THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AND ACCORDINGLY HAS NOT BEEN APPROVED FOR SOLICITATION OF VOTES.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

The Antioch Company, et al.,[1]

Debtors.

Chapter 11 Case No. 13-41898

(Jointly Administered)

DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF REORGANIZATION OF THE ANTIOCH COMPANY, LLC AND ITS AFFILIATED DEBTORS

August 28, 2013

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[1] Jointly administered estates of the following Debtors: The Antioch Company, LLC Case No. BKY 13-41898; Antioch International, LLC Case No. BKY 13-13-41899; Antioch International—Canada, LLC Case No. BKY 13-41900; Antioch International—New Zealand, LLC Case No. BKY 13-41901; Creative Memories Puerto Rico, LLC Case No. BKY 13-41902; Antioch Framers Supply, LLC Case No. BKY 13-41903; and zeBlooms, LLC Case No. BKY 13-41904.

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I. INTRODUCTION AND DISCLAIMER

The Antioch Company, LLC, a Delaware limited liability company, and Antioch International, LLC, Antioch International-Canada, LLC, Antioch International–New Zealand, LLC, Creative Memories Puerto Rico, LLC, Antioch Framers Supply Company, and zeBlooms, LLC (collectively, the "Subsidiary Debtors," and together with The Antioch Company, LLC, the "Debtors" or the "Company"), submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Plan of Reorganization of The Antioch Company, LLC and Its Affiliated Debtors dated, August 28, 2013 (the "Plan"). The Plan is being proposed by the Debtors and the Official Committee of Unsecured Creditors (the "Committee", and with the Debtors, the "Plan Proponents") and was filed with the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court"). A copy of the Plan is attached as Appendix A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the need to seek chapter 11 protection, significant events that have occurred during the chapter 11 cases, and the anticipated organization, operations, and financing of the Debtors upon successful emergence from chapter 11 (the "Reorganized Company"). This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of claims entitled to vote under the Plan must follow for their votes to be counted.

The Plan generally provides for two restructuring alternatives: (i) a stand-alone reorganization with equity ownership of the Reorganized Company held by a liquidating trust for the benefit of the Debtors' creditors; or (ii) the acquisition of the Reorganized Company's assets and/or equity though investment by a plan sponsor, with proceeds of the investment being contributed to a liquidating trust. Under either scenario, certain cash generated during the chapter 11 cases and the liquidation of any remaining assets not necessary to operate the Reorganized Company will also be distributed to creditors in accordance with the priority scheme of the Bankruptcy Code via a liquidating trust. **THE PLAN PROPONENTS RECOMMEND ACCEPTANCE OF THE PLAN AND URGE CREDITORS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT IT.**

Except as otherwise provided herein, capitalized terms used but not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

On ______ __, 2013, after notice and a hearing, the Bankruptcy Court entered an order approving this Disclosure Statement (the "Disclosure Statement Order") as containing adequate information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the Debtors' creditors and interest holders to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE.

The Disclosure Statement Order, a copy of which is attached as Appendix B to this Disclosure Statement, sets forth deadlines for voting to accept or reject the Plan, procedures to be followed to object to confirmation of the Plan, and the record date for voting purposes. A Ballot for the acceptance or rejection of the Plan is enclosed with each Disclosure Statement submitted to a holder of a Claim that is

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entitled to vote to accept or reject the Plan. **THE BANKRUPTCY COURT HAS SCHEDULED A HEARING ON __________ __, 2013, AT _:__ _.M. (PREVAILING CENTRAL TIME) TO CONSIDER WHETHER TO CONFIRM THE PLAN.**

This Disclosure Statement describes certain aspects of the Plan, the Debtors' operations, the Debtors' financial forecasts, and other related matters. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS, APPENDICES, AND SCHEDULES THERETO IN THEIR ENTIRETY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

This Disclosure Statement does not constitute an offer to exchange or sell, or the solicitation of an offer to exchange or buy, any securities that may be deemed to be offered hereby with respect to any creditor that is not an "accredited investor" as defined in Regulation D under the Securities Act. Any Ballot submitted by any such creditor will be deemed a rejection of the Plan for purposes of determining whether requisite votes for acceptance of the Plan have been received. In any state or other jurisdiction (domestic or foreign) in which any securities that may be deemed to be offered hereby are required to be qualified for offering in such jurisdiction, no offer is hereby being made to, and the receipt of Ballots will not be accepted from, residents of such jurisdiction unless and until such requirements, in the sole and final determination of the Debtors, have been fully satisfied. Until such time, any Ballot submitted with respect to any such creditor will be deemed null and void and will not constitute a rejection or acceptance for purposes of determining whether requisite votes for acceptance of the Plan have been received.

NO PERSON IS AUTHORIZED BY ANY OF THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THIS DISCLOSURE STATEMENT OR THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, APPENDICES, AND/OR SCHEDULES ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE DEBTORS.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY CREDITOR DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE HISTORY, BUSINESS, AND OPERATIONS OF THE DEBTORS AND THE HISTORICAL FINANCIAL INFORMATION REGARDING THE DEBTORS IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN BUT, AS TO CONTESTED MATTERS AND ADVERSARY PROCEEDINGS, IS NOT TO BE CONSTRUED AS AN ADMISSION OR A STIPULATION BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

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THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN, AND NOTHING STATED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED A REPRESENTATION OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, INCLUDING ARTICLE VIII, "RISK FACTORS TO BE CONSIDERED," OF THIS DISCLOSURE STATEMENT, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, ALL INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THE DEBTORS.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Disclosure Statement contains forward looking statements, including statements concerning possible or assumed future results of operations of the Reorganized Company and those preceded by, followed by, or that include the word may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, potential, or continue or the negative of such terms and other comparable terminology. You should understand that the factors described below, in addition to those discussed elsewhere in this Disclosure Statement, could materially affect the Debtors' future results and could cause those results to differ materially from those expressed in such forward looking statements.

ANY FINANCIAL FORECASTS OR OTHER FORWARD LOOKING ANALYSES CONTAINED HEREIN WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

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II. HISTORY AND STRUCTURE OF THE DEBTORS AND OVERVIEW OF THE DEBTORS AND THE PLAN

A. Historical Overview

The Company is one of the world's largest direct-sales scrapbook and accessories suppliers. Founded in 1926 as the Antioch Bookplate Company, for many years, the Company was a provider of bookstore accessories such as bookplates, bookmarks, calendars, and journals. In 1985, the Company purchased Holes-Webway Company, a photo album manufacturer. Originating in 1987 as a collaboration between a customer, Rhonda Anderson, and an employee of the Company, Cheryl Lightle, the Company's iconic "Creative Memories" brand was born. Creative Memories and the direct sale of scrapbooks and accessories in home parties and workshops through thousands of independent sales consultants came to dominate the Company. The Company's consultant sales force markets and sells Creative Memories products in all 50 states and in Canada. Consultants of a non-Debtor affiliate, Creative Memories-Japan, LLC, sell product in Japan.

As of April 16, 2013, the Company had approximately 170 employees and more than 17,500 consultants worldwide. For the year ended December 31, 2012, the Company had total global revenue of approximately $93.8 million and a net loss of $3.7 million. For the year ended December 31, 2012, the Company's North American operations derived approximately 71% of its product sales order from traditional scrapbooks and accessories, approximately 23% from sales orders of its digital products and approximately 6% from other sources. The majority of the Company's scrapbook and scrapbook accessory sales are initiated and completed through the Company's consultant sales force (collectively, the "Consultants").

B. Existing Organizational Structure

Debtor, The Antioch Company, LLC ("Antioch"), is the direct or indirect parent company of the Subsidiary Debtors. Antioch is the sole member of Antioch Framers Supply, LLC and zeBlooms, LLC, both of which operated lines of business that are now closed and have no assets, and of Antioch International, LLC ("Antioch International"). Antioch International in turn is the sole member of Creative Memories Puerto Rico, LLC, Antioch International-Canada, LLC, Antioch International-New Zealand, LLC and non-Debtor, Creative Memories-Japan, LLC. All of the Debtors are Delaware limited liability companies. Antioch International, Antioch International-Canada, LLC and Antioch International-New Zealand, LLC each own foreign entities that are not Debtors.

C. Events Leading to Chapter 11

After several decades as a bookstore accessories supplier, the Company evolved in the late 1980s into the Creative Memories memory preservation business that it is today. In 1979, the Company became partially owned by its employees through an employee stock ownership plan (the "ESOP"), and the Company became wholly ESOP owned through a transaction in 2003. Between 2004 and 2008, the Company's revenues declined for a number of reasons, including weakness in the scrapbooking industry, competition in digital and retail channels, and excessive employee turnover partially attributable to the ESOP ownership structure of the Company. As of mid-2008, the Company had approximately $41 million of senior secured debt owed to its bank group, in excess of $55 million in unsecured note debt owed primarily to insiders as a result of the 2003 transaction under which the Company became wholly ESOP owned, and approximately $21 million in unsecured note debt owed to former employees for the repurchase of their ESOP shares.

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In November 2008, the Company filed for chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Southern District of Ohio, Western Division-Dayton, with a prepackaged plan of reorganization (the "2008 Plan"). The 2008 Plan: (a) left most vendor, employee, benefit, and other ordinary course claims unimpaired; (b) converted the former bank group's approximately $41 million of secured debt into $30 million of restructured secured debt and 100% of the preferred interests in the reorganized company's equity; (c) converted the more than $75 million of unsecured note debt (and, to a lesser degree, old equity interests) into common interests in the reorganized company's equity, which is held through a trust; and (d) eliminated the ESOP. The 2008 Plan was designed to help the Company restructure its balance sheet while leaving the business operations and virtually all other obligations intact, allowing the Company to emerge from bankruptcy quickly and with minimal disruption to vendors and the critical independent direct sales Consultants. The financial projections that supported the 2008 Plan predicted that with its healthier balance sheet, the Company would return to growth. The Company emerged from chapter 11 in February 2009.

Upon emergence from bankruptcy in 2009, the new owners of the Company (the bank group as holders of the preferred interests and a trustee serving as representative of the trust holding the common interests) elected an entirely new board of directors, all of whom were and are independent directors. Most of senior management was also replaced upon emergence, and Chris Veit was hired as Chief Operating Officer. By early 2010, Mr. Veit had been promoted to Chief Executive Officer. The new board and management team worked hard to reduce costs and adapt the Company to a rapidly changing environment for the field of memory preservation. Over the four years since emergence from bankruptcy, the Company was able to pay off the entire balance of the $30 million senior secured debt facility.

Unfortunately, the Company's negative revenue trend did not reverse, as the traditional paper scrapbooking industry generally continued to decline and the Company did not have the resources to compete effectively with some of the larger digital industry players. While the Company continued to produce extremely high quality products and has a significant and loyal customer base, the optimistic revenue growth predicted by the former board of directors and management as a part of the 2008 Plan did not come to fruition.

The 2008 Plan was a success in that it did exactly what it was intended to do: dramatically change the Company's balance sheet by converting approximately $11 million of secured debt and more than $75 million of unsecured note debt to equity, while keeping the business and all other obligations intact. However, because the Company's revenues continued to trend downward, rather than rebounding as projected, the obligations left intact by the 2008 Plan were and are extremely burdensome to what is now a much smaller company. These obligations include large non-qualified benefit plan obligations to certain former consultants and a real property lease with the former owners of the Company that is both oversized for the Company's current operations and set at above-market rates. Furthermore, the $30 million of secured debt turned out to be a more substantial obligation as a percentage of revenue than had been predicted. Notwithstanding the Company's repayment of its secured debt, its declining revenues and non-traditional asset holdings made it virtually impossible to find replacement financing despite all efforts to do so. With no new financing, a continued declining sales trend, and certain oversized obligations, the Company found it necessary to seek chapter 11 protection.

The Company filed its chapter 11 bankruptcy case on April 16, 2013 (the "Petition Date"), seeking an opportunity to work closely with its creditors to reestablish the Company's core business by exiting certain lines of business and focusing on a smaller product line of photo solution products geared to a broader customer base. Combined with a much simpler and easier go-forward business model for the Consultants, the Plan seeks to provide creditors a substantial recovery of cash and/or equity in the Reorganized Company.

D. General Structure of the Plan

The following overview is a general summary only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information and financial statements and notes thereto appearing elsewhere in this Disclosure Statement and the Plan.

The Debtors have focused their efforts on developing a business plan that makes the Reorganized Company into a more nimble memory preservation business after emergence. The Plan contemplates two restructuring alternatives: (a) a stand-alone reorganization with equity in the Reorganized Company owned by a trust established for the benefit of the Debtors' creditors (the "Liquidating Trust"); or (b) the acquisition of the Reorganized Company by a third party plan sponsor in exchange for consideration to the Liquidating Trust. Any cash or assets not previously liquidated during the chapter 11 cases and not being retained by the Reorganized Company will be transferred to the Liquidating Trust (the "Liquidating Trust Assets"). The Claims of creditors of the Debtors will be satisfied from the Liquidating Trust Assets in order of priority under the Bankruptcy Code.

Under the Plan, there are three classes of Impaired Claims (Class 2 Convenience Class Claims, Class 3 General Unsecured Claims and Class 4 Intercompany Claims) and one class of Impaired Interests (Class 5 Interests). Class 1 Other Priority Claims are Unimpaired. Of the classes of Impaired Claims, only Class 2 Convenience Class Claims and Class 3 General Unsecured Claims are entitled to vote, while Class 4 Intercompany Claims and Class 5 Interests are deemed to reject the Plan because such holders are not receiving or retaining any property under the Plan on account of such Claims or Interests.

The Plan is also predicated upon entry of an order substantively consolidating the Debtors for the purposes of the Plan, including for voting, confirmation, and distribution purposes. See Article VII of this Disclosure Statement for a further discussion on substantive consolidation.

E. Summary of Treatment of Claims and Interests under the Plan

1. Overview of Treatment

Through the Chapter 11 Cases, the Debtors have generated cash, which along with the proceeds of certain other assets distributed to the Liquidating Trust, will be the primary source of recovery for creditors. In addition, creditors will receive the value of the Reorganized Company. Because both of the restructuring scenarios contemplate the emergence of the Reorganized Company, value must be ascribed to that business – either in the New Membership Units that will be assigned to the Liquidating Trust or through the fair market value established by what a plan sponsor is willing to pay for the Reorganized Company. Based on information provided to it by the Debtors, Crowe Horwath LLP ("Crowe") has evaluated the total enterprise value of the Reorganized Company (the "Valuation"). Crowe's Valuation establishes the value of the Reorganized Company on a going concern basis as between $_____ million and $_____ million. As provided in more detail in Article X of this Disclosure Statement and in the report attached as <u>Appendix C</u> to this Disclosure Statement, the Valuation is based on numerous assumptions, including, among other things, an assumption that the operating results projected for the Reorganized Company will be achieved in all material respects and the range of values for the Reorganized Company is broad based, in part, upon the difficulty in precisely benchmarking some of the critical assumptions.

The Plan Proponents intend to seek to consummate the Plan and cause the Effective Date to occur as quickly as practicable. There can be no assurance, however, as to when or whether the Effective Date will occur. The Plan Proponents believe that the Plan provides distributions to certain Classes of Claims that reflect an appropriate resolution of the Claims, taking into account the differing nature and priority of such Claims.

As contemplated by the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified under the Plan. Allowed Administrative Claims are to be paid in full on the Effective Date, or, for ordinary course Administrative Claims, when such claims become due. Priority Tax Claims will be paid in full on the later of the Effective Date of the Plan or when such Claims become Allowed.

The table below summarizes the classification and treatment of the prepetition Claims and Interests under the Plan. For certain classes of Claims and Interests, estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including the value ascribed to the equity in the Reorganized Company to be issued under the Plan, for purposes of the Plan, and as discussed below.

2. Classification and Treatment of Claims Against and Interests In the Debtors

Description and Amount of Claims or Interests	**Summary of Treatment**
Class 1 Other Priority Claims Class 1 consists of all Claims, other than Administrative Claims or Priority Tax Claims, that are entitled to priority in payment pursuant to sections 507(a) and 507(b) of the Bankruptcy Code. Expected Recovery: 100%	**Class 1 is Unimpaired by the Plan.** Each holder of an Allowed Class 1 Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. Each holder of an Allowed Other Priority Claim will receive Cash equal to the amount of such Other Priority Claims on the later of the Effective Date or when such Claim becomes Allowed.
Class 2 Convenience Class Claims Class 2 consists of Claims of a single holder of a type that would otherwise be included in Class 3 as General Unsecured Claims that are either: (a) **[$1,000]** or less in the aggregate or (b) greater than **[$1,000]** in the aggregate, but as to which the holder has made a Convenience Class Election on its Ballot. Expected Recovery: __%.	**Class 2 is Impaired by the Plan.** Each holder of an Allowed Convenience Class Claim is entitled to vote to accept or reject the Plan. Each holder of an Allowed Convenience Class Claim will receive a one-time cash payment of ___% of the amount of its Allowed Claim.

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Class 3 General Unsecured Claims Class 3 consists of any Claim that is not an Administrative Claim, a Convenience Class Claim, an Other Priority Claim, a Priority Tax Claim or an Intercompany Claim. Expected Recovery: [__% – __%]	**Class 3 is Impaired by the Plan.** Each holder of an Allowed Class 3 Claim is entitled to vote to accept or reject the Plan. On one or more Distribution Dates, each holder of an Allowed General Unsecured Claim will receive a Pro Rata share of the net proceeds of the Liquidating Trust Assets after the payment of Allowed Fee Claims, Administrative Claims, Priority Tax Claims, Other Priority Claims and Convenience Class Claims, and the payment of all Liquidating Trust Expenses.
Class 4 Intercompany Claims Class 4 consists of all Claims of any Debtor against another Debtor, regardless of whether the Claim arose before or after the Petition Date. Expected Recovery: 0%	**Class 4 is Impaired by the Plan.** Each holder of any Class 4 Intercompany Claim is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Holders of Intercompany Claims will not receive or retain any property on account of such Intercompany Claims under the Plan.
Class 5 Preferred Interests Class 5 consists of all Interests in The Antioch Company, LLC. Expected Recovery: 0%	**Class 5 is Impaired by the Plan.** Each holder of a Class 5 Interest is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. On the Effective Date, all Interests will be deemed cancelled, null and void.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

III. VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims

This Disclosure Statement will be transmitted to holders of Claims in Class 2 and Class 3. Pursuant to section 1126(g) of the Bankruptcy Code, holders of Claims and Interests in Classes 4 and 5, who will receive no distribution on account of their Claims or Interests under the Plan, are conclusively deemed to have rejected the Plan. Claims in Class 1 are Unimpaired under the Plan, and holders of such Claims are not entitled to vote on the Plan. Accordingly, holders of Claims in Class 2 and Class 3 will be the only holders of Claims or Interests that will vote on the Plan. The purpose of this Disclosure Statement is to provide adequate information to enable such Claim holders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

ALL HOLDERS OF CLAIMS IN CLASS 2 AND CLASS 3 ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS, AND FINANCIAL FORECASTS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except with respect to the pro forma financial forecasts set forth in <u>Appendix D</u> to this Disclosure Statement (the "Financial Forecasts") 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 Debtors do not intend to update the Financial Forecasts; thus, the Financial Forecasts will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Financial Forecasts. Further, the Debtors do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement will not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

B. Solicitation Package

In soliciting votes for the Plan pursuant to this Disclosure Statement from the holders of Claims in Class 2 and Class 3, the Debtors will also send a copy of the Plan and Ballot to be used by such holders in voting to accept or to reject the Plan.

C. Voting Procedures and Ballots and Voting Deadline

After carefully reviewing the Plan, this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your original Ballot and return it in the envelope provided to the Clerk of Bankruptcy Court, 301 US Courthouse, 300 South 4th Street, Minneapolis, MN 55415.

THE VOTING DEADLINE IS __________ ___, 2013, AT _:00 P.M. (PREVAILING EASTERN TIME).

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN THE VOTING DEADLINE BY THE CLERK OF BANKRUPTCY COURT AT THE ADDRESS ABOVE.

If you have any questions about (i) the procedure for voting your Claim or with respect to the packet of materials that you have received or (ii) or if you wish to obtain an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

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600 Superior Avenue East, Ste 2100
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D. Confirmation Hearing and Deadline for Objections to Confirmation

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

The Court has scheduled a Confirmation Hearing for ________ __, 2013. Notice of the Confirmation Hearing will be provided to holders of Claims and Interests or their representatives (the "Confirmation Notice") as set forth in the Disclosure Statement Order attached hereto as Appendix B. Objections to confirmation must be filed with the Bankruptcy Court by the date designated in the Confirmation Notice and are governed by Bankruptcy Rules 3020(b) and 9014 and local rules of the Bankruptcy Court. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

IV. THE DEBTORS' CURRENT OPERATIONS AND MANAGEMENT

A. Overview of Current Business Operations and Corporate Structure

The Company's products were founded on the core principle of memory preservation. The Company markets its product line as a comprehensive portfolio of "memory celebration" products under the Creative Memories brand. The Company's products fall into four major categories: traditional scrapbook albums and supplies; decorative components to both fill the albums and, digitally, as "clip art"; tools for paper cutting and writing; and a line of digital products which includes software (Memory Manager photo organization and StoryBook Creator Plus digital scrapbooking) and professionally printed digital photos. Creative Memories also offers digital photo printed services, delivering high-quality prints ready for use with the Company's traditional scrapbooks and PicFolio albums. Albums, tools, adhesives, and decorative products represent the largest product categories for the Company and were 64% of 2012 sales order volume.

The Company' general corporate headquarters is located in St. Cloud, Minnesota. It also operates a sales support office in Tokyo, Japan. The Company distributes products directly to its U.S. and Canadian Consultants. It also distributes products to its Japanese business unit through a third party provider. The Company currently owns real property in Yellow Springs, Ohio (site of a former headquarters), which is currently listed for sale and may be sold (with Bankruptcy Court approval) before the Effective Date, and leases two properties in St. Cloud, Minnesota.

The Company's in-house product team develops the Company's products. Approximately 56% of the product SKU volume is manufactured domestically by the Company, while the remaining balance is provided by third-party vendors. The Company supplements its in-house design and manufacturing capabilities with a network of Asian manufacturing and engineering partners for proprietary tools and organization products.

The Company supplies over 16,000 Consultants in North America and another 1,650 in Japan. In addition, approximately 35,000 "Rewards Club" members were supported from these operations. The Company, with the support of external contractors, designs all of it own marketing materials, digital "clip art", and other marketing support materials. The Company's IT, HR, finance and all other operations are housed in St. Cloud, Minnesota.

B. Capital Structure of the Company

As of the Petition Date, the Company had no secured lending arrangements and its assets, including cash, generally were unencumbered. Since the Petition Date, the Company has financed its operations and the costs of the Chapter 11 Cases from its cash, and has not had to obtain debtor-in-possession financing or authority to use cash collateral.

C. Board of Directors and Executive Officers of the Debtors

The following is a list of the current directors and executive officers of the Company:

Name	Title
Chris Veit	President and Chief Executive Officer
Kevin Willis	Chief Restructuring Officer/Interim Chief Financial Officer
Loren Castronovo	Chief Marketing Officer
John Andrew	Vice President of Human Resources
Laurie Shahon	Chairman of the Board, Director
Wendell Adair	Director
Kevin Collins	Director
Michael Mathews	Director
Bradley Scher	Director

V. SUMMARY OF STRATEGIC INITIATIVES

Current management of the Company is managing the Company toward an emergence from chapter 11 as a modernized memory preservation business pursuant to a business plan that is based upon a series of strategic initiatives, the principal aspects of which are summarized below. The summary that follows in this Article V contemplates a stand-alone reorganization in which the equity in the Reorganized Company is held by the Liquidating Trust and the Reorganized Company operates pursuant to the New Operating Agreement (described more fully in Sections 1.69 and 4.2.2 of the Plan). In the case of a sponsored reorganization, in which the assets of and/or equity in the Reorganized Company are transferred to a third party plan sponsor, the plan sponsor may decide not to adopt some or all of the Company's strategic initiations.

The board of directors of the Reorganized Company, which will be selected pursuant to the New Operating Agreement and Sections 4.2.2 and 8.2 of the Plan, will, subject to the New Operating Agreement, have the discretion, in its business judgment, to manage the Company as it sees fit, including retaining or replacing current members of senior management, subject to their rights under employment agreements. *There can be no assurance that the board of directors of the Reorganized Company will decide to manage the Reorganized Company in a manner that is consistent with the current management's business strategy.*

A. Strategies to Enhance Financial Performance and Achieve Profitability

Management, together with its advisors, has evaluated the Company's operations and is currently implementing a number of strategic initiatives intended to enhance its overall financial performance.

These initiatives include:

- updating the product mix and offerings while simplifying and streamlining the number of product items sold;
- improving Consultant tools and access to information to allow them to better manage their teams;
- implementing initiatives to drive Consultant productivity, including streamlining communications and simplifying the expectations for Consultants;
- increasing Consultant recruiting and promoting rank advancement through a modified career plan and field compensation programs;
- exiting the old-line digital printing business;
- evaluating facility lease options that better meet the space and size contemplated by the new business model;
- putting next generation software and tools into place to support a future digital platform and provide market differentiation;
- fashioning better IT processes for consultant compensation and integrated marketing efforts;
- refreshing brand treatment and the customer acquisition "party" to appeal to the current audience of party-goers, hostesses, and potential recruits;
- optimizing corporate infrastructure to support sales performance and investments for the future; and
- enhancing inventory management processes and improving vendor sourcing, including efforts to increase domestic sourcing.

B. Product Offering

The Reorganized Company intends to continue to drive the growth and profitability by new branding and a more modern product line. This line will be significantly smaller and easier to manage for the Consultants, and appeal to those customers seeking "quick and easy" solutions. The products will include pre-designed and pre-assembled traditional albums, decorative paper (organized as "project packs"), a small selection of core tools (pens tapes, cutters and the like), and home décor items (such as framed multi-purpose display boards). All products will continue to be made to the Company's high quality standards for which it is widely known and revered.

An app will also be made available to all, through which pictures can be taken, improved, organized, stored in a cloud-managed service, and auto-printed through a subscription service. Both services will be backed by large industry leaders to ensure the highest likelihood of customer acceptance. The app will run initially on iOS platforms (iPhone, iPad, etc.) and on the Web in early 2014. Potential expansions into digital printing, like all other strategic expansions, will be considered as the Reorganized Company's resources and success allow.

Within the current Consultant field, the Reorganized Company intends to implement tools in order to broaden the participation of Consultants in the new business and product line, which will encourage as many as possible of the Company's current 17,500 Consultants to remain with the Reorganized Company.

C. Target Markets

In addition to continuing to target the North America markets, the Reorganized Company intends to remain in Japan, where the Company has experienced stable, profitable growth in what is one of the more challenging direct selling markets in the world. The Japanese business model includes neither digital nor 50% of the traditional SKUs, easing their transition into the Reorganized Company's business model.

D. Sales and Consultant Organization

The Company intends to offer a simplified business to all of its current Consultants as well as its "Rewards Club" members who would like to join at inception. The Reorganized Company's Home Office Team will support this business with field development, training, recognition, incentive trips and such other programs as it deems necessary to motivate, reward and recruit consultants to build businesses. The implementation of a new information technology platform centered on "Software as a Service (SAAS)" solutions will significantly improve the Consultants' ability to recruit, retain and train their team members. The compensation program, otherwise known as the "Career Plan", will also be improved and simplified to ensure the Reorganized Company's objectives are achieved and those Consultants who adopt the behaviors required in direct sales will realize success with the Reorganized Company. Such changes as an improved "quick start" program, a simplified host rewards program, and a return to a quarterly payment program will all encourage Consultants to work with the Reorganized Company.

VI. THE ACTIVITIES IN THE CHAPTER 11 CASES

A. The Chapter 11 Cases

After evaluating their alternatives and consulting with their advisors, the Debtors determined that the interests of their creditors and employees were best served by availing themselves of the protections of the Bankruptcy Code. On the Petition Date, as authorized and directed by the respective boards of directors of the Debtors, the Debtors each filed a voluntary petition for relief under the Bankruptcy Code in the Bankruptcy Court in an effort to preserve and maximize the value of their businesses and assets. At that time, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed under section 362 of the Bankruptcy Code. The Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As part of the chapter 11 cases, the Debtors sought and received various forms of relief from the Bankruptcy Court. A summary of such relief sought and granted in the Chapter 11 Cases, along with other material activities in the Chapter 11 Cases, is listed below.

B. Postpetition Operations

Immediately following the Petition Date, the majority of the Debtors' time was spent on stabilizing their business operations and completing the transition to operating as chapter 11 debtors in possession. The Debtors worked diligently with various key parties to achieve these tasks through various means, including: (i) implementing various forms of relief granted by the Bankruptcy Court on the Petition Date to allow the Debtors to maintain business as usual to the fullest extent possible; (ii) negotiating with the Committee on a variety of restructuring matters; (iii) analyzing various issues relating to executory contracts and unexpired leases; (iv) working with certain critical vendors to ensure uninterrupted supply; and (v) conducting a controlled liquidation of certain non-core product lines; and (vi) formulating an overall reorganization strategy.

C. Chapter 11 Relief

1. First Day Relief

On the Petition Date, the Debtors filed "first day" motions with the Bankruptcy Court seeking certain relief to continue uninterrupted operations, including payment of prepetition wages, trust fund taxes, critical vendors, and continuance of customer programs and consultant obligations, among other things. Such relief helped the Debtors to facilitate the administration of the Chapter 11 Cases.

2. The Debtors' Professional Advisors

The Debtors have been advised by the following: McDonald Hopkins LLC and Fredrikson & Byron, P.A., as the Debtors' chapter 11 co-counsel; and the Stoneleigh Group, which employs the Debtors' Chief Restructuring Officer and Vice President of Human Resources.

3. Appointment of the Committee

The Office of the United States Trustee appointed the Committee on April 24, 2013. On May 7, 2013, the Bankruptcy Court entered an order approving the retention of Faegre Baker Daniels LLP as counsel to the Committee; and on May 31, 2013, the Bankruptcy Court entered an order approving the retention of Crowe Horwath LLP, as financial advisor to the Committee.

4. Rabbi Trust Motion

The Debtors were parties to certain deferred compensation plans, which were funded by "rabbi trust" assets. The rabbi trust assets were intended to provide a potential mechanism for payment of any unfunded deferred compensation benefits of participants of various benefit plans. However, the rabbi trust assets are subject to the claims of general creditors in a bankruptcy case. The Debtors filed a motion a seeking order directing the trustees of the Debtors' rabbi trust to deliver the Debtors' trust assets to the estates and authorizing the use of such funds in the ordinary course of business. The Bankruptcy Court granted such relief on May 13, 2013.

5. Exclusivity

The Debtors filed a Motion for an Order Pursuant to 11 U.S.C. § 1121(d) Extending the Time Periods During Which the Debtors Have the Exclusive Right To File a Plan and To Solicit Acceptances Thereto (the "Exclusivity Motion"). After a hearing on August 15, 2013, the Court entered an order (i) extending the Debtors' exclusive period to file a chapter 11 plan of reorganization under section 1121(d) of the Bankruptcy Code to November 12, 2013, and making such exclusivity a joint right with the

Committee and (ii) extending the Debtors' and the Committee's exclusive period to solicit acceptances for such plan pursuant to section 1121(c) of the Bankruptcy Code to January 10, 2014.

6. Bar Dates

The Bankruptcy Court established a bar date for filing proofs of Claim. Generally, proofs of Claim were required to be filed no later than August 19, 2013, except that proofs of Claim for any governmental units were required to be filed no later than October 15, 2013. In addition, the Bankruptcy Court established a bar date of not later than September 24, 2013, for claims arising under 503(b)(9) of the Bankruptcy Code and for claims of non-U.S. entities.

7. Product and Consultant Motions

The Debtors received Bankruptcy Court approval to conduct a "while supplies last" sale and "last chance order" of various products not intended to be part of the go-forward business. In addition, the Debtors received Bankruptcy Court approval to offer product credits for certain prepetition amounts owing for the Debtors' cancelled "Showcase" event and for members of the Debtors' "Rewards Club."

8. Plan Negotiations with the Committee

The Debtors have spent significant time and effort in negotiating the terms of the Plan with the Committee, including the stand-alone reorganization concept. At the same time, the Debtors identified and actively engaged multiple parties that the Debtors viewed as potential plan sponsors. The participation of a plan sponsor, however, is not critical to the Debtors' ability to reorganize.

VII. SUMMARY OF THE PLAN OF REORGANIZATION

The primary objectives of the Plan are to (i) alter the Debtors' debt and capital structures to permit them to emerge from their chapter 11 cases as a more modern memory preservation business, (ii) maximize the value of the ultimate recoveries to General Unsecured Creditors on a fair and equitable basis, and (iii) settle, compromise or otherwise dispose of certain Claims and Interests on terms that are fair and reasonable and in the best interests of the Debtors' respective estates and creditors. The Plan provides for, among other things: (a) the issuance of new equity interests in the Reorganized Company; (b) the discharge of certain Claims and cancellation of Interests, and (c) the establishment of the Liquidating Trust for distribution purposes.

The Plan Proponents believe that (i) through the Plan, holders of Allowed Claims will obtain a substantially greater recovery from the estates of the Debtors than the recovery they would receive if the Debtors filed a chapter 11 plan without prior approval of the Committee and (ii) the Plan will preserve the ability to continue the Company's business as a viable going concern and preserve ongoing employment for many of the Debtors' employees and opportunities for the Consultants.

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 Debtors under the Plan and will, upon the Effective Date, be binding upon all holders of Claims against and Interests in the Debtors and their Estates, the Reorganized Company 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, on the other hand, the terms of the Plan or such other operative document are controlling.

A. Overview of Chapter 11

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

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

The consummation of a plan of reorganization is the principal objective of a chapter 11 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 therefor the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

B. Overview of the Plan

The Plan Proponents believe that the Plan provides the best and most prompt possible recovery to the Debtors' Claim holders. The Plan is divided into ten Articles and also incorporates the Plan Supplement, which will be considered an Exhibit to the Plan and be filed no later than five days prior to the Voting Deadline. It is important that holders of Claims review not only the Plan, but also the Plan Supplement, in their entirety.

1. Defined Terms and Rules of Interpretation

Article I of the Plan defines various terms used in the Plan, provides rules for interpretation of the Plan and computation of time, and makes clear that the exhibits to the Plan, any schedules to the Plan, and the Plan Supplement are incorporated into and a part of the Plan.

2. Classification of Claims and Interests and Treatment of Claims and Interests

Article II of the Plan classifies Claims against and Interests in the Debtors. Administrative Claims and Priority Tax Claims are unclassified. There is one Unimpaired Class of Claims that is deemed to have accepted the Plan: Class 1, Other Priority Claims. There are three Impaired Classes of Claims, and the holders of Claims in two such Classes are entitled to vote on the Plan. Those Classes are Class 2, Convenience Class Claims, and Class 3, General Unsecured Claims. Finally, there is one Class of Interests, which is deemed to reject the Plan.

Article II of the Plan also describes the treatment of Claims and Interests under the Plan. That treatment is described in detail in Section II.E of this Disclosure Statement. In general, however, the Plan provides for alternatives: a stand-alone reorganization or a sponsored reorganization. Under either scenario, all assets not necessary for the Reorganized Company will be transferred to the Liquidating Trust. To fully understand the treatment of their Claims, the holders of Convenience Class Claims and General Unsecured Claims should review the Plan in its entirety. Under the stand-alone restructuring scenario, New Membership Units in the Reorganized Company will be issued to the Liquidating Trust. Under the plan sponsor scenario, the equity in or the assets of the Reorganized Company will be sold in exchange for Cash and/or other consideration to the Liquidating Trust in an amount acceptable to the Debtors and the Committee.

3. Acceptance or Rejection of the Plan

Article III of the Plan describes the voting requirements for acceptance of the Plan and states that only holders of Class 2 Claims and Class 3 Claims are entitled to vote on the Plan.

4. Means for Implementation of the Plan

Article IV of the Plan describes the means for implementation of the Plan. That Article includes discussion of: (a) the continued existence of the Debtors and re-vesting of their assets in the Reorganized Company or the formation of a new entity and contribution of the Reorganized Company Assets to that entity; (b) the cancellation of certain obligations and instruments, including the Interests, and issuance of the New Membership Units; (c) the establishment of the Liquidating Trust for the purpose of liquidating any assets of the Debtors not a part of the Reorganized Company; (d) the authority of the Debtors and Reorganized Company to enter into documents related to the Debtors' financial restructuring; (e) the sources of Cash for funding the Liquidating Trust and making distributions; (f) the board and management of the Reorganized Company; (g) the indemnification of the Liquidating Trustee; and (h) the preservation of certain Causes of Action.

Article IV also discusses the Debtors' financial restructuring. It states that on the Effective Date, the Debtors and other parties will enter into a series of documents and transactions that will effectuate the Debtors' financial restructuring and provide it with a viable capital structure going forward.

a. Stand-Alone Reorganization

Under the stand-alone reorganization alternative, on the Effective Date, The Antioch Company LLC will be reorganized as the Reorganized Company. The Reorganized Company will hold the Reorganized Company Assets, which will include the following: (a) $[_____] million in Cash; (b) working capital (inventory) relating to its operations; (c) certain equipment relating to its operations; (d) contracts and leases assumed under the Plan; (e) the equity in Creative Memories-Japan; (f) certain intellectual property relating to its operations; and (g) business litigation rights relating to the Assumed Contracts and on-going business of the Reorganized Company. On the Effective Date, the Reorganized Company Assets will vest with the Reorganized Company, free and clear of all Claims, Interests, liens, charges, or other encumbrances.

On the Effective Date, 100% of the New Membership Interests in the Reorganized Company will be owned by the Liquidating Trust. The Reorganized Company will be a Delaware limited liability company governed by and operated pursuant to the New Operating Agreement. The key terms of the New Operating Agreement, which must be acceptable to the Debtors and the Committee, will include the following:

- A requirement that the Reorganized Company's excess cash flow be distributed as a dividend to the Liquidating Trust as determined by the Reorganized Company's board of directors.

- Restrictions on the ability of the Reorganized Company to enter the certain transactions without the approval of a majority of the members of the board of directors of the Reorganized Company and the consent of the Liquidating Trustee, including: (i) the transfer of more than 10% of the fair market value of the Reorganized Company's assets; (ii) the transfer of the assets of, or equity interests in, Creative Memories-Japan or any other Affiliate of the Reorganized Company; (iii) the issuance of membership interests, warrants, any other equity interest, or any security or other instrument that could be converted to an equity interest, in the Reorganized Company or any of its Affiliates; (iv) the purchase by the Reorganized Company or any of its Affiliates of property for a purchase price greater than $75,000, other than in the ordinary course of the Reorganized Company's business; or (v) the incurrence of indebtedness or the granting of liens on the Reorganized Company's assets, in each case in an aggregate amount not to exceed $**[___]** at any one time outstanding, and in each case other than (a) indebtedness incurred or liens granted to the Liquidating Trust or (b) trade debt or real property lease obligations incurred in the ordinary course of the Reorganized Company's business.

- Corporate governance provisions providing, among other things, that the board of directors of the Reorganized Company will consist of the following three individuals: (a) the Chief Executive Officer of the Reorganized Company, (b) the Liquidating Trustee, and (c) a third individual jointly selected by the Debtors and the Committee.

In addition, subject to an agreement on a compensation structure as set forth in the next sentence, Chris Veit will serve as the Chief Executive Officer of the Reorganized Company. The officers and the key provisions of the compensation structure, which will include the Reorganized Company MIP, for such officers will be acceptable to the Debtors, the Committee, and such officers. The Reorganized Company MIP will be a management incentive plan that will provide incentive bonuses to key management of the Reorganized Company on account of cash generated for the Liquidating Trust. The terms of the Reorganized Company MIP will be included in the Plan Supplement.

b. Sponsored Reorganization

Under the sponsored reorganization alternative, on the Effective Date, the New Membership Units or the Reorganized Company Assets will be transferred to the Plan sponsor in exchange for consideration, which consideration will be contributed to the Liquidating Trust. **The identity of the Plan sponsor and any ancillary documents related to the transaction with the Plan sponsor, if any, will be included as part of the Plan Supplement.**

c. The Liquidating Trust

Under either alternative Plan structure, on or prior to the Effective Date, the Liquidating Trust will be established pursuant to the Liquidating Trust Agreement for the purpose of liquidating the Estates (except for the Reorganized Company Assets) and distributing the proceeds thereof to creditors in accordance with the terms of the Plan. Subject to and to the extent set forth in the Plan, the Confirmation Order, the Liquidating Trust Agreement or other agreement (or any other order of the Bankruptcy Court entered pursuant to or in furtherance hereof), the Liquidating Trust (and the Liquidating Trustee) will be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to implement the Liquidating Trust provisions of the Plan; (b) accept, preserve, receive, collect,

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manage, invest, supervise, prosecute, settle and protect the Liquidating Trust Assets (directly or through its professionals, in accordance with the Plan); (c) sell, liquidate, transfer, distribute or otherwise dispose of the Liquidating Trust Assets (directly or through its professionals) or any part thereof or any interest in the Plan upon such terms as the Liquidating Trustee determines to be necessary, appropriate or desirable; (d) calculate and make distributions to holders of Allowed Claims pursuant to the procedures for allowing Claims and making distributions prescribed in the Plan; (e) comply with the Plan and exercise the Liquidating Trustee's rights and fulfill its obligations thereunder; (f) review, reconcile or object to Claims and resolve such objections as set forth in the Plan; (g) pursue Avoidance Actions that may be transferred to the Liquidating Trust, if any, to the extent that their pursuit would likely result in an economic benefit to holders of Claims; (h) retain and compensate professionals to represent the Liquidating Trustee with respect to his responsibilities; (i) establish and maintain a Disputed Claims Reserve; (j) file appropriate Tax returns and other reports on behalf of the Liquidating Trust and pay Taxes or other obligations owed by the Liquidating Trust; (k) exercise such other powers as may be vested in the Liquidating Trustee under the Liquidating Trust Agreement or the Plan, or as deemed by the Liquidating Trustee to be necessary and proper to implement the provisions of the Plan and the Liquidating Trust Agreement; (l) object to the amount of any Claim on any Schedule if the Liquidating Trustee determines in good faith that the Claim is invalid or has previously been paid or satisfied; (m) pay any and all residual statutory fees of any Debtors as provided in Section 2.1.2.a of the Plan; and (n) dissolve the Liquidating Trust in accordance with the terms of the Liquidating Trust Agreement.

The initial Liquidating Trustee will be selected by the Committee. The powers, rights and responsibilities of the Liquidating Trustee will be specified in the Liquidating Trust Agreement and will include the authority and responsibility to fulfill the rights and obligations identified in the Plan. Other rights and duties of the Liquidating Trustee and the beneficiaries of the Liquidating Trust will be as set forth in the Liquidating Trust Agreement. The Liquidating Trust will also provide for a trust advisory board to approve certain material decisions of the Liquidating Trustee, which advisory board will be selected by the Committee.

5. Treatment of Executory Contracts and Unexpired Leases

Article V of the Plan describes the treatment of executory contracts and unexpired leases. Except as otherwise set forth in the Plan Supplement with respect to Assumed Contracts, all other executory contracts and unexpired leases will be deemed automatically rejected under the Plan as of the Effective Date.

6. Provisions Governing Distributions and Procedures for Resolving Claims

Article VI of the Plan discusses provisions governing distributions under the Plan. The Debtors will make certain distributions on the Effective Date while the Liquidating Trust will be the vehicle for making distributions after the Effective Date to holders of Administrative Expenses, Priority Tax Claims, Other Priority Claims, Professional Fee Claims, Convenience Class Claims and General Unsecured Claims. Article VI also provides for the method of distribution by the Liquidating Trust and procedures governing Claim distributions. Holders of Claims should review Article VI of the Plan in its entirety.

7. Consolidation of the Debtors

Article VII of the Plan contemplates and is predicated upon entry of an order substantively consolidating the Debtors for the purposes of the Plan, that is, for voting, confirmation, and distribution purposes. The Plan does not contemplate the substantive consolidation of the Debtors for any other purpose. Unless the Bankruptcy Court has approved the substantive consolidation of the Chapter 11

Cases by a prior order, the Plan will serve as, and will be deemed to be, a motion for entry of an order substantively consolidating the Debtors.

Substantive consolidation of the estates of multiple debtors in a bankruptcy case effectively combines the assets and liabilities of the multiple debtors for certain purposes under a plan. The effect of consolidation is the pooling the assets of, and claims against, the consolidated debtors; satisfying liabilities from a common fund; and combining the creditors of the debtors for purposes of voting on reorganization plans. There is no statutory authority specifically authorizing substantive consolidation. The authority of a bankruptcy court to order substantive consolidation is derived from its general equitable powers under section 105(a) of the Bankruptcy Code, which provides that the court may issue orders necessary to carry out the provisions of the Bankruptcy Code.

The propriety of substantive consolidation must be made on a case-by-case basis. Bankruptcy courts have found that a proponent of substantive consolidation must show that there is substantial identity between the entities to be consolidated and that consolidation is necessary to avoid some harm or realize some benefit. Once the proponent makes this showing, a presumption arises that creditors have not relied solely on the credit of one of the entities involved, and the burden shifts to an objecting creditor to show that (i) it has relied on the separate credit of one of the entities to be consolidated and (ii) it will be prejudiced by substantive consolidation.

Other elements that remain relevant, but not necessarily dispositive, as to whether substantive consolidation should be granted include: (i) the degree of difficulty in segregating and ascertaining the individual assets and liabilities of the entities to be consolidated; (ii) the presence or absence of consolidated financial statements among the entities to be consolidated; (iii) the commingling of assets and business functions among the entities to be consolidated; (iv) the unity of interests and ownership among the various entities; (v) the existence of parent and inter-corporate guarantees on loans to the various entities; and (vi) the transfer of assets to and from the various entities without formal observance of corporate formalities.

The facts and circumstances surrounding the historical business operations of Antioch and the Subsidiary Debtors support substantive consolidation in the Chapter 11 Cases. Antioch directly or indirectly owns all of the other filing entities. Antioch and its Subsidiary Debtors have common officers and directors, share key employees and outside professionals, including, but not limited to, employees of Antioch who performed human resources, legal, and risk management services for the benefit of all the Debtors and accounting firms, law firms and consultants who rendered services to all of the Debtors, and maintain common insurance policies which cover all the filing entitles. All the entities also share physical space and office equipment.

The Debtors’ cash management system is effectively centralized and has been constructed to provide a substantially unified system for all of the Debtors that allows for an integrated method for accounting for revenues and expenses to be collected and paid. While some of the Subsidiary Debtors maintain their own deposit accounts, all of the cash is funneled through the same master account. This allows Antioch to have overall corporate control of funds and the ability to manage the Debtors’ various business lines. The Plan Proponents believe that substantive consolidation is warranted in light of the criteria established by bankruptcy courts in ruling on the propriety of substantive consolidation in other cases. In the event that the Plan does not become effective, nothing in the Plan or this Disclosure Statement will be construed as an admission of any kind by any party regarding the propriety of substantive consolidation under circumstances other than implementation of the Plan.

8. Confirmation and Consummation of the Plan and Effect of Plan Confirmation

Article VIII describes the conditions to Confirmation of the Plan, the conditions to the Effective Date of the Plan, and provisions for waivers thereof. Holders of Claims should review Article VIII of the Plan in its entirety.

Article VIII also details the effect of Plan Confirmation. Specifically, it provides for the following:

- Releases by the Debtors. As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors and the Reorganized Company, on their behalf and as representative of and on behalf of the Estates, will be deemed to release forever, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, 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 the Debtors, the Reorganized Company, or the Estates, would have been legally entitled to assert in their own right against such Released Parties (whether individually or collectively) based on or relating to, or in any manner arising from, in whole or in part, 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 Company, the Estates, the Chapter 11 Cases, the Plan, or the Disclosure Statement, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims and Interests in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan and Disclosure Statement, or related agreements, instruments, or other documents, or any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date; *provided, however,* such releases will only extend to actions or inactions taken by such Released Parties in good faith.

- The Debtors and the Committee may provide releases of claims to all officers and to employees of the Debtors who will become employees of the Reorganized Company on the Effective Date of the Plan. As to employees who become employees of the Reorganized Company, including as an officer, any such releases will be discussed as part of a comprehensive agreement with each employee regarding employment by the Reorganized Company, including any existing or future Claim for compensation, severance, or bonuses, including the Reorganized Company MIP. The Debtors and the Committee will provide notice of such releases as part of the Plan Supplement.

- Third Party Releases. Each and every person or entity that is entitled to vote on the Plan but does not vote to reject the Plan and each person or entity who is deemed to accept the Plan will be deemed to forever release and waive all claims, demands, debts, rights, Causes of Action, and Liabilities in connection with or related to any of the Debtors, the Chapter 11 Cases, or the Plan, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, that are based in whole or in part on any act, omission, or other occurrence taking place on or prior to the Effective Date, against the Released Parties to the fullest extent permitted under applicable law.

- Limitation of Releases. Notwithstanding anything in the Plan or in the releases set forth above to the contrary, nothing herein will be construed to release, and the Debtors do not hereby release, any rights of the respective Debtors, the Reorganized Company, or the Liquidating Trustee to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered thereunder.

- Discharge. Except as otherwise provided herein or in the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims and Interests of any nature whatsoever against the Debtors or any of their assets or properties, and regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims and Interests. Upon the Effective Date, the Debtors and the Reorganized Company will be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims and Interests including, but not limited to, demands and liabilities that arose before the Confirmation Date.

- Injunction. Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold, or may hold a Claim or other debt or liability against the Debtors or an Interest or other right of an equity security holder are permanently enjoined from taking any of the following actions on account of any such Claims, debts, Liabilities, Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Released Parties or their property; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Released Parties or their property; (c) creating, perfecting, or enforcing any lien or encumbrance against the Released Parties or their property; (d) asserting a right of subordination of any kind against any debt, liability, or obligation due to the Released Parties or their property; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

- Exculpation. Subject to the occurrence of the Effective Date, none of the Exculpated Parties will have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases and the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan; provided, that the Exculpated Parties will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided further that nothing in the Plan will, or will be deemed to, release the Exculpated Parties, or exculpate the Exculpated Parties with respect to, their respective obligations or covenants arising pursuant to the Plan.

9. Retention of Jurisdiction

Article IX calls for the retention of jurisdiction by the Bankruptcy Court, to the fullest extent permitted by law to enforce the terms of the Plan and take other actions related to the Chapter 11 Cases.

10. Miscellaneous Provisions

Article X of the Plan contains various other provisions, including among other things an exemption from transfer taxes, payment of statutory fees, amendment or modifications of the Plan, and governing law.

VIII. RISK FACTORS TO BE CONSIDERED

Holders of Claims against the Debtors should read and consider carefully the information set forth below, as well as the other information set forth in this Disclosure Statement prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risks involved in connection with the Plan and/or its implementation. **The Plan Proponents intend to update these risk factors prior to a hearing on this Disclosure Statement based on which alternative (sponsored or stand-alone reorganization) is selected.**

A. Certain Bankruptcy Considerations

1. Failure to Satisfy Vote Requirement

If the Company does not receive the requisite votes to accept the Plan in accordance with the requirements of the Bankruptcy Code, the Debtors may be forced to pursue other alternatives in the bankruptcy cases that are not as attractive to creditor recoveries as the treatment under the Plan.

2. Non-Confirmation or Delay of Confirmation of the Plan

The Bankruptcy Court, which sits as a court of equity, may exercise substantial discretion. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of the Plan not be followed by a need for further financial reorganization and that the value of distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Company were liquidated under chapter 7 of the Bankruptcy Code. Although the Company believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

3. Non-Consensual Confirmation

In the event any impaired Class of Claims does not accept a plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class of claims has accepted the plan (with such acceptances being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. These requirements must be satisfied with respect to Classes 2 and 3. The Company believes that the Plan satisfies these requirements, but there can be no assurance that the Bankruptcy Court would reach the same conclusion.

4. Risk of Non-Occurrence of the Effective Date

Although the Plan Proponents believe that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to such timing or as to whether it will occur.

5. General Effect

The filing of the bankruptcy petitions by each of the Debtors, and the publicity attendant thereto, had an adverse effect on the Debtors' businesses. The Plan Proponents believe that any such adverse effects may worsen during the pendency of a protracted bankruptcy if the Plan is not confirmed as expected.

6. 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 Debtors. 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 Plan Proponents believe that all Claims and 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 Plan Proponents presently anticipate that they 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 Plan Proponents 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 Plan Proponents believe that under the Federal Rules of Bankruptcy Procedure the Debtors 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 Plan Proponents believe that they have complied with the requirement of equal treatment. 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 of the Plan and could increase the risk that the Plan will not be consummated.

7. Claim Objective and Reconciliations

The potential recovery to Class 3 depends on, among other things, the outcome of the Claims reconciliation and objection process. Therefore, as described in more detail in the Plan, the distribution to holders of Class 3 General Unsecured Claims may increase or decrease depending on the resolution of outstanding Claims.

8. Effect of the Company's Chapter 11 Cases on Relations with Trade Vendors

Although the Company believes that it has good relationships with its suppliers and trade vendors, there can be no assurance that such suppliers and vendors will continue to provide such goods and services to the Company after the Reorganized Company exits chapter 11. Therefore, if certain trade suppliers and vendors to cease shipping goods or providing services to the Reorganized Company, the goals of the reorganization may not be achieved.

9. Sponsored Plan Alternative

In a sponsored reorganization, the plan sponsor may decide not to consummate the acquisition of either the New Membership Units or the Reorganized Company Assets, may decide to do so at a reduced price, or otherwise breach any agreement. The Debtors and the Committee intend to negotiate any sponsorship agreement to eliminate or ameliorate the effects of any breach, but it is impossible at this time to predict the outcome of a sponsorship arrangement. Accordingly, recoveries to holders of Claims could be materially affected.

10. Sale of Unliquidated Assets

The Debtors' Yellow Springs, Ohio, property and other miscellaneous assets transferred to the Liquidating Trust will be sold between the date of this Disclosure Statement and the Effective Date or by the Liquidating Trustee at a future date. At this time, the ultimate value of such sales, while projected by the Company for the purpose of this Disclosure Statement, is not known. The resulting liquidation may increase or decrease the total recovery to holders of Class 3 General Unsecured Claims.

11. Increased Competition in the Memory Preservation Industry

Despite the Company's brand recognition and operational efficiencies, it has become increasingly difficult to compete against large, financially strong competitors with well-known brands. The memory preservation industry has seen the entry of several significant players during recent years and the level of competition continues to increase.

12. Reliance on the Consultants

One of the Company's primary assets is their group of highly skilled independent contractor Consultants, who have the ability to terminate their relationship with the Company. The direct sales business is highly dependent on Consultants' and potential Consultants' belief that they will benefit from their business relationship with the Reorganized Company. The multiple bankruptcy filings, a continued deterioration of business, or loss of a significant number of key Consultants and ultimately customers, may have a material adverse effect on the Reorganized Company's ability to retain and attract Consultants.

13. Reliance on Financial Projections

As noted in more detail in Article X.A of this Disclosure Statement, the Financial Forecasts are only estimates that are necessarily speculative in nature. Some or all of the assumptions in the Financial Forecasts may not be realized and that actual results may vary from those in the Financial Forecasts, which variation may be material and may impact the valuation of the Reorganized Company set forth in Article X.E of this Disclosure Statement.

IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

Substantial uncertainty exists with respect to many of the tax issues discussed below. Therefore, each holder of a Claim is urged to consult its own tax advisor regarding the federal, state, and other tax consequences of the Plan. No rulings have been requested from the Internal Revenue Service with respect to any tax aspects of the Plan.

A summary description of certain United States ("U.S.") federal income tax consequences of the Plan is provided below. The description of tax consequences below is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan as discussed herein. Only the potential material U.S. federal income tax consequences of the Plan to the Debtors and to a hypothetical holder of Claims who are entitled to vote to confirm or reject the Plan (i.e., the holders of Class 2 Convenience Class Claims and Class 3 General Unsecured Claims) are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in this Disclosure Statement. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been obtained or sought with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Plan Proponents or to any holder of Claims. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial decisions, and administrative rulings and pronouncements of the IRS and other applicable authorities, all as in effect on the date hereof. Legislative, judicial or administrative changes' or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of Claims. Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED HEREIN AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED HEREIN.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY SPECIFIC HOLDER OF CLAIMS. EACH HOLDER OF CLAIMS IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

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

1. Issuance of New Class of Membership Units to Acquirer or to Holders

If the restructuring alternative is a sale of the Reorganized Company's equity to a plan sponsor, upon the Effective Date of the Plan, the acquirer of the Reorganized Company (the "Acquirer") will pay to the Reorganized Company the fair market value consideration, which will be paid to the Liquidating Trust. The Company's receipt of this consideration will not be taxable to the Company for U.S. income tax purposes pursuant to Section 1032 of the Tax Code.

If the restructuring alternative is a stand-alone reorganization with equity ownership of the Reorganized Company held by a liquidating trust for the benefit of the Debtors' creditors, the implementation of the Plan should constitute a reorganization described in Section 368(a)(1)(E) of the Tax Code, provided certain requirements are satisfied. In this case, the Debtors should recognize no gain or loss with respect to the Plan.

2. Cancellation of Debt Income

Under the IRC, a taxpayer generally recognizes gross income to the extent that indebtedness of the taxpayer is cancelled for less than the amount owed by the taxpayer, subject to certain judicial or statutory exceptions. The most significant of these exceptions with respect to the Debtors is that taxpayers who are operating under the jurisdiction of a federal bankruptcy court are not required to recognize such income. In that case, however, the taxpayer must reduce its tax attributes, such as its NOLs, general business credits, capital loss carryforwards, and tax basis in assets, by the amount of the cancellation of indebtedness income avoided.

3. Net Operating Losses ("NOLs") – Tax Code Section 382

With regard to NOLs, section 382 of the Tax Code provides certain limitations on a corporation's utilization of its NOLs to offset its post-Effective Date taxable income if there has been a more than 50% ownership change in the corporation involving one or more 5% shareholders (as that term is defined in that Section) over a statutorily prescribed period of time ("ownership change"). Under this limitation ("Section 382 Limitation"), a corporation which undergoes an "ownership change" and which satisfies certain "continuity of business" requirements for a 2-year period following the ownership change (i.e., either continues the old loss corporation's historic business or uses a significant portion of the old loss corporation's assets in a business) may utilize a portion of its pre-"ownership change" NOLs against its post "ownership change" income each year in an amount equal to the value of the corporation at the time of the ownership change (subject to special rules which may apply in determining such value) multiplied by the long-term tax-exempt bond rate prescribed by the IRS. Special rules apply to "built-in" gains and "built-in" losses. The failure to satisfy this "2-year continuity of business" requirement would result in a Section 382 Limitation of zero, resulting in a complete loss of utilization of pre-"ownership change" NOLs" against post-"ownership change" income (subject to the special rules dealing with "built-in gains" and "built-in losses").

If the Plan is confirmed with respect to the Debtors under either alternative, the Plan Proponents anticipate that there will be an "ownership change" (within the meaning of Section 382 of the Tax Code) on the Effective Date. Accordingly, the Debtors' ability to use any pre-Effective Date NOLs to offset their income in any post-Effective Date taxable year (and in the portion of the taxable year of the "ownership change" following the Effective Date) to which such a carryover is made generally (subject to various exceptions and adjustments) will be limited. In addition, there is no assurance that the Debtors will satisfy the "2-year continuity of business" requirement. The Debtors' failure to satisfy this "2-year continuity of business" requirement will result in a Section 382 Limitation of zero, subject to the special rules dealing with "built-in" gains.

Section 382(1)(5) of the Tax Code provides an exception that allows corporations that undergo an "ownership change" in a chapter 11 plan of reorganization to avoid the general Section 382 Limitation on their NOLs. Rather, corporations that qualify under section 382(1)(5) are subject to special rules. While it is not clear whether the Debtors will qualify for this exception, the NOLs of the Debtors as of the Effective Date are not likely to be significant and the potential Section 382 Limitation should not be a significant issue in implementing the Plan.

B. U.S. Federal Income Tax Consequences of the Liquidating Trust

1. Tax Characterization of the Liquidating Trust

The Liquidating Trust should be treated as a "grantor" trust with respect to the holders of Claims pursuant to sections 671 through 678 of the Tax Code. Assuming this treatment is correct, the Liquidating Trust will not be treated as a separate taxable entity. Rather, the holders of the beneficial interests in the Liquidating Trust should be treated as the grantors or the substantial owners of the Liquidating Trust's assets for U.S. federal income tax purposes. There can be no assurance that the IRS will not dispute such treatment. **The holders of the beneficial interests in the Liquidating Trust should consult with their own tax advisors regarding the tax treatment of the Liquidating Trust for U.S. federal income tax purposes.**

2. Establishment of the Liquidating Trust

The transfer of the Liquidating Trust Asset to the Liquidating Trust, including (i) issuance of the Company's New Membership Units to the Liquidating Trust; or (ii) in the alternative, the contribution of proceeds (herein the "Issuance Proceeds") from the sale of New Membership Units to a plan sponsor; in either case for the benefit of the holders of the Class 3 General Unsecured Claims (and the simultaneous cancellation of the currently issued and outstanding preferred interests and common interests), as of the Effective Date of the Plan, should be treated for U.S. federal income tax purposes as a deemed transfer of those assets (i.e., the Liquidating Trust Assets, including the New Membership Units or the Issuance Proceeds, in either case referred to herein as the "Class 3 Consideration") to the holders of the Class 3 General Unsecured Claims in exchange for their Class 3 General Unsecured Claims, immediately followed by a deemed contribution of those assets to the Liquidating Trust by such holders in exchange for a *pro rata* beneficial interest in the Liquidating Trust, all as of the Effective Date of the Plan. As a result of this deemed exchange of the Class 3 General Unsecured Claims for the Class 3 Consideration and the deemed contribution of the Class 3 Consideration to the Liquidating Trust, the holders of the Class 3 General Unsecured Claims will receive a *pro rata* beneficial interest in the Liquidating Trust based upon their percentage ownership of the Class 3 General Unsecured Claims as of the Effective Date of the Plan. **The holders of the beneficial interests in the Liquidating Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the establishment of the Liquidating Trust.**

3. Taxation of the Liquidating Trust

Each beneficiary of the Liquidating Trust will be required to report on its U.S. federal income tax return its allocable share of any income, loss, deduction or credit recognized or incurred by the Liquidating Trust including, but not limited to, any interest or dividend income earned with respect to the assets of the Liquidating Trust. Each beneficiary's obligation to report its share of any such income is not dependent on the Liquidating Trust distributing any cash or other proceeds. Accordingly, a beneficiary may incur a tax liability as a result of owning a beneficial interest in the Liquidating Trust regardless of whether the Liquidating Trust makes a current distribution. The holders of the beneficial interests in the Liquidating Trust should consult with their own tax advisors for information that may be relevant to their particular circumstances regarding the U.S. federal income tax consequences to them resulting from the Liquidating Trust.

4. Tax Reporting

The Liquidating Trust will file an annual information tax return with the IRS which will include information concerning the allocation of income, gain, loss, deductions and credits to the beneficiaries of the Liquidating Trust. Each beneficiary of the Liquidating Trust will receive a copy of such return and will be required to report on its own U.S. federal income tax return its allocable share of such items.

C. U.S. Federal Income Tax Consequences to the Holders of Certain Claims

1. Consequences to Holders of Class 3 General Unsecured Claims

Pursuant to the Plan, each holder of an Allowed General Unsecured Claim will receive in satisfaction of its Claim a *pro rata* beneficial interest in the Liquidating Trust Assets, including either (i) the Company's New Membership Units to be held by the Liquidating Trust; or (ii) in the alternative, the contribution of proceeds (herein the "Issuance Proceeds") from the sale of New Membership Units to a plan sponsor (the "Rights") to be held by the Liquidating Trust, depending on the actual form of the reorganization.

a. Alternative I: Transfer of New Membership Units to the Liquidating Trust

If the reorganization is completed as a transfer of New Membership Units to the Liquidating Trust, the U.S. federal income tax treatment to holders of Allowed General Unsecured Claims may depend in part on whether such claims constitute "securities" for tax purposes.

Whether an instrument constitutes a "security" is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent, and whether such payments are made on a current basis or accrued.

If a General Unsecured Claim does qualify as a "security" for federal income tax purposes, a holder of a General Unsecured Claim that receives New Membership Units in satisfaction of such Claim should recognize no gain or loss (or bad debt deduction) on the receipt of New Membership Units, except to the extent that a portion of the consideration received in exchange for the General Unsecured Claim is allocable to accrued but untaxed interest. To the extent that a portion of such consideration is allocable to accrued but untaxed interest, the holder may recognize ordinary income. A holder's aggregate tax basis in the New Membership Units received under the Plan in respect of a General Unsecured Claim that qualifies as a security, apart from amounts allocable to accrued but untaxed interest, generally should equal the holder's tax basis in the a General Unsecured Claim. The holding period for any New Membership Units received under the Plan in respect of a General Unsecured Claim constituting a security, apart from amounts allocable to accrued but untaxed interest, generally should include the holding period of the a General Unsecured Claim surrendered.

If a General Unsecured Claim does not qualify as a "security" for federal income tax purposes, a holder of such Unsecured Claim should be treated as exchanging its Unsecured Claim for New Membership Units in a fully taxable exchange. A holder of an Unsecured Claim who is subject to fully taxable exchange treatment should recognize gain or loss equal to the difference between (i) the fair market value of the New Membership Units as of the Effective Date, and (ii) the holder's tax basis in the surrendered Unsecured Claim. Such gain or loss should be generally capital in nature and should be long-term capital gain or loss if the Unsecured Claim was held for more than one year. To the extent that a portion of the New Membership Units in exchange for the New Membership Units is allocable to accrued but untaxed interest, the holder may recognize ordinary income. If the receipt of New Membership Units is in respect of any claim for compensation (including a claim under any of Debtor's deferred compensation plans), the holder will be taxed on the value of such Units at ordinary income tax rates.

In the case of a holder of a deferred compensation or other wage claim, the consideration received in satisfaction of such claim (whether in cash or in property value) will be includable by the holder as compensation income (taxed at ordinary income rates) to the extent not previously included, and, if the holder is an employee of the Company for federal tax purposes, may be subject to applicable withholding.

A holder's tax basis in the New Membership Units received should equal the fair market value of the New Membership Units and Rights as of the Effective Date. A holder's holding period for the New Membership Units and Rights should begin on the day following the Effective Date.

b. Alternative II - Transfer of Proceeds to the Liquidating Trust

If the form of the reorganization takes the form of a contribution to the Liquidating Trust of the "Issuance Proceeds" from the sale of New Membership Units to a plan sponsor, the holders of General Unsecured Claims should be treated as exchanging such General Unsecured Claim for cash in a fully taxable exchange. Moreover, in either alternative (i.e. regardless of whether the reorganization takes the form of a transfer of New Membership Units or the Issuance Proceeds to the Liquidating Trust), certain other Liquidating Trust Assets, including cash, will be transferred to the Liquidating Trust, and the holders of General Unsecured Claims should be treated as exchanging such General Unsecured Claims for cash in a fully taxable exchange. Such holder should recognize gain or loss equal to the difference between (i) the holder's share of the Liquidating Trust Assets, and (ii) the holder's tax basis in the surrendered General Unsecured Claim. To the extent that the holder held its General Unsecured Claim as a capital asset, such gain or loss should generally be capital in nature and should be long-term capital gain or loss if the debts constituting the surrendered General Unsecured Claim were held for more than one year. To the extent that a portion of the Liquidating Trust Assets received in exchange for the Allowed Claims is allocable to accrued but untaxed interest, the holder may recognize ordinary income.

In the case of a holder of a deferred compensation or other wage claim, the receipt of Liquidating Trust Assets in satisfaction of such claim will be includable by the holder as compensation income (taxed at ordinary income rates) to the extent not previously included, and, if the holder is an employee of the Company for federal tax purposes, may be subject to applicable withholding.

2. Consequences to Holders of Class 2- Convenience Class Claims

Pursuant to the Plan, each holder of a Convenience Class Claim will receive cash distributions in satisfaction of its Claim, and should be treated as exchanging such Convenience Class Claim for cash in a fully taxable exchange. To the extent that a holder of a Convenience Class Claim held such Claim as a capital asset, the holder should recognize capital gain or loss equal to the difference between (a) the amount of cash received that is not allocable to accrued interest and (b) the holder's tax basis in the Convenience Class Claim surrendered therefor by the holder. Such gain or loss should generally be long-term capital gain or loss if the holder had a holding period in the Convenience Class Claim of more than one year. To the extent that a portion of the cash received in exchange for the Convenience Class Claims is allocable to accrued but untaxed interest, the holder may recognize ordinary income.

In the case of a holder of a deferred compensation or other wage claim, the receipt of Issuance Proceeds in satisfaction of such claim will be includable by the holder as compensation income (taxed at ordinary income rates) to the extent not previously included, and, if the holder is an employee of the Company for federal tax purposes, may be subject to applicable withholding.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR GENERAL UNSECURED CLAIMS

D. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a U.S. holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. 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.

E. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

X. FEASIBILITY OF THE PLAN AND BEST INTEREST OF CREDITORS

A. Feasibility of the Plan

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

The Debtors believe that, in the case of a stand-alone reorganization, the Reorganized Company will be able to support the Financial Forecasts. To support the belief in the feasibility of the Plan, the Debtors have relied upon the Financial Forecasts, which are set forth in Appendix D of this Disclosure Statement. The Financial Forecasts indicate that the Reorganized Company should have sufficient cash flow to pay debt obligations and to fund their operations. Accordingly, based on the Debtors' projections, the Plan Proponents believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Financial Forecasts 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. Furthermore, the Debtors' independent certified public accountants have not compiled or examined the Financial Forecasts and accordingly do not express any opinion or any other form of assurance with respect thereto and assume no responsibility for the Financial Forecasts.

The Financial Forecasts assume that (i) the Plan will be confirmed and consummated in accordance with its terms, (ii) there will be no material change in legislation or regulations, or the administration thereof, including environmental legislation or regulations, that will have an unexpected effect on the operations of the Reorganized Company, (iii) there will be no change in the United States regarding generally accepted accounting principles that will have a material effect on the reported financial results of the Reorganized Company, and (iv) there will be no material contingent or unliquidated litigation or indemnity claims applicable to the Reorganized Company. To the extent that the assumptions inherent in the Financial Forecasts 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 Debtors when taken as a whole, the assumptions and estimates underlying the Financial Forecasts are subject to significant business, economic and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Company. Accordingly, the Financial Forecasts are only estimates that are necessarily speculative in nature. It can be expected that some or all of the assumptions in the Financial Forecasts will not be realized and that actual results will vary from the Financial Forecasts, which variation may be material. The Financial Forecasts should therefore not be regarded as a representation by the Debtors or any other person that the results set forth in the Financial Forecasts will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Financial Forecasts. The Financial Forecasts should be read together with the information in Article VIII of this Disclosure Statement entitled "Risk Factors to Be Considered," which sets forth important factors that could cause actual results to differ from those in the Financial Forecasts.

The Debtors do not intend to update or otherwise revise the Financial Forecasts, 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 Debtors do not intend to update or revise the Financial Forecasts to reflect changes in general economic or industry conditions.

B. Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two thirds (2/3) in dollar amount and more than one half (½) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Class 2 and Class 3 votes to accept the Plan only if two thirds (2/3) in amount and a majority in number actually voting in such Classes cast their Ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting a plan.

C. Best Interests Test

Even if a plan is accepted by the holders of each class of claims and interests, the Bankruptcy Code requires a Bankruptcy Court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Bankruptcy Court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the Debtors were liquidated under chapter 7, a Bankruptcy Court must first determine the aggregate dollar amount that would be generated from a debtor's assets if its chapter 11 cases were converted to chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of any cash held by the debtor plus the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

If a liquidation were to occur in the Debtors' cases, the costs and expenses associated with a liquidation would erode liquidation value available to unsecured creditors. More specifically, costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in the Chapter 11 Cases (such as compensation of attorneys, financial advisors and accountants) that are allowed in the chapter 7 cases, litigation costs, and claims arising from the operations of the debtor during the pendency of the Chapter 11 Cases. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims. The liquidation would also prompt the rejection of a larger number of executory contracts and unexpired leases and thereby significantly enlarging the total pool of unsecured claims by reason of resulting rejection claims.

Once a court ascertains the recoveries in liquidation of administrative and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

In order to determine the amount of liquidation value available to creditors, the Company, with the assistance of its Chief Restructuring Officer, Kevin Willis, 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 Company commencing on **[November 1, 2013]** (the "Liquidation Analysis"). While the Plan Proponents 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. The Liquidation Analysis is set forth as Appendix E to this Disclosure Statement. Certain portions of the Liquidation Analysis rely on information in the Valuation performed by Crowe, as referenced in Article X.E of this Disclosure Statement.

Notwithstanding the foregoing, the Plan Proponents believe that any liquidation analysis with respect to the Debtors is inherently speculative. The Liquidation Analysis 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.

E. Valuation of the Reorganized Company

As noted in Article II.E.1 of this Disclosure Statement, the Valuation performed by Crowe showed the value of the Reorganized Company to be between approximately $_____ million to $_____ million (with a baseline midpoint of $____ million) as of an assumed Effective Date on or about the end of October 2013.[2] **[DETAIL TO BE PROVIDED PRIOR TO THE HEARING ON THE DISCLOSURE STATEMENT.]**

F. Application of the 'Best Interests' of Creditors Test to the Liquidation Analysis and the Valuation

Under the Plan, with respect to holders of Claims in Class 3, it is impossible to determine with any specificity the precise value that will be distributed to holders of such Claims. This difficulty in estimating the value of recoveries is due, in part, to the lack of any public market for the New Membership Units.

Notwithstanding the difficulty in quantifying recoveries to holders of Allowed Claims in Class 3 with precision, the Plan Proponents believe that the financial disclosures and Financial Forecasts contained herein imply a greater or equal recovery to holders of Claims in Class 3 than the recovery available in a chapter 7 liquidation. As set forth in the Liquidation Analysis for the Debtors, holders of Allowed Claims in Class 3 are estimated to receive a recovery of **[____**%] **- [____%]** in a chapter 7 liquidation. Based upon the value of the New Membership Units set forth above, under the Plan, holders of Class 3 Claims are estimated to receive a recovery of not less than **[___%]**. In addition, in a liquidation, the total amount of Class 2 Claims would be included in the same pool as Class 3 Claims; thus increasing the total claims pool. Holders of Class 2 Claims will receive a recovery higher than the projected low range of recovery on Class 3 Claims. Finally, as set forth in the Liquidation Analysis, holders of Interests in Class 5 would receive no recovery in a hypothetical chapter 7 case or under the Plan.

Accordingly, the Plan Proponents believe that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied because the members of each Impaired Class will receive greater or equal value under the Plan than they would in a liquidation. Although the Plan Proponents 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.

G. Confirmation Without Acceptance of All Impaired Classes: The 'Cramdown' Alternative

In view of the deemed rejection by holders of Class 4 Claims and Class 5 Interests, the Plan Proponents will seek confirmation of the Plan 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

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[2] The valuation date is as of October 31, 2013. While the Effective Date may occur before or after the valuation date, the Plan Proponents do not believe that the difference between the assumed Effective Date used in preparing the Valuation and the actual Effective Date would have a material impact on the enterprise value of the Reorganized Company set forth in the Valuation.

the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The 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.

The Plan Proponents believe the Plan does not discriminate unfairly with respect to holders of Class 4 Claims and holders of Class 5 Interests. Holders of Claims in Class 4 and holders of Interests in Class 5 are not receiving any distribution under the Plan, and are not entitled to payment under the absolute priority rule until all senior creditors have been paid in full.

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

The Plan Proponents believe that they will meet the "fair and equitable" requirements of section 1129(b) of the Bankruptcy Code with respect to holders of Class 4 Intercompany Claims and Class 5 Interests. No Claim or Interest holder junior to holders of Class 4 Claims is receiving any recovery pursuant to their Claim or Interest, thereby satisfying section 1129(b) with respect to Class 4 and Class 5.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents believe 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 Debtors and the Committee.

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 Debtors under chapter 7 or 11 of the Bankruptcy Code.

If no plan is confirmed, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims against or Interests in the Debtors.

As noted above and in the Liquidation Analysis, the Plan Proponents believe that in a liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' Estates. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which

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would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors could also be liquidated pursuant to the provisions of a chapter 11 plan of reorganization. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

Although preferable to a chapter 7 liquidation, the Plan Proponents believe that any alternative liquidation under chapter 11 is a much less attractive alternative to creditors than the Plan because of the greater return the Plan Proponents believe is provided to creditors under the Plan.

XII. SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (i) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (ii) the claim or interest is impaired by the plan. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the plan. Holders of Claims and Interests in Classes 4 and 5 will not receive or retain any property under the Plan, and are therefore deemed to reject the Plan and are not entitled to vote. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan. Claims in Class 1 are Unimpaired under the Plan, and holders of such Class 1 Claims are therefore not entitled to vote. Accordingly, only holders of Claims in Class 2 and Class 3 are entitled to vote on the Plan.

B. Voting Procedures

Detailed voting procedures are set forth in the Disclosure Statement Order.

C. Waivers of Defects, Irregularities, Etc.

All questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court. The Plan Proponents reserve the absolute right to contest the validity of any such withdrawal. The Plan Proponents also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Plan Proponents or their respective counsel, be unlawful. The Plan Proponents further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Plan Proponents, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Plan Proponents (or the Bankruptcy Court) determine. Neither the Plan Proponents nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

D. Withdrawal of Ballots; Revocation

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Debtors at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (iv) be received by the Debtors in a timely manner at the address set forth below. The Debtors will determine whether any withdrawals of Ballots were received and whether the Requisite Acceptances of the Plan have been received. As stated above, the Plan Proponents expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots which is not received in a timely manner by the Debtors will not be effective to withdraw a previously cast Ballot.

Any party who has previously submitted to the Debtors prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change his or its vote by submitting to the Debtors prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot which bears the latest date of receipt by the Debtors will be counted for purposes of determining whether the requisite acceptances have been received.

E. Further Information; Additional Copies

If you have any questions or require further information about the voting procedure for voting your Claim or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d)), please contact McDonald Hopkins, LLC:

McDONALD HOPKINS LLC
Attn: DeBorah Barrow
600 Superior Avenue East, Ste 2100
Cleveland, OH 44114
Telephone: (216) 348-5462
Facsimile: (216) 348-5474
E-Mail: dbarrow@mcdonaldhopkins.com

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XIII. CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will result in the best recoveries to holders of Claims and Interests. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs.

Dated: August 28, 2013

Respectfully Submitted,

The Antioch Company, LLC (for itself and on behalf of its Affiliated Debtors)

By: ____________________
Name: Christopher Veit
Title: Chief Executive Officer

The Official Committee of Unsecured Creditors

By: ____________________
Name: Sharon Holmlund
Title: Committee Chair

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COUNSEL TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

APPENDIX A

PLAN OF REORGANIZATION OF THE ANTIOCH COMPANY, LLC AND ITS AFFILIATED DEBTORS

[ON FILE WITH THE BANKRUPTCY COURT. WILL BE INCLUDED AS PART OF THE SOLICITATION PACKAGE.]

APPENDIX B

ORDER APPROVING DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF REORGANIZATION OF THE ANTIOCH COMPANY, LLC AND ITS AFFILIATED DEBTORS

[TO BE PROVIDED NO LATER THAN 14 DAYS PRIOR TO THE DISCLOSURE STATEMENT HEARING]

APPENDIX C

VALUATION

[TO BE PROVIDED NO LATER THAN 14 DAYS PRIOR TO THE DISCLOSURE STATEMENT HEARING]

APPENDIX D

FINANCIAL FORECASTS

[TO BE PROVIDED NO LATER THAN 14 DAYS PRIOR TO THE DISCLOSURE STATEMENT HEARING]

APPENDIX E

LIQUIDATION ANALYSIS

[TO BE PROVIDED NO LATER THAN 14 DAYS PRIOR TO THE DISCLOSURE STATEMENT HEARING]