein, enables holders of Claims and Equity Interests to realize the best recoveries under the present circumstances. In a liquidation of the Filing Entities under chapter 11, the properties and interests in property would be sold in a more orderly fashion and over a more extended period of time than in a liquidation under chapter 7, probably resulting in marginally greater recoveries. Further, if a trustee were not appointed, as one is not required in a chapter 11 case, the expenses for professional fees would most likely be lower than in a chapter 7 case. However, although preferable to a chapter 7 liquidation, the Company believes that a liquidation under chapter 11 for the Filing Entities is a much less attractive alternative than the Plan because the recovery realized by holders of Claims and Equity Interests under the Plan is likely to be greater than their recovery under a chapter 11 liquidation.

The Company believes that the Plan affords holders of Claims the potential for the greatest recovery and, therefore, is in the best interests of such holders. The Plan as presented is the result of considerable negotiations among the Company and the Prepetition Lenders.

If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan of reorganization or (ii) liquidation of the Filing Entities under chapter 7 or 11 of the Bankruptcy Code.

SCHEDULE 1

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SCHEDULE 2

RESTRUCTURING TERM SHEET

Quality Home Brands
Restructuring Term Sheet

This Restructuring Term Sheet (the "Term Sheet") sets forth the principal terms and conditions of a proposed restructuring (the "Restructuring") of the indebtedness of QHB Holdings LLC ("Holdings") and its subsidiaries under (i) that certain First Lien Credit Agreement, dated as of June 20, 2006, by and among Holdings, Quality Home Brands Holdings LLC ("QHB"), the lenders party thereto (the "First Lien Lenders"), BNP Paribas, as administrative agent and collateral agent (in such capacities, the "First Lien Agent") (as amended, the "First Lien Credit Agreement"), and (ii) that certain Second Lien Credit Agreement, dated as of June 20, 2006, by and among Holdings, QHB, the lenders party thereto (the "Second Lien Lenders" and together with the First Lien Lenders, the "Lenders"), and The Bank of New York, as administrative agent (as amended, the "Second Lien Credit Agreement"), and (iii) QHB Holdings' Senior Notes issued pursuant to that certain Note Purchase Agreement, dated as of June 20, 2006, by and among Holdings and the purchasers party thereto (the "Holdco Notes"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the First Lien Credit Agreement.

This Term Sheet is for discussion purposes only and does not, and shall not be construed to, indicate the agreement of BNP Paribas or any First Lien Lender to any amendment to the First Lien Credit Agreement. Any such agreement shall only exist upon execution of definitive documentation, receipt of internal credit approval, consent by the requisite First Lien Lenders, and satisfaction of the conditions precedent to the effectiveness as stated therein. The terms of any such agreement may differ materially from those set forth herein. This Term Sheet and the transactions contemplated hereby are part of a proposed settlement of disputes among the parties identified herein. This Term Sheet is not binding on any party identified herein. Nothing herein shall be deemed an admission of any kind, including the truth of any fact or validity of any legal theory contained herein. In accordance with Federal Rule of Evidence 408, any applicable state rules of evidence and any other rule of similar import, this Term Sheet and all negotiations relating to the transactions contemplated hereby are confidential and shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms contained herein.

Debt to be Restructured:[1] Indebtedness subject to the Restructuring:

(i) approximately $230,668,467 (excluding PIK amounts and accrued and unpaid interest) outstanding Term Loans and $20,000,000 Revolving Commitments under the First Lien Credit Agreement (the "First Lien Debt");

(ii) approximately $[101,155,243] (excluding accrued and unpaid interest) outstanding under the Second Lien Credit Agreement (the "Second Lien Debt"); and

(iii) approximately $[54,697,428] (including accrued and unpaid interest) outstanding under the Holdco Notes (the "Note Claims").

All other indebtedness and capital leases shall remain unchanged.

Sources of Capital: Series A Convertible Preferred Stock: Holdings or a newly-formed corporation that directly or indirectly owns 100% of Holdings ("NewCo") will raise at least $20,000,000 from the issuance of Series A Convertible Preferred Stock (the "Series A Preferred Stock") to Quad-C Management, Inc. or one of its affiliates ("Quad-C"), with the terms set forth in the Series A Convertible Preferred Stock Term Sheet attached hereto as Annex III. The proceeds from the issuance of Series A Preferred Stock will be used for working capital requirements and general corporate purposes; provided, however, that any net proceeds of the Series A Preferred Stock in excess of $20,000,000 may be used for permitted debt repurchases.

New Common Stock: Holdings or NewCo will issue new common stock ("New Common Stock") to the Second Lien Lenders and to the holders of the Holdco Notes (the "Noteholders") in exchange for the Second Lien Debt and the Note Claims, as provided below.

Amendments to First Lien Debt: The First Lien Debt will be continued under the terms of the New First Lien Credit Facilities (the "New First Lien Credit Facilities"), under which the revolving credit facility will be converted to a first-out revolving credit facility, and a portion of the existing term loan will be converted to a PIK term loan, in each case as provided on Annex I.

Exchange of Second Lien Debt: The Second Lien Lenders will receive New Common Stock sufficient to result in an aggregate common equity ownership of Holdings or NewCo at closing of 91.75% (excluding, for this purpose, shares issuable upon conversion of the Series A Preferred Stock and shares issuable under any equity management incentive arrangement) in exchange for the Second Lien Debt. Immediately after giving effect to the transactions contemplated hereby, there will be no Second Lien Debt outstanding.

[1] QHB to confirm amounts.

Exchange of Note Claims: The Noteholders will receive New Common Stock sufficient to result in an aggregate common equity ownership of Holdings or NewCo at closing of 7.50% (excluding, for this purpose, shares issuable upon conversion of the Series A Preferred Stock and shares issuable under any equity management incentive arrangement) in exchange for the Note Claim. Immediately after giving effect to the transactions contemplated hereby, there will be no Note Claims outstanding.

Existing Equity Interests: Existing equity of Holdings shall represent an aggregate common equity ownership of Holdings or NewCo at closing of 0.75% (excluding, for this purpose, shares issuable upon conversion of the Series A Preferred Stock and shares issuable under any equity management incentive arrangement) immediately after giving effect to the transactions contemplated hereby.

Conditions: The Restructuring will be subject to the satisfaction of conditions precedent usual for transactions of this type, including, without limitation, the following conditions precedent:

First Lien Debt / First Lien Credit Agreement: Each of the First Lien Lenders shall have consented to the conversion of the First Lien Debt to the New First Lien Credit Facilities. The First Lien Credit Agreement shall have been amended and restated, and all other definitive documentation relating to the New First Lien Credit Facilities shall be, in each case in form and substance reasonably satisfactory to the First Lien Agent and the First Lien Lenders.

Second Lien Debt: Each of the Second Lien Lenders shall have exchanged its Second Lien Debt for New Common Stock described above.

Holdco Notes: Each of the Noteholders shall have exchanged its Note Claims for New Common Stock described above.

Equity Contribution: Holdings or NewCo shall have received cash proceeds of at least $20,000,000 from the issuance of the Series A Preferred Stock to Quad-C on terms and conditions reasonably satisfactory to the First Lien Agent and the First Lien Lenders (and no fees, reimbursements or other items payable to such investor shall be deducted from such proceeds).

Fees and Expenses: First Lien Agent shall have received the fees specified in a separate fee letter with QHB, together with reimbursement of its costs and expenses incurred in connection with the transactions contemplated hereby.

Approvals: Requisite board and shareholder approvals shall have been obtained for amendments to Holdings' constituent documents and for treatment of its existing equity.

Releases: Customary mutual releases on terms to be agreed will be executed by the Lenders, the Noteholders, the Company and Quad-C.

Other Conditions: Each of the conditions set forth in Annex I and Annex II hereto (as applicable) shall have been satisfied.

Implementation of Restructuring:	Holdings and QHB will solicit the approval of the Restructuring from the Lenders and the Noteholders, which Restructuring shall close upon the consent of 100% of the Lenders and Noteholders, and satisfaction of the other conditions precedent described above. If 100% of the Lenders and Noteholders do not consent, Holdings may implement the Restructuring pursuant to a prepackaged reorganization plan under chapter 11 of the United States Bankruptcy Code. In such event, the Revolving Credit Commitments will be rolled up into a debtor-in-possession financing facility on the terms set forth in Annex II hereto.
Management Equity Plan:	A new management equity incentive plan may be implemented at closing which will potentially dilute the equity otherwise issued pursuant to the Restructuring. Any such plan shall be on terms reasonably satisfactory to the First Lien Agent and the First Lien Lenders.
Corporate Governance:	Quad-C will have majority control of the board of Holdings and common equity ownership of Holdings of at least 39% on a fully diluted basis (excluding, for this purpose, shares issued under any equity management incentive arrangement). The stockholder's agreement (and any other arrangement relating to corporate governance) shall be on the terms set forth in Annex IV, and otherwise reasonably satisfactory to the First Lien Agent and the First Lien Lenders.

Annex I: New First Lien Credit Facilities Term Sheet

Borrower:	Quality Home Brands Holdings LLC ("Borrower")
Guarantors:	QHB Holdings LLC ("Holdings") and all existing and future subsidiaries of the Borrower (the "Guarantors" and, together with the Borrower, the "Credit Parties"); provided, however, that non-U.S. subsidiaries shall only be required to deliver guaranties to the extent it would not result in material increased tax liabilities for the Credit Parties.
Administrative Agent:	BNP Paribas (the "Administrative Agent")
Lenders:	Each of the existing First Lien Lenders.
Closing Date:	The date the conditions precedent to the Restructuring have been satisfied (the "Closing Date").
Type and Amount:	The New First Lien Credit Facilities shall consist of the Cash-Pay Term Loans, the PIK Term Loans and the First-Out Revolving Credit Facility. Cash-Pay Term Loan. The First Lien Credit Agreement shall be amended (as so amended, the "New Credit Agreement") such that existing Term Loans in an aggregate amount equal to $125,600,000 (held pro rata across all First Lien Lenders) shall be deemed continued as cash-pay term loans under the New Credit Agreement (the "Cash-Pay Term Loans"). The Cash-Pay Term Loans will have a final maturity date of June 30, 2014. Once repaid, the Cash-Pay Term Loans may not be reborrowed. Quarterly amortization will be required in aggregate annual amounts equal to 1% of the original aggregate principal amount of the Cash-Pay Term Loans, with the balance payable on the final maturity date. PIK Term Loan. The New Credit Agreement shall provide that existing Term Loans that are not continued as Cash-Pay Term Loans are deemed converted to PIK term loans (the "PIK Term Loans"). The PIK Term Loans will have a final maturity date of June 30, 2014. Once repaid, the PIK Term Loans may not be reborrowed. The PIK Term Loans will not be subject to interim amortization. First-Out Revolving Credit Facility. The New Credit Agreement shall provide that existing Revolving Commitments in an aggregate amount equal to $20,000,000 are deemed reinstated as revolving commitments under a senior secured revolving loan facility under the New Credit Agreement (the "First-Out Revolving Credit Facility"). The First-Out Revolving Credit Facility will mature on June 30, 2014. Availability under the First-Out Revolving Credit Facility will be subject to compliance with borrowing base requirements to be agreed. Up to $5,000,000 of the First-Out Revolving Credit Facility will be available for letters of credit on the same terms and conditions applicable to the Letters of Credit issued under the First Lien Credit Agreement. On the Closing Date, existing Letters of Credit under the First Lien Credit Agreement shall be

deemed to be letters of credit under the New First Lien Credit Facilities.

The Cash-Pay Term Loans and PIK Term Loans are collectively referred to herein as "Term Loans".

Purpose: The First-Out Revolving Credit Facility will provide for the working capital requirements and other corporate purposes of the Credit Parties after the consummation of the Transactions.

Security: The New First Lien Credit Facilities will be secured by first priority perfected liens on all existing and after-acquired property (tangible and intangible) of the Borrower and the Guarantors, including without limitation all accounts receivable, inventory, equipment, intellectual property and other personal property, and all real property, whether owned or leased, and a pledge of the capital stock of the Borrower and its subsidiaries, subject to such customary exceptions as may be agreed upon (the "Collateral"); provided, however, that no more than 66% of the equity interests of non-U.S. subsidiaries will be required to be pledged as security in the event that a pledge of a greater percentage would result in material increased tax liabilities for the Credit Parties.

Negative pledge on all assets of the Credit Parties, subject to customary permitted liens to be agreed upon.

Interest Rates: All outstanding loans under the New First Lien Credit Facilities shall bear interest, at the Borrower's option, at a per annum rate equal to the Base Rate ("Base Rate Loans") or at the reserve adjusted LIBOR Rate ("LIBOR Loans") plus, in each case, an applicable margin determined based on the ratio of consolidated total debt to consolidated EBITDA of the Borrower and its subsidiaries for the immediately preceding four consecutive fiscal quarters (the "Leverage Ratio") as set forth below.

	Reinstated Term Loan Facility		New PIK Term Loan Facility		First-Out Revolving Credit Facility	
Leverage Ratio	LIBOR Loans	Base Rate Loans	LIBOR Loans	Base Rate Loans	LIBOR Loans	Base Rate Loans
> 4.0x	5.25%	4.25%	7.00%	6.00%	5.25%	4.25%
≤4.0x	4.25%	3.25%	6.00%	5.00%	5.25%	4.25%

Notwithstanding the foregoing, (x) the portion of interest in excess of 1.00% per annum payable on PIK Term Loans bearing interest at the rate(s) corresponding to a Leverage Ratio greater than 4.0x shall be payable in kind at the Borrower's option. First Lien Lenders will have the option to receive PIK fees in lieu of any such PIK interest consistent with the terms of the existing Credit Agreement and (y) in the event the Borrower elects to pay all interest in cash and the Leverage Ratio is greater than 4.0x, then the applicable margin shall be 6.25% in the case of LIBOR Loans and 5.25% in the case of Base Rate Loans. In order to obtain such reduction in interest rate in connection with an election to pay interest in cash, such election must be made at the commencement of the applicable interest period, in connection with the applicable interest election. If such

election is not timely made, the Borrower may still elect to pay such interest in cash, but the reduced rate will not apply.

The terms "Base Rate" and "reserve adjusted LIBOR Rate" shall have meanings customary and appropriate for financings of this type; provided that the reserve adjusted LIBOR Rate shall in no event be less than 3.25% per annum, and the Base Rate shall in no event be less than the greater of (x) reserve adjusted LIBOR Rate plus 1.00% per annum, and (y) 4.25% per annum. The basis for calculating accrued interest and the interest periods for LIBOR Loans shall be customary and appropriate for financings of this type. After the occurrence and during the continuation of an event of default, if elected by the Required Lenders or the First Lien Administrative Agent, interest shall accrue at a rate equal to the rate applicable to Base Rate Loans plus an additional 2% per annum and shall be payable on demand.

Interest Payments: Quarterly for Base Rate Loans; on the last day of selected interest periods (which shall be one, two, three and six months) for LIBOR Loans (and at the end of every three months, in the case of interest periods of longer than three months); and upon prepayment, in each case payable in arrears and computed on the basis of a 360-day year (or in the case of interest computed at the prime rate, on the basis of a 365-day year (or 366 days, as appropriate)).

Default Interest: 2.00% per annum plus the rate otherwise applicable. Default Interest shall be payable on demand.

Letter of Credit Fees: A letter of credit fee equal to the applicable margin for LIBOR Loans under the First-Out Revolving Credit Facility, which shall be shared by all First Lien Lenders with commitments under the First-Out Revolving Credit Facility, and a fronting fee equal to 0.25% per annum, which shall be retained by the First Lien Lender issuing the letter of credit, in each case based upon the applicable percentage multiplied by the amount available from time to time for drawing under such letter of credit and payable quarterly in arrears. Customary drawing and amendment fees will be charged by each issuing First Lien Lender.

Commitment Fees: Commitment fees equal to 0.50% per annum times the daily average unused portion of the First-Out Revolving Credit Facility shall accrue from the Closing Date and shall be computed on the basis of a 360-day year and payable quarterly in arrears and upon the maturity or termination of the First-Out Revolving Credit Facility.

Voluntary Prepayments and Commitment Reductions: The New First Lien Credit Facilities may be prepaid in whole or in part without premium or penalty (LIBOR Loans prepayable only on the last days of related interest periods or upon payment of any breakage costs) and the commitments under the First-Out Revolving Credit Facility may be reduced or terminated upon notice and in such amounts as may be agreed upon.

Mandatory Prepayments: Subject to certain exceptions to be agreed upon, the New First Lien Credit Facilities will be prepaid by an amount equal to: (i) 100% of the net cash proceeds of all asset dispositions by the Credit Parties, (ii) 100% of the net cash proceeds from the issuance of debt by the Credit Parties, (iii) 100% of the net cash proceeds from the issuance of equity by the Credit Parties and (iv) 75% of Excess Cash Flow (as defined in the First Lien Credit Agreement) for each fiscal

year.

The First-Out Revolving Credit Facility will be subject to an anti-cash-hoarding covenant with a bi-weekly sweep of cash in excess of $10,000,000 on a bank cash basis to be applied to the outstanding principal balance of the First-Out Revolving Loan Facility; provided that, so long as gross leverage is less than 5.50:1.00, such cash sweep shall occur monthly.

Application of Prepayments absent Default: All voluntary prepayments, received by the First Lien Agent while no event of default exists will be applied either to the Term Loans or the First-Out Revolving Credit Facility, in accordance with the Borrower's instructions.

All mandatory prepayments (other than scheduled amortization payments on the Cash-Pay Term Loans), received by the First Lien Agent while no event of default exists will be applied first to the repayment of the Term Loans on a pro rata basis until all Term Loans have been repaid in full, and second, to the reduction of commitments under the First-Out Revolving Credit Facility and repayment of Loans outstanding under the First-Out Revolving Credit Facility. However, notwithstanding the foregoing, net cash proceeds from asset sales will be applied to the reduction of commitments under the First-Out Revolving Credit Facility and repayment of Loans outstanding under the First-Out Revolving Credit Facility. Amendments to the foregoing application of proceeds that adversely affect the rights of Lenders under the First-Out Revolving Credit Facility shall require the consent of all lenders under the First-Out Revolving Credit Facility.

All prepayments of the Cash-Pay Term Loans shall be applied to the remaining scheduled installments thereof in a manner to be agreed upon.

Application of Proceeds / Application of Prepayments after Default: All payments received by the First Lien Agent after an event of default, and all proceeds from realization upon the Collateral or guarantees will be applied first to the payment of costs and expenses of the First Lien Agent, second to the reduction of commitments under the First-Out Revolving Credit Facility (except that, in the case of voluntary prepayments, the Borrower may elect not to have such prepayment reduce commitments) and repayment in full of the First-Out Revolving Credit Facility, including outstanding principal and accrued and unpaid interest thereon, and third, to the repayment in full of the Term Loans. All prepayments of the Cash-Pay Term Loans shall be applied to the remaining scheduled installments thereof on a pro rata basis. Amendments to the foregoing application of proceeds that adversely affect the rights of Lenders under the First-Out Revolving Credit Facility shall require the consent of all lenders under the First-Out Revolving Credit Facility.

Representations and Warranties: Customary and appropriate for financings of this type, including without limitation due organization and authorization, corporate existence, enforceability, financial condition, no material adverse changes, title to properties, no liens, no litigation, no legal bar, no default under other agreements, payment of taxes, compliance with laws and regulations, Regulation H, no employee benefit liabilities, no environmental liabilities, subsidiaries, use of proceeds, perfection and priority of liens securing the New First Lien Credit Facilities, accuracy of information, full disclosure, and the

accuracy of all representations and warranties in the definitive documents related to the Restructuring.

Affirmative Covenants: Customary and appropriate affirmative covenants for financings of this type, including without limitation covenants relating to delivery of financial statements, certificates, and other information (in form and detail satisfactory to the Administrative Agent), payment of obligations, maintenance of existence and compliance with law and agreements, maintenance of property and insurance, inspection of property, books, records, provision of certain notices, compliance with environmental laws, additional Collateral, maintenance of a credit ratings (which may be a private rating) by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Group, and further assurances, subject to exceptions and baskets to be mutually agreed upon.

Borrowing base certificates will be required on a monthly basis, to be delivered within 20 days after month's end.

Negative Covenants: Customary and appropriate affirmative and negative covenants for financings of this type, including without limitation covenants limiting other indebtedness, liens, investments, guaranties, restricted junior payments (dividends, redemptions and payments on subordinated debt), mergers and acquisitions, sales of assets, capital expenditures, leases, sale leasebacks, transactions with affiliates, conduct of business, optional payments and modifications of debt instruments, hedge agreements, changes in fiscal periods, restrictions on negative pledge clauses, and amendments to acquisition documents, subject to exceptions and baskets to be mutually agreed upon.

Financial Covenants: Financial performance covenants will include:

(i) A minimum fixed charge coverage ratio (tested as of the end of each fiscal quarter) of (a) 1.00:1.00 for each fiscal quarter of 2010, (b) 1.05:1.00 for the first and second fiscal quarters of 2011, (c) 1.10:1.00 for the third and fourth fiscal quarters of 2011, and (d) 1.15:1.00 for the first and second fiscal quarters of 2012;

(ii) Commencing with the third fiscal quarter of 2012, (a) a fixed charge coverage test, (b) an interest coverage test and (c) a gross leverage test, in each case with levels for each fiscal quarter providing a 30% cushion off agreed projections. Fixed charges will be defined as interest and capital expenditures. Interest included in the coverage tests will exclude interest the Borrower is entitled to pay in kind, even if the Borrower elects to pay such interest in cash.

(iii) While any amount remains outstanding under the First-Out Revolving Credit Facility, a requirement to maintain liquidity of at least $5,000,000 as of the last Business Day of each calendar week. Liquidity will be calculated as the sum of book cash plus availability under the First-Out Revolving Credit Facility. Liquidity and cash balance reporting will be due on the first Business Day of each week in a form to be agreed (with five Business Days' grace before an Event of Default). However, at any time that gross leverage is under 5.50:1.00, the foregoing liquidity covenant will be measured only as of the last Business Day of each calendar month (in which event liquidity reporting will be due on

the first Business Day of each calendar month, with the same grace period).

The financial covenant in clause (i) will, for periods prior to 2012, be subject to equity cure, limited to two cures not to exceed, in each case, the lesser of the amount required to cure and $3,000,000.

Financial Advisor: The Borrower will continue to cooperate with the financial advisor engaged by the Administrative Agent's counsel, and will continue to reimburse fees and expenses of such advisor in accordance with its engagement letter, provided, that the Borrower's obligation to reimburse further fees and expenses of such financial advisor will terminate on the Closing Date. Additionally, so long as gross leverage is equal to or above 5.50:1.00, if the Borrower's liquidity as of the last Business Day of any week falls below $10,000,000 twice during any period of twelve consecutive weeks, Holdings will appoint a Chief Restructuring Officer reasonably acceptable to the Administrative Agent, with a scope of work reasonably acceptable to Administrative Agent, who will report to the board of directors of Holdings, and such advisor's engagement shall terminate when the Borrower's liquidity as of the last Business Day of each week has been at least $10,000,000 for four consecutive months, it being agreed that either the Administrative Agent or Majority Lenders may elect in its or their discretion to extend such period up to an additional 5 months.

Events Of Default: Customary and appropriate for financings of this type (subject to customary and appropriate grace periods), including, without limitation, failure to make payments when due, breaches of representations and warranties, defaults under other agreements or instruments of indebtedness, bankruptcy, certain violations of ERISA, judgments in excess of specified amounts, impairment of security interests in Collateral, invalidity of guaranties, noncompliance with covenants, and Changes of Control (to be defined). Financial covenant defaults will be subject to equity cure rights to be agreed.

Conditions Precedent to Initial Funding: Customary and appropriate for financings of this type, or deemed appropriate by First Lien Agent, including, without limitation, execution of loan documents, creation and perfection of liens, delivery of opinions, and proof of insurance.

Conditions to All Borrowings: In addition to the conditions precedent to the initial funding, the conditions to all borrowings under the New First Lien Credit Facilities will include requirements relating to prior written notice of borrowing, the accuracy of representations and warranties in all material respects, compliance with borrowing base requirements, and the absence of any event of default or potential event of default, and will otherwise be customary and appropriate for financings of this type or deemed appropriate by First Lien Agent. Borrowings will not be permitted if cash on hand would exceed $10,000,000 after giving effect to the borrowing.

Indemnification: The Borrower shall indemnify the First Lien Agent, each New First Lien Facility Lender and each of their respective affiliates, directors, officers, agents, attorneys and employees from and against any losses, claims, damages, liabilities and other expenses in a manner customary for financings of this type.

Assignments/ The New First Lien Facility Lenders may assign all or in acceptable minimum amounts any part of their shares of the New First Lien Credit Facilities to their

Participations: affiliates, to other New First Lien Facility Lenders, or to one or more financial institutions or other accredited investors that are Eligible Assignees (to be defined) which are acceptable to (i) the First Lien Agent, such consent not to be unreasonably withheld and (ii) in the case of an assignment of commitments under the First-Out Revolving Credit Facility, and provided no Event of Default has occurred, the Borrower, such consent not to be unreasonably withheld. The New First Lien Facility Lenders will have the right to sell participations, subject to customary limitations on voting rights, in their shares of the New First Lien Credit Facilities.

Permitted Debt Repurchases: The Borrower shall be permitted to purchase Cash-Pay Term Loans and PIK Term Loans through offers made on a ratable basis through the First Lien Agent, provided such purchases are funded solely from the proceeds of equity contributions received after the Closing Date.

Waivers and Amendments: Amendments and waivers will require the approval of the New First Lien Facility Lenders holding in the aggregate more than 50% of the loans and commitments thereunder, provided that (i) the consent of each Lender directly affected thereby shall be required for (a) increases in the commitment of such Lender, (b) reductions of principal, interest or fees, (c) extensions of final and interim scheduled maturities or times for payment of interest or fees, (d) releases of all or substantially all the Collateral (except in connection with the exercise of remedies) and (e) releases of all or substantially all of the Guarantors, (ii) the consent of the New First Lien Facility Lenders holding in the aggregate more than 50% of the loans and commitments of an affected class of the New First Lien Facility Lenders shall be required for changes in mandatory or voluntary prepayments or commitment reductions which disproportionately disadvantage such class, and (iii) the consent of lenders holding in the aggregate more than 50% of the Loans and commitments under the First-Out Revolving Credit Facility shall be required for any increase in commitments under the First-Out Revolving Credit Facility.

Taxes, Reserve Requirements and Indemnities: All payments are to be made free and clear of any present or future taxes (other than franchise taxes and taxes on overall net income), imposts, assessments, withholdings, or other deductions whatsoever. Foreign New First Lien Facility Lenders shall furnish to the First Lien Agent (for delivery to the Borrower) appropriate certificates or other evidence of exemption from U.S. federal income tax withholding.

The Borrower shall indemnify the New First Lien Facility Lenders against all increased costs of capital resulting from reserve requirements or otherwise imposed, in each case subject to customary increased costs, capital adequacy and similar provisions.

Governing Law and Jurisdiction: The Borrower will submit to the non-exclusive jurisdiction and venue of the federal and state courts of the State of New York and will waive any right to trial by jury. New York law shall govern the definitive loan documents.

First Lien Agent's Counsel: Skadden, Arps, Slate, Meagher & Flom LLP.

Annex II: Debtor-in-Possession Financing Term Sheet

Borrower:	Quality Home Brands Holdings LLC ("Borrower")
Guarantors:	QHB Holdings LLC ("Holdings") and all existing and future subsidiaries of the Borrower (the "Guarantors" and, together with the Borrower, the "Credit Parties"); provided, however, that non-U.S. subsidiaries shall only be required to deliver guaranties to the extent it would not result in material increased tax liabilities for the Credit Parties.
Administrative Agent:	BNP Paribas (the "Administrative Agent")
Lenders:	Each of the Lenders having Revolving Commitments under the existing Credit Facility (the "DIP Lenders").
Closing Date:	The date the initial loans are available to be made under the DIP Facility (not later than two days after the Bankruptcy Court issues an interim order approving the DIP Facility).
Type and Amount:	A super-priority secured debtor-in-possession revolving credit facility (the "DIP Facility") to the Borrower as debtor and debtor-in-possession in the Chapter 11 Cases in an aggregate principal amount of up to $20,000,000 (the "DIP Commitment"), of which up to $5,000,000 will be available for letters of credit. Letters of Credit issued under the existing First Lien Credit Agreement will be deemed issued under the DIP Facility.
Availability:	The DIP Facility will be drawn on the Closing Date in an amount sufficient to pay off loans then outstanding under the existing Revolving Commitments. The DIP Facility thereafter shall be available on a revolving basis during the period commencing the day after the Closing Date and ending on the earlier of (i) the date that is 90 days after the Closing Date (the "Maturity Date"), (ii) the date upon which the sale of substantially all of the Debtors' assets is consummated, or (iii) the date of the acceleration of the loan and the termination of the commitments as provided for in the DIP Facility. The DIP Facility shall be subject to subject to compliance with borrowing base requirements to be agreed and a weekly budget containing detailed line-item receipts and expenditures (the "Budget"). Any variance from the Budget will be subject to the sole and absolute approval of the Administrative Agent.
Purpose:	The DIP Loans shall be used (i) to pay off loans then outstanding under the existing Revolving Commitments, (ii) to fund the Chapter 11 Cases, (iii) to pay fees and expenses associated with the DIP Facility, and (iv) for working capital purposes and other corporate purposes of the Borrower.

Security:	All borrowings and reimbursement and other obligations under the DIP Facility and the guarantees thereof, if any, shall at all times be secured by the liens and claims set forth below: (i) pursuant to Section 364(c)(1) of the Bankruptcy Code, be entitled to super-priority claim status in the Chapter 11 Cases; (ii) pursuant to Section 364(c)(2) of the Bankruptcy Code, be secured by a perfected first priority lien on all unencumbered property and assets of the Debtors; (iii) pursuant to Section 364(d)(1) of the Bankruptcy Code, be secured by a perfected first priority, senior priming lien (the **"**Priming Lien**"**) on all assets of the Debtors to be granted to the Administrative Agent, which Priming Lien shall prime all liens securing the First Lien Credit Agreement and the Second Lien Credit Agreement, and shall also prime any liens after the commencement of the Chapter 11 Cases to provide adequate protection in respect of any liens to which the Priming Lien is senior (the "Primed Liens") but shall not prime liens, if any, to which the Primed Liens are subject at the time of the commencement of the Chapter 11 Cases; and (iv) pursuant to Section 364(c)(3) of the Bankruptcy Code, be secured by a perfected junior lien on all property and assets of the Debtors that are subject to valid and perfected liens in existence at the time of the commencement of the Chapter 11 Cases that were permitted by the First Lien Credit Agreement or to valid liens in existence at the time of such commencement as permitted by Section 546(b) of the Bankruptcy Code, (other than liens securing the First Lien Credit Agreement and the Second Lien Credit Agreement); subject in each case, in the event of an occurrence and during the continuance of an Event of Default, to the payment of allowed and unpaid professional fees and disbursements incurred after such Event of Default by the Debtors and any statutory committees appointed in the Chapter 11 Cases in an aggregate amount to be agreed upon and (z) the payment of the fees pursuant to 28 U.S.C. § 1930 ((y) and (z) together, the "Carve-Out"). Notwithstanding the foregoing, so long as a Default or an Event of Default shall not have occurred and be continuing, the Debtors shall be permitted to pay compensation and reimbursement of expense allowed and payable under 11 U.S.C. Sections 330 and 331, as the same may be due and payable, and the same shall not reduce the Carve-Out.
Interest Rates, Interest Payments, Letter of Credit Fees and Commitment Fees:	Interest Rates, Letter of Credit Fees, Commitment Fees and payment terms applicable to the DIP Facility will be the same as those provided for the First-Out Revolving Credit Facility, except that (i) interest and fees shall be paid monthly and (ii) LIBOR interest periods will be limited to one month.
Fees:	First Lien Agent will receive the fees specified in a separate fee letter with the Borrower.
Voluntary and Mandatory Prepayments and Commitment	As provided for the First-Out Revolving Credit Facility, except that all payments will be applied to the repayment of Loans outstanding under the DIP Facility and all mandatory prepayments will be applied to permanently reduce

Reductions: DIP Commitments.

The DIP Facility will be subject to an anti-cash-hoarding covenant with a bi-weekly sweep of cash in excess of $5,000,000 on a bank cash basis to be applied to the outstanding principal balance of the DIP Facility.

Representations and Warranties: Customary and appropriate for financings of this type, and such other representations and warranties as the Administrative Agent may require, including without limitation due organization and authorization, enforceability, financial condition, no material adverse changes, title to properties, no liens, no litigation, payment of taxes, compliance with laws and regulations, no employee benefit liabilities, no environmental liabilities, perfection and priority of liens securing the DIP Facility and superpriority status, continued effectiveness of financing orders and full disclosure.

Covenants: As provided for the First-Out Revolving Credit Facility, with such additional affirmative and negative covenants as are customary and appropriate for financings of this type, and such other covenants as the Administrative Agent may require, including without limitation, the following;

1. compliance with the Budget, on a weekly and cumulative basis, with cushions to be agreed;

2. limitation of capital expenditures to amounts provided in the Budget;

3. delivery of certain notices and financial statements, including without limitation a rolling thirteen (13) week cash forecast of receipts and disbursements to be delivered weekly, together with a weekly and cumulative comparison of actual receipts and disbursements to the most recent forecast, and to the Budget.

Borrowing base certificates will be required on a monthly basis, to be delivered within 20 days after month's end.

Notwithstanding the foregoing, except as specified in the foregoing items 1-4, no financial covenants or liquidity requirements will apply.

Financial Advisor: The Borrower will continue to cooperate with the financial advisor engaged by the Administrative Agent's counsel, and will continue to reimburse fees and expenses of such advisor in accordance with its engagement letter.

Events of Default: Customary and appropriate for financings of this type and such other covenants as the Administrative Agent may require (subject to such grace periods as the Administrative Agent may agree), including without limitation failure to make payments when due, defaults under other agreements or instruments of indebtedness, noncompliance with covenants, breaches of representations and warranties, judgments in excess of specified amounts, invalidity of guaranties, impairment of security interests in collateral, and if the Bankruptcy Court has not entered a final order authorizing the DIP Facility prior to the Closing Date, failure by the Bankruptcy Court to enter a final order confirming the interim order within thirty (30) days of the Closing Date.

Conditions Precedent The same conditions applicable to the New First Lien Credit Facilities, and

to Initial Funding:	additional conditions customary and appropriate for debtor-in-possession financing. For the avoidance of doubt, the interim and final orders approving the DIP Facility, as well as the definitive documentation in connection with the DIP Facility, must be in form and substance acceptable to the Administrative Agent.
Conditions to All Borrowings:	The same conditions applicable to the New First Lien Credit Facilities, including, without limitation, compliance with the Budget and with borrowing base requirements, and additional conditions customary and appropriate for debtor-in-possession financing.
Indemnification:	The Borrower shall indemnify the First Lien Agent, each New First Lien Facility Lender and each of their respective affiliates, directors, officers, agents, attorneys and employees from and against any losses, claims, damages, liabilities and other expenses in a manner customary for financings of this type.
Waivers and Amendments:	Amendments and waivers will require the approval of the DIP Lenders holding in the aggregate more than 50% of the loans and commitments thereunder, provided that (i) the consent of each Lender directly affected thereby shall be required for (a) increases in the commitment of such Lender, (b) reductions of principal, interest or fees, (c) extensions of final and interim scheduled maturities or times for payment of interest or fees, (d) releases of all or substantially all the Collateral (except in connection with the exercise of remedies) and (e) releases of all or substantially all of the Guarantors, and (ii) the consent of the DIP Lenders holding in the aggregate more than 50% of the loans and commitments of an affected class of the Lenders shall be required for changes in mandatory or voluntary prepayments or commitment reductions which disproportionately disadvantage such class.
Taxes, Reserve Requirements and Indemnities:	All payments are to be made free and clear of any present or future taxes (other than franchise taxes and taxes on overall net income), imposts, assessments, withholdings, or other deductions whatsoever. Foreign DIP Lenders shall furnish to the Administrative Agent (for delivery to the Borrower) appropriate certificates or other evidence of exemption from U.S. federal income tax withholding. The Borrower shall indemnify the each DIP Lender against all increased costs of capital resulting from reserve requirements or otherwise imposed, in each case subject to customary increased costs, capital adequacy and similar provisions.
Governing Law and Jurisdiction:	The Borrower will submit to the non-exclusive jurisdiction and venue of the federal and state courts of the State of New York and will waive any right to trial by jury. New York law shall govern the definitive loan documents.
Administrative Agent's Counsel:	Skadden, Arps, Slate, Meagher & Flom LLP.

Annex III: Series A Convertible Preferred Stock Term Sheet

Issuer	Holdings, QHB or NewCo (the "Issuer").
Purchaser	Quad-C.
Securities to be Issued	Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"). The Series A Preferred Stock shall be convertible into newly issued common stock of the Issuer, par value $0.01 per share (the "New Common Stock") as described in this term sheet.
Purchase of Preferred Stock	Quad-C shall purchase an aggregate of at least 20,000 shares of Series A Preferred Stock for an aggregate purchase price of $20,000,000 (subject to increase to reflect the exercise by Quad-C of its option to purchase additional shares of Series A Preferred Stock). The stated value for each share of Series A Preferred Stock shall be $1,000 (the "Stated Value").
Liquidation Preference	In the event of any liquidation, dissolution or winding up of the Issuer, whether voluntary or involuntary, each holder of Series A Preferred Stock (a "Preferred Stock Holder" and collectively, the "Preferred Stock Holders") shall receive, in exchange for each share of Series A Preferred Stock, out of legally available assets of the Issuer, a preferential amount in cash equal to (i) the Stated Value plus (ii) the aggregate amount of all accrued and unpaid dividends or distributions with respect to such share (such preferential amount, the "Liquidation Value").
Dividends; Preference	Each share of Series A Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Issuer's board of directors, at an annual rate of 15% of the Stated Value, which dividends shall be cumulative and accrue annually in arrears; provided, that except as otherwise set forth under the section "Liquidation Preference" and in the immediately succeeding sentence, such dividends shall not be paid in cash; and provided, further, that the accrual of dividends shall not change the amount of the New Common Stock into which the Series A Preferred Stock shall convert. Each Preferred Stock Holder shall, prior to the payment of any dividend or distribution in respect of any Junior Stock, be entitled to be paid in full all accumulated and unpaid dividends in respect of the Series A Preferred Stock.
Ranking	The Series A Preferred Stock shall rank with respect to dividends and distributions upon liquidation, winding-up and dissolution of the Issuer (i) senior to all New Common Stock or other classes of capital stock of the Issuer (the "Junior Stock") and (ii) junior to all indebtedness of the Issuer, whether senior or subordinated.
Conversion Rights	The Series A Preferred Stock shall, in the aggregate, be convertible at any time, without any payment by the holder of Series A Preferred Stock, into a number of shares of New Common Stock equal to (i) the Stated Value divided by (ii) the Conversion Price. The "Conversion Price" shall initially be a price necessary to ensure the conversion of the Series A Preferred Stock owned by Quad-C into an aggregate of 39.5% of the total outstanding shares of New Common Stock on a fully diluted basis (but before the exercise of any management options). The anti-dilution provisions will contain customary protections with respect to stock splits, consolidations and stock dividends and customary anti-dilution protection in the case of issuance of rights, options or convertible securities with an exercise or conversion or exchange

price below the Conversion Price, the issuance of additional equity at a price less than the Conversion Price or fair market value and other similar occurrences.

Voting Rights

The Series A Preferred Stock shall vote, on an "as converted" basis, together as a single class with the holders of the New Common Stock, on all matters submitted to the holders of New Common Stock other than directors, in which event, the Series A Preferred Stock shall have the right to elect specified directors as described in Annex IV.

Veto Rights

The Issuer shall not, and shall not permit its subsidiaries to, so long as the Series A Preferred Stock remains outstanding, take any of the following actions (subject to customary exceptions as applicable) without the prior written approval of a majority in Liquidation Value of the Series A Preferred Stock outstanding:

- liquidate or dissolve the Issuer or any of its subsidiaries, or enter into any bankruptcy proceedings;
- issue additional equity interests in the Issuer or any of its subsidiaries;
- amend the organizational documents of the Issuer in a manner that adversely affects the Series A Preferred Stock;
- incur any indebtedness in excess of $10,000,000 or allow the imposition of any liens on the assets of the Issuer or its subsidiaries;
- enter into a significant new line of business;
- enter into any partnership, joint venture or similar business collaboration;
- enter into any acquisitions outside the ordinary course of business;
- subject to the Drag Right, enter into a Sale of the Company; provided, that any Series A Preferred Stock not owned by Quad-C or its affiliates shall not be entitled to this veto right except for a Sale of the Company in which the Series A Preferred Stock receives less than the Liquidation Value; or
- enter into any merger, consolidation or reorganization that does not constitute a Sale of the Company.

The approval rights set forth above shall be in addition to the other rights set forth above and any voting rights to which the Series A Preferred Stock is entitled above and under Delaware law.

Governing Law

State of Delaware

Annex IV: Corporate Governance Term Sheet

Corporate Governance

The board of directors of Holdings, QHB or NewCo (the "Issuer") shall be fixed at seven (7) directors who shall be elected annually for one (1) year terms. The holders of Series A Preferred Stock and the New Common Stock into which it is convertible, voting together as a class, initially shall have the right to elect four (4) of such directors and shall maintain that right so long as the original holders of the Series A Preferred Stock that is issued at the closing of the Restructuring (the "Closing") continue to hold at least 50% of the New Common Stock into which such Series A Preferred Stock is convertible (calculated, for this purpose, on an "as-converted" basis). Provision shall be made in the Issuer's constituent documents, or through a shareholders agreement, to ensure that one (1) director is nominated and elected by the former Second Lien Lenders (the "Lender Director") (provided that Apollo Investment Corporation shall not nominate the Lender Director but shall be entitled to a vote on the Lender Director's election) and one (1) director is nominated and elected by Apollo Investment Corporation (the "Apollo Director"); provided, that such director rights will be maintained so long as the original Second Lien Lenders or Apollo Investment Corporation, as the case may be, continue to hold at least 50% of the New Common Stock originally issued at the Closing to such Second Lien Lenders or Apollo Investment Corporation, as the case may be. Additionally, the CEO of the Issuer will be a director. Any New Common Stock (or the related Series A Preferred Stock) shall have the right to vote on and elect any director not elected pursuant to any special voting rights.

The affirmative vote of five (5) directors (which shall include at least one of the Apollo Director or the Lender Director) shall be required to approve any of the actions below (the "Supermajority Board Approval"):

- liquidate or dissolve the Issuer or any of its subsidiaries, or enter into any bankruptcy proceedings;
- make any dividends or distributions with respect to any equity interests of the Issuer;
- issue additional equity interests in the Issuer or any of its subsidiaries (other than pursuant to the management equity incentive plan described below and other than an initial public offering);
- incur any indebtedness in excess of $10,000,000 or allow the imposition of any liens (other than certain permitted liens) on the assets of the Issuer or its subsidiaries;
- enter into a significant new line of business;
- enter into any partnership, joint venture or similar business collaboration;
- enter into any acquisitions of any material assets or any other business, entity or person;
- under certain circumstances, enter into a Sale of the Company, as set

- forth under "Sale of the Company" below; or
- enter into any merger, consolidation or reorganization that does not constitute a Sale of the Company.

Sale of the Company

Any Sale of the Company must meet the following approval requirements:

- After the Closing through the second (2nd) anniversary of the Closing, any Sale of the Company shall require a Supermajority Board Approval.
- After the second (2nd) anniversary of the Closing through the fourth (4th) anniversary of the Closing, any Sale of the Company shall require either (i) a Supermajority Board Approval or (ii) the affirmative vote of a majority of the directors ("Simple Board Approval") for a Qualified Sale or, if it is not a Qualified Sale, a Simple Board Approval and a Majority Shareholder Approval.
- After the fourth (4th) anniversary of the Closing, any Sale of the Company shall require a Simple Board Approval.

A "Sale of the Company" means any merger, reorganization, consolidation, share exchange or other business combination which results in (i) the New Common Stock and Preferred Series A Stock being converted into less than a majority of the combined voting power of the voting stock of the surviving or acquiring entity or (ii) a transfer of all or substantially all of the assets (including the subsidiaries) of the Issuer and its subsidiaries (collectively, the "Company").

A "Qualified Sale" is any Sale of the Company that is solely for cash and reflects a total equity value (common and preferred) for the Company of at least $100,000,000.

"Majority Shareholder Approval" means the affirmative vote of the holders of a majority of the New Common Stock and Series A Preferred Stock (voting on an "as converted" basis).

Right to Force a Sale of the Company

After the fourth (4th) anniversary of the Closing, the equity holders of the Issuer shall have the right, upon a Majority Shareholder Approval, to force any Sale of the Company that is solely for cash, reflects a total equity value (common and preferred) for the Company of at least $150,000,000 and in which the Series A Preferred Stock receives proceeds at least equal to the Liquidation Value, notwithstanding any veto rights of the Preferred Stock Holders (the "Drag Right").

Right of First Offer with respect to a Sale of Series A Preferred Stock

Each of the Second Lien Lenders and Noteholders shall have a right of first offer to purchase all Series A Preferred Stock that Quad-C intends to offer for sale on a pro rata basis (on relative ownership at the time of purchase) among any purchasing Second Lien Lenders and Noteholders, subject to customary terms, restrictions and conditions; provided, that such right of first offer will only be available to any Second Lien Lender or Noteholder, as the case may be, that continues to hold at least 50% of the New Common Stock originally issued at the Closing to such Second Lien Lender or Noteholder, as the case may be.

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Releases	The Second Lien Lenders and the Noteholders will execute a general release of claims in favor of Holdings, QHB and each of their domestic subsidiaries, and each of their respective directors, managers, officers, shareholders, partners, members, advisors, representatives and agents. Similarly, Holdings, QHB and each of their domestic subsidiaries will execute a general release of claims in favor of the Second Lien Lenders, the Noteholders and each of their respective directors, managers, officers, shareholders, partners, members, advisors, representatives, agents and affiliates. In addition, the parties will enter into a non-disparagement agreement on customary terms.

SCHEDULE 3

PREPACKAGED JOINT CHAPTER 11 PLAN

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	)	Chapter 11
QHB HOLDINGS LLC, et al.,[1]	)	Case No. 09-________
Debtors.	)	Joint Administration Requested

JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION FOR QHB HOLDINGS LLC AND ITS AFFILIATED DEBTORS

Dated: November [__], 2009

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PROPOSED ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: New QHB (0247), Quality Home Brands Holdings LLC (0532), QHB Holdings LLC (0554), Generation Brands LLC (1825), Murray Feiss Import LLC (0556), Locust GP LLC (0565), LPC Management, LLC (3596), Light Process Company, L.P. (2730), Sea Gull Lighting Products LLC (8003), WoodCo LLC (1169), Tech L Enterprises Inc. (7690), Tech Lighting LLC (2152), LBL Lighting LLC (1784), and Tech L Holdings, Inc. (0613).

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EXHIBITS

Glossary of Defined Terms .... Exhibit A

List of Debtors .... Exhibit B

Terms of New Common Stock .... Exhibit C

QHB Holdings LLC and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases hereby collectively and jointly propose the following chapter 11 plan of reorganization:

ARTICLE I.

DEFINITIONS AND INTERPRETATION

1.1. Definitions

The capitalized terms used herein shall have the respective meanings set forth in the Glossary of Defined Terms attached hereto as Exhibit "A."

1.2. Interpretation

Unless otherwise specified, all section, article, and exhibit references in the Plan are to the respective section in, article of, or exhibit to the Plan, as the same may be amended, waived, or modified from time to time. Words denoting the singular number shall include the plural number and vice versa, as appropriate, and words denoting one gender shall include the other gender. The Disclosure Statement may be referred to for purposes of interpretation to the extent any term or provision of the Plan is determined by the Bankruptcy Court to be ambiguous.

1.3. Application of Definitions and Rules of Construction Contained in the Bankruptcy Code

Words and terms defined in section 101 of the Bankruptcy Code shall have the same meanings when used in the Plan, unless a different definition is given in the Glossary of Defined Terms. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan.

1.4. Other Terms

The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan.

1.5. Appendices and Plan Documents

All appendices to the Plan and the Plan Documents are incorporated into the Plan by this reference and are a part of the Plan as if set forth in full herein. All Plan Documents shall be filed with the Bankruptcy Court not less than fifteen (15) days prior to the commencement of the Confirmation Hearing; provided, however, that the New First Lien Credit Agreement will be made available to holders of First Lien Lender Claims prior to the Plan voting deadline. Holders of Claims and Equity Interests may obtain a copy of the Plan Documents, once filed, by a written request sent to the following address:

White & Case LLP
Wachovia Financial Center
200 South Biscayne Boulevard
Suite 4900
Miami, Florida 33131
Attention: Mark B. Fuhr
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

ARTICLE II.

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

For the purposes of organization, voting and all confirmation matters, except as otherwise provided herein, all Claims against and all Equity Interests in each of the Debtors shall be classified as set forth in this Article II.

2.1. Administrative Claims and Priority Tax Claims

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims on the terms set forth in Article V.

2.2. Claims and Equity Interests

The classes of Claims against and the Equity Interests in the Debtors shall be classified under the Plan as follows:

Class 1 – Priority Claims. Class 1 shall consist of all Priority Claims, other than Priority Tax Claims, against the Debtors.

Class 2 – First Lien Lender Claims. Class 2 shall consist of all First Lien Lender Claims against the Debtors.

Class 3 – Second Lien Lender Claims. Class 3 shall consist of all Second Lien Lender Claims against the Debtors.

Class 4 – Other Secured Claims. Class 4 shall consist of all Other Secured Claims against the Debtors.

Class 5 – Noteholder Claims. Class 5 shall consist of the Noteholder Claims against the Debtors.

Class 6 – General Unsecured Claims. Class 6 shall consist of all General Unsecured Claims against the Debtors.

Class 7 – New QHB Equity Interests. Class 7 shall consist of all Equity Interests in New QHB.

Class 8 – Other Equity Interests. Class 8 shall consist of all Equity Interests in the Debtors other than New QHB Equity Interests.

2.3. Non-Consolidated Plan

Although the Plan has been filed as a joint Plan for each of the Debtors for purposes of administrative convenience and efficiency, the Plan does not provide for the substantive consolidation of the Debtors. Accordingly, the Debtors shall be considered a single estate solely for purposes of voting on the Plan, confirmation of the Plan and making Plan Distributions in respect of Claims against and Equity Interests in the Debtors under the Plan. Such joint administration shall not affect any Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, nor cause the transfer of any assets and, except as otherwise provided by or permitted in the Plan, all Debtors shall continue to exist as separate legal entities. This joint administration serves only as a mechanism to effect a fair distribution of value to the Debtors' constituencies.

2.4. Intercompany Claims

Except as otherwise provided in the Plan, Administrative Claims and Intercompany Claims between and among the Debtors (and their Affiliates, excluding the Quad-C Parties) shall, solely for purposes of receiving Plan Distributions, be deemed resolved and therefore not entitled to any Plan Distribution and shall not be entitled to vote on the Plan.

ARTICLE III.

IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS AND EQUITY INTERESTS

3.1. Unimpaired Classes of Claims and Equity Interests

Class 1 – Priority Claims, Class 4 – Other Secured Claims, Class 6 – General Unsecured Claims, Class 7 – New QHB Equity Interests and Class 8 – Other Equity Interests are not impaired under the Plan.

3.2. Impaired Classes of Claims and Equity Interests

Class 2 – First Lien Lender Claims, Class 3 – Second Lien Lender Claims and Class 5 – Noteholder Claims are impaired under the Plan.

3.3. Impairment Controversies

If a controversy arises as to whether any Claim or Equity Interest, or any class of Claims or Equity Interests, is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

ARTICLE IV.

PROVISIONS FOR TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

4.1. Claims and Equity Interests

The classes of Claims against the Debtors and Equity Interests in the Debtors shall be treated under the Plan as follows:

(a) Class 1 – Priority Claims

Each holder of an Allowed Priority Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Debtor or its successor under the Plan, and such Allowed Priority Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights on the Distribution Date.

(b) Class 2 – First Lien Lender Claims

Each holder of an Allowed First Lien Lender Claim shall, in full satisfaction of such holders' Allowed First Lien Lender Claims against any of the Debtors, receive its Pro Rata Share of (i) the Cash-Pay Term Loans and (ii) the PIK Term Loans. The First Lien Lender Claims shall be Allowed in the aggregate amount of $230,668,467, plus PIK amounts and accrued and unpaid interest as of the Petition Date.

(c) Class 3 – Second Lien Lender Claims

Each holder of an Allowed Second Lien Lender Claim shall, on the Distribution Date in full satisfaction of such holders' Allowed Second Lien Lender Claims against any of the Debtors, receive its Pro Rata Share of 91.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Second Lien Lender Claims shall be Allowed in the aggregate amount of $101,155,243, plus accrued and unpaid interest as of the Petition Date.

(d) Class 4 – Other Secured Claims

Each holder of an Allowed Other Secured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Debtor or its successor under the Plan, and such Allowed Other Secured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.

(e) Class 5 – Noteholder Claims

Each holder of an Allowed Noteholder Claim shall, on the Distribution Date in full satisfaction of such holders' Allowed Noteholder Claims against any of the Debtors,

receive its Pro Rata Share of 7.5% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. The Noteholder Claims shall be Allowed in the aggregate amount of $54,697,428.

(f) Class 6 – General Unsecured Claims

Each holder of an Allowed General Unsecured Claim shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Claim entitles such holder in respect of such Claim shall be fully reinstated and retained as against the applicable Debtor or its successor under the Plan, and such Allowed General Unsecured Claim (including any amounts to which such holder is entitled pursuant to section 1124(2) of the Bankruptcy Code) shall be paid in full in accordance with such reinstated rights as and when such payment is due.

(g) Class 7 – New QHB Equity Interests

Each holder of an Allowed New QHB Equity Interest shall, on the Distribution Date in full satisfaction of such holders' Allowed New QHB Equity Interest, retain its equity interest in New QHB, which equity interest will be diluted by the issuance of New Common Stock, so that the holders of Allowed New QHB Equity Interests shall represent 0.75% of the New Common Stock, excluding, for this purpose, shares issuable upon conversion of the New Preferred Stock and shares issuable under the Management Incentive Plan. Each holder of an Allowed New QHB Equity Interest in the Debtors shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such New QHB Equity Interests entitle such holder in respect of such New QHB Equity Interests shall be fully reinstated and retained on and after the Effective Date.

(h) Class 8 – Other Equity Interests

Each holder of an Allowed Other Equity Interest in the Debtors shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights to which such Other Equity Interests entitle such holder in respect of such Other Equity Interests shall be fully reinstated and retained on and after the Effective Date.

ARTICLE V.

PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

5.1. Unclassified Claims

Administrative Claims and Priority Tax Claims are treated in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of this Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

5.2. Treatment of Administrative Claims

All Administrative Claims shall be treated as follows:

(a) Time for Filing Administrative Claims

The holder of an Administrative Claim, other than (i) a DIP Lender Claim, (ii) a Fee Claim, (iii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due), or (iv) an Administrative Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Debtors, the Creditors' Committee, if any, and the Office of the United States Trustee, notice of such Administrative Claim within forty (40) days after service of Notice of Confirmation. Such notice must include at a minimum (i) the name of the Debtor(s) purported to be liable for the Claim, (ii) the name of the holder of the Claim, (iii) the amount of the Claim and (iv) the basis of the Claim. **Failure to file and serve such notice timely and properly shall result in the Administrative Claim being forever barred and discharged.**

(b) Time for Filing Fee Claims

Each Professional Person who holds or asserts a Fee Claim shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. **The failure to timely file and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.**

(c) Allowance of Administrative Claims/Fee Claims

An Administrative Claim with respect to which notice has been properly filed and served pursuant to Section 5.2(a) shall become an Allowed Administrative Claim if no objection is filed within thirty (30) days after the later of (i) the Effective Date, (ii) the date of service of the applicable notice of Administrative Claim or (iii) such later date as may be (A) agreed to by the holder of such Administrative Claim or (B) approved by the Bankruptcy Court on motion of a party in interest, without notice or a hearing. If an objection is filed within such thirty (30) day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. A Fee Claim in respect of which a Fee Application has been properly filed and served pursuant to Section 5.2(b) shall become an Allowed Administrative Claim only to the extent allowed by order of the Bankruptcy Court.

Notwithstanding the foregoing, an Administrative Claim with respect to (a) the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of Apollo, the Quad-C Parties, and the First Lien Agent in connection with the Restructuring and the Equity Reorganization and (b) an aggregate of up to $100,000 of the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of the Second Lien Lenders (other than Apollo) in connection with the Restructuring and the Equity Reorganization shall become an Allowed Administrative Claim on the Effective Date; provided, that if such reasonable and documented out-of-pocket professional expenses of the Second Lien Lenders (other than Apollo) exceed $100,000 in the aggregate, each such Second Lien Lender shall be entitled to its Pro Rata Share of such expense reimbursement.

(d) Payment of Allowed Administrative Claims

On the Plan Distribution Date, each holder of an Allowed Administrative Claim, other than an Allowed DIP Lender Claim, shall receive (i) the amount of such holder's Allowed Administrative Claim in one Cash payment or (ii) such other treatment as may be agreed upon in writing by the Debtors and such holder; provided, that such treatment

shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; provided, further, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid at the Debtors' election in the ordinary course of business.

(e) Allowance and Payment of DIP Lender Claims

Each holder of an Allowed DIP Lender Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed DIP Lender Claim, on the Effective Date, (i) Cash equal to the full amount of such holder's Allowed DIP Lender Claim or (ii) such other treatment as to which the Debtors and such holder shall have agreed upon in writing. The holder(s) of DIP Lender Claims shall be deemed to have an Allowed Claim as of the Effective Date in such amount as may be (i) agreed upon by such Claimholder(s) and the Debtors or (ii) fixed by the Bankruptcy Court.

5.3. Treatment of Priority Tax Claims

At the election of the Debtors, each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of such Allowed Priority Tax Claim (a) payments in Cash, in regular installments over a period ending not later that five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by the Debtors and such holder; or (c) such other treatment as may be agreed upon in writing by the Debtors and such holder; provided, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Priority Tax Claim or that is less favorable than the treatment provided to the most favored nonpriority General Unsecured Claims under the Plan. The Confirmation Order shall enjoin any holder of an Allowed Priority Tax Claim from commencing or continuing any action or proceeding against any responsible person, officer or director of the Debtors that otherwise would be liable to such holder for payment of a Priority Tax Claim so long as the Debtors are in compliance with this Section. So long as the holder of an Allowed Priority Tax Claim is enjoined from commencing or continuing any action or proceeding against any responsible person, officer or director under this Section or pursuant to the Confirmation Order, the statute of limitations for commencing or continuing any such action or proceeding shall be tolled.

ARTICLE VI.

ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS OR EQUITY INTERESTS

6.1. Classes Entitled to Vote

Only holders of Class 2 – First Lien Lender Claims, Class 3 – Second Lien Lender Claims and Class 5 – Noteholder Claims are entitled to vote on the Plan.

6.2. Class Acceptance Requirement

A class of Claims shall have accepted the Plan if it is accepted by the holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such class that have voted on the Plan.

6.3. Cramdown

If all applicable requirements for confirmation of the Plan are met as set forth in section 1129(a)(1) through (16) of the Bankruptcy Code, except subsection (8) thereof, then the Plan shall be treated as a request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, notwithstanding the failure to satisfy the requirements of section 1129(a)(8), on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to each class of Claims that is impaired under, and has not accepted, the Plan.

ARTICLE VII.

MEANS FOR IMPLEMENTATION OF THE PLAN

7.1. Operations Between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate their businesses as debtors in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules and all orders of the Bankruptcy Court that are then in full force and effect.

7.2. Corporate Action

The entry of the Confirmation Order shall constitute authorization for the Reorganized Debtors, the Debtors and their Affiliates to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including, without limitation, any action required by the stockholders or directors of Reorganized New QHB, the Reorganized Debtors, the Debtors and their Affiliates, including, among other things, (a) the adoption of the Reorganized Debtors' Constituent Documents; (b) all transfers of Assets that are to occur pursuant to the Plan; (c) the incurrence of all obligations contemplated by the Plan and the making of Plan Distributions; (d) the issuance of the New Common Stock and the New Preferred Stock; (e) the execution and delivery of the New First Lien Credit Agreement; (f) the execution and delivery of the Preferred Stock Purchase Agreement; (g) the implementation of all settlements and compromises as set forth in or contemplated by the Plan; (h) the resolution of all intercompany accounts of the Debtors through capital contributions, compromise, or in any other reasonable fashion; and (i) the execution and delivery or consummation of any and all transactions, contracts, or arrangements permitted by applicable law, order, rule or regulation. On the Effective Date, the officers of the Debtors and the Reorganized Debtors are authorized and directed to do all things and to execute and deliver all agreements, documents, instruments, notices and certificates as are contemplated by the Plan and to take all necessary actions required in connection therewith, in the name of and on behalf of the Debtors and the Reorganized Debtors, as applicable. All obligations of the Debtors to indemnify and hold harmless their current and former directors, officers and employees, whether arising under the Debtors' constituent documents, contract, law or equity, shall be assumed by, and assigned to, the applicable Reorganized Debtor upon the occurrence of the Effective Date with the same effect as though such obligations constituted executory contracts that are assumed (or assumed and assigned, as applicable) under section 365 of the Bankruptcy Code, and all such

obligations shall be fully enforceable on their terms from and after the Effective Date. The prosecution of any so-indemnified Cause of Action shall, upon the occurrence of the Effective Date, be enjoined and prohibited, except solely for the purpose of obtaining a recovery from the issuer of any available insurance policy proceeds.

7.3. Termination of Certain Debt Obligations

Upon the occurrence of the Effective Date, all notes, instruments, certificates and other documents evidencing the First Lien Lender Claims, the Second Lien Lender Claims and the Noteholder Claims shall be cancelled and annulled, except for the rights of the holders of First Lien Lender Claims, Second Lien Lender Claims and Noteholder Claims, respectively, to receive the treatment provided under the Plan.

7.4. Continued Corporate Existence of the Debtors

Each of the Debtors shall continue to exist after the Effective Date as a separate entity, with all the powers available to such legal entity, in accordance with applicable law and pursuant to its certificate of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws or other organizational documents are amended and restated by this Plan; provided, that the Reorganized Debtors' Constituent Documents shall become effective upon the occurrence of the Effective Date. Nothing in this Section 7.4 shall prejudice any right to terminate the existence of any Debtor or Reorganized Debtor under applicable law after the Effective Date. On or after the Effective Date, the Reorganized Debtors may, within their sole and exclusive discretion, take such action as permitted by applicable law and their constituent documents, as they determine is reasonable and appropriate.

7.5. Re-Vesting of Assets

Upon the occurrence of the Effective Date, except as otherwise expressly provided in the Plan or the Confirmation Order, title to all of the Assets of the Debtors and their respective Estates shall vest in the Debtors and in the Reorganized Debtors, as applicable, free and clear of all liens, Claims, Causes of Action, interests, security interests and other encumbrances and without further order of the Bankruptcy Court. On and after the occurrence of the Effective Date, except as otherwise provided in the Plan, the Debtors and the Reorganized Debtors may operate their businesses and may use, acquire and dispose of their Assets free of any restrictions of the Bankruptcy Code.

7.6. Initial Boards of Directors

(a) On the Effective Date, the initial board of directors (or managers, as applicable) of each Debtor, except Reorganized New QHB, shall be comprised of the individuals who hold such positions as of the Effective Date.

(b) On the Effective Date, the initial board of directors of Reorganized New QHB shall consist of seven (7) members comprised of the following individuals:

(1) the Chief Executive Officer of Reorganized New QHB;

(2) four (4) individuals to be selected by the Quad-C Entity in its sole discretion;

(3) one (1) individual to be nominated and elected by the Second Lien Lenders, in their sole discretion; and

(4) one (1) individual to be selected by Apollo, in its sole discretion.

(c) The identities of the members of the board of directors of Reorganized New QHB will be disclosed prior to the conclusion of the Confirmation Hearing.

(d) From and after the Effective Date, the board of directors of Reorganized New QHB shall consist of seven (7) members selected and determined in accordance with the provisions of the Reorganized Debtors' Constituent Documents and applicable law. The Reorganized Debtors' Constituent Documents shall provide that: (i) the Chief Executive Officer of Reorganized New QHB will be a member of the board of directors of Reorganized New QHB; (ii) the holders of New Preferred Stock and the New Common Stock into which it is converted, voting together as a class, shall have the right to nominate and elect four (4) members of the board of directors of Reorganized New QHB and shall maintain that right only for such time as the original holders of such New Preferred Stock that is issued under the Plan and their Affiliates, in the aggregate, continue to hold shares representing or convertible into at least 50% of the New Common Stock into which such New Preferred Stock has been converted or is convertible (calculated, for this purpose, on an "as-converted" basis); (iii) the Second Lien Lenders, voting together as a class, shall have the right to nominate and elect one (1) member of the board of directors of Reorganized New QHB and shall maintain that right only for such time as such holders, and their Affiliates in the aggregate, continue to hold at least 50% of the New Common Stock originally issued to such Second Lien Lenders under the Plan; provided, that Apollo shall not be entitled to participate in the nomination of such director, but shall be entitled to a vote on the election of such director; (iv) Apollo shall have the right to nominate and elect one (1) member of the board of directors of Reorganized New QHB and shall maintain that right only for such time as Apollo and its Affiliates in the aggregate continue to hold at least 50% of the New Common Stock originally issued to it under the Plan; and (v) the holders of the New Common Stock and the New Preferred Stock, voting together as a single class on an as-converted basis, shall have the right to vote on and elect any director not elected pursuant to the special voting rights described above either because of the lapse of such special voting rights or otherwise.

7.7. Management and Officers

Except as set forth in Section 7.6 hereof, upon the occurrence of the Effective Date, the management and operation of each of the entities comprising the Reorganized Debtors shall be the general responsibility of each of such entity's then current board and management. Entry of the Confirmation Order shall ratify and approve all actions taken by each of the Debtors from the Petition Date through and until the Effective Date.

7.8. Director and Officer Liability Insurance

The Debtors' coverage under its director and officer liability insurance policies (including any tail coverage) shall remain in full force and effect after the Effective Date for the term provided under such policies. To the extent executory, such policies shall be deemed assumed pursuant to Article XIII of the Plan.

7.9. Management Incentive Compensation

Up to 12.5% of the New Common Stock shall be reserved for distribution under the Management Incentive Plan. The terms of and allocations of New Common Stock under the Management Incentive Plan shall be determined by the board of directors of Reorganized New QHB from time to time following the Effective Date.

7.10. Causes of Action

Except as otherwise set forth in the Plan, all Causes of Action of any of the Debtors and their respective Estates shall, upon the occurrence of the Effective Date, be transferred to, and be vested in, the Reorganized Debtors for the benefit of holders of Allowed Claims under the Plan. Except as otherwise provided in the Plan, the rights of the Reorganized Debtors to commence, prosecute or settle such Causes of Action, in their sole discretion, shall be preserved notwithstanding the occurrence of the Effective Date.

No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Reorganized Debtors and the Estates expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtors and the Reorganized Debtors expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including without limitation, 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 or after the confirmation or consummation of the Plan.

7.11. Appointment of the Disbursing Agent

Upon the occurrence of the Effective Date, Reorganized New QHB shall be appointed to serve as the Disbursing Agent and shall have all powers, rights, duties and protections afforded the Disbursing Agent under the Plan.

7.12. New First Lien Credit Agreement

On the Effective Date, the Debtors shall enter into the New First Lien Credit Agreement. Upon the occurrence of the Effective Date, each holder of an Allowed First Lien Lender Claim shall be deemed a party to the New First Lien Credit Agreement without further act or action by the Reorganized Debtors, the administrative agent under the New First Lien Credit Agreement, or any holder of an Allowed First Lien Lender Claim.

7.13. Sources of Cash for Plan Distributions

All Cash necessary for the Disbursing Agent to make payments and Plan Distributions shall be obtained from the proceeds of the Exit Revolver, the sale of the New Preferred Stock, and the Debtors' existing Cash balances.

7.14. Investment of Funds Held by the Disbursing Agent; Tax Reporting by the Disbursing Agent

The Disbursing Agent may, but shall not be required to, invest any funds held by the Disbursing Agent pending the distribution of such funds pursuant to the Plan in investments that are exempt from federal, state and local taxes. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent may (a) treat the funds and other property held by it as held in a single trust for federal income tax purposes in accordance with the trust provisions of the Internal Revenue Code (sections 641, et seq.), and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

7.15. Releases by the Debtors

As of the Effective Date, for good and valuable consideration, the Debtors and the Reorganized Debtors in their individual capacities and as Debtors in Possession shall be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtors or their Estates or the Reorganized Debtors against (a) the Debtors' and their non-Debtor affiliates' present and former officers and directors, (b) the attorneys, accountants, investment bankers, bankruptcy and restructuring advisors and financial advisors of each of the Debtors; except, that nothing in this section shall be construed to release any party or entity from (a) willful misconduct or gross negligence as determined by a Final Order or (b) any objections by the Debtors or the Reorganized Debtors to Claims filed by such party or entity against any Debtor and/or its Estate. Notwithstanding the foregoing, nothing contained herein shall release from Avoidance Actions any attorneys, accountants, investment bankers, bankruptcy and restructuring advisors and financial advisors of each of the Debtors that were not employed by the Debtors after the Petition Date.

As of the Effective Date, for good and valuable consideration, the Debtors and the Reorganized Debtors in their individual capacities and as Debtors in Possession also shall be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement, or the Prepetition Credit Facilities or Note Purchase Agreement and that could have been asserted by or on behalf of the Debtors or their Estates or the Reorganized Debtors against the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo or the Quad-C Parties, including, but not limited to, all

Avoidance Actions against such Prepetition Lenders, Prepetition Agents, DIP Lenders, DIP Agent, Apollo or the Quad-C Parties and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers; except that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order.

7.16. Releases by Creditors

Except as provided in the Plan, subject to the occurrence of the Effective Date, any holder of a Claim that is impaired under the Plan shall be presumed conclusively to have released the Debtors, the Reorganized Debtors, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, and the Quad-C Parties, and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, as well as the Debtors' officers, directors and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim; except that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; except, further, that the foregoing releases shall not apply to any holder of a Claim if such holder "opts out" of the releases provided in this Section by a timely written election pursuant to such holder's ballot; except, further, however, that each holder of a Second Lien Lender Claim who executed that certain Standstill Agreement, dated October 2, 2009, entered into by and among any such holder and QHB Holdings and Quality Home Brands is presumed conclusively to have elected to provide the foregoing release to the Debtors, and each of their domestic subsidiaries, directors, managers, officers, shareholders, partners, members, advisors, representatives and agents, irrespective of such holder's ballot.

ARTICLE VIII.

PLAN DISTRIBUTION PROVISIONS

8.1. Plan Distributions

The Disbursing Agent shall make all Plan Distributions. In the event a Plan Distribution shall be payable on a day other than a Business Day, such Plan Distribution shall instead be paid on the immediately succeeding Business Day, but shall be deemed to have been made on the date otherwise due. For federal income tax purposes, except to the extent a Plan Distribution is made in connection with reinstatement of an obligation pursuant to section 1124 of the Bankruptcy Code, a Plan Distribution shall be allocated first to the principal amount of a Claim and then, to the extent the Plan Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

8.2. Timing of Plan Distributions

Except for Plan Distributions that shall be made on the Effective Date in accordance with the Plan, each Plan Distribution shall be made on the relevant Plan Distribution Date therefor and shall be deemed to have been timely made if made on such date or within ten (10) days thereafter.

8.3. Address for Delivery of Plan Distributions/Unclaimed Plan Distributions

Subject to Bankruptcy Rule 9010, any Plan Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth (a) in the Schedules, (b) on the proof of Claim filed by such holder, (c) in any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e), and (d) in any notice served by such holder giving details of a change of address. If any Plan Distribution is returned to the Disbursing Agent as undeliverable, no Plan Distributions shall be made to such holder unless the Disbursing Agent is notified of such holder's then current address within ninety (90) days after such Plan Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited its right to such Plan Distribution, and the undeliverable Plan Distributions shall be returned to Reorganized New QHB.

8.4. De Minimis Plan Distributions

No Plan Distribution of less than fifty dollars ($50.00) shall be made by the Disbursing Agent to the holder of any Claim unless a request therefor is made in writing to the Disbursing Agent. If no request is made as provided in the preceding sentence within ninety (90) days of the Effective Date, all such Plan Distributions shall revert to Reorganized New QHB.

8.5. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued. Any claim in respect of such a voided check shall be made within one hundred and eighty (180) days after the date of issuance of such check. If no request is made as provided in the preceding sentence, any claims in respect of such voided check shall be discharged and forever barred and such unclaimed Plan Distribution shall revert to Reorganized New QHB.

8.6. Manner of Payment under the Plan

Unless the Person receiving a Plan Distribution agrees otherwise, any Plan Distribution to be made in Cash under the Plan shall be made, at the election of the Disbursing Agent, by check drawn on a domestic bank or by wire transfer from a domestic bank. Cash payments to foreign creditors may, in addition to the foregoing, be made at the option of the Disbursing Agent in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

8.7. Expenses Incurred on or after the Effective Date and Claims of the Disbursing Agent

Except as otherwise ordered by the Bankruptcy Court or as provided herein, the amount of any reasonable fees and expenses incurred (or to be incurred) by the Disbursing Agent on or after the Effective Date (including, but not limited to, taxes) shall be paid when due. Professional fees and expenses incurred by the Disbursing Agent from and after the Effective Date in connection with the effectuation of the Plan shall be paid in the ordinary course of business. Any dispute regarding compensation shall be resolved by agreement of the parties, or if the parties are unable to agree, as determined by the Bankruptcy Court.

8.8. Fractional Plan Distributions

Notwithstanding anything to the contrary contained herein, no Plan Distributions of fractional shares or fractions of dollars (whether in Cash or notes) will be made. Fractional shares and fractions of dollars (whether in Cash or notes) shall be rounded to the nearest whole unit (with any amount equal to or less than one-half share or one-half dollar, as applicable, to be rounded down).

8.9. Special Plan Distribution Provisions for Equity Interests

For the purpose of making Plan Distributions, the transfer ledger or similar register in respect of the New QHB Equity Interests shall be closed as of the close of business on the Effective Date, and the Disbursing Agent shall be entitled to recognize and deal for all purposes herein with only those holders of record stated on the transfer ledger or similar register maintained by New QHB as of the close of business on the Effective Date. The stock of Reorganized New QHB shall be restricted and may be transferred only as permitted under the Securities Act and other applicable securities laws, and in accordance with the restrictions described under "Securities Law Matters" in Article XV of the Disclosure Statement.

8.10. Special Distribution Provisions Concerning the Prepetition Credit Facilities

The following additional provisions shall apply specifically to Plan Distributions to be made to the holders of Allowed Prepetition Lender Claims under the Plan:

(a) Service of Prepetition Agents. The Prepetition Agents and their agents, successors and assigns or such entity appointed by the Prepetition Lenders shall facilitate the making of Plan Distributions to the holders of Allowed Prepetition Lender Claims for which they serve as agent and upon the completion thereof, shall be discharged of all their respective obligations associated with the Prepetition Credit Facilities. The rights of holders of Allowed Prepetition Lender Claims shall continue in effect for the sole purpose of allowing and requiring the Prepetition Agents to make Plan Distributions on account of such Claims. Any actions taken by the Prepetition Agents with respect to Allowed Prepetition Lender Claims that are not for the purposes authorized herein shall be null and void.

(b) Substitution of the Prepetition Agents; Distributions. Upon the occurrence of the Effective Date, the Claims of the applicable Prepetition Agents shall be, for all purposes under the Plan, including, without limitation, the right to receive distributions hereunder, substituted for all Claims of individual holders of Allowed Prepetition Lender Claims. On the Plan Distribution Date, which for the purposes of this Section shall be the Effective Date, all Prepetition Lender Claims shall be settled and compromised in exchange for the distribution to the Prepetition Agents of the applicable Plan Distributions to the holders of Allowed Prepetition Lender Claims as specified in Section 4.1(b) and 4.1(c); provided, that the Prepetition Agents shall return to the Disbursing Agent any Plan Distributions held on account of any Allowed Prepetition Lender Claims as to which the requirements of Section 8.11 are not satisfied by the first (1st) anniversary of the Effective Date.

(c) Enforcement of Rights of Prepetition Agents. The rights, liens (including the charging liens), and Claims of the Prepetition Agents with respect to the collection of their fees and expenses from the holders of Allowed Prepetition Lender Claims shall survive confirmation of the Plan and may be fully enforced by the Prepetition Agents. All distributions to the Prepetition Agents on behalf of the holders of Allowed Prepetition Lender Claims shall be applied by the Prepetition Agents as provided by the applicable agreement.

8.11. Surrender and Cancellation of Instruments

As a condition to receiving any Plan Distribution, on or before the Plan Distribution Date, the holder of an Allowed Claim evidenced by a certificate, instrument or note, other than any such certificate, instrument or note that is being reinstated or being left unimpaired under the Plan, shall (i) surrender such certificate, instrument or note representing such Claim, including, without limitation, any guaranties except to the extent assumed by the Debtors, and (ii) execute and deliver such other documents as may be necessary to effectuate the Plan. Such certificate, instrument or note, including any such guaranties, shall thereafter be cancelled and extinguished. The Disbursing Agent shall have the right to withhold any Plan Distribution to be made to or on behalf of any holder of such Claims unless and until (1) such certificates, instruments or notes, including any such guaranties, are surrendered, or (2) any relevant holder provides to the Disbursing Agent an affidavit of loss or such other documents as may be required by the Disbursing Agent together with an appropriate indemnity in the customary form. Any such holder who fails to surrender such certificates, instruments or notes, including any such guaranties, or otherwise fails to deliver an affidavit of loss and indemnity prior to the second (2nd) anniversary of the Effective Date, shall be deemed to have forfeited its Claims and shall not participate in any Plan Distribution. All property in respect of such forfeited Claims shall revert to the Reorganized Debtors.

Notwithstanding the foregoing, on the Effective Date, all notes, stock, instruments, certificates, and other documents evidencing the First Lien Lender Claims, the Second Lien Lender Claims and the Noteholder Claims, shall be cancelled, and the obligations of the Debtors thereunder or in any way related thereto shall be fully released and discharged except to the extent provided in this Article VIII.

ARTICLE IX.

CAPITAL RAISING TRANSACTIONS

9.1. Issuance of New Preferred Stock

(a) Private Placement. On the terms and subject to the conditions of the Preferred Stock Purchase Agreement, Reorganized New QHB will raise $20,000,000 from the issuance of New Preferred Stock to the Quad-C Entity pursuant to the Plan in a Private Placement that is exempt from registration under the Securities Act by virtue of Section 4(2) thereof and Regulation D promulgated thereunder. The transactions contemplated by the Preferred Stock Purchase Agreement will be conditioned on, among other things, the completion of the Restructuring as contemplated in the Disclosure Statement.

(b) Use of Proceeds from the Private Placement

Reorganized New QHB shall apply the net proceeds from the sale of the New Preferred Stock in the Private Placement to fund the payment of Allowed Claims and Allowed Administrative Claims as provided in the Plan, and for working capital requirements and general corporate purposes.

(c) Distribution of New Preferred Stock

On or as soon as reasonably practicable after the Effective Date, the Disbursing Agent shall distribute the New Preferred Stock to the Quad-C Entity pursuant to the terms of the Preferred Stock Purchase Agreement.

ARTICLE X.

PROCEDURES FOR RESOLVING AND TREATING CONTESTED CLAIMS

10.1. Objection Deadline

As soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date (subject to being extended by the order of the Bankruptcy Court upon motion of the Disbursing Agent without notice or a hearing), objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made.

10.2. Prosecution of Contested Claims

The Disbursing Agent may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with Section 10.3.

10.3. Claims Settlement

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Disbursing Agent shall have authority to settle or compromise all Claims and Causes of Action without further review or approval of the Bankruptcy Court, other than (a) the settlement or compromise of a Claim where the difference between the amount of the Claim listed on the Debtors' Schedules and the amount of the Claim proposed to be Allowed under the settlement is in excess of $500,000 or (b) any settlement or compromise of a Claim or Cause of Action that involves an Insider.

10.4. Entitlement to Plan Distributions upon Allowance

Notwithstanding any other provision of the Plan, no Plan Distribution shall be made with respect to any Claim to the extent it is a Contested Claim, unless and until such Contested Claim becomes an Allowed Claim, subject to the setoff rights as provided in Section 15.18. When a Claim that is not an Allowed Claim as of the Effective Date becomes an Allowed Claim (regardless of when) the holder of such Allowed Claim shall thereupon become entitled to receive the Plan Distributions in respect of such Claim, the same as though such Claim had been an Allowed Claim on the Effective Date.

10.5. Estimation of Claims

The Disbursing Agent may, at any time, request that the Bankruptcy Court estimate any Contested Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Disbursing Agent has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Contested Claim, that estimated amount shall constitute the Allowed amount of such Claim for all purposes under the Plan. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and

subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

ARTICLE XI.

CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE OCCURRENCE OF THE EFFECTIVE DATE

11.1. Conditions Precedent to Confirmation

The following are conditions precedent to confirmation of the Plan:

(a) The Clerk of the Bankruptcy Court shall have entered an order or orders (i) approving the Disclosure Statement as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code, (ii) determining that all votes are binding and have been properly tabulated as acceptances or rejections of the Plan, (iii) confirming and giving effect to the terms and provisions of the Plan, (iv) determining that all applicable tests, standards and burdens in connection with the Plan have been duly satisfied and met by the Debtors and the Plan, (v) approving the Plan Documents, and (vi) authorizing the Debtors to execute, enter into, and deliver the Plan Documents and to execute, implement, and to take all actions otherwise necessary or appropriate to give effect to the transactions and transfer of Assets contemplated by the Plan and the Plan Documents;

(b) The Confirmation Order, the Plan Documents and the Plan are consistent in all material respects with the Restructuring Term Sheet;

(c) The Confirmation Order, the Plan Documents and the Plan are each in a form satisfactory to the Debtors;

(d) The New First Lien Credit Agreement is in a form satisfactory to the First Lien Agent and DIP Agent, whose consent shall not be unreasonably withheld, and, to the extent that the provisions of the Confirmation Order, the Plan Documents and the Plan would affect the First Lien Lenders, such provisions shall be in a form satisfactory to the First Lien Agent and DIP Agent, whose consent shall not be unreasonably withheld;

(e) The Debtors shall have received fully executed commitments from all of the Exit Revolver Lenders, which shall not have been terminated or repudiated, to provide the financing contemplated by the Exit Revolver; and

(f) The Quad-C Entity shall have executed and delivered the Preferred Stock Purchase Agreement, which shall not have been terminated or repudiated.

11.2. Conditions Precedent to the Occurrence of the Effective Date

The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Order shall have been entered by the Bankruptcy Court, be in full force and effect and not be subject to any stay or injunction;

(b) All necessary consents, authorizations and approvals shall have been given for the transfers of property and the payments provided for or contemplated by the Plan;

(c) All conditions to (i) the obligations of the Debtors under the Plan and the Plan Documents, (ii) the obligations of all parties under the New First Lien Credit Agreement and (iii) the obligations of all parties under the Preferred Stock Purchase Agreement, shall have been satisfied or waived in accordance with the terms of the Plan or the applicable Plan Document, New First Lien Credit Agreement or Preferred Stock Purchase Agreement;

(d) The New First Lien Credit Agreement shall have become effective;

(e) The transactions contemplated by the Preferred Stock Purchase Agreement shall have been completed; and

(f) The DIP Lender Claim, if any, shall have been paid in full.

11.3. Waiver of Conditions

The Debtors may waive, without notice to any parties in interest or order of the Bankruptcy Court, any one or more of the conditions set forth in Section 11.1 or Section 11.2, except (i) Section 11.1(b) shall not be waived; (ii) Sections 11.1(d) and 11.2(d) shall not be waived without the written consent of the First Lien Agent, which shall not be unreasonably withheld; and (iii) Section 11.2(f) shall not be waived without the written consent of the DIP Agent, which shall not be unreasonably withheld.

11.4. Effect of Non-Occurrence of the Effective Date

If the Effective Date shall not occur, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against or Equity Interests in a Debtor; (b) prejudice in any manner the rights of the Debtors, including, without limitation, any right to seek a further extension of the exclusivity periods under section 1121(d) of the Bankruptcy Code; or (c) constitute an admission, acknowledgement, offer or undertaking by the Debtors.

ARTICLE XII.

THE DISBURSING AGENT

12.1. Powers and Duties

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall be empowered and directed to (a) take all steps and execute all instruments and documents necessary to make Plan Distributions to holders of Allowed Claims; (b) comply with the Plan and the obligations thereunder; (c) employ, retain or replace professionals to represent it with respect to its responsibilities; (d) object to Claims as specified in Article X, and prosecute such objections; (e) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment or Allowance of any Claim as provided in Article X; (f) make annual and other periodic reports regarding the status of distributions under the Plan to the holders of Allowed Claims that are outstanding at such time, with such reports to be made available upon request to the holder of any Contested Claim; and (g) exercise such other powers as may be vested in the Disbursing Agent pursuant to the Plan, the Plan Documents or order of the Bankruptcy Court.

12.2. Plan Distributions

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall make the required Plan Distributions specified under the Plan on the relevant Plan Distribution Date therefor.

12.3. Exculpation

Except as otherwise provided in this Section, the Disbursing Agent, together with its officers, directors, employees, agents and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and Equity Interests, and all other parties in interest, from any and all Causes of Action arising out of the discharge of the powers and duties conferred upon the Disbursing Agent (and each of its respective paying agents), by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence. No holder of a Claim or an Equity Interest, or representative thereof, shall have or pursue any Cause of Action (a) against the Disbursing Agent or its respective officers, directors, employees, agents and representatives for making Plan Distributions in accordance with the Plan, or (b) against any holder of a Claim for receiving or retaining Plan Distributions as provided for by the Plan. Nothing contained in this Section shall preclude or impair any holder of an Allowed Claim or Allowed Equity Interest from bringing an action in the Bankruptcy Court against any Debtor to compel the making of Plan Distributions contemplated by the Plan on account of such Claim or Equity Interest.

ARTICLE XIII.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

13.1. Assumption and Rejection of Executory Contracts and Unexpired Leases

(a) On the Effective Date, all executory contracts and unexpired leases of the Debtors shall be assumed pursuant to the provisions of section 365 of the Bankruptcy Code, except: (i) any executory contracts and unexpired leases that are the subject of separate motions to reject, assume, or assume and assign filed pursuant to section 365 of the Bankruptcy Code by the Debtors before the Effective Date; (ii) contracts and leases listed in any "Schedule of Rejected Executory Contracts and Unexpired Leases" to be filed by the Debtors with the Bankruptcy Court prior to the Confirmation Hearing; (iii) all executory contracts and unexpired leases rejected under this Plan or by order of the Bankruptcy Court entered before the Effective Date; (iv) any executory contract or unexpired lease that is the subject of a dispute over the amount or manner of cure pursuant to the next section hereof and for which the Debtors make a motion to reject such contract or lease based upon the existence of such dispute filed at any time; and (v) any agreement, obligation, security interest, transaction or similar undertaking that the Debtors believe is not executory.

(b) Inclusion of a contract, lease or other agreement on any "Schedule of Rejected Executory Contracts and Unexpired Leases" shall constitute adequate and sufficient notice that (i) any Claims arising thereunder or related thereto shall be treated as General Unsecured Claims under the Plan, and (ii) the Debtors are no longer bound by, or otherwise obligated to perform, any such obligations, transactions, or undertakings relating thereto or arising thereunder.

(c) The Plan shall constitute a motion to reject such executory contracts and unexpired leases set forth in any "Schedule of Rejected Executory Contracts and Unexpired Leases" filed by the Debtors with the Bankruptcy Court prior to the Confirmation Hearing, and the Debtors shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected agreement, executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interests of the Debtors and their Estates.

(d) The Plan shall constitute a motion to assume such executory contracts and unexpired leases assumed pursuant to Section 13.1(a). Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such assumptions pursuant to sections 365(a) and (b) of the Bankruptcy Code. Any non-Debtor counterparty to an agreement designated as being assumed in Section 13.1(a) who disputes the assumption of such executory contract or unexpired lease must file with the Bankruptcy Court, and serve upon the Debtors, a written objection to the assumption, which objection shall set forth the basis for the dispute by no later than ten (10) Business Days prior to the Confirmation Hearing. The failure to timely object shall be deemed a waiver of any and all objections to the assumption of executory contracts and unexpired leases designated as being assumed in Section 13.1(a).

13.2. Cure

At the election of the Debtors, any monetary defaults under each executory contract and unexpired lease to be assumed under this Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code: (a) by payment of the default amount in Cash on the Effective Date or as soon thereafter as practicable; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (i) the amount of any cure payments; (ii) the ability to provide adequate assurance of future performance under the contract or lease to be assumed or assigned; or (iii) any other matter pertaining to assumption or assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving assumption or assignment, as applicable. The Debtors believe that they are current on all obligations under all of the executory contracts and unexpired leases to be assumed pursuant to Section 13.1(a), and thus the Debtors do not believe that any cure obligations are owed. Any non-Debtor counterparty to an executory contract or unexpired lease who disputes whether the Debtors have any cure obligations with respect to the executory contract or unexpired lease to which they are a party must file with the Bankruptcy Court, and serve upon the Debtors and the Creditors' Committee, a written objection regarding the cure obligation, which objection shall set forth the basis for the dispute, the alleged correct cure obligation, and any other objection related to the assumption of the relevant agreement by no later than ten (10) Business Days prior to the Confirmation Hearing. If a non-Debtor counterparty fails to file and serve an objection which complies with the foregoing, the non-Debtor counterparty shall be deemed to have waived any and all objections to the assumption of the relevant agreement as proposed by the Debtors, including the lack of any cure obligations.

13.3. Claims Arising from Rejection, Expiration or Termination

Claims created by the rejection of executory contracts and unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtors (a) in the case of an executory contract or unexpired lease rejected by the Debtors prior to the Confirmation Date, in accordance with the Bar Date Notice, or (b) in the case of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to the Confirmation Date, or (ii) is rejected pursuant to this Section 13, no later than thirty (30) days after the Confirmation Date. Any such Claims for which a proof of claim is not filed and served by the deadlines set forth in the Bar Date Notice or this Section 13.3, as applicable, shall be forever barred from assertion and shall not be enforceable against the Debtors, the Reorganized Debtors, their respective Estates, Affiliates or Assets. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as General Unsecured Claims under the Plan subject to objection by the Disbursing Agent.

ARTICLE XIV.

RETENTION OF JURISDICTION

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall retain and shall have exclusive jurisdiction over any matter (a) arising under the Bankruptcy Code, (b) arising in or related to the Chapter 11 Cases or the Plan or (c) that relates to the following:

(i) To hear and determine any and all motions or applications pending on the Confirmation Date or thereafter brought in accordance with Article XIII hereof for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases to which any of the Debtors is a party or with respect to which any of the Debtors may be liable, and to hear and determine any and all Claims and any related disputes (including, without limitation, the exercise or enforcement of setoff or recoupment rights, or rights against any third party or the property of any third party resulting therefrom or from the expiration, termination or liquidation of any executory contract or unexpired lease);

(ii) To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Disbursing Agent or the Debtors, as applicable, after the Effective Date;

(iii) To hear and determine any objections to the allowance of Claims, whether filed, asserted, or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow, disallow or estimate any Contested Claim in whole or in part;

(iv) To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

(v) To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(vi) To hear and determine all Fee Applications and applications for allowances of compensation and reimbursement of any other fees and expenses authorized to be paid or reimbursed under the Plan or the Bankruptcy Code;

(vii) To hear and determine all controversies, suits and disputes that may relate to, impact upon or arise in connection with the Plan, the Plan Documents or their interpretation, implementation, enforcement or consummation;

(viii) To hear and determine all controversies, suits and disputes that may relate to, impact upon, or arise in connection with the Confirmation Order (and all exhibits to the Plan) or its interpretation, implementation, enforcement or consummation;

(ix) To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or Cause of Action by, on behalf of, or against the Estates;

(x) To determine such other matters that may be set forth in the Plan, or the Confirmation Order, or that may arise in connection with the Plan, or the Confirmation Order;

(xi) To hear and determine matters concerning state, local and federal taxes, fines, penalties or additions to taxes for which the Reorganized Debtors, the Debtors, the Debtors in Possession, or the Disbursing Agent may be liable, directly or indirectly, in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(xii) To hear and determine all controversies, suits and disputes that may relate to, impact upon, or arise in connection with any setoff and/or recoupment rights of the Debtors or any Person under the Plan;

(xiii) To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with Causes of Action of the Debtors (including Avoidance Actions) commenced by the Disbursing Agent, the Debtors or any third parties, as applicable, before or after the Effective Date;

(xiv) To enter an order or final decree closing the Chapter 11 Cases;

(xv) To issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan or the Confirmation Order; and

(xvi) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code.

ARTICLE XV.

MISCELLANEOUS PROVISIONS

15.1. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtors on or before the Effective Date.

15.2. Satisfaction of Claims

The rights afforded in the Plan and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever against the Debtors and the Debtors in Possession, or any of their Estates, Assets, properties or interests in property. Except as otherwise provided herein, on the Effective Date, all Claims against and Equity Interests in the Debtors and the Debtors in Possession shall be satisfied, discharged and released in full. Neither the Reorganized Debtors nor the Debtors shall be responsible for any pre-Effective Date obligations of the Debtors or the Debtors in Possession, except those expressly assumed by the Reorganized Debtors or any such Debtor, as applicable. Except as otherwise provided herein, all Persons shall be precluded and forever barred from asserting against the Reorganized Debtors, the Debtors, their respective successors or assigns, or their Estates, Affiliates, Assets, properties, or interests in property any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date.

15.3. Special Provisions Regarding Insured Claims

Plan Distributions to each holder of an Allowed Insured Claim against any Debtor shall be made in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified; except, that there shall be deducted from any Plan Distribution on account of an Insured Claim, for purposes of calculating the Allowed amount of such Claim, the amount of any insurance proceeds actually received by such holder in respect of such Allowed Insured Claim. Nothing in this Section 15.3 shall constitute a waiver of any Claim, right, or Cause of Action the Debtors or their Estates may hold against any Person, including any insurer. Pursuant to section 524(e) of the Bankruptcy Code, nothing in the Plan shall release or discharge any insurer from any obligations to any Person under applicable law or any policy of insurance under which a Debtor is an insured or a beneficiary.

15.4. Third Party Agreements; Subordination

The Plan Distributions to the various classes of Claims and Equity Interests hereunder shall not affect the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such Plan Distributions by reason of any claimed subordination rights or otherwise. All such rights and any agreements relating thereto shall remain in full force and effect, except as otherwise compromised and settled pursuant to the Plan. Plan Distributions shall be subject to and modified by any Final Order directing distributions other than as provided in the Plan. The right of the Debtors or the Creditors' Committee to seek

subordination of any Claim or Equity Interest pursuant to section 510 of the Bankruptcy Code is fully reserved, and the treatment afforded any Claim or Equity Interest that becomes a Subordinated Claim or subordinated Equity Interest at any time shall be modified to reflect such subordination.

15.5. Exculpation

None of the Debtors, the Reorganized Debtors, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, or the Quad-C Parties, or any of their respective officers, directors, members, equity holders, employees, agents, representatives, advisors, attorneys or successors and assigns shall have or incur any liability to any Person for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan, or the implementation or administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence as finally determined by the Bankruptcy Court, and, in all respects shall be entitled to rely upon the advice of counsel and all information provided by other exculpated persons herein without any duty to investigate the veracity or accuracy of such information with respect to their duties and responsibilities under the Plan.

15.6. Discharge of Liabilities

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, the Debtors and the Reorganized Debtors shall be discharged from all Claims and Causes of Action to the fullest extent permitted by section 1141 of the Bankruptcy Code, and all holders of Claims and Equity Interests shall be precluded from asserting against the Reorganized Debtors and their Affiliates, the Debtors, their Assets, or any property dealt with under the Plan, any further Claim or other Cause of Action based upon any act or omission, transaction, event, thing or other activity of any kind or nature that occurred or came into existence prior to the Effective Date.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, NEW QHB AND ITS AFFILIATES SHALL NOT HAVE OR BE CONSTRUED TO HAVE OR MAINTAIN ANY LIABILITY, CLAIM OR OBLIGATION THAT IS BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OTHER OCCURRENCE OR THING OCCURRING OR IN EXISTENCE ON OR PRIOR TO THE EFFECTIVE DATE OF THE PLAN AND NO SUCH LIABILITY, CLAIM OR OBLIGATION FOR ANY ACTS SHALL ATTACH TO NEW QHB OR ITS AFFILIATES.

15.7. Discharge of Debtors

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, without further notice or order, all Claims of any nature whatsoever shall be automatically discharged forever. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Debtors, the Reorganized Debtors, their Estates, and all successors thereto shall be deemed fully discharged and released from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or (c) the holder of a Claim based upon

such debt has accepted the Plan. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors, the Reorganized Debtors, their Estates, and all successors thereto. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtors, the Reorganized Debtors, their Estates, or any successor thereto at any time obtained to the extent it relates to a discharged Claim, and operates as an injunction against the prosecution of any action against the Debtors, the Reorganized Debtors or property of the Debtors or the Reorganized Debtors or their Estates to the extent it relates to a discharged Claim.

15.8. Notices

Any notices, requests, and demands required or permitted to be provided under the Plan, in order to be effective, shall be in writing (including, without express or implied limitation, those delivered 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:

QHB Holdings LLC
Attention: T. Tracy Bilbrough
1100 Crescent Green, Suite 105
Cary, NC 27518
Telephone: (856) 764-4126
Facsimile: (919) 852-0700

White & Case LLP
Attention: Thomas E Lauria, Esq.
Wachovia Financial Center
200 South Biscayne Boulevard, Suite 4900
Miami, FL 33131
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

Fox Rothschild LLP
Attention: Jeffrey M. Schlerf, Esq.
919 N. Market St, 16th floor
Wilmington, DE 19801
Telephone: (302) 622-4212
Facsimile: (302) 656-8920

15.9. Headings

The headings used in the Plan are inserted for convenience only, and neither constitutes a portion of the Plan nor in any manner affect the construction of the provisions of the Plan.

15.10. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws of the State of New York, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan and any

agreements, documents and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

15.11. Expedited Determination

The Disbursing Agent is hereby authorized to file a request for expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed with respect to the Debtors.

15.12. Exemption from Transfer Taxes

Pursuant to section 1146 of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax. The Bankruptcy Court may enter any order necessary or appropriate to implement this Section of the Plan.

15.13. Retiree Benefits

Pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

15.14. Notice of Entry of Confirmation Order and Relevant Dates

Promptly upon entry of the Confirmation Order, the Debtors shall publish as directed by the Bankruptcy Court and serve on all known parties in interest and holders of Claims and Equity Interests, notice of the entry of the Confirmation Order and all relevant deadlines and dates under the Plan, including, but not limited to, the deadline for filing notice of Administrative Claims, and the deadline for filing rejection damage Claims.

15.15. Interest and Attorneys' Fees

Interest accrued after the Petition Date shall accrue and be paid on Claims only to the extent specifically provided for in this Plan, the Plan Documents, the Confirmation Order, the DIP Order, or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as set forth in the Plan, the Plan Documents or as otherwise required by the Bankruptcy Court or as ordered by the Bankruptcy Court.

15.16. Modification of the Plan

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Debtors at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors may modify the Plan at any time after confirmation and before substantial consummation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such

modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

15.17. Revocation of Plan

The Debtors reserve the right to revoke and withdraw the Plan and/or to adjourn the Confirmation Hearing with respect to any one or more of the Debtors prior to the occurrence of the Effective Date. If the Debtors revoke or withdraw the Plan with respect to any one or more of the Debtors, or if the Effective Date does not occur as to any Debtor, then, as to such Debtor, the Plan and all settlements and compromises set forth in the Plan and not otherwise approved by a separate Final Order shall be deemed null and void and nothing contained herein and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims against or Equity Interests in such Debtor or to prejudice in any manner the rights of any of the Debtors or any other Person in any other further proceedings involving such Debtor.

In the event that the Debtors choose to adjourn the Confirmation Hearing with respect to any one or more of the Debtors, the Debtors reserve the right to proceed with confirmation of the Plan with respect to those Debtors in relation to which the Confirmation Hearing has not been adjourned. With respect to those Debtors for which the Confirmation Hearing has been adjourned, the Debtors reserve the right to amend, modify, revoke or withdraw the Plan and/or submit any new plan of reorganization at such times and in such manner as they consider appropriate, subject to the provisions of the Bankruptcy Code.

15.18. Setoff Rights

In the event that any Debtor has a Claim of any nature whatsoever against the holder of a Claim against such Debtor, then such Debtor may, but is not required to, setoff against the Claim (and any payments or other Plan Distributions to be made in respect of such Claim hereunder) such Debtor's Claim against such holder, subject to the provisions of sections 553, 556 and 560 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release of any Claims that any Debtor may have against the holder of any Claim.

15.19. Compliance with Tax Requirements

In connection with the Plan, the Debtors and the Disbursing Agent, as applicable, shall comply with all withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities and all Plan Distributions hereunder shall be subject to such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a Plan Distribution shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of such Plan Distribution. The Disbursing Agent has the right, but not the obligation, to not make a Plan Distribution until such holder has made arrangements satisfactory to the Disbursing Agent for payment of any such tax obligations.

15.20. Rates

The Plan does not provide for the change of any rate that is within the jurisdiction of any governmental regulatory commission after the occurrence of the Effective Date. Where a

Claim has been denominated in foreign currency on a proof of Claim, the Allowed amount of such Claim shall be calculated in legal tender of the United States based upon the conversion rate in place as of the Petition Date and in accordance with section 502(b) of the Bankruptcy Code.

15.21. Dissolution of the Creditors' Committee

Upon the Effective Date, the Creditors' Committee, if any, shall dissolve automatically, whereupon its members, professionals and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to (a) applications for Fee Claims or reimbursement of expenses incurred as a member of the Creditors' Committee, and (b) any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order or pending appeals of orders entered in the Chapter 11 Cases.

15.22. Injunctions

On the Effective Date and except as otherwise provided herein, all Persons who have been, are, or may be holders of Claims against or Equity Interests in the Debtors shall be permanently enjoined from taking any of the following actions against or affecting the Reorganized Debtors or their Affiliates, the Debtors or their Affiliates, the Estates, the Assets, or the Disbursing Agent, or any of their current or former respective members, directors, managers, officers, employees, agents, and professionals, successors and assigns or their respective assets and property with respect to such Claims or Equity Interests (other than actions brought to enforce any rights or obligations under the Plan):

(a) **commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);**

(b) **enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order;**

(c) **creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and**

(d) **asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Debtors may have or assert in respect of the above referenced Claims are fully preserved in accordance with Section 15.18.**

15.23. Binding Effect

The Plan shall be binding upon the Reorganized Debtors, the Debtors, the holders of all Claims and Equity Interests, parties in interest, Persons and their respective successors and assigns. To the extent any provision of the Disclosure Statement or any other solicitation document may be inconsistent with the terms of the Plan, the terms of the Plan shall be binding and conclusive.

15.24. Severability

IN THE EVENT THE BANKRUPTCY COURT DETERMINES THAT ANY PROVISION OF THE PLAN IS UNENFORCEABLE EITHER ON ITS FACE OR AS APPLIED TO ANY CLAIM OR EQUITY INTEREST OR TRANSACTION, THE DEBTORS MAY MODIFY THE PLAN IN ACCORDANCE WITH SECTION 15.16 SO THAT SUCH PROVISION SHALL NOT BE APPLICABLE TO THE HOLDER OF ANY SUCH CLAIM OR EQUITY INTEREST OR TRANSACTION. SUCH A DETERMINATION OF UNENFORCEABILITY SHALL NOT (A) LIMIT OR AFFECT THE ENFORCEABILITY AND OPERATIVE EFFECT OF ANY OTHER PROVISION OF THE PLAN OR (B) REQUIRE THE RESOLICITATION OF ANY ACCEPTANCE OR REJECTION OF THE PLAN.

15.25. No Admissions

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED CAUSES OF ACTION, THIS PLAN SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS PLAN SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, AND OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, NEW QHB OR ANY OF ITS SUBSIDIARIES AND AFFILIATES, AS DEBTORS AND DEBTORS IN POSSESSION IN THESE CHAPTER 11 CASES.

Dated: November __, 2009

Respectfully submitted,

[NEW QHB]

By: ___________________________________

Name:
Title:

QUALITY HOME BRANDS HOLDINGS LLC

By: ___________________________________

Name:
Title:

QHB HOLDINGS LLC

By:
____
Name:
Title:

GENERATION BRANDS LLC

By:
____
Name:
Title:

MURRAY FEISS IMPORT LLC

By:
____
Name:
Title:

LOCUST GP LLC
By: Generation Brands LLC, its sole member

By:
____
Name:
Title:

LPC MANAGEMENT, L.L.C.

By:
____
Name:
Title:

LIGHT PROCESS COMPANY, L.P.
By: LPC Management, L.L.C.,
its general partner

By:
____
Name:
Title:

SEA GULL LIGHTING PRODUCTS LLC

By: __________________________________
Name:
Title:

WOODCO LLC

By: __________________________________
Name:
Title:

TECH L ENTERPRISES INC.

By: __________________________________
Name:
Title:

TECH LIGHTING L.L.C.

By: __________________________________
Name:
Title:

LBL LIGHTING LLC

By: __________________________________
Name:
Title:

TECH L HOLDINGS, INC.

By: __________________________________
Name:
Title:

EXHIBIT "A"

GLOSSARY OF DEFINED TERMS

1. "Administrative Claim" means a Claim incurred by a Debtor (or its Estate) on or after the Petition Date and before the Effective Date for a cost or expense of administration in the Chapter 11 Cases entitled to priority under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, (i) Fee Claims, (ii) DIP Lender Claims, (iii) the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of Apollo, the Quad-C Parties, and the First Lien Agent in connection with the Restructuring and the Equity Reorganization; and (iv) an aggregate of up to $100,000 of the reasonable and documented out-of-pocket professional expenses incurred by or on behalf of the Second Lien Lenders (other than Apollo) in connection with the Restructuring and the Equity Reorganization; provided, that if such reasonable and documented out-of-pocket professional expenses of the Second Lien Lenders (other than Apollo) exceed $100,000 in the aggregate, each such Second Lien Lender shall be entitled to its Pro Rata Share of such expense reimbursement.

2. "Affiliate" means, with respect to any Person, all Persons that would fall within the definition assigned to such term in section 101(2) of the Bankruptcy Code, if such Person was a debtor in a case under the Bankruptcy Code.

3. "Allowed," when used

(a) with respect to any Claim, except for a Claim that is an Administrative Claim or a Letter of Credit Claim, means such Claim to the extent it is not a Contested Claim or a Disallowed Claim;

(b) with respect to an Administrative Claim, means such Administrative Claim to the extent it has become fixed in amount and priority pursuant to the procedures set forth in Section 6.2(c) of this Plan;

(c) with respect to a Letter of Credit Claim, means such Letter of Credit Claim to the extent the Debtors' reimbursement obligation to the holder of the Letter of Credit Claim has become noncontingent and fixed as a result of a draw on the underlying letter of credit by the counterparty thereto; and

(d) with respect to Equity Interests in any Debtor, means the Equity Interests in any Debtor as reflected in the stock transfer ledger or similar register of such Debtor as of the Effective Date.

4. "Allowed Prepetition Lender Claim" means the Allowed Claim of the Prepetition Lenders arising under the Prepetition Credit Facilities.

5. "Apollo" means Apollo Investment Corporation.

6. "Assets" means, with respect to any Debtor, all of such Debtor's right, title and interest of any nature in property of any kind, wherever located, as specified in section 541 of the

Bankruptcy Code. For the avoidance of doubt, with respect to any Debtor, all of such Debtor's rights and benefits under any license, permit, development order, zoning approval or other governmental or quasi-governmental undertaking or action shall constitute an interest in property.

7. "Avoidance Actions" means all Causes of Action of the Estates that arise under section 544, 545, 547, 548, 550, 551 and/or 553 of the Bankruptcy Code.

8. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as codified at title 11 of the United States Code, as amended from time to time and applicable to the Chapter 11 Cases.

9. "Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware, or such other court having jurisdiction over the Chapter 11 Cases.

10. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as prescribed by the United States Supreme Court pursuant to section 2075 of title 28 of the United States Code and as applicable to the Chapter 11 Cases.

11. "Bar Date Notice" means any notice of establishment of a bar date for filing proofs of claim against the Estates that is approved pursuant to, and served in accordance with, a Bar Date Order.

12. "Bar Date Order" means any Order pursuant to Bankruptcy Rule 3003(c): (i) establishing a bar date for filing certain proofs of claim; (ii) establishing ramifications for failure to comply therewith; (iii) approving proof of claim form and notice of bar date; and (iv) approving notice and publication procedures, entered by the Bankruptcy Court in the Chapter 11 Cases.

13. "Business Day" means any day other than a Saturday, a Sunday or any other day on which commercial banks are required or authorized to close for business in New York, New York.

14. "Cash" means legal tender of the United States of America or readily marketable direct obligations of, or obligations guaranteed by, the United States of America.

15. "Cash-Pay Term Loans" means the principal amount of $125,600,000 in Term Loans to be continued as cash-pay term loans under the New First Lien Credit Agreement.

16. "Causes of Action" means all claims, rights, actions, causes of action, liabilities, obligations, suits, debts, remedies, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages or judgments, whether known or unknown, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, asserted or unasserted, arising in law, equity or otherwise.

17. "Chapter 11 Cases" means the cases commenced under chapter 11 of the Bankruptcy Code pending before the Bankruptcy Court with respect to each of the Debtors.

18. "Claim" means (a) any right to payment, whether or not such right is known or unknown, 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 of payment, whether or not such right to an equitable remedy is known or unknown, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. For avoidance of doubt, "Claim" includes, without limitation, a right to payment, or equitable relief that gives rise to a right to payment, that has or has not accrued under non-bankruptcy law that is created by one or more acts or omissions of the Debtors if: (a) the act(s) or omission(s) occurred before or at the time of the Effective Date; (b) the act(s) or omission(s) may be sufficient to establish liability when injuries/damages are manifested; and (c) at the time of the Effective Date, the Debtors have received one or more demands for payment for injuries or damages arising from such acts or omissions.

19. "Claims Agent" means the Person designated by order of the Bankruptcy Court to process proofs of claim.

20. "Confirmation Date" means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

21. "Confirmation Hearing" means the hearing held by the Bankruptcy Court, as it may be continued from time to time, to consider confirmation of the Plan.

22. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan.

23. "Contested" (a) when used with respect to a Claim, means such Claim (i) to the extent it is listed in the Schedules as disputed, contingent, or unliquidated, in whole or in part, and as to which no proof of claim has been filed; (ii) if it is listed in the Schedules as undisputed, liquidated, and not contingent and as to which a proof of claim has been filed with the Bankruptcy Court, to the extent (A) the proof of claim amount exceeds the amount indicated in the Schedules, or (B) the proof of claim priority differs from the priority set forth in the Schedules, in each case as to which an objection was filed on or before the Objection Deadline, unless and to the extent allowed in amount and/or priority by a Final Order of the Bankruptcy Court or the Plan; (iii) if it is not listed in the Schedules or was listed in the Schedules as disputed, contingent or unliquidated, in whole or in part, but as to which a proof of claim has been filed with the Bankruptcy Court, in each case as to which an objection was filed on or before the Objection Deadline, unless and to the extent allowed in amount and/or priority by a Final Order of the Bankruptcy Court or the Plan; or (iv) as to which an objection has been filed on or before the Effective Date; provided, that a Claim that is fixed in amount and priority pursuant to the Plan or by Final Order on or before the Effective Date shall not be a Contested Claim; and (b) when used with respect to an Equity Interest, means such Equity Interest to the extent it is not reflected on the applicable Debtor's stock transfer register as of the Effective Date.

24. "Creditors' Committee" means the Official Committee of Unsecured Creditors, if any, appointed by the Office of the United States Trustee in the Chapter 11 Cases.

25. "Debtor" means any of New QHB and its direct and indirect subsidiaries listed on Exhibit "B" to the Plan.

26. "Debtor in Possession" means any Debtor, in its capacity as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

27. "DIP Agent" means BNP Paribas, in its capacity as administrative agent and collateral agent under the DIP Credit Agreement.

28. "DIP Credit Agreement" means that certain post-petition, superpriority credit agreement, which has the terms set forth on the Restructuring Term Sheet at Schedule 2 of the Disclosure Statement, as approved and amended by the DIP Orders, entered into between the Debtors as borrowers and the DIP Lenders, together with all documents, instruments and agreements executed or entered into in connection therewith, and any amendments thereto.

29. "DIP Lender Claims" means the Claims of the DIP Lenders under the DIP Credit Agreement and the DIP Orders.

30. "DIP Lenders" means each of the Revolver Lenders.

31. "DIP Orders" means, collectively, the orders of the Bankruptcy Court approving the DIP Credit Agreement and amendments, if any, thereto, authorizing the Debtors that are parties thereto to enter into the DIP Credit Agreement, granting certain rights, protections and liens to and for the benefit of the DIP Lenders as set forth therein, and authorizing the Debtors to make borrowings under the DIP Credit Agreement.

32. "Disallowed" when used with respect to a Claim, means a Claim, or such portion of a Claim, that has been disallowed by a Final Order.

33. "Disbursing Agent" means Reorganized New QHB or any agent selected by Reorganized New QHB, as applicable, acting on behalf of the Debtors in (a) making the Plan Distributions contemplated under the Plan, the Confirmation Order, or any other relevant Final Order, and (b) performing any other act or task that is or may be delegated to the Disbursing Agent under the Plan.

34. "Disclosure Statement" means the disclosure statement filed with respect to the Plan, as it may be amended, supplemented, or otherwise modified from time to time, and the exhibits and schedules thereto.

35. "Effective Date" means a date selected by the Debtors which shall be a Business Day that is no later than five (5) days after all of the conditions specified in Section 11.2 have been satisfied or waived (to the extent waivable).

36. "Equity Interest" means any outstanding ownership interest in any of the Debtors, including, without limitation, interests evidenced by common or preferred stock, membership interests, options, stock appreciation rights, restricted stock, restricted stock units, or their equivalents, or other rights to purchase or otherwise receive any ownership interest in any of the Debtors and any right to payment or compensation based upon any such interest, whether or not

such interest is owned by the holder of such right to payment or compensation.

37. "Estate" means the estate of any Debtor created by section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

38. "Exit Revolver" means that certain senior secured revolving credit facility to be provided by the Exit Revolver Lenders pursuant to the terms of the New First Lien Credit Agreement.

39. "Exit Revolver Lenders" means each of the Revolver Lenders.

40. "Fee Application" means an application for allowance and payment of a Fee Claim (including Claims for "substantial contribution" pursuant to section 503(b) of the Bankruptcy Code).

41. "Fee Claim" means a Claim of a Professional Person.

42. "Final Order" means (a) an order or judgment of the Bankruptcy Court or any other court or adjudicative body as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or (b) in the event that an appeal, writ of certiorari, reargument, or rehearing thereof has been taken or sought, such order of the Bankruptcy Court or any other court or adjudicative body shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or Bankruptcy Rule 9024 may be filed with respect to such order.

43. "First Lien Agent" means BNP Paribas, in its capacity as administrative agent and collateral agent under the First Lien Credit Agreement.

44. "First Lien Credit Agreement" means that certain First Lien Credit Agreement, dated as of June 20, 2006, by and among QHB Holdings, Quality Home Brands, the lenders party thereto, and BNP Paribas, as the First Lien Agent, together with all documents, instruments and agreements executed or entered into in connection therewith, and any amendments thereto.

45. "First Lien Lender Claim" means all Term Lender Claims.

46. "First Lien Lenders" means the Term Lenders and the Revolver Lenders.

47. "General Unsecured Claim" means any Claim against a Debtor other than an Administrative Claim, a DIP Lender Claim, a Priority Claim, a Priority Tax Claim, a Fee Claim, a Secured Claim, a Prepetition Lender Claim or a Noteholder Claim.

48. "Insider" means a Person that would fall within the definition assigned to such term in section 101(31) of the Bankruptcy Code.

49. “Insured Claim” means any Claim against a Debtor for which the Debtor or the holder of a Claim is entitled to indemnification, reimbursement, contribution or other payment under a policy of insurance wherein a Debtor is an insured or beneficiary of the coverage of any of the Debtors.

50. “Intercompany Claim” means a Claim held by any Debtor against any other Debtor based on any fact, action, omission, occurrence or thing that occurred or came into existence prior to the Petition Date.

51. “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and any applicable rulings, regulations (including temporary and proposed regulations) promulgated thereunder, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or the IRS.

52. “IRS” means the United States Internal Revenue Service.

53. “Letter of Credit Claim” means a Claim against a Debtor that is covered in whole or in part by a letter of credit issued at the request of any Debtor with respect to which an actual draw on such letter of credit has been made.

54. “Management Incentive Plan” means that certain incentive plan covering certain members of the senior management of the Reorganized Debtors to be adopted by the Reorganized Debtors as set forth in Section 7.9 hereof.

55. “New Common Stock” means the shares of common stock to be issued by Reorganized New QHB on or after the Effective Date pursuant to the Plan the terms of which will substantially conform to the terms set forth on Exhibit “C” hereto.

56. “New First Lien Credit Agreement” means the credit agreement among the Reorganized Debtors, the First Lien Lenders, and BNP Paribas, as administrative agent and collateral agent thereunder, governing the Cash-Pay Term Loans, the PIK Term Loans and the Exit Revolver, in accordance with the terms set forth on the Restructuring Term Sheet. The New First Lien Credit Agreement shall be in substantially the form filed with the Bankruptcy Court as a Plan Document.

57. “New Preferred Stock” means the Series A Convertible Preferred Stock to be issued and sold by Reorganized New QHB to the Quad-C Entity on the Effective Date under the Plan, in accordance with the terms set forth on the Restructuring Term Sheet. The certificate of designation for the New Preferred Stock shall be in substantially the form filed with the Bankruptcy Court as a Plan Document.

58. “New QHB” means Generation Brands Holdings, Inc., the legal entity that is the ultimate parent of the Debtors.

59. “New QHB Equity Interests” means Equity Interests in New QHB.

60. “Note Purchase Agreement” means that certain Note Purchase Agreement, dated as of June 20, 2006, by and between QHB Holdings and Apollo.

61. “Noteholder Claim” means all Claims arising under or based upon the Notes.

62. “Notes” means those certain 13.50% Senior Notes in the initial aggregate principal amount of $35 million, issued by QHB Holdings pursuant to the Note Purchase Agreement.

63. “Notice of Confirmation” means the notice of entry of the Confirmation Order to be filed with the Bankruptcy Court and mailed to holders of Claims and Equity Interests.

64. “Objection Deadline” means the deadline for filing objections to Claims as set forth in Section 10.1 of the Plan.

65. “Other Equity Interests” means Equity Interests in the Debtors other than New QHB.

66. “Other Secured Claims” means any Secured Claim other than a Prepetition Lender Claim or a DIP Lender Claim.

67. “Person” means an individual, corporation, partnership, limited liability company, joint venture, trust, estate, unincorporated association, unincorporated organization, governmental entity, or political subdivision thereof, or any other entity.

68. “Petition Date” means, with respect to any Debtor, the date on which the Chapter 11 Case of such Debtor was commenced.

69. “PIK” means payment in kind.

70. “PIK Term Loans” means the approximately $105.5 million in Term Loans to be converted to PIK term loans under the New First Lien Credit Agreement.

71. “Plan” means this chapter 11 plan, either in its present form or as it may be amended, supplemented, or otherwise modified from time to time, and the exhibits and schedules hereto, as the same may be in effect at the time such reference becomes operative.

72. “Plan Distribution” means the payment or distribution under the Plan of Cash, Assets, securities or instruments evidencing an obligation under the Plan to the holder of an Allowed Claim or Allowed Equity Interest.

73. “Plan Distribution Date” means with respect to any Claim or Equity Interest, (a) the Effective Date or a date that is as soon as reasonably practicable after the Effective Date, if such Claim or Equity Interest is then an Allowed Claim or an Allowed Equity Interest, or (b) if not Allowed on the Effective Date, a date that is as soon as reasonably practicable after the date such Claim or Equity Interest becomes Allowed, but is not earlier than thirty (30) days following the previous Plan Distribution Date.

74. “Plan Documents” means the documents that aid in effectuating the Plan filed with the Bankruptcy Court pursuant to Section 1.5 of the Plan including, without limitation, the Reorganized Debtors’ Constituent Documents, the New First Lien Credit Agreement, the certificate of designations for the New Preferred Stock and the Preferred Stock Purchase Agreement.

75. “Preferred Stock Purchase Agreement” means that certain Series A Convertible Preferred Stock purchase agreement to be entered into among the Quad-C Entity and Reorganized New QHB.

76. “Prepetition Agents” means the First Lien Agent and the Second Lien Agent.

77. “Prepetition Credit Facilities” means the First Lien Credit Agreement and the Second Lien Credit Agreement.

78. “Prepetition Lender Claim” means a Claim of the Prepetition Lenders arising under the Prepetition Credit Facilities.

79. “Prepetition Lenders” means the First Lien Lenders and the Second Lien Lenders.

80. “Priority Claim” means any Claim to the extent such Claim is entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than Secured Claims, Administrative Claims and Priority Tax Claims.

81. “Priority Tax Claim” means a Claim against any of the Debtors that is of a kind specified in section 507(a)(8) of the Bankruptcy Code.

82. “Private Placement” means the issuance and sale of New Preferred Stock to the Quad-C Entity under section 4(2) of the Securities Act and Regulation D promulgated thereunder, as set forth in Section 9.1 of the Plan.

83. “Pro Rata Share” means the proportion that an Allowed Claim bears to the aggregate amount of all Claims in a particular class, including Contested Claims, but excluding Disallowed Claims, (a) as calculated by the Disbursing Agent; or (b) as determined or estimated by the Bankruptcy Court.

84. “Professional Person” means a Person retained or to be compensated for services rendered or costs incurred on or after the Petition Date and on or prior to the Effective Date pursuant to sections 327, 328, 329, 330, 331, 503(b), or 1103 of the Bankruptcy Code in these Chapter 11 Cases.

85. “QHB Holdings” means QHB Holdings LLC.

86. “Quad-C Entity” means Quad-C Partners VI, L.P. or its designee.

87. “Quad-C Parties” means the Quad-C Entity, Quad-C Management, Inc., Quad-C Partners VI, L.P., Quad-C Principals LLC, QHB Investors Real Estate Holdings, Inc. and each of their respective affiliates, current and former officers, current and former directors, principals, shareholders, parents, subsidiaries, members, auditors, accountants, financial advisors, predecessors, successors, servants, employees, agents, counsel, attorneys and partners.

88. “Quality Home Brands” means Quality Home Brands Holdings LLC.

89. “Regulation D” means 17 C.F.R. §§ 230.501–230.508.

90. “Reorganized Debtors” means Reorganized New QHB together with its affiliated Debtors as reorganized on and after the Effective Date.

91. “Reorganized Debtors’ Constituent Documents” means the by-laws, certificates of incorporation, or limited liability company membership agreements, as applicable, for Reorganized New QHB and the other members of the Reorganized Debtors, as of the Effective Date. The Reorganized Debtors’ Constituent Documents shall be in substantially the form filed with the Bankruptcy Court as Plan Documents.

92. “Reorganized New QHB” means New QHB as reorganized pursuant to the Plan and the issuer of the New Common Stock and New Preferred Stock.

93. “Restructuring Term Sheet” means that certain term sheet that is annexed to the Disclosure Statement as Schedule 2.

94. “Revolver Lender Claims” means Claims of the Revolver Lenders under the Revolving Facility.

95. “Revolver Lenders” means those lenders under the Revolving Facility.

96. “Revolving Facility” means the senior secured revolving credit facility under the First Lien Credit Agreement.

97. “Schedules” means, unless otherwise stated, the schedules of assets and liabilities and list of Equity Interests and the statements of financial affairs filed by each of the Debtors with the Bankruptcy Court, as required by section 521 of the Bankruptcy Code and in conformity with the Official Bankruptcy Forms of the Bankruptcy Rules, as such schedules and statements have been or may be amended or supplemented by the Debtors in Possession from time to time in accordance with Bankruptcy Rule 1009.

98. “Second Lien Agent” means The Bank of New York, in its capacity as administrative agent and collateral agent under the Second Lien Credit Agreement.

99. “Second Lien Credit Agreement” means that certain Second Lien Credit Agreement, dated as of June 20, 2006, by and among QHB Holdings, Quality Home Brands, the lenders party thereto, and The Bank of New York, as Second Lien Agent, together with all documents, instruments and agreements executed or entered into in connection therewith, and any amendments thereto.

100. “Second Lien Lender Claim” means all Claims arising under or based upon the Second Lien Credit Agreement.

101. “Second Lien Lenders” means the lenders under the Second Lien Credit Agreement.

102. “Secured Claim” means (a) a Claim secured by a lien on any Assets, which lien is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, and which is duly established in the Chapter 11 Cases, but only to the extent of the value of the holder’s interest in the collateral that secures

payment of the Claim; (b) a Claim against the Debtors that is subject to a valid right of recoupment or setoff under section 553 of the Bankruptcy Code, but only to the extent of the Allowed amount subject to recoupment or setoff as provided in section 506(a) of the Bankruptcy Code; and (c) a Claim deemed or treated under the Plan as a Secured Claim; provided, that, to the extent that the value of such interest is less than the amount of the Claim which has the benefit of such security, the unsecured portion of such Claim shall be treated as a General Unsecured Claim unless, in any such case the class of which such Claim is a part makes a valid and timely election in accordance with section 1111(b) of the Bankruptcy Code to have such Claim treated as a Secured Claim to the extent Allowed.

103. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§ 77a, et seq.

104. "Term Lender Claims" means Claims of the Term Lenders under the Term Loans.

105. "Term Lenders" means the lenders under the Term Loans.

106. "Term Loans" means the senior secured term loans under the First Lien Credit Agreement.

EXHIBIT "B"

LIST OF DEBTORS

List of the Debtors and Tax Identification Numbers

Case No.	Debtor	Tax ID Number
To Be Determined	New QHB	27-1280247
To Be Determined	Quality Home Brands Holdings LLC	20-5100532
To Be Determined	QHB Holdings LLC	04-3790554
To Be Determined	Generation Brands LLC	20-8831825
To Be Determined	Murray Feiss Import LLC	04-3790556
To Be Determined	Locust GP LLC	04-3790565
To Be Determined	LPC Management, LLC	32-2133596
To Be Determined	Light Process Company, L.P.	74-1882730
To Be Determined	Sea Gull Lighting Products LLC	22-2928003
To Be Determined	WoodCo LLC	23-1861169
To Be Determined	Tech L Enterprises Inc.	20-0947690
To Be Determined	Tech Lighting LLC	36-4242152
To Be Determined	LBL Lighting LLC	36-2751784
To Be Determined	Tech L Holdings, Inc.	20-5100613

EXHIBIT "C"

TERMS OF NEW COMMON STOCK

Set forth below is a summary of indicative terms for the New Common Stock to be issued in the Restructuring. No party shall be bound by the terms hereof and only execution and delivery of definitive documentation relating to the transaction shall result in any binding or enforceable obligations of any party relating to the transaction.

Issuer:	New QHB, a corporation organized under the laws of Delaware, as the direct owner of 100% of the equity interests in QHB Holdings.
Securities to be Authorized:	[_____ million] shares of New Common Stock.
Par Value:	$0.01 per share.
Securities to be Issued upon the Restructuring:	Approximately [____ million] shares of New Common Stock. The New Common Stock shall initially be issued in four (4) series: (i) Common Stock Series A; (ii) Common Stock Series 2L; (iii) Common Stock Series H; and (iv) Basic Common Stock. These are collectively referred to as New Common Stock. Each series of New Common Stock shall be identical in all respects except with respect to nomination and voting for directors as described below.
Automatic Conversion:	Each share of Common Stock Series A, Common Stock Series 2L and Common Stock Series H shall automatically convert, without any action by any party, into a share of Basic Common Stock as soon as it is transferred by the original holder to which such share was issued upon the Restructuring (or, in the case of Common Stock Series A, by the original holder of the New Preferred Stock which was converted into such Common Stock Series A) to any person or entity other than an affiliate of such original holder.
Dividends:	Subject to the rights of holders of preferred stock, if any, holders of New Common Stock are entitled to receive such dividends as may be lawfully declared from time to time with respect to the New Common Stock by the board of directors of New QHB.
Liquidation:	Upon any liquidation, dissolution or winding up of New QHB, whether voluntary or involuntary, holders of New Common Stock will be entitled to receive such assets as are available for distribution to stockholders after there shall have been paid or set apart for payment the full amounts necessary to satisfy any preferential or participating rights to which the holders of each outstanding series of preferred stock are entitled by the express terms of such series.
Voting Rights:	The holders of shares of New Common Stock shall be entitled to one (1) vote for each such share upon all matters and proposals presented to the stockholders on which the holders of New Common Stock are entitled to vote. Notwithstanding the foregoing, the shares of Common Stock Series 2L, Common Stock Series H and Common Stock Series A shall have the following rights with respect to nomination and election of directors: (i) shares of Common Stock Series 2L shall be entitled, voting together as a class, to nominate and elect one (1) director; provided, that any holder of Common Stock Series 2L that is also a holder of Common Stock Series H shall not be entitled to participate in the nomination of such director but shall be entitled to vote on such director; (ii) shares of Common Stock Series H shall be entitled, voting together as a class, to nominate and elect one (1) director; and (iii) shares of Common Stock Series A shall be entitled, voting together as a class with the New Preferred Stock, to nominate and elect four (4) directors. The right of shares of Common Stock Series 2L to nominate and elect one (1) director shall be maintained only so long as at least 50% of the Common Stock Series 2L issued upon the Restructuring continues to be outstanding (adjusted appropriately for any stock splits or consolidations). The right of shares of Common Stock Series H to nominate and elect one (1) director shall be maintained only so long as at least 50% of the Common Stock Series H issued upon the Restructuring

	continues to be outstanding (adjusted appropriately for any stock splits or consolidations). The right of shares of Common Stock Series A to nominate and elect four (4) directors shall be maintained only so long as at least 50% of the Common Stock Series A issued upon the Restructuring (assuming for this purpose, the conversion of the New Preferred Stock into New Common Stock in accordance with its terms) continue to be outstanding (adjusted appropriately for any stock splits or consolidations). Any director who is not specifically nominated and elected by a particular series of New Common Stock shall be elected by all of the New Common Stock. Except as otherwise provided by law or by New QHB's certificate of incorporation or by any certificate of designation for preferred stock (a "Preferred Stock Designation"), the holders of shares of New Common Stock shall have the exclusive right to vote for the election of directors and on all other matters or proposals presented to the stockholders; provided, however, that the holders of shares of New Common Stock, as such, shall not be entitled to vote on any amendment of New QHB's certificate of incorporation (including any amendment of any provision of any Preferred Stock Designation) that (i) relates to the amendment of the powers, privileges, preferences or other rights pertaining to one or more outstanding classes or series of preferred stock, or the number of shares of any such class or series, and (ii) does not affect the powers, privileges or rights pertaining to the New Common Stock, if the holders of any of such class or series of preferred stock are entitled, separately or together with the holders of any other class or series of preferred stock, to vote thereon pursuant to New QHB's certificate of incorporation (including any Preferred Stock Designation) or pursuant to the General Corporation Law of the State of Delaware, unless a vote of holders of shares of New Common Stock is otherwise required by any provision of any Preferred Stock Designation or any other provision of New QHB's certificate of incorporation or is otherwise required by law.
Other Rights:	The New Common Stock will not have any preemptive, subscription or conversion rights.

SCHEDULE 4

BALLOT

QHB HOLDINGS, LLC

BALLOT FOR ACCEPTING OR REJECTING THE PROPOSAL TO RESTRUCTURE AND JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION FOR QHB HOLDINGS LLC AND ITS AFFILIATED DEBTORS

THIS BALLOT IS EXCLUSIVELY FOR USE BY HOLDERS OF CLASS 2 – FIRST LIEN LENDER CLAIMS

On November 10, 2009, QHB Holdings, LLC and its above-captioned affiliated debtors (collectively, the "Company") commenced its efforts to restructure (the "Restructuring") the Company's debt by proposing that holders of Old Debt[1] exchange their Old Debt for new debt and equity in Reorganized New QHB. The Company is seeking to effect the Restructuring through an out-of-court transaction (the "Out-of-Court Transaction") but may effect the Restructuring through a Joint Prepackaged Chapter 11 Plan of Reorganization of QHB Holdings LLC and its Affiliated Debtors (the "Plan"). Consequently, the Company has commenced the solicitation of votes to accept or reject the Plan from holders of their Old Debt. The Restructuring, the Out-of-Court Transaction and the Plan are explained in greater detail in the Disclosure Statement relating to the Restructuring (as it may be amended or supplemented from time to time, the "Disclosure Statement") to which this ballot (the "Ballot") is annexed. The Company is seeking the approval of all the Prepetition Lenders and Noteholders, but is prepared to pursue the Restructuring even if such unanimous support is not achieved. If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates, including QHB Holdings, may seek to commence cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and seek immediate confirmation of the Plan.

VOTING DEADLINE THIS BALLOT **MUST BE ACTUALLY RECEIVED** BY THE SOLICITATION AGENT ON OR BEFORE **NOVEMBER 25, 2009 AT NOON (12 P.M.) PREVAILING EASTERN TIME**

If you have more than one claim entitled to vote, please complete a separate ballot for each claim pursuant to which you are entitled to vote.

Item 1. Voting Classification and Amount. The undersigned certifies that as of the Voting Record Date it is a holder of a Class 2 – First Lien Lender Claim against the Company in the following unpaid amount (insert amount in the box below):

$

Item 2. Vote. As a First Lien Lender, your election to accept the terms of the Restructuring means that you:

(i) vote in favor of the Plan;

(ii) agree to forbear from exercising any right you may have under the First Lien Credit Agreement (capitalized terms used in this Item 2 without definition having the meanings defined in such First Lien Credit Agreement) to: (1) enforce any guaranty granted by any subsidiary of the

[1] Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Disclosure Statement.

Company which is not a debtor under the Chapter 11 Case or (2) to foreclose or otherwise enforce any lien against assets of, or held by, any subsidiary of the Company that is not a debtor under the Chapter 11 Case, in each case so long as: (a) the Company is a debtor under the Chapter 11 Case, (b) such subsidiaries shall be Guarantors of the First Lien Credit Agreement and shall have taken all actions required by Section 7.10(c) of the First Lien Credit Agreement and by the Guarantee and Collateral Agreement, (c) other than obligations and liens undertaken and granted pursuant to the Guarantee and Collateral Agreement, such subsidiaries shall not create, incur, assume, become liable with respect to or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired have no Indebtedness and the assets of such subsidiaries are not subject to any Liens, other than liens securing Second Lien Obligations, (d) such subsidiaries are not engaged in any business other than owning intellectual property rights and related property, and licensing such rights and property exclusively to the Company and its subsidiaries for use in connection with the business of the Company and its subsidiaries, (e) such subsidiaries shall comply in all material respects with all terms and requirements of the First Lien Credit Agreement to the extent applicable to such Subsidiaries (including, without limitation, obligations of the Borrower to provide notices and other information relating to such subsidiaries) and (f) no such subsidiary shall become subject to any litigation or legal proceeding, which could ultimately be expected to have a materially adverse impact on the lenders;

(iii) agree to be bound by the terms of the New First Lien Credit Agreement and the ancillary security, collateral and other documents related thereto;

(iv) agree to waive the requirements of Section 6.5 of the Guarantee and Collateral Agreement, Section 11.7 of the First Lien Credit Agreement and any other provision of such agreements or any other Loan Document that would prohibit the payment of Revolving Loans from the proceeds of the DIP Credit Agreement or require any Revolving Lender to share such payment with any other Lender;

(v) agree to extend the existing limited waiver period granted by the First Lien Lenders under the Third Amendment and Limited Waiver, dated as of September 28, 2009 to the First Lien Credit Agreement by deleting the reference to "November 25, 2009" contained therein and inserting in lieu thereof "December 4, 2009;" and

(vi) agree not to sell, assign, transfer, hypothecate or otherwise dispose of, directly or indirectly (a "Transfer"), all or any of your Old Debt (or any option thereon or any right or interest related thereto, including any voting rights associated therewith), unless the transferee thereof agrees in writing to accept and be bound by the terms of this Ballot. Any Transfer of Old Debt that does not comply with the foregoing requirement shall be void and shall be treated as if it never occurred.

The undersigned votes the above-listed Class 2 – First Lien Lender Claim (check one box):

☐ Accept the Restructuring and Plan	☐ Reject the Restructuring and Plan

Item 3. Opt-Out Election.[2] Check this box if you elect not to grant the releases contained in Section 7.16 of the Plan as they relate to the opt-out release parties set forth in Section 7.16 of the Plan. Election to withhold consent is at your option. If you submit your Ballot without this box checked, you will be deemed to consent to the releases set forth in Section 7.16 of the Plan to the fullest extent permitted by applicable law. The full text of Section 7.16 of the Plan is set forth at the end of this Ballot.

☐	The undersigned elects <u>NOT</u> to grant the releases contained in Section 7.16 of the Plan.

[2] The Opt-Out Election becomes applicable only if the Restructuring is effected through the Plan after the commencement of Chapter 11 Cases.

Item 4. Certifications.

By signing your Ballot, you acknowledge: (1) that the solicitation of votes to accept or reject the Restructuring and the Plan is subject to all the terms and conditions set forth in the Disclosure Statement, (2) that you have received a copy of the Disclosure Statement, (3) that the vote on the Restructuring and the Plan is being made pursuant to the terms and conditions set forth therein, (4) that a vote to accept the Restructuring, the Out-of-Court Transaction and the Plan is an affirmative consent to the releases, injunctions, and exculpation contained in Section 7.16 of the Plan unless otherwise indicated under Item 3, and you have the full power and authority to vote to accept or reject the Plan on behalf of the claimant listed herein.

PLEASE READ THIS ENTIRE BALLOT, INCLUDING THE VOTING INSTRUCTIONS BELOW, BEFORE COMPLETING. PLEASE COMPLETE, DATE AND SIGN THIS BALLOT AND RETURN THE SIGNED BALLOT TO THE SOLICITATION AGENT IDENTIFIED IN THE VOTING INSTRUCTIONS BELOW.

Name of Creditor:____
(Print or Type)

By:____
(Signature of Creditor or Authorized Agent)

Print Name of Signatory:___________________________________

Title:____
(If Appropriate)

Street Address:____

____
(City, State and Zip Code)

Telephone Number: (___) __________________________________

____
(Federal Tax I.D. No.)

Date Completed:____

VOTING INSTRUCTIONS

This Ballot is submitted to you to solicit your vote to accept the terms of the Restructuring, the Out-of-Court Transaction and the Plan, which is described in the Disclosure Statement to which this Ballot is annexed. A copy of the Plan is attached as Schedule 3 to the Disclosure Statement. The Company has NOT filed for relief under chapter 11 of the Bankruptcy Code, and the Disclosure Statement has not been filed with or approved by the Bankruptcy Court, the Securities and Exchange Commission or any other governmental or regulatory agency. The Disclosure Statement will be submitted to the Bankruptcy Court for approval only if the Company seeks relief under chapter 11 of the Bankruptcy Code and confirmation of the Plan. If you wish to receive additional copies of the Disclosure Statement, please contact the Solicitation Agent, Epiq Financial Balloting Group, at (646) 282-1800.

If the Restructuring is not effected through the Out-of-Court Transaction, the Company may commence Chapter 11 Cases and the Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims that have actually voted in each class of claims entitled to vote on the Plan. In the event the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan provides fair and equitable treatment to, and does not discriminate unfairly against, the class or classes rejecting it and otherwise satisfies the requirements of section 1129 of the Bankruptcy Code.

HOW TO VOTE:

Please complete, sign and date this Ballot and return it to the Solicitation Agent at:

Epiq Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017
Attn: QHB Holdings LLC
Fax: (646) 607-9142
Email: tabulation@epiqsystems.com

VOTING DEADLINE:

If your Ballot is not ACTUALLY RECEIVED by Noon (12 p.m.), Prevailing Eastern Time, on November 25, 2009, it will not be counted. Ballots transmitted by any means, including facsimile, telecopy transmission or electronic mail, WILL BE accepted and counted as a vote to accept or reject the Restructuring, the Out-of-Court Transaction and the Plan. Unsigned Ballots will not be counted.

Holders of Claims that take no action, or fail to take timely action, may nevertheless be bound by the terms of the Plan and have the applicable treatment applied to their Old Debt if the Plan is consummated.

Subject to the terms of the Exchange Agreements and the New First Lien Credit Agreement, the Company reserves the right to extend the Voting Deadline in its sole and absolute discretion, which may be for any or no reason, and to terminate or withdraw the proposal for the Restructuring or the Plan in any respect. Any extension of the Voting Deadline will be communicated by the Company no later than 10:00 a.m., Prevailing Eastern Time, on the next business day following the previously scheduled Voting Deadline.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission by the Company of the validity of a claim or interest.

IF YOU HAVE ANY QUESTIONS CONCERNING THE DISCLOSURE STATEMENT, THE PLAN, THIS BALLOT OR THE VOTING INSTRUCTIONS, OR IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF ANY ENCLOSED MATERIALS, PLEASE CONTACT EPIQ FINANCIAL BALLOTING GROUP AT (646) 282-1800.

Section 7.16 of the Plan, entitled "Releases by Creditors," states:

Except as provided in the Plan, subject to the occurrence of the Effective Date, any holder of a Claim that is impaired under the Plan shall be presumed conclusively to have released the Debtors, the Reorganized Debtors, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, and the Quad-C Parties, and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, as well as the Debtors' officers, directors and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim; <u>except</u> that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; <u>except</u>, <u>further</u>, that the foregoing releases shall not apply to any holder

of a Claim if such holder "opts out" of the releases provided in this Section by a timely written election pursuant to such holder's ballot; except, further, however, that each holder of a Second Lien Lender Claim who executed that certain Standstill Agreement, dated October 2, 2009, entered into by and among any such holder and QHB Holdings and Quality Home Brands is presumed conclusively to have elected to provide the foregoing release to the Debtors, and each of their domestic subsidiaries, directors, managers, officers, shareholders, partners, members, advisors, representatives and agents, irrespective of such holder's ballot.

QHB HOLDINGS, LLC

BALLOT FOR ACCEPTING OR REJECTING THE PROPOSAL TO RESTRUCTURE AND JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION FOR QHB HOLDINGS LLC AND ITS AFFILIATED DEBTORS

THIS BALLOT IS EXCLUSIVELY FOR USE BY HOLDERS OF CLASS 3 – SECOND LIEN LENDER CLAIMS

On November 10, 2009, QHB Holdings, LLC and its above-captioned affiliated debtors (collectively, the "Company") commenced its efforts to restructure (the "Restructuring") the Company's debt by proposing that holders of Old Debt[1] exchange their Old Debt for new debt and equity in Reorganized New QHB. The Company is seeking to effect the Restructuring through an out-of-court transaction (the "Out-of-Court Transaction") but may effect the Restructuring through a Joint Prepackaged Chapter 11 Plan of Reorganization of QHB Holdings LLC and its Affiliated Debtors (the "Plan"). Consequently, the Company has commenced the solicitation of votes to accept or reject the Plan from holders of their Old Debt. The Restructuring, the Out-of-Court Transaction and the Plan are explained in greater detail in the Disclosure Statement relating to the Restructuring (as it may be amended or supplemented from time to time, the "Disclosure Statement") to which this ballot (the "Ballot") is annexed. The Company is seeking the approval of all the Prepetition Lenders and Noteholders, but is prepared to pursue the Restructuring even if such unanimous support is not achieved. If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates, including QHB Holdings, may seek to commence cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and seek immediate confirmation of the Plan.

VOTING DEADLINE
THIS BALLOT **MUST BE ACTUALLY RECEIVED** BY THE SOLICITATION AGENT ON OR BEFORE **NOVEMBER 25, 2009 AT NOON (12 P.M.) PREVAILING EASTERN TIME**

If you have more than one claim entitled to vote, please complete a separate ballot for each claim pursuant to which you are entitled to vote.

Item 1. Voting Classification and Amount. The undersigned certifies that as of the Voting Record Date it is a holder of a Class 3 – Second Lien Lender Claim against the Company in the following unpaid amount (insert amount in the box below):

$

Item 2. Vote. As a Second Lien Lender, your election to accept the terms of the Restructuring means that you:

(i) vote in favor of the Plan;

(ii) agree to forbear from exercising any right you may have under the Second Lien Credit Agreement (capitalized terms used in this Item 2 without definition having the meanings defined in such Second Lien Credit Agreement) to: (1) enforce any guaranty granted by any subsidiary of the Company which is not a debtor under the Chapter 11 Case or (2) to foreclose or otherwise enforce any

[1] Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Disclosure Statement.

lien against assets of, or held by, any subsidiary of the Company that is not a debtor under the Chapter 11 Case, in each case so long as: (a) the Company is a debtor under the Chapter 11 Case, (b) such subsidiaries shall be Guarantors of the Second Lien Credit Agreement and shall have taken all actions required by Section 7.10(c) of the Second Lien Credit Agreement and by the Guarantee and Collateral Agreement, (c) other than obligations and liens undertaken and granted pursuant to the Guarantee and Collateral Agreement, such subsidiaries shall not create, incur, assume, become liable with respect to or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired have no Indebtedness and the assets of such subsidiaries are not subject to any Liens, (d) such subsidiaries are not engaged in any business other than owning intellectual property rights and related property, and licensing such rights and property exclusively to the Company and its subsidiaries for use in connection with the business of the Company and its subsidiaries, (e) such subsidiaries shall comply in all material respects with all terms and requirements of the Second Lien Credit Agreement to the extent applicable to such Subsidiaries (including, without limitation, obligations of the Borrower to provide notices and other information relating to such subsidiaries) and (f) no such subsidiary shall become subject to any litigation or legal proceeding, which could ultimately be expected to have a materially adverse impact on the lenders;

(iii) agree to be bound by the terms of the Exchange Agreement and the ancillary security, collateral and other documents related thereto; and

(iv) agree not to sell, assign, transfer, hypothecate or otherwise dispose of, directly or indirectly (a "Transfer"), all or any of your Old Debt (or any option thereon or any right or interest related thereto, including any voting rights associated therewith), unless the transferee thereof agrees in writing to accept and be bound by the terms of this Ballot. Any Transfer of Old Debt that does not comply with the foregoing requirement shall be void and shall be treated as if it never occurred.

The undersigned votes the above-listed Class 3 – Second Lien Lender Claim (check one box):

☐ Accept the Restructuring and Plan	☐ Reject the Restructuring and Plan

Item 3. Opt-Out Election.[2] Check this box if you elect not to grant the releases contained in Section 7.16 of the Plan as they relate to the opt-out release parties set forth in Section 7.16 of the Plan. Election to withhold consent is at your option, except as otherwise provided in Section 7.16 of the Plan. If you submit your Ballot without this box checked, you will be deemed to consent to the releases set forth in Section 7.16 of the Plan to the fullest extent permitted by applicable law. The full text of Section 7.16 of the Plan is set forth at the end of this Ballot.

☐	The undersigned elects NOT to grant the releases contained in Section 7.16 of the Plan.

Item 4. Certifications.

By signing your Ballot, you acknowledge: (1) that the solicitation of votes to accept or reject the Restructuring and the Plan is subject to all the terms and conditions set forth in the Disclosure Statement, (2) that you have received a copy of the Disclosure Statement, (3) that the vote on the Restructuring and the Plan is being made pursuant to the terms and conditions set forth therein, (4) that a vote to accept the Restructuring, the Out-of-Court Transaction and the Plan is an affirmative consent to the releases, injunctions, and exculpation contained in Section 7.16 of the Plan unless otherwise indicated under Item 3, and you have the full power and authority to vote to accept or reject the Plan on behalf of the claimant listed herein.

[2] The Opt-Out Election becomes applicable only if the Restructuring is effected through the Plan after the commencement of Chapter 11 Cases.

PLEASE READ THIS ENTIRE BALLOT, INCLUDING THE VOTING INSTRUCTIONS BELOW, BEFORE COMPLETING. PLEASE COMPLETE, DATE AND SIGN THIS BALLOT AND RETURN THE SIGNED BALLOT TO THE SOLICITATION AGENT IDENTIFIED IN THE VOTING INSTRUCTIONS BELOW.

Name of Creditor:____
(Print or Type)

By:____
(Signature of Creditor or Authorized Agent)

Print Name of Signatory:__________________________________

Title:____
(If Appropriate)

Street Address:____

____
(City, State and Zip Code)

Telephone Number: (___) ________________________________

____
(Federal Tax I.D. No.)

Date Completed:____

VOTING INSTRUCTIONS

This Ballot is submitted to you to solicit your vote to accept the terms of the Restructuring, the Out-of-Court Transaction and the Plan, which is described in the Disclosure Statement to which this Ballot is annexed. A copy of the Plan is attached as Schedule 3 to the Disclosure Statement. The Company has NOT filed for relief under chapter 11 of the Bankruptcy Code, and the Disclosure Statement has not been filed with or approved by the Bankruptcy Court, the Securities and Exchange Commission or any other governmental or regulatory agency. The Disclosure Statement will be submitted to the Bankruptcy Court for approval only if the Company seeks relief under chapter 11 of the Bankruptcy Code and confirmation of the Plan. If you wish to receive additional copies of the Disclosure Statement, please contact the Solicitation Agent, Epiq Financial Balloting Group, at (646) 282-1800.

If the Restructuring is not effected through the Out-of-Court Transaction, the Company may commence Chapter 11 Cases and the Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims that have actually voted in each class of claims entitled to vote on the Plan. In the event the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan provides fair and equitable treatment to, and does not discriminate unfairly against, the class or classes rejecting it and otherwise satisfies the requirements of section 1129 of the Bankruptcy Code.

HOW TO VOTE:

Please complete, sign and date this Ballot and return it to the Solicitation Agent at:

Epiq Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017
Attn: QHB Holdings LLC
Fax: (646) 607-9142
Email: tabulation@epiqsystems.com

VOTING DEADLINE:

If your Ballot is not ACTUALLY RECEIVED by Noon (12 p.m.), Prevailing Eastern Time, on November 25, 2009, it will not be counted. Ballots transmitted by any means, including facsimile, telecopy transmission or electronic mail, WILL BE accepted and counted as a vote to accept or reject the Restructuring, the Out-of-Court Transaction and the Plan. Unsigned Ballots will not be counted.

Holders of Claims that take no action, or fail to take timely action, may nevertheless be bound by the terms of the Plan and have the applicable treatment applied to their Old Debt if the Plan is consummated.

Subject to the terms of the Exchange Agreements and the New First Lien Credit Agreement, the Company reserves the right to extend the Voting Deadline in its sole and absolute discretion, which may be for any or no reason, and to terminate or withdraw the proposal for the Restructuring or the Plan in any respect. Any extension of the Voting Deadline will be communicated by the Company no later than 10:00 a.m., Prevailing Eastern Time, on the next business day following the previously scheduled Voting Deadline.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission by the Company of the validity of a claim or interest.

IF YOU HAVE ANY QUESTIONS CONCERNING THE DISCLOSURE STATEMENT, THE PLAN, THIS BALLOT OR THE VOTING INSTRUCTIONS, OR IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF ANY ENCLOSED MATERIALS, PLEASE CONTACT EPIQ FINANCIAL BALLOTING GROUP AT (646) 282-1800.

Section 7.16 of the Plan, entitled "Releases by Creditors," states:

> **Except as provided in the Plan, subject to the occurrence of the Effective Date, any holder of a Claim that is impaired under the Plan shall be presumed conclusively to have released the Debtors, the Reorganized Debtors, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, and the Quad-C Parties, and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, as well as the Debtors' officers, directors and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim; <u>except</u> that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; <u>except</u>, <u>further</u>, that the foregoing releases shall not apply to any holder of a Claim if such holder "opts out" of the releases provided in this Section by a timely written election pursuant to such holder's ballot; <u>except</u>, <u>further</u>, <u>however</u>, that each holder of a Second Lien Lender Claim who executed that certain Standstill Agreement, dated October 2, 2009, entered into by and among any such holder and QHB Holdings and Quality Home Brands is presumed conclusively to have elected to provide the foregoing release to the Debtors, and each of their domestic subsidiaries, directors, managers, officers, shareholders, partners, members, advisors, representatives and agents, irrespective of such holder's ballot.**

QHB HOLDINGS, LLC

BALLOT FOR ACCEPTING OR REJECTING THE PROPOSAL TO RESTRUCTURE AND JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION FOR QHB HOLDINGS LLC AND ITS AFFILIATED DEBTORS

THIS BALLOT IS EXCLUSIVELY FOR USE BY HOLDERS OF CLASS 5 – NOTEHOLDER CLAIMS

On November 10, 2009, QHB Holdings, LLC and its above-captioned affiliated debtors (collectively, the "Company") commenced its efforts to restructure (the "Restructuring") the Company's debt by proposing that holders of Old Debt[1] exchange their Old Debt for new debt and equity in Reorganized New QHB. The Company is seeking to effect the Restructuring through an out-of-court transaction (the "Out-of-Court Transaction") but may effect the Restructuring through a Joint Prepackaged Chapter 11 Plan of Reorganization of QHB Holdings LLC and its Affiliated Debtors (the "Plan"). Consequently, the Company has commenced the solicitation of votes to accept or reject the Plan from holders of their Old Debt. The Restructuring, the Out-of-Court Transaction and the Plan are explained in greater detail in the Disclosure Statement relating to the Restructuring (as it may be amended or supplemented from time to time, the "Disclosure Statement") to which this ballot (the "Ballot") is annexed. The Company is seeking the approval of all the Prepetition Lenders and Noteholders, but is prepared to pursue the Restructuring even if such unanimous support is not achieved. If each Prepetition Lender and Noteholder does not approve the Restructuring through the Out-of-Court Transaction, or if the Company for any reason determines that it would be more advantageous or expeditious, and there is sufficient support for the Plan, New QHB and certain of its subsidiaries and affiliates, including QHB Holdings, may seek to commence cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and seek immediate confirmation of the Plan.

VOTING DEADLINE
THIS BALLOT **MUST BE ACTUALLY RECEIVED** BY THE SOLICITATION AGENT ON OR BEFORE **NOVEMBER 25, 2009 AT NOON (12 P.M.) PREVAILING EASTERN TIME**

If you have more than one claim entitled to vote, please complete a separate ballot for each claim pursuant to which you are entitled to vote.

Item 1. Voting Classification and Amount. The undersigned certifies that as of the Voting Record Date it is a holder of a Class 5 – Noteholder Claim against the Company in the following unpaid amount (insert amount in the box below):

$

Item 2. Vote. As a Noteholder, your election to accept the terms of the Restructuring means that you:

(i) vote in favor of the Plan;

(ii) agree to be bound by the terms of the Exchange Agreement and the ancillary security, collateral and other documents related thereto; and

(iii) agree not to sell, assign, transfer, hypothecate or otherwise dispose of, directly or indirectly (a "Transfer"), all or any of your Old Debt (or any option thereon or any right or interest

[1] Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Disclosure Statement.

related thereto, including any voting rights associated therewith), unless the transferee thereof agrees in writing to accept and be bound by the terms of this Ballot. Any Transfer of Old Debt that does not comply with the foregoing requirement shall be void and shall be treated as if it never occurred.

The undersigned votes the above-listed Class 5 – Noteholder Claim (check one box):

☐ Accept the Restructuring and Plan	☐ Reject the Restructuring and Plan

Item 3. Opt-Out Election.[2] Check this box if you elect not to grant the releases contained in Section 7.16 of the Plan as they relate to the opt-out release parties set forth in Section 7.16 of the Plan. Election to withhold consent is at your option. If you submit your Ballot without this box checked, you will be deemed to consent to the releases set forth in Section 7.16 of the Plan to the fullest extent permitted by applicable law. The full text of Section 7.16 of the Plan is set forth at the end of this Ballot.

☐	The undersigned elects NOT to grant the releases contained in Section 7.16 of the Plan.

Item 4. Certifications.

By signing your Ballot, you acknowledge: (1) that the solicitation of votes to accept or reject the Restructuring and the Plan is subject to all the terms and conditions set forth in the Disclosure Statement, (2) that you have received a copy of the Disclosure Statement, (3) that the vote on the Restructuring and the Plan is being made pursuant to the terms and conditions set forth therein, (4) that a vote to accept the Restructuring, the Out-of-Court Transaction and the Plan is an affirmative consent to the releases, injunctions, and exculpation contained in Section 7.16 of the Plan unless otherwise indicated under Item 3, and you have the full power and authority to vote to accept or reject the Plan on behalf of the claimant listed herein.

PLEASE READ THIS ENTIRE BALLOT, INCLUDING THE VOTING INSTRUCTIONS BELOW, BEFORE COMPLETING. PLEASE COMPLETE, DATE AND SIGN THIS BALLOT AND RETURN THE SIGNED BALLOT TO THE SOLICITATION AGENT IDENTIFIED IN THE VOTING INSTRUCTIONS BELOW.

Name of Creditor:____
(Print or Type)

By:____
(Signature of Creditor or Authorized Agent)

Print Name of Signatory:__________________________________

Title:____
(If Appropriate)

Street Address:____

____
(City, State and Zip Code)

Telephone Number: (___) __________________________________

____
(Federal Tax I.D. No.)

Date Completed:____

[2] The Opt-Out Election becomes applicable only if the Restructuring is effected through the Plan after the commencement of Chapter 11 Cases.

VOTING INSTRUCTIONS

This Ballot is submitted to you to solicit your vote to accept the terms of the Restructuring, the Out-of-Court Transaction and the Plan, which is described in the Disclosure Statement to which this Ballot is annexed. A copy of the Plan is attached as Schedule 3 to the Disclosure Statement. The Company has NOT filed for relief under chapter 11 of the Bankruptcy Code, and the Disclosure Statement has not been filed with or approved by the Bankruptcy Court, the Securities and Exchange Commission or any other governmental or regulatory agency. The Disclosure Statement will be submitted to the Bankruptcy Court for approval only if the Company seeks relief under chapter 11 of the Bankruptcy Code and confirmation of the Plan. If you wish to receive additional copies of the Disclosure Statement, please contact the Solicitation Agent, Epiq Financial Balloting Group, at (646) 282-1800.

If the Restructuring is not effected through the Out-of-Court Transaction, the Company may commence Chapter 11 Cases and the Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims that have actually voted in each class of claims entitled to vote on the Plan. In the event the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan provides fair and equitable treatment to, and does not discriminate unfairly against, the class or classes rejecting it and otherwise satisfies the requirements of section 1129 of the Bankruptcy Code.

HOW TO VOTE:

Please complete, sign and date this Ballot and return it to the Solicitation Agent at:

Epiq Financial Balloting Group LLC
757 Third Avenue, 3rd Floor
New York, New York 10017
Attn: QHB Holdings LLC
Fax: (646) 607-9142
Email: tabulation@epiqsystems.com

VOTING DEADLINE:

If your Ballot is not ACTUALLY RECEIVED by Noon (12 p.m.), Prevailing Eastern Time, on November 25, 2009, it will not be counted. Ballots transmitted by any means, including facsimile, telecopy transmission or electronic mail, WILL BE accepted and counted as a vote to accept or reject the Restructuring, the Out-of-Court Transaction and the Plan. Unsigned Ballots will not be counted.

Holders of Claims that take no action, or fail to take timely action, may nevertheless be bound by the terms of the Plan and have the applicable treatment applied to their Old Debt if the Plan is consummated.

Subject to the terms of the Exchange Agreements and the New First Lien Credit Agreement, the Company reserves the right to extend the Voting Deadline in its sole and absolute discretion, which may be for any or no reason, and to terminate or withdraw the proposal for the Restructuring or the Plan in any respect. Any extension of the Voting Deadline will be communicated by the Company no later than 10:00 a.m., Prevailing Eastern Time, on the next business day following the previously scheduled Voting Deadline.

This Ballot is for voting purposes only and does not constitute and shall not be deemed a proof of claim or interest or an admission by the Company of the validity of a claim or interest.

IF YOU HAVE ANY QUESTIONS CONCERNING THE DISCLOSURE STATEMENT, THE PLAN, THIS BALLOT OR THE VOTING INSTRUCTIONS, OR IF YOU NEED A BALLOT OR ADDITIONAL COPIES OF ANY ENCLOSED MATERIALS, PLEASE CONTACT EPIQ FINANCIAL BALLOTING GROUP AT (646) 282-1800.

Section 7.16 of the Plan, entitled "Releases by Creditors," states:

Except as provided in the Plan, subject to the occurrence of the Effective Date, any holder of a Claim that is impaired under the Plan shall be presumed conclusively to have released the Debtors, the Reorganized Debtors, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Prepetition Lenders, the Prepetition Agents, the DIP Lenders, the DIP Agent, Apollo, and the Quad-C Parties, and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, as well as the Debtors' officers, directors and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim; except that nothing in this Section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; except, further, that the foregoing releases shall not apply to any holder of a Claim if such holder "opts out" of the releases provided in this Section by a timely written election pursuant to such holder's ballot; except, further, however, that each holder of a Second Lien Lender Claim who executed that certain Standstill Agreement, dated October 2, 2009, entered into by and among any such holder and QHB Holdings and Quality Home Brands is presumed conclusively to have elected to provide the foregoing release to the Debtors, and each of their domestic subsidiaries, directors, managers, officers, shareholders, partners, members, advisors, representatives and agents, irrespective of such holder's ballot.

SCHEDULE 5

LIQUIDATION ANALYSIS

Quality Home Brands LLC Liquidation Analysis

($ millions)	Book Value	% Recovery		$ Recovery		
	12/25/2009	Low	High	Low	High	Mid-point
Cash (A)	$ 5.0	100%	100%	$ 5.0	$ 5.0	$ 5.0
Accounts receivable (B)	46.5	55%	75%	25.6	34.9	30.2
Inventory (C)	44.0	25%	40%	10.9	17.6	14.2
Component Inventory	15.2	15%	30%	2.3	4.6	3.4
Finished Goods	28.9	30%	45%	8.7	13.0	10.8
Prepaid and Refundable Income Taxes (D)	2.3	30%	50%	0.7	1.1	0.9
Prepaid expenses and other current assets (E)	6.0	2%	6%	0.1	0.4	0.2
PP&E - Net (F)	41.3	15%	21%	6.3	8.7	7.5
Land and Building	31.8	17%	20%	5.5	6.5	6.0
Machinery and Equipment	6.5	10%	30%	0.7	2.0	1.3
Other	2.9	5%	10%	0.1	0.3	0.2
Intangible Assets (G)	129.1	5%	15%	6.5	19.4	12.9
Goodwill and Other Assets (H)	156.9	0%	0%	-	-	-
Total Assets	**$ 431.1**			**$ 55.1**	**$ 87.1**	**$ 71.1**
Costs Associated with Liquidation (I)						
Chapter 7 Professional Fees				$ 3.9	$ 6.1	$ 5.0
Chapter 7 Trustee Fees				1.7	2.6	2.1
Assumed Winddown Costs				9.1	11.5	10.3
Total Distributable Value				**$ 40.5**	**$ 66.8**	**$ 53.7**
Superpriority Claims (J)						
Professional Fee Carve-Out				$ 2.0	$ 2.0	$ 2.0
DIP Lender Claims				2.2	2.2	2.2
Recoveries by First Lien Secured Lenders						
1st lien revolver balance				$ -	$ -	$ -
LCs under 1st lien revolver balance				-	-	-
First Lien Term Loan				231.1	231.1	231.1
Total value Available for Administrative Claims and Unsecured Creditors				-	-	-

Recoveries	Assumed Recoveries			Assumed % Recoveries		
	Lower	Higher	Mid-point	Lower	Higher	Mid-point
First Lien Term Loan	36.4	62.7	49.5	16%	27%	21%
Second Lien Term Loan	-	-	-	0%	0%	0%
Administrative Claims	-	-	-	0%	0%	0%
General Unsecured Claims	-	-	-	0%	0%	0%
Senior Notes	-	-	-	0%	0%	0%
Preferred Equity	-	-	-	0%	0%	0%
Common Equity	-	-	-	0%	0%	0%

Overview

The liquidation analysis is based on the book values of the Debtors' assets using the projected 12/25/09 unaudited balance sheet. Management does not expect the values of these items to vary materially from 12/25/09 until the Effective Date. Adjustments have been made on certain items and are described in the Notes.

Footnotes to Liquidation Analysis

Note A - Cash

The Liquidation Analysis assumes no further cash will be generated from operations during the chapter 7 cases for distribution. It is assumed that the cash at the date of the actual liquidation would be equal to the cash balance as of the Effective Date, which will likely occur later than 12/25/09. The estimated cash balance was projected using the DIP Budget. The Debtors' cash is held in bank accounts and is assumed to be fully recoverable.

Note B – Accounts Receivable

Accounts receivable consists primarily of customer and trade receivables. The liquidation value of accounts receivable was estimated by applying a recovery factor consistent with the Debtors' experience in collecting accounts receivable and the expectation of additional attempts to setoff. The estimate also considers the inevitable difficulty a liquidating company has in collecting its receivables and any concessions that might be required to facilitate the collection of certain accounts.

Note C – Inventory

Inventory is comprised primarily of finished goods and components. Finished goods primarily relates to inventory at SGL and MFI. This inventory is manufactured and assembled by vendors in Asia. Component inventory primarily relates to Encompass where products are assembled based on customer specifications. For the purpose of this analysis, management assumed that it would build out the component inventory into finished goods. Absent a build-out of the inventory, management believes that recovery values on the component inventory would be significantly less. Therefore, the recovery value on component inventory is net of the costs associated with building out the inventory into finished goods. The projected recovery value reflects the Company's estimated proceeds of liquidating the inventory through normal channels during the 6-month liquidation period.

Note D – Prepaid and Refundable Income Taxes

The projected book value is net of a federal income tax refund of approximately $2 million the Debtors expect to receive in December. The recovery value includes various state tax refunds the Debtors expect to receive.

Note E – Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of pre-paid insurance, pre-paid catalogue expenses, and a receivable from the Debtors' joint venture partner tied to

performance under the joint venture agreement. Recovery is based on the refunds related to early termination of insurance policies.

Note F – PP&E

Book net PP&E is comprised of Land and Buildings owned or classified as a capital lease by the Debtors, Machinery and Equipment, and Other PP&E which includes computer equipment, software, leasehold improvements and tooling. Owned Land and Buildings includes the Debtors' Riverside, NJ facility. The projected book value does not include the Company's two facilities located in the Bronx, NY. The two Bronx facilities are under contract to be sold. The Transactions will likely occur prior to the Effective Date and therefore will not be available as recovery to creditors. Recovery value on Land & Buildings, which is an estimate of fair market value based on recent appraisals, is net of transaction fees and mortgages and does not include the building classified as a capital lease.

Note G- Intangible Assets

Intangible Assets are comprised of brand names, non-compete agreements, patents, and customer lists. The liquidation value on the Debtors' intangible assets is extremely difficult to estimate. The recovery estimate is based on potential proceeds from the sale of the Murray Feiss and Tech Lighting names, which management believes have strong brand recognition in the decorative lighting industry.

Note H – Goodwill and Other Assets

The Debtors do not believe they would be able to monetize Goodwill or Other Assets, which consist primarily of Deferred Financing Costs.

Note I – Costs Associated with Liquidation

Costs to liquidate include the costs and expenses of the chapter 7 estates, including fees of the chapter 7 trustee, operating costs during a projected 6-month wind down period, and fees to professionals retained in the chapter 7 cases.

Chapter 7 professional fees include legal fees and fees to accounting and tax professionals expected to be incurred during the six-month liquidation period. Professional fees for attorneys, tax providers and accountants to assist a trustee are assumed to be between $4 million and $6 million.

Chapter 7 trustee fees include compensation for services rendered by a chapter 7 trustee in accordance with section 326 of the Bankruptcy Code. Trustee fees are estimated at 3% of the gross liquidation value of the Debtors' assets.

Corporate payroll and operating costs during the liquidation are based upon the assumption that certain insurance policies, operating and corporate functions would be retained to assist a trustee with the liquidation process. The remaining staff would also be needed to maintain and close the accounting records and to complete certain administrative tasks including the preparation of payroll and tax returns. Certain minimum staff would be required at the Debtors' corporate offices and in the facilities to

complete the closure of the facilities, and to oversee the sale of inventory, machinery, equipment and owned real estate. The Debtors estimate that such wind down costs would range between approximately $9 million and $12 million.

Note J – Superpriority Claims

The liquidation analysis assumes a "carve-out" will be provided for accrued and unpaid professional fees in the amount of $2 million.

Pursuant to the DIP Credit Agreement, the DIP Facility will be used to pay down then-outstanding existing revolving commitments of the Revolver Lenders. The Debtors estimate that there will be approximately $2 million in outstanding DIP Lender Claims on the Effective Date. This estimate is based on the most recent DIP budget

SCHEDULE 6

PROJECTIONS

SCHEDULE 6

FINANCIAL PROJECTIONS AND ASSUMPTIONS

A. Introduction

As a condition to confirmation of a plan of reorganization, the Bankruptcy Code[1] requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by liquidation or the need for further reorganization of the debtor. In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this feasibility standard, the Company's management analyzed the ability of Reorganized New QHB to meet its obligations under the Plan with sufficient liquidity and capital resources to conduct its business. As a consequence, the Company's management developed and prepared the following Projections of Reorganized New QHB's operating profit, cash flow and certain other items for the fiscal years 2009 through 2013 (the "Projection Period").

THE COMPANY DOES NOT, AS A MATTER OF COURSE, PUBLISH ITS BUSINESS PLANS AND STRATEGIES OR PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE COMPANY DOES NOT INTEND, AND DISCLAIMS ANY OBLIGATION, TO: (1) FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE, OR TO HOLDERS OF SECURITIES OF ANY FILING ENTITY, OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE; (2) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE BANKRUPTCY COURT OR ANY GOVERNMENTAL AGENCY OR ENTITY; OR (3) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE. HOWEVER, FROM TIME TO TIME, THE COMPANY MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH PURSUING FINANCINGS (INCLUDING THE EXIT FINANCING), CREDIT RATINGS AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

B. Projections

The Projections should be read in conjunction with the assumptions, qualifications, footnotes and explanations set forth herein and the sections entitled "Risk Factors" and "Consolidated Financial Statements" (including the notes and schedules thereto) included in this Disclosure Statement.

The projected financial statements of Reorganized New QHB set forth below have been prepared based on the assumption that the Effective Date will be January 15, 2009.[2] Although the Company is seeking to cause the Effective Date as soon as practicable, there can be no assurance as to when or if the Effective Date will actually occur.

Reorganized New QHB's Projected Consolidated Balance Sheet as of December 25, 2009 (the "Pro Forma Balance Sheet") set forth below presents the projected consolidated financial position of Reorganized New QHB immediately after confirmation of the Plan and the consummation of the

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[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed such terms in the Disclosure Statement.

[2] The analysis uses the projected Balance Sheet as of 12/25/09 with adjustments to reflect a January 15, 2009 closing. This assumption includes adjustments to reflect consummation of the transactions contemplated by the Restructuring and the Plan, including, without limitation, various estimated Exit Costs and costs of Financing, as set forth below.

transactions contemplated by the Plan (collectively, the "Balance Sheet Adjustments"). The Balance Sheet Adjustments include various estimated "Exit Costs," "Financing," and other adjustments which reflect the assumed effects of confirmation and the consummation of the transactions contemplated by the Plan, including the settlement of various liabilities and related securities issuances, cash payments and borrowings.

Reorganized New QHB's Projected Consolidated Statements of Operations set forth below present the projected consolidated (a) results of operations of the Company for 2009 and Reorganized New QHB for 2010 through 2013, (b) financial position of Reorganized New QHB including the contemplated new capital structure of Reorganized New QHB, giving effect to confirmation and consummation of the transactions contemplated by the Plan, as of the end of each year from 2009 to 2013, and (c) cash flows of Reorganized New QHB from 2010 to 2013.

Reorganized New QHB Projected Consolidated Statement of Operations

(Unaudited)

($ in 000s)	**Fiscal Year Ending December**				
	2009	**2010**	**2011**	**2012**	**2013**
Total Net Sales	$229,943	$246,050	$272,691	$298,737	$332,758
Cost of Goods Sold	115,332	122,038	134,799	147,954	165,140
Gross Profit	$114,611	$124,012	$137,892	$150,783	$167,618
SG&A	$95,278	$98,348	$102,241	$107,852	$114,518
One-Time Items:					
Goodwill Impairment	$150,172	-	-	-	-
Write-Off of Deferred Financing Costs	6,314	-	-	-	-
Restructuring Fees	10,615	-	-	-	-
Gain on Sale of Assets	(400)	-	-	-	-
Operating Profit	($147,368)	$25,664	$35,651	$42,931	$53,100
Interest Expense & Deferred Financing	$41,466	$22,169	$21,760	$21,251	$20,229
Pre-Tax (Loss) / Income	($188,834)	$3,494	$13,891	$21,680	$32,871
Tax (Benefit) / Provision	-	(1,150)	(5,556)	(8,672)	(13,149)
Net (Loss) / Income	($188,834)	$2,344	$8,335	$13,008	$19,723
EBITDA Reconciliation:					
Operating Profit	($147,368)	$25,664	$35,651	$42,931	$53,100
Adjustments:					
Goodwill Impairment	$150,172	-	-	-	-
Write-Off of Deferred Financing Costs	6,314	-	-	-	-
Restructuring Fees	10,615	-	-	-	-
Gain on Asset Sale	(400)	-	-	-	-
Depreciation	5,467	5,836	5,836	5,836	5,836
EBITDA	$24,800	$31,499	$41,487	$48,766	$58,936

Please read in conjunction with associated notes.

Reorganized New QHB Projected Consolidated Balance Sheets
(Unaudited)

($ in 000s)	Fiscal Year Ending December				
	2009	**2010**	**2011**	**2012**	**2013**
Assets:					
Cash and cash equivalents	$15,421	$15,000	$15,000	$15,000	$15,000
Accounts Receivable - Trade	46,529	48,536	53,791	58,929	65,640
Inventories	43,953	44,134	48,011	51,885	57,912
Prepaid Expenses & Other Current Assets	6,025	5,436	6,025	6,600	7,352
Prepaid & Refundable Income Taxes	4,286	4,286	4,286	4,286	4,286
Total Current Assets	$116,215	$117,393	$127,112	$136,700	$150,190
Net Fixed Assets	$41,343	$38,508	$35,762	$33,109	$30,552
Intangible Assets	139,535	139,535	139,535	139,535	139,535
Other Assets	395	395	395	395	395
Investment in Subsidiaries	60,872	60,872	60,872	60,872	60,872
Total Assets	$358,360	$356,702	$363,677	$370,612	$381,544
Liabilities:					
Accounts Payable	$9,185	$10,699	$11,818	$12,971	$14,478
Accrued Expenses	15,773	17,224	19,088	20,912	23,293
Other Current Liabilities	197	197	217	238	265
Total Current Liabilities	25,155	28,120	31,124	34,121	38,036
Deferred Income Tax Liability - Long-Term	$22,808	$22,808	$22,808	$22,808	$22,808
Other Long-Term Liabilities	2,819	2,819	2,819	2,819	2,819
New First-Out Revolver	$0	$0	$0	$0	$0
New Cash-Pay Term Loan	125,600	121,690	119,269	114,402	107,685
New PIK Term Loan	105,524	103,289	102,297	99,184	94,435
Capital Leases	25,822	25,000	24,050	22,960	21,719
Total Debt	$256,946	$249,979	$245,615	$236,545	$223,839
Shareholders' Equity	50,632	52,977	61,311	74,319	94,042
Total Liab. & Shareholders' Equity	$358,360	$356,702	$363,677	$370,612	$381,544

Please read in conjunction with associated notes.

Reorganized New QHB Projected Consolidated Statements of Cash Flows

(Unaudited)

($ in 000s)	Fiscal Year Ending December				
	2009	**2010**	**2011**	**2012**	**2013**
Cash Net Income:					
Net (Loss) / Income	($188,834)	($656)	$4,885	$9,040	$15,160
Depreciation	5,467	5,836	5,836	5,836	5,836
Amortization of Deferred Financing Costs	1,361	-	-	-	-
Goodwill Impairment Charge	150,172	-	-	-	-
Write-Off of Deferred Financing Costs	6,314	-	-	-	-
Non-Cash Interest Expense	6,313	-	-	-	-
Non-Cash Preferred Accretion	-	3,000	3,450	3,968	4,563
(Gain) on Sale of Assets	(400)	-	-	-	-
Subtotal	($19,607)	$8,180	$14,170	$18,844	$25,558
Changes In Working Capital	$7,988	$1,366	($6,716)	($6,591)	($9,574)
Cash Flow from Operations	($11,619)	$9,546	$7,454	$12,253	$15,984
Cash Flow From Investing:					
Capital Expenditures	($3,131)	($3,000)	($3,090)	($3,183)	($3,278)
Proceeds From Asset Sales	15,000	-	-	-	-
Cash Flow before Financing	$250	$6,546	$4,364	$9,070	$12,706
Cash Flow From Financing:					
Revolver Inc. / (Dec.)	$0	$0	$0	$0	$0
Financing Fees	(2,100)	-	-	-	-
Term Loan B Inc. / (Dec.)	(122,536)	(3,910)	(2,421)	(4,867)	(6,717)
Term Loan - PIK Tranche / (Dec.)	105,524	(2,235)	(993)	(3,113)	(4,749)
New Preferred Stock	20,000	-	-	-	-
Mortgage Debt Inc. / (Dec.)	(533)	-	-	-	-
Capital Leases Inc. / (Dec.)	(732)	(822)	(950)	(1,090)	(1,241)
Cash Flow from Financing	($377)	($6,967)	($4,364)	($9,070)	($12,706)
Beginning Cash Balance	$15,548	$15,421	$15,000	$15,000	$15,000
Inc. / (Dec.) in Cash	(127)	(421)	-	-	-
Ending Cash Balance	**$15,421**	**$15,000**	**$15,000**	**$15,000**	**$15,000**

Please read in conjunction with associated notes.

Cash Sources and Uses at Emergence

(Unaudited)

Sources of Funds			Uses of Funds		
($ in 000s)					
Balance Sheet Cash	$	5,000	Cash Left on Balance Sheet	$	15,421
New Revolver		-	Paydown DIP Revolver		2,154
New Cash Pay Term Loan		125,600	Old 1st Lien Term Loan		231,124
New PIK Pay Term Loan		105,524	Old 2nd Lien Term Loan		101,155
Debt Exchanged for Equity		155,852	Senior Notes		54,697
Convertible Preferred		20,000	Old 1st Lien Term Loan Accrued Interest		794
			Accrued DIP Interest and Fees		16
			Restructuring Fees and Expenses		6,615
Total Sources	**$**	**411,976**	**Total Uses**	**$**	**411,976**

Please read in conjunction with associated notes.

Pro Forma Balance Sheet Adjustments

(Unaudited)

($ in 000s)	Projected 12/25/09	New Equity	Amend. Credit Facility	Restructuring Adj.	Fresh Start Adj.	Pro Forma 12/25/09
Assets:						
Cash and cash equivalents	$5,000	$20,000 (1)		($9,579) (2)		$15,421
Accounts Receivable - Trade	46,529					46,529
Inventories	43,953					43,953
Prepaid Expenses & Other Current Assets	6,025					6,025
Prepaid & Refundable Income Taxes	4,286					4,286
Total Current Assets	**$105,793**					**$116,215**
Net Fixed Assets	$41,343					$41,343
Intangible Assets	129,073				$10,462 (3)	$139,535
Goodwill	150,172				($150,172) (3)	-
Deferred Financing Costs	6,314				($6,314) (3)	-
Other Assets	395					395
Investment in Subsidiaries	60,872					60,872
Total Assets	**$493,963**	**$20,000**	**$0**	**($9,579)**		**$358,360**
Liabilities:						
Accounts Payable	$9,185					$9,185
Accrued Expenses	15,773					15,773
Other Current Liabilities	197					197
Other Accrued Liabilities	810			(810) (4)		-
Total Current Liabilities	**$25,965**					**$25,155**
Deferred Income Tax Liability - Long-Term	$22,808					$22,808
Other Long-Term Liabilities	2,819					2,819
First-Out DIP Revolver	$2,154			($2,154) (5)		$0
New First-Out Revolver	$0					$0
New Cash-Pay Term Loan	-		125,600 (6)			125,600
New PIK Term Loan	-		105,524 (6)			105,524
Capital Leases	25,822					25,822
Total Liabilities not Subject to Compromise	**$79,567**					**$307,727**
First Lien Revolver	$0		$0			$0
First Lien Term Loan	231,124		($231,124) (6)			-
Second Lien Term Loan	101,155			($101,155) (7)		-
PIK Holdco Notes	54,697			($54,697) (7)		-
Liabilities Subject to Compromise	**$386,976**					**$0**
Total Shareholders' Equity	**$27,420**	$20,000 (1)		149,237 (7)	($146,024) (3)	$50,633
Total Liab. & Shareholders' Equity	**$493,963**	**$20,000**	**$0**	**($9,579)**		**$358,360**

(1) Quad-C will invest $20 million in New Convertible Preferred Equity.
(2) Cash fees and expenses at emergence include professional fees, management retention incentives, accrued interest and First-Out DIP Revolver paydown.
(3) Represents estimated asset fair value adjustments.
(4) Includes accrued interest and fees on pre-petition First Lien Term Loan and First-Out DIP Revolver.
(5) Projected balance on First-Out DIP Revolver based on most recent DIP Budget.
(6) New credit facility will consist of a $20 million First-Out Revolver, a $125.6 Cash-Pay Term Loan and a $105.5 million PIK Term Loan. The First-Out Revolver will be undrawn at emergence.
(7) Assumes cancellation of Pre-petition Second Lien Term Loan and PIK Holdco Notes and expensing of professional fees related to the Transaction.

A. Accounting Policies.

The Projections have been prepared using accounting policies that are consistent with those applied in the Company's historical financial statements. The Company's fiscal year ends on the last Friday of each December.

The Company believes, at this point, that it will qualify for treatment under fresh start accounting principles outlined in 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 Projections include certain assumed fresh start adjustments to various financial accounts of the Company that are based upon management estimates. The most material of these assumptions is that assets and liabilities included in the Projections have been adjusted to reflect the capital structure upon emergence and estimated fresh start adjustments to record assets and liabilities at fair value (the "Fresh Start Adjustments").

B. Summary of Significant Assumptions.

The Company, with the assistance of various professionals, prepared the Projections for the five years ending December 2009, 2010, 2011, 2012 and 2013. The Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of Reorganized New QHB, industry performance, general business and economic conditions and other matters, most of which are beyond the control of the Company. Therefore, although the Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will vary from the projected results. These variations may be material. Although the Company believes that the assumptions underlying the Projections, when considered on an overall basis, are reasonable in light of current circumstances, no representation can be or is being made with respect to the accuracy of the Projections or the ability of New QHB or Reorganized New QHB to achieve the projected results of operations. In deciding whether to vote to accept or reject the Plan, claimants must make their own determinations as to the reasonableness of such assumptions and the reliability of the Projections. See "Risk Factors."

The Projections are based on, and assume the successful implementation of the Company's strategic initiatives and restructuring. Additional information relating to the principal assumptions used in preparing the Projections is set forth below:

General Market Conditions

The Projections take into account the current market environment in which the Company competes. The Projections do not project potential regulatory and market decisions that may be made in the Projection Period that could materially impact the Company's operating capabilities. The Company's performance is affected by market dynamics beyond its control from a geographic, regulatory, energy resource and market basis. Any changes in government policy or regulations can materially affect the performance of Reorganized New QHB. Availability and the price of material resources used to support the production of the Company's product offerings will impact profitability. Economic growth or slowdowns on a global or regional basis may impact Reorganized New QHB's sales volume.

Methodology

The Projections were prepared on a "bottoms-up" basis for each of Reorganized New QHB's underlying businesses even though presented herein on a consolidated basis. The projected consolidated statements of operations, the consolidated statements of financial position and the

consolidated statements of cash flows herein reflect the assumptions applied to the individual operating groups presented on a consolidated basis.

Revenues

Murray Feiss Segment. Net sales in the Murray Feiss segment are expected to decline approximately 30% in 2009, and increase 5%, 12%, 9%, and 10% in 2010, 2011, 2012 and 2013, respectively. The segment's 2009 performance is driven by declines in U.S. housing starts, existing home sales and consumer discretionary spending, which are not expected to recover until later in 2010. This decline is on top of an already significant year-over-year sales decline of 27% in 2008. Due to the higher-end nature of the marketed products in the Murray Feiss segment, the Projections assume sales underperform the broader housing market recovery, with a material top-line improvement not expected to occur until the beginning of 2011. Net sales in 2013 are expected to be approximately equivalent to 2008 levels.

Sea Gull Segment. Net sales in the Sea Gull segment will decline approximately 30% in 2009, and increase 14%, 11%, 12%, and 14% in 2010, 2011, 2012, and 2013, respectively. The segment's 2009 performance was driven by declines in U.S. housing starts and existing home sales, which are expected to begin to recover later in 2010. Net sales in 2012 are expected to be approximately equal to 2008 levels.

Encompass Segment. Net sales in the Encompass segment are expected to decline approximately 27% in 2009, and increase 1%, 9%, 7%, and 8% in 2010, 2011, 2012 and 2013, respectively. The segment's 2009 performance is driven by declines in U.S. housing starts, existing home sales, consumer discretionary spending, and commercial construction which are not expected to recover until later in 2010 and 2011. This decline is on top of an already significant year-over-year sales decline of 10% in 2008. Due to the higher-end nature of the marketed products in the Encompass segment, as well as a material exposure to the light commercial construction real estate cycle, the Projections assume sales underperform the broader housing market recovery. The projected rebound beginning in 2010 is driven by expected recoveries in housing starts, existing home sales and consumer discretionary spending. Net sales in 2013 are expected to be lower than 2008 levels.

Gross Margin

Gross margin as a percentage of net sales is expected to increase from 49.8% in 2009 to 50.4% in 2010 and remain relatively flat over the Projection Period through 2013.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses include selling, marketing, warehousing, distribution, research and development, royalty and administrative expenses. As a percentage of net sales, SG&A expenses are projected to decline gradually over the Projection Period from approximately 43% in 2009 to 34% in 2013, driven by the full-year realization of cost reduction initiatives implemented in late 2008 and 2009 and the leverage of fixed expenses on the increased revenue. These reductions are offset by gradual increases in research and development spending in 2010 to support new initiatives, as well as an increase in salaries and fringes based on the expectation that market conditions and business performance will begin to improve.

Interest Expense and Deferred Financing Costs

Interest expense represents the interest associated with the various tranches of debt in

place upon the Company's emergence from bankruptcy. The bulk of the interest expense relates to borrowings under the First-Out Revolving Credit Facility, Cash Pay Term Loan and PIK Term Loan. The Projections assume that interest on the Revolver and Cash Pay Term Loan is paid quarterly in cash at a rate of LIBOR + 525 bps per year with a LIBOR floor of 325 bps. With respect to the PIK Term Loan, the Projections assume that interest is paid quarterly in cash at a rate of LIBOR + 625 bps with a LIBOR floor of 325 bps. The Company has the option to PIK all of the interest above 1.0% at a rate of LIBOR + 700 bps per year.

The 2009 figure includes approximately $1 million of amortization of deferred financing costs. No deferred financing costs are assumed to be capitalized in conjunction with the Transaction, and therefore no amortization expense is projected going forward.

Income Taxes

The transactions that are contemplated under the Plan are expected to result in the elimination of substantially all of the Company's net operating loss, capital loss and tax credit carry forwards. In addition, the Company does not expect that the transactions contemplated under the Plan will result in any significant federal income tax consequences with respect to the cancellation of indebtedness as the income is expected to be offset by the utilization of the operating loss and other carry forwards and other tax planning strategies. The Company expects to generate federal tax losses in the projected 2010 fiscal year. The projected tax provision for 2010 reflects the expected tax benefit using a tax rate of 40%. The projected tax provisions for 2011 and 2012 reflect the tax provision using a tax rate of 40%.

The Projections assume tax expense is equal to cash taxes. The Company expects to utilize federal NOLs, subject to statutory limitations, and other tax attributes to offset a significant amount of the Company's anticipated federal taxable income during the Projection Period. The utilization of federal NOLs will significantly reduce the Company's cash burden with respect to the payment of income taxes.

Capital Expenditures

Capital expenditures for the Projection Period are based on the Company's capital spending budget, and the $3 million forecast is generally lower than historical levels as part of the Company's recent cost rationalization program. In 2010 through 2013 capital expenditure levels increase very gradually. As a point of reference, capital expenditures were $4 million in 2006, $4 million in 2007 and $2 million in 2008.

Reorganization Costs

In 2009, the Company expects to incur costs of approximately $11 million related to the reorganization of its capital structure and other professional fees. Of that amount, approximately $7 million of restructuring and other professional fees will be incurred on the Effective Date.

Capital Structure

The Company's capital structure on and after the Effective Date is assumed to be as follows:

(a) New First Lien Credit Facility: On or after the Effective Date, Reorganized New QHB and certain of the Guarantors will enter into the New First Lien Credit Facility, which is generally expected to consist of: (i) $125.6 million Cash-Pay Term Loan; (ii) $105.5 million PIK Term Loan; and

(iii) $20.0 million First-Out Revolving Credit Facility.

(b) New Common Stock: For purposes of the Projections, value has been ascribed to the common equity of Reorganized New QHB.

(c) New Preferred Stock: For purposes of the Projections, value has been ascribed to the preferred equity of Reorganized New QHB.

Working Capital

The Reorganized Filing Entities' working capital is comprised of accounts receivable, inventory, accounts payable, and certain other accrued expenses and current liabilities. Working capital, as a percentage of net sales, is expected to slightly decline from approximately 33% to 29% over the Projection Period. This reflects the assumption that customer payments, inventory turnover and trade terms will improve across business segments as the economy rebounds.

Pro Forma Balance Sheet

Upon emergence from chapter 11, the Reorganized Filing Entities are expected to be required to adopt "Fresh Start Accounting" in accordance with SOP 90-7, which, among other things, requires the Reorganized Filing Entities to revalue their assets and liabilities at their estimated fair value. The consolidated balance sheet projections and assumptions used to prepare the Pro Forma Condensed Consolidated Balance Sheet are inherently subject to significant uncertainties and contingencies beyond the control of the Company. The Asset Fair Value Adjustments and other adjustments represent reasonable estimates made by the management of the Company, which will be subject to further analysis, including where necessary, independent third party appraisals to ascertain fair value, when the transactions under the Plan are actually consummated and the Reorganized Filing Entities emerge from bankruptcy. The completion of this final analysis may result in significant changes to the estimates used for the Pro Forma Condensed Consolidated Balance Sheet and, therefore, the final amounts actually recorded as of the Effective Date may differ significantly from such estimates.

SCHEDULE 7

FINANCIAL STATEMENTS

Quality Home Brands Holdings LLC

(A Limited Liability Company)

Consolidated Financial Statements
December 26, 2008 and December 28, 2007

Quality Home Brands Holdings LLC
(A Limited Liability Company)
Index
December 26, 2008 and December 28, 2007

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PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

Report of Independent Auditors

To the Member of
Quality Home Brands Holdings LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive (loss) income, member's equity and cash flows present fairly, in all material respects, the financial position of Quality Home Brands Holdings LLC and its subsidiaries at December 26, 2008 and December 28, 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 26, 2009

Quality Home Brands Holdings LLC
(A Limited Liability Company)
Consolidated Balance Sheets
December 26, 2008 and December 28, 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	$ 15,548,356	$ 8,499,124
Accounts receivable, net	56,020,016	60,763,336
Inventory, net	54,908,013	67,117,377
Prepaid expenses and other current assets	3,859,040	6,020,622
Income tax receivable	6,462,132	-
Deferred tax asset	66,481	87,203
Total current assets	136,864,038	142,487,662
Property and equipment, net	58,278,884	61,872,989
Intangible assets, net	139,143,233	152,835,735
Goodwill	150,171,723	232,786,254
Deferred financing costs, net of accumulated amortization of $3,425,260 and $1,928,768 in 2008 and 2007, respectively	6,863,406	6,156,023
Other assets	375,259	229,811
Total assets	$ 491,696,543	$ 596,368,474
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	$ 9,753,259	$ 13,059,039
Accrued expenses	23,232,139	20,356,357
Current portion of term loans payable	17,538,892	2,798,477
Current portion of capital lease obligation	731,595	686,834
Current portion of mortgage payable	533,333	533,333
Total current liabilities	51,789,218	37,434,040
Deferred tax liability	20,960,215	35,620,390
Mortgage payable	4,088,889	4,622,223
Capital lease obligation	25,822,022	26,553,618
Term loans payable	330,594,991	372,126,523
Other long-term liabilities	7,561,204	7,221,418
Total liabilities	440,816,539	483,578,212
Commitments and contingencies (Notes 7 and 8)		
Member's equity	50,880,004	112,790,262
Total liabilities and member's equity	$ 491,696,543	$ 596,368,474

The accompanying notes are an integral part of these financial statements.

Quality Home Brands Holdings LLC
(A Limited Liability Company)
Consolidated Statements of Operations and Comprehensive (Loss) Income
Years Ended December 26, 2008 and December 28, 2007

	2008	2007
Net sales	$ 324,134,050	$ 404,889,173
Cost of products sold	159,909,937	192,710,097
Gross profit	164,224,113	212,179,076
Operating expenses		
Selling	76,712,984	95,820,540
Research and development	7,171,344	7,040,110
General and administrative	45,342,312	49,064,978
Amortization of intangible assets	13,692,503	11,573,517
Goodwill impairment	82,614,531	-
(Loss) income from operations	(61,309,561)	48,679,931
Interest and other financial expenses	40,313,664	41,614,426
(Loss) income before provision for income taxes	(101,623,225)	7,065,505
(Benefit) provision for income taxes	(15,878,020)	2,990,485
Net (loss) income	(85,745,205)	4,075,020
Other comprehensive loss—pension obligation	(916,075)	-
Comprehensive (loss) income	$ (86,661,280)	$ 4,075,020

The accompanying notes are an integral part of these financial statements.

Quality Home Brands Holdings LLC
(A Limited Liability Company)
Consolidated Statements of Member's Equity
Years Ended December 26, 2008 and December 28, 2007

Member's equity at December 29, 2006	$ 109,069,110
Contribution by member	249,998
Comprehensive income	4,075,020
Distributions	(603,866)
Member's equity at December 28, 2007	112,790,262
Contribution by member	24,752,622
Comprehensive (loss)	(86,661,280)
Distributions	(1,600)
Member's equity at December 26, 2008	$ 50,880,004

The accompanying notes are an integral part of these financial statements.

Quality Home Brands Holdings LLC
(A Limited Liability Company)
Consolidated Statements of Cash Flows
Years Ended December 26, 2008 and December 28, 2007

	2008	2007
Cash flows from operating activities		
Net (loss) income	$ (85,745,205)	$ 4,075,020
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,971,438	5,586,850
Amortization of deferred financing costs	1,496,492	1,198,230
Amortization of intangible assets	13,692,502	11,573,517
Goodwill impairment	82,614,531	-
Loss/(gain) on disposal of assets	154,390	(1,865)
Deferred income taxes	(14,639,453)	(768,598)
Changes in assets and liabilities		
Decrease in accounts receivable	4,743,320	3,704,011
Decrease in inventory	12,209,363	3,764,619
Decrease/(increase) in prepaid expenses and other assets	2,016,134	(693,370)
Increase in income tax receivable	(6,462,132)	-
Decrease in due from affiliate	-	307,690
Decrease in accounts payable	(3,305,623)	(2,581,412)
Increase/(decrease) in accrued expenses	2,875,782	(4,555,090)
(Decrease)/increase in other long-term liabilities	(577,172)	2,124,371
Net cash provided by operating activities	15,044,367	23,733,973
Cash flows from investing activities		
Capital expenditures	(2,578,991)	(4,081,418)
Proceeds from sales of property and equipment	47,268	18,893
Cash received for adjustment of Tech purchase price	-	311,950
Net cash used in investing activities	(2,531,723)	(3,750,575)
Cash flows from financing activities		
Repayment of mortgage payable	(533,333)	(533,333)
Principal payments on capital lease obligation	(686,835)	(644,813)
Deferred financing costs paid	(2,203,875)	-
Repayments on 1st Lien term loan	(26,790,391)	(12,900,000)
Cash contributions by member	24,752,622	249,998
Cash distributions to member	(1,600)	(603,866)
Net cash used in financing activities	(5,463,412)	(14,432,014)
Net increase in cash and cash equivalents	7,049,232	5,551,384
Cash and cash equivalents		
Beginning of year	8,499,124	2,947,740
End of year	$ 15,548,356	$ 8,499,124
Supplemental disclosures		
Interest paid	$ 29,617,200	$ 35,981,714
Taxes paid	2,223,963	4,695,175

Included in the change in other long-term liabilities is an increase of $916,075 related to the pension obligation.

The accompanying notes are an integral part of these financial statements.

1. Basis of Presentation and Description of Business

Basis of Consolidation

These consolidated financial statements include the accounts of Quality Home Brands Holdings LLC ("QHB"), and its subsidiaries, Generation Brands LLC, Murray Feiss Import LLC ("Feiss"), Locust G.P. LLC, Sea Gull Lighting Products LLC ("Sea Gull"), LPC Management LLC ("LPC"), Light Process Company L.P. ("LPC LP"), and Tech L Holdings, Inc. ("Tech") (collectively the "Company"). The Company is a wholly owned subsidiary of QHB Holdings LLC ("Holdings"). All material intercompany accounts and transactions have been eliminated.

Description of the Business

Feiss is a designer, importer and manufacturer of lighting fixtures, portable lighting, outdoor lighting, decorative mirrors, and decorative accessories, selling to retailers throughout the United States and Canada. Feiss maintains showrooms in Dallas, Texas, Las Vegas, Nevada and Highpoint, North Carolina. In addition, Feiss rents warehouse space in Nevada for distribution of its products.

Sea Gull and LPC are designers, importers and manufacturers of lighting fixtures, ceiling fans, and related products for commercial and residential use. Customers, primarily consisting of distributors and a large home improvement retailer, are located principally throughout the United States. Sea Gull is headquartered in Riverside, New Jersey and maintains showrooms in Dallas, Texas and New Jersey. In addition, Sea Gull rents warehouse space in Nevada, Texas and New Jersey.

Tech is a designer and manufacturer of architectural lighting systems under the brands names Tech Lighting and LBL Lighting, and is well known in the industry for pioneering and leading the development of the low-voltage lighting category. The Company is headquartered near Chicago, Illinois, maintains a showroom in Dallas, Texas and markets its products through lighting showrooms, electrical distributors and national retailers.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates pertain to accruals for customer allowances and credits, reserves for doubtful accounts receivable, inventory valuation reserves and the recoverability of long-lived assets and goodwill. Actual results could differ from those estimates.

Accounting Period

The Company operates on a 52-53 week year ending on the last Friday in December.

Revenue Recognition

The Company recognizes revenue when the significant risks and benefits of ownership pass to the customer, which is generally when the goods are shipped.

Cash and Cash Equivalents
All highly liquid investments purchased with an original maturity of three months or less at the date of acquisition are classified as cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts
In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of those customers, and maintains reserves for potential credit losses. In determining the amount of allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management believes they are uncollectible. The allowance for doubtful accounts was $1,276,339 and $1,817,368 as of December 26, 2008 and December 28, 2007, respectively.

Inventory
Inventory consists primarily of finished goods and is stated at the lower of cost or market. Cost has been determined using a standard cost which approximates the first-in, first-out method. The Company evaluates its inventories to identify obsolete inventory based on business trends and records an allowance when necessary.

Property and Equipment
Property and equipment are stated at cost. Depreciation on property and equipment is calculated using the straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the assets. Estimated useful lives are as follows: buildings and improvements – 39 years; machinery and equipment – 5 years; leasehold improvements – 5 years; vehicles – 5 years; computer equipment – 5 years; computer software – 3 years; and furniture and fixtures – 7 years. Repairs and maintenance costs which do not extend the useful lives of the assets are expensed as incurred.

Asset Impairment
The Company applies the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement provides guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The Company evaluates its long-lived assets (property and equipment and amortizable intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets, as determined by the future net cash flows to be generated.

Intangible Assets and Goodwill
The Company's intangible assets are comprised of customer lists, brand names, non-compete agreements and patents. Goodwill represents excess costs of acquired companies over the fair value of their net tangible and identified intangible assets. Intangible assets other than goodwill are recognized as an asset apart from goodwill if that asset arises from contractual or other legal rights.

The Company's amortizable intangibles are being amortized over their expected useful lives. The useful life for each class of amortizable asset is as follows: Customer lists - 15 years, Non-compete agreements - over the life of the agreement and Patents - over the remaining legal life of the patent.

Under the provisions of SFAS No. 142 *Goodwill and Other Intangible Assets*, the Company is required to perform annual tests of its goodwill and non-amortizable intangible assets for impairment or additional tests whenever events or circumstances indicate impairment may exist. The Company utilizes a market multiple approach to estimate the fair value of its reporting units. Due to current economic conditions, the carrying amount of one of the Company's reporting units exceeded its fair value. Management then determined that an impairment charge was required. As a result, on December 26, 2008, the Company recorded a goodwill impairment charge of $82,614,531.

Deferred Financing Costs
Deferred financing costs are being amortized using the interest method over the term of the related debt. Such amortization is included in interest and other financial expenses in the consolidated statements of income.

Income Taxes
The Company is a Limited Liability Company (“LLC”) for the purposes of filing federal and state income tax returns. As such, Holdings is required to include the income of the Company on its income tax returns. Income taxes are provided for on the individual tax returns of Holdings’ members. Accordingly, there is no provision for federal income taxes in the consolidated financial statements except as explained in the following paragraph. Certain state and local business taxes are the responsibility of the Company and, as such, are provided for in these consolidated financial statements.

Tech is registered as a C-Corporation for purposes of federal and state income taxes. Accordingly, the benefit/provision for income taxes included in the consolidated financial statements of the Company pertains principally to Tech’s results of operations only.

Deferred taxes are provided for the tax effects of differences between the financial reporting and tax bases of the Company’s assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Marketing and Advertising Costs
The Company promotes its products with advertising, customer incentives and trade promotions. Such programs include, but are not limited to, discounts, rebates, and cooperative advertising. Advertising costs are expensed as incurred. Total advertising expenses incurred for the year ended December 26, 2008 and December 28, 2007 were $4,278,110 and $6,431,843, respectively, and are included in selling expenses in the consolidated statements of operations. Discount and rebate activities are recorded as a reduction of sales based on amounts estimated as being due to customers at the end of a period, based principally on contractual agreements. In accordance with Emerging Issues Task Force ("EITF") Issue No. 01-09, *Accounting for Consideration Given to a Customer (including Reseller of the Vendor's Products)*, the Company recognizes expenses associated with its cooperative advertising program as a reduction of sales. Total costs associated with cooperative advertising for the years ended December 26, 2008 and December 28, 2007 were $1,929,280 and $2,770,224, respectively.

Shipping and Handling Costs
The Company's shipping and handling costs are classified as selling expenses in the consolidated statements of operations as permitted by EITF Issue No. 00-10 *Accounting for Shipping and Handling Fees and Costs*. The Company incurred $17,297,536 and $22,713,288 of shipping and handling costs for the years ended December 26, 2008 and December 28, 2007, respectively.

Research and Development
Research and development costs for product design and manufacturing are expensed as incurred. For the years ended December 26, 2008 and December 28, 2007, research and development costs charged to operations amounted to $7,171,344 and $7,040,110, respectively.

Derivative Financial Instruments
The Company accounts for derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133 requires the Company to recognize all derivatives as assets or liabilities and measure those instruments at fair value. The Company uses derivatives for the purpose of hedging exposure to changes in interest rates but does not qualify for hedge accounting under SFAS 133. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized immediately in the statement of operations. The fair value of each derivative is recognized in the consolidated balance sheets within other long-term liabilities.

Fair Value Measurements
Effective January 1, 2008, the Company adopted the provisions of SFAS 157, *Fair Value Measurements*, which clarifies fair value as an exit price, establishes a hierarchal disclosure framework for measuring fair value, and requires extended disclosures about fair value measurements. The provisions of SFAS 157 apply to all financial assets and liabilities measured at fair value. In February 2008, FASB Staff position FAS 157-2, *Effective Date of FASB Statement No. 157*, delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 and interim periods for all nonfinancial assets and liabilities, except those that are disclosed or recognized at fair value on a recurring basis. The partial adoption of SFAS 157 did not have any impact to the Company's consolidated financial position, results of operations or cash flows. The Company does not believe that the adoption of SFAS 157 as it related to nonfinancial assets and liabilities will have a material impact on the Company's consolidated financial position, results of operations, or cash flows. See Note 13 for further discussion of fair value measurements.

As defined in SFAS 157, fair value, clarified as an exit price, represents the amount that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants. As a result, fair value is a market-based approach that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering these assumptions, SFAS 157 defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 Unadjusted quoted prices in active, accessible market for identical assets or liabilities.

Level 2 Other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Concentrations of Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Throughout the year ending December 26, 2008, the Company had amounts on deposit with banks in excess of federally insured limits. The Company has not experienced any losses in such accounts. Concentrations of credit risk with respect to accounts receivable are limited by the monitoring of the creditworthiness of customers. In addition, the Company maintains insurance on several of its major customers.

3. Property and Equipment, net

Property and equipment consists of the following at December 26, 2008 and December 28, 2007:

	2008	2007
Land	$ 2,793,165	$ 2,793,165
Building	52,826,341	52,816,953
Machinery and equipment	9,295,461	8,976,218
Leasehold improvement	3,844,046	3,642,105
Vehicles	121,076	509,760
Computer equipment	3,076,397	2,624,138
Software	2,381,203	2,023,405
Furniture and fixtures	2,477,763	2,076,493
Construction in process	708,678	-
	77,524,130	75,462,237
Less: Accumulated depreciation	(19,245,246)	(13,589,248)
	$ 58,278,884	$ 61,872,989

Depreciation expense charged to operations for the years ended December 26, 2008 and December 28, 2007 was $4,345,588 and $3,998,636, respectively. Included in building and improvements is an asset capitalized under capital leases of $28,587,855. Accumulated amortization on this asset totaled $5,148,524 and $3,522,674 as of December 26, 2008 and December 28, 2007, respectively.

4. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following at December 26, 2008:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets—amortizable		
Customer lists	$ 115,868,329	$ (30,100,852)
Noncompete agreements	$ 15,212,091	$ (7,479,118)
Patents	$ 719,799	$ (284,155)
Intangible assets—nonamortizable		
Brand names	$ 45,207,139	
Goodwill	$ 150,171,723	
Aggregate amortization expense		
For the year ended December 26, 2008	$ 13,692,502	

Estimated amortization expense for the five following fiscal years is as follows:

2009	$ 13,425,296
2010	13,049,806
2011	11,634,532
2012	10,227,759
2013	10,010,610

Goodwill and other intangible assets consisted of the following at December 28, 2007:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets—amortizable		
Customer lists	$ 115,868,329	$ (19,298,043)
Noncompete agreements	$ 15,212,091	$ (4,681,184)
Patents	$ 719,799	$ (192,396)
Intangible assets—nonamortizable		
Brand names	$ 45,207,139	
Goodwill	$ 232,786,254	
Aggregate amortization expense		
For the year ended December 28, 2007	$ 11,573,517	

5. Debt

The Company has a credit agreement with a consortium of banks that provides the Company with a revolving credit line and two term loans (the “Credit Agreement”).

The Credit Agreement provides for revolving borrowings up to $30,000,000 (reduced to $20,000,000 as noted below) and has a termination date of June 20, 2012 (the "Revolver"). As of December 26, 2008 and December 28, 2007, the Company had no borrowings outstanding under the Revolver. Borrowings under the Revolver bear interest at various rates, including adjusted London Interbank Offered Rate (LIBOR) or an alternative base rate plus, in each case, an incremental margin based on the Company's leverage ratio. Interest payments are paid on the last day of each fiscal quarter or upon repayment of individual drawings. The Revolver also provide for a facility fee equal to 0.5 % per annum of the excess of the total revolving loan commitment over the average principal balance outstanding, payable quarterly.

The above Credit Agreement also provide for two term loan facilities in the aggregate original principal amount of $390,000,000. The 1st Lien term loan in the original principal amount of $290,000,000 matures on December 20, 2012 with an original principal amount of $725,000 and all accrued interest payable on the last day of each quarter. As a result of the Company making an optional principal prepayment of $10,000,000 on December 18, 2007, the quarterly principal payment amount was reduced to $699,619 (further reduced to approximately $635,000 as noted below). The 2nd Lien term loan in the original principal amount of $100,000,000 matures on June 20, 2013 with interest payable on the last day of each quarter. All remaining principal for each term loan is payable on their respective maturity dates. Borrowings under the term loan facilities bear interest at various rates, including adjusted London Interbank Offered Rate (LIBOR) or an alternative base rate plus, in each case, an incremental margin based on the Company's leverage ratio. The interest rates on 1st Lien and 2nd Lien term loans were 5.33% and 7.33%, respectively, at December 26, 2008. At December 28, 2007, interest rates were 7.64% and 10.97%, respectively.

The Company is also subject to contingent principal payments based on excess cash flow, as defined in the Credit Agreement. Under the provisions of the Credit Agreement, the Company does not expect to make any additional principal payments applicable to the year ending December 26, 2008 except as noted below. Further, the Company is subject to mandatory prepayments and commitment reductions if any Capital Stock shall be issued by QHB or any of its subsidiaries ("Group Members") other than any Capital Stock issued to (i) any Group Member, (ii) the Sponsor or its Control Investment Affiliates or (iii) any member of management or employees of any Group Member.

The Credit Agreement contains various operating and financial covenants. The covenants require the Company to maintain certain leverage and interest coverage ratios and places specified limits on capital expenditures. All amounts borrowed under the Credit Agreement are collateralized by the assets of the Company.

On July 29, 2008, the Credit Agreement was amended and restated to provide for, among other things, certain revised definitions, revised operating and financial covenants, reduced the available Revolver borrowings to $20,000,000 and require the Company to prepay principal related to the 1st Lien term loan in an amount of no less than $15,000,000 on or before June 29, 2009 as a result of additional member contributions or proceeds from the sale of certain assets. In addition, the Credit Agreement, as amended, contains certain Cure Rights, as defined, that the member's majority investor has the ability to exercise, if necessary, in order to assist the Company with meeting financial covenant requirements during fiscal 2009.

During 2008, the Company made principal payments of approximately $26,800,000 and, as a result, the quarterly principal amount was reduced to approximately $635,000.

On March 20, 2009, the Credit Agreement was amended and restated to provide, among other things, certain revised definitions and revised operating and financial covenants.

The Company also has a mortgage payable to a bank for a certain building. The mortgage is payable in monthly installments through August 2017 and interest at LIBOR + 2.75% (4.58% at December 26, 2008 and 7.35% at December 28, 2007). The mortgage is collateralized by certain buildings.

The following table represents the Company's minimum principal payments under these obligations for each of the five subsequent years to December 26, 2008 and thereafter:

2009	$ 18,072,225
2010	3,072,225
2011	3,072,225
2012	3,072,225
2013	3,072,225
Thereafter	322,394,980
	$ 352,756,105

6. Benefit Plans

Feiss maintains a qualified 401(k) plan for the benefit of all Feiss employees, other than employees covered by a collective bargaining agreement, who have attained the age of 21 and have completed one year of service. Employer matching contributions to the plan are made at management's discretion. For the years ended December 26, 2008 and December 28, 2007, Feiss' contributions charged to operations were $110,781 and $75,946, respectively.

Feiss also has a collective bargaining agreement with the Production Maintenance and Service Employees Union, Local 3 Industrial Division with terms through March 5, 2010. The collective bargaining agreement provides for, among other things, contributions to union sponsored pension and medical plans which were established specifically for the Company. Union costs charged to operations for the years ended December 26, 2008 and December 28, 2007 were $211,761 and $244,858, respectively.

Sea Gull and LPC each maintain a qualified 401(k) savings/profit sharing plan which covers substantially all employees not covered by a collective bargaining agreement. Generation Brands corporate executive and staff are included in the Sea Gull plan. Sea Gull contributions for the years ended December 26, 2008 and December 28, 2007 were $609,538 and $714,927, respectively. LPC contributions for the years ended December 26, 2008 and December 28, 2007 were $27,497 and $29,879, respectively.

Sea Gull has two separate, non-contributory, defined benefit pension plans, the Sea Gull Plan and the Wood River Plan, covering substantially all union employees. Benefits are based on years of services. Sea Gull's general funding policy is to contribute amounts deductible for federal income tax purposes.

Pension expense includes the following components:

	Fiscal Year Ended	
	2008	**2007**
Service cost of the current period	$ 146,184	$ 133,509
Interest cost on the projected benefit obligation	228,406	220,264
Return on plan assets	(266,204)	(235,899)
Pension expense, net	$ 108,386	$ 117,874

The following table shows the pre-tax change in accumulated other comprehensive loss, a component of member's equity, attributable to the components of net pension expense:

For the Year Ended December 26, 2008	**Unrecognized Actuarial Net Gain or Loss**	**Unamortized Prior Service Cost**
Accumulated other comprehensive loss, beginning of year	$ -	$ -
Recognized during the period	(916,075)	-
Accumulated other comprehensive loss, end of year	$ (916,075)	$ -

The following sets forth the funded status of the plan and the amounts included in the accompanying balance sheet:

	Fiscal Year Ended	
	2008	**2007**
Actuarial present value of benefit obligations		
Accumulated benefit obligation	$ 4,611,635	$ 4,467,861
Projected benefit obligation	4,611,635	4,467,861
Fair value of assets held in the plan	2,964,872	3,463,953
Unfunded excess of projected benefit obligation over plan assets	1,646,763	1,003,908
Less: Accrued pension costs	(730,688)	(1,003,908)
Accrued pension liability recognized in other comprehensive loss	$ 916,075	$ -

The following table sets forth the pension plans' benefit obligation and, plan assets and amounts recognized in the Company's financial statements as of the measurement date:

	Fiscal Year Ended 2008	Fiscal Year Ended 2007
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 4,467,861	$ 4,350,591
Service cost	146,184	132,677
Interest cost	228,406	220,264
Benefits paid	(234,920)	(189,289)
Actuarial loss/(gain)	4,104	(46,382)
Projected benefit obligation at end of year	4,611,635	4,467,861
Change in plan assets		
Fair value of plan assets at beginning of year	3,463,953	3,170,055
Actual return on plan assets	(624,802)	109,213
Employer contributions	361,414	373,974
Benefits paid	(234,920)	(189,289)
Fair value of plan assets at end of year	$ 2,965,645	$ 3,463,953

Weighted-average assumptions used in determining the pension plans projected benefit obligation and the net periodic benefit costs are as follows:

	Fiscal Year Ended 2008	Fiscal Year Ended 2007
Projected benefit obligation		
Discount rate	5.25 %	5.25 %
Rate of compensation increase	0.00 %	0.00 %
Net periodic benefit cost		
Discount rate	5.25 %	5.25 %
Expected return on plan assets	7.50 %	7.50 %
Rate of compensation increase	0.00 %	0.00 %

By using historical performance and inflation assumption of 3%, the plans can reasonably anticipate a long-term investment return between 6.40% and 8.88%. The long-term rate of return assumption used by the plans was 7.5%.

Sea Gull's and Wood River's pension plans weighted-average asset allocations as of December 26, 2008, by asset category are as follows:

	Sea Gull	Wood River
Equity Securities	51 %	54 %
Debt Securities	49 %	46 %
	100 %	100 %

The pension plans have invested their assets through a group annuity contract with an insurance company. The targeted composition is set by Sea Gull and is reallocated periodically. The current composition is consistent with the target composition. The long-term portfolio is chosen based on the duration of the plan's individual population and is set towards funding for benefits payable in the future. This expected long-term investment strategy directly matches the long-term rate of return on assets.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2009	$ 236,630
2010	234,388
2011	233,291
2012	232,556
2013	242,110
2014–2018	1,300,493

Tech maintains a qualified 401(k) savings and profit sharing plan which covers substantially all employees, who have attained the age of 21 and completed 90 days of service. Tech contributions for the years ended December 26, 2008 and December 28, 2007 were $335,131 and $351,018, respectively.

7. Commitments and Contingencies

The Company is involved in a variety of claims, lawsuits and other disputes arising in the normal course of business. The Company believes the resolution of these matters and the incurrence of their related costs and expenses will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

8. Leases

The Company leases showrooms and warehouse space under non-cancelable operating leases with terms expiring through September 30, 2013. The leases provide for annual rent escalations for increases in the consumer price index. Rent expense under these leases charged to operations for the year ended December 26, 2008 and December 28, 2007 was $4,298,491 and $4,105,716, respectively.

Sea Gull leases a building used in its operations which is required to be capitalized in accordance with SFAS No. 13, *Accounting for Leases* ("SFAS 13"). SFAS 13 requires the capitalization of leases meeting certain criteria, with the related asset being recorded in property and equipment and an offsetting amount recorded as a capital lease obligation. The Company had an aggregate capital lease obligation of $26,553,617 at December 26, 2008, of which $25,822,022 was classified as long-term.

Minimum annual lease payments under such non-cancelable capital and operating leases as of December 26, 2008 for each of the next five years and in the aggregate are as follows:

	Capital Leases	Operating Leases
2009	$ 2,391,456	$ 4,233,735
2010	2,433,306	2,625,989
2011	2,506,306	1,373,138
2012	2,581,495	817,963
2013	2,658,940	352,664
Thereafter	29,286,130	98,888
	41,857,633	$ 9,502,377
Less: Amount representing interest	15,304,016	
	$ 26,553,617	

9. Income Taxes

The (benefit) provision for income taxes for the years ended December 26, 2008 and December 28, 2007 is as follows:

	2008	2007
Current (benefit) expense	$ (1,238,567)	$ 3,759,083
Deferred benefit	(14,639,453)	(768,598)
Total (benefit) expense	$ (15,878,020)	$ 2,990,485

As described in Note 2, the Company is an LLC and Tech Holdings is a C-Corporation. Substantially all of the Company's tax provision is attributable to Tech Holdings.

The components of deferred income taxes that have been recognized in the consolidated balance sheets at December 26, 2008 and December 28, 2007 as follows:

	2008	2007
Current deferred taxes		
Accounts receivable	$ 6,790	$ 11,535
Inventory	35,042	42,400
Accruals and other	11,186	21,885
Net operating loss carry forwards	274,722	-
AMT carry forwards	-	152,228
Property and equipment	18,963	15,189
Other	13,462	11,383
Total gross deferred tax assets	360,165	254,620
Valuation allowance	(274,722)	-
Deferred tax assets, net	$ 85,443	$ 254,620
Deferred tax liabilities		
Investment in pass-through entity	$ (20,692,765)	$ (35,205,238)
Intangible assets	(225,351)	(519,645)
Deferred financing costs	(54,177)	(34,066)
Other	(6,884)	(28,858)
Total gross deferred tax liabilities	(20,979,177)	(35,787,807)
Current deferred tax assets, net	66,481	87,203
Noncurrent deferred tax liability, net	(20,960,215)	(35,620,390)
Total	$ (20,893,734)	$ (35,533,187)

Utilization of deferred taxes is dependent upon future taxable income. The Company has determined that a valuation allowance for deferred tax assets related to net operating losses for certain states is required at this time. This determination was made as it is more likely than not that such deferred tax assets will not be realized.

Quality Home Brands Holdings LLC & Generation Brands LLC are partnerships whose income is taxed at the partner level for federal and state income tax purposes. However, some jurisdictions assess an unincorporated business income tax on partnerships. Quality Home Brands Holdings LLC's subsidiaries, Tech L Holdings, Inc. and Tech L Enterprises, Inc. are C-corporations and are subject to federal and state corporate income taxes.

The difference between the Federal statutory tax rate and the effective tax rate is primarily due to partnership net (loss)/income not taxed at a corporate statutory tax rate, nondeductible business expenses and adjustments to previously recorded tax accounts. Partnership net (loss)/income which is reported on the income tax returns of the partners was approximately $(55,300,000) and $26,071,000 for fiscal years 2008 and 2007, respectively.

10. Royalties

The Company is a party to several royalty agreements expiring on various dates through June 2009, requiring royalty payments from 2% to 6% of specified product sales. Royalty expenses under these agreements totaled $5,650,152 and $7,309,204, for the years ended December 26, 2008 and December 28, 2007, respectively, and are included in selling expenses in the consolidated statements of operations.

11. Related Party Transactions

Quad-C Investors, Inc. ("Quad-C") owns 100% of QHB Investors Inc. ("QHBI") which effectively owns 48% of QHB. The Company pays management fees to Quad-C for advisory services. The Company paid management fees of $344,208 and $300,000 for the years ended December 26, 2008 and December 28, 2007, respectively.

The Company also makes payments to taxing authorities on behalf of QHBI for QHBI's tax liability on its allocated portion of the company's taxable income. Such payments are recorded as distributions from equity. As of and for the year ended December 26, 2008, such amounts were not significant.

12. Fair Value of Financials Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and interest rate swaps. The carrying values for the Company's financial instruments approximate fair value with the exception of long-term debt. The carrying amount reported in the consolidated balance sheet as of December 26, 2008 for long-term debt is approximately $353,000,000. Using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality, and risk profile, the Company has determined the fair value of its debt to be approximately $203,000,000 at December 26, 2008. In determining the market interest yield curve, the Company considered its credit rating. However, considerable judgment is required in interpreting market data to develop estimates of fair value. The Company believes that these decreases in fair value from their carrying amounts are primarily due to the current state of the credit markets for similar debt instruments. The fair value estimate presented herein is not necessarily indicative of the amount that the Company or the debt holders could realize in a current market exchange. The use of different assumptions and-or estimation methodologies may have a material effect on the estimated fair value.

For the years ended December 26, 2008 and December 28, 2007, the Company recognized net losses of $156,940 and $2,649,063, respectively, resulting from changes in the fair value of the interest rate swaps, such amounts have been included in interest and other financial expenses in the consolidated statements of operations.

In accordance with SFAS 157, the Company measures interest rate swaps at fair value and are classified within Level 2 as the valuation inputs are based on market observable data of similar instruments. There are no financial assets or liabilities classified as Level 1 or Level 3. The estimated fair value and disclosures of long-term debt included in the consolidated balance sheets are reported under the provisions of SFAS 107, *Disclosures about Fair Value of Financial Instruments*.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities			
Interest rate swaps	$ -	$ 5,174,314	$ -
Total Liabilities	$ -	$ 5,174,314	$ -

Effective January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*, which allows an entity to choose to measure certain financial instruments and liabilities at fair value on a contract-by-contract basis. Subsequent fair value measurement for the financial instruments and liabilities an entity chooses to measure will be recognized in earnings. As of December 26, 2008, the Company did not elect such option for its financial assets and liabilities.

In October 2008, the FASB issues FSP 157-3 ("FSP 157-3"), *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS No. 157. The guidance in FSP 157-3 is effective immediately and did not have an impact on the Company's consolidated financial position, results of operations or cash flows upon adoption.

13. Management SAR Plan

Certain members of management participate in the QHB Holdings LLC (the “Parent”) Share Appreciation Rights (“SAR”) Plan. The SAR Plan has a termination date of May 2014 and rights only vest upon a liquidation event, as defined in the Plan. No compensation expense was recognized in connection with the Plan in either 2008 or 2007.

14. Special Charges

During fiscal 2008, the Company integrated two operating facilities to maximize operational efficiencies. As a result, the Company recorded approximately $2,300,000 related to severance, lease termination, consulting and other costs. Such amounts are included within general and administrative expenses within the Company’s consolidated statements of operations. As of December 26, 2008, approximately $442,000 remains accrued within accrued expenses for such charges.

UNAUDITED

Financial Statements

September

2009

QHB Holdings LLC & Subsidiaries
Consolidating Statement of Financial Condition
For the Period Ending Sep YTD 2009_Actual

10/06/2009
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	2009_Actual Sep YTD QHB Holdings LLC	2009_Actual Sep YTD Quality Home Brands Holdings LLC & Subsidiaries	2009_Actual Sep YTD QHB Holdings LLC Eliminations	2009_Actual Sep YTD QHB Holdings LLC & Subsidiaries	2008_Actual Dec YTD QHB Holdings LLC & Subsidiaries	Variance to Prior Year End
Assets						
Current Assets:						
Cash and cash equivalents	-	$15,148,833	-	$15,148,833	$15,548,357	($399,524)
Accounts receivable - trade	-	46,992,003	-	46,992,003	56,020,016	(9,028,013)
Inventories.	-	44,829,699	-	44,829,699	54,908,013	(10,078,314)
Prepaid expenses and other current assets.	-	5,824,447	-	5,824,447	3,859,040	1,965,407
Prepaid and refundable income taxes.	-	4,286,094	-	4,286,094	7,928,801	(3,642,707)
Total current assets	-	117,081,076	-	117,081,076	138,264,227	(21,183,152)
Property, plant and equipment	-	79,075,032	-	79,075,032	77,524,130	1,550,902
Accumulated Depreciation	-	(23,131,881)	-	(23,131,881)	(19,245,246)	(3,886,635)
Net Book Value	-	55,943,152	-	55,943,152	58,278,884	(2,335,732)
Intercompany receivable	-	-	-	-	-	-
Intangible assets	-	129,073,094	-	129,073,094	139,143,233	(10,070,139)
Goodwill	-	150,171,723	-	150,171,723	150,171,723	-
Deferred financing costs	688,936	5,419,114	-	6,108,050	7,674,841	(1,566,792)
Deferred income tax benefit - long term	-	-	-	-	-	-
Other assets	-	395,281	-	395,281	395,470	(189)
Investment in Subsidiaries	60,892,011	(20,211)	-	60,871,800	60,871,800	-
Total assets	$61,580,947	$458,063,228	-	$519,644,175	$554,800,178	($35,156,003)
Liabilities and Equity						
Current Liabilities						
Revolving line of credit	-	$8,230,000	-	$8,230,000	-	$8,230,000
Current portion of long term debt	-	4,124,508	-	4,124,508	4,064,928	59,580
Accounts payable	-	21,831,816	-	21,831,816	9,753,259	12,078,557
Accrued expenses	-	14,796,964	-	14,796,964	22,626,720	(7,829,756)
Income taxes payable	-	-	-	-	-	-
Other current liabilities	-	219,505	-	219,505	219,505	-
Total current liabilities	-	49,202,793	-	49,202,793	36,664,412	12,538,381
Deferred income tax liability - long-term	-	22,807,518	-	22,807,518	22,807,518	-
Long term debt, less current installment	54,697,428	358,967,079	-	413,664,507	424,786,338	(11,121,832)
Other long term liabilities	-	2,819,105	-	2,819,105	7,561,204	(4,742,099)
Minority interest in subsidiaries.	-	0	-	0	0	-
Total liabilities	54,697,428	433,796,495	-	488,493,923	491,819,473	(3,325,549)
Stockholder's Equity						
Common stock / members interest	27,117,011	133,764,018	-	160,881,029	160,881,029	-
Retained earnings	(20,233,492)	(109,497,285)	-	(129,730,777)	(97,900,325)	(31,830,452)
Total stockholder's equity	6,883,519	24,266,733	-	31,150,252	62,980,705	(31,830,452)
Total liabilities and stockholder's equity	$61,580,947	$458,063,228	-	$519,644,175	$554,800,177	($35,156,002)

QHB Holdings LLC & Subsidiaries
Consolidating Statement of Earnings
For the Period Ending Sep 2009_Actual

	2009_Actual	2009_Actual	2009_Actual	2009_Actual	2008_Actual	
	QHB Holdings LLC	Quality Home Brands Holdings LLC & Subsidiaries	QHB Holdings LLC Eliminations	QHB Holdings LLC & Subsidiaries	QHB Holdings LLC & Subsidiaries	Variance to Prior Year
Sales and revenue	-	$22,433,956	-	$22,433,956	$32,911,295	($10,477,339)
Cost of Sales & Revenues	-	11,513,621	-	11,513,621	16,264,961	4,751,340
Gross Margin	-	10,920,335	-	10,920,335	16,646,334	(5,725,999)
Operating Expenses:						
Research and development	-	363,985	-	363,985	573,993	210,008
Distribution	-	1,243,794	-	1,243,794	1,603,389	359,595
Outbound Freight	-	1,168,215	-	1,168,215	1,529,337	361,122
Selling	-	4,060,437	-	4,060,437	5,325,836	1,265,399
General and administrative	-	2,904,747	-	2,904,747	1,718,755	(1,185,992)
Total Operating Expenses	-	9,741,178	-	9,741,178	10,751,311	1,010,133
Income from operations	-	1,179,157	-	1,179,157	5,895,023	(4,715,866)
Financial (income) expense	653,512	3,915,867	-	4,569,379	5,444,343	874,964
Gain (Loss) on disposal of fixed assets	-	-	-	-	-	-
Income before tax provision	($653,512)	($2,736,710)	-	($3,390,222)	$450,680	($3,840,902)
EBITDA	-	$2,584,567	-	$2,584,567	$6,484,862	($3,900,294)

QHB Holdings LLC & Subsidiaries
Statement of Cash Flows
For the Period Ending Sep 2009_Actual

10/06/2009
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	2009_Actual Sep	- Sep YTD
Cash Flows from Operating Activities:		
Net Income After Tax	($3,425,125)	($31,830,454)
Adjustments:		
Depreciation	545,955	3,886,635
Amortization.	1,369,719	11,636,930
Changes in operating assets and liabilities:		
Accounts Receivable - trade	893,204	9,028,013
Inventories	2,225,207	10,078,314
Prepaid expenses and other current assets	(75,014)	(1,965,407)
Prepaid and refundable income taxes	(36,000)	3,642,707
Other Assets.	189	189
Accounts payable.	(676,907)	12,078,557
Accrued liabilities.	1,509,508	(7,829,756)
Other Current Liabilities.	-	-
Income taxes payable.	-	-
Non-current liabilities.	9,681	(4,742,099)
Net cash provided by operating activities	2,340,417	3,983,629
Cash Flows from Investing Activities:		
Capital expenditures	(39,065)	(1,550,902)
Investments in subsidiaries, net of minority interest	-	-
Intangibles	-	-
Costs in excess of net assets acquired	-	-
Intercompany receivable/payables	-	-
Deferred Financing	-	-
Net cash provided by investing activities	(39,065)	(1,550,903)
Cash Flows from Financing Activities:		
Proceeds from revolving line of credit	-	8,230,000
Repayment of revolving line of credit	(770,000)	-
Repayment of other long-term debt	615,164	(11,062,252)
Net equity contributions	-	-
Distributions to equity holders	-	-
Net cash provided by financing activities	(154,836)	(2,832,252)
Net increase (decrease) in cash	2,146,516	(399,525)
Cash and cash equivalents - beginning of period	$13,002,317	$15,548,357
Cash and cash equivalents - end of period	$15,148,833	$15,148,833
	-	-
Supplemental disclosures:		
Interest Expense	$3,074,088	$32,760,239
Income Tax Expense	($34,903)	($260,216)