UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES, INC.,	)	Bankruptcy Case No.: 05-83049
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES HOLDINGS, INC.,	)	Bankruptcy Case No.: 05-83076
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES - VIRGINIA, INC.,	)	Bankruptcy Case No.: 05-83087
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN FURNITURE FACTORY OUTLET, INC.,	)	Bankruptcy Case No.: 05-83102
Debtor.	)	

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE TO ACCOMPANY THE JOINT PLAN OF REORGANIZATION OF DEBTORS O'SULLIVAN INDUSTRIES, INC., O'SULLIVAN INDUSTRIES HOLDINGS, INC., O'SULLIVAN INDUSTRIES-VIRGINIA, INC., AND O'SULLIVAN FURNITURE FACTORY OUTLET, INC.

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Dated: October 14, 2005

PRELIMINARY STATEMENT

THIS DISCLOSURE STATEMENT WAS FILED WITH THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION, ON OCTOBER 14, 2005. [AFTER A HEARING ON THE ADEQUACY OF THE DISCLOSURE CONTAINED HEREIN, THE BANKRUPTCY COURT HAS DETERMINED THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION AS DEFINED IN SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE.] A HEARING ON CONFIRMATION OF THE PROPOSED JOINT PLAN OF REORGANIZATION DESCRIBED HEREIN HAS BEEN SCHEDULED FOR _____ __, 200_.

AS DISCUSSED IN GREATER DETAIL HEREIN, THE BANKRUPTCY COURT HAS DIRECTED THAT OBJECTIONS, IF ANY, TO CONFIRMATION OF THE PLAN MUST BE FILED AND SERVED ON OR BEFORE _____ __, 200_ AT _:00 P.M. (EASTERN STANDARD TIME) IN THE MANNER DESCRIBED HEREIN.

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EXHIBITS

A. The Joint Plan of Reorganization of Debtors O'Sullivan Industries, Inc., O'Sullivan Industries Holdings, Inc., O'Sullivan Industries-Virginia, Inc., and O'Sullivan Furniture Factory Outlet, Inc., dated October 14, 2005.

B. Projected Financial Information for the Reorganized Debtors.

C. Hypothetical Liquidation Analysis.

D. List of Known Executory Contracts Anticipated to be Assumed Under the Plan as of the Effective Date and the Proposed Cure Amounts Therefor.

E. List of Known Executory Contracts Anticipated to be Rejected Under the Plan as of the Effective Date.

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I. PREAMBLE

O'Sullivan Industries Holdings, Inc., and certain of its direct and indirect subsidiaries, O'Sullivan Industries, Inc., O'Sullivan Industries-Virginia, Inc., and O'Sullivan Furniture Factory Outlet, Inc. (collectively, the "Debtors"), jointly submit this disclosure statement (the "Disclosure Statement") pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), to the Debtors' respective creditors ("Creditors") and equity holders ("Interest Holders") in connection with (i) the solicitation from certain Creditors of votes on the proposed Joint Plan of Reorganization of Debtors O'Sullivan Industries, Inc., O'Sullivan Industries Holdings, Inc., O'Sullivan Industries-Virginia, Inc., and O'Sullivan Furniture Factory Outlet, Inc., dated October 14, 2005 (as amended from time to time, the "Plan"), filed by the Debtors with the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division (the "Bankruptcy Court") and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for _____ __, 200__ at __:__ _.m. Unless otherwise defined herein, all capitalized terms contained herein shall have the meanings ascribed to them in the Plan.

Each Creditor and Interest Holder should read this Disclosure Statement and the Plan in their entirety. All exhibits to this Disclosure Statement are incorporated into, and are part of, this Disclosure Statement. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement, and no person has been authorized to use any information concerning the Debtors or their businesses other than the information contained herein for purposes of solicitation.

[The Bankruptcy Court has approved this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of creditors to make an informed judgment as to whether to accept or to reject the Plan.] APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT, HOWEVER, CONSTITUTE AN ENDORSEMENT OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT OR A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTORS FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE, TO THE BEST KNOWLEDGE, INFORMATION, AND BELIEF OF THE DEBTORS. THIS DISCLOSURE STATEMENT INCLUDES PROJECTIONS AND OTHER STATEMENTS THAT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. "FORWARD-LOOKING STATEMENTS" IN THE

PROJECTIONS AND ELSEWHERE INCLUDE THE INTENT, BELIEF, OR CURRENT EXPECTATIONS OF THE DEBTORS AND MEMBERS OF THEIR MANAGEMENT TEAM AND/OR OTHERS WITH RESPECT TO, AMONG OTHER THINGS, THE TIMING OF, COMPLETION OF, AND SCOPE OF THE CURRENT CONTEMPLATED RESTRUCTURING, THE PLAN, FINANCING, MARKET CONDITIONS, AND THE DEBTORS' FUTURE LIQUIDITY AND OPERATIONS, AS WELL AS THE ASSUMPTIONS ON WHICH SUCH STATEMENTS ARE BASED. WHILE THE DEBTORS BELIEVE THAT THE EXPECTATIONS ARE BASED ON REASONABLE ASSUMPTIONS WITHIN THE BOUNDS OF THEIR KNOWLEDGE OF THEIR BUSINESS AND OPERATIONS, PARTIES-IN-INTEREST ARE CAUTIONED THAT ANY SUCH "FORWARD-LOOKING STATEMENTS" ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH "FORWARD-LOOKING STATEMENTS."

THIS DISCLOSURE STATEMENT ALSO CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND TRANSACTIONS CONTEMPLATED THEREUNDER AND CERTAIN OTHER DOCUMENTS. WHILE THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. REFERENCE IS MADE TO THE PLAN AND THE DOCUMENTS REFERRED TO HEREIN AND THEREIN FOR A COMPLETE STATEMENT OF THE TERMS AND PROVISIONS THEREOF.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED IN THIS DISCLOSURE STATEMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCE, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE OF THIS DISCLOSURE STATEMENT OR SUCH OTHER SPECIFIED TIME.

THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF HOLDERS WHOSE CLAIMS AGAINST THE DEBTORS ARE IMPAIRED UNDER THE PLAN, TO ENABLE SUCH HOLDERS TO MAKE AN INFORMED DECISION ABOUT THE PLAN. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THE DEBTORS' RESPECTIVE BOARDS OF DIRECTORS RECOMMEND THAT THOSE CREDITORS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT IT.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF, OR STIPULATION TO, ANY FACT OR LIABILITY, OR A WAIVER OF ANY RIGHTS, BUT RATHER AS A STATEMENT MADE IN THE CONTEXT OF SETTLEMENT NEGOTIATIONS.

OTHER THAN AS EXPRESSLY SET FORTH HEREIN, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS, ANY OF THE REORGANIZED DEBTORS, OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO ANY INTERESTED PARTY. ANY INTERESTED PARTY DESIRING ANY SUCH ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, EACH CREDITOR AND INTEREST HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY SUCH CREDITOR OR INTEREST HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH CREDITOR OR INTEREST HOLDER UNDER THE INTERNAL REVENUE CODE; AND (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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

II. INTRODUCTION

On October 14, 2005 (the "Petition Date"), the Debtors filed with the Bankruptcy Court separate, voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the "Filings"), along with a motion for an order directing that the separate Chapter 11 cases (collectively, the "Cases") of the Debtors be procedurally consolidated and jointly administered by the Bankruptcy Court pursuant to Bankruptcy Rule 1015(b).

Pursuant to the Bankruptcy Code, only Creditors in Class 2C (the "Voting Class"), which are impaired, are entitled to vote on the Plan. Creditors in Classes 1, 2A, 2B, and 7 are deemed to have accepted the Plan because they are not impaired and therefore are not entitled to vote on the Plan. Holders of Claims in Classes 3, 4, and 5 and Holders of Interests in Class 6 are deemed to have rejected the Plan and will not vote under the Plan even though they are impaired, because they do not receive or retain any property under the Plan on account of their Interests (subject to the provisions of Plan Section 5.5 in the case of Class 5 (Intercompany Claims)). For a description of the various Classes of Claims and Interests and their respective treatment under the Plan, see the section below entitled "The Plan of Reorganization."

For the Plan to be confirmed, it must be accepted by at least one Class of Claims that is impaired under the Plan (determined without including any acceptance of the Plan by any insider of the Debtors). Under Bankruptcy Code § 1126, an impaired Class of Claims has accepted the Plan if Creditors representing at least two-thirds in dollar amount and more than one-half in number of Allowed Claims that have actually voted in that Class have voted to accept the Plan;

provided that the vote of any Creditor whose acceptance or rejection is determined by the Bankruptcy Court not to be in good faith shall not be counted. Any Voting Class that fails to accept the Plan is considered to have rejected the Plan. Also, under Bankruptcy Code § 1126, any Class that does not receive or retain any property under the Plan is deemed to have rejected the Plan.

Bankruptcy Code § 1129(b) permits confirmation of the Plan notwithstanding its rejection by one or more impaired Class if the Bankruptcy Court finds that the Plan (i) has been accepted by at least one impaired Class of Claims (not including the votes of insiders), (ii) otherwise meets the requirements under Bankruptcy Code § 1129(a) for confirmation, (iii) does not discriminate unfairly, and (iv) is "fair and equitable" with respect to the rejecting Class or Classes. NOTWITHSTANDING THE DEEMED REJECTION OF THE PLAN BY IMPAIRED CLASSES 3, 4, 5, AND 6, THE DEBTORS INTEND TO REQUEST THAT THE BANKRUPTCY COURT, PURSUANT TO BANKRUPTCY CODE § 1129(b), CONFIRM THE PLAN UPON FINDING THAT ALL OF THE FOREGOING REQUIREMENTS HAVE BEEN MET. For a more detailed description of the requirements for acceptance of the Plan and of the criteria for confirmation notwithstanding rejection by certain Classes, see the section below entitled "Confirmation of the Plan."

AMENDMENTS TO THE PLAN'S CLASSIFICATION AND TREATMENT OF ONE OR MORE CLASSES THAT DO NOT MATERIALLY AND ADVERSELY CHANGE THE TREATMENT OF ANY OTHER CLASS MAY BE MADE. SUCH AMENDMENTS MAY BE APPROVED BY THE BANKRUPTCY COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING THE MEMBERS OF ANY CLASS WHOSE TREATMENT IS NOT MATERIALLY AND ADVERSELY CHANGED TO WITHDRAW ANY VOTES CAST FOR OR AGAINST THE PLAN.

All votes to accept or to reject the Plan must be cast by using the ballot (each a "Ballot," and collectively, the "Ballots") enclosed with this Disclosure Statement (or manually executed copies thereof). No other votes will be counted. Consistent with the provisions of Bankruptcy Rule 3018, the Bankruptcy Court has fixed _:__ p.m. (Eastern Standard Time) on _____ __, 200_ (the "Record Date") as the time and date for the determination of the Holders of record of Claims who are entitled to receive a copy of this Disclosure Statement and all related materials and to vote to accept or to reject the Plan.

TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED, AND RECEIVED BY _:__ P.M. (EASTERN STANDARD TIME) ON _____ __, 200__, OR SUCH LATER DATE TO WHICH THIS SOLICITATION IS EXTENDED BY THE BANKRUPTCY COURT (THE "VOTING DEADLINE"). ANY BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN, OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, SHALL BE DEEMED TO BE AN ACCEPTANCE OF THE PLAN.

BALLOTS TO ACCEPT OR TO REJECT THE PLAN MAY BE REVOKED AT ANY TIME PRIOR TO THE VOTING DEADLINE, ON OR BEFORE _:__ P.M. (EASTERN STANDARD TIME) ON _____ __, 200__. THEREAFTER, BALLOTS MAY BE REVOKED ONLY WITH THE APPROVAL OF THE BANKRUPTCY COURT.

Please vote and return your Ballot(s) to the below balloting agent (the "Balloting Agent") via United States mail, overnight delivery, or hand delivery:

The Garden City Group, Inc.
105 Maxess Road
Melville, NY 11747
Attn: O'Sullivan Ballots

DO NOT RETURN YOUR SECURITIES OR YOUR NOTES WITH YOUR BALLOT.

If delivery is by mail, enough time should be allowed to ensure timely delivery prior to the Voting Deadline. If your Claim is based on notes that are held by a bank or broker, please vote and return your Ballot(s) to such bank or broker in accordance with the instructions set forth in the Ballot. Please allow time for the transmittal of voting results from your bank or broker to the Debtors. For a more complete description of voting procedures, see the section below entitled "Voting Instructions."

If you have any questions about the Plan, the Disclosure Statement, or procedures for voting, or if you did not receive a Ballot, received a damaged Ballot, or have lost your Ballot, please call (888) 212-5680.

The Bankruptcy Court has scheduled the Confirmation Hearing on _____ __, 200_ at __:__ _.m. (Eastern Standard Time) before The Honorable _____ _. _____, United States Bankruptcy Court, 75 Spring Street Southwest, Atlanta, Georgia 30303. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be served and filed on or before _____ __, 200__, at _:__ p.m. (Eastern Standard Time), in the manner described under the section below entitled "Confirmation of the Plan -- Confirmation Hearing."

THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE CLASS OF CREDITORS ENTITLED TO VOTE THEREON AND URGE ALL CREDITORS ENTITLED TO VOTE TO ACCEPT THE PLAN.

III. VOTING INSTRUCTIONS

A. Voting Procedures.

The Debtors are providing copies of this Disclosure Statement (and the exhibits hereto), and, where appropriate, Ballots, to all classified Holders of Claims and Interests who are entitled to vote on the Plan.

Class 2C is impaired and, therefore, all Holders of Allowed Claims in such Class as of the Record Date are entitled to vote to accept or to reject the Plan. Classes 3, 4, 5, and 6 are also impaired but, pursuant to Bankruptcy Code § 1126(g), because the Holders of Claims and/or Interests (as applicable) in such Classes do not receive or retain any property under the Plan on account of such Interests (subject to the provisions of Plan Section 5.5 in the case of Class 5 Intercompany Claims), such Classes are deemed to have rejected the Plan and are not entitled to vote thereon.

Except as provided below, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, together with any other documents required by such Ballot, the Debtors may, in their sole discretion, reject such Ballot as invalid and, therefore, decline to utilize it in connection with seeking confirmation of the Plan by the Bankruptcy Court.

In the event of a dispute with respect to a Claim, any vote to accept or to reject the Plan cast with respect to such Claim will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, each such person should indicate such capacity when signing its Ballot and, if so requested by the Debtors or the Balloting Agent, must submit proper evidence satisfactory to the Debtors of its authority to so act.

B. Record Date.

THE RECORD DATE FOR VOTING ON THE PLAN IS _____ __, 200_. To be entitled to vote to accept or to reject the Plan, a Holder of a Senior Secured Notes Claim in Class 2C must be the record holder of such Senior Secured Note at the close of business on the Record Date. Holders who acquire a Senior Secured Notes Claim after the Record Date must arrange with their seller and/or transferor (as is applicable) to receive a proxy from the holder of record of such Senior Secured Note as of the Record Date.

C. Ballots.

Creditors entitled to vote on the Plan will find a Ballot accompanying this Disclosure Statement. Except as otherwise set forth herein in the section below entitled "Additional Voting Procedures," please fill out the Ballot and return it to the following address:

The Garden City Group, Inc.
105 Maxess Road
Melville, NY 11747
Attn: O'Sullivan Balloting

Ballots must be received on or before _:__ p.m. (Eastern Standard Time) on the Voting Deadline, _____ __, 200_, to be counted in the voting. Ballots received after this time may not be counted in the voting. If you have any questions about the procedures for voting, or if you did not receive a Ballot, received a damaged Ballot, or have lost your Ballot, please call (888) 212-5680.

D. Additional Voting Procedures.

Beneficial owners who, as of the Record Date, hold in their own names Senior Secured Notes Claims should complete and sign individual Ballots and return them directly to the Balloting Agent.

Beneficial owners who, as of the Record Date, hold Senior Secured Notes in "street name" through nominees should vote in one of two ways:

1. **The beneficial owner may complete and sign an individual Ballot (unless it is already signed or "prevalidated" by the nominee) and return it to the nominee. The nominee, in turn, should complete and sign a corresponding "Master Ballot," transcribing the votes cast and other information provided by the beneficial owners in their individual Ballots. The nominee should then forward its Master Ballot either to the Balloting Agent or to the nominee's agent which, in turn, shall forward the Master Ballot to the Balloting Agent; or**

2. **The beneficial owner may complete an individual Ballot that has already been signed or "prevalidated" by the nominee and return it directly to the Balloting Agent.**

Each individual Ballot for a Senior Secured Notes Claim (whether returned to the Balloting Agent or to a nominee) shall contain a certification that the beneficial owner on whose behalf the Ballot is submitted is, as of the Record Date, the beneficial owner of such security in the amount voted on such Ballot. Each individual Ballot for voting a Senior Secured Notes Claim in Class 2C shall contain the additional certifications that it is the only Ballot submitted by the beneficial owner for securities in that Class, except as disclosed by the beneficial owner in the table provided; that all such additional Ballots (if any) have been so disclosed; and that all Ballots submitted by the beneficial owner for securities in that Class indicate the same vote to accept or to reject the Plan.

Each Master Ballot, which will transmit the votes of beneficial owners as indicated on the individual Ballots submitted to their nominees, shall contain the following certifications: (a) that the party executing the Master Ballot is a nominee or a holder of a power of attorney, agency, or proxy from a nominee or beneficial owner that is the registered holder of the applicable securities in the amounts voted by the beneficial owners thereof and (b) that the beneficial owners whose votes are transmitted by the Master Ballot are, as of the Record Date, the beneficial owners of the applicable securities in the face amounts voted. Each Master Ballot transmitting votes on account of Senior Secured Notes Claims in Class 2C shall contain the additional certification that any information provided by beneficial owners relating to other Ballots submitted by the beneficial owners for securities in that Class has been transcribed onto the Master Ballot.

E. Revocation of Ballots.

Ballots may be revoked at any time prior to _:__ p.m. (Eastern Standard Time) on _____ __, 200_. Thereafter, Ballots may be revoked only with the approval of the Bankruptcy Court.

F. Incomplete Ballots.

Any Ballot received which does not indicate either an acceptance or rejection of the Plan, or indicates both an acceptance and a rejection of the Plan, shall be deemed to constitute an acceptance of the Plan.

G. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtors in their sole discretion, and their determination will be final and binding. The Debtors reserve the absolute right to contest the validity of any revocation or withdrawal of any Ballot. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be in violation of applicable law or procedure. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including of the Ballot and the respective instructions thereto) by the Debtors, 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 Debtors (or the Bankruptcy Court) determine. Neither the Debtors 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 invalid.

IV. OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Claims and Interests under the Plan. This summary is qualified in its entirety by reference to the provisions of the Plan, a copy of which is attached hereto as Exhibit A. In addition, for a more detailed description of the terms and provisions of the Plan, see the section below entitled "The Plan of Reorganization." As contemplated under the Bankruptcy Code, Administrative Claims, DIP Facility Claims, and Tax Claims are not classified under the Plan. Under the Plan, each Holder of an Allowed Administrative Claim as of the Distribution Record Date shall receive, in full satisfaction of such Allowed Claim, Cash equal to the amount of such Claim on the later of (i) the Initial Distribution Date and (ii) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different treatment of such Allowed Claim. The Holders of all Allowed DIP Facility Claims as of the Effective Date shall, in the aggregate, have Allowed Claims for all amounts included in the definition of DIP Facility Claims. Each Holder of an Allowed Tax Claim as of the Distribution Record Date (if any) shall receive, in full satisfaction of such Allowed Claim, at the election of the applicable Debtor, in its sole discretion, either (i) Cash equal to the allowed amount of such Allowed Claim on the later of (1) the Initial Distribution Date and (2) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different treatment of such Allowed Claim, or (ii) in accordance with Bankruptcy Code § 1129(a)(9)(C), deferred Cash payments over a period not exceeding six years

after the date of assessment of such claim, of a value, as of the Effective Date, equal to the allowed amount of such Allowed Tax Claim, unless such Holder shall have agreed to a different treatment of such Allowed Claim.

The table below summarizes the classification and treatment of the prepetition Claims and Interests under the Plan. For certain classes of Claims, estimated percentage recoveries are also set forth. The value of consideration to be provided was determined based upon the Debtors' review of their respective books and records and includes estimates of a number of Claims that are contingent, disputed, and/or liquidated. For certain classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows. The Debtors do not anticipate having reviewed and analyzed all proofs of claim filed in these cases by the Confirmation Date. For these reasons, no representations can be or are made with respect to whether the estimated percentage recoveries shown in the table below will actually be realized by the Holders of Allowed Claims in any particular Class.[1]

Class	Description	Treatment	Estimated Recovery
N/A	Administrative Claims	**Unimpaired**	100%
N/A	DIP Facility Claims	**Unimpaired**	100%
N/A	Tax Claims	**Unimpaired**	100%
1	Priority Claims	**Unimpaired**	100%
2A	Senior Credit Facility Claims	**Unimpaired**: the Holder of Allowed Senior Credit Facility Claims as of the Effective Date shall have an Allowed Claim for all amounts included in the definition of Senior Credit Facility Claims (if any).	100%
2B	Other Secured Claims against a Debtor	**Unimpaired**: at their election, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, or Reorganized OFFO shall either: (a) pay the Allowed amount of the applicable Class 2B Claim in full on the later of the Effective Date or the Allowance Date of such Claim; (b) return the underlying collateral to the Holder of the Claim; (c) Reinstate the Claim in accordance with the provisions of Bankruptcy Code § 1124(2); (d) pay the Claim in the ordinary course; or (e) treat the Claim in a manner otherwise agreed to by the Holder thereof.	100%
2C	Senior Secured Notes Claims	**Impaired and Entitled to Vote**: each Holder of an Allowed Class 2C Claim shall receive such Holder's Pro Rata share of (a) 10 million shares of New O'Sullivan Holdings Common Stock and (b) the New Notes in the aggregate principal amount of $10 million.	82.8%

[1] All terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

Class	Description	Treatment	Estimated Recovery
3	General Unsecured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO	**Impaired and Not Entitled to Vote:** No distribution of any kind shall be made on account of Class 3 Claims under the Plan, and all such Claims shall be discharged and cancelled. The Senior Subordinated Notes shall all be cancelled and be deemed terminated and of no force and effect.	0%
4	All Other Claims Against O'Sullivan Holdings	**Impaired and Not Entitled to Vote:** No distribution of any kind shall be made on account of Class 4 Claims under the Plan, and all such Claims shall be discharged and cancelled.	0%
5	Intercompany Claims	**Impaired and Not Entitled to Vote**, except to the extent determined by the Debtors: all Intercompany Claims shall be reviewed by the Debtors and adjusted, continued, or discharged, as the Debtors determine is appropriate (by, among other things, releasing such claims, contributing them to capital, issuing a dividend, or leaving them unimpaired).	N/A
6	Existing Equity Interests in O'Sullivan Holdings	**Impaired and Not Entitled to Vote**: all outstanding shares of O'Sullivan Holdings Preferred Stock and O'Sullivan Holdings Common Stock, and any and all other Interests in O'Sullivan Holdings, if any, shall all be cancelled and be deemed terminated and of no force and effect. No distribution of any kind shall be made on account of the O'Sullivan Holdings Preferred Stock, the O'Sullivan Holdings Common Stock, or any other Interest (if any) in O'Sullivan Holdings under the Plan	0%
7	Old Stock of the Debtor Subsidiaries	**Unimpaired**: at the election of the Reorganized Debtors, each respective Old Stock equity Interest in a Debtor Subsidiary (O'Sullivan Industries, O'Sullivan Virginia, or OFFO) (i) shall be unaffected by the Plan, in which case the entity holding an equity Interest in such Debtor Subsidiary shall continue to hold such Interest in the applicable Reorganized Subsidiary following the Effective Date or (ii) shall be cancelled and new equity in the applicable Reorganized Subsidiary shall be issued pursuant to the Plan.	N/A

ALTHOUGH THE DEBTORS BELIEVE THAT THE ESTIMATED PERCENTAGE RECOVERIES SET FORTH ABOVE ARE REASONABLE AND WITHIN THE RANGE OF ASSUMED RECOVERY, THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNTS OF ALLOWED CLAIMS IN EACH CLASS WILL NOT MATERIALLY EXCEED THE ESTIMATED AGGREGATE CLAIM AMOUNTS ASSUMED IN THE TABLE ABOVE OR THAT THE ACTUAL PERCENTAGE

RECOVERIES WILL NOT OTHERWISE BE SIGNIFICANTLY LESS THAN THE ESTIMATED PERCENTAGE RECOVERIES SET FORTH ABOVE. The actual recoveries under the Plan by the Debtors' creditors will depend upon a variety of factors including, but not limited to, (i) whether, and in what amount, contingent claims against the Debtors become non-contingent and fixed, (ii) whether, and to what extent, Disputed Claims are resolved in favor of the Debtors rather than the particular claimants, and (iii) the value of the New O'Sullivan Holdings Common Stock. Accordingly, no representation can be or is being made with respect to whether each of the estimated percentage recoveries shown in the table above will actually be realized by the Holder of an Allowed Claim in any particular Class.

V. GENERAL INFORMATION

A. Corporate Structure of the Debtors.

O'Sullivan Holdings, a Delaware holding company with no material independent operations, owns all of the outstanding common stock of O'Sullivan Industries, a Delaware corporation, which is the Debtors' primary operating company.

O'Sullivan Industries, in turn, owns all of the outstanding common stock of O'Sullivan Virginia, a Virginia corporation, and OFFO, a Missouri corporation.

In addition, O'Sullivan Industries owns O'Sullivan Industries UK Ltd., a non-Debtor foreign subsidiary that was recently formed under the laws of England and Wales for the sole purpose of entering into a real property lease. O'Sullivan Industries also directly or indirectly owns all of the issued and outstanding common stock of four Australian proprietary limited companies. The four Australian entities are no longer operating and are in the process of winding down. None of the Debtors' foreign subsidiaries is a Debtor in these Cases.

Other than with respect to the Dissolved Entities (if any), or otherwise in connection with a Restructuring Transaction (if any), the ownership of the capital stock of the Reorganized Subsidiaries following the Effective Date shall be unaffected by the Plan.

B. Business History.

The Debtors' business was founded in 1954 by Thomas M. O'Sullivan, Sr., acquired by Conroy, Incorporated in 1969, and then acquired by Tandy Corporation in 1983. In 1993, Tandy Corporation transferred O'Sullivan Industries to its subsidiary, TE Electronics Inc. In February 1994, TE Electronics Inc. transferred O'Sullivan Industries to O'Sullivan Holdings in exchange for O'Sullivan Holdings common stock and O'Sullivan Holdings' obligations under a tax sharing agreement, as described in greater detail in Section V.C.7. TE Electronics Inc. then sold its shares of O'Sullivan Holdings stock in a public offering.

On November 30, 1999, O'Sullivan Holdings completed a recapitalization and merger through which the outstanding stock of O'Sullivan Holdings was purchased by Bruckmann, Rosser Sherrill & Co. II, L.P. ("BRS"), 34 members of the Debtors' management, and an affiliate of a former director.

C. Capital Structure.

1. The Senior Credit Facility.

On September 29, 2003, O'Sullivan Industries entered into a credit agreement (as amended, including on October 29, 2003, May 5, 2004, August 17, 2005, August 22, 2005, September 16, 2005, October 4, 2005, and October 11, 2005, and by side letter, the "Senior Credit Facility") with General Electric Capital Corporation, as agent and lender ("GECC"). The Senior Credit Facility provides for a revolving line of credit (the "Revolver") under which O'Sullivan Industries may borrow (or otherwise have exposed) up to an aggregate amount equal to the lesser of $40 million and a defined borrowing base, with a $25 million letter of credit sub-limit. As of the Petition Date, the borrowing base was comprised of 86% of net Eligible Accounts and 60% of Eligible Inventory, as such terms are defined in the Senior Credit Facility.

O'Sullivan Industries' obligations under the Senior Credit Facility are secured by a first priority lien on the working capital assets of O'Sullivan Industries, O'Sullivan Virginia, and OFFO and a second priority lien on their fixed assets. In addition, O'Sullivan Industries' obligations under the Senior Credit Facility are guaranteed by O'Sullivan Holdings.

As a result of the filing of these Cases, the Debtors defaulted under the Senior Credit Facility, and their ability to borrow thereunder was frozen.

As of the Petition Date, O'Sullivan Industries had approximately $6 million in outstanding borrowings under the Revolver and approximately $14.4 million in outstanding letters of credit.

2. Debtor-in-Possession

The Debtors have entered into the DIP Facility with The CIT Group/Business Credit, Inc. ("CIBTC"), as agent, lender, and letter of credit issuer, and GoldenTree Asset Management L.P. ("GoldenTree"),[2] and the other financial institutions party thereto (collectively, with CITBC, the "DIP Lenders"). Under the DIP Facility, CITBC would provide the Debtors with a revolving credit facility of up to the lesser of $30 million of availability (with a $20 million Letter of Credit subline) and a Borrowing Base (the "DIP Revolver"), and GoldenTree and any other term lenders (collectively, the "Term Lenders") would provide the Debtors with up to $5 million under a term loan. In connection with such financing, the Debtors will grant (a) a perfected, first priority, senior priming lien on the DIP Collateral[3] to the DIP Lenders, (b) a super-priority administrative claim to the DIP Lenders pursuant to Bankruptcy Code § 364(c)(1), and (c) adequate protection to GECC and to the holders of the Senior Secured Notes.

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[2] Together with its affiliates, GoldenTree holds approximately $70,190,000 in principal amount of the Senior Secured Notes.

[3] All capitalized terms used in this section of the Disclosure Statement shall have the meaning ascribed to them in the DIP Facility.

Pursuant to the DIP Facility, the applicable Borrowing Base for the DIP Revolver would be: (i) 90% (or such lesser percentage as CITBC may in its reasonable credit judgment, applying standards customary to institutional asset-based lenders, determine from time to time) of the face value of Eligible Accounts of the Debtors due and owing from time to time; plus (ii) the lesser of 60% of cost or 85% of Net Orderly Liquidation Value (or, in each case, such lesser percentage as the Agent may in its reasonable credit judgment, applying standards customary to institutional asset-based lenders, determine from time to time) of Eligible Inventory of the Borrowers; minus (iii) the sum of (a) reimbursement obligations of the Debtors under outstanding Letters of Credit on which demand for payment has been made, plus (b) the aggregate face amount of letters outstanding, plus (c) the aggregate face amount of Letters of Credit the issuance of which has been authorized by CITBC; plus (d) the aggregate amount of Reserves.

3. The Industrial Revenue Bonds

O'Sullivan Virginia is the obligor on $10 million in principal amount of variable rate industrial revenue bonds due October 1, 2008. The industrial revenue bonds are governed by an indenture, dated as of September 1, 1998, between the Industrial Development Authority of Halifax County, Virginia, as issuer, and Wells Fargo Bank Minnesota, N.A ("Wells Fargo"), as successor indenture trustee to Norwest Bank Minnesota, N.A. Payments on the bonds are made to Wells Fargo by Wachovia Bank, N.A. ("Wachovia"), on a monthly basis pursuant to a direct pay letter of credit, and Wachovia is then reimbursed by the Debtors. Wachovia's right to reimbursement is backed by a letter of credit issued under the Senior Credit Facility, which had a balance of approximately $10.4 million as of the Petition Date. The Debtors pay a combined annual interest rate of between 6 and 7% on the bonds and the two letters of credit.

4. The Senior Secured Notes.

On September 29, 2003, O'Sullivan Industries issued $100 million in 10.63% senior secured notes due 2008 (the "Senior Secured Notes"), with The Bank of New York as indenture trustee. Interest payments of approximately $5.3 million on the notes are due semiannually on January 15th and July 15th, with a 30-day grace period. O'Sullivan Industries' obligations under these notes are secured by a first priority lien on the Debtors' fixed assets and on O'Sullivan Industries' common stock and a second priority lien on the Debtors' working capital assets. O'Sullivan Industries' obligations are also guaranteed by the other Debtors.

The Debtors did not make the approximately $5.3 million interest payment on the Senior Secured Notes by July 15, 2005, nor by the end of the grace period on August 15, 2005. On August 12, 2005, however, they entered into a forbearance agreement (as amended on September 13, 2005, and September 26, 2005, the "Forbearance Agreement"), with the holders of approximately 83% of the Senior Secured Notes. Pursuant to the Forbearance Agreement, those noteholders agreed not to exercise any enforcement rights or remedies available to them under the Senior Secured Notes Indenture as a result of the Debtors' non-payment of that interest, subject to certain terms and conditions.

As a result of the failure to pay interest on the Senior Secured Notes and the filing of these Cases, the Debtors are currently in default under the Senior Secured Notes and the Senior

Secured Notes Indenture. As of the Petition Date, approximately $7.8 million in interest, including the $5.3 million described above, had accrued but had not yet been paid on account of the Senior Secured Notes.

5. **The Senior Subordinated Notes.**

On November 30, 1999, O'Sullivan Industries issued $100 million in 13.375% senior subordinated notes due 2009 (the "Senior Subordinated Notes"), with Wells Fargo as indenture trustee. In October 2003, it repurchased $4 million of those notes, leaving $96 million remaining outstanding. Interest payments in the amount of approximately $6.4 million on the notes are due semiannually on April 15th and October 15th, with a 30-day grace period. O'Sullivan Industries' obligations under these notes are guaranteed by OFFO and O'Sullivan Virginia, and the rights of such holders are subordinated to the rights of the holders of the Senior Secured Notes. Under the August 2005 amendments to the Credit Agreement and the Forbearance Agreement, the Debtors are prohibited from making any payments on account of the Senior Subordinated Notes, including the October 15, 2005 interest payment.

As a result of the filing of these Cases, the Debtors are currently in default under the Senior Subordinated Notes and the Senior Subordinated Notes Indenture. The payment of interest accruing under the Senior Subordinated Notes since the Petition Date is stayed in connection with the filing of these Cases. As of the Petition Date, approximately $6.4 million in interest had accrued but had not yet been paid on account of the Senior Subordinated Notes.

6. **The BancBoston Note.**

On November 30, 1999, O'Sullivan Holdings issued a $15 million note to BancBoston Investments, Inc. ("BancBoston"). BancBoston's rights pursuant to the note are expressly subordinated to the rights of GECC and the Holders of the Senior Secured Notes. Interest payments on this note, which are due semiannually on April 15th and October 15th, are "paid in kind."

As a result of the filing of these Cases, the Debtors are in default under the BancBoston Note. As of the Petition Date, O'Sullivan Holdings owes BancBoston approximately $29.8 million under the BancBoston Note, approximately $1.7 million of which is interest accrued since April 15, 2005.

7. **The O'Sullivan Holdings Preferred Stock and the O'Sullivan Holdings Common Stock.**

The authorized capital stock of O'Sullivan Holdings consists of (i) Class A and Class B Common Stock (collectively, the "O'Sullivan Holdings Common Stock") and (ii) Senior Preferred Stock, Series A Junior Preferred Stock, Series B Junior Preferred Stock, and Series C Junior Preferred Stock (collectively, the "O'Sullivan Holdings Preferred Stock" and, together with the O'Sullivan Holdings Common Stock, the "O'Sullivan Holdings Stock"), all with a par value of $0.01 per share.

The following table provides certain information, as of the Petition Date, regarding the authorized, issued, and outstanding shares of the O'Sullivan Holdings Stock and the ownership

thereof by (i) each person who the Debtors know to be the beneficial owner of more than 5% of the outstanding shares of any class of O'Sullivan Holdings Stock, (ii) each current director of O'Sullivan Holdings and any of his Affiliates, (iii) certain current executive officers of O'Sullivan Holdings and any of their Affiliates, and (iv) any directors and executive officers of O'Sullivan Holdings as a group and any of their Affiliates. No dividend or other distribution has been ever been paid with respect to any of the O'Sullivan Holdings Stock, and O'Sullivan Holdings is currently unable to pay any dividends as a result of the filing of these Cases.

Class A Common Stock

2,000,000 shares authorized; 1,367,996.8 shares issued; 1,356,788.23; shares outstanding[4]

Name of Beneficial Owner	Position with O'Sullivan Holdings	Number of Shares	% of Class
Bruckmann, Rosser, Sherrill & Co. II, L.P.	None[5]	994,998.45	73.3
Davidson Management, L.P.	None[6]	77,532.79	5.7
Rowland H. Geddie, III	Vice President, General Counsel, and Secretary	24,759.24	1.8
Richard D. Davidson	Director	4,015.89	0.2

[4] Certain parties hold warrants that grant them the right to exchange such warrants for up to 186,546 shares of Class A Common Stock. These shares are not included in the issued and outstanding shares. In addition, 175,000 shares of Class A Common Stock are reserved for the issuance of stock options to employees, and 15,000 shares are reserved for the issuance of stock options to outside directors. As of October 10, 2005, options to purchase 129,400 shares of Class A Common Stock had been issued and were outstanding to employees, and no options had been issued or were outstanding to outside directors. The reserved shares are not included in the issued and outstanding shares calculations.

[5] The managing directors of Bruckmann, Rosser, Sherrill & Co. II, L.P.'s general partner are Bruce C. Bruckmann, Harold O. Rosser, Stephen C. Sherrill, Thomas J. Baldwin, and Paul D. Kaminski, each of whom could be deemed to beneficially own the shares of Class A Common Stock held by BRS. Harold O. Rosser is a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia. Bruckmann, Rosser, Sherrill & Co. II, L.P., holds 989,616.81 shares of Class A Common Stock and an affiliate of Bruckmann, Rosser, Sherrill & Co. II, L.P. holds 5,381.64 shares of Class A Common Stock.

[6] Richard D. Davidson, a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia, is a general officer of Davidson Management, L.P., and can be deemed to beneficially own the shares of Class A Common Stock held by Davidson Management, L.P.

Name of Beneficial Owner	Position with O'Sullivan Holdings	Number of Shares	% of Class
Michael L. Franks	Vice President, Marketing, and Director	1,818.75	0.1

Class B Common Stock

1,000,000 shares authorized; 701,422 shares issued and outstanding

Name of Beneficial Owner	Position with O'Sullivan Holdings	Number of Shares	% of Class
Robert S. Parker	President, Chief Executive Officer, and Director	584,518	83.3
Rick A. Walters	Executive Vice President, and Chief Financial Officer	116,904	16.7

Senior Preferred Stock

17,000,000 shares authorized; 16,431,050 shares issued and outstanding[7]

Series A Junior Preferred Stock

100,000 shares authorized; 0 shares issued and outstanding[8]

[7] The Senior Preferred Stock is publicly traded "over the counter" under the symbol "OSULP.PK."

[8] Options to purchase 59,825.86 shares of Series A Junior Preferred stock are outstanding.

Series B Junior Preferred Stock

933,013.18 shares authorized; issued, and outstanding[9]

Name of Beneficial Owner	Position with O'Sullivan Holdings, Inc.	Number of Shares	% of Class
Bruckmann, Rosser, Sherrill& Co. II, L.P.	None[10]	442,222.83	47.4
Robert S. Parker	President, Chief Executive Officer, and Director	337,995.00	36.2
Rick A. Walters	Executive Vice President and Chief Financial Officer,	46,090.00	4.9
Davidson Management, L.P.	None[11]	19,053.74	2.0
William J. Denton	Director	8,100.00	0.9
Keith E. Alessi	Director	8,100.00	0.9
Rowland H. Geddie, III	Vice President, General Counsel, and Secretary	2,636.44	0.3

[9] Certain parties hold warrants for Junior Preferred Stock that grant them the right to exchange such warrants for up to 66,862.28 shares of Series B Junior Preferred Stock. These shares are not included in the issued and outstanding shares calculations.

[10] The managing directors of Bruckmann, Rosser, Sherrill& Co. II, L.P.'s general partner are Bruce C. Bruckmann, Harold O. Rosser, Stephen C. Sherrill, Thomas J. Baldwin, and Paul D. Kaminski, each of whom could be deemed to beneficially own the shares of Series B Junior Preferred Stock held by BRS. Harold O. Rosser is a Director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia. Bruckmann, Rosser, Sherrill & Co. II, L.P., holds 439,831.03 shares of Series B Junior Preferred Stock and an affiliate of Bruckmann, Rosser, Sherrill & Co. II, L.P. holds 2,391.8 shares of Series B Junior Preferred Stock.

[11] Richard D. Davidson, a Director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia, is a general partner of Davidson Management, L.P., and can be deemed to beneficially own the shares of Series B Junior Preferred Stock held by Davidson Management, L.P.

Name of Beneficial Owner	Position with O'Sullivan Holdings, Inc.	Number of Shares	% of Class
Charles Macaluso	Director	8,100.00	0.9
Richard Davidson	None	1,784.84	0.2

Series C Junior Preferred Stock

50,000 shares authorized, issued, and outstanding

Name of Beneficial Owner	Position with O'Sullivan Holdings	Number of Shares	% of Class
Robert S. Parker	President and Chief Executive Officer	45,000	90
Rick A. Walters	Executive Vice President and Chief Financial Officer	5,000	10

7. **Tax Sharing Agreement**

In 1994, RadioShack (f/k/a Tandy Corporation), which owned O'Sullivan Holdings at the time, completed an initial public offering of O'Sullivan Holdings. In connection with the IPO, RadioShack and O'Sullivan Holdings made a joint election under Section 338(g) of the Internal Revenue Code, with the effect that the Debtors acquired a stepped-up tax basis on their assets. This stepped-up tax basis gave rise to additional deductions for depreciation and amortization of the Debtors' assets, which, in the past, have offset the Debtors' taxable income or increased net operating losses. Pursuant to the Tandy Agreements, O'Sullivan Holdings is obligated to pay RadioShack nearly all of the federal tax benefits realized on account of the deduction related stepped-up basis.

The Debtors do not have any taxable income for FY 2005 and therefore do not anticipate making any payments to RadioShack pursuant thereto. In addition, the Debtors did not record any tax expense in FY 2005, FY 2004, or FY 2003 because of (1) the current tax benefits associated with the Section 338 election described above and (2) certain valuation allowances against net deferred tax assets.

The Debtors believe that, under the Tandy Agreements, Tandy has a contingent Claim in the maximum amount of approximately $70.1 million.

D. Description of Business.

1. General.

The Debtors design, manufacture, and distribute ready-to-assemble (or "RTA") furniture and related products, including desks, shelving, computer work centers, bookcases, filing cabinets, home entertainment centers, commercial furniture, garage storage units, television, audio, and night stands, dressers, and bedroom pieces. They sell their products almost exclusively to large retailers such as OfficeMax, Lowe's, Wal-Mart, and Office Depot, but have some end-user sales as well. The Debtors had approximately $250 million in net sales for FY 2005, which ended on June 30, 2005.

(a) Business Strategies.

In May 2004, the Debtors hired Robert S. Parker as President and Chief Executive Officer and Rick A. Walters as Executive Vice President and Chief Financial Officer. With this new senior management, the Debtors began implementing certain cost-cutting measures and strategic initiatives in FY 2005, including the creation of a new sales and marketing organization, the expansion of new product lines, such as their commercial office furniture line, garage storage line, and certain other consumer packaged goods lines, and the enhancement of sourcing opportunities from abroad. The Debtors have also sought to improve their productivity and better control their costs at their factories, manage their working capital and cash flow through better planning, reduce required inventory levels, reduce their workforce, improve vendor and customer terms, implement price increases, and establish pricing and promotion controls.

The prospective financial impact of these strategies is reflected in the financial projections (the "Financial Projections") included as Exhibit B hereto. The Debtors believe that they will be able to improve manufacturing efficiency and leverage existing and new channels of distribution, while having adequate liquidity under their Exit Credit Facility, to fund these and other strategic initiatives, materially enhancing their and the Reorganized Debtors' future operating results and competitive position.

(b) Operations.

The Debtors operate two manufacturing facilities, in Lamar, Missouri, and South Boston, Virginia. In total, these facilities have approximately 1.8 million square feet of space. In addition, OFFO operates two retail stores that sell products manufactured by the Debtors directly to end-user customers.

The Debtors' production of RTA furniture begins with laminating paper or other materials to particleboard and fiberboard and then cutting the board into parts. Each part for a unit is processed over the machines necessary to provide the desired size and shape, edge treatment, holes for assembly, decorative embossing, and other features. The Debtors do not process all parts for a particular product on a single production line. They assemble outsourced items such as screws, dowels, glass, and other pieces as necessary. Finally, all of the parts and outsourced items needed for a unit are placed in a carton with assembly instructions and sealed.

The Debtors distribute their products primarily through multi-store retail chains, including office superstores, discount mass merchants, home centers, and consumer electronic superstores. They distribute products to their customers from their Lamar, Missouri, and South Boston, Virginia, facilities and also have branch operations in the United Kingdom and Canada.

(c) Summary of Selected Financial Data.

(Amounts in thousands of dollars, except per share data)

Statements of Operations Data:	FISCAL YEAR ENDING JUNE 30 2005 (unaudited)	2004	2003
Net Sales	249,952	268,829	289,152
Cost of Sales	211,794	213,989	214,977
Gross profit	38,158	54,840	74,175
Selling, marketing and administrative expenses	47,955	46,138	45,834
Restructuring charge	541	-	2,049
Casualty Gain	-	490	-
Operating income	(10,338)	9,192	26,292
Interest expense, net	(35,954)	(33,947)	(24,286)
Other financing costs	-	(2,678)	(445)
Income (loss) before income tax provision (benefit) and cumulative effect of accounting change	(46,292)	(27,433)	1,561
Income tax provision (benefit)	-	-	-
Income (loss) before cumulative effect of accounting change	(46,292)	(27,433)	1,561
Net income (loss)	(46,292)	(27,433)	1,561
Cash flows provided by (used for) operating activities	(2,631)	1,029	14,740
Cash flows provided by (used for) investing activities	(1,224)	(2,459)	1,707
Cash flows provided by (used for) financing activities	46	(1,297)	(24,247)
Depreciation and amortization	11,850	12,754	13,621
Capital expenditures	1,224	2,459	5,081
Balance Sheet Data:			
Total assets	160,247	194,362	207,388
Current portion of short-term debt	225,046	-	4,039
Long-term debt, less current portion	-	220,279	209,405
Payable to RadioShack	70,067	70,067	72,067
Mandatorily redeemable preferred stock	31,437	26,258	21,933
Stockholders' equity (deficit)……..	(209,218)	(164,552)	(138,360)

2. Sales and Marketing.

The Debtors manage their customer relationships both through an in-house sales force and a network of independent sales representatives. In general, key accounts such as Wal-Mart and OfficeMax are called on by the Debtors' in-house sales force. Smaller customers are serviced mainly by independent sales representatives, whose activities are reviewed by the Debtors' in-house sales force. As noted above, the Debtors are in the process of creating a new sales and marketing organization that will focus on targeted market segments and the key customers in those segments. The Debtors marketing personnel work closely with consumers in order to identify their unmet product needs and then design products to meet those needs. These products are taken to retail customers that serve the demographics of the consumers in question.

The Debtors' products are promoted by their customers to the public under cooperative and other advertising agreements. Under these agreements, their products are advertised in newspaper inserts and catalogs, among other publications. The Debtors generally cover a portion of the customer's advertising expenses if the customer places advertisements promoting the Debtors' products. They may also provide support to some customers' advertising programs. The Debtors generally do not advertise directly to consumers, although they advertise in trade publications to promote themselves as a producer of high quality RTA furniture.

The Debtors provide extensive service support to their customers. This support includes designing and installing in-store displays, educating retailers' sales forces, and maintaining floor displays.

The Debtors sell their products throughout the U.S. and in Canada, the United Kingdom, and other countries. Total export sales (including Australian sales) were $24.5 million, $24.1 million, and $19.8 million in FY 2005, 2004 and 2003, respectively.

3. Raw Materials and Services.

The materials used in the Debtors' manufacturing operations include particleboard, fiberboard, coated paper, and/or other laminates, glass, furniture hardware, and packaging materials. Their two largest raw material costs are particleboard and fiberboard.

The Debtors purchase all of their raw material needs from outside suppliers and, in particular, buy particleboard and fiberboard at market-based prices from several independent wood product vendors. They purchase other raw materials from a limited number of vendors. These raw materials are generally available from other vendors, although the cost from alternate vendors might be higher.

As is customary in the RTA furniture industry, the Debtors do not maintain long-term supply contracts with their vendors. They do, however, have long standing relationships with all of their key vendors and encourage vendor partnerships.

Because they purchase all of their raw materials from outside vendors, the Debtors are subject to price changes.

4. **Competition.**

The residential furniture market is highly competitive and includes a large number of both domestic and foreign manufacturers. The Debtors' competitors include manufacturers of both RTA and assembled furniture. Although a large number of companies manufacture RTA furniture, the top five North American RTA furniture manufacturers accounted for an estimated 70% of the United States RTA furniture retail sales in 2004. The Debtors' top four competitors are Sauder Woodworking, Inc., Bush Industries, Inc., Dorel Industries, Inc., and Creative Interiors. RTA furniture manufacturers compete on the basis of price, style, functionality, quality, and customer support.

In recent years, sales of imported RTA furniture have been increasing in the U.S., a trend that the Debtors anticipate will continue. The Debtors are reacting to this new competition by emphasizing their design capabilities, quality, and ability to deliver products from the factory more quickly and at competitive prices. They have also begun to develop the capability to source the manufacture of certain products from other countries.

Several manufacturers, including the Debtors, have excess manufacturing capacity due to the current decline in sales in the RTA furniture market and increasing imports. This excess capacity has caused increased price competition.

5. **Employees.**

As of the Petition Date, the Debtors had approximately 250 salaried employees and approximately 1,050 wage earning employees, none of whom were members of any union. All but 17 of these employees were U.S. employees.

6. **Properties.**

The Debtors own two manufacturing, warehouse, and distribution facilities. The Lamar, Missouri facility is approximately 1.1 million square feet. The South Boston, Virginia facility is approximately 675,000 square feet.

The Debtors lease space for showrooms in High Point, North Carolina, and in other locations in the United States and lease warehouse space in Lamar and Neosho, Missouri. They also lease space for factory outlet stores in Fayetteville, Arkansas, where they sold close-out and excess inventory and in Springfield and Joplin, Missouri and Fayetteville, Arkansas, where they are currently selling close-out and excess inventory but are in the process of winding down their operations.

The Debtors' Canadian operations are in a leased facility in Markham, Ontario, and their United Kingdom operations are in two leased facilities.

On the Petition Date, the Debtors filed with the Bankruptcy Court a motion to reject their outlet store leases and one of their UK leases pursuant to Section 365 of the Bankruptcy Code.

The Debtors believe that their facilities are suitable to service their current level of sales and have additional capacity to satisfy their foreseeable needs.

7. Trademarks and Patents.

The Debtors have a U.S. trademark registration and international trademark registrations or applications for the use of the O'Sullivan® name on furniture. The Debtors believe that the O'Sullivan name and trademark are well-recognized and associated with high-quality products by both their customers and consumers and are important to the success of the Debtors' business. Although their products are sold under a variety of trademarks in addition to O'Sullivan, some of which are registered, the Debtors do not believe that such other trademarks enjoy the same level of recognition as the O'Sullivan trademark.

The Debtors also hold a number of patents and licenses, including the license of the Coleman® brand indoor storage products for garage, utility, and workshop and the Woolrich® mark for RTA sales to Target.

8. Product Design and Development.

The Debtors believe they are an industry leader in product quality and innovation. They are committed to the continuing development of unique furniture that meets consumer needs. In the past three years, they introduced an average of over 150 new products per year. By providing a continuous supply of new products, the Debtors endeavor to drive demand for their products, which they believe will help them to adjust their pricing as their costs fluctuate.

The Debtors maintain an in-house product design staff that collaborates with their marketing personnel to develop new products based on consumer needs and demographic and other consumer information. They also work with outside designers. The product design professionals work with their marketing and engineering areas to produce full-scale prototypes. The engineering staff uses computer-aided design software, which provides three-dimensional graphics capabilities. The software allows a design engineer to accelerate the time-to-completion for a new product design. This allows the Debtors to reduce the time for newly conceived products to reach the market. They then show their prototypes to their consumers and customers to gauge interest. The Debtors also respond to suggestions from their retail customers regarding potential new products. If initial indications of product appeal are favorable, the Debtors usually can commence production within twelve weeks.

9. Legal Proceedings.

The Debtors are pursuing and subject to ordinary litigation incident to the conduct of their business and the ownership of their properties. Although the final outcome of these matters cannot be determined, based on the facts presently known, it is management's opinion that the final resolution of these matters will not have a material adverse effect on Debtors' financial position or results of operations. In addition, all litigation against the Debtors is stayed by operation of the automatic stay provided by Bankruptcy Code § 362, unless otherwise provided by order of the Bankruptcy Court.

10. **Customers.**

RTA furniture is sold through a broad array of distribution channels, including discount mass merchants, office superstores, consumer electronic superstores, home centers, and national department stores. The majority of RTA furniture sales are made through discount mass merchants such as Wal-Mart, Target, Kmart, and office superstores such as OfficeMax, Office Depot, and Staples.

The Debtors have longstanding relationships with key customers. Similar to other large RTA furniture manufacturers, the Debtors' sales are concentrated. In FY 2005, sales to Wal-Mart accounted for about 18% of the Debtors' gross sales, sales to OfficeMax accounted for about 15%, sales to Lowe's accounted for about 14%, sales to Office Depot accounted for about 12%, and sales to Staples accounted for about 12%. The Debtors' top ten customers accounted for over 80% of their sales. However, these percentages vary each year, such that the levels thereof for future years need not equal the figures for FY 2005.

The Debtors' business is characterized by short-term order and shipment schedules of generally less than two weeks. Accordingly, they do not consider backlog at any given date to be indicative of future sales.

11. **Directors and Executive Officers of the Debtors.**

The following table sets forth certain information with respect to persons who are executive officers and/or members of the respective Boards of Directors of the Debtors, as of the date hereof.

Name and Office	**Age**	**Experience**
Charles Macaluso • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia	60	Mr. Macaluso was appointed a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in July 2004. Mr. Macaluso has been a principal of Dorchester Capital Advisors LLP, a management consulting and corporate advisory firm, since 1998. He serves as a director of Darling International Inc., Global Crossing Limited, Lazy Days Recreational Vehicles, Inc., and Geo Specialty Chemical.

Name and Office	Age	Experience
Richard D. Davidson • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia	56	Mr. Davidson served as President and Chief Executive Officer and as director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia from January 2000 to May 2004. He served as President and Chief Operating Officer and as director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in 1996. Mr. Davidson continues to serve as a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia. Mr. Davidson is the owner of Marco Group, Inc., a private trading and manufacturing concern.
William J. Denton • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia.	61	Mr. Denton was appointed a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in January 2005. Mr. Denton served as President and Chief Executive Officer of Fiskars Brands, Inc., from August 2000 through December 2004. From 1976 to July 2000, Mr. Denton worked in progressively larger roles at Newell Rubbermaid Inc., including acting as Group President, Housewares.
Robert S. Parker • President and CEO - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO • Director - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO	59	Mr. Parker was appointed President and Chief Executive Officer and a director of O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO on May 14, 2004. Mr. Parker served as Chief Operating Officer of the Sharpie/Calphalon Group of Newell Rubbermaid Inc. since September 2003. From August 1998 through August 2003, he was Group President of Newell Rubbermaid's Sharpie business segment. From October 1990 to August 1998, Mr. Parker was President of Sanford Corporation, both before and after its acquisition by Newell.

Name and Office	Age	Experience
Harold O. Rosser • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia.	55	Mr. Rosser was appointed a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in connection with the November 1999 recapitalization and merger. Mr. Rosser has been a principal of BRS, LLC, since August 1995. Mr. Rosser was an officer of Citicorp Venture Capital from 1987 through July 1995. He is a director of Real Mex Restaurants, Inc., H&E Equipment Services, LLC, Il Fornaio (America) Corporation, McCormick and Schmick Restaurant Corporation, Penhall International, Inc., and RACI Holdings Inc./Remington Arms Co., Inc.
Keith E. Alessi • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia.	50	Mr. Alessi was appointed a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in January 2005. Mr. Alessi has served as Chairman and Chief Executive Officer (and owner) of Lifestyles Improvement Centers LLC since February 2003. Mr. Alessi is also an Adjunct Professor of Law at The Washington and Lee University School of Law and Adjunct Professor at The University of Michigan Graduate School of Business Administration.
Richard R. Leonard • Director - O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia.	35	Mr. Leonard was named as a director of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia in July 2004. Mr. Leonard has worked at BRS, LLC, since 2001 and is currently a principal. From 1999 to 2001, he was a Vice President in private equity at Audax Management Company. Mr. Leonard is a director of Eurofresh, Inc., and Anvil Holdings, Inc.
Rick A. Walters • Executive Vice President and Chief Financial Officer - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO • Director - OFFO	42	Mr. Walters was appointed Executive Vice President and Chief Financial Officer of O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO in June 2004. He is also a director of OFFO. Prior to his appointment at the Debtors, he served as Group Vice President and Chief Financial Officer of the Sharpie/Calphalon Group at Newell Rubbermaid Inc. from 2001 to 2004. From 1998 through 2001, he was Vice President and Controller of Newell Rubbermaid's Sanford Corporation.

Name and Office	Age	Experience
Rowland H. Geddie, III • Vice President, General Counsel, and Secretary - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO • Director - OFFO	51	Mr. Geddie has been Vice President, General Counsel, and Secretary of O'Sullivan Holdings, O'Sullivan Industries, and O'Sullivan Virginia since December 1993. He served as a Director of O'Sullivan Industries and O'Sullivan Industries Virginia from March 1994 through November 1999. Since March 2002, he has served as Vice President, General Counsel, and Secretary and a Director of OFFO.
Kelly D. Terry • Senior Vice President, Operations - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO • Director - OFFO	39	Mr. Terry was appointed Senior Vice President, Operations, of O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO in April 2005. Prior to joining the Debtors, he served as Vice President, Operations, of Rubbermaid Commercial Products, a division of Newell Rubbermaid Inc. From May 2000 through June 2003, he was Vice President, Operations, of Shur-Line, another division of Newell Rubbermaid Inc. From 1998 through 2000, Mr. Kelly was plant manager of the Bellwood Operation of Sanford, another division of Newell Rubbermaid Inc.
Michael L. Franks • Vice President, Marketing - O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO • Director - OFFO	44	Mr. Franks was named Vice President, Marketing, of O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO in November 2004. He had been Director of Marketing Services of O'Sullivan Industries since 1995.

E. Employment Agreements, Benefits, and Related Plans.

1. Executive Employment Agreements.

On May 17, 2004, the Debtors entered into a two-year employment agreement with Robert S. Parker. The employment agreement provides that Mr. Parker will be employed at an initial annual base salary of $1 million, subject to review and increase at the discretion of the Board of Directors, and has the opportunity to earn a bonus of up to 50% of his base compensation, subject to the achievement of certain performance targets determined by the Board. The employment agreement is automatically extended for additional one-year periods unless, no later than 30 days prior to each May 17th, either the Debtors or Mr. Parker provides notice of their or his desire not to extend the term. The employment agreement also contains a confidentiality provision, a noncompetition provision that prohibits Mr. Parker from competing

with the Debtors during the term of the agreement without first obtaining the Debtors' consent, and a nonsolicitation provision that prohibits Mr. Parker from soliciting any employees or customers of the Debtors. In addition, the employment agreement contains certain severance provisions (up to one year's base salary and benefits).

On June 9, 2004, the Debtors entered into a one-year employment agreement with Rick A. Walters. The employment agreement provides that Mr. Walters will be employed at an initial annual base salary of $250,000 and has the opportunity to earn a bonus of up to 80% of his base compensation, subject to the achievement of certain performance targets determined by the Board. The employment agreement is automatically extended for additional one-year periods unless, no later than 30 days prior to each June 9th, either the Debtors or Mr. Walters provides notice of their or his desire not to extend the term. The employment agreement also contains a confidentiality provision, a noncompetition provision that prohibits Mr. Walters from competing with the Debtors during the term of the agreement without first obtaining the Debtors' consent, and a nonsolicitation provision that prohibits Mr. Walters from soliciting any employees or customers of the Debtors. In addition, the employment agreement contains certain severance provisions (up to one year's base salary and benefits).

The Debtors are also parties to approximately 13 employment agreements with their UK employees, as required by UK law.

The Debtors and the other parties to these executive employment agreements and to other employment agreement not described above are currently honoring all obligations thereunder. Under the Bankruptcy Code, all executory contracts, including these executive employment agreements, are subject to assumption or rejection by the Debtors pursuant to Section 365 of the Bankruptcy Code. In addition, the Debtors intend to assume their existing executive employment agreements pursuant to the Plan.

2. The Termination Protection Agreements.

The Debtors are parties to termination protection agreements with six of their officers, all of which are substantially similar, with initial terms of two years that automatically extend to successive one-year periods unless terminated by either party. If the employment of any of these officers is terminated, with certain exceptions, within 24 months following a change in control, the officers are entitled to receive certain cash payments and the continuation of fringe benefits for a period of up to twelve months. Additionally, all benefits under the Savings and Profit Sharing Plan and the Deferred Compensation Plan, as described below, vest, all restrictions on any outstanding incentive awards or shares of restricted common stock lapse and such awards or shares become fully vested, all outstanding stock options become fully vested and immediately exercisable, and the Debtors are required to purchase for cash, on demand made within 60 days following a change in control, any shares of unrestricted common stock and options for shares at the then current per-share fair market value. The agreements also provide one year of outplacement services for the officer and that, if the officer moves more than 20 miles from his primary residence in order to accept permanent employment within 36 months after leaving the Debtors, the Debtors will, upon request, repurchase the officer's primary residence at a price determined in accordance with the agreement.

On the Petition Date, the Debtors filed a motion with the Bankruptcy Court to reject all executory termination protection agreements pursuant to Bankruptcy Code §365.

3. The Severance Agreements and Policies.

The Debtors are parties to certain severance agreements.

On October 16, 1998, the Debtors entered into a retirement and consulting agreement, release and waiver of claims (as amended from time to time, the "O'Sullivan Severance Agreement") with Daniel F. O'Sullivan, whereby Mr. O'Sullivan resigned as chief executive officer immediately and retired as an executive as of March 31, 2000. The O'Sullivan Severance Agreement requires the Debtors to pay Mr. O'Sullivan, in his capacity as a consultant, $11,458.33 per month until August 6, 2006 (for a total remaining obligation of approximately $115,000.00). Under the O'Sullivan Severance Agreement, Mr. O'Sullivan is required to provide consulting, marketing, and promotional services with respect to the Debtors' manufacturing activities and relations with major customers, if requested by the Debtors. Mr. O'Sullivan has agreed not to compete with the Debtors during the term of the O'Sullivan Severance Agreement. The Debtors are also required to provide Mr. O'Sullivan with (i) health insurance during the term of the O'Sullivan Severance Agreement and thereafter until he becomes eligible for Medicare and (ii) life insurance during the term of the O'Sullivan Severance Agreement.

On June 25, 2003, the Debtors entered into a letter agreement (the "Riegel Severance Agreement") with Tyrone Riegel, whereby Mr. Riegel agreed to retire as of November 15, 2003. Pursuant to the Riegel Severance Agreement, among other things, the Debtors are required to pay Mr. Riegel, as a consultant, $5,000 per month until November 15, 2007 (for a total remaining obligation of approximately $125,000). Mr. Riegel has also agreed not to compete with the Debtors during the term of the Riegel Severance Agreement. In addition, the Debtors have agreed to pay health insurance for Mr. Riegel and his family during the term of the Riegel Severance Agreement.

On the Petition Date, the Debtors filed a motion to reject the O'Sullivan Severance Agreement, the Riegel Severance Agreement, and certain other severance agreements to which the Debtors are parties pursuant to Bankruptcy Code § 365.

Finally, the Debtors maintain a severance policy (the "Severance Policy") pursuant to which they make severance payments to certain eligible employees who are involuntarily terminated from their employment. Specifically, under the Severance Policy, the Debtors provide four months of severance payments to employees at the vice president level, three months of severance payments to employees at the director level, two months of severance payments to employees at the manager level, and one month of severance payments to employees at the supervisor level. In addition, office hourly employees are provided three weeks of severance. Pursuant to the Wages and Employee Benefits Motion, the Debtors have sought authority to pay all amounts earned pre-petition under the Severance Policy.

4. **The Savings and Profit Sharing Plan.**

The Debtors sponsor a Savings and Profit Sharing Plan, which constitutes a qualified retirement savings plan under the Internal Revenue Code. The Savings and Profit Sharing Plan is comprised of a 401(k) plan and a profit sharing plan.

Employees are eligible to participate in the 401(k) plan as soon as administratively practicable. Canadian and UK employees are not eligible to participate in the Savings and Profit Sharing Plan. Under the 401(k) plan, the Debtors withhold, at any eligible employee's request, up to 100% of such employee's annual, pre-tax pay (subject to applicable limitations imposed by the Internal Revenue Code) for contribution to the 401(k) plan. They also match 100% of each participant's annual contribution, up to 5% of such employee's annual compensation. Participants in the 401(k) plan become fully vested in the Debtors' matching contributions immediately and, if they have over $2,000 invested in the plan, are entitled to borrow up to the lesser of (i) 50% of their employee contribution or rollover accounts and (ii) $50,000 therefrom.

Under the profit sharing plan, the Debtors may contribute annually an amount determined by the Board of Directors. Contributions to the profit sharing plan vest 100% when the employee completes five years of service with the Debtors. The Debtors have not made any contributions to the profit sharing plan since FY 2002.

Pursuant to the Debtors' motion (the "Wages and Benefits Motion") for an order authorizing the payment of pre-petition wages and salaries and the payment and honoring of pre-petition employee benefits and related obligations, filed on the Petition Date, the Debtors have sought Bankruptcy Court authority, among other things, to make all postpetition payments for amounts earned prepetition under the Savings and Profit Sharing Plans.

5. **The Deferred Compensation Plan.**

The Debtors offer a non-qualified deferred compensation plan to highly compensated employees, enabling them to defer portions of their income.

Under the deferred compensation plan, at any eligible employee's request, the Debtors defer payments to the employee of up to 15% of such employee's annual, pre-tax pay (subject to applicable limitations imposed by the Internal Revenue Code). Canadian and UK employees are not eligible to participate in the deferred compensation plan. The Debtors track that deferred amount against certain investment vehicles selected by the employee. When the employee leaves the Debtors' employment, he or she receives a distribution (including interest and subject to fluctuation based on the performance of the selected investment vehicles) in either a lump sum payment or in installments, as previously elected by the employee.

The deferred compensation plan is an unfunded plan, and payments are made out of the Debtors' general assets. As a result, under the deferred compensation plan, the Debtors are obligated and will be obligated in the future to make payments to participating employees and former employees for deferred compensation elections made prior to the Petition Date. The Debtors estimate that, as of the Petition Date, the aggregate amount of all such deferred

compensation obligations is approximately $242,000, approximately $74,000 of which is owed to current employees and approximately $168,000 of which is owed to former employees.

Pursuant to the Wages and Benefits Motion, the Debtors have sought, among other things, Bankruptcy Court authority, in accordance with the deferred compensation plan, to make deferred compensation payments to those individuals employed by them as of the Petition Date, in the event any such employees leave the Debtors.

6. **Incentive Program.**

Certain senior executives and managers participate in an incentive program under which they may be entitled to bonuses based on criteria established annually by the Debtors' Board of Directors. No such bonuses were paid for FY 2005.

7. **The Key Employee Retention Program and the Management and Director Equity Plan.**

As described in greater detail in Section VII.C.15 hereof, in an effort to ensure the continued employment of approximately 25 of their key employees through the conclusion of their restructuring process, the Debtors will adopt the KERP, pursuant to which said employees would potentially receive a total of approximately $1.47 million over time. In addition, as described in greater detail in Section VII.C.14 hereof, on or after the Effective Date, the Management and Director Equity Plan shall be adopted by Reorganized O'Sullivan Holdings. Under the Management and Director Equity Plan, Reorganized O'Sullivan Holdings shall grant the Management Stockholders and the Director Stockholders options to purchase, over a four-year period following the Effective Date, up to 10% (in the aggregate) of the outstanding shares of New O'Sullivan Holdings Common Stock on a fully-diluted basis.

8. **Compensation of Directors.**

Each director of O'Sullivan Holdings who is not an employee or consultant of the Debtors, BRS, or affiliates of any of them receives an annual retainer $30,000 plus $2,000 for each meeting held in person and $1,000 per telephone conference meeting and a one-time option to purchase shares of common stock of O'Sullivan Holdings. In addition, if not employed by BRS or its affiliates, the chairmen of the compensation committee receives an additional $5,000 per year, the chairman of the audit committee receives an additional $7,500 per year, and the chairmen of the restructuring committee receives an additional $10,000 per year.

F. Events Leading to the Filing of the Cases.

The Debtors have been and continue to be negatively impacted by increased competition within their industry, including foreign competition. In addition, consumer demand for RTA furniture has waned in recent years. Furthermore, as described above, the costs of particleboard and fiberboard, the primary raw materials used in the Debtors' products, increased significantly in 2004 and have not fallen materially since. Finally, the strategic initiatives described above in Section IV.D.1.A are still being implemented, and the full benefits of those initiatives have not yet been realized.

As a result of these and other factors, the Debtors' EBITDA decreased from $19.3 million for FY 2004 to $1.34 million for FY 2005. In addition, the Debtors have and continue to experience liquidity constraints and had only $___ million of cash on hand as of the Petition Date.

In July 2005, in consideration of these and other circumstances, the Debtors hired a financial advisor to assist in the exploration of strategic alternatives, including various out-of-court restructuring alternatives and the possible reorganization of the Debtors' capital structure.

The Debtors have concluded that a reorganization of their debt structure, consummated through the confirmation of the Plan, is the alternative most likely to maximize and preserve the value of their assets.

Certain holders of the Senior Secured Notes who collectively hold over two-thirds in aggregate principal amount of the Senior Secured Notes have agreed in principle to vote in favor, and to support the confirmation of, the Plan.

VI. THE CASES

On the Petition Date, the Debtors filed with the Bankruptcy Court separate, voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

The Debtors plan to continue to manage their properties and operate their businesses as debtors-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108. As debtors-in-possession, the Debtors are authorized to operate their businesses, but they may not engage in transactions outside of the ordinary course of business without the approval of the Bankruptcy Court, after notice and the opportunity for a hearing.

A. First Day Motions and Applications.

To minimize the possible disruption to the Debtors' operations upon the filing of these Cases, on the Petition Date, the Debtors filed motions and applications (collectively, the "First Day Motions") seeking approval of a number of so-called "first day orders" from the Bankruptcy Court on the Petition Date and thereafter. The first day orders the Debtors sought include: (a) an order authorizing the payment of pre-petition wages and salaries and the payment and honoring of pre-petition employee benefits and related obligations; (b) an order authorizing the honoring of pre-petition customer credit, return, warranty, and related policies, programs, and practices; (c) an order (i) authorizing the continued use of existing bank accounts, cash management system, and checks and business forms and (ii) granting a waiver of the bond requirement contained in Bankruptcy Code § 345(b); (d) an order authorizing the payment of sales, use, excise, and other related taxes collected or incurred pre-petition; (e) an order (i) approving a proposed method of furnishing adequate assurance of payment for utility services, (ii) establishing further procedures pursuant to Bankruptcy Code § 366(b), and (iii) prohibiting utility companies from altering, refusing, or discontinuing utility services; (f) an order authorizing the assumption of a commercial premium finance agreement with AFCO Premium Credit LLC (g) an order authorizing the rejection of certain executory contracts and unexpired leases; (h) an order authorizing the employment and retention of professionals used in the ordinary course of business; (i) an order establishing procedures for interim compensation and

reimbursement of expenses of professionals; (j) an order extending the time to file schedules of assets and liabilities, statements of financial affairs, and schedules of executory contracts and unexpired leases; (k) an order granting the authority to limit notice and to establish notice procedures for these bankruptcy cases; (l) an order for joint administration and procedural consolidation of these Chapter 11 cases; and (m) an order (i) establishing a deadline and the procedures for filing proofs of claim and (ii) approving the form and the manner of notice thereof.

The Debtors have filed several applications to retain professionals in these cases. Specifically, the Debtors have filed applications to retain (i) Dechert LLP, as their general corporate, bankruptcy and restructuring counsel; (ii) Lamberth, Cifelli, Stokes & Stout, P.A., as their local counsel; (iii) Lazard Freres & Co. ("Lazard"), as their financial advisor; (iv) FTI Consulting, Inc., as their restructuring advisor; (v) The Garden City Group, Inc., as their claims, notice, and balloting agent; (vi) and Edward Howard & Co., as their public relations consultant.

B. The DIP Facility.

As described in greater detail in Section V.C.2, on the Petition Date, the Debtors filed a motion (the "DIP Facility Motion") seeking, among other things, authority to enter into the DIP Facility. [On or about October 17, 2005, the Bankruptcy Court approved the DIP Facility on an interim basis, and authorized the Debtors to borrow up to $__ million thereunder. The Bankruptcy Court has scheduled a hearing on _____ __, 2005 to consider approval of the DIP Facility on a final basis.]

VII. THE PLAN OF REORGANIZATION

The following discussion of the Plan is qualified in its entirety by reference to the provisions of the Plan, a copy of which is attached hereto as Exhibit A. All capitalized terms used in this section and not otherwise defined herein shall have the meanings ascribed to them in the Plan.

A. General -- Classification of Claims.

In accordance with Bankruptcy Code § 1123, the Plan, among other things, designates classes of claims ("Claims") and classes of interests ("Interests"), specifies which classes are impaired and which are not impaired under the Plan, and specifies the treatment of each class that is impaired under the Plan. The provisions of the Bankruptcy Code require that each class contain Claims and Interests of respective creditors and interest holders that are substantially similar to the other Claims or Interests in such class. The Plan designates seven classes of Claims and two classes of Interests. This classification takes into account the differing nature and priority of the various Claims and Interests under the Bankruptcy Code and other applicable laws, as well as the business necessities of the Debtors.

While the Debtors believe that they have classified all Claims and Interests in compliance with the provisions of the Bankruptcy Code (including, but not limited to, in compliance with Bankruptcy Code § 1122), it is possible that a party-in-interest will challenge such classification of Claims or Interests and that the Bankruptcy Court will determine that a different classification is required for the Plan to be confirmed. In such event, the Debtors reserve the right to modify

the Plan to provide for whatever reasonable classification might be required by the Bankruptcy Court for confirmation of the Plan.

The Plan provides for the treatment of "Allowed Claims." An Allowed Claim is any Claim against any of the Debtors to the extent that (i) such Claim has not been withdrawn, paid in full (pursuant to a prior order of the Bankruptcy Court or otherwise), or otherwise deemed satisfied in full, (ii) proof of such Claim was filed on or before the Claims Filing Bar Date established in these Cases (or, if not filed by such date, proof of such Claim was filed with leave of the Bankruptcy Court, after notice and a hearing) or, if no proof of claim is so filed, which Claim, as of the Confirmation Date, is listed by the Debtors in their Schedules as liquidated in amount, not disputed, and not contingent, (iii) no objection to the allowance of such Claim has been interposed on or before the Claims Objection Bar Date or such an objection having been so interposed, to the extent that such Claim is allowed by a Final Order; and (iv) no Bankruptcy Claim has been brought against the applicable Creditor on or before the Claims Objection Bar Date and remains unresolved; provided, however, that notwithstanding anything to the contrary contained herein or in the Plan, any Claim specifically deemed allowed or disallowed in the Plan shall be, or not be (as the case may be), an Allowed Claim to the extent so specifically provided in the Plan. Unless otherwise ordered by the Bankruptcy Court prior to Confirmation, or as specifically provided to the contrary herein or in the Plan with respect to any particular Claim, an "Allowed Claim" shall not include (i) any interest on such Claim to the extent accruing or maturing on or after the Petition Date, (ii) punitive or exemplary damages, or (iii) any fine, penalty, or forfeiture. If an objection to a Claim is made, the validity and amount of the Claim would be resolved as described under the section below entitled "Disputed Claims."

A creditor, other than a Holder of an Administrative Claim, as described below, must file a Proof of Claim with the Bankruptcy Court to assert any Claim not scheduled by the Debtors or if the Claim has been scheduled as disputed, contingent, or unliquidated, to assert a Claim in an amount different from the amount scheduled by the relevant Debtor, or to assert a status different from that shown in the Schedules filed by such Debtor. In an order signed _____ __, 200_, the Bankruptcy Court has designated _____ __, 200_ as the Claims Filing Bar Date. The Debtors are currently in the process of reviewing the Claims that were filed. The ultimate amount of the Claims that are allowed by the Bankruptcy Court against the Debtors could be significantly different than the amount of the liabilities set forth in the Debtors' Schedules.

B. Summary of Distributions Under the Plan.

The following summary of distributions under the Plan does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Plan. All estimates of Claim amounts are preliminary in nature and are based on current limited information, certain timing and other assumptions that may prove to be incorrect, and therefore the actual amounts of Allowed Claims may vary significantly from such estimates.

1. Administrative Claims.

An "Administrative Claim" is a claim for costs and expenses of administration of these Cases with priority under Bankruptcy Code § 507(a)(1), costs and expenses allowed under Bankruptcy Code § 503(b), the actual and necessary costs and expenses of preserving the

respective Estates of the Debtors and operating the respective businesses of the Debtors, any indebtedness or obligations incurred or assumed by any of the Debtors pursuant to Bankruptcy Code § 364 or otherwise (other than any DIP Facility Claims, which are to be treated as set forth in Section 3.2 of the Plan), professional fees and expenses of the Debtors and any official Committee appointed in these Cases pursuant to Bankruptcy Code § 1102, in each case to the extent allowed by an order of the Bankruptcy Court under Bankruptcy Code §§ 330(a) or 331, the reasonable and customary fees and expenses incurred by the Senior Secured Notes Indenture Trustee in the performance of any function associated with the Senior Secured Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until the Effective Date, the reasonable and customary fees and expenses incurred by the Senior Subordinated Notes Indenture Trustee in the performance of any function associated with the Senior Subordinated Notes Indenture or the Plan in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until the Effective Date, and any fees or charges assessed against the respective Estates under 28 U.S.C. § 1930.

Pursuant to the Plan, subject to the provisions of Bankruptcy Code §§ 330(a), 331, and 503(b), each Holder of an Allowed Administrative Claim as of the Distribution Record Date shall receive, in full satisfaction of such Allowed Claim, Cash equal to the allowed amount of such Allowed Claim on the later of (i) the Initial Distribution Date and (ii) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different treatment of such Allowed Claim; provided, however, that Allowed Administrative Claims representing obligations incurred in the ordinary course of business and assumed by the Debtors shall be paid or performed in accordance with the terms and conditions of the particular transactions and any agreements related thereto.

Specifically, no Professional Fees shall be paid with respect to any Claim or Interest except as specified in the Plan or as allowed by an order of the Bankruptcy Court. All final applications for Professional Fees for services rendered in connection with these Cases prior to and including the Effective Date shall be filed with the Bankruptcy Court not later than ninety (90) days after the Effective Date. Without limiting the foregoing, each Reorganized Debtor shall pay the reasonable charges that it incurs on or after the Effective Date for Professional Fees, disbursements, expenses, or related support services (including reasonable fees and expenses relating to the preparation of Professional Fee applications) without application to the Bankruptcy Court.

As of the date hereof, the Debtors believe that, as of the Effective Date, the total amount of Allowed Administrative Claims will be approximately $___ million.

2. **DIP Facility Claims.**

DIP Facility Claims consist of all Claims of the DIP Facility Lenders against the Debtors represented by, related to, arising under, or in connection with the DIP Facility (as against O'Sullivan Industries, O'Sullivan Holdings, O'Sullivan Virginia, or OFFO, as the borrowers thereunder), as applicable, for all outstanding obligations thereunder incurred through

and including the Effective Date, after taking into account the sum of all payments made by any of the Debtors to the DIP Facility Lenders prior to the Effective Date on account of such Claims (if any). [As discussed, above, the Bankruptcy Court entered an order, pursuant to Bankruptcy Code § 364, allowing the Debtors to borrow up to $_____ under the DIP Facility.]

In full satisfaction of their respective DIP Facility Claims, (1) on the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed DIP Facility Claim shall receive Cash in an amount equal to such Holder's Pro Rata share of the aggregate amount of the remaining and outstanding Allowed DIP Facility Claims, which payments shall collectively be in the amount equal to the aggregate outstanding and remaining amount of the Allowed DIP Facility Claims, and (2) either (i) the DIP Facility Lenders will receive cancellation without draw of all outstanding letters of credit issued under the DIP Facility or (ii) such outstanding letters of credit shall be replaced with, to the extent practicable, or supported by, new letters of credit to be issued under the Exit Credit Facility, on terms reasonably acceptable to the DIP Agent.

The Debtors shall provide the sum total of the distributions to be made to the DIP Facility Lenders on account of the Allowed DIP Facility Claims as set forth herein and in the Plan to the DIP Agent, which, in turn, shall make the Pro Rata distributions thereof to the individual Holders of Allowed DIP Facility Claims as set forth herein and in Section 3.2 of the Plan. The DIP Agent shall take all steps reasonably necessary to effectuate such Pro Rata distributions to the individual Holders of Allowed DIP Facility Claims. On the Effective Date, all outstanding notes issued to the DIP Facility Lenders under the DIP Facility (if any) shall be cancelled and be deemed terminated and of no force and effect.

As of the date hereof, the Debtors believe that, as of the Effective Date, the total amount of Allowed DIP Facility Claims will be approximately $___ million.

3. **Tax Claims.**

A "Tax Claim" is a Claim for taxes by a governmental unit, including but not limited to, and as more fully defined by, and entitled to priority under, Bankruptcy Code § 507(a)(8), taxes measured by income or gross receipts, property taxes, withholding taxes, employment taxes, or a penalty related to such a tax claim that is in compensation for actual pecuniary loss.

Pursuant to the Plan, each Holder of an Allowed Tax Claim as of the Distribution Record Date shall receive in full satisfaction of such Claim, at the election of the applicable Debtor, in its sole discretion, either (i) Cash equal to the allowed amount of such Allowed Claim on the later of (1) the Initial Distribution Date and (2) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different treatment of such Allowed Claim or (ii) in accordance with Bankruptcy Code § 1129(a)(9)(C), deferred Cash payments over a period not exceeding six years after the date of assessment of such claim, of a value, as of the Effective Date, equal to the allowed amount of such Allowed Tax Claim, unless such Holder shall have agreed to a different treatment of such Allowed Claim.

As of the date hereof, the Debtors believe that, as of the Effective Date, the total amount of Allowed Tax Claims will be approximately $___ million.

4. **Unimpaired Classes.**

(a) **Class 1 - Priority Claims.**

Class 1 consists of all Priority Claims, which are claims that are entitled to priority pursuant to § 507(a) or (b) of the Bankruptcy Code and that are not Administrative Claims or Tax Claims. Such claims would include, but would not be limited to, unsecured claims earned within 180 days before the filing of the bankruptcy petition (up to $10,000 for each person) for wages, salaries, or commissions, including severance, vacation, and sick leave pay earned, and unsecured claims for contributions to an employee benefit plan arising from services rendered within 180 days before the filing of the bankruptcy petition, for each such plan up to a specified limit. All Allowed Priority Claims are classified in Class 1 of the Plan.

Pursuant to the Plan, if not paid in full pursuant to a Final Order of the Bankruptcy Court prior to the Confirmation Date, each Holder of an Allowed Class 1 Claim as of the Distribution Record Date shall receive in full satisfaction of such Allowed Claim Cash equal to the allowed amount of such Allowed Claim on the latest of (i) the Initial Distribution Date, (ii) the date that is 10 days after the Allowance Date of such Claim, and (iii) the date when such Allowed Claim becomes due and payable according to its terms and conditions. Accordingly, the Allowed Claims in Class 1 are unimpaired, such that the Holders of Allowed Class 1 Claims are conclusively presumed pursuant to § 1126(f) of the Bankruptcy Code to have accepted the Plan.

Because the Debtors expect to have paid all outstanding prepetition wages and other compensation pursuant to an Order or Orders of the Bankruptcy Court during the pendency of the Cases, they do not believe that there will be any Allowed Priority Claims.

(b) **Class 2A – Senior Credit Facility Claims.**

Class 2A consists of all Allowed Senior Credit Facility Claims, if any, against (a) O'Sullivan Industries, O'Sullivan Virginia, and OFFO, as the borrowers under the Senior Credit Facility, and (b) O'Sullivan Holdings, in its capacity as the Senior Credit Facility Guarantor.

Senior Credit Facility Claims consist of all Claims of the Senior Credit Facility Lender against the Debtors represented by, related to, arising under, or in connection with the Senior Credit Facility (as against O'Sullivan Industries, O'Sullivan Virginia, and OFFO, as the borrowers thereunder) and/or the Senior Credit Facility Guaranty (as against O'Sullivan Holdings, in its capacity as the Senior Credit Facility Guarantor), as applicable, for any and all remaining and outstanding obligations thereunder incurred through and including the Effective Date (except to the extent of any interest accrued but unpaid after the Petition Date at a rate above the non-default rate of interest set forth in the Senior Credit Facility), after taking into account the sum of all payments made by any of the Debtors to the Senior Credit Facility Lender prior to the Effective Date on account of such Claims.

The Holder of the Allowed Senior Credit Facility Claims as of the Effective Date shall have Allowed Claims for all amounts included in the definition of Senior Credit Facility Claims (if any). Accordingly, the Allowed Claims in Class 2A are unimpaired, such that the Holder of Allowed Class 2A Claims is conclusively presumed pursuant to § 1126(f) of the Bankruptcy Code to have accepted the Plan.

Specifically, in full satisfaction of its Class 2A Claims, (1) on the Effective Date (or as soon thereafter as is practicable), the Holder of the Allowed Senior Credit Facility Claims shall receive Cash in an amount equal to the aggregate amount of the remaining and outstanding Allowed Senior Credit Facility Claims (if any) and (2) either (i) the Senior Credit Facility Lender will receive cancellation without draw of any and all outstanding letters of credit issued under the Senior Credit Facility or (ii) any such outstanding letters of credit shall be replaced with, to the extent practicable, or supported by, new letters of credit to be issued under the Exit Credit Facility, on terms reasonably acceptable to the Senior Credit Facility Lender.

The Debtors shall provide the sum total of the distributions to be made to the Senior Credit Facility Lender on account of the Allowed Senior Credit Facility Claims (if any) as set forth above and in Section 4.3 of the Plan directly to the Senior Credit Facility Lender.

On the Effective Date, all outstanding notes issued to the Senior Credit Facility Lender under the Senior Credit Facility or the Senior Credit Facility Guaranty (if any) shall be cancelled and be deemed terminated and of no force and effect.

[Because the Debtors expect to have paid all outstanding Allowed Senior Credit Facility Claims during the pendency of the Cases from the proceeds of the DIP Facility or otherwise pursuant to a Final Order of the Bankruptcy Court, the Debtors believe that there will not be any Allowed Senior Credit Facility Claims as of the Effective Date.] [As of the date hereof, the Debtors believe that, as of the Effective Date, the total amount of Allowed Senior Credit Facility Claims will be approximately $___ million.]

(c) **Class 2B – Other Secured Claims Against a Debtor.**

Class 2B consists of all Allowed Secured Claims against any of O'Sullivan Industries, O'Sullivan Virginia, or OFFO that are not otherwise classified in Article II of the Plan. Accordingly, Class 2B Claims do not include any Claims under, respectively, the Senior Credit Facility, the DIP Facility, the Senior Credit Facility Guarantees, or any Senior Secured Notes Claims (either under the Senior Secured Notes or the Senior Secured Notes Guarantees), but do include claims under the Industrial Revenue Bonds and any secured capital leases of O'Sullivan Industries, O'Sullivan Virginia, or OFFO. Class 2B Claims shall be Allowed Claims.

Allowed Class 2B Claims shall be unimpaired. Pursuant to the Plan, at their election with respect to each Allowed Class 2B Claim, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, or Reorganized OFFO shall either: (a) pay the Allowed amount of such Class 2B Claim against it in full on the later of the Effective Date or the Allowance Date of such Claim; (b) return the underlying collateral to the Holder of such Class 2B Claim; (c) Reinstate such Class 2B Claim in accordance with the provisions of Bankruptcy Code § 1124(2); (d) pay such Class 2B Claim in full in the ordinary course; or (e) treat such Class 2B Claim in a manner otherwise agreed to by the Holder thereof. Thus, the Holders of Class 2B Claims are conclusively presumed pursuant to § 1126(f) of the Bankruptcy Code to have accepted the Plan.

As of the date hereof, the Debtors estimate that, as of the Effective Date, there will be approximately $11 million in Class 2B Claims.

(d) **Class 7 – Old Stock of the Debtor Subsidiaries**.

Class 7 consists of all Interests arising under or in connection with the Old Stock of each of the Debtor Subsidiaries. Class 7 Interests shall be treated in the manner set forth in Section 4.5 of the Plan. Specifically, under the Plan (subject to the provisions of (a) Plan Section 6.1 with respect to any Dissolved Entities (if any) and (b) Plan Section 6.21 with respect to any Restructuring Transaction (if any)), the Debtors' existing corporate structure of affiliate and/or subsidiary ownership shall be maintained, unaffected by the Plan, as set forth further in Plan Section 6.3. Thus, at the election of the Reorganized Debtors, each respective Old Stock Interest in a Debtor Subsidiary (O'Sullivan Industries, O'Sullivan Virginia, or OFFO) (i) shall be unaffected by the Plan, in which case the entity holding an Interest in such Debtor Subsidiary shall continue to hold such Interest in the applicable Reorganized Subsidiary following the Effective Date or (ii) shall be cancelled and new equity in the applicable Reorganized Subsidiary shall be issued pursuant to the Plan. At the election of the Reorganized Debtors, certain of the Debtor Subsidiaries may be dissolved or combined after the Effective Date, as set forth further in Article VI of the Plan.

Pursuant to the Plan, Allowed Class 7 Interests are unimpaired. Thus, the Holders of Class 7 Interests are conclusively presumed pursuant to § 1126(f) of the Bankruptcy Code to have accepted the Plan.

(e) **Special Provision Regarding Unimpaired Claims.**

Except as may otherwise be provided in the Plan, the Confirmation Order, any other order of the Bankruptcy Court, or any Plan Document, nothing shall affect the Debtors' or the Reorganized Debtors' (as applicable) rights and defenses, both legal and equitable, with respect to any Claim that is not impaired under the Plan, including, but not limited to, all rights with respect to legal and equitable defenses to, and/or setoffs or recoupments against, such Claim.

5. **Impaired Classes.**

(a) **Class 2C - Senior Secured Notes Claims.**

Class 2C consists of Senior Secured Notes Claims, which are all Claims represented by, related to, arising under, or in connection with the Senior Secured Notes (as against O'Sullivan Industries) and/or the Senior Secured Notes Guarantees (as against the Senior Secured Notes Guarantors), except to the extent of any interest accrued but unpaid from and after the Petition Date, less the sum of all payments made by O'Sullivan Industries and/or the Senior Secured Notes Guarantors to the Senior Secured Noteholders prior to the Effective Date on account of such Claims (if any), but excluding any and all Claims of the Senior Secured Notes Indenture Trustee under the Senior Secured Notes and/or the Senior Secured Notes Indenture (which shall be treated in the manner as set forth in Plan Sections 1.1, 3.2, and 6.7(e)). Specifically, Class 2C consists of all Allowed Senior Secured Notes Claims, as against (a) O'Sullivan Industries, as the issuer under the Senior Secured Notes, and (b) each of the other Debtors (i.e., O'Sullivan Holdings, O'Sullivan Virginia, and OFFO), in their capacity as the Senior Secured Notes Guarantors.

Class 2C Claims shall be treated in the manner set forth in Section 5.2 of the Plan. Pursuant to the Plan, each Holder of an Allowed Class 2C Claim as of the Distribution Record Date shall receive payment in full satisfaction of such Claim, as follows: on the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed Class 2C Claim shall receive such Holder's Pro Rata share of (a) 10 million shares of New O'Sullivan Holdings Common Stock and (b) the New Notes. The shares of New O'Sullivan Holdings Common Stock issuable to the Senior Secured Noteholders are subject to dilution on a *pari passu* basis with all other holders of shares of New O'Sullivan Holdings Common Stock based on the issuance of the shares of New O'Sullivan Holdings Common Stock issuable upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan. Upon the issuance of these shares of New O'Sullivan Holdings Common Stock pursuant to the Plan, all such shares of New O'Sullivan Holdings Common Stock will be deemed fully paid and nonassessable.

Pursuant to Section 6.09 of the Senior Secured Notes Indenture, and as set forth further in Section 6.7(c) of the Plan, all distributions of (a)such shares of New O'Sullivan Holdings Common Stock provided for under Plan Section 5.2 on account of the Allowed Senior Secured Notes Claims and (b) the New Notes, shall be made to the Senior Secured Notes Indenture Trustee for further distribution to the Holders of Allowed Senior Secured Notes Claims. The Senior Secured Notes Indenture Trustee shall thereafter take all steps reasonably necessary and appropriate to effectuate the distribution of such shares of New O'Sullivan Holdings Common Stock and the New Notes to the Holders of the Allowed Senior Secured Notes Claims (including, but not limited to, in its discretion, making a distribution of the appropriate amount of shares of New O'Sullivan Holdings Common Stock and the New Notes to the record holders of the Senior Secured Notes with instructions that such record holders subsequently distribute such shares of New O'Sullivan Holdings Common Stock and the New Notes to the applicable beneficial Holders of Allowed Senior Secured Notes Claims on whose behalf such record holder holds the Senior Secured Notes).

On the Effective Date, all (a) outstanding Senior Secured Notes and (b) all outstanding notes issued in connection with the Senior Secured Notes Guarantees (if any) shall be cancelled and be deemed terminated and of no force and effect. A Senior Secured Noteholder shall not be entitled to any distribution under the Plan on account of its Senior Secured Notes Claim unless and until such Senior Secured Noteholder has first surrendered or caused to be surrendered all notes, if any, issued to it under or in connection with the Senior Secured Notes and/or the Senior Secured Notes Guarantees in the manner set forth in Section 6.7(b) of the Plan.

The Allowed Senior Secured Notes Claims shall be considered Allowed Claims against (a) O'Sullivan Industries (in its capacity as the issuer of the Senior Secured Notes) and (b) all of the other Debtors, O'Sullivan Holdings, O'Sullivan Virginia, and OFFO (in their capacity the Senior Secured Notes Guarantors), but the Holders thereof shall only receive a single distribution thereon, which shall be in the amount and manner as set forth in Section 5.2 of the Plan, and shall not be entitled to receive a separate distribution from each of the Debtors on account of such Allowed Claims. The sum total of the value of the distributions to be made to the Holders of Allowed Senior Secured Notes Claims, as of the Effective Date, shall not exceed the aggregate amount of Allowed Senior Secured Notes Claims.

Class 2C is impaired, and the Holders of Class 2C Claims are entitled to vote to accept or to reject the Plan.

As of the date hereof, the Debtors estimate that, as of the Effective Date, the total amount of Allowed Senior Secured Notes Claims will be approximately $108 million.

(b) **Class 3 -- General Unsecured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO.**

Class 3 consists of All General Unsecured Claims against Debtors O'Sullivan Industries, O'Sullivan Virginia, or OFFO. Unless otherwise specified in the Plan, General Unsecured Claims consist of all Claims (including, but not limited to, all Claims of Employees; all Rejection Claims; and all Vendor Claims; and, as provided for in, and determined in accordance with, Bankruptcy Code § 506(a), any undersecured or unsecured portions of Secured Claims, to the extent the Holder thereof has not timely elected application of Bankruptcy Code § 1111(b)(2) with respect to such Claim) against one or more of the Debtors that are neither Secured Claims (as provided for, and determined in accordance with, Bankruptcy Code § 506(a)) (including any DIP Facility Claims; Senior Credit Facility Claims; or Senior Secured Notes Claims), Administrative Claims, Priority Claims, Tax Claims, nor Intercompany Claims; and are not otherwise entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court. Class 3 Claims consists of all General Unsecured Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO that are not otherwise classified pursuant to Article II of the Plan; such Claims therefore include, but are not limited to (i) all Allowed Senior Subordinated Notes Claims as against (a) O'Sullivan Industries, as the issuer under the Senior Subordinated Notes, and (b) OFFO and O'Sullivan Virginia, in their capacity as the Senior Subordinated Notes Guarantors, (ii) all Rejection Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO, and (iii) all Allowed Vendor Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO. Senior Subordinated Notes Claims are all Claims represented by, related to, arising under, or in connection with the Senior Subordinated Notes (as against O'Sullivan Industries) and/or the Senior Subordinated Notes Guarantees (as against the Senior Subordinated Notes Guarantors), except to the extent of any interest accrued but unpaid from and after the Petition Date, less the sum of all payments made by O'Sullivan Industries and/or the Senior Subordinated Notes Guarantors to the Senior Subordinated Noteholders prior to the Effective Date on account of such Claims (if any), including any and all Claims of the Senior Subordinated Notes Indenture Trustee under the Senior Subordinated Notes and/or the Senior Subordinated Notes Indenture (except as otherwise set forth and provided for in Sections 1.1, 3.2, and 6.7(e) of the Plan).

Class 3 Claims shall be treated in the manner set forth in Section 5.3 of the Plan, which provides that no distribution of any kind shall be made on account of any Class 3 Claims under the Plan, and all such Claims shall be discharged and cancelled. On the Effective Date, all (a) outstanding Senior Subordinated Notes, (b) all outstanding notes issued in connection with the Senior Subordinated Notes Guarantees (if any), and (c) and all other Class 3 Claims, shall be cancelled and be deemed terminated and of no force and effect.

Class 3 is impaired, and the Holders of Claims in Class 3 are deemed to have rejected the Plan and are not entitled to vote on the Plan in accordance with Bankruptcy Code § 1126(g).

As of the date hereof, the Debtors estimate that, as of the Effective Date, the total amount of Allowed Class 3 Claims will be approximately, $112.4 million, consisting of (a) $102.4 million in Senior Subordinated Notes Claims plus (b) $10 million for all other General Unsecured Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO.

(c) **Class 4 -- All Other Claims Against O'Sullivan Holdings.**

Class 4 consists of all Allowed Claims against O'Sullivan Holdings that are not otherwise classified pursuant to Article II of the Plan (such otherwise classified claims against O'Sullivan Holdings include, without limitation, (a) Administrative Claims, Priority Claims, Tax Claims, or DIP Facility Claims, and (b) Claims under the Senior Credit Facility Guaranty or the Senior Secured Notes Guarantees, respectively, which are classified under, and shall be treated together with all other such Allowed Claims in Classes 2A and 2C, respectively). Class 4 Claims include, but are not limited to, any and all Vendor Claims and Rejection Claims (if any) against O'Sullivan Holdings, and all other General Unsecured Claims against O'Sullivan Holdings (including all Claims under the BancBoston Note and the Tandy Agreements, respectively). Class 4 Claims shall be treated in the manner set forth in Section 5.4 of the Plan.

On the Effective Date, the BancBoston Note will be cancelled and be deemed terminated and of no force and effect. No distribution of any kind shall be made on account of Class 4 Claims (including, without limitation, under the BancBoston Note or the Tandy Agreements) under the Plan, and all such Claims shall be discharged and cancelled. All Allowed Claims against O'Sullivan Holdings arising under either the DIP Facility, the Senior Credit Facility Guaranty, or the Senior Secured Notes Guaranty, shall be treated, discharged, and cancelled in the manner as otherwise set forth in the Plan (including, without limitation, under Sections 3.2, 4.3, and 5.2, respectively), and the Holders of all such Claims shall not be entitled to any extra or additional distribution as against O'Sullivan Holdings or Reorganized O'Sullivan Holdings on account thereof other than as expressly set forth therein.

Class 4 is impaired, and the Holders of Claims in Class 4 are deemed to have rejected the Plan and are not entitled to vote on the Plan in accordance with Bankruptcy Code § 1126(g).

As of the date hereof, the Debtors estimate that, as of the Effective Date, the total amount of Allowed Class 4 Claims will be approximately $99 million.

(d) **Class 5 -- Intercompany Claims.**

Class 5 consists of all Allowed Intercompany Claims. Class 5 Claims shall be treated in the manner set forth in Section 5.5 of the Plan.

Pursuant to the Plan, all Intercompany Claims shall be reviewed by the Debtors and adjusted, continued, or discharged, as the Debtors determine is appropriate (by, among other things, releasing such claims, contributing them to capital, issuing a dividend, or leaving them unimpaired), taking into account, among other things, the distribution of consideration under the Plan and the economic condition of the Reorganized Debtors, among other things. The Holders of Intercompany Claims shall not be entitled to participate in any of the distributions on account of Claims under Plan Section 5.2 and shall only be entitled to the treatment provided in Plan Section 5.5.

Class 5 is impaired, and the Holders of Claims in Class 5 are deemed to have rejected the Plan and are not entitled to vote on the Plan in accordance with Bankruptcy Code § 1126(g).

(e) **Class 6 -- Existing Equity Interests in O'Sullivan Holdings.**

Class 6 consists of all Interests in O'Sullivan Holdings, including all Interests arising under or in connection with the O'Sullivan Holdings Preferred Stock or the O'Sullivan Holdings Common Stock, and any and all options or rights to exercise warrants or otherwise acquire any shares of O'Sullivan Holdings Preferred Stock, O'Sullivan Holdings Common Stock, or any other Interest in O'Sullivan Holdings under the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise. Class 6 Interests shall be treated in the manner set forth in Plan Section 5.6.

On the Effective Date, all outstanding shares of O'Sullivan Holdings Preferred Stock and O'Sullivan Holdings Common Stock, and any and all other Interests in O'Sullivan Holdings, if any, shall be cancelled and be deemed terminated and of no force and effect. No distribution of any kind shall be made on account of the O'Sullivan Holdings Preferred Stock, the O'Sullivan Holdings Common Stock, or any other Interest (if any) in O'Sullivan Holdings under the Plan. In addition, and without limiting the generality of the foregoing, any and all options or rights to exercise warrants or otherwise acquire any shares of O'Sullivan Holdings Preferred Stock, O'Sullivan Holdings Common Stock, or any other Interest in O'Sullivan Holdings under either the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise shall be cancelled and be deemed terminated and of no force and effect.

Class 6 is impaired, and the Holders of Interests in Class 6 are deemed to have rejected the Plan and are not entitled to vote on the Plan in accordance with Bankruptcy Code § 1126(g).

(f) **Allocation of Distributions.**

All distributions paid to Holders of Claims in satisfaction thereof pursuant to the Plan shall be allocated first to the original principal amounts of such Claims (as determined for federal income tax purposes), and, second, to the portion of such Claims representing interest (as determined for federal income tax purposes), and any excess thereafter shall be allocated to the remaining portion of such Claims, provided, however, that payments made to the Holders of DIP Facility Claims shall be allocated in accordance with the terms of the Senior Credit Facility; payments made to the Holder of Class 2A Claims shall be allocated in accordance with the terms of the Senior Credit Facility; and payments made to the Holders of Class 2C Claims shall be allocated in accordance with the terms of the Senior Secured Notes Indenture.

(g) **Distribution Limitations.**

Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made on account of any Claim, or part thereof, (i) that is not an Allowed Claim or (ii) that has been avoided or is subject to any objection. The sum total of the value of the distributions to be made on the Initial Distribution Date to all Claims in a particular Class (if any) shall not exceed the aggregate amount of the Allowed Claims in such Class (if any), and the distribution to be

made to each individual Holder of an Allowed Claim shall not exceed the amount of such Holder's Allowed Claim.

(h) **Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims.**

Distributions under the Plan to each Holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the Holder thereof under any pertinent insurance policies and applicable law. Nothing in the Plan will constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities that any entity may hold against any other entity, including the Debtors' insurance carriers.

(i) **Special Provision Regarding Impaired Claims.**

Except as may otherwise be provided in the Plan, the Confirmation Order, any other order of the Bankruptcy Court, or any Plan Document, nothing shall affect the Debtors' or the Reorganized Debtors' (as applicable) rights and defenses, both legal and equitable, with respect to any Claims that are impaired under the Plan, including, but not limited to, all rights with respect to legal and equitable defenses to, and/or setoffs or recoupments against, such Claims.

C. Implementation of the Plan.

1. Dissolution.

After the Confirmation Date, but prior to the Effective Date, the Dissolved Entities, if any, shall be dissolved in accordance with the applicable law of such entity's state of incorporation. The respective Boards of Directors and officers of the Dissolved Entities shall take all such other actions as are necessary and appropriate to effectuate the dissolution of the Dissolved Entities, including, but not limited to (i) the designation and authorization of an officer or officers to execute a certificate of dissolution and file such certificate with the appropriate state official, and to tender to the appropriate state entities all taxes and fees, including assessment fees, authorized and/or required by law to be collected thereby, and (ii) such other actions as such officers and/or directors (as applicable) deem appropriate to effect such dissolutions. On or after the Effective Date, but, in any event, as soon as is practicable under the provisions of applicable state law, pursuant to such dissolutions, the tangible Assets (if any) of a Dissolved Entity shall be utilized to satisfy the remaining obligations of such Dissolved Entity (if any), and any Assets of the Dissolved Entities remaining thereafter shall be distributed and transferred to Reorganized O'Sullivan Industries to be administered in accordance with the terms of the Plan.

2. Boards of Directors of the Reorganized Debtors.

As of the Effective Date, the respective Boards of Directors of each of the Reorganized Debtors shall initially have the same seven-person board of directors consisting of the following designations: (i) the Chief Executive Officer of the Reorganized Debtors and (ii) six directors to be designated by the Senior Secured Noteholders Representative. The initial anticipated

members of the respective Boards of Directors of each of the Reorganized Debtors shall be disclosed to the Bankruptcy Court pursuant to Bankruptcy Code § 1129(a)(5) on or before the Confirmation Date, unless otherwise permitted by the Bankruptcy Court. In addition, the Reorganized Debtors are each authorized to appoint the officers and/or managers (as applicable) of any and all New Subsidiaries (if any), which officers shall have the authority to execute instruments on behalf of the applicable New Subsidiary(ies) (if any) and to otherwise bind these entities. No new directors shall be appointed with respect to the Dissolved Entities (if any).

3. **Ownership of the Reorganized Subsidiaries, the New Subsidiaries, and the Dissolved Entities.**

Other than with respect to the Dissolved Entities (if any), or otherwise in connection with a Restructuring Transaction (if any), the ownership of the capital stock of the Reorganized Subsidiaries following the Effective Date shall be unaffected by the Plan, as each Debtor that owned or held the Old Stock of a Debtor Subsidiary or other domestic or foreign subsidiary (including, without limitation, O'Sullivan Industries UK Ltd., Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, and O'Sullivan Industries (Australia) Pty. Ltd., to the extent that any of such non-Debtor Foreign Subsidiaries have not been dissolved under applicable law prior to the Effective Date) as of the Effective Date shall, as a Reorganized Debtor on the Effective Date, own or hold such capital stock and/or equity interest (as applicable) in the corresponding Reorganized Subsidiary or other domestic or foreign subsidiary as of the Effective Date, such that upon the Effective Date, the capital stock of the respective Reorganized Subsidiaries shall be owned or held as follows: Reorganized O'Sullivan Holdings shall own all of the capital stock of Reorganized O'Sullivan Industries, and Reorganized O'Sullivan Industries, in turn, shall own all of the capital stock of Reorganized O'Sullivan Virginia and Reorganized OFFO. In addition (other than with respect to any stock interests sold or otherwise transferred by any of the Debtors on or prior to the Effective Date), on the Effective Date, each Reorganized Debtor shall own and retain the equity interests in any non-Debtor foreign or other subsidiaries (including, without limitation, Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, O'Sullivan Industries (Australia) Pty. Ltd., and O'Sullivan Industries UK Ltd., to the extent that any of such non-Debtor subsidiaries has not been dissolved under applicable law prior to the Effective Date) to the same extent that the applicable Debtor owned an equity interest in such non-Debtor foreign or other subsidiary prior to the Effective Date. Reorganized O'Sullivan Industries shall own all the capital stock of any Dissolved Entities until the effective date of the latter's respective dissolutions in accordance with the provisions of applicable state law. In addition, the applicable Reorganized Debtor shall own the equity interest in any New Subsidiary that such Reorganized Debtor causes to be established pursuant to any Restructuring Transaction(s).

4. **Issuance of New Securities; Execution of Plan Documents.**

On the Effective Date (or as soon thereafter as is practicable), Reorganized O'Sullivan Holdings shall issue the New O'Sullivan Holdings Common Stock and the New Notes, and the Reorganized Debtors may issue notes in connection with the Exit Credit Facility or otherwise in connection with any Plan Document. The (a) issuance of the New O'Sullivan Holdings Common Stock (including, but not limited to, any shares issued upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan) by Reorganized O'Sullivan

Holdings pursuant to the Plan (including, pursuant to Sections 5.2, 6.15, and 6.16 thereof) and (b) the issuance of the New Notes, the New Notes Guarantees, any and all notes under or in connection with the Exit Credit Facility, the Exit Credit Facility Guarantees, or otherwise by any of the Reorganized Debtors, are all authorized by the Plan without the need for any further corporate action or court order.

The execution and delivery by the Debtor(s) or the Reorganized Debtor(s) party thereto and/or any New Subsidiary (as applicable) of all Plan Documents (including, without limitation, the Exit Credit Facility and the Exit Credit Facility Guarantees, any indenture or similar agreement relating to the issuance of the New Notes, any document memorializing the Management and Director Equity Plan, the KERP, the New Notes Guarantees, or the Registration Rights Agreement, and/or any other agreement entered into, or instrument, security interest, guaranty, or note issued in connection with any of the foregoing, any other Plan Document, any document relating to the formation of any New Subsidiary and the execution of any and all New Subsidiaries' respective organizational documents and/or the consummation of any or all Restructuring Transactions contemplated in Plan Section 6.21 (including, without limitation, the dissolution of the Dissolved Entities, if any), and any other document reasonably necessary or appropriate to effectuate the events contemplated herein, the Plan, and therein, shall be authorized by the Plan and the Confirmation Order without the need for any further corporate action or court order. All such Plan Documents shall also become effective and binding in accordance with their respective terms and conditions upon the parties thereto and shall be deemed to become effective simultaneously.

5. **Corporate Governance and Corporation Action.**

(a) **Amended and Restated Certificates of Incorporation and Amended and Restated Certificates of Formation.**

On or before the Effective Date, the Reorganized Debtors shall file their respective Amended and Restated Certificates of Incorporation with the appropriate state officials in accordance with applicable state law. Each of the Amended and Restated Certificates of Incorporation of the respective Reorganized Debtors will, among other things, prohibit the issuance of nonvoting equity securities to the extent required by Bankruptcy Code § 1123(a). The Amended and Restated Certificate of Incorporation of Reorganized O'Sullivan Holdings shall, among other things, (a) provide that (i) the number of authorized shares of New O'Sullivan Holdings Common Stock shall be 40 million and (ii) the par value of the New O'Sullivan Holdings Common Stock shall be $0.01 and (b) provide for the issuance of shares based upon the exercise of options granted to the Management Stockholders and the Director Stockholders under the Management and Director Equity Plan. After the Effective Date, the Reorganized Debtors may amend and restate their respective Amended and Restated Certificates of Incorporation, Amended and Restated By-Laws, and/or other constituent documents (as applicable) as permitted by the governing state general corporation law.

(b) **Corporate Action.**

On or before the Effective Date: any and all actions reasonably necessary and desirable to effectuate the Exit Credit Facility; the issuance of the New Notes and the New Notes

Guarantees; the adoption of the Management and Director Equity Plan; the adoption and/or further implementation of the KERP; the adoption of the Registration Rights Agreement; the reservation of authorized but unissued shares of New O'Sullivan Holdings Common Stock for issuance upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan; the dissolution of the Dissolved Entities (if any) and all actions reasonably necessary and desirable to effectuate the same; the adoption and/or filing (as applicable) of the Amended and Restated Certificates of Incorporation, the Amended and Restated By-Laws, or similar constituent documents; the selection of the directors, officers, and/or managers of the respective Reorganized Debtors and any New Subsidiary, if any (as applicable); the formation of any New Subsidiary and the consummation and execution of any or all Restructuring Transactions contemplated by Plan Section 6.21; the transfer of any remaining property (including, but not limited to, U.S. trademark registrations) from any Dissolved Entity (if any) to Reorganized O'Sullivan Industries; and all other actions contemplated by the Plan, the Plan Documents, or such other documents, and all actions reasonably necessary and desirable to effectuate any of the foregoing, shall be authorized and approved in all respects (subject to the provisions of the Plan) by the Plan and the Confirmation Order without the need for any further corporate action or court order. All matters provided for in the Plan involving the corporate structure, assets, and/or operations of the Debtors, the Reorganized Debtors, or any New Subsidiary, and any corporate action required by the Debtors, the Reorganized Debtors, or any New Subsidiary in connection with the Plan or the Plan Documents (including any corporate action as may be necessary or appropriate to consummate a Restructuring Transaction(s) contemplated in Plan Section 6.21), shall be deemed to have occurred and shall be in effect, without any requirement of further action by the respective security holders, members, officers, or directors of the Debtors, the Reorganized Debtors, or any New Subsidiary. After the Confirmation Date and on or prior to the Effective Date, the appropriate members of the Boards of Directors and/or members or officers of the Debtors, the Reorganized Debtors, or any New Subsidiary (as applicable) are authorized and directed to issue, execute, and deliver the agreements, documents, securities, certificates, and instruments contemplated by the Plan (including in Plan Section 6.21) and/or the Plan Documents in the name of and on behalf of the applicable Debtor(s), Reorganized Debtor(s), or New Subsidiary(ies) (as applicable).

6. **Administration of the Plan.**

After the Effective Date, each of the Reorganized Debtors and any New Subsidiaries (as applicable) is authorized, respectively, to perform those responsibilities, duties, and obligations set forth herein and in the Plan, including, without limitation, making distributions as provided under the Plan, objecting to the allowance of any Claim, and prosecuting any litigation pertaining thereto, to pay such Claims as may be later Allowed, all as contemplated by the dispute resolution procedures contained in Section 6.11 of the Plan, and overseeing and governing the continuing affairs and operations of the Reorganized Debtors and any such New Subsidiaries (as applicable) on a going-forward basis.

The Reorganized Debtors and the New Subsidiaries, if any (as applicable), may retain such management, law firms, accounting firms, experts, advisors, agents, consultants, investigators, appraisers, auctioneers, or other professionals as they may deem reasonably necessary, including, without limitation, a transfer or disbursing agent, to aid them in the performance of their responsibilities pursuant to the terms of the Plan. It shall not be a

requirement that any such parties retained by any of the Reorganized Debtors or any of the New Subsidiaries (as applicable) be a "disinterested person" (as such term is defined in Bankruptcy Code § 101(14)), and such retained parties may include Professionals or other Persons who had previously been active in these Cases on behalf of any Debtor, Creditor, Interest Holder, Committee, or other constituency herein.

The Reorganized Debtors shall be responsible for filing all federal, state, and local tax returns for the Debtors and for the Reorganized Debtors.

To the extent the manner of performance is not specified herein or in the Plan or the Confirmation Order, the Debtors, the Reorganized Debtors, and the New Subsidiaries, if any (as applicable), will have the discretion to carry out and perform all other obligations or duties imposed on them by, or actions contemplated or authorized by, the Plan, any Plan Document, or by law in any manner their respective Boards of Directors or officers so choose, as long as such performance is not inconsistent with the intents and purposes of the Plan.

7. **Provisions Relating to Existing Notes, Existing Stock, and the Credit Facilities.**

On the Effective Date, the Senior Secured Notes; the Senior Subordinated Notes; the BancBoston Note; any and all notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees; the O'Sullivan Holdings Common Stock; the O'Sullivan Holdings Preferred Stock; any other Interests in O'Sullivan Holdings; the Class A Common Stock Warrant Agreements; the Series B Preferred Stock Warrant Agreements; and any other options, warrants, calls, subscriptions, or other similar rights or other agreements or commitments, contractual or otherwise, obligating any of the Debtors to issue, transfer, or sell any shares of O'Sullivan Holdings Common Stock, O'Sullivan Holdings Preferred Stock, or other Interest in O'Sullivan Holdings (including, without limitation, as may be required pursuant to the Tandy Agreements, the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise), shall be automatically canceled and deemed terminated, extinguished, and of no further force and effect without further act or action under any applicable agreement, law, regulation, order, or rule, and the Holders thereof shall have no rights, and such instruments shall evidence no rights, except the right to receive the distributions (if any) to be made to the Holders of such instruments under the Plan. In the event that the Reorganized Debtors elect to pay the Allowed amount of all Claims arising under the Industrial Revenue Bonds, pursuant to Plan Section 4.4, then the Industrial Revenue Bonds shall be automatically canceled and deemed terminated, extinguished, and of no further force and effect without further act or action under any applicable agreement, law, regulation, order, or rule, and the Holder thereof shall have no rights, and such instruments shall evidence no rights, except the right to receive such payment.

No Holder of any of the Senior Secured Notes or any notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees shall be entitled to any distribution under the Plan unless and until such Holder has first (x) surrendered or caused to be surrendered (in the manner set forth below in Plan Section 6.7(b)) (i) to the Senior Secured Notes Indenture Trustee, with respect to the Senior Secured Notes and/or the Senior Secured Notes Guarantees, (ii) to the DIP Agent, with respect to any notes issued in connection with the DIP

Facility (if any), or (iii) to the Debtors, with respect to any notes issued in connection with the Senior Credit Facility and/or the Senior Credit Facility Guaranty (if any), the original notes held by it or, (b) in the event that such original notes have been lost, destroyed, stolen, or mutilated, has first executed and delivered an affidavit of loss and indemnity with respect thereto in a form customarily utilized for such purposes that is reasonably satisfactory to the Debtors, and, in the event the Debtors so request, has first furnished a bond in form and substance (including, without limitation, amount) reasonably satisfactory to the Debtors. If a Holder has actual possession of any Senior Secured Note or any note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees, then such Holder must physically surrender or cause to be surrendered its note(s) to, and in accordance with the procedures required by (i) the Senior Secured Notes Indenture Trustee, with respect to the Senior Secured Notes and/or the Senior Secured Notes Guarantees, (ii) the DIP Agent, with respect to any notes issued in connection with the DIP Facility, or (iii) the Debtors, with respect to any notes issued in connection with the Senior Credit Facility and/or the Senior Credit Facility Guaranty (if any). The Senior Secured Notes Indenture Trustee and the DIP Agent shall in turn physically surrender or cause to be surrendered to the Reorganized Debtors any and all notes previously surrendered to it in accordance with Plan Section 6.7(b) and any and all other notes previously held by such party in connection with the Senior Secured Notes Indenture or any notes issued in connection with the DIP Facility or any of the Guarantees (if any), as applicable. Alternatively, if a Senior Secured Noteholder holds its Senior Secured Note in book-entry form, then such Holder shall comply with such procedures and provide such instructions as are necessary to surrender its Senior Secured Notes electronically. As soon as practicable after such surrender of the applicable note(s) or such delivery of an affidavit of loss and indemnity and such furnishing of a bond as provided in Plan Section 6.7(b), the DIP Agent and the Senior Secured Notes Indenture Trustee (as provided in Plan Sections 3.2, 5.2, and 6.7, respectively) shall make the distributions provided in the Plan with respect to the applicable Allowed Claim(s) (as and to the extent as set forth therein). Promptly upon the surrender of such instruments, the Reorganized Debtors and/or the Senior Secured Notes Indenture Trustee (as applicable) shall cancel the (1) Senior Secured Notes and (2) any and all notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees (if any).

For the purpose of distributions to the Holders of Allowed Senior Secured Notes Claims, the Senior Secured Notes Indenture Trustee shall be deemed to be the sole Holder of all such Claims. All distributions on account of Allowed Senior Secured Notes Claims under the Plan shall be distributed to the Senior Secured Notes Indenture Trustee for further distribution to the Senior Secured Noteholders pursuant to the terms and subject to the conditions of the Senior Secured Notes Indenture and the Plan. Upon the delivery of the foregoing distributions to the Senior Secured Notes Indenture Trustee, the Debtors and the Reorganized Debtors shall be released of all liability with respect thereto. The Senior Secured Notes Indenture Trustee shall thereafter take all steps reasonably necessary and appropriate to effectuate such further distribution thereof to the Holders of the Allowed Senior Secured Notes Claims (including, but not limited to, in its discretion, making a distribution of the appropriate amount of shares of New O'Sullivan Holdings Common Stock and New Notes to the record holders of the Senior Secured Notes with instructions that such record holders subsequently distribute such shares of New O'Sullivan Holdings Common Stock and New Notes to the applicable beneficial Holders of Allowed Senior Secured Notes Claims on whose behalf such record holder holds the Senior Secured Notes). On the Effective Date, the obligations under the Senior Secured Notes and the

Senior Secured Notes Indenture shall be deemed terminated, canceled, and extinguished (all without any further action by any person or the Bankruptcy Court) and shall have no further legal effect other than as evidence of any right to receive distributions under the Plan as set forth in Plan Section 5.2; provided, however, that the Senior Secured Notes shall not be deemed canceled on the books and records of the Senior Secured Notes Indenture Trustee, the applicable securities depositories, clearing systems, or broker, bank, or custodial participants in the clearing system so as to facilitate distributions to the Senior Secured Noteholders. The authority of the Senior Secured Notes Indenture Trustee under the Senior Secured Notes Indenture shall be terminated as of the Effective Date; provided, however, that the Senior Secured Notes Indenture shall continue in effect solely for the purposes of (i) allowing the Senior Secured Notes Indenture Trustee to make the distributions as provided for in the Plan and to perform any and all current and future administrative functions and (ii) permitting the Senior Secured Notes Indenture Trustee to maintain its right, if any, and in such event only to the extent provided in the Senior Secured Notes Indenture, to a charging lien against any and all distributions payable to the Senior Secured Noteholders.

The Debtors shall provide the sum total of the distributions to be made to the DIP Facility Lenders on account of the Allowed DIP Facility Claims (as set forth in Plan Section 3.2) to the DIP Agent, which, in turn, shall make the Pro Rata distributions thereof to the individual Holders of Allowed DIP Facility Claims. Upon the delivery of such distributions to the DIP Agent, the Debtors and the Reorganized Debtors shall be released of all liability with respect thereto. The DIP Agent shall take all steps reasonably necessary to effectuate such Pro Rata distributions to the individual Holders of Allowed DIP Facility Claims. The Debtors shall provide the sum total of the distributions to be made to the Senior Credit Facility Lender on account of the Allowed Senior Credit Facility Claims (if any) as set forth in Plan Section 4.3 directly to the Senior Credit Facility Lender.

In accordance with the terms and conditions of the Senior Secured Notes Indenture, the Debtors shall be responsible for satisfying the reasonable and customary fees and expenses incurred by the Senior Secured Notes Indenture Trustee in the performance of any function associated with the Senior Secured Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until, but not including, the Effective Date. In accordance with the terms and conditions of the Senior Subordinated Notes Indenture, the Debtors shall be responsible for satisfying the reasonable and customary fees and expenses incurred by the Senior Subordinated Notes Indenture Trustee in the performance of any function associated with the Senior Subordinated Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Debtors and/or the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until, but not including, the Effective Date.

Consistent with Bankruptcy Rule 3003(c), the Reorganized Debtors shall recognize Proofs of Claim timely filed by the Senior Secured Notes Indenture Trustee, in respect of the Senior Secured Notes Claims, or the Senior Subordinated Notes Indenture Trustee, in respect of the Senior Subordinated Notes Claims. Accordingly, in the event that the applicable trustee timely files such proofs of claim, any Proof of Claim filed by a registered or beneficial Holder of

a Senior Secured Notes Claim or a Senior Subordinated Notes Claims (as applicable) that is limited exclusively to the repayment of principal, interest and/or other applicable fees in respect of such notes, shall be disallowed as duplicative of a Proof of Claim filed by the applicable Indenture Trustee, without any further action or order of the Bankruptcy Court, the Debtors, or the Reorganized Debtors.

8. **Delivery of Distributions; Unclaimed Property; Undeliverable Distributions.**

Except as provided in Sections 3.2, 5.2, 6.7, and 6.8 of the Plan, any distributions to Holders of Allowed Claims under the Plan shall be made: (i) at the addresses set forth on the Schedules, or on the respective Proofs of Claim filed by such Holders in the event that the addresses indicated thereon differ from those set forth on the Schedules; or (ii) at the addresses set forth in any written notices of address change delivered to the Debtors or the Reorganized Debtors (if after the Effective Date) after the date of any related Proof of Claim.

In accordance with Bankruptcy Code § 1143, any Holder of any (i) Senior Secured Note or (ii) any note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees, that fails to surrender the applicable security or deliver an affidavit of loss and indemnity as provided herein and in the Plan by 5:00 p.m. Eastern Standard Time on the date that is one year from and after the later of the Effective Date or the applicable Allowance Date with respect to any Claims arising from or relating to such Senior Secured Note or note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees (if any), shall be deemed to have forfeited all rights and claims in respect of such Claims, and shall be forever barred from receiving any distributions under the Plan on account thereof. In such cases, any property held for distribution by the Reorganized Debtors on account of Allowed Claims based on such Senior Secured Notes or note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees (if any) shall be retained by the Reorganized Debtors.

If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtors as undeliverable, no further distribution shall be made to such Holder unless and until the Reorganized Debtors are notified in writing of such Holder's then current address. The Reorganized Debtors shall retain any such undeliverable distributions.

Any Holder of an Allowed Claim who does not assert a claim for an undeliverable distribution by 5:00 p.m. Eastern Standard Time on the date that is one year after the date by which such Holder was first entitled to such distribution shall no longer have any claim to, or interest in, such undeliverable distribution and shall be forever barred from receiving any distribution under the Plan. Nothing contained in the Plan shall require the Debtors or the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim.

9. **Funding of Cash Distributions under the Plan.**

Any funds necessary to make the Cash distributions required under Articles III, IV, and V of the Plan and/or to fund the future obligations of the Reorganized Debtors shall (as applicable) be made from: the Cash on hand of the Debtors and of the Reorganized Debtors; the Exit Credit Facility; and the future operations of the Debtors and the Reorganized Debtors (as applicable).

10. **Manner of Payments Under the Plan.**

Any Cash payment to be made by the Debtors or the Reorganized Debtors (as applicable) pursuant to the Plan may be made by a check on a United States bank selected by the Debtors or the Reorganized Debtors (as applicable); provided, however, that Cash payments made to foreign Holders of Allowed Claims may be paid, at the option of the Debtors or the Reorganized Debtors (as applicable), in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

11. **Disputed Claims.**

No distribution or payment shall be made on a Disputed Claim until such Disputed Claim becomes an Allowed Claim. On the Initial Distribution Date, the distributions reserved for the Holders of Disputed Claims in each Class under the Plan shall be deposited in reserve accounts segregated by the respective Classes in which the Disputed Claims are classified (each reserve account a "Disputed Claims Reserve").

Notwithstanding any other provisions of the Plan, the Reorganized Debtors (or any transfer or disbursing agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan) shall withhold from the property to be distributed under the Plan, and deposit in each Disputed Claims Reserve, a sufficient Pro Rata share of the property to be distributed on account of the face amount of Claims that are Disputed Claims in such Class as of the Initial Distribution Date for such Class under the Plan. For the purposes of Plan Section 6.11(b), the "face amount" of a Claim is (i) the amount set forth on the Proof of Claim or such lower amount as may be determined in accordance with Plan Section 6.11(c), unless the Claim is filed in an unliquidated amount; or (ii) if a Proof of Claim has been filed in an unliquidated amount, the amount determined in accordance with Plan Section 6.11(c). In determining the amount of the Pro Rata distributions to the Holders of Allowed Claims in any Class for which a Disputed Claims Reserve has or will be established, the calculation of the amount of Pro Rata distribution to each Holder of an Allowed Claim in such Class shall be made as if all Disputed Claims in the applicable Class were Allowed Claims in their respective face amounts.

As to any Disputed Claim, if any, the Bankruptcy Court shall, upon motion by the Debtors or the Reorganized Debtors (as applicable), estimate the maximum allowable amount of such Disputed Claim and the amount to be placed in the Disputed Claims Reserve on account of such Disputed Claim. Any Creditor whose Claim is so estimated by an Order of the Bankruptcy Court shall not have recourse to the Debtors or to the Reorganized Debtors (or to any New Subsidiary), any assets theretofore distributed on account of any Allowed Claim, or any other entity or property (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) if the finally Allowed Claim of that Creditor exceeds that estimated maximum allowable amount. Instead, such Creditor shall have recourse only to the undistributed assets (if any) in the applicable Disputed Claims Reserve for the Claim of that Creditor and (on a Pro Rata basis with other Creditors of the same Class who are similarly situated) to those portions (if any) of the Disputed Claims Reserve for other Disputed Claims of the same Class that exceed the ultimately allowed amount of such Claims.

All earnings on the Cash held in the Disputed Claims Reserve accounts shall be held in trust and shall be distributed only in the manner described in the Plan.

At such time as all or any portion of a Disputed Claim becomes an Allowed Claim, the distributions reserved for such Disputed Claim or such portion, plus any earnings thereon (if any), shall be released from the appropriate Disputed Claims Reserve account and delivered to the Holder of such Allowed Claim in the manner as described in the Plan. At such time as all or any portion of any Disputed Claim is determined not to be an Allowed Claim, the distribution reserved for such Disputed Claim or such portion, plus any earnings thereon, shall be released from the appropriate Disputed Claims Reserve account and made available for redistribution or otherwise in the manner described in the Plan.

(i) After the Confirmation Date, the Debtors, and (ii) after the Effective Date, the Reorganized Debtors, shall have the authority to object to, settle, compromise, resolve, withdraw any objection to, or litigate Disputed Claims without the need for any Bankruptcy Court or other approval or any other or further notice.

Notwithstanding anything contained in Plan Section 6.11 to the contrary, if there exists any Disputed Administrative Claim or Disputed Tax Claim, or any Disputed Class 1, 2A, or 2B Claim, the Reorganized Debtors shall withhold in a separate reserve account the "face amount" (as calculated under Plan Section 6.11(b)) of any such Disputed Claim until and to the extent such Claim is determined to be an Allowed Claim.

12. **Bar Date for Objections to Claims.**

Unless an earlier time is set by an order of the Bankruptcy Court, all objections to Claims (other than with respect to (a) Administrative Claims and (b) Rejection Claims arising under those Executory Contracts that are to be rejected under and pursuant to the Plan) must be filed by the Claims Objection Bar Date; provided, however, that no such objections may be filed against any Claim after the Bankruptcy Court has determined by entry of a Final Order that such Claim is an Allowed Claim. The failure by any party in interest, including the Debtors, to object to any Claim, whether or not unpaid, for purposes of voting shall not be deemed a waiver of such party's rights to object to, or to re-examine, any such Claim in whole or in part, for purposes of distributions under the Plan.

13. **Deadlines for Determining the Record Holders of the Various Classes of Claims**.

At the close of business on the Distribution Record Date, the transfer records for the DIP Facility, the Senior Credit Facility, the Senior Secured Notes, the Senior Subordinated Notes, and all other Class 3 Claims shall be closed, and there shall be no further changes in the record holders of the Senior Credit Facility Claims, the DIP Facility Claims, the Senior Secured Notes Claims, the Senior Subordinated Notes Claims, or any notes issued in connection with either the Senior Credit Facility, the DIP Facility, or any of the Senior Credit Facility Guaranty, or the Senior Secured Notes Guarantees (if any) after such date. Neither the Debtors, the Reorganized Debtors, any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan, the DIP Agent, the Senior Subordinated Notes Indenture Trustee, nor

the Senior Secured Notes Indenture Trustee shall have any obligation to recognize any transfer of the Senior Credit Facility Claims, the DIP Facility Claims, any notes issued in connection with either the Senior Credit Facility, the DIP Facility, or any of the Senior Credit Facility Guaranty, the Senior Subordinated Notes Guarantees, or the Senior Secured Notes Guarantees (if any), the Senior Subordinated Notes, the Senior Secured Notes Claims, the Senior Subordinated Notes, or the Senior Subordinated Notes Claims occurring after the Distribution Record Date, and such parties shall be entitled, instead, to recognize and deal for all purposes under the Plan with only those record holders thereof as of the close of business on the Distribution Record Date.

14. **Management and Director Equity Plan.**

On or after the Effective Date, the Management and Director Equity Plan shall be adopted by Reorganized O'Sullivan Holdings. Under the Management and Director Equity Plan, Reorganized O'Sullivan Holdings shall grant the Management Stockholders and the Director Stockholders options to purchase, over a four-year period following the Effective Date, up to 10% (in the aggregate) of the outstanding shares of New O'Sullivan Holdings Common Stock on a fully-diluted basis. Specifically, the Management Stockholders and the Director Stockholders shall be granted options, that, in the aggregate, enable the Holders thereof to acquire an additional 2% of the then outstanding shares of New O'Sullivan Holdings Common Stock (on a fully diluted basis) at a strike price that values the Reorganized Debtors at $103 million, on each of the Effective Date; September 30, 2007; September 30, 2008; September 30, 2009; and September 30, 2010; there will be a 15% premium above such strike price for the years 2008-2010. A general summary of the parameters of the Management and Director Equity Plan is included in the Plan Supplement. Entry of the Confirmation Order shall constitute the deemed approval by all parties-in-interest in these Cases of the adoption of the Management and Director Equity Plan by the Reorganized Debtors without the need for any other or further order of the Bankruptcy Court or any other or further corporate action or approval by any of the Debtors or the Reorganized Debtors. Following the Effective Date, the Management and Director Equity Plan may be amended or modified by the Board of Directors of Reorganized O'Sullivan Holdings in accordance with the terms thereof, and any such amendment or modification shall not require any amendment of the Plan or further order of the Bankruptcy Court.

15. **The Key Employee Retention Plan.**

In an effort to ensure the continued retention of approximately 25 of their key employees through the conclusion of the Debtors' restructuring process (in accordance with the terms of the Plan and the transactions contemplated therein), the Debtors will adopt the KERP, pursuant to which those employees could potentially receive a total of approximately $1.47 million over time; this figure also includes a $200,000 discretionary pool. The general principal terms of the KERP are as set forth on Exhibit F to this Disclosure Statement. Pursuant to the terms of the KERP, such 25 employees have been divided into two tiers, with one tier, consisting of 6 members of the Debtors' most senior management, potentially receiving a total amount equal to 37.5% of their annual salary, and a second tier, consisting of approximately 19 key employees, potentially receiving a total equal to 25.0% of their annual salary. Such payments will be divided into an incentive component and a retention component. 50% of the retention component will be paid upon the earlier of the Effective Date or June 30, 2006, and the remaining 50% thereof will be paid at the earlier of September 30, 2006 or the Effective Date.

The incentive component of the KERP would be paid to these employees in the event the Reorganized Debtors' were to meet certain net sales and EBITDAR levels for FY 2006, as specified in their 5-year business plan: if 100% of these business plan figures is achieved, then 100% of the incentive-based KERP amount would be paid; if greater than or equal to 90% and less than 100% of these business plan figures is achieved, then 75% of the incentive-based KERP amount would be paid; if greater than or equal to 80% and less than 90% of these business plan figures is achieved, then 50% of the incentive-based KERP amount would be paid; and if less than 80% of these business plan figures is achieved, then none of the incentive-based KERP amount would be paid. For those employees in Tier I, the incentive component would be 75% and the retention component would be 25% of their total potential KERP payments. For those employees in Tier II, the incentive component would be 25% and the retention component would be 75% of their total potential KERP payments. Entry of the Confirmation Order shall constitute the deemed approval by all parties-in-interest in these Cases of the adoption and continuing implementation of the KERP by the Debtors and the Reorganized Debtors without the need for any other or further order of the Bankruptcy Court or any other or further corporate action or approval by any of the Debtors or the Reorganized Debtors.

16. **The Registration Rights Agreement.**

Following the Effective Date, certain Holders of New O'Sullivan Holdings Common Stock shall be entitled to require the registration of New O'Sullivan Holdings Common Stock under the Securities Act in accordance with the terms of the Registration Rights Agreement. The Registration Rights Agreement shall be filed as part of the Plan Supplement and shall be executed and delivered by Reorganized O'Sullivan Holdings and become effective on the Effective Date.

17. **Potential Restructuring Transactions.**

The Debtors, with the prior consent of the Senior Secured Noteholders Representative, or the Reorganized Debtors may potentially engage in one or more Restructuring Transactions involving one or more of the Debtors' or the Reorganized Debtors' respective assets, liabilities, and/or operations (as applicable) and may otherwise take such actions that the Debtors or Reorganized Debtors determine to be necessary or appropriate to effect a corporate restructuring of their respective businesses or to simplify or otherwise improve the overall corporate structure or operations of the Reorganized Debtors. Such transactions may include one or more mergers, consolidations, restructurings, dispositions, sales, or other transfers, leases, or assignments, liquidations, or dissolutions, or change from a corporation to a limited liability corporation or other legal form, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. The actions to effect these transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, formation of new subsidiaries, disposition, sale, transfer, assignment, lease, liquidation, or dissolution containing terms that are not inconsistent with the terms of the Plan and that satisfy the requirements of applicable state law and such other terms to which the applicable entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, lease, or delegation of any asset, property, right, liability, duty, or obligation on terms not inconsistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (c) the filing of appropriate certificates or articles of

merger, consolidation, or dissolution pursuant to applicable state law; and (d) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. The Debtors and the Reorganized Debtors shall be authorized by the Plan and the Confirmation Order to take any and all actions as may be reasonably necessary or appropriate to effectuate any and all such potential Restructuring Transactions, to the extent such actions are not inconsistent with the terms of the Plan. Similarly, the respective Boards of Directors, officers, and/or member of the Debtors, the Reorganized Debtors, and the New Subsidiaries (as applicable) shall be authorized by the Plan and the Confirmation Order to take all such actions as are necessary and appropriate to effectuate any and all Restructuring Transactions, without the need for any additional corporate action or court order.

The Restructuring Transactions may include one or more mergers, consolidations, restructurings, formations of new subsidiaries, dispositions, sales, or other transfers, leases, or assignments, liquidations, or dissolutions that result in all or a portion of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors or the Reorganized Debtors' vesting in one or more surviving, resulting, or acquiring corporation(s) or similar entity. In each case in which the surviving, resulting, or acquiring corporation or similar entity in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting, or acquiring corporation or similar entity will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring corporation or similar entity, which may provide that another Reorganized Debtor will perform such obligations.

18. **De Minimis Distributions.**

No Debtor, Reorganized Debtor, or any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan will distribute any Cash to the Holder of an Allowed Claim if the amount of Cash to be distributed on account of such Claim is less than $100. Any Holder of an Allowed Claim on account of which the amount of Cash to be distributed is less than $100 will have its Claim for such distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtors, any New Subsidiary, or their respective property. Any Cash not distributed pursuant to Plan Section 6.22 will be the property of Reorganized O'Sullivan Industries, free of any restrictions thereon, and any such Cash held by any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan will be returned to Reorganized O'Sullivan Industries.

19. **Withholding and Reporting Requirements.**

In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, the Debtors, the Reorganized Debtors, any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan, the Senior Credit Facility Lender, the DIP Agent, and the Senior Secured Notes Indenture Trustee, as the case may be, shall comply with all applicable withholding and reporting requirements imposed

by any federal, state, local, or foreign taxing authority, and all distributions under the Plan shall be subject to any such withholding and reporting requirements.

20. **Non-Debtor Intercompany Claims.**

All Non-Debtor Intercompany Claims shall be reviewed by the Debtors and adjusted, continued, or discharged, as the Debtors determine as appropriate, taking into account, among other things, the distribution of consideration under the Plan and the economic condition of the Reorganized Debtors and their non-Debtors subsidiaries and Affiliates.

21. **Direction to Parties.**

From and after the Effective Date, the Reorganized Debtors and/or the New Subsidiaries (if any) may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to effect a transfer of property dealt with by the Plan (including, but not limited to, pursuant to any Restructuring Transaction), and to perform any other act, including the satisfaction of any Lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

22. **Setoffs.**

The Debtors shall, pursuant to Bankruptcy Code § 553, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, all claims, rights, and causes of action of any nature that the Debtors may hold against the Holder of such Allowed Claim that are not otherwise waived, released, or compromised in accordance with the Plan; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtors of any such claims, rights, and causes of action that any of the Debtors may possess against such Holder.

23. **Preservation of Rights of Action.**

Except as otherwise specified in the Plan, in accordance with Bankruptcy Code § 1123(b), as of the Effective Date, the Reorganized Debtors shall retain the Bankruptcy Claims and shall have the power, subject to any applicable releases and/or waivers contained in the Plan, (i) to institute and present in the name of the Debtors, or otherwise, all proceedings that they may deem proper in order to collect, assert, or enforce any claim (including, but not limited to, any and all Bankruptcy Claims), right, or title of any kind in or to any of the Debtors' Assets or to avoid any purported Lien, and (ii) to defend and compromise any and all actions, suits, or proceedings in respect of such Assets.

24. **Settlement of Bankruptcy Claims.**

At any time after the Confirmation Date and before the Effective Date, notwithstanding anything in the Plan to the contrary, the Debtors may settle some or all of the Bankruptcy Claims with the approval of the Bankruptcy Court pursuant to Bankruptcy Rule 9019.

25. **Termination of Claims of Contractual Subordination of Holders of Senior Subordinated Notes Claims.**

Provided that (i) the Bankruptcy Court shall have entered the Confirmation Order and (ii) the Effective Date shall have occurred and the Plan shall have been substantially consummated (as defined in § 1101(2) of the Bankruptcy Code), all rights, actions, or causes of action between or among the Holders of "Senior Indebtedness" (as such term is defined in the Senior Secured Notes Indenture and the Senior Subordinated Notes Indenture) and Holders of Senior Secured Notes Claims and Senior Subordinated Notes Claims relating in any manner whatsoever to Claims against the Debtors based upon any claimed right to contractual or other subordination shall be satisfied, terminated, void, and of no further force and effect as of the Effective Date, so that notwithstanding any such rights, actions, or causes of action, each Holder of Senior Secured Notes Claims (as applicable) shall have the rights and benefits of the distributions provided in the Plan to such Holder.

25. **"Change of Control" Provisions.**

Notwithstanding anything contained herein, the Plan, the Senior Secured Notes Indenture, or the Senior Subordinated Notes Indenture to the contrary, the transactions to be consummated in accordance with the Plan shall not create, or be deemed to create, any (a) right on the part of a Senior Secured Noteholder or a Senior Subordinated Noteholder to require that O'Sullivan Industries or Reorganized O'Sullivan Industries repurchase such Holder's Senior Secured Notes or Senior Subordinated Notes (as applicable) or (b) any other claim in connection therewith, upon a "Change of Control," as such term is defined in each of the Senior Secured Notes Indenture and Senior Subordinated Notes Indenture (as applicable) or in any Executory Contract being assumed pursuant to the Plan.

27. **Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims.**

The classification and treatment of Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims will be treated as follows:

(a) The Allowed Secondary Liability Claims arising from or related to any Debtor's joint or several liability for the obligations under any (a) Allowed Claim that is being Reinstated under the Plan or (b) Executory Contract that is being assumed or deemed assumed by another Debtor or Reorganized Debtor or under any Executory Contract that is being assumed by and assigned to another Debtor or Reorganized Debtor or any other entity will be Reinstated.

(b) Holders of all other Allowed Secondary Liability Claims will be entitled to only one distribution from the Debtors, which distribution will be as provided in the Plan in respect of such underlying Allowed Claim, and which Allowed Claim will be deemed satisfied in full by the distributions on account of the related underlying Allowed Claim. No multiple recovery on account of any Allowed Secondary Liability Claim (including, but not limited to, on account of any Claim based on any of the Guarantees or any guaranty related to an Executory Contract) will be provided or permitted.

28. **Plan Supplement.**

The Plan Supplement will be filed with the Bankruptcy Court within the time established by the order of the Bankruptcy Court approving this Disclosure Statement. The Plan Supplement will include, without limitation, the respective forms of the Amended and Restated Certificates of Incorporation and the Amended and Restated Bylaws; the list of Executory Contracts to be assumed under the Plan and the proposed respective cure amounts due thereunder (if any); the list of the Executory Contracts to be rejected under the Plan; the Registration Rights Agreement; the Shareholders Agreement; the form of the New Notes; and summaries of the principal terms and/or parameters of the Management and Director Equity Plan, among certain other Plan Documents. The Plan Supplement may be inspected in the office of the clerk of the Bankruptcy Court or its designee during normal business hours. Holders of Claims and Interests may obtain a copy of the Plan Supplement upon written request to the Debtors or through the Bankruptcy Court's website.

29. Consent or Acceptance by the Senior Secured Noteholders Representative.

In connection with any and all provisions of the Plan calling for the consent or acceptance of the Senior Secured Noteholders Representative, such consent or acceptance (as applicable) shall not unreasonably be withheld by the Senior Secured Noteholders Representative.

D. Other Provisions of the Plan.

1. Executory Contracts.

The Bankruptcy Code gives the Debtors the power, after the commencement of these Cases, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. Generally, an "executory contract" is a contract under which material performance (other than the payment of money) is still due by each party (including, but not limited to, unexpired leases). In this context, "assumption" of an executory contract means, among other things, that the Debtors re-affirm their obligations under the relevant lease or contract and cure all monetary defaults thereunder.

It is the intention of the Debtors that as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Executory Contracts will be deemed assumed by the applicable Debtors and (except as otherwise provided in (i) Section 7.2 of the Plan with respect to any Assigned Executory Contracts that shall be assigned to a New Subsidiary pursuant to a Restructuring Transaction, if any, and (ii) Section 7.8 of the Plan with respect to insurance policies that relate to the assets, liabilities, and/or operations that are the subject of any Restructuring Transaction or are otherwise to be assigned to a New Subsidiary pursuant to a Restructuring Transaction, if any), retained by the applicable Reorganized Debtors in accordance with the provisions and requirements of Bankruptcy Code §§ 365 and 1123, except those Executory Contracts that (i) have been rejected by order of the Bankruptcy Court, (ii) are the subject of a motion to reject pending on the Confirmation Date, (iii) are identified as "to be rejected" on the list included in the Plan Supplement, or (iv) are otherwise rejected under and pursuant to the terms of the Plan. Rejection of the Executory Contracts at issue in clauses (iii) and (iv) in the immediately preceding sentence shall be effective as of the Confirmation Date,

subject to the occurrence of the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to Bankruptcy Code §§ 365(a) and 1123, subject to the occurrence of the Effective Date. Each Executory Contract assumed pursuant to Article VII of the Plan that is not assigned to a New Subsidiary pursuant to Section 7.2 thereof shall revest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption, or (iii) applicable federal law. The Debtors shall retain the right at all times prior to the Effective Date to reject any additional or other Executory Contract(s) not identified on the list thereof included in the Plan Supplement as "to be rejected." Without limiting the effect of Plan Section 7.1, this Disclosure Statement will contain a schedule of all known Executory Contracts anticipated to be assumed under the Plan, subject to the Debtors' right to determine at any time subsequently, on or prior to the Effective Date, including, without limitation, in the Plan Supplement, to reject any Executory Contracts or to include additional Executory Contracts to be assumed or assumed and assigned under the Plan.

On the Effective Date or as soon thereafter as is practicable, the Reorganized Debtors may assign all of the Assigned Executory Contracts set forth on the list thereof included in the Plan Supplement, if any, to the applicable New Subsidiaries in connection with the Restructuring Transactions contemplated in, and authorized by, Section 6.21 of the Plan. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any and all such assignments pursuant to Bankruptcy Code §§ 365 and 1123, if any. Each Assigned Executory Contract assigned pursuant to Article VII of the Plan to a New Subsidiary, if any, shall be fully enforceable by such New Subsidiary in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption and assignment, or (iii) applicable federal law.

Any monetary amounts by which each Executory Contract to be assumed or assigned to a New Subsidiary (if any, in the case of the Assigned Executory Contracts) pursuant to the Plan is in default shall be satisfied, pursuant to Bankruptcy Code § 365(b)(1), by payment of the default amount (as such amount has been agreed upon by the Reorganized Debtors, or in the event of a dispute regarding such default amount, as such amount has been determined by an order of the Bankruptcy Court) in Cash by the latest of (i) the Effective Date, (ii) in the event of a dispute regarding the default amount, within 10 days of the entry of an order of the Bankruptcy Court establishing such default amount, (iii) the date of an order of the Bankruptcy Court approving and authorizing the assumption or assignment of an Executory Contract not otherwise assumed or assigned pursuant to the terms of the Plan, or (iv) on such other terms as the parties to such Executory Contracts may otherwise agree. Notwithstanding the foregoing, in the event of a dispute regarding: (1) the amount of any cure payments, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of Bankruptcy Code § 365) under the Executory Contract or lease to be assumed or assigned, or (3) any other matter pertaining to assumption or assignment (each an **"**Assumption Dispute"), the cure payments required by Bankruptcy Code § 365(b)(1) shall be made following the entry of a Final Order resolving the dispute and approving the assumption or assignment; provided, however, that (a) in the event the Bankruptcy Court determines that the actual cure payment owed to a particular non-Debtor party to an Executory Contract exceeds the proposed cure amount as set forth in the notice provided by the Debtors pursuant to Section 7.4 of the Plan

or (b) the Debtors and the applicable non-Debtor party involved in any Assumption Dispute cannot otherwise consensually resolve such Assumption Dispute prior to the Effective Date, the Debtors may reject the Executory Contract at issue pursuant to Bankruptcy Code § 365 rather than paying the disputed cure amount, by presenting a proposed order to the Bankruptcy Court for such rejection. In the event any Executory Contract is so rejected, the non-Debtor party thereto shall be entitled to file a Proof of Claim pursuant to Section 7.5 of the Plan, which Claim shall be classified pursuant to Section 7.6 thereof, but shall not be entitled to any other or further Claim or relief from any of the Debtors, the Reorganized Debtors, or any New Subsidiary.

The Debtors will provide notice to the non-Debtor party to any Executory Contract to be assumed and/or assumed and assigned to a New Subsidiary pursuant to any Restructuring Transaction of (i) the proposed default amount owed (if any) under the applicable Executory Contract and (ii) the last date by which such non-Debtor party may file an objection or other response with respect to such proposed default amount. Any non-Debtor party that fails to object or otherwise respond in a timely manner to such notice of proposed default amount owed shall be deemed to have consented to such proposed amount and/or to the assignment of the Executory Contract to the applicable New Subsidiary in the case of an Assigned Executory Contract (if any).

Each Person who is a party to an Executory Contract rejected under and pursuant to Article VII of the Plan shall be entitled to file, not later than 30 days after the entry of the Bankruptcy Court order approving such rejection, a Proof of Claim for alleged Rejection Claims (the "Plan Rejection Bar Date"). If no such Proof of Claim for a Rejection Claim is timely filed, any such Claim shall be forever barred and shall not be enforceable against the Debtors, the Reorganized Debtors, any New Subsidiary, or their respective Estates or Assets. Objections to any such Proof of Claim shall be filed not later than 180 days after such Proof of Claim is filed, and the Bankruptcy Court shall decide any such objections. Payment of such Claims (consistent with the distributions to be received by Holders of other Claims in the Class into which such Claims fall, as determined by Section 7.6 of the Plan) shall be made no earlier than the later of (a) 10 days after the expiration of the 180-day period for filing an objection in respect of any Proof of Claim filed pursuant to Plan Section 7.5 and (b) 10 days after the Claim has been allowed by a Final Order, provided that no such payments shall be made before the Effective Date.

Notwithstanding anything to the contrary herein, the Plan, or the Confirmation Order, the Plan Rejection Bar Date shall apply only to Rejection Claims with respect to those Executory Contracts that are to be rejected under and pursuant to the Plan. Any Holder of a Rejection Claim for an Executory Contract that is not to be rejected pursuant to the Plan, but whose Rejection Claim instead arises under an Executory Contract that either has already been rejected by an order of the Bankruptcy Court or is the subject of a separate motion to reject pending on the Confirmation Date, must file a Proof of Claim for such Rejection Claim by the date provided in any order relating to such Rejection Claim.

Except as otherwise provided under the Plan, any Rejection Claims against (a) any of O'Sullivan Industries, O'Sullivan Virginia, or OFFO, shall be treated as Class 3 Claims and (b) O'Sullivan Holdings, shall be treated as Class 4 Claims, to the extent they are Allowed Claims,

and shall be satisfied in accordance with the Bankruptcy Code, the Plan, and the Confirmation Order.

On the Effective Date, in accordance with Section 6.31 of the Plan, any Allowed Secondary Liability Claim arising from or related to any Debtor's joint or several liability for the obligations under or with respect to: (a) any Executory Contract that is being assumed or deemed assumed pursuant to Bankruptcy Code § 365 by another Debtor or Reorganized Debtor; (b) any Executory Contract that is being assumed by and assigned to another Debtor, Reorganized Debtor, or New Subsidiary (if any); or (c) a Reinstated Claim will be Reinstated. Accordingly, such Allowed Secondary Liability Claims will survive and be unaffected by entry of the Confirmation Order.

2. **Insurance Policies.**

All insurance policies of the Debtors providing coverage to the Debtors and/or the Debtors' directors, officers, stockholders, agents, employees, representatives, and others for conduct in connection in any way with the Debtors, their assets, liabilities, and/or operations, to the extent such policies are Executory Contracts, shall be deemed assumed by the applicable Debtors as of the Confirmation Date, subject to the occurrence of the Effective Date. Without limiting the generality of the foregoing, on the Effective Date or as soon thereafter as is practicable, the Reorganized Debtors shall assign all insurance policies relating to the Debtors' assets, liabilities, and/or operations that are the subject of a Restructuring Transaction (if any) to the applicable New Subsidiar(ies). Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and/or assignments pursuant to Bankruptcy Code §§ 365 and 1123 or otherwise. Each insurance policy assumed pursuant to Article VII of the Plan that is not assigned to a New Subsidiary pursuant to Section 7.8 of the Plan shall revest in, and be fully enforceable by, the respective Reorganized Debtor in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption, or (iii) applicable federal law. Each insurance policy assigned pursuant to Article VII of the Plan to a New Subsidiary (if any) shall be fully enforceable by such New Subsidiary in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption and assignment, or (iii) applicable federal law. Whether such insurance policies are Executory Contracts or not, if they have not done so already, on or prior to the Effective Date, the applicable Debtors shall cure any defaults (if any) under such insurance policies. Without limiting the effect of Plan Section 7.8, the schedule to this Disclosure Statement of all known Executory Contracts referenced in Plan Section 7.1 includes all known insurance policies anticipated to be assumed, provided, however, that the failure to list any insurance policy on such schedule will not impair the Debtors' ability to assume and/or assume and assign such policy, and instead, any and all such policies will still be assumed and/or assigned in accordance with Plan Section 7.8.

Notwithstanding anything provided herein or in the Plan to the contrary, the Plan shall not be deemed in any way to diminish or impair the enforceability of any insurance policies that may cover claims against any of the Debtors or any other Person.

3. Compensation and Benefits Programs.

Except as otherwise expressly provided under this Disclosure Statement, the Plan, or any exhibit hereto or thereto, unless otherwise rejected or lawfully terminated by the Debtors, all employment agreements, all employment policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to their Employees, retirees, and non-Employee directors, including, without limitation, all savings plans, the KERP, any profit-sharing plans, pension or retirement plans (including, but not limited to, any plans qualified under Internal Revenue Code § 401(a)), healthcare plans, disability plans, and life, accidental death, and dismemberment insurance plans in effect as of the Confirmation Date (collectively, the "Compensation and Benefits Programs") either shall be (i) treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of Bankruptcy Code §§ 365 and 1123 or (ii) otherwise deemed assumed on the Effective Date. Without limiting the effect of Plan Section 7.9, the schedule to this Disclosure Statement of all known Executory Contracts referenced in Plan Section 7.1 includes all known Compensation and Benefits Programs anticipated to be assumed; provided, however, that the failure to list any Compensation and Benefits Programs on such schedule will not impair the Debtors' ability to assume and/or assign such program, and instead, any and all such programs will be still be assumed and/or assigned in accordance with Plan Section 7.9.

In the event that the Debtors establish a New Subsidiary in accordance with the terms of the Plan (including Section 6.21 of the Plan), on the Effective Date or as soon thereafter as is practicable, any and all New Subsidiaries may be named as a participating employer(s) under the applicable Compensation and Benefits Programs, as determined by the Reorganized Debtors. Alternatively, in the event one or more of the Compensation and Benefits Programs does not contain a "participating employer" concept, action may be taken otherwise to effect coverage thereunder of applicable employees of the relevant New Subsidiary, if any, as determined by the Reorganized Debtors. Except as otherwise set forth herein or in the Plan, any employee of any New Subsidiary so covered under the Compensation and Benefits Programs shall be eligible for the benefits and entitlements thereunder to the same extent as such employee was eligible thereunder prior to the Effective Date.

4. Obligations to Indemnify Directors, Officers, and Employees, Etc.

Notwithstanding anything to the contrary in the Plan, the obligations of each Debtor or Reorganized Debtor to indemnify any person having served as one of its directors, officers, employees, agents, representatives, management, or otherwise by reason of such person's service to the Debtors in such a capacity or as a director, officer, employee, agent, representative, manager, or otherwise of another corporation, partnership, or other legal entity, to the extent provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies, or procedures of or with such Debtor, will be deemed and treated as executory contracts that are assumed by the applicable Debtor or Reorganized Debtor pursuant to the Plan and Bankruptcy Code § 365 or otherwise as of the Effective Date. Accordingly, such indemnification obligations will not be discharged but will instead survive and be unaffected by entry of the Confirmation Order. Without in any way limiting the generality of the foregoing, the Reorganized Debtors shall maintain for a period of not less than six years from the Effective Date coverage for the individuals covered by such

policies at levels and on terms no less favorable to such individuals than the terms and levels provided for under the policies assumed pursuant to the Plan.

5. **Executory Contracts Entered Into After the Petition Date.**

Executory Contracts entered into after the Petition Date by any Debtor, including any Executory Contracts assumed by any Debtor pursuant to Bankruptcy Code § 365, will be performed by the Debtor or the Reorganized Debtor liable thereunder in accordance with the terms and subject to the conditions of such Executory Contract(s) in the ordinary course of its business. Accordingly, such Executory Contracts (including any Executory Contracts assumed pursuant to Bankruptcy Code § 365) will survive and remain unaffected by entry of the Confirmation Order.

6. **Exculpation.**

The Released Parties shall have no liability to any Person for any act taken or not taken or any omission in connection with, or arising out of these Cases (and the commencement thereof); the Disclosure Statement, the Plan, the Exit Credit Facility, the Plan Documents, or the formulation, negotiation, preparation, dissemination, implementation, or administration of any of the foregoing documents; the solicitation of votes for the pursuit of confirmation of the Plan; the confirmation and/or consummation of the Plan; the Plan Documents; any Restructuring Transaction; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; or any other pre-or post-Petition Date act taken or omitted to be taken in connection with, or in contemplation of, any of the restructuring or other transactions contemplated in the Plan and therein, or the administration of the Plan or the property to be distributed or otherwise transferred under the Plan; and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan, and shall be fully protected in acting or refraining from acting in accordance with such advice.

7. **Further Actions**.

The Debtors, with the consent of the Senior Secured Noteholders Representative, the Reorganized Debtors, and any and all New Subsidiaries, shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, certificates, releases, and other agreements and to take such other action as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, any Plan Document, any Restructuring Transaction(s), the transactions contemplated herein, and therein, the Management and Director Equity Plan, the KERP, the Registration Rights Agreement, and the Exit Credit Facility, or any notes or guarantee issued in connection with the Plan.

E. Retention of Jurisdiction.

1. Claims and Actions.

Following the Effective Date, the Bankruptcy Court shall retain such jurisdiction over these Cases as is legally permissible, including, without limitation, such jurisdiction as is necessary to ensure that the intents and purposes of the Plan are carried out. The Bankruptcy Court shall also expressly retain jurisdiction: (a) to hear and determine all Claims against any of the Debtors; and (b) to enforce all causes of action that may exist on behalf of any of the Debtors, including, but not limited to, all Bankruptcy Claims.

2. Retention of Additional Jurisdiction.

Following the Effective Date, the Bankruptcy Court shall also retain jurisdiction for the purpose of classification of Claims and Interests, the re-examination of Claims that have been allowed, and the dispositions of such objections as may be filed to any Claims, including Bankruptcy Code § 502(c) proceedings for estimation of Claims. The Bankruptcy Court shall further retain jurisdiction for the following additional purposes:

(a) to decide all questions and disputes regarding title to the respective Assets of the Debtors, all causes of action, controversies, disputes, or conflicts, whether or not subject to any pending action as of the Effective Date, between any of the Debtors and any other party, including, without limitation, any right to recover assets pursuant to the provisions of the Bankruptcy Code;

(b) to modify the Plan after the Effective Date in accordance with the terms of the Plan and pursuant to the Bankruptcy Code and the Bankruptcy Rules;

(c) to enforce and interpret the terms and conditions of the Plan;

(d) to enter such orders, including, but not limited to, such future injunctions as are necessary to enforce the respective title, rights, and powers of the Debtors and to impose such limitations, restrictions, terms, and conditions on such title, rights, and powers as the Bankruptcy Court may deem necessary;

(e) to enter an order closing these Cases;

(f) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to implement the intents and purposes of the Plan;

(g) to decide any and all objections to the allowance of Claims or purported Liens;

(h) to determine any and all applications for allowances of compensation and reimbursement of expenses and the reasonableness of any fees and

expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

(i) to determine any applications or motions pending on the Effective Date for the rejection, assumption, or assignment of any Executory Contract and to hear and determine, and, if need be, to liquidate any and all Claims and/or disputes arising therefrom;

(j) to determine any and all applications, adversary proceedings, and contested matters that may be pending on the Effective Date;

(k) to consider any modification of the Plan, whether or not the Plan has been substantially consummated, and to remedy any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, to the extent authorized by the Plan or the Bankruptcy Court;

(l) to decide all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or any Plan Document;

(m) to consider and act on the compromise and settlement of any Claim against or cause of action by or against any of the Debtors arising under or in connection with the Plan;

(n) to issue such orders in aid of execution of the Plan as may be authorized by Bankruptcy Code § 1142;

(o) to protect any Released Party against any Claims or Interests released pursuant to Article IX of the Plan; and

(p) to determine such other matters or proceedings as may be provided for under Title 28 or any other title of the United States Code, the Bankruptcy Code, the Bankruptcy Rules, other applicable law, the Plan, or in any order or orders of the Bankruptcy Court, including, but not limited to, the Confirmation Order or any order that may arise in connection with the Plan or the Confirmation Order.

F. Releases.

1. **Generally.**

Except as otherwise provided herein or in the Plan, as of the Confirmation Date, but subject to the occurrence of the Effective Date, none of: (i) the Debtors, the Reorganized Debtors, or any New Subsidiary and these parties' respective successors and assigns; (ii) the DIP Agent, the Senior Credit Facility Lender, the DIP Facility Lenders, the Senior Secured Noteholders, and the Senior Subordinated Noteholders; (iii) the members of the Creditors Committee; (iv) the respective directors, officers, and employees who have continued to serve in such capacity as of the Confirmation Date and present members, agents, principals,

*representatives, stockholders, attorneys, advisors, financial advisors, accountants, underwriters, appraisers, investment bankers, and other professionals of any Person referred to in clauses (i), (ii), or (iii) of Plan Section 9.6(a); (v) any Person claimed to be liable derivatively through any Person referred to in clauses (i), (ii), (iii), or (iv) of Plan Section 9.6(a), including, without limitation, any of such Person's directors, officers, employees, predecessors, successors, members, agents, principals, representatives, stockholders, attorneys, advisors, financial advisors, accountants, underwriters, appraisers, investment bankers, or other professionals) (all such Persons referred to in clauses (i) through (v) (inclusive) of Plan Section 9.6(a) are referred to herein collectively as the "**Released Parties**"), shall have or incur any liability to any Person that has held, holds, or may hold a Claim or Interest or at any time was a creditor or Interest Holder of any of the Debtors and votes to accept the Plan (all such Persons are referred to herein collectively as the "**Releasing Parties**") for any claim, obligation, right, cause of action, or liability (including, but not limited to, any claims arising out of, or relating to, any alleged fiduciary or other duty; any alleged violation of any federal securities law or any other law relating to creditors' rights generally; any of the Released Parties' ownership of any securities of any of the Debtors; or the potential avoidance of preferences or fraudulent conveyances or any derivative claims) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, or occurrence from the beginning of time through and including the Effective Date in any way relating to the Debtors, these Cases, or the Plan; and any and all claims based upon or arising out of such actions or omissions shall be forever and completely waived and released by the Releasing Parties (other than the right to enforce the Debtors' or the Reorganized Debtors' obligations under (a) the Plan, (b) any settlement agreement (including any related postpetition agreements) approved by the Bankruptcy Court in these Cases, (c) the Assumed Contracts, or (d) the Plan Documents to be delivered under the Plan); provided, however, that such complete waiver and release will be in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code; and provided further, however, that nothing in Plan Section 9.6(a) shall be deemed to assert or imply any admission of liability on the part of any of the Released Parties.*

Except as otherwise provided in the Plan, all Persons shall be forever precluded from asserting any of the claims released pursuant to Plan Section 9.6 against any of the Released Parties or any of the Released Parties' respective assets; and to the extent that any Person receives monetary damages from any Released Party on account of any claim released pursuant to Plan Section 9.6, such Persons shall, pursuant to the Plan and the Confirmation Order, assign all of their respective right, title, and interest in and to such recovery to the Released Parties against whom such money is recovered.

Notwithstanding any provision of the Plan to the contrary, the releases contained in Section 9.6 of the Plan shall not be construed as, or operate as a release of, or limitation on (i) claims by the Releasing Parties against the Released Parties that do not relate to or involve the Debtors or (ii) objections to Claims.

2. **Release by the Debtors.**

On the Effective Date, pursuant to Bankruptcy Rule 9019 or otherwise, the Debtors, the Reorganized Debtors, and any Person seeking to exercise the rights of the Debtors' estates, including, without limitation, any successor to the Debtors or any estate representative appointed or selected pursuant to Bankruptcy Code § 1123(b), on their own behalf, and on behalf of all the Debtors' respective Interest Holders and Creditors derivatively, shall, pursuant to the Plan, completely and forever release, waive, and discharge all of the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities (including any Bankruptcy Claims), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity, or otherwise, that are based in whole or in part on any act, omission, transaction, or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, these Cases, or the Plan that such entity has, had, or may have based upon any act or omission related to past service with, for, or on behalf of the Debtors or their Affiliates through and including the Effective Date, including, but not limited to, with respect to any actions to be contemplated by the Plan or not taken in connection herewith. The immediately preceding sentence shall not, however, apply to (i) any indebtedness of any Person to any of the Debtors for money borrowed by such Person or any other contractual obligation of any Person to any of the Debtors or (ii) any setoff or counterclaim that the Debtors may have or assert against any Person, provided that the aggregate amount thereof shall not exceed the aggregate amount of any Claims held or asserted by such Person against the Debtors. Holders of Claims and Interests against any of the Debtors shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any such claim that could be brought on behalf of or in the name of the Debtors.

3. **Injunction Related to Releases.**

The Confirmation Order will permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities released pursuant to the Plan.

4. **Modification and Reservation of Rights in the Event of Nonacceptance of the Plan.**

Under the Plan, the Debtors expressly reserve the right to request that the Bankruptcy Court confirm the Plan over the objection of any impaired Class or Interest in accordance with the applicable provisions of Bankruptcy Code § 1129(b). In the event that any impaired Class or Classes of Allowed Claims shall not accept the Plan, upon the written request of the Debtors filed with the Bankruptcy Court, and subject to the prior consent of the Senior Secured Noteholders Representative, the Plan shall be modified, revised, and amended to provide such treatment as set forth in such request, to assure that the Plan does not discriminate unfairly, and is fair and equitable, with respect to the Classes rejecting the Plan, and, in particular, to provide the treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b) with respect to (i) the rejecting Classes and (ii) any other Classes adversely affected by the modifications caused by Article X of the Plan. In particular, the treatment of any rejecting

Classes or adversely affected Classes shall be modified and amended from that set forth in Article V of the Plan, even if less favorable, to the minimum treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b). These modifications may include, but shall not be limited to, cancellation of all amounts otherwise payable under the Plan to the rejecting Classes and to any junior Classes affected thereby (even if such Classes previously accepted the Plan) consistent with Bankruptcy Code § 1129(b)(2)(B)(ii) and (C)(ii).

5. **Modification of the Plan Prior to or After the Entry of the Confirmation Order.**

The Debtors reserve the right to alter, amend, or modify the Plan prior to or after the entry of the Confirmation Order, subject to the consent of the Senior Secured Noteholders Representative. After the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, with the consent of the Senior Secured Noteholders Representative and upon an order of the Bankruptcy Court, may amend or modify the Plan in accordance with Bankruptcy Code § 1127.

6**. Revocation or Withdrawal of the Plan.**

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date with the prior consent of the Senior Secured Noteholders Representative. If the Debtors so revoke or withdraw the Plan, then the Plan shall be null and void and, in such event, nothing contained therein shall be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving any of the Debtors.

7. **Substantive Consolidation of the Debtors.**

Under the Plan, the Debtors reserve the right to seek the entry of an order of the Bankruptcy Court providing for the substantive consolidation of some or all of the Debtors for the purpose of implementing the Plan, including for purposes of voting, confirmation, and distributions to be made under the Plan, subject to the right of any party in interest to object to such relief.

G. Risk Factors.

THE NEW TERM NOTES AND SHARES OF NEW O'SULLIVAN HOLDINGS COMMON STOCK TO BE ISSUED UNDER THE PLAN ARE SPECULATIVE OBLIGATIONS AND/OR SECURITIES AND INVOLVE A HIGH DEGREE OF RISK. CREDITORS SHOULD CAREFULLY REVIEW THE FOLLOWING FACTORS TOGETHER WITH THE OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT PRIOR TO VOTING ON THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

1. **Ability to Service Debt.**

Based on historical data and net cash provided by operating activities during recent fiscal years, anticipated growth and business prospects, and management's operating strategy, the Debtors anticipate that the Reorganized Debtors will be able to generate sufficient cash from operations to meet all of the cash obligations incurred pursuant to the Plan and the Plan Documents. If, however, as a result of a significant reduction in purchases from a major customer, fluctuations in the price of raw materials, or other factors, the Reorganized Debtors are unable to generate sufficient funds to meet such obligations, funds will have to be derived from alternative sources such as equity financings, asset sales, additional borrowings, and/or reductions in capital expenditures. Unfavorable conditions in the financial markets and the RTA furniture industry, restrictive covenants contained in their debt instruments, and/or various other factors may limit the ability of the Reorganized Debtors successfully to undertake any such actions, however, and no assurance can be given as to the availability of feasible alternative sources of funds. Any utilization of alternative sources of funds may impair the competitive position of the Reorganized Debtors, reduce their cash flows, or have other adverse consequences.

2. **Projected Operating and Financial Results.**

The Debtors have prepared the financial projections attached as Exhibit B hereto. The assumptions on which these projections are based, however, are subject to significant uncertainties and, inevitably, some assumptions will not materialize. Also, unanticipated events and circumstances beyond the Reorganized Debtors' control may affect the actual financial results.

Accordingly, neither the Debtors nor the Reorganized Debtors make any representation as to the accuracy of the projections or the Reorganized Debtors' ability to achieve projected results. The actual results achieved will vary from the projected results and the variations may be material. It is urged that all of the assumptions and other caveats regarding the projections set forth on Exhibit B hereto be examined carefully in evaluating the Plan.

The projections were not prepared with a view toward public disclosure or compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections or forecasts. The Debtors' independent auditors have not examined the projections or compiled such analysis and assume no responsibility therefor.

3. **No Assurance of a Public Market.**

The New Notes and the New O'Sullivan Holdings Common Stock are new securities for which there is currently no trading market. Subject to the terms of any Registration Rights Agreement the Reorganized Debtors may enter into in the future, the New O'Sullivan Holdings Common Stock will not be listed on an exchange or traded over the counter. There can be no assurance that a market for any of these securities will develop, or, if such a market develops, whether such market would create liquidity or the price at which the New Notes or New O'Sullivan Holdings Common Stock may trade.

4. **No Public Reporting.**

O'Sullivan Holdings and O'Sullivan Industries are each currently reporting companies under Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as a result of the registration of the Senior Preferred Stock, which is publicly traded, and because the Senior Secured Notes and the Senior Subordinated Notes are required to be registered under the respective Indentures. Under Section 15(d) of the Exchange Act, the duty to file reports under Section 15(d) is automatically suspended if, at the beginning of the fiscal year, the securities of each class to which the registration relates are held of record by fewer than 300 persons. Rule 15d-6 under the Exchange Act requires that notice of such termination be filed with the SEC on Form 15 within 30 days after the beginning of such fiscal year. Reporting obligations under Section 15(d) of the Exchange Act may also be terminated by filing a Form 15 with the SEC. Under Rule 12h-3 of the Exchange Act, the duty under Section 15(d) to file reports is suspended immediately for securities held of record by, among other things, fewer than 300 persons. On the Effective Date, the Senior Preferred Stock, the Senior Secured Notes, and the Senior Subordinated Notes will be cancelled and thereby will be held by fewer than 300 persons. In addition, the Indentures and the obligations thereunder, including the obligations to register the Senior Secured Notes and the Senior Subordinated Notes, shall be deemed terminated. O'Sullivan Holdings expects to file a Form 15 certifying termination of registration with respect to the Senior Preferred Stock, and O'Sullivan Industries expects to file a Form 15 with respect to the Senior Secured Notes and the Senior Subordinated Notes, respectively, under either Section 15(d) or Rule 12h-3 of the Exchange Act, depending upon the circumstances.

Upon the Effective Date, the Reorganized Debtors will not file reports with the SEC. Unless and until Reorganized O'Sullivan Holdings becomes a "reporting company" pursuant to the Exchange Act, files on a timely basis the reports required to be filed thereunder, and otherwise complies with the provisions of Rule 144 and 144(a), the holders of the New O'Sullivan Holdings Common Stock or the New Notes will not be able to resell any such securities pursuant to Rule 144 or 144(a). Accordingly, no assurance can be given that a holder of the New O'Sullivan Holdings Common Stock or the New Notes will be able to sell those securities in the future or as to the price at which such a sale may occur.

5. **Certain Tax Matters.**

The Plan is subject to substantial uncertainties regarding the application of federal income tax laws, state laws, and local laws to various transactions and events contemplated therein. See the section below entitled "Certain Federal Income Tax Considerations."

6. **Consequences if the Plan is Not Confirmed or the Conditions to Effectiveness are Not Satisfied.**

There can be no assurance that the Plan as proposed will be approved by the requisite number of Holders or amounts of Claims or by the Bankruptcy Court. Similarly, in the event that any impaired Class or Classes vote(s) to reject the Plan, there can be no assurance that the Debtors will be able to obtain confirmation of the Plan under the Bankruptcy Code's so-called "cram-down" provisions. See the section below entitled "Confirmation Without Acceptance By All Impaired Classes."

In the event the Plan is not confirmed within the exclusive time period allotted by the Bankruptcy Code and the Bankruptcy Court's orders for the Debtors to propose and confirm the Plan, any other party-in-interest may propose a plan of reorganization, and subsequent plans may be proposed and approved by the requisite majorities and be confirmed by the Bankruptcy Court. Notwithstanding Bankruptcy Court approval, it is possible that the Plan may not be consummated because of other external factors that may adversely affect the Debtors and their businesses.

Specifically, even if the Debtors obtain the requisite acceptances to confirm the Plan and/or the requirements for a "cram down" are met with respect to any Impaired Class that has rejected the Plan, there can be no assurance that the Bankruptcy Court will confirm the Plan. Pursuant to § 1128(b) of the Bankruptcy Code, any party-in-interest, including the United States Trustee, any creditor, or any equity holder, has the right to be heard by the Bankruptcy Court on any issue in the Cases. It is possible that such a party-in-interest could challenge, among other things, the terms of the Plan, the adequacy of disclosure in this Disclosure Statement, or the adequacy of the time period allotted under this solicitation for considering whether to accept or to reject the Plan (the "Solicitation"). Even if the Bankruptcy Court were to determine that the Solicitation was proper, it could still decline to confirm the Plan if it were to find that any statutory condition for confirmation had not been met. Bankruptcy Code § 1129 sets forth the requirements for confirmation. While the Debtors believe that the Plan complies with all of the confirmation requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion. A party-in-interest may also object to the classification or treatment of any claim or interest and might succeed in persuading the Bankruptcy Court that the classification or treatment of such claim or interest provided by the Plan is improper. In such event, it is the present intention of the Debtors to modify the Plan to provide for whatever reasonable classification or treatment may be required by the Bankruptcy Court for confirmation of the Plan and to use the votes received pursuant to the Solicitation for the purpose of obtaining the approvals of the affected class or classes. However, the reclassification mandated by the Bankruptcy Court might render such course of action impossible, and the Debtors could then be forced to conduct a new solicitation of acceptances of the Plan, as modified.

The confirmation and effectiveness of the Plan are also subject to certain conditions, including the execution and delivery of the Exit Credit Facility. See the section below entitled "Confirmation of the Plan -- Conditions to Effectiveness." There can be no assurance that these conditions to confirmation and effectiveness of the Plan will be satisfied, or if not satisfied, that the Debtors will waive such conditions. Therefore, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that it will subsequently be consummated and the restructuring completed.

Furthermore, there can be no assurance that modifications of the Plan will not be required for its confirmation, or that such modifications would not require resolicitation of acceptances from one or more classes of impaired claims and equity interests.

7. Certain Restrictions on the Reorganized Debtors.

Although not yet entered into as of the date hereof, the Exit Credit Facility and/or the New Notes will likely contain certain restrictions on the operations of one or more of the

Reorganized Debtors. Such restrictions in similar transactions typically include, among other things, limitations on the ability of the applicable Reorganized Debtor to incur additional indebtedness or liens beyond certain amounts, to make dividend payments and other distributions with respect to its outstanding stock under certain circumstance, and to enter into certain transactions with affiliates unless conditions are satisfied.

No assurance can be given that the applicable Reorganized Debtor will be able to obtain the consent of the Exit Credit Facility Lenders and/or the Holders of the New Notes (as applicable) in order to permit it to take advantage of business opportunities or to respond to market conditions in the future if such actions would be in violation of any such covenants contained in the Exit Credit Facility and/or the New Notes. In addition, it is typical in transactions similar to the Exit Credit Facility that a borrower such as the applicable Reorganized Debtor would be required to achieve, maintain, or comply with certain financial ratios and comply with other financial and operating covenants that will depend in large part on the adequacy of such Reorganized Debtor's operating results. The ability of the applicable Reorganized Debtor to comply with such ratios and covenants may be affected by events beyond its control and there can be no assurance that such Reorganized Debtor will be able to achieve, maintain, or comply with any prescribed ratios or covenants in the Exit Credit Facility.

8. **Risks Associated with the New O'Sullivan Holdings Common Stock.**

The New O'Sullivan Holdings Common Stock will be issued pursuant to the Plan by Reorganized O'Sullivan Holdings, a company which will hold a substantial portion, if not all, of its assets in the stock of the Reorganized Subsidiaries and its foreign subsidiaries. It is expected that much, if not all, of the revenues and earnings of Reorganized O'Sullivan Holdings will be derived from these subsidiaries. The right of Reorganized O'Sullivan Holdings to participate in any distribution of assets of any direct or indirect subsidiary, including the Reorganized Subsidiaries, upon such subsidiary's liquidation or reorganization or otherwise, is necessarily subject to the prior claims of creditors of such subsidiary, except to the extent that claims of Reorganized O'Sullivan Holdings as a creditor of such subsidiary, if any, may be recognized.

Additionally, as set forth above in Section VII.G.7, it is likely that the Exit Credit Facility and/or the New Notes will impose certain restrictions on the payment of cash dividends by the applicable Reorganized Debtors on its stock, including the New O'Sullivan Holdings Common Stock. Accordingly, Reorganized O'Sullivan Holdings does not anticipate the payment of cash dividends on the New O'Sullivan Holdings Common Stock in the foreseeable future.

9. **Securities Issuance.**

The issuance of new securities involves adherence to certain securities law regulations. Although the Debtors believe the securities issued in accordance with the Plan are exempt from these securities law requirements, there can be no assurance that the Bankruptcy Court or any applicable regulatory agency will decide that the relevant exemptions apply to these issuances. For a more detailed discussion of the risks involved with the securities issuance and the Debtors' position on these issues, see the section below entitled "Securities Law Issues."

10. **Competition.**

As described above (see Section V.D.5 entitled "Competition"), the industry in which the Debtors operate is highly competitive. Specifically, as set forth above, there are several major competitors in the RTA furniture business, none of which dominate the market. Some of the Debtors' competitors are significantly larger and have greater financial, marketing, and other resources than the Debtors. Purchasing decisions by the Debtors' customers are influenced by a number of factors, including quality, price, manufacturing flexibility, delivery time, customer service, product styling, and differentiation. Competition among U.S. and foreign suppliers is affected by changing relative labor and raw material costs, lead times, political instability, and infrastructure deficiencies of newly industrializing countries, ecological concerns, human resource laws, fluctuating currency exchange rates, and individual government policies. As a result, the Reorganized Debtors will likely face competitive pressures in their markets from existing competitors and from the potential entry of new competitors.

11. **Concentration of Credit Risk.**

The Debtors perform periodic credit evaluations of their customers' financial condition and. Receivables generally have 30-day payment terms, and credit losses have consistently been within management's expectations. Credit losses may exceed management's projections, however, which could have a negative impact on the Reorganized Debtors' cash flow, among other consequences.

12. **Environmental and Other Governmental Regulation.**

The Reorganized Debtors may be liable for penalties under environmental, health, and safety laws rules and regulations, including the requirements and standards of the U.S. Consumer Products Safety Commission and the Occupational Health and Safety Act. The Debtors' manufacturing facilities ship waste products to various disposal sites. To the extent that those waste products include hazardous substances that could be discharged into the environment at those disposal sites or elsewhere, the Reorganized Debtors are potentially subject to laws that provide for responses to, and liability for, releases of such hazardous substances into the environment and liability for natural resource damages, even if the Reorganized Debtors are not at fault. While the Reorganized Debtors will closely monitor such regulations and standards and design their products accordingly, a substantial change in the level of regulation and standards or the substance of particular regulations and standards could have a material adverse effect on the Reorganized Debtors' business, financial condition, or results of operations. See the section above entitled "Description of Business -- Government Regulation."

13. **Product Liability.**

The manufacture and marketing of ready-to-assemble furniture entails an inherent risk of product liability claims. Although the Debtors have not experienced any significant losses due to product liability claims and currently maintain umbrella liability insurance coverage, there can be no assurance that the amount or scope of the coverage they maintain will be adequate to protect the Reorganized Debtors in the event a significant product liability claim is successfully asserted against them.

14. **Product Innovation.**

Product life cycles can be short in the RTA furniture industry, and innovation is an important component of the competitive nature of the industry. While the Debtors emphasize new product innovation and product repositioning (i.e., design changes or revised marketing strategies), the Reorganized Debtors may be unable to continue to develop competitive products in a timely manner or to respond adequately to market trends. In addition, they may not be able to ensure that repositioned products will gain initial market acceptance or that interest in their products will be sustained. Finally, they could be prevented from passing cost increases to customers because, among other things, prices for many products are set before production costs have been firmly established, adversely affecting net sales.

15. **The Effect of Bankruptcy on the Debtors' Businesses.**

The Debtors have attempted to minimize the potential adverse effect of the filing of these Cases upon the Debtors' relationships with their employees, suppliers, and customers, by, among other things, seeking orders from the Bankruptcy Court authorizing them to pay prepetition employee obligations and to honor prepetition customer credit, return, warranty, and related policies, programs, and practices, and by filing this Disclosure Statement and the proposed Plan at the very onset of these Cases. Nonetheless, the filing of these Cases by the Debtors and the publicity attendant thereto might have adversely affected the Debtors' businesses and the businesses of any non-Debtor subsidiaries. The Debtors believe that relationships with their customers, suppliers, and employees has been maintained and will likely not suffer further erosion if the Plan is confirmed and consummated in a timely fashion.

However, adverse effects are likely to be experienced during the pendency of any increasingly protracted bankruptcy cases. If the Debtors remain in Chapter 11 for a prolonged period, they could continue to operate their businesses and manage their properties as debtors-in-possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Debtors could survive as a going concern in further protracted Chapter 11 cases. The Debtors could have difficulty sustaining the high costs, and the erosion of vendor confidence, that may be caused if they remain in bankruptcy for an extended period. Ultimately, there could be no assurance that the Debtors (or, if exclusivity were terminated, other parties-in-interest) would not be forced to liquidate under Chapter 7.

VIII. CONFIRMATION OF THE PLAN

As discussed further below, the Bankruptcy Court will determine at a hearing on confirmation of the Plan (the "Confirmation Hearing") whether the following requirements for confirmation, set forth in § 1129 of the Bankruptcy Code, have been satisfied:

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

(b) The Debtors have complied with the applicable provisions of the Bankruptcy Code.

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

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

(e) The Debtors have disclosed (i) the identity and affiliations of (x) any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Reorganized Debtors, (y) any affiliate of the Debtors participating in a joint plan with the Debtors, or (z) any successor to the Debtors under the Plan (and the appointment to, or continuance in, such office of such individual(s) is consistent with the interests of Creditors and Interest Holders and with public policy), and (ii) the identity of any insider that will be employed or retained by the Debtors and the nature of any compensation for such insider.

(f) With respect to each Class of Claims or Interests, each Impaired Creditor and Impaired Interest Holder either has accepted the Plan or will receive or retain under the Plan on account of the Claims or Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. See the section below entitled "Best Interests Test."

(g) The Plan provides that Administrative Claims and Priority Claims other than Tax Claims will be paid in full on the Effective Date and that Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding six years after the date of assessment of such Claims, of a value, as of the Effective Date, equal to the Allowed Amount of such Claims, except to the extent that the Holder of any such Claim has agreed to a different treatment.

(h) If a Class of Claims is Impaired under the Plan, at least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class.

(i) Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See the section below entitled "Feasibility Test."

(j) The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to Bankruptcy

Code § 1114(e)(1)(B) or 1114(g) at any time prior to confirmation of the Plan for the duration of the period the Debtors have obligated themselves to provide such benefits.

The Debtors believe that all of the requirements of Bankruptcy Code § 1129 are met. Among other things, the Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of Chapter 11 and that the Debtors have complied or will have complied with all of the requirements of Chapter 11.

A. Solicitation of Votes.

Any Creditor in the Voting Class (Class 2C) who is the Holder of an Allowed Claim is entitled to vote on the Plan, unless such Claim has otherwise been disallowed for voting purposes by the Bankruptcy Court. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Bankruptcy Code. For a more complete description of voting procedures and the record date for voting, see the section above entitled "Voting Instructions."

B. Confirmation Hearing.

The Bankruptcy Code requires that the Bankruptcy Court hold a hearing on Confirmation of the Plan after all Ballots have been cast. The Confirmation Hearing has been scheduled for _____ __, 200__ at __:__ _.m. (Eastern Time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the initial Confirmation Hearing or at any subsequently scheduled Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the requisite majorities of each Voting Class, (ii) hear and decide all objections to the Plan and to confirmation of the Plan, if any, (iii) determine whether the Plan meets the requirements of the Bankruptcy Code, and (iv) confirm or not confirm the Plan.

Any Creditor, Interest Holder, or other party-in-interest who wishes to object to Confirmation of the Plan must file, on or before _:00 PM (Prevailing Eastern Time) on _____ __, 2005, a written objection or response with the Clerk of the Bankruptcy Court, United States Bankruptcy Court for the Northern District of Georgia, 75 Spring Street, S.W., Atlanta, Georgia 30303, and serve copies on (i) Counsel to the Debtors: (a) Lamberth, Cifelli, Stokes & Stout, P.A., Atlanta Financial Center, 3343 Peachtree Road, N.E., East Tower, Suite 550 Atlanta, Georgia 30326 (Attn: James C. Cifelli, Esq., and Gregory D. Ellis, Esq.) and (b) Dechert LLP, 30 Rockefeller Plaza, New York, New York 10112 (Attention: Joel H. Levitin, Esq., and David C. McGrail, Esq.); (ii) the Office of the United States Trustee for the Northern District of Georgia, 75 Spring Street, S.W., Atlanta, Georgia 30303 (Attention: _____ _____, Esq.); (iii) Counsel for the DIP Agent and the DIP Lenders (The CIT Group/Business Credit, Inc.): Hunton & Williams LLP, Bank of America Plaza, Suite 4100, 600 Peachtree Street, NE, Atlanta, Georgia 30308 (Attn: Bruce W. Moorhead, Jr., Esq.); (iv) Counsel to the Trustee for the Senior Secured Notes, [FIRM NAME and ADDRESS]; (vi) Counsel to the Largest Holders of the Senior Secured Notes, (a) Alston & Bird LLP, One Atlantic Center, 1201 West Peachtree Street,

Atlanta, Georgia 30309 (Attn: Dennis J. Connolly) and (b) Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019 (Attn: David M. Friedman, Esq. and Richard Casher, Esq.); (vii) Counsel to the Trustee for the Senior Subordinated Notes, [FIRM NAME and ADDRESS]; (viii) Counsel to the Ad Hoc Committee of the Holders of the Senior Subordinated Notes, (a) [local counsel] and (b) Stutman Treister & Glatt, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067 (Attn: Michael H . Goldstein); and (ix) Counsel to Any Official Committees Appointed in These Cases [FIRM NAME and ADDRESS]. Any objection or response must be timely filed and served in order to enable the Creditor, Interest Holder, or other party-in-interest to be heard at the Confirmation Hearing. All objections must state with particularity the grounds therefor. Any objection or response must be timely filed and served in order to enable the Creditor, Interest Holder, or other party-in-interest to be heard at the Confirmation Hearing. All objections must state with particularity the grounds therefor.

C. Classification.

The Debtors are required under Bankruptcy Code §1123 to classify the Claims and Interests of their Creditors and Interest Holders into Classes that contain Claims and Interests that are substantially similar to the other Claims or Interests in such Class. While the Debtors believe that the proposed classification and treatment of Claims and Interests is in compliance with the provisions of Bankruptcy Code §1123 and is supported by prevailing case law, the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed.

ANY RECLASSIFICATION OF CLAIMS OR INTERESTS REQUIRED BY THE BANKRUPTCY COURT COULD ADVERSELY AFFECT THE CLASS IN WHICH SUCH CLAIM OR INTEREST WAS INITIALLY CLASSIFIED OR ANY OTHER CLASSES UNDER THE PLAN BY CHANGING THE COMPOSITION OF SUCH CLASSES AND THE REQUIRED VOTE THEREFOR FOR APPROVAL OF THE PLAN. FURTHERMORE, A RECLASSIFICATION OF CLAIMS OR INTERESTS AFTER APPROVAL OF THE PLAN COULD NECESSITATE THE RESOLICITATION OF A COMPLETELY NEW PLAN OF REORGANIZATION.

D. Impairment.

The Bankruptcy Code requires, as a condition to Confirmation, that each class of Claims or Interests that is impaired under the Plan accept the Plan, with the exception described in Section F hereof. A Class that is not "impaired" under the Plan is deemed to have accepted the Plan and, therefore, solicitation of acceptances with respect to such Class is not required. A Class is "impaired" unless the Plan (a) leaves unaltered the legal, equitable, and contractual rights to which the Claim or Interest entitles the Holder of such Claim or Interest or (b) cures any default that occurred before or after the commencement of Chapter 11 cases (other than defaults of a kind specified in Bankruptcy Code §365(b)(2)), reinstates the original maturity of the Claim or Interest, compensates the Holder for any damages incurred as a result of any reasonable reliance by such Holder on any contract provision that entitled the Holder to demand or receive accelerated payment of the Claim, and does not otherwise alter the legal, equitable, or contractual rights to which the Claim or Interest entitles the Holder thereof.

E. Acceptance of the Plan.

Classes 1, 2A, 2B, and 7 are unimpaired and, therefore, the Holders of Allowed Claims in such Classes are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code §1126(f).

Class 2C is impaired and, therefore, the Holders of Allowed Claims in such Classes are entitled to vote to accept or to reject the Plan.

Classes 3, 4, 5 (subject to the provisions of Plan Section 5.4), and 6 are impaired but are deemed to have rejected the Plan pursuant to Bankruptcy Code §1126(g), because the Holders of Claims and/or Interests in such Classes (as applicable) do not receive or retain any property under the Plan in respect of their Interests.

Chapter 11 does not require that each holder of a claim against or an interest in a debtor vote in favor of a plan of reorganization for the Bankruptcy Court to confirm such a plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of claims as acceptance by the creditors holding a majority in number and at least two-thirds in amount of the allowed claims of that class that have actually been voted on the plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of interests as acceptance by the holders of at least two-thirds in amount of the allowed interests in that class that have actually been voted on the plan. Accordingly, claims that are not voted will not be counted to determine whether the requisite acceptances have been obtained with respect to the Plan.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT, EACH HOLDER OF A CLAIM OR INTEREST IN A CLASS WILL RECEIVE, ON ACCOUNT OF SUCH CLAIM OR INTEREST, THE SAME TREATMENT AS THE OTHER MEMBERS OF SUCH CLASS, WHETHER OR NOT SUCH HOLDER VOTED TO ACCEPT THE PLAN. MOREOVER, UPON CONFIRMATION, THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS REGARDLESS OF WHETHER SUCH CREDITORS OR INTEREST HOLDERS VOTED TO ACCEPT THE PLAN.

A vote to reject the Plan can only occur by proper submission of a duly executed ballot. A vote to accept the Plan can only occur by proper submission of a duly executed ballot or by submission of a ballot either indicating a vote both to accept or to reject the Plan or indicating no choice. Failure of a Holder to return the ballot does not constitute a vote to accept or to reject the Plan by that Holder.

F. Confirmation Without Acceptance By All Impaired Classes.

In the event that any impaired class or classes reject(s) a plan of reorganization, the Bankruptcy Code provides that, as long as at least one impaired class has accepted the plan (without counting the votes of any insiders in such class), a debtor may nevertheless seek confirmation of the plan. To obtain confirmation under these so-called "cram-down" provisions, it must be demonstrated to the Bankruptcy Court that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to any dissenting class.

The "unfair discrimination" test requires, among other things, that the plan may only treat similar claims differently if there is a reasonable basis for such disparate treatment.

The Bankruptcy Code has established different "fair and equitable" tests for secured creditors, unsecured creditors, and equity holders. The respective tests in relevant part are as follows:

1. **Secured Creditors.**

Either (i) each impaired secured creditor of the rejecting class (A) retains its liens in the collateral securing such creditor's claim or in the proceeds thereof to the extent of the allowed amount of its secured claim and (B) receives deferred cash payments in at least the allowed amount of its secured claim with the present value on the Effective Date at least equal to such creditor's interest in its collateral or in the proceeds thereof or (ii) the plan provides each impaired secured creditor with the "indubitable equivalent" of its claim.

2. **Unsecured Creditors.**

Either (i) each impaired unsecured creditor of the rejecting class receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class do not receive or retain any property under the plan (sometimes known as the "absolute priority rule") on account of such junior claim or interest.

3. **Equity Holders.**

Either (i) each equity holder of the rejecting class receives or retains under the plan property of a value equal to the value of such holder's equity interest or (ii) the holders of interests that are junior to the interests of such rejecting class do not receive or retain any property under the plan on account of such junior interest.

If all applicable requirements for confirmation of the Plan are met as set forth in Bankruptcy Code § 1129(a)(1)-(13), except subsection (8) thereof, the Debtors intend to request that the Bankruptcy Court confirm the Plan pursuant to Bankruptcy Code § 1129(b), notwithstanding the requirements of Bankruptcy Code § 1129(a)(8), on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any dissenting, impaired class. In particular, the treatment of any rejecting classes or adversely affected classes shall be modified and amended from that set forth in the Plan, even if less favorable, to the minimum treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b). These modifications may include, but shall not be limited to, cancellation of all amounts otherwise payable under the Plan to the rejecting classes and to junior classes affected thereby (even if such classes previously accepted the Plan) consistent with Bankruptcy Code § 1129(b)(2)(B)(ii) and 1129(b)(2)(C)(ii).

No party-in-interest, however, shall be deemed to waive any right to object to such modification(s) or to cast a new ballot with respect to the Plan, which is granted or provided for under the Bankruptcy Code or Bankruptcy Rule.

IN THE EVENT THAT, FOLLOWING THE REJECTION OF THE PLAN BY AN IMPAIRED CLASS OR CLASSES, AT THE ELECTION OF THE DEBTORS, THE PLAN IS MODIFIED AS DESCRIBED ABOVE, AND THE PLAN AS MODIFIED IS CONFIRMED BY THE BANKRUPTCY COURT, THE REJECTING CLASS OR CLASSES AND ANY CLASS JUNIOR TO SUCH CLASS OR CLASSES COULD BE TREATED LESS FAVORABLY THAN AS CURRENTLY PROVIDED IN THE PLAN, INCLUDING RETAINING NO PROPERTY AND RECEIVING NO DISTRIBUTION UNDER THE PLAN.

THE DEBTORS BELIEVE THAT THE PLAN DOES NOT DISCRIMINATE UNFAIRLY WITH RESPECT TO ANY CLASS AND IS FAIR AND EQUITABLE WITH RESPECT TO EACH IMPAIRED CLASS. THEREFORE, THE DEBTORS INTEND TO SEEK CONFIRMATION OF THE PLAN EVEN IF FEWER THAN THE REQUISITE NUMBER OF FAVORABLE VOTES ARE OBTAINED FROM ANY VOTING CLASS.

G. Feasibility Test.

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtors (the "Feasibility Test"). For the Plan to meet the Feasibility Test, the Bankruptcy Court must find that the Reorganized Debtors will likely possess the resources and working capital necessary to operate profitably and, based on reasonable assumptions, will be able to meet their obligations under the Plan.

For purposes of determining whether the Plan meets the Feasibility Test, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared projections for the five year period ending with the 2010 Fiscal Year.

The Financial Projections indicate that the Reorganized Debtors should have sufficient cash flow to make the payments required under the Plan on the Effective Date, repay and service debt obligations, and maintain operations on a going-forward basis. Accordingly, the Debtors believe that the Plan complies with section 1129(a)(11) of the Bankruptcy Code. As noted in the Financial Projections, however, the Debtors caution that no representations can be made as to the accuracy of the Financial Projections or as to the Reorganized Debtors' ability to achieve the projected results. Many of the assumptions upon which the Financial Projections are based are subject to uncertainties outside the control of the Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Financial Projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Debtors' financial results.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING FINANCIAL PROJECTIONS. FURTHERMORE, THE FINANCIAL PROJECTIONS HAVE NOT BEEN AUDITED BY THE DEBTORS' INDEPENDENT CERTIFIED ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE FINANCIAL PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, SOME

OF WHICH HAVE NOT BEEN ACHIEVED TO DATE AND MAY NOT BE REALIZED IN THE FUTURE, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, LITIGATION, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY, IF NOT ALL, OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE FINANCIAL PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE FINANCIAL PROJECTIONS.

These projections, and the significant assumptions upon which the projections are based, are included in Exhibit B hereto. Based on this analysis, the Debtors believe that the Plan provides a feasible means of reorganization and operation from which there is a reasonable expectation that, subject to the risks disclosed therein, the Reorganized Debtors will be able to make all payments required to be made pursuant to the Plan.

H. Best Interests Test.

Under the Bankruptcy Code, confirmation of a plan requires that each creditor or equity holder in an impaired class either accept the plan or receive or retain under the plan property of a value, as of the effective date, that is not less than the value such creditor or equity holder would receive or retain if the debtor were liquidated under Chapter 7.

To determine what the holders of claims and interests in each impaired class would receive if a debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from a liquidation of the assets of the debtor in the context of a hypothetical liquidation case under Chapter 7. Such determination must take into account the fact that secured claims, the costs and expenses of liquidation, and any costs and expenses resulting from the original reorganization case would have to be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition unsecured claims and interests.

To determine if a plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the hypothetical liquidation of the assets and properties of the debtor (after subtracting the amounts attributable to secured claims and costs and expenses of the Cases) must be compared to the present value of the consideration offered to such classes under the plan.

After consideration of the effect that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors and interest holders of the Debtors, including (1) increased costs and expenses of liquidation under Chapter 7 arising from fees payable to a bankruptcy trustee (up to three percent of total proceeds) and the attorneys and other professionals such trustee might engage, (2) additional expenses and claims that would be generated during the liquidation and from the rejection of unexpired leases and executory contracts in connection with the cessation of the operations of the Debtors, some of which could give rise to claims entitled to priority, (3) the erosion of the value of the Debtors' assets in the context of an expedited liquidation required under Chapter 7 and the "fire sale" atmosphere that would prevail, (4) the adverse effects on the salability of the business that could result from the

possible departure of key employees, (5) the cost attributable to the time value of money resulting from what is likely to be a more protracted proceeding, (6) the application of the absolute priority rule to distributions in a Chapter 7 liquidation, and (7) the loss of the value of the Debtors as a going concern, the Debtors have determined that confirmation of the Plan will provide each holder of a claim in an impaired class with a greater recovery than such holder would receive pursuant to a Chapter 7 liquidation of the Debtors.

The Debtors have sought to consolidate these Cases for procedural purposes only and are proceeding administratively as a single case. The Debtors believe that due regard has been given to the various intercompany Claims and to the relative merits of potential intercompany litigation in formulating the Plan. However, if the Plan is not confirmed, and the Debtors are liquidated under Chapter 7, a separate trustee may be appointed for each Debtor, and litigation may ensue among the trustees concerning the intercompany Claims.

In applying the best interests test, it is possible that Claims and Interests in the Chapter 7 case(s) may not be classified according to the seniority of such Claims and Interests as provided in the Plan. In the absence of a contrary determination by the Bankruptcy Court, all prepetition General Unsecured Claims that have the same rights upon liquidation may be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the Chapter 7 case(s) of the Debtors. The distributions from the liquidation proceeds would be calculated ratably according to the amount of the aggregate Claims held by each Creditor. The Debtors believe that the most likely outcome of liquidation proceedings under Chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior Creditor may receive any distribution until all senior Creditors are paid in full with interest, and no Interest Holder may receive any distribution until all Creditors are paid in full with interest.

The liquidation analysis attached hereto as Exhibit C was prepared by the Debtors and Lazard and is premised on a liquidation in a Chapter 7 case. The information contained therein reflects various assumptions and estimates that are subject to revision and adjustment. Neither the Debtors nor any of their officers, affiliates, professionals, advisors, or agents make any representation or warranty as to the accuracy or completeness of any information contained in the liquidation analysis.

In the liquidation analysis, the Debtors have taken into account the nature, status, and underlying value of their assets, the ultimate realizable value of such assets, and the extent to which such assets are subject to liens and security interests. Based on this liquidation analysis, the Debtors estimate that in a liquidation under Chapter 7, after payment of all liquidation and other costs, (a) the liquidation value remaining to satisfy the Senior Secured Notes Claims is estimated to be approximately between $10.57 million (under the lower estimation) and $19.52 million (under the higher estimation), which approximates a recovery of between 9.8% and 18.1% of such Allowed Senior Secured Notes Claim, and (b) the liquidation value remaining to satisfy all (i) General Unsecured Claims against Debtors O'Sullivan Industries, O'Sullivan Virginia, or OFFO (including Senior Subordinated Notes Claims) and (ii) all Class 4 Claims (All Other Claims Against O'Sullivan Holdings) is, in each instance, estimated to be $0.

Under the terms of the Plan, the Holders of Allowed Senior Secured Notes Claims are entitled to receive, in the aggregate, (a) 10 million shares of New O'Sullivan Holdings Common Stock and (b) the New Notes. The Debtors currently estimate the total value of such 10 million shares of New O'Sullivan Holdings Common Stock to be approximately $79.4 million, or $7.94 per share (based on a projected March 31, 2006 debt balance of $29.1 million), meaning that the Holders of Class 2C Claims shall receive approximately $79.4 million worth of stock, as well as the New Notes in the aggregate principal amount of $10 million. This equates to an estimated recovery of approximately 82.8 cents per dollar of such Allowed Senior Secured Notes Claim.

The estimated value of the recoveries under the terms of the Plan to the Holders of Allowed Senior Secured Notes Claims is based upon an assumed reorganization value of approximately $108.5 million, which is the midpoint of Lazard's valuations that range from approximately $99 million to $118 million as of an assumed Effective Date of March 31, 2006.

Based upon (i) the significantly higher recoveries to holders of Allowed Senior Secured Notes Claims under the terms of the Plan versus the projected recoveries to this class under the hypothetical Chapter 7 liquidation and (ii) the fact that Holders of all other Allowed Claims (including Holders of Senior Subordinated Notes Claims) will not receive a recovery under the terms of the Plan that is less than what the Debtors' and their advisors have determined and projected such Holders would receive under a hypothetical Chapter 7 liquidation, the proposed Plan clearly satisfies the best interests test.

(a) **Valuation of the Reorganized Debtors.**

THE VALUATION INFORMATION CONTAINED IN THIS SECTION WITH REGARD TO THE REORGANIZED DEBTORS IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN.

(i) **Overview.**

The Debtors have been advised by Lazard, its financial advisor, with respect to the consolidated Enterprise Value (as hereinafter defined) of the Reorganized Debtors on a going-concern basis. Lazard undertook this valuation analysis for the purpose of determining value available for distribution to Holders of Allowed Claims and Allowed Equity Interests pursuant to the Plan and to analyze the relative recoveries to such Holders thereunder. The estimated total value available for distribution (the "Distributable Value") to Holders of Allowed Claims and Allowed Equity Interests is comprised of two components: (a) an estimated value of the Reorganized Debtors' operations on a going concern basis (the "Enterprise Value," as identified above), and (b) the value of certain projected tax attributes such as net operating losses ("NOLs"), with which the Debtors will emerge from bankruptcy.

Based in part on information provided by the Debtors, Lazard has concluded solely for purposes of the Plan that the Distributable Value of the Reorganized Debtors ranges from approximately $99 million to $118 million, with a midpoint of $108.5 million as of an assumed Effective Date of March 31, 2006. Based on a projected March 31, 2006 debt balance,

net of cash, of approximately $29.1 million, Lazard's mid-point estimated Distributable Value implies a value for the New O'Sullivan Holdings Common Stock of $79.4 million. Assuming 10,000,000 shares of New O'Sullivan Holdings Common Stock are distributed to the Holders of Allowed Claims pursuant to the Plan, the value of New O'Sullivan Holdings Common Stock is equal to $7.94 per share. These values do not give effect to the potentially dilutive impact of any shares issued upon exercise of any options that may be granted under a long-term incentive plan which the Board of Directors of the Reorganized Debtors may authorize for management of the Reorganized Debtors. Lazard's estimate of Distributable Value does not constitute an opinion as to fairness from a financial point of view of the consideration to be received under the Plan or of the terms and provisions of the Plan.

THE ASSUMED DISTRIBUTABLE VALUE RANGE, AS OF THE ASSUMED EFFECTIVE DATE OF MARCH 31, 2006, REFLECTS WORK PERFORMED BY LAZARD ON THE BASIS OF INFORMATION AVAILABLE TO LAZARD AS OF THE DATE OF THIS DISCLOSURE STATEMENT. ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT LAZARD'S CONCLUSIONS, NEITHER LAZARD NOR THE COMPANY HAS ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS ESTIMATE.

With respect to the Financial Projections prepared by the management of the Debtors and included in this Disclosure Statement, Lazard assumed that such Financial Projections were reasonably prepared in good faith and on a basis reflecting the Debtors' most accurate and currently available estimates, and judgments as to the future operating and financial performance of the Reorganized Debtors. Lazard's Distributable Value range assumes the Reorganized Debtors will achieve their Financial Projections in all material respects, including gross profit growth and improvements in operating margins, earnings and cash flow. If the business performs at levels below those set forth in the Financial Projections, such performance may have a materially negative impact on Enterprise Value.

In estimating the Enterprise Value and equity value of the Reorganized Debtors, Lazard: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Debtors, including the Financial Projections as described in this Disclosure Statement, which data were prepared and provided to Lazard by the management of the Debtors and which relate to the Reorganized Debtors' business and its prospects; (c) met with members of senior management to discuss the Debtors' operations and future prospects; (d) reviewed extensive publicly available financial data for, and considered the market value of, public companies that Lazard deemed generally comparable to the operating business of the Debtors; (e) considered certain economic and industry information relevant to the operating business; and (f) conducted such other studies, analyses, inquiries and investigations as it deemed appropriate. Although Lazard conducted a review and analysis of the Debtors' business, operating assets and liabilities and the Reorganized Debtors' business plan, it assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors, as well as publicly available information.

In addition, Lazard did not independently verify management's Financial Projections in connection with preparing estimates of Distributable Value, and no independent valuations or appraisals of the Debtors were sought or obtained in connection herewith. Such estimates were developed solely for purposes of the formulation and negotiation of the Plan and

the analysis of implied relative recoveries to Holders of Allowed Claims and Allowed Equity Interests thereunder.

Lazard's analysis addresses the estimated going concern Enterprise Value of the Debtors and the value of certain expected tax attributes, including NOLs. It does not address other aspects of the proposed reorganization, the Plan or any other transactions, and it does not address the Debtors' underlying business decision to effect the reorganization set forth in the Plan. Lazard's estimated Enterprise Value of the Debtors does not constitute a recommendation to any Holder of Allowed Claims and Allowed Equity Interests as to how such person should vote or otherwise act with respect to the Plan. Lazard has not been asked to nor did Lazard express any view as to what the value of the Debtors' securities will be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimated Enterprise Value of the Debtors set forth herein does not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan.

Such estimates reflect the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimated Enterprise Value range of the Reorganized Debtors set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Neither the Debtors, Lazard, nor any other person assumes responsibility for their accuracy. In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, the operating performance of the Debtors, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by pre-petition creditors (some of whom may prefer to liquidate their investment rather than hold it on a long-term basis), and other factors which generally influence the prices of securities.

(ii) **Valuation Methodology.**

The following is a brief summary of certain financial analyses performed by Lazard to arrive at its range of estimated Enterprise Value and Distributable Value for the Reorganized Debtors. Lazard performed certain procedures, including each of the financial analyses described below, and reviewed with the management of the Debtors the assumptions on which such analyses were based. Lazard's valuation analysis must be considered as a whole and selecting just one methodology or portions of the analysis could create a misleading or incomplete conclusion as to Enterprise Value.

Under the valuation methodologies summarized below, Lazard derived a range of Enterprise Values assuming the Reorganized Debtors are full taxpayers. Lazard separately analyzed the value of the Debtors' tax attributes, including NOLs, as of the assumed Effective Date and added this value to the Enterprise Value range to calculate a Distributable Value range.

A discussion of Lazard's analysis of such tax attributes, including the methodology used to value them, is presented below in section (ii)(d).

(a) Comparable Company Analysis

Comparable company analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, observed Enterprise Values and equity values for selected public companies are commonly expressed as multiples of various measures of earnings, most commonly earnings before interest, taxes, depreciation and amortization ("EBITDA"), earnings before interest and taxes ("EBIT") and net income. In addition, each company's operational performance, operating margins, profitability, leverage and business trends are examined. Based on these analyses, financial multiples and ratios are calculated to measure each company's relative performance and valuation.

A key factor to this approach is the selection of companies with relatively similar business and operational characteristics to the Debtors. Common criteria for selecting comparable companies for the analysis include, among other relevant characteristics, similar lines of businesses, business risks, growth prospects, maturity of businesses, location, market presence and size and scale of operations. The selection of truly comparable companies is often difficult and subject to limitations due to sample size and the availability of meaningful market-based information. However, the underlying concept is to develop a premise for relative value, which, when coupled with other approaches, presents a foundation for determining Enterprise Value.

Lazard selected the following publicly traded companies (the "Peer Group") on the basis of general comparability to the Debtors in one or more of the factors described above: Chromcraft Revington, Inc., Dorel Industries, Inc., Flexsteel Industries, Inc., Furniture Brands International, Inc., HNI Corporation, Hooker Furniture Corporation, La-Z-Boy Incorporated, Masco Corporation, MITY Enterprises, Inc., Shermag, Inc., Stanley Furniture Company, Inc., and Steelcase, Inc.

Lazard calculated multiples of Enterprise Value to 2005 and 2006 Net Sales and 2005 and 2006 EBITDA for the Peer Group by dividing the Enterprise Values of each comparable company as of October 12, 2005, by their projected 2005 Net Sales and 2006 Net Sales, and 2005 EBITDA and 2006 EBITDA, as estimated in current equity and fixed income research. This analysis produced median multiples of Enterprise Value to estimated 2005 Net Sales and 2006 Net Sales of 0.62x and 0.56x, respectively, and median multiples of Enterprise Value to estimated 2005 EBITDA and 2006 EBITDA of 6.7x and 6.0x, respectively.

Having calculated these statistics, Lazard then applied a range of multiples to the Debtors' forecasted 2005 and 2006 Net Sales and Adjusted 2005 and 2006 EBITDA under the following two approaches to determine a range of Enterprise Values. (To calculate Adjusted EBITDA for the Debtors fiscal 2005 and fiscal 2006 years, Lazard adjusted the Debtors' projected fiscal year 2005 and 2006 earnings before interest, taxes, depreciation and amortization to exclude forecasted non-operating expenses and non-recurring expenses/charges. This

calculation is presented in Exhibit B – "Projected Financial Information For The Reorganized Debtors".)

Under the first approach, Lazard calendarized the Debtors' fiscal year 2006 Net Sales and fiscal year 2006 EBITDA in order to calculate Net Sales and EBITDA of the Debtors for the period beginning January 1, 2006 and ending December 31, 2006. Lazard then applied comparable companies analysis calendar year 2006 Net Sales and EBITDA multiples to the Debtors' calendarized 2006 Net Sales and EBITDA, respectively. Under the second approach, Lazard applied an average of the comparable companies analysis calendar year 2005 and 2006 multiples to the Debtors' fiscal year 2006 Net Sales as well as a "normalized" Adjusted fiscal year 2006 EBITDA. The normalized 2006 EBITDA figure was calculated by applying the Debtors' projected fiscal year 2007 EBITDA margin to its fiscal year 2006 Net Sales.

The approaches to comparable companies analysis described above accounted for the following circumstances, among others. First, the Debtors' fiscal year end (June 30) does not correspond to the fiscal year end used in the comparable public company analysis calculations. Second, the Debtors' fiscal year 2006 projected results reflect depressed operating performance and fail to capture the Company's future expected normalized profitability and thus represent a less meaningful metric for valuing the Company as a going concern. Third, several of the Debtors' key operating initiatives are expected to achieve full impact on the Debtors' financials (profitability) in fiscal year 2007.

In applying a range of multiples, Lazard based the range for both 2005 and 2006 Net Sales and EBITDA multiples on the 25th percentile and the median, using these statistics which were calculated and observed for the entire Peer Group. In applying these multiples calculations and determining these ranges, Lazard considered a variety of factors, including both qualitative attributes and quantitative measures such as historical and projected revenue and EBITDA results; relative size and profitability; capital efficiency; and projected long-term earnings growth.

(b) Precedent Transactions Analysis

Precedent transactions analysis estimates the value of a company based on the implied valuations of merger and acquisition transactions in the target company's industry. Transaction multiples are calculated based on the purchase price (including any debt assumed) paid for the acquired company as a multiple various operating statistics such as Net Sales, EBITDA, and EBIT.

Unlike the comparable public company analysis, the valuation in this methodology reflects a "control" premium, representing the purchase of a majority or controlling position in a company's assets. Thus, this methodology generally produces higher valuations than the comparable public company analysis.

As with the comparable public company analysis, because no acquisition used in any analysis is identical to a target transaction, valuation conclusions cannot be based solely on quantitative results. The reasons for and circumstances surrounding each acquisition transaction are specific to such transaction, and there are inherent differences between the businesses,

operations, and prospects of each. Therefore, qualitative judgments must be made concerning the differences between the characteristics of these transactions and other factors and issues that could affect the price an acquirer is willing to pay in an acquisition. The number of completed transactions for which public data is available also limits this analysis. Because the precedent transaction analysis explains other aspects of value besides the inherent value of a company, there are limitations as to its use in the valuation of the Reorganized Debtors.

In deriving a range of Enterprise Values for the Reorganized Debtors under this methodology, Lazard calculated multiples of total transaction value ("Transaction Value") to the latest twelve months ("LTM") EBITDA of the acquired companies and applied these multiples to O'Sullivan's Adjusted LTM EBITDA. The calculation of Debtors' Adjusted LTM EBITDA, as defined in the preceding section, is shown in Exhibit B – "Projected Financial Information For The Reorganized Debtors."

Lazard evaluated various merger and acquisition transactions that have occurred in the furniture design/manufacturing industry from 1999 to the present. Lazard calculated multiples of Transaction Value to LTM EBITDA of the target companies by dividing the disclosed purchase price of the target's equity, plus any debt assumed as part of the transaction, by disclosed LTM EBITDA. This analysis produced multiples of Transaction Value to LTM EBITDA ranging from a low of approximately 5.9x to a high of approximately 7.4x, with a mean of approximately 6.5x and a mid-point or median of approximately 6.5x.

Lazard then applied a range of multiples to the Debtors' LTM Adjusted EBITDA to determine a range of Enterprise Values. As it did in its comparable company analysis, Lazard established a range between the 25th percentile and the mean (6.1x to 6.5x) of the Transaction Value/EBITDA statistic for the observed transactions. The use of this range implies Lazard's assumption that O'Sullivan's relative value among the target companies in this analysis is the same as was determined for O'Sullivan relative to the Peer Group.

(c) Discounted Cash Flow Analysis

The Discounted Cash Flow ("DCF") analysis is a forward-looking enterprise valuation methodology that relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. Under this methodology, projected future cash flows are discounted by the business' weighted average cost of capital (the "Discount Rate"). The Discount Rate reflects the estimated blended rate of return debt and equity investors would require to invest in the business based on its capital structure. The value of the firm (or Enterprise Value) is determined by calculating the present value of the Reorganized Debtors' unlevered after-tax free cash flows based on in its business plan (the Projections) plus an estimate for the value of the firm beyond the period of March 31, 2006 to June 30, 2010 (the "Projection Period") known as the terminal value. The terminal value is derived by applying a multiple to the Reorganized Debtors' projected EBITDA in the final fiscal year of the Projection Period, discounted back to the assumed date of emergence by the Discount Rate.

To estimate the Discount Rate, Lazard used the cost of equity and the after-tax cost of debt for the Reorganized Debtors, assuming a range of targeted long-term capital

structure of approximately 30% to 50% debt to total capital. Lazard calculated the cost of equity based on the Capital Asset Pricing Model, which assumes that the required equity return is a function of the risk-free cost of capital and the correlation of a publicly traded stock's performance to the return on the broader market. To estimate the cost of debt, Lazard considered the debt financing costs for comparable companies with leverage similar to the Reorganized Debtors' target capital structure.

Although formulaic methods are used to derive the key estimates for the DCF methodology, their application and interpretation still involve complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtors, which in turn affect its cost of capital and terminal multiples. Lazard calculated its DCF valuation on a range of Discount Rates between 12.0% and 14.0% and a trailing EBITDA multiple range used to derive a terminal value of 5.7x to 6.7x.

In applying the above methodology, Lazard utilized management's detailed Financial Projections for the period beginning April 1, 2006 and ending June 30, 2010 to derive unlevered after-tax free cash flows. Free cash flow includes sources and uses of cash not reflected in the income statement, such as changes in working capital and capital expenditures. For purposes of the DCF, the Reorganized Debtors are assumed to be full taxpayers; the value of their tax attributes, including NOLs, is calculated separately as described below. These cash flows, along with the terminal value, are discounted back to the assumed Effective Date using the range of Discount Rates described above to arrive at a range of Enterprise Values.

(d) Analysis of Post-Emergence Tax Attributes

The Reorganized Debtors expect to have NOLs immediately following its emergence from bankruptcy. Such NOLs relate to losses the Reorganized Debtors generated in historical periods before filing for bankruptcy. Lazard has valued these NOLs and other tax attributes of the Reorganized Debtors by calculating the present value of the tax savings they would be expected to provide relative to the taxes the Reorganized Debtors would otherwise pay absent the availability of such attributes. With regard to pre-emergence NOLs with which the Reorganized Debtors will emerge from bankruptcy, the NOL valuation analysis assumed that the annual limitation on such NOL utilization, per Section 382 of the Tax Code, would be approximately $3.5 million. The cash flows from the benefit of Reorganized Debtors' tax attributes were discounted at the Debtors' cost of equity, yielding a value of approximately $7.5 million.

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSES PERFORMED BY LAZARD. THE PREPARATION OF A VALUATION ESTIMATE INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES AND, THEREFORE, SUCH AN ESTIMATE IS NOT READILY SUITABLE TO SUMMARY DESCRIPTION. IN PERFORMING THESE ANALYSES, LAZARD AND THE DEBTORS MADE NUMEROUS ASSUMPTIONS WITH RESPECT TO INDUSTRY PERFORMANCE, BUSINESS AND ECONOMIC CONDITIONS AND OTHER MATTERS. THE ANALYSES PERFORMED BY LAZARD ARE NOT

NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN SUGGESTED BY SUCH ANALYSES.

This going concern enterprise valuation and methodology reflects Lazard's current thinking based on the market environment, performance of industry competitors, and the projected outlook of the industry relative to the worldwide market, among other factors.

I. Amendments to or Modifications of the Plan.

Bankruptcy Code § 1127 allows a debtor to amend its plan at any time prior to its confirmation. If a debtor files a modification of a plan with the Bankruptcy Court, the plan as modified would become the plan. If circumstances so warrant, a debtor may modify its plan after the confirmation but prior to substantial consummation of the plan. After notice and hearing, however, the Bankruptcy Court would then have to confirm the plan as modified. The Debtors reserve the right to amend or modify the terms of the Plan in accordance with the provisions of the Bankruptcy Code, if and to the extent they determine that such amendments or modifications are necessary or desirable to accomplish their objectives. Under the Bankruptcy Rules, any amendments or modifications of the Plan may be approved by the Bankruptcy Court at confirmation without resolicitation of the votes of the members of any class whose treatment is not adversely affected by such amendment or modification.

After confirmation, the Debtors and any other party-in-interest may institute proceedings in the Bankruptcy Court to remedy any defects or omissions or reconcile any inconsistencies in the Plan or the Confirmation Order in such manner as may be necessary to carry out the intents and purposes of the Plan so long as the holders of claims and interests are not adversely affected and prior notice of such proceeding is served in accordance with Bankruptcy Rules 2002 and 9014.

J. Conditions to Confirmation of the Plan.

Confirmation of the Plan shall not occur unless and until the following conditions have been satisfied or waived, pursuant to Section 8.3 of the Plan, in writing by the Debtors and the Senior Secured Notes Representative: (a) an order approving this Disclosure Statement as containing adequate information pursuant to Bankruptcy Code § 1125 shall have been entered and (b) the Confirmation Order shall be reasonably acceptable in form and substance to the Debtors and the Senior Secured Noteholders Representative.

K. Conditions to Effectiveness.

Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur, and the Plan shall not be binding on any party, unless and until each of the following conditions has been satisfied or waived, pursuant to Plan Section 8.3, in writing by the Debtors:

(a) The Confirmation Order (i) shall have been entered on the docket by the Clerk of the Bankruptcy Court in form and substance reasonably acceptable to the Debtors and

the Senior Secured Noteholders Representative and (ii) shall not have been reversed, stayed, amended, or modified in any manner adverse to the Debtors or their estates;

(b) The Plan Documents and all other documents provided for under, and reasonably necessary to effectuate the (i) terms of, and (ii) actions contemplated under, the Plan, in form and substance reasonably acceptable to the Debtors and the Senior Secured Noteholders Representative, shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived in writing by the parties benefited by such documents, including, but not limited to, the following documents:

(1) the Amended and Restated Certificates of Incorporation and the Amended and Restated By-Laws;

(2) all documents reasonably necessary or appropriate to implement the Management and Director Equity Plan;

(3) all documents reasonably necessary or appropriate to implement the KERP;

(4) the Exit Credit Facility, the Exit Credit Facility Guarantees, the New Notes, the New Notes Guarantees, and all instruments, certificates, guarantees, agreements, and documents contemplated by Sections 6.14 and 6.19 of the Plan;

(5) the Registration Rights Agreement; and

(6) the Shareholders Agreement.

(c) All conditions precedent to the consummation of, and the funding obligation under, the Exit Credit Facility shall have been satisfied or waived in accordance with the terms thereof;

(d) The Amended and Restated Certificates of Incorporation of the Reorganized Debtors shall have been adopted and/or filed with the applicable authority of each entity's jurisdiction of incorporation in accordance with such jurisdiction's state corporate laws;

(e) The new respective Boards of Directors of the Reorganized Debtors shall have been appointed; and

(f) All authorizations, consents, and regulatory approvals required (if any) in connection with the effectiveness of the Plan shall have been obtained.

If the Effective Date does not occur for any reason, then the Plan and the Confirmation Order shall be deemed null and void and, in such event, nothing contained in the Plan or the Confirmation Order shall be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings (whether or not such proceedings involve any of the Debtors). If the Confirmation Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute

a waiver or release of any Claims by or against, or any Interests in, the Debtors; (2) prejudice in any manner the rights of the Debtors; or (3) constitute an admission, acknowledgement, offer, or undertaking by the Debtors in any respect.

L. Waiver of Conditions.

With the consent of the Senior Secured Noteholders Representative, the Debtors may, but shall have no obligation to, waive any conditions set forth in Article VIII of the Plan at any time, without notice, without leave of or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. The failure to satisfy or waive any condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such conditions to be satisfied.

N. Effects of Plan Confirmation.

1. Vesting of Property.

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, but retroactive to the Confirmation Date, (a) the Reorganized Debtors shall continue to exist as separate corporate entities (except in the case of the Dissolved Entities, if any, which shall continue to exist as separate corporate entities only until the effective date of the dissolution thereof in accordance with the provisions of applicable state corporate law), with all the powers of corporations under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law, and (b) all property of the respective Estates of the Debtors (including, but not limited to, the Debtors' respective equity interests in any Debtor Subsidiary or any non-Debtor domestic or foreign subsidiary (including, without limitation, O'Sullivan Industries UK Ltd., Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, and O'Sullivan Industries (Australia) Pty. Ltd., to the extent that any of such non-Debtor subsidiaries has not been dissolved under applicable law prior to the Effective Date), but not including any assets transferred, or any Assigned Executory Contract assigned, after the Confirmation Date but prior to the Effective Date to a New Subsidiary pursuant to a Restructuring Transaction, if any, as provided for and authorized in the Plan), wherever situated, shall vest in the applicable Reorganized Debtor, subject to the provisions of the Plan and the Confirmation Order. Thereafter, each Reorganized Debtor may operate its business, incur debt and other obligations in the ordinary course of its business, and may otherwise use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. After the Effective Date, but retroactive to the Confirmation Date, all property retained by the Reorganized Debtors pursuant to the Plan or transferred or assigned to a New Subsidiary pursuant to a Restructuring Transaction shall be free and clear of all Claims, debts, Liens, security interests, obligations, encumbrances, and interests of Creditors and Interest Holders of the Debtors and all other Persons, except as contemplated by or in the Plan or the Confirmation Order, for the obligation to perform according to the Plan and the Confirmation Order, and for the claims, debts, Liens, security interests, encumbrances, and interests (a) of those Holders of Allowed Class 2B Claims whose Secured Claims the applicable Debtor elects to Reinstate pursuant to Section 4.4 of the Plan (as opposed to the applicable Debtor's electing to (i) pay the Allowed amount of such Allowed Class 2B Claim in full, (ii) return the underlying collateral to

such Class 2B Creditor, or (iii) otherwise satisfy such Allowed Claim in a manner provided for under Section 4.4 of the Plan) or (b) arising in connection with the Exit Credit Facility and the New Notes.

2. **Discharge and Injunction.**

Pursuant to 11 U.S.C. § 1141(b) or otherwise, except as may otherwise be provided in the Plan or in the Confirmation Order, upon the occurrence of the Effective Date, the rights afforded and the payments and distributions to be made under the Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge, and release of any and all existing debts, Claims, and Interests of any kind, nature, or description whatsoever against the Debtors or any of the Debtors' Assets and any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction or other property, and shall effect a full and complete release, discharge, and termination of all Liens, security interests, or other Claims, interests, or encumbrances upon all of the Debtors' Assets (as well as upon any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) and property. No Creditor or Interest Holder of the Debtors nor any other Person may receive any payment from, or seek recourse against, any Assets (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) that are to be distributed under the terms of the Plan, except for those distributions expressly provided for under the Plan. All Persons are precluded from asserting, against any property that is to be distributed under the terms of the Plan (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction), any claims, obligations, rights, causes of action, liabilities, or equity interests based upon any act, omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, other than as expressly provided for in the Plan or the Confirmation Order, whether or not (a) a Proof of Claim based upon such debt is filed or deemed filed under Bankruptcy Code § 501; (b) a Claim based upon such debt is allowed under Bankruptcy Code § 502; or (c) the Holder of a Claim based upon such debt has accepted the Plan. Except as otherwise provided in the Plan or the Confirmation Order, all Holders of Claims and Interests arising prior to the Effective Date shall be permanently barred and enjoined from asserting against the Debtors, the Reorganized Debtors, any of the New Subsidiaries, their successors, or the Assets or any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction, any of the following actions on account of such Claim or Interest: (a) commencing or continuing in any manner any action or other proceeding on account of such Claim or Interest against property to be distributed under the terms of the Plan, other than to enforce any right to distribution with respect to such property under the Plan; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any of the property to be distributed under the terms of the Plan or transferred to a New Subsidiary pursuant to any Restructuring Transaction, other than as permitted under subclause (a) above; (c) creating, perfecting, or enforcing any Lien or encumbrance against any property to be distributed under the terms of the Plan or transferred to a New Subsidiary pursuant to any Restructuring Transaction; (d) asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due the Debtors, the Reorganized Debtors, or any New Subsidiary, the Assets (as well as any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) or any other property of the Debtors, the Reorganized Debtors, or any New Subsidiary, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons;

and (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the theoretical alternatives include, in addition to dismissal of these Cases: (i) continuation of these Cases; (ii) preparation and presentation of an alternative plan of reorganization; and (iii) liquidation of the Debtors under Chapter 7 or Chapter 11 of the Bankruptcy Code.

A. Continuation of the Cases.

The Debtors have attempted to minimize the potential adverse effect of the filing of these Cases upon the Debtors' relationships with their employees, suppliers, and customers, by, among other things, seeking orders from the Bankruptcy Court authorizing them to pay prepetition employee obligations and to honor prepetition customer credit, return, warranty, and related policies, programs, and practices, and by filing this Disclosure Statement and the proposed Plan at the beginning of these Cases. Nonetheless, the filing of these Cases by the Debtors and the publicity attendant thereto might have adversely affected the Debtors' businesses and the businesses of any non-Debtor subsidiaries. The Debtors believe that relationships with their customers, suppliers, and employees has been maintained and will likely not suffer further erosion if the Plan is confirmed and consummated in a timely fashion.

However, adverse effects are likely to be experienced during the pendency of any increasingly protracted bankruptcy cases. If the Debtors remain in Chapter 11 for a prolonged period, they could continue to operate their businesses and manage their properties as debtors-in-possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Debtors could survive as a going concern in further protracted Chapter 11 cases. The Debtors could have difficulty sustaining the high costs, and the erosion of vendor confidence, that may be caused if they remain in bankruptcy for an extended period. Ultimately, there could be no assurance that the Debtors (or, if exclusivity were terminated, other parties-in-interest) would not be forced to liquidate under Chapter 7.

B. Alternative Plans of Reorganization.

After the expiration of the period during which only the Debtors may file a plan of reorganization and solicit acceptances thereof, the Debtors or any other party-in-interest could propose a different plan. Such an alternative plan might involve either a reorganization and continuation of the Debtors' businesses, an orderly liquidation of the Debtors' Assets, or some combination thereof. It is possible that, prior to the expiration of the current exclusivity period, the Debtors may file a motion to extend the period during which the Debtors alone may file a plan and/or solicit acceptances thereof.

The Debtors believe that a failure to confirm the Plan may lead to expensive and protracted litigation and eventually to the liquidation of the Debtors. In formulating and developing the Plan, the Debtors have explored other alternatives and engaged in an extensive negotiation process involving many different parties with widely disparate interests. The

Debtors believe not only that the Plan, as described herein, fairly adjusts the rights of various classes of Creditors and enables them to realize the best possible recovery under the circumstances, but also that rejection of the Plan in favor of some theoretical alternative method of reconciling the Claims and Interests of the various Classes will require, at the very least, an extensive and time-consuming negotiation process which will not result in a better recovery for any Class. It is not atypical for bankruptcy proceedings involving substantial entities with complex corporate and financial structures, such as the Debtors, to continue operating in Chapter 11 for years before a plan of reorganization is consummated and payments are made. During any protracted process, the Debtors would inevitably incur substantial administrative expenses and costs in connection with the operation of their businesses, which would be a financial drain on the Debtors.

C. Liquidation Under Chapter 11 or Chapter 7.

In a liquidation under Chapter 11, the Debtors' Assets would be sold in an orderly fashion over a more extended period of time than in a liquidation under Chapter 7, probably resulting in somewhat greater recoveries. Further, if a trustee were not appointed, as one is not required in Chapter 11, the expenses for professional fees most likely would be lower than in Chapter 7. Although preferable to a Chapter 7 liquidation, the Debtors believe that a liquidation under Chapter 11 would still not realize the full going-concern value of the Debtors' Assets, would be a lengthier proceeding than these Cases and would involve greater administrative expenses than these Cases. Consequently, the Debtors believe that a liquidation under Chapter 11 is a much less attractive alternative to Creditors than the Plan, because the Plan provides for a greater return to Creditors than what would likely be realized in a Chapter 11 liquidation and would also take far longer to consummate.

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under Chapter 7, in which one or more trustees would be appointed or elected to liquidate the Assets of each Debtor for distribution to its Creditors in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that a liquidation under Chapter 7 would result in reduced recovery of funds by the Debtors' estates. For a discussion of the effect that a Chapter 7 liquidation would have on the recovery by Creditors, see the section above entitled "Confirmation of the Plan -- Best Interests Tests" and Exhibit C hereto.

X. MANAGEMENT

In accordance with Bankruptcy Code § 1129(a)(5), prior to the Confirmation Date, the Debtors shall disclose the identity and affiliation of all individuals proposed to serve, after confirmation of the Plan, as the initial directors of the respective Reorganized Debtors. In addition, prior to the Confirmation Date, the Debtors will also disclose, to the extent possible, members of the Reorganized Debtors' senior management.

In general, the Reorganized Debtors will continue to be managed by the senior managers currently serving in such capacities. See Section V.D.12. Upon implementation of, and pursuant to the terms of, the Plan, the Reorganized Debtors intend to assume the employment contracts of Robert S. Parker and Rick A. Walters.

XI. DESCRIPTION OF THE EXIT CREDIT FACILITY AND THE NEW NOTES

The Debtors anticipated that, on the Effective Date (or as soon thereafter as is practicable), [Reorganized O'Sullivan Industries, as borrower, the Exit Credit Facility Guarantors, as guarantors], the Exit Credit Facility Lenders, as lenders, and the New Agent, as agent, will execute and deliver the Exit Credit Facility, and [Reorganized O'Sullivan Industries and the Exit Credit Facility Guarantors] (as applicable) will execute and deliver the respective Exit Credit Facility Guarantees and any and all security agreements, mortgages or extensions of mortgages, certificates, and other instruments, agreements, assignments, and documents contemplated and/or required by the Exit Credit Facility, including, but not limited to, any and all such documents that serve to evidence and secure [Reorganized O'Sullivan Industries' and the Exit Credit Facility Guarantors'] respective obligations under the Exit Credit Facility and the Exit Credit Facility Guarantees, and any Liens in favor of the New Agent on behalf of the Exit Credit Facility Lenders securing such obligations.

The Exit Credit Facility shall be in an aggregate principal amount equal to approximately $40-50 million, consisting of (a) the Credit Facility Exit Revolver, and (b) the Exit Credit Facility Term Loan, and shall be sufficient in amount to provide for the distributions contemplated under the Plan plus availability of up to $15 million. The Debtors further anticipate that the various obligations under the Exit Credit Facility will be secured by first and second priority Liens on, and security interests in, substantially all of the Reorganized Debtors' respective Assets, and that [Reorganized O'Sullivan Industries' obligations under the Exit Credit Facility will be guaranteed by the Exit Credit Facility Guarantors.]

In addition, Reorganized O'Sullivan Industries will issue the New Notes, in the aggregate principal amount of $10 million, and the New Notes Guarantors will execute and deliver the New Notes Guarantees. The New Notes will be secured by liens and security interests on all or substantially all of the assets of the Reorganized Debtors that are junior in priority only to the security interests granted to the Exit Credit Facility Lenders under the Exit Credit Facility Term Loan and the Credit Facility Exit Revolver. The liens and security interests securing the New Notes shall be granted pursuant to, and evidenced by, customary security documents, including, without limitation, mortgages, security agreements, pledge agreements and related instruments of perfection, all satisfactory, in form and substance, to the Senior Secured Noteholders. The New Notes will (a) bear interest at a rate equal to 150 basis points higher than, and (b) will mature 6 months beyond the maturity date of, the Exit Credit Facility Term Loan. Under certain conditions, based on the Reorganized Debtors' operating cash flows, Reorganized O'Sullivan Industries may, in its sole discretion, pay any interest due under the New Notes in-kind rather than in Cash.

The terms of the Exit Credit Facility and the terms of the New Notes will be acceptable to the Debtors and the Senior Secured Noteholders Representative, and will include such other terms and conditions customary for exit credit facilities of this type. To the extent such terms are then available, the Debtors will include a summary of the general terms and parameters of the Exit Credit Facility and the New Notes in the Plan Supplement. The Debtors plan to solicit proposals from several potential Exit Credit Facility Lenders, and intend to select a proposed lender in a timely manner. Although the terms of such Exit Credit Facility are still under negotiation, the Debtors believe that the ultimate terms of the Exit Credit Facility will be for a

term of not less than five years, and the credit availability will be determined by a borrowing base formula based on receivables, inventory, and fixed assets. Pursuant to projections, the Debtors anticipate that the availability under the Credit Facility Exit Revolver will exceed the expected future needs of the Reorganized Debtors by a significant amount. The Debtors anticipate obtaining a financing commitment no later than the Confirmation Date.

XII. DESCRIPTION OF THE NEW O'SULLIVAN HOLDINGS COMMON STOCK

On the Effective Date (or as soon thereafter as is practicable), Reorganized O'Sullivan Holdings shall issue in accordance with the terms of the Plan (including Sections 5.2, 6.7, and 6.15 thereof), 10 million shares (in the aggregate) of New O'Sullivan Holdings Common Stock to the Holders of Allowed Claims in Class 2C. As of the Effective Date, such 10 million shares of New O'Sullivan Holdings Common Stock to be so distributed to the Holders of Allowed Claims in Class 2C shall collectively represent 100% of the outstanding shares of New O'Sullivan Holdings Common Stock on a fully-diluted basis (subject to dilution on a *pari passu* basis with all other holders of shares of New O'Sullivan Holdings Common Stock based on the issuance of the shares of New O'Sullivan Holdings Common Stock issuable upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan). Upon the issuance of these shares of New O'Sullivan Holdings Common Stock pursuant to the Plan (including, but not limited to, upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan), all such shares of New O'Sullivan Holdings Common Stock will be deemed fully paid and nonassessable.

Following the Effective Date, certain Holders of New O'Sullivan Holdings Common Stock shall be entitled to require the registration of New O'Sullivan Holdings Common Stock under the Securities Act in accordance with the terms of the Registration Rights Agreement. The Registration Rights Agreement shall be filed as part of the Plan Supplement and shall be executed and delivered by Reorganized O'Sullivan Holdings and become effective on the Effective Date.

No fractional shares of New O'Sullivan Holdings Common Stock will be issued or distributed under the Plan. Whenever any distribution to a particular Person would otherwise call for the distribution of a fraction of a share of New O'Sullivan Holdings Common Stock, the actual distribution of shares of such stock will be rounded down to the next lower whole number. The total number of shares of New O'Sullivan Holdings Common Stock to be distributed to a Class of Claims will be adjusted as necessary to account for this rounding. No consideration will be provided in lieu of fractional shares of New O'Sullivan Holdings Common Stock that are rounded down.

XV. CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following summary is a general discussion of certain of the anticipated federal income tax consequences of the Plan. The summary is based upon relevant provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), the applicable Treasury Regulations promulgated thereunder, judicial authority, published rulings, and such other authorities considered relevant now in effect, all of which are subject to change. The Debtors

have not requested a ruling from the Internal Revenue Service ("IRS"), nor have the Debtors obtained an opinion of counsel with respect to these matters. The federal income tax consequences to any particular Creditor or Interest Holder may be affected by matters not discussed below. Furthermore, the summary does not address all categories of Creditors or Interest Holders, some of which (including foreign persons, life insurance companies, banks, and tax-exempt organizations) may be subject to special rules not addressed herein. There also may be state, local, or foreign tax considerations applicable to each Creditor or Interest Holder. THE SUMMARY SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. EACH CREDITOR AND INTEREST HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL AND APPLICABLE STATE, LOCAL, AND FOREIGN TAX LAWS.

A. Circular 230 Notice.

To ensure compliance with Internal Revenue Service Circular 230, each Creditor and Interest Holder is hereby notified that: (a) any discussion of federal tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon by such Creditor or Interest Holder, for the purpose of avoiding penalties that may be imposed on such Creditor or Interest Holder under the Internal Revenue Code; and (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein.

B. Tax Consequences to Creditors.

The tax consequences of the Plan to an exchanging Creditor may depend in part on whether the Creditor's Claim arose from holding a "security" for federal income tax purposes. A determination as to whether a debt obligation constitutes a security is based upon numerous facts and circumstances surrounding the origin and nature of the obligation. Corporate debt obligations evidenced by written instruments with maturities, when issued, of less than five years or arising out of the extension of trade credit generally do not constitute securities, whereas corporate debt obligations evidenced by written instruments with original maturities of ten years or more generally constitute securities. Under such analysis, the Debtors believe that the Senior Secured Notes and/or the Senior Subordinated Notes may constitute securities. No assurances can be given, however, as to whether the Claims of any Creditor arose from "securities" of the Debtors for federal income tax purposes. Each Creditor is urged to consult its own tax advisor with respect to this issue.

1. Creditors Whose Claims Arose From Obligations That May Constitute "Securities" and Who Receive Stock Under the Plan.

Exchanges pursuant to the Plan by Creditors whose Claims arose from "securities" will qualify as exchanges pursuant to a recapitalization in cases where such Creditors receive stock or other new "securities" of the same issuer. A holder of "securities" participating in a recapitalization will recognize no loss upon the exchange and will recognize gain, if any, only to the extent that (i) the holder receives property other than stock or "securities," (ii) the holder receives "securities" with a greater principal amount than the principal amount of "securities" surrendered, or (iii) any property received is considered attributable to accrued interest. For this purpose, a warrant to acquire stock of a company is treated as a "security" that has a zero

principal amount. As a result, the exchange of Senior Secured Notes for shares of New O'Sullivan Holdings Common Stock and the New Notes should qualify as a recapitalization for purposes of the rules described above. If the exchange is treated as part of a recapitalization, gain, if any, realized by Holders of the Senior Secured Notes will be recognized only to the extent any consideration received is attributable to interest that accrued while the Holder held such notes (if not previously included in the Holder's income for tax purposes) (see the section below entitled "Payments to Creditors on Account of Accrued Interest") and no loss will be recognized upon such exchange.

A Creditor's aggregate tax basis in any stock or "securities" received in a recapitalization pursuant to the Plan will be the same as that of the Claims exchanged therefor, increased by the amount of gain, if any, recognized upon such exchange and reduced by the fair market value of any property received other than stock or "securities." A Creditor's holding period for any stock or "securities" received in a recapitalization pursuant to the Plan will include the period the Creditor held its Claim surrendered in the recapitalization.

2. **Other Creditors.**

Each other Creditor (including those whose Claims do not constitute "securities" and those whose Claims do constitute "securities" but who do not receive any stock or securities of the same issuer in consideration for such Claims) will generally recognize taxable income or loss upon satisfaction of its Claim in an amount that is equal to the difference between (a) the amount of any cash and the fair market of any property received in respect of its Claim, if any (excluding any cash or property received in respect of a Claim for accrued interest - see the section below entitled "Payments to Creditors on Account of Accrued Interest") and (b) the Creditor's tax basis in its Claim (other than any Claim for such accrued interest).

The determination of the character of such income or loss as long-term or short-term capital gain or loss or as ordinary income or loss will depend upon a number of factors, including, among other things, the tax status of the Creditor, whether the Claim constitutes a capital asset in the hands of the Creditor, whether the Claim has been held for more than one year, and whether and to what extent the Creditor has previously claimed a loss or bad debt deduction (or charged a reserve for bad debts) with respect to the Claim.

In determining the amount realized by Creditors as a result of the Plan, the Debtors believe that the amount realized as a result of the receipt of debt instruments issued by one or more of the Reorganized Debtors, such as the New Notes, will be deemed to be equal to the issue price of such debt instruments. It should be noted, however, that a Creditor that receives a New Note may be eligible to defer the portion of its taxable gain allocable to such note under the "installment sale" rules set forth in Tax Code section 453, provided that the Claim on account of which such note is received constitutes property eligible for installment sale treatment (for example, if the Claim is held as part of the inventory of the Creditor or the Creditor is a dealer in such Claims, then that Creditor would not be eligible for installment sale treatment). Even if installment sale treatment is available, however, it should be noted that a non-deductible interest charge may be imposed. Holders of Claims that receive New Notes are urged to consult their tax advisers as to the whether they may be eligible for installment sale treatment and, if they are so eligible, the impact of such treatment.

3. Payments to Creditors on Account of Accrued Interest.

In the case of a cash basis Creditor, any amounts received that are considered allocable to a claim for accrued interest will be includable as interest income. In the case of an accrual basis Creditor, any amounts received that are considered allocable to a claim for accrued interest will, to the extent not previously included in gross income, be includable as interest income. A Creditor that previously included in income accrued but unpaid interest attributable to a Claim, and has not subsequently deducted such interest (for example, as a bad debt), will be allowed a deduction to the extent such accrued but unpaid interest is not satisfied in full. Note that Section 6.33 of the Plan provides that all distributions paid to Holders of Claims in satisfaction thereof pursuant to the Plan shall be allocated first to the original principal amounts of such Claims (as determined for federal income tax purposes), and, second, to the portion of such Claims representing interest (as determined for federal income tax purposes), and any excess thereafter shall be allocated to the remaining portion of such Claims, provided, however, that payments made to the Holders of DIP Facility Claims shall be allocated in accordance with the terms of the DIP Facility; payments made to the Holder of Class 2A Claims shall be allocated in accordance with the terms of the Senior Credit Facility; and payments made to the Holders of Class 2C Claims shall be allocated in accordance with the terms of the Senior Secured Notes Indenture.

C. Tax Consequences to the Debtors.

The Debtors believe that the Debtors will recognize no taxable income as a result of the issuances of the New O'Sullivan Holdings Common Stock and the New Notes or the payment of Cash, in satisfaction of Claims (except to the extent of any gain on transfers of appreciated assets to Creditors in satisfaction of Claims). Under the cancellation of indebtedness rules of the Tax Code, debt obligations discharged in the context of a bankruptcy proceeding will not result in taxable income, although they will cause the reduction in certain tax attributes of the debtor, including net operating losses.

The Debtors estimate that they have approximately $211 million in consolidated net operating loss carryforwards for federal income tax purposes through September 30, 2005. A substantial amount of such net operating losses will be eliminated following implementation of the Plan as a result of the satisfaction of Claims at a discount and/or the income realized through the discharge of indebtedness thereunder, for which the Debtors will generally be required to reduce net operating losses. In addition, if the amount of cancellation of indebtedness (the excess of the amount of debt cancelled over the fair market value of any consideration given in cancellation of such debt) exceeds the amount of the Debtors' net operating loss carryforwards, the excess will be applied to reduce the Debtors' tax basis in assets (to the extent the tax basis exceeds the amount of the Debtors' liabilities following implementation of the Plan).

Pursuant to Bankruptcy Code § 1146(c), the issuance, transfer, or exchange of any security under the Plan; the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan; and the revesting, transfer, assignment, or sale of any real or personal property of any of the Debtors pursuant to, in implementation of, or as contemplated by the Plan (including, but not limited to, any assets transferred to a New Subsidiary pursuant to a Restructuring Transaction) shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee.

XV. SECURITIES LAW ISSUES

A. Sections 1145 and Other Exemptions.

Pursuant to Bankruptcy Code § 1145(a), the issuance of the New O'Sullivan Holdings Common Stock, the New Notes, and/or any notes issued in connection with the Exit Credit Facility, to the extent any of the foregoing constitute "securities" under applicable law, shall be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and any state or local laws requiring registration for the offer or sale of securities. Section 1145(a) of the Bankruptcy Code generally exempts from such registration the issuance of securities if the following conditions are satisfied: (i) the securities are issued by a debtor (or its successor) under a plan of reorganization; (ii) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against the debtor; and (iii) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued principally in such exchange and partly for cash or property.

Any such securities to be issued under the Plan shall be issued without further act or action under applicable law, regulation, order, or rule. In addition, in general, the resale of such securities by the recipients thereof under the Plan will be exempt from registration under the Securities Act, subject to the provisions of Bankruptcy Code § 1145(b) and the Securities Act relating to "underwriters," "issuers," and "dealers," as defined therein. To the extent that persons deemed to be "underwriters" receive securities pursuant to the Plan, such persons may be entitled to resell such securities without registration under the Securities Act pursuant to Rule 144A or Rule 144 thereunder, as further described below. To the maximum extent permitted by law, pursuant to Section 4(2) of the Securities Act, Regulation D of the Securities Act, Rule 701 promulgated under the Securities Act, or otherwise, the issuance of common stock of Reorganized O'Sullivan Holdings in the future in connection with the exercise of any of the options to be granted pursuant to the Management and Director Equity Plan shall be exempt from the registration requirements of the Securities Act, as amended, and any state or local laws requiring registration for the sale of securities.

Rule 144A, promulgated under the Securities Act, provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased his or its securities with a view toward reselling such securities under the provisions of Rule 144A. Under Rule 144A, a "qualified institutional buyer" is defined to include, among other persons (e.g., "dealers" registered as such pursuant to Section 15 of the Exchange Act and "banks" as defined in Section 3(a)(2) of the Securities Act), any entity that purchases securities for its own account or for the account of another qualified institutional buyer and which (in the aggregate) owns and invests on a discretionary basis at least $100 million in the securities of unaffiliated issuers. Subject to certain qualifications, Rule 144A does not exempt the offer or sale of securities that, at the time of their issuance, were securities of the same class of securities then listed on a national securities exchange (registered as such under Section 6 of the Exchange Act), or quoted in a U.S. automated inter-dealer quotation system (e.g., NASDAQ).

To the extent that Rule 144A is unavailable, holders may, under certain circumstances, be able to sell their securities pursuant to the more limited safe harbor resale provisions of Rule 144 under the Securities Act. Generally, Rule 144 provides that if certain conditions are met (e.g., one-year holding period with respect to "restricted securities," volume limitations, manner of sale, availability of current information about the issuer, etc.), specified persons who (a) resell "restricted securities" or (b) resell securities which are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in Section 2(11) of the Securities Act. Under paragraph (k) of Rule 144, the aforementioned conditions to resale will no longer apply to restricted securities sold for the account of a holder who is not an affiliate of the Debtors at the time of such resale and who has not been such during the three-month period next preceding such resale, so long as a period of at least two years have elapsed since the later of (i) the Effective Date and (ii) the date on which such holder acquired his or its securities pursuant to the Plan.

Entities who believe that they may be "underwriters" are advised to consult their own counsel with respect to whether they may be "underwriters" and the availability of the exemptions provided by Bankruptcy Code § 1145 or Securities Act Rule 144 and Rule 144A. For a more detailed discussion of the potential risks if the exemptions provided by Securities Act Rule 144 are ultimately determined not to be available, see the section above entitled "Risk Factors -- No Public Reporting."

Recipients of securities issued pursuant to the Plan are advised to consult with their own counsel as to the availability of any exemption from registration under state law for resales in any given instance and as to any applicable requirements of or conditions to the availability thereof.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE OF ANY OF THE DEBTORS, THE DEBTORS MAKE NO REPRESENTATIONS OR AGREEMENTS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE NEW O'SULLIVAN HOLDINGS COMMON STOCK, THE NEW NOTES, OR ANY OTHER NEW SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN (IF ANY). ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF THE NEW O'SULLIVAN HOLDINGS COMMON STOCK, THE NEW NOTES, AND/OR ANY SUCH OTHER NEW SECURITIES (IF ANY) CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH STOCK, NOTE, OR OTHER SECURITY.

XVII. AVAILABLE INFORMATION

Statements made in this Disclosure Statement as to the contents of any contract, agreement, or other document referred to herein are not necessarily complete. With respect to each such contract, agreement, or other document that has been attached hereto as an exhibit, reference is made to the appropriate exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. Any contract, agreement, or other document that has been referred to or described herein but not otherwise attached as an exhibit may be reviewed at the principal offices of the Debtors, 10

Mansell Court East, Suite 100, Roswell, Georgia 30076 or 1900 Gulf Street, Lamar, Missouri 64759.

O'Sullivan Industries is currently subject to the informational and periodic reporting requirements of the Exchange Act. Accordingly, it has filed periodic reports and other documents and information required under the Exchange Act with the SEC. Such reports and other documents and information filed by O'Sullivan Industries may be examined and are also available for inspection without charge at, or copies obtained upon payment of prescribed fees from, the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549, and are also available for inspection and copying at the regional offices of the SEC located at 233 Broadway, New York, New York 10279, and at 500 West Madison Street, Chicago, Illinois 60661-2511. The SEC maintains a Web Site (http://www.sec.gov) that contains reports and other information regarding both O'Sullivan Industries and O'Sullivan Holdings.

XVIII. RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan are preferable to any of the alternatives described herein. The Debtors have also determined that Confirmation of the Plan will provide each Senior Secured Noteholder with a greater recovery than it would receive if the Debtors were liquidated under Chapter 7 and each Secured Creditor (including, but not limited to, the Senior Credit Facility Lender and the DIP Facility Lenders) with a recovery at least equal to what it would receive if the Debtors were liquidated under Chapter 7. Any other alternative would cause significant delay and uncertainty, as well as substantial additional administrative costs. Thus, the Debtors recommend the confirmation and implementation of the Plan.

Dated: October 14, 2005

O'SULLIVAN INDUSTRIES, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN INDUSTRIES HOLDINGS, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN INDUSTRIES-VIRGINIA, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN FURNITURE FACTORY OUTLET, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

Submitted by:

LAMBERTH, CIFELLI, STOKES & STOUT, P.A.

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[Proposed] Co-Attorneys for the Debtors and
Debtors-in-Possession

EXHIBIT A

THE JOINT PLAN OF REORGANIZATION OF DEBTORS O'SULLIVAN INDUSTRIES, INC., O'SULLIVAN INDUSTRIES HOLDINGS, INC., O'SULLIVAN INDUSTRIES-VIRGINIA, INC., AND O'SULLIVAN FURNITURE FACTORY OUTLET, INC.

DATED OCTOBER 14, 2005

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES, INC.,	)	Bankruptcy Case No.: 05-83049
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES HOLDINGS, INC.,	)	Bankruptcy Case No.: 05-83076
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN INDUSTRIES - VIRGINIA, INC.,	)	Bankruptcy Case No.: 05-83087
Debtor.	)	
In re:	)	Chapter 11
O'SULLIVAN FURNITURE FACTORY OUTLET, INC.,	)	Bankruptcy Case No.: 05-83102
Debtor.	)	

JOINT PLAN OF REORGANIZATION OF DEBTORS O'SULLIVAN INDUSTRIES, INC., O'SULLIVAN INDUSTRIES HOLDINGS, INC., O'SULLIVAN INDUSTRIES-VIRGINIA, INC., AND O'SULLIVAN FURNITURE FACTORY OUTLET, INC.

Submitted by:

LAMBERTH, CIFELLI, STOKES & STOUT, P.A.

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Telephone: (212) 698-3500
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Dated: October 14, 2005

O'Sullivan Industries, Inc., O'Sullivan Industries Holdings, Inc., O'Sullivan Industries-Virginia, Inc., and O'Sullivan Furniture Factory Outlet, Inc., the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"), propose the following joint plan of reorganization pursuant to Chapter 11 of the Bankruptcy Code.

ARTICLE I

DEFINITIONS

The following terms used in the Plan shall have the meanings specified below, and such meanings shall be equally applicable to both the singular and plural forms of such terms, unless the context otherwise requires. Any terms defined in the Disclosure Statement and not otherwise defined herein shall have the meanings set forth in the Disclosure Statement when used herein. Any term used in the Plan, whether or not capitalized, that is not defined in the Plan or in the Disclosure Statement, but that is defined in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning set forth in the Bankruptcy Code or the Bankruptcy Rules.

1.1. **Administrative Claims**: The collective reference to all Claims for costs and expenses of administration of these Cases with priority under Bankruptcy Code § 507(a)(1), costs and expenses allowed under Bankruptcy Code § 503(b), the actual and necessary costs and expenses of preserving the respective Estates of the Debtors and operating the respective businesses of the Debtors, any indebtedness or obligations incurred or assumed by any of the Debtors pursuant to Bankruptcy Code § 364 or otherwise (other than any DIP Facility Claims), professional fees and expenses of the Debtors and any Committee, in each case to the extent allowed by an order of the Bankruptcy Court under Bankruptcy Code §§ 330(a) or 331, the reasonable and customary fees and expenses incurred by the Senior Secured Notes Indenture Trustee in the performance of any function associated with the Senior Secured Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until the Effective Date, the reasonable and customary fees and expenses incurred by the Senior Subordinated Notes Indenture Trustee in the performance of any function associated with the Senior Subordinated Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until the Effective Date, and any fees or charges assessed against the respective Estates under 28 U.S.C. § 1930.

1.2. **Affiliate**: This term shall have the meaning assigned to it in Bankruptcy Code § 101(2); provided, however, that where the context so requires, the term "debtor" in such section shall mean that entity to which the defined term "Affiliate" refers.

1.3. **Allowance Date**: The date a Claim becomes an Allowed Claim.

1.4. **Allowed Administrative Claim**: Any Administrative Claim that is an Allowed Claim; provided, however, that a Holder of any Administrative Claim arising prior to the Effective Date (other than for goods or non-professional services provided to the Debtors during

the bankruptcy proceedings in the ordinary course of business) must file a request for payment on or before 60 days after the Effective Date for such Administrative Claim to be eligible to be considered an Allowed Administrative Claim.

1.5. **Allowed Claim**: Any Claim against any of the Debtors to the extent that (i) such Claim has not been withdrawn, paid in full (pursuant to a prior order of the Bankruptcy Court or otherwise), or otherwise deemed satisfied in full, (ii) proof of such Claim was filed on or before the Claims Filing Bar Date established in these Cases (or, if not filed by such date, proof of such Claim was filed with leave of the Bankruptcy Court, after notice and a hearing) or, if no proof of claim is so filed, which Claim, as of the Confirmation Date, is listed by the Debtors in their Schedules as liquidated in amount, not disputed, and not contingent, (iii) no objection to the allowance of such Claim has been interposed on or before the Claims Objection Bar Date or such an objection having been so interposed, to the extent that such Claim is allowed by a Final Order; and (iv) no Bankruptcy Claim has been brought against the applicable Creditor on or before the Claims Objection Bar Date and remains unresolved; provided, however, that notwithstanding anything to the contrary contained herein, any Claim specifically deemed allowed or disallowed in this Plan shall be, or not be (as the case may be), an Allowed Claim to the extent so specifically provided in this Plan. Unless otherwise ordered by the Bankruptcy Court prior to Confirmation, or as specifically provided to the contrary in this Plan with respect to any particular Claim, an "Allowed Claim" shall not include (i) any interest on such Claim to the extent accruing or maturing on or after the Petition Date, (ii) punitive or exemplary damages, or (iii) any fine, penalty, or forfeiture.

1.6. **Allowed Class . . . Claims**: All Allowed Claims in the particular Class described.

1.7. **Allowed DIP Facility Claims**: All DIP Facility Claims that are Allowed Claims.

1.8. **Allowed General Unsecured Claims**: All General Unsecured Claims that are Allowed Claims.

1.9. **Allowed Intercompany Claims**: All Intercompany Claims that are Allowed Claims (if any).

1.10. **Allowed Priority Claims**: All Priority Claims that are Allowed Claims (if any).

1.11. **Allowed Rejection Claims**: All Rejection Claims that are Allowed Claims.

1.12. **Allowed Secondary Liability Claims**: All Secondary Liability Claims that are Allowed Claims.

1.13. **Allowed Senior Credit Facility Claims**: All Senior Credit Facility Claims that are Allowed Claims (if any).

1.14. **Allowed Senior Secured Notes Claims**: All Senior Secured Notes Claims that are Allowed Claims.

1.15. **Allowed Senior Subordinated Notes Claims**: All Senior Subordinated Notes Claims that are Allowed Claims.

1.16. **Allowed Tax Claims**: All Tax Claims that are Allowed Claims (if any).

1.17. **Allowed Vendor Claims**: All Vendor Claims that are Allowed Claims.

1.18. **Amended and Restated By-Laws**: Collectively, the respective by-laws of Reorganized O'Sullivan Holdings, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, and Reorganized OFFO, on or after the Effective Date, forms of which are included in the Plan Supplement.

1.19. **Amended and Restated Certificates of Incorporation**: Collectively, the respective certificates of incorporation or articles of incorporation (as applicable) of Reorganized O'Sullivan Holdings, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, and Reorganized OFFO, on or after the Effective Date, forms of which are included in the Plan Supplement.

1.20. **Assets**: All of the right, title, and interest of any of the Debtors in and to any and all assets and property, whether tangible, intangible, real, or personal, that constitute property of the respective Estates within the purview of Bankruptcy Code § 541, including, without limitation, any and all claims, causes of action, and/or rights of the respective Debtors under federal and/or state law.

1.21. **Assigned Executory Contracts**: Collectively, all Executory Contracts, if any, that are to be assumed and assigned to a New Subsidiary (if any) in connection with any Restructuring Transaction.

1.22. **Assumption Dispute**: Such term shall have the meaning ascribed to it in Plan Section 7.3.

1.23. **BancBoston:** BancBoston Investments, Inc.

1.24. **BancBoston Note:** That certain note issued by O'Sullivan Holdings to BancBoston on November 30, 1999, which matures on October 15, 2009, in an initial principal amount equal to $15 million, together with all documents, instruments, and agreements related thereto or entered into in connection therewith.

1.25. **Bankruptcy Claims**: All claims, rights, and causes of action created in favor of any of the Debtors under the Bankruptcy Code, including, but not limited to, all preference, fraudulent conveyance, equitable subordination, and other avoidance claims, rights, and causes of action arising under Bankruptcy Code §§ 510 or 542 through 553.

1.26. **Bankruptcy Code**: The Bankruptcy Reform Act of 1978, Title 11, United States Code, as amended from time to time, and made applicable to these Cases.

1.27. **Bankruptcy Court**: The United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division, or any other court of competent jurisdiction exercising jurisdiction over these Cases.

1.28. **Bankruptcy Rules**: The Federal Rules of Bankruptcy Procedure, promulgated under Section 2075, Title 28, United States Code, as amended from time to time, and made applicable to these Cases.

1.29. **Business Day**: A day other than a Saturday, Sunday, "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a)), or any other day on which commercial banks in Atlanta, Georgia are authorized or required by law to close.

1.30. **(These) Cases**: The cases for the reorganization of the Debtors commenced by voluntary petitions under Chapter 11 of the Bankruptcy Code, filed on the Petition Date, in the Bankruptcy Court.

1.31. **Cash**: Legal tender of the United States of America and equivalents thereof.

1.32. **Chapter 11**: Chapter 11 of the Bankruptcy Code.

1.33. **Claim**: Any right to payment from one or more of the Debtors arising, or with respect to which the obligation giving rise to such right has been incurred, before the Effective Date, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or any right arising, or with respect to which the obligation giving rise to such right has been incurred, before the Effective Date to an equitable remedy for breach of performance if such breach gives rise to a right to payment from one or more of the Debtors, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.

1.34. **Claims Filing Bar Date**: _____ __, 200_, the date designated by a Final Order(s) of the Bankruptcy Court as the last date for timely filing Proofs of Claim (other than with respect to (a) Administrative Claims and (b) Rejection Claims arising under those Executory Contracts that will be rejected under and pursuant to the Plan).

1.35. **Claims Objection Bar Date**: With respect to any Claim, the 180th day following the later of the Effective Date, the date such Claim is filed, and such later date as may be established from time to time by the Bankruptcy Court as the last date for filing objections to Claims.

1.36. **Class**: A category, designated herein, of Claims or Interests that are substantially similar to the other Claims or Interests in such category as specified in Article II of the Plan.

1.37. **Class A Common Stock Warrant Agreements:** Those certain common stock warrant agreements, each dated as of November 30, 1999 (as amended and restated from time to time), together with all documents, instruments, and agreements related thereto or entered into in connection therewith, pursuant to which BancBoston and the Senior Subordinated Noteholders, as applicable, each were given warrants to acquire 93,273 shares of O'Sullivan Holdings Class A Common Stock (subject to the terms and conditions thereof).

1.38. **Committee**: Any official committee appointed in these Cases pursuant to 11 U.S.C. § 1102.

1.39. **Compensation and Benefits Programs**: Such term shall have the meaning ascribed to it in Plan Section 7.9.

1.40. **Confirmation**: The entry on the docket of the Bankruptcy Court of the Confirmation Order.

1.41. **Confirmation Date**: The date upon which Confirmation occurs.

1.42. **Confirmation Order**: The order of the Bankruptcy Court confirming the Plan.

1.43. **Credit Facility Exit Revolver**: That certain revolving exit credit facility, including a letter of credit facility, together with all documents, instruments, and agreements related thereto or entered into in connection therewith, to be entered into by the Reorganized Debtors, as borrowers and/or guarantors (as applicable), and the Exit Credit Facility Lenders, as lenders, effective as of the Effective Date.

1.44. **Credit Facilities:** Together, the DIP Facility and the Senior Credit Facility.

1.45. **Creditor**: Any Holder of an Allowed Claim against one or more of the Debtors that arose (or is based on an obligation incurred) on or before the Petition Date, including, without limitation, any Allowed Claim against the respective Estates of a kind specified in Bankruptcy Code § 502(g), (h), or (i).

1.46. **Creditors Committee**: The official committee of unsecured creditors, if any, appointed in these Cases, as constituted from time to time.

1.47. **Debtor**: Any one of the Debtors.

1.48. **Debtors**: Debtors O'Sullivan Holdings, O'Sullivan Industries, O'Sullivan Virginia, and OFFO.

1.49. **Debtor Subsidiaries**: Debtors O'Sullivan Industries, O'Sullivan Virginia, and OFFO, in their capacity as the direct or indirect (as applicable) subsidiaries of Debtor O'Sullivan Holdings.

1.50. **DIP Agent**: The administrative agent and collateral agent for the DIP Facility Lenders under the DIP Facility, together with its successors and assigns thereunder.

1.51. **DIP Facility**: The debtor-in-possession credit facility established pursuant to a credit agreement, as amended and extended from time to time, among O'Sullivan Industries, O'Sullivan Holdings, O'Sullivan Virginia, and OFFO, as borrowers; the DIP Agent, as administrative and collateral agent; and the DIP Facility Lenders, as lenders, together with the documents, instruments, agreements, and orders of the Bankruptcy Court related thereto or entered into in connection therewith.

1.52. **DIP Facility Claims**: All Claims of the DIP Facility Lenders against the Debtors represented by, related to, arising under, or in connection with the DIP Facility for all remaining and outstanding obligations thereunder incurred through and including the Effective Date, after

taking into account the sum of all payments made by any of the Debtors to the DIP Facility Lenders prior to the Effective Date on account of such Claims (if any).

1.53. **DIP Facility Lenders**: Collectively, the Lenders (as defined in the DIP Facility) in their capacity as the lenders under the DIP Facility, and their respective participants, successors, and assigns thereunder.

1.54. **Director Stockholders**: Collectively, those members of the Reorganized Debtors' respective boards of directors who will be granted options to purchase shares of New O'Sullivan Holdings Common Stock under the Management and Director Equity Plan (either initially on the Effective Date or subsequently).

1.55. **Disclosure Statement**: The disclosure statement and all supplements and exhibits thereto that relate to the Plan and are approved by the Bankruptcy Court pursuant to Bankruptcy Code § 1125, as the same may be amended or modified by the Debtors from time to time pursuant to the Bankruptcy Code and the Bankruptcy Rules.

1.56. **Dissolved Entities**: Collectively, those of the Debtors, if any, that the Reorganized Debtors determine, in their election with the advice and consent of the Senior Secured Noteholders Representative, to dissolve in the manner set forth in Plan Section 6.1.

1.57. **Disputed Claim**: A Claim as to which a Proof of Claim has been filed, or deemed filed under applicable law, as to which an objection has been or may be timely filed and which objection, if timely filed, has not been withdrawn and has not been overruled or denied by a Final Order. Prior to the Claims Objection Bar Date, for the purposes of the Plan, a Claim shall be considered a Disputed Claim in its entirety if: (i) the amount of the Claim specified in the Proof of Claim exceeds the amount of any corresponding Claim scheduled by the Debtors in their Schedules; (ii) any corresponding Claim scheduled by the Debtors in their Schedules has been scheduled as disputed, contingent, or unliquidated, irrespective of the amount scheduled; or (iii) no corresponding Claim has been scheduled by the Debtors in their Schedules.

1.58. **Disputed Claims Reserve**: This term shall have the meaning set forth in Section 6.11(a) of the Plan.

1.59. **Disputed Class . . . Claim**: Any Disputed Claim in the particular Class described.

1.60. **Distribution Record Date**: The record date for purposes of making distributions under the Plan on account of Allowed Claims, which date shall be the Confirmation Date or such other date designated as such in the Confirmation Order.

1.61. **DTC**: The Depository Trust Company.

1.62. **Effective Date**: The Business Day on which the Plan becomes effective as provided in Article VIII hereof.

1.63. **Employees**: Collectively, the present and former employees (including retirees) of any of the Debtors.

1.64. **Estate(s)**: Individually, the estate of each Debtor in these Cases, and, collectively, the estates of all of the Debtors in these Cases, created pursuant to Bankruptcy Code § 541.

1.65. **Executory Contract**: Any executory contract or unexpired lease, subject to Bankruptcy Code § 365, between any of the Debtors and any other Person or Persons, specifically excluding contracts and agreements entered into pursuant to the Plan.

1.66. **Exit Credit Facility:** Collectively, the Exit Credit Facility Term Loan and the Credit Facility Exit Revolver, together with all documents, instruments, and agreements related thereto or entered into in connection therewith.

1.67. **Exit Credit Facility Term Loan**: That certain exit financing term loan, together with all documents, instruments, and agreements related thereto or entered into in connection therewith, to be entered into by the Reorganized Debtors, as borrowers and/or guarantors (as applicable), and the Exit Credit Facility Lenders, as lenders, effective as of the Effective Date.

1.68. **Exit Credit Facility Lenders**: Collectively, the lenders under the Exit Credit Facility, and their respective participants, successors, and assigns thereunder.

1.69. **Final Order**: An order or judgment entered by the Bankruptcy Court that has not been reversed, stayed, modified, or amended and that has not been and may no longer be appealed from or otherwise reviewed or reconsidered, as a result of which such order or judgment shall have become final and non-appealable in accordance with Bankruptcy Rule 8002; provided, however, that the possibility that a motion under section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or any analogous rule under the Bankruptcy Rules may be but has not then been filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

1.70. **GECC**: General Electric Capital Corporation.

1.71. **General Unsecured Claims**: Unless otherwise specified in this Plan, all Claims (including, but not limited to, all Claims of Employees; all Rejection Claims; and all Vendor Claims; and, as provided for in, and determined in accordance with, Bankruptcy Code § 506(a), any undersecured or unsecured portions of Secured Claims, to the extent the Holder thereof has not timely elected application of Bankruptcy Code § 1111(b)(2) with respect to such Claim) against one or more of the Debtors that are neither Secured Claims (as provided for, and determined in accordance with, Bankruptcy Code § 506(a)) (including any DIP Facility Claims; Senior Credit Facility Claims; or Senior Secured Notes Claims), Administrative Claims, Priority Claims, Tax Claims, nor Intercompany Claims; and are not otherwise entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court.

1.72. **Guarantees**: Collectively, the Senior Credit Facility Guaranty, the Senior Secured Notes Guarantees, and the Senior Subordinated Notes Guarantees.

1.73. **Holder**: The beneficial owner of any Claim or Interest.

1.74. **Indentures**: Collectively, the Senior Secured Notes Indenture and the Senior Subordinated Notes Indenture.

1.75. **Industrial Revenue Bonds**: The $10 million of variable rate industrial revenue bonds issued by O'Sullivan Virginia and due October 1, 2008, together with all documents, instruments, letters of credit, and agreements related thereto or entered into in connection therewith.

1.76. **Initial Distribution Date**: The Effective Date (or as soon thereafter as is practicable) or such other date as the Bankruptcy Court may order.

1.77. **Intercompany Claim**: (a) Any account reflecting intercompany book entries by one Debtor with respect to any other Debtor or (b) any Claim that is not reflected in such book entries and is held by a Debtor against any other Debtor.

1.78. **Interest**: An ownership interest in any of the Debtors as evidenced by an equity security (as such term is defined in Bankruptcy Code § 101(16)) of any Debtor.

1.79. **Insured Claim**: Any Claim arising from an incident or occurrence alleged to have occurred prior to the Effective Date that is covered under an insurance policy applicable to the Debtors or their businesses.

1.80. **KERP:** That certain Key Employee Retention Plan to be adopted on the Effective Date (or as soon thereafter as is practicable) by Reorganized O'Sullivan Holdings with respect to approximately 25 of their key employees.

1.81. **Lien**: Any lien, security interest, or other charge or encumbrance of any kind, or any other type of preferential arrangement, easement, right of way, or other encumbrance on title to real property.

1.82. **Management and Director Equity Plan**: The equity incentive plan to be adopted on the Effective Date (or as soon thereafter as is practicable) by Reorganized O'Sullivan Holdings with respect to the Management Stockholders and the Director Stockholders.

1.83. **Management Stockholders**: Collectively, those members of the Reorganized Debtors' senior management who will be granted options to purchase shares of New O'Sullivan Holdings Common Stock under the Management and Director Equity Plan (either initially on the Effective Date or subsequently).

1.84. **Net Proceeds**: The gross proceeds received from the liquidation, sale, collection, recovery, or other disposition of any Asset of any Debtor, less the actual costs, expenses (including, without limitation, any professional fees and expenses), and taxes (including, without limitation, all transfer taxes, if any) incurred in connection with (a) preserving such Asset and/or (b) the liquidation, sale, collection, recovery, or other disposition of such Asset.

1.85. **New Agent**: The agent under the Exit Credit Facility for the Exit Credit Facility Lenders, and its successors and assigns thereunder.

1.86. **New Notes**: Collectively, the secured notes in the aggregate principal amount of $10 million, to be issued by Reorganized O'Sullivan Industries and guaranteed by the New Notes Guarantors, and all security and other documents related thereto or entered into in connection therewith.

1.87. **New Notes Guarantors**: Collectively, Reorganized O'Sullivan Holdings, Reorganized O'Sullivan Virginia, and Reorganized OFFO in their capacity as the guarantors of Reorganized O'Sullivan Industries' obligations under the New Notes.

1.88. **New Notes Guarantees**: Collectively, the guarantees to be executed and delivered by the New Notes Guarantors in connection the New Notes.

1.89. **New O'Sullivan Holdings Common Stock**: The shares of common stock, par value $.01 per share, of Reorganized O'Sullivan Holdings, to be issued and distributed in the manner provided by the Plan and/or issued upon the exercise of any options to purchase New O'Sullivan Holdings Common Stock, as provided under the Management and Director Equity Plan.

1.90. **New Subsidiaries**: Collectively, the (directly or indirectly) wholly-owned subsidiaries of any of the Reorganized Debtors, if any, that are established in connection with a Restructuring Transaction.

1.91. **Nominee**: For any Holder of a Claim or Interest, the designated representative of any such Holder.

1.92. **Non-Debtor Intercompany Claim**: Any claim, debt, or other obligation held by or against any Debtor, Affiliate, or subsidiary thereof, by or against any non-Debtor subsidiary or Affiliate of a Debtor.

1.93. **OFFO:** Debtor O'Sullivan Furniture Factory Outlet, Inc., a Missouri corporation and a wholly-owned subsidiary of Debtor O'Sullivan Industries.

1.94. **Old Stock of . . .**: When used with reference to a particular Debtor or Debtors, the common stock, preferred stock, or similar equity ownership interests (as applicable) issued by such Debtor or Debtors and outstanding immediately prior to the Petition Date.

1.95. **O'Sullivan Holdings**: Debtor O'Sullivan Industries Holdings, Inc., a Delaware corporation that owns all of the outstanding common stock of Debtor O'Sullivan Industries.

1.96. **O'Sullivan Holdings Common Stock**: The (a) 2,000,000 authorized shares of Class A common stock, of which 1,356,788.25 shares have been issued and 1,345,579.5 shares are outstanding and (b) 1,000,000 authorized shares of Class B common stock, of which 701,422 shares are issued and outstanding, of O'Sullivan Holdings, and any options, warrants, or rights, contractual or otherwise, to acquire any shares of such common stock.

1.97. **O'Sullivan Holdings Preferred Stock**: Collectively, the (a) O'Sullivan Holdings Senior Preferred Stock, (b) 100,000 authorized shares of Series A Junior preferred stock, none of which are issued or outstanding, (c) 977,503.81 authorized shares of Series B

Junior preferred stock, of which 933,013.18 shares are issued and outstanding, and (d) 50,000 authorized shares of Series C Junior preferred stock, all of which are issued and outstanding, in each case of O'Sullivan Holdings, and any options, warrants, or rights, contractual or otherwise, to acquire any shares of any such preferred stock.

1.98. **O'Sullivan Holdings Senior Preferred Stock**: Collectively, the 17,000,000 authorized shares of Senior preferred stock of O'Sullivan Holdings, of which 16,431,050 shares are issued and outstanding.

1.99. **O'Sullivan Industries**: Debtor O'Sullivan Industries, Inc., a Delaware corporation, which owns all of the outstanding common stock of each of Debtors O'Sullivan Virginia and OFFO.

1.100. **O'Sullivan Virginia**: Debtor O'Sullivan Industries - Virginia, Inc., a Virginia corporation and a wholly-owned subsidiary of Debtor O'Sullivan Industries.

1.101. **Person**: An individual, corporation, partnership, limited liability company, association, joint stock company, joint venture, estate, trust, unincorporated organization, government or any political subdivision thereof, or any other entity.

1.102. **Petition Date**: October 14, 2005, the date upon which the petitions for relief under Chapter 11 with respect to the Debtors commencing these Cases were filed.

1.103. **Plan**: This Joint Plan of Reorganization, and all supplements and exhibits hereto, as the same may be amended or modified by the Debtors from time to time pursuant to and in accordance with the Plan, the Bankruptcy Code, and the Bankruptcy Rules.

1.104. **Plan Documents**: The documents and forms of documents specified or referenced in, and/or to be executed by any of the Debtors and/or any of the Reorganized Debtors and/or any New Subsidiary (as applicable) pursuant to the terms of the Plan, including, but not limited to, the Amended and Restated By-Laws; the Amended and Restated Certificates of Incorporation; the New Notes and the New Notes Guarantees; the Exit Credit Facility; the Shareholders Agreement; the Registration Rights Agreement; any and all documents establishing the terms and conditions of the Management and Director Equity Plan; any and all documents providing for the adoption and/or implementation of the terms and conditions of the KERP; and the organizational documents of any New Subsidiaries, if any, as all such documents and forms of documents may be amended and/or supplemented from time to time in accordance with their respective terms, including any and all documents, certificates, and instruments necessary for any to become effective.

1.105. **Plan Rejection Bar Date**: Such term shall have the meaning ascribed to it in Plan Section 7.5.

1.106. **Plan Supplement**: The supplement to the Plan containing the draft forms and/or summaries of certain of the Plan Documents and certain related lists and/or schedules, as may be amended, modified, or supplemented from time to time thereafter.

1.107. **Priority Claims**: All Claims that are entitled to priority pursuant to Bankruptcy Code § 507(a) or (b) that are not Administrative Claims or Tax Claims.

1.108. **Professional(s)**: Any professional(s) employed in these Cases pursuant to Bankruptcy Code §§ 327, 328, or 1103 or otherwise, and any professional(s) seeking compensation or reimbursement of expenses in connection with these Cases pursuant to Bankruptcy Code §§ 330, 331, and/or 503(b)(4).

1.109. **Professional Fees**: All fees due and owing to any Professional for compensation or reimbursement of costs and expenses relating to services incurred after the Petition Date and prior to the Effective Date.

1.110. **Proof of Claim**: Any written statement filed under oath in these Cases by a Creditor in which such Creditor sets forth the amount owed and sufficient detail to identify the basis for a Claim.

1.111. **Pro Rata**: Proportionately, so that a Pro Rata distribution with respect to an Allowed Claim of a particular Class bears the same ratio to all distributions (and, in the case of Disputed Claims, allocations) on account of a particular Class or Classes, as the dollar amount of such Allowed Claim bears to the dollar amount of all Allowed Claims and Disputed Claims in such Class or Classes.

1.112. **Record Date**: The record date for voting on the Plan, which shall be _____ __, 200_.

1.113. **Registration Rights Agreement**: The registration rights agreement to be entered into by Reorganized O'Sullivan Holdings, substantially in the form contained in the Plain Supplement.

1.114. **Reinstated or Reinstatement**: Either (i) leaving unaltered the legal, equitable, and contractual right to which a Claim entitles the Holder of such Claim so as to leave such Claim unimpaired in accordance with Bankruptcy Code § 1124 or (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (a) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in Bankruptcy Code § 365(b)(2); (b) reinstating the maturity of such Claim as such maturity existed before such default; (c) compensating the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; or (d) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, and affirmative covenants regarding corporate existence, prohibiting certain transactions or actions contemplated by the Plan, or conditioning such transactions or actions on certain factors, shall not be required to be reinstated in order to accomplish the Reinstatement.

1.115. **Rejection Claims**: All Claims arising as a result of any of the Debtors' rejection of an Executory Contract pursuant to Bankruptcy Code §§ 365 and 1123, subject to the limitations provided in Bankruptcy Code § 502(b) or otherwise.

1.116. **Reorganized Debtors**: Collectively, Reorganized O'Sullivan Holdings, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, and Reorganized OFFO (except to the extent that any of the Debtors is dissolved in the manner set forth in Section 6.1 of the Plan, in which case such Debtor will not be one of the Reorganized Debtors).

1.117. **Reorganized OFFO**: OFFO, as reorganized on and after the Effective Date.

1.118. **Reorganized O'Sullivan Holdings**: O'Sullivan Holdings, as reorganized on and after the Effective Date.

1.119. **Reorganized O'Sullivan Industries**: O'Sullivan Industries, as reorganized on and after the Effective Date.

1.120. **Reorganized O'Sullivan Virginia**: O'Sullivan Virginia, as reorganized on and after the Effective Date.

1.121. **Reorganized Subsidiaries**: Collectively, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, and Reorganized OFFO, in their capacity as direct and/or indirect (as applicable) subsidiaries of Reorganized O'Sullivan Holdings.

1.122. **Restructuring Transaction**: Any merger, consolidation, restructuring, disposition, liquidation, dissolution, or other transaction involving the restructuring of the respective assets and/or operations of the Debtors or the Reorganized Debtors (as applicable), that either the Debtors or the Reorganized Debtors, upon the prior consent of the Senior Secured Noteholders Representative, determine to be necessary or appropriate to effect a corporate restructuring of their respective businesses or otherwise to simplify or otherwise improve the overall corporate structure and/or operations of the Reorganized Debtors, including, but not limited to, (i) forming, or causing to be formed, a new direct or indirect subsidiary or subsidiaries, (ii) transferring, licensing, or assigning some or all of the Debtors' or the Reorganized Debtors' respective assets, liabilities, and/or operations (as applicable) to such newly formed subsidiary or subsidiaries as a capital contribution, and/or (iii) making payments to such subsidiary or subsidiaries to fund capital expenditures.

1.123. **Schedules**: The respective schedules of assets and liabilities and the statements of financial affairs filed in the Bankruptcy Court by the Debtors in accordance with Bankruptcy Code § 521, as such schedules or statements may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or an order of the Bankruptcy Court.

1.124. **Secondary Liability Claim**: A Claim that arises from a Debtor being liable as a guarantor of, or otherwise being jointly, severally, or secondarily liable for, any contractual, tort, or other obligation of another Debtor, including any Claim based on: (a) guaranties of collection, payment, or performance (including, but not limited to, any of the Guarantees or any guaranty relating to any Executory Contract); (b) indemnity bonds, obligations to indemnify, or obligations to hold harmless; (c) performance bonds; (d) contingent liabilities arising out of

contractual obligations or out of undertakings (including any assignment or other transfer) with respect to leases, operating agreements, or other similar obligations made or given by a Debtor relating to the obligations or performance of another Debtor; (e) vicarious liability; (f) liabilities arising out of piercing the corporate veil, alter ego liability, or similar legal theories; or (g) any other joint or several liability that any Debtor may have in respect of any obligation that is the basis of a Claim.

1.125. **Secured Claims**: All Claims that are secured by a properly perfected and not otherwise avoidable lien on property in which an Estate has an interest or that is subject to setoff under Bankruptcy Code § 553, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code § 506(a) and, if applicable, § 1129(b); provided, however, that if the Holder of a Secured Claim is entitled to and does timely elect application of Bankruptcy Code § 1111(b)(2), then such Holder's Claim shall be a Secured Claim to the extent such Claim is Allowed.

1.126. **Securities Act**: The Securities Act of 1933, as amended.

1.127. **Senior Credit Facility**: That certain credit agreement, dated as of September 29, 2003, as amended from time to time, by and between O'Sullivan Industries, O'Sullivan Virginia, and OFFO, as borrowers; the Senior Credit Facility Guarantor, as guarantor; and GECC, as agent and lender, together with all documents, instruments, and agreements related thereto or entered into in connection therewith.

1.128. **Senior Credit Facility Claims**: All Claims of the Senior Credit Facility Lender against the Debtors represented by, related to, arising under, or in connection with the Senior Credit Facility (as against O'Sullivan Industries, O'Sullivan Virginia, and OFFO, as the borrowers thereunder) and/or the Senior Credit Facility Guaranty (as against O'Sullivan Holdings, in its capacity as the Senior Credit Facility Guarantor), as applicable, for any and all outstanding obligations thereunder incurred through and including the Effective Date (except to the extent of any interest accrued but unpaid after the Petition Date at a rate above the non-default rate of interest set forth in the Senior Credit Facility), after taking into account the sum of all payments made by any of the Debtors to the Senior Credit Facility Lender prior to the Effective Date on account of such Claims.

1.129. **Senior Credit Facility Guaranty**: The guaranty issued by the Senior Credit Facility Guarantor of the Borrowers' (as such term is defined in the Senior Credit Facility) respective repayment obligations under the Senior Credit Facility.

1.130. **Senior Credit Facility Guarantor**: O'Sullivan Holdings, in its capacity as the guarantor under the Senior Credit Facility Guaranty.

1.131. **Senior Credit Facility Lender**: GECC, in its capacity as the Agent, initial L/C Issuer (as such terms are defined in the Senior Credit Facility), and lender under the Senior Credit Facility, and its participants (if any), successors, and assigns thereunder.

1.132. **Senior Secured Noteholders**: Collectively, the Holders of the Senior Secured Notes as of the Distribution Record Date.

1.133. **Senior Secured Noteholders Representative**: _____, in its capacity as the representative of the largest Holders of the Senior Secured Notes in connection with this Plan and the consummation thereof.

1.134. **Senior Secured Notes**: The $100 million aggregate principal amount of 10.63% senior secured notes due 2008 issued by O'Sullivan Industries in September of 2003, with the Senior Secured Notes Indenture Trustee, as indenture trustee, and the Senior Secured Notes Guarantors, as guarantors, together with all documents, instruments, and agreements related thereto or entered into in connection therewith.

1.135. **Senior Secured Notes Claims**: All Claims represented by, related to, arising under, or in connection with the Senior Secured Notes (as against O'Sullivan Industries) and/or the Senior Secured Notes Guarantees (as against the Senior Secured Notes Guarantors), except to the extent of any interest accrued but unpaid from and after the Petition Date, less the sum of all payments made by O'Sullivan Industries and/or the Senior Secured Notes Guarantors to the Senior Secured Noteholders prior to the Effective Date on account of such Claims (if any), but excluding any and all Claims of the Senior Secured Notes Indenture Trustee under the Senior Secured Notes and/or the Senior Secured Notes Indenture (which shall be treated in the manner as set forth in Plan Sections 1.1, 3.2, and 6.7(e)).

1.136. **Senior Secured Notes Guarantees**: Collectively, the guarantees issued by the Senior Secured Notes Guarantors of O'Sullivan Industries' repayment obligations under the Senior Secured Notes.

1.137. **Senior Secured Notes Guarantors**: Collectively, O'Sullivan Holdings, O'Sullivan Virginia, and OFFO, in their capacity as the guarantors under the Senior Secured Notes Guarantees.

1.138. **Senior Secured Notes Indenture**: The Indenture, dated as of September 29, 2003, as the same may have been amended from time to time, between O'Sullivan Industries, as issuer, the Senior Secured Notes Guarantors, as guarantors, and the Senior Secured Notes Indenture Trustee, as Trustee, with respect to the Senior Secured Notes.

1.139. **Senior Secured Notes Indenture Trustee**: The Bank of New York, as Trustee under the Senior Secured Notes Indenture, and its successors and assigns thereunder.

1.140. **Senior Subordinated Noteholders**: Collectively, the Holders of the Senior Subordinated Notes as of the Distribution Record Date.

1.141. **Senior Subordinated Notes**: The $100 million aggregate principal amount of 13.375% senior subordinated notes due 2009 (of which $96 million in aggregate principal amount is currently outstanding), issued by O'Sullivan Industries on November 30, 1999, with the Senior Subordinated Notes Indenture Trustee, as indenture trustee, and the Senior Subordinated Notes Guarantors, as guarantors, together with all documents, instruments, and agreements related thereto or entered into in connection therewith.

1.142. **Senior Subordinated Notes Claims**: All Claims represented by, related to, arising under, or in connection with the Senior Subordinated Notes (as against O'Sullivan

Industries) and/or the Senior Subordinated Notes Guarantees (as against the Senior Subordinated Notes Guarantors), except to the extent of any interest accrued but unpaid from and after the Petition Date, less the sum of all payments made by O'Sullivan Industries and/or the Senior Subordinated Notes Guarantors to the Senior Subordinated Noteholders prior to the Effective Date on account of such Claims (if any), including any and all Claims of the Senior Subordinated Notes Indenture Trustee under the Senior Subordinated Notes and/or the Senior Subordinated Notes Indenture (except as otherwise set forth and provided for in Sections 1.1, 3.2, and 6.7(e) of the Plan).

1.143. **Senior Subordinated Notes Guarantees**: Collectively, the guarantees issued by the Senior Subordinated Notes Guarantors of O'Sullivan Industries' repayment obligations under the Senior Subordinated Notes.

1.144. **Senior Subordinated Notes Guarantors**: Collectively, O'Sullivan Virginia and OFFO, in their capacity as the guarantors under the Senior Subordinated Notes Guarantees.

1.145. **Senior Subordinated Notes Indenture**: The Indenture, dated as of November 30, 1999, as the same may have been amended from time to time, between O'Sullivan Industries, as issuer, the Senior Subordinated Notes Guarantors, as guarantors, and the Senior Subordinated Notes Indenture Trustee, as Trustee, with respect to the Senior Subordinated Notes.

1.146. **Senior Subordinated Notes Indenture Trustee**: Wells Fargo Bank Minnesota, N.A. (as successor to Norwest Bank Minnesota), as Trustee under the Senior Subordinated Notes Indenture, and its successors and assigns thereunder.

1.147. **Series B Preferred Stock Warrant Agreements:** Those certain series B warrant agreements, each dated as of November 30, 1999 (as amended and restated from time to time), together with all documents, instruments, and agreements related thereto or entered into in connection therewith, pursuant to which BancBoston and the Senior Subordinated Noteholders, as applicable, each were given warrants to acquire 39,273 shares of O'Sullivan Holdings series B junior preferred stock (subject to the terms and conditions thereof).

1.148. **Shareholders Agreement:** The agreement among the Senior Secured Noteholders, in their capacity as owners of the New O'Sullivan Holdings Common Stock, and Reorganized O'Sullivan Holdings, in the form contained in the Plan Supplement.

1.149. **Tandy**: Collectively, RadioShack Corporation (f/k/a Tandy Corporation) and/or Tandy Corporation, as applicable.

1.150. **Tandy Agreements**: Collectively, (a) that certain Amended and Restated Tax Sharing and Tax Benefit Reimbursement Agreement, dated as of June 19, 1997, by and among Tandy, TE Electronics, and O'Sullivan Holdings and (b) that certain Settlement Agreement, dated May 13, 2002, by and among RadioShack Corporation (f/k/a Tandy Corporation), TE Electronics L.P. (formerly TE Electronics Inc.), and O'Sullivan Holdings.

1.151. **Tax Claims**: All Claims that are entitled to priority under Bankruptcy Code § 507(a)(8).

1.152. **TE Electronics**: Collectively, TE Electronics L.P. (f/k/a TE Electronics Inc.) and/or TE Electronics, Inc., as applicable.

1.153. **Vendor Claims**: All Claims of a Vendor against a Debtor.

1.154. **Vendors**: Ordinary course suppliers of goods and/or services to any of the Debtors.

1.155. **Voting Deadline**: The deadline established by the Bankruptcy Court as the last date to timely submit a ballot for voting to accept or reject the Plan.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

2.1. In accordance with Bankruptcy Code § 1123(a)(1), Administrative Claims, DIP Facility Claims, and Tax Claims have not been classified and are excluded from the following Classes. (Article III describes the treatment of Administrative Claims, DIP Facility Claims, and Tax Claims.) For the purposes of the Plan, Holders of Claims against, or Interests in, the Debtors are grouped as follows in accordance with Bankruptcy Code § 1122(a):

2.2. **Class 1 -- Priority Claims**. Class 1 consists of all Allowed Priority Claims against any of the Debtors. Class 1 Claims shall be treated in the manner set forth in Section 4.2 hereof.

2.3. **Class 2 -- Secured Claims Against One or More of the Debtors**.

(a) **Class 2A – Senior Credit Facility Claims**. Class 2A consists of all Allowed Senior Credit Facility Claims, if any, as against (a) O'Sullivan Industries, O'Sullivan Virginia, and OFFO, as the borrowers under the Senior Credit Facility, and (b) O'Sullivan Holdings, in its capacity as the Senior Credit Facility Guarantor. Class 2A Claims shall be treated in the manner set forth in Section 4.3 hereof.

(b) **Class 2B -- Other Secured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO**. Class 2B consists of all Allowed Secured Claims against any of O'Sullivan Industries, O'Sullivan Virginia, or OFFO that are not otherwise classified in this Article II. Accordingly, Class 2B Claims do not include any Claims under, respectively, the Senior Credit Facility, the DIP Facility, the Senior Credit Facility Guarantees, or any Senior Secured Notes Claims (either under the Senior Secured Notes or the Senior Secured Notes Guarantees), but do include claims under the Industrial Revenue Bonds and any secured capital leases of O'Sullivan Industries, O'Sullivan Virginia, or OFFO. Allowed Class 2B Claims shall be treated in the manner set forth in Section 4.4 hereof.

(c) **Class 2C -- Senior Secured Notes Claims.** Class 2C consists of all Allowed Senior Secured Notes Claims, as against (a) O'Sullivan Industries, as the issuer under the Senior Secured Notes, and (b) each of the other Debtors (i.e., O'Sullivan Holdings, O'Sullivan Virginia, and OFFO), in their capacity as the Senior Secured Notes Guarantors. Allowed Class 2C Claims shall be treated in the manner set forth in Section 5.2 hereof.

2.4. **Class 3 -- General Unsecured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO**. Class 3 consists of all General Unsecured Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO that are not otherwise classified pursuant to this Article II. Class 3 Claims include, but are not limited to (i) all Allowed Senior Subordinated Notes Claims as against (a) O'Sullivan Industries, as the issuer under the Senior Subordinated Notes, and (b) OFFO and O'Sullivan Virginia, in their capacity as the Senior Subordinated Notes Guarantors, (ii) all Rejection Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO, and (iii) all Allowed Vendor Claims against O'Sullivan Industries, O'Sullivan Virginia, or OFFO. Allowed Class 3 Claims shall be treated in the manner set forth in Section 5.3 hereof.

2.5. **Class 4 -- All Other Claims Against O'Sullivan Holdings**. Class 4 consists of all Allowed Claims against O'Sullivan Holdings that are not otherwise classified pursuant to this Article II of the Plan (such otherwise classified claims against O'Sullivan Holdings include, without limitation, (a) Administrative Claims, Priority Claims, Tax Claims, or DIP Facility Claims, and (b) Claims under the Senior Credit Facility Guaranty or the Senior Secured Notes Guarantees, respectively, which are classified under, and shall be treated together with all other such Allowed Claims in Classes 2A and 2C, respectively). Class 4 Claims include, but are not limited to, any and all Vendor Claims and Rejection Claims (if any) against O'Sullivan Holdings, and all other General Unsecured Claims against O'Sullivan Holdings (including all Claims under the BancBoston Note and the Tandy Agreements, respectively). Allowed Class 4 Claims shall be treated in the manner set forth in Plan Section 5.4.

2.6. **Class 5 -- Intercompany Claims**. Class 5 consists of all Allowed Intercompany Claims. Allowed Class 5 Claims shall be treated in the manner set forth in Section 5.5 hereof.

2.7. **Class 6 -- Existing Equity Interests in O'Sullivan Holdings.** Class 6 consists of all Interests in O'Sullivan Holdings, including all Interests arising under or in connection with the O'Sullivan Holdings Preferred Stock or the O'Sullivan Holdings Common Stock, and any and all options or rights to exercise warrants or otherwise acquire any shares of O'Sullivan Holdings Preferred Stock, O'Sullivan Holdings Common Stock, or any other Interest in O'Sullivan Holdings under the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise. Allowed Class 6 Interests shall be treated in the manner set forth in Section 5.6 hereof.

2.8. **Class 7 -- Old Stock of the Debtor Subsidiaries**. Class 7 consists of all Interests arising under or in connection with the Old Stock of each of the Debtor Subsidiaries. Allowed Class 7 Interests shall be treated in the manner set forth in Section 4.5 hereof.

ARTICLE III

TREATMENT OF ADMINISTRATIVE CLAIMS, DIP FACILITY CLAIMS, AND TAX CLAIMS

3.1. **Administrative Claims**. Each Holder of an Allowed Administrative Claim as of the Distribution Record Date shall receive, in full satisfaction of such Claim, Cash equal to the allowed amount of such Allowed Claim on the later of (i) the Initial Distribution Date and (ii) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different

treatment of such Allowed Claim; provided, however, that Allowed Administrative Claims representing obligations incurred in the ordinary course of business and assumed by the Debtors shall be paid or performed in accordance with the terms and conditions of the particular transactions and any agreements related thereto.

3.2. **DIP Facility Claims:** (1) On the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed DIP Facility Claim shall receive Cash in an amount equal to such Holder's Pro Rata share of the aggregate amount of the remaining and outstanding Allowed DIP Facility Claims, which payments shall collectively be in the amount equal to the aggregate outstanding and remaining amount of the Allowed DIP Facility Claims, and (2) either (i) the DIP Facility Lenders will receive cancellation without draw of all outstanding letters of credit issued under the DIP Facility or (ii) such outstanding letters of credit shall be replaced with, to the extent practicable, or supported by, new letters of credit to be issued under the Exit Credit Facility, on terms reasonably acceptable to the DIP Agent.

3.3. **Tax Claims**. Each Holder of an Allowed Tax Claim as of the Distribution Record Date shall receive in full satisfaction of such Claim, at the election of the applicable Debtor, in its sole discretion, either (i) Cash equal to the allowed amount of such Allowed Claim on the later of (1) the Initial Distribution Date and (2) the date that is 10 days after the Allowance Date, unless such Holder shall have agreed to a different treatment of such Allowed Claim, or (ii) in accordance with Bankruptcy Code § 1129(a)(9)(C), deferred Cash payments over a period not exceeding six years after the date of assessment of such claim, of a value, as of the Effective Date, equal to the allowed amount of such Allowed Tax Claim, unless such Holder shall have agreed to a different treatment of such Allowed Claim.

ARTICLE IV

TREATMENT OF CLASSES THAT ARE NOT IMPAIRED UNDER THE PLAN

4.1. **Unimpaired Classes**. Classes 1, 2A, 2B, and 7 are unimpaired. Therefore, pursuant to Bankruptcy Code § 1126(f), the Holders of Allowed Claims in such Classes are conclusively presumed to have accepted the Plan and are not entitled to vote thereon.

4.2. **Class 1 -- Priority Claims**. If not paid in full pursuant to a Final Order of the Bankruptcy Court prior to the Confirmation Date, each Holder of an Allowed Class 1 Claim as of the Distribution Record Date shall receive in full satisfaction of such Allowed Claim Cash equal to the allowed amount of such Allowed Claim on the latest of (i) the Initial Distribution Date, (ii) the date that is 10 days after the Allowance Date of such Claim, and (iii) the date when such Allowed Claim becomes due and payable according to its terms and conditions.

4.3. **Class 2A – Senior Credit Facility Claims**. In full satisfaction of its Class 2A Claims (if any), (1) on the Effective Date (or as soon thereafter as is practicable), the Holder of the Allowed Senior Credit Facility Claims shall receive Cash in an amount equal to the aggregate amount of the remaining and outstanding Allowed Senior Credit Facility Claims (if any), and (2) either (i) the Senior Credit Facility Lender will receive cancellation without draw of any and all outstanding letters of credit issued under the Senior Credit Facility or (ii) any such outstanding letters of credit shall be replaced with, to the extent practicable, or supported by, new letters of

credit to be issued under the Exit Credit Facility, on terms reasonably acceptable to the Senior Credit Facility Lender.

4.4. **Class 2B -- Other Secured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO**. At their election with respect to each Allowed Class 2B Claim, Reorganized O'Sullivan Industries, Reorganized O'Sullivan Virginia, or Reorganized OFFO shall either: (a) pay the Allowed amount of such Class 2B Claim against it in full on the later of the Effective Date or the Allowance Date of such Claim; (b) return the underlying collateral to the Holder of such Class 2B Claim; (c) Reinstate such Class 2B Claim in accordance with the provisions of Bankruptcy Code § 1124(2); (d) pay such Class 2B Claim in full in the ordinary course; or (e) treat such Class 2B Claim in a manner otherwise agreed to by the Holder thereof.

4.5. **Class 7 -- Old Stock of the Debtor Subsidiaries**. Subject to the provisions of (a) Plan Section 6.1 with respect to any Dissolved Entities (if any) and (b) Plan Section 6.21 with respect to any Restructuring Transaction (if any), the Debtors' existing corporate structure of affiliate and/or subsidiary ownership shall be maintained, unaffected by the Plan, as set forth further in Plan Section 6.3. Thus, at the election of the Reorganized Debtors, each respective Old Stock Interest in a Debtor Subsidiary (O'Sullivan Industries, O'Sullivan Virginia, or OFFO) (i) shall be unaffected by the Plan, in which case the entity holding an Interest in such Debtor Subsidiary shall continue to hold such Interest in the applicable Reorganized Subsidiary following the Effective Date or (ii) shall be cancelled and new equity in the applicable Reorganized Subsidiary shall be issued pursuant to the Plan. At the election of the Reorganized Debtors, certain of the Debtor Subsidiaries may be dissolved or combined after the Effective Date, as set forth further in Article VI of the Plan.

4.6. **Special Provision Regarding Unimpaired Claims**. Except as may otherwise be provided in the Plan, the Confirmation Order, any other order of the Bankruptcy Court, or any Plan Document, nothing shall affect the Debtors' or the Reorganized Debtors' (as applicable) rights and defenses, both legal and equitable, with respect to any Claim that is not impaired under this Plan, including, but not limited to, all rights with respect to legal and equitable defenses to, and/or setoffs or recoupments against, such Claim.

ARTICLE V

TREATMENT OF CLASSES THAT ARE IMPAIRED UNDER THE PLAN

5.1. **Impaired Classes. Classes 2C, 3, 4, 5, and 6 are impaired**. Holders of Allowed Claims in Class 2C are entitled to vote to accept or reject the Plan. Holders of Allowed Claims or Interests (as applicable) in Classes 3, 4, 5, and 6 shall receive no distribution under the Plan (other than as may be set forth in Section 5.5 hereof with respect to Class 5 Intercompany Claims); therefore, the Holders of Claims or Interests (as applicable) in those Classes are deemed to have rejected the Plan and, pursuant to Bankruptcy Code § 1126(g), are not entitled to vote to accept or reject the Plan.

5.2. **Class 2C -- Senior Secured Notes Claims**.

Each Holder of an Allowed Class 2C Claim as of the Distribution Record Date shall receive payment in full satisfaction of such Claim, as follows: on the Effective Date (or as soon thereafter as is practicable), each Holder of an Allowed Class 2C Claim shall receive such Holder's Pro Rata share of (a) 10 million shares of New O'Sullivan Holdings Common Stock and (b) the New Notes. Pursuant to Section 6.09 of the Senior Secured Notes Indenture, and as set forth further in Section 6.7(c) of the Plan, all distributions of the shares of New O'Sullivan Holdings Common Stock provided for under this Section 5.2 on account of the Allowed Senior Secured Notes Claims and the New Notes shall be made to the Senior Secured Notes Indenture Trustee for further distribution to the Holders of Allowed Senior Secured Notes Claims.

5.3. **Class 3 -- General Unsecured Claims Against O'Sullivan Industries, O'Sullivan Virginia, or OFFO**.

No distribution of any kind shall be made on account of any Class 3 Claims under the Plan, and all such Claims shall be discharged and cancelled. On the Effective Date, all (a) outstanding Senior Subordinated Notes, (b) all outstanding notes issued in connection with the Senior Subordinated Notes Guarantees (if any), and (c) and all other Class 3 Claims, shall be cancelled and be deemed terminated and of no force and effect.

5.4. **Class 4 – All Other Claims Against O'Sullivan Holdings.** No distribution of any kind shall be made on account of Class 4 Claims under the Plan, and all such Claims shall be discharged and cancelled. All Allowed Claims against O'Sullivan Holdings arising under either the DIP Facility, the Senior Credit Facility Guaranty, or the Senior Secured Notes Guaranty, shall be treated, discharged, and cancelled in the manner as otherwise set forth in the Plan (including, without limitation, under Sections 3.2, 4.3, and 5.2, respectively), and the Holders of all such Claims shall not be entitled to any extra or additional distribution as against O'Sullivan Holdings or Reorganized O'Sullivan Holdings on account thereof, other than as expressly set forth therein.

5.5. **Class 5 -- Intercompany Claims**. All Intercompany Claims shall be reviewed by the Debtors and adjusted, continued, or discharged, as the Debtors determine is appropriate (by, among other things, releasing such claims, contributing them to capital, issuing a dividend, or leaving them unimpaired), taking into account, among other things, the distribution of consideration under the Plan and the economic condition of the Reorganized Debtors, among other things. The Holders of Intercompany Claims shall not be entitled to participate in any of the distributions on account of Claims under Section 5.2 hereof and shall only be entitled to the treatment provided in this Section 5.5.

5.6. **Class 6 – Existing Equity Interests in O'Sullivan Holdings**. On the Effective Date, all outstanding shares of O'Sullivan Holdings Preferred Stock and O'Sullivan Holdings Common Stock, and any and all other Interests in O'Sullivan Holdings, if any, shall be cancelled and be deemed terminated and of no force and effect. No distribution of any kind shall be made on account of the O'Sullivan Holdings Preferred Stock, the O'Sullivan Holdings Common Stock,

or any other Interest (if any) in O'Sullivan Holdings under the Plan. In addition, and without limiting the generality of the foregoing, any and all options or rights to exercise warrants or otherwise acquire any shares of O'Sullivan Holdings Preferred Stock, O'Sullivan Holdings Common Stock, or any other Interest in O'Sullivan Holdings under either the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise shall be cancelled and be deemed terminated and of no force and effect.

5.7. **Special Provision Regarding Impaired Claims**. Except as may otherwise be provided in the Plan, the Confirmation Order, any other order of the Bankruptcy Court, or any Plan Document, nothing shall affect the Debtors' or the Reorganized Debtors' (as applicable) rights and defenses, both legal and equitable, with respect to any Claims that are impaired under this Plan, including, but not limited to, all rights with respect to legal and equitable defenses to, and/or setoffs or recoupments against, such Claims.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

6.1. **Dissolution**. After the Confirmation Date, but prior to the Effective Date, the Dissolved Entities, if any, shall be dissolved in accordance with the applicable law of such entity's state of incorporation. The respective Boards of Directors and officers of the Dissolved Entities shall take all such other actions as are necessary and appropriate to effectuate the dissolution of the Dissolved Entities, including, but not limited to (i) the designation and authorization of an officer or officers to execute a certificate of dissolution and file such certificate with the appropriate state official, and to tender to the appropriate state entities all taxes and fees, including assessment fees, authorized and/or required by law to be collected thereby, and (ii) such other actions as such officers and/or directors (as applicable) deem appropriate to effect such dissolutions. On or after the Effective Date, but, in any event, as soon as is practicable under the provisions of applicable state law, pursuant to such dissolutions, the tangible Assets (if any) of a Dissolved Entity shall be utilized to satisfy the remaining obligations of such Dissolved Entity (if any), and any Assets of the Dissolved Entities remaining thereafter shall be distributed and transferred to Reorganized O'Sullivan Industries to be administered in accordance with the terms of this Plan.

6.2. **Boards of Directors of the Reorganized Debtors**. As of the Effective Date, the respective Boards of Directors of each of the Reorganized Debtors shall initially have the same seven-person board of directors consisting of the following designations: (i) the Chief Executive Officer of the Reorganized Debtors and (ii) six directors to be designated by the Senior Secured Noteholders Representative. The initial anticipated members of the respective Boards of Directors of each of the Reorganized Debtors shall be disclosed to the Bankruptcy Court pursuant to Bankruptcy Code § 1129(a)(5) on or before the Confirmation Date, unless otherwise permitted by the Bankruptcy Court. In addition, the Reorganized Debtors are each authorized to appoint the officers and/or managers (as applicable) of any and all New Subsidiaries (if any), which officers shall have the authority to execute instruments on behalf of the applicable New Subsidiary(ies) (if any) and to otherwise bind these entities. No new directors shall be appointed with respect to the Dissolved Entities (if any).

6.3. **Ownership of the Reorganized Subsidiaries, the New Subsidiaries, and the Dissolved Entities**. Other than with respect to the Dissolved Entities (if any), or otherwise in connection with a Restructuring Transaction (if any), the ownership of the capital stock of the Reorganized Subsidiaries following the Effective Date shall be unaffected by the Plan, as each Debtor that owned or held the Old Stock of a Debtor Subsidiary or other domestic or foreign subsidiary (including, without limitation, O'Sullivan Industries UK Ltd., Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, and O'Sullivan Industries (Australia) Pty. Ltd., to the extent that any of such non-Debtor subsidiaries have not been dissolved under applicable law prior to the Effective Date) as of the Effective Date shall, as a Reorganized Debtor on the Effective Date, own or hold such capital stock and/or equity interest (as applicable) in the corresponding Reorganized Subsidiary or other domestic or foreign subsidiary as of the Effective Date, such that upon the Effective Date, the capital stock of the respective Reorganized Subsidiaries shall be owned or held as follows: Reorganized O'Sullivan Holdings shall own all of the capital stock of Reorganized O'Sullivan Industries, and Reorganized O'Sullivan Industries, in turn, shall own all of the capital stock of Reorganized O'Sullivan Virginia and Reorganized OFFO. In addition (other than with respect to any stock interests sold or otherwise transferred by any of the Debtors on or prior to the Effective Date), on the Effective Date, each Reorganized Debtor shall own and retain the equity interests in any non-Debtor foreign or other subsidiaries (including O'Sullivan Industries UK Ltd., Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, and O'Sullivan Industries (Australia) Pty. Ltd., to the extent that any of such non-Debtor subsidiaries has not been dissolved under applicable law prior to the Effective Date) to the same extent that the applicable Debtor owned an equity interest in such non-Debtor foreign or other subsidiary prior to the Effective Date. Reorganized O'Sullivan Industries shall own all the capital stock of any Dissolved Entities until the effective date of the latter's respective dissolutions in accordance with the provisions of applicable state law. In addition, the applicable Reorganized Debtor shall own the equity interest in any New Subsidiary that such Reorganized Debtor causes to be established pursuant to any Restructuring Transaction(s).

6.4. **Issuance of New Securities; Execution of Plan Documents**.

(a) On the Effective Date (or as soon thereafter as is practicable), Reorganized O'Sullivan Holdings shall issue the New O'Sullivan Holdings Common Stock and the New Notes, and the Reorganized Debtors may issue notes in connection with the Exit Credit Facility or otherwise in connection with any Plan Document. The (a) issuance of the New O'Sullivan Holdings Common Stock (including, but not limited to, any shares issued upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan) by Reorganized O'Sullivan Holdings pursuant to the Plan (including, pursuant to Sections 5.2, 6.15, and 6.16 hereof) and (b) the issuance of the New Notes, the New Notes Guarantees, any and all notes under or in connection with the Exit Credit Facility, the Exit Credit Facility Guarantees, or otherwise by any of the Reorganized Debtors, are all authorized hereby without the need for any further corporate action or court order.

(b) The execution and delivery by the Debtor(s) or the Reorganized Debtor(s) party thereto and/or any New Subsidiary (as applicable) of all Plan Documents (including, without limitation, the Exit Credit Facility and the Exit Credit Facility Guarantees, any indenture or similar agreement relating to the issuance of the New Notes, any document memorializing the

Management and Director Equity Plan, the KERP, the New Notes Guarantees, or the Registration Rights Agreement, and/or any other agreement entered into, or instrument, security interest, guaranty, or note issued in connection with any of the foregoing, any other Plan Document, any document relating to the formation of any New Subsidiary and the execution of any and all New Subsidiaries' respective organizational documents and/or the consummation of any or all Restructuring Transactions contemplated in Section 6.21 hereof (including, without limitation, the dissolution of the Dissolved Entities, if any), and any other document reasonably necessary or appropriate to effectuate the events contemplated herein and therein, is hereby authorized without the need for any further corporate action or court order. All such Plan Documents shall also become effective and binding in accordance with their respective terms and conditions upon the parties thereto and shall be deemed to become effective simultaneously.

6.5. **Corporate Governance and Corporation Action**.

(a) **Amended and Restated Certificates of Incorporation and Amended and Restated Certificates of Formation**. On or before the Effective Date, the Reorganized Debtors shall file their respective Amended and Restated Certificates of Incorporation with the appropriate state officials in accordance with applicable state law. Each of the Amended and Restated Certificates of Incorporation of the respective Reorganized Debtors will, among other things, prohibit the issuance of nonvoting equity securities to the extent required by Bankruptcy Code § 1123(a). The Amended and Restated Certificate of Incorporation of Reorganized O'Sullivan Holdings shall, among other things, (a) provide that (i) the number of authorized shares of New O'Sullivan Holdings Common Stock shall be 40 million and (ii) the par value of the New O'Sullivan Holdings Common Stock shall be $0.01 and (b) provide for the issuance of shares based upon the exercise of options granted to the Management Stockholders and the Director Stockholders under the Management and Director Equity Plan. After the Effective Date, the Reorganized Debtors may amend and restate their respective Amended and Restated Certificates of Incorporation, Amended and Restated By-Laws, and/or other constituent documents (as applicable) as permitted by the governing state general corporation law.

(b) **Corporate Action**. On or before the Effective Date: all actions reasonably necessary and desirable to effectuate: the Exit Credit Facility; the issuance of the New Notes and the New Notes Guarantees; the adoption of the Management and Director Equity Plan; the adoption and/or further implementation of the KERP; the adoption of the Registration Rights Agreement; the reservation of authorized but unissued shares of New O'Sullivan Holdings Common Stock for issuance upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan; the dissolution of the Dissolved Entities (if any) and all actions reasonably necessary and desirable to effectuate the same; the adoption and/or filing (as applicable) of the Amended and Restated Certificates of Incorporation, the Amended and Restated By-Laws, or similar constituent documents; the selection of the directors, officers, and/or managers of the respective Reorganized Debtors and any New Subsidiary, if any (as applicable); the formation of any New Subsidiary and the consummation and execution of any or all Restructuring Transactions contemplated by Section 6.21 hereof; the transfer of any remaining property (including, but not limited to, U.S. trademark registrations) from any Dissolved Entity (if any) to Reorganized O'Sullivan Industries; and all other actions contemplated by the Plan, the Plan Documents, or such other documents, and all actions reasonably necessary and desirable to effectuate any of the foregoing, shall be authorized and

approved in all respects (subject to the provisions of the Plan) hereby without the need for any further corporate action or court order. All matters provided for in the Plan involving the corporate structure, assets, and/or operations of the Debtors, the Reorganized Debtors, or any New Subsidiary, and any corporate action required by the Debtors, the Reorganized Debtors, or any New Subsidiary in connection with the Plan or the Plan Documents (including any corporate action as may be necessary or appropriate to consummate a Restructuring Transaction(s) contemplated in Section 6.21 hereof), shall be deemed to have occurred and shall be in effect, without any requirement of further action by the respective security holders, members, officers, or directors of the Debtors, the Reorganized Debtors, or any New Subsidiary. After the Confirmation Date and on or prior to the Effective Date, the appropriate members of the Boards of Directors and/or members or officers of the Debtors, the Reorganized Debtors, or any New Subsidiary (as applicable) are authorized and directed to issue, execute, and deliver the agreements, documents, securities, certificates, and instruments contemplated by the Plan (including in Section 6.21 hereof) and/or the Plan Documents in the name of and on behalf of the applicable Debtor(s), Reorganized Debtor(s), or New Subsidiary(ies) (as applicable).

6.6. **Administration of the Plan**.

(a) After the Effective Date, each of the Reorganized Debtors and any New Subsidiaries (as applicable) is authorized, respectively, to perform those responsibilities, duties, and obligations set forth herein, including, without limitation, making distributions as provided under the Plan, objecting to the allowance of any Claim, and prosecuting any litigation pertaining thereto, to pay such Claims as may be later Allowed, all as contemplated by the dispute resolution procedures contained in Section 6.11 of the Plan, and overseeing and governing the continuing affairs and operations of the Reorganized Debtors and any such New Subsidiaries (as applicable) on a going-forward basis.

(b) The Reorganized Debtors and the New Subsidiaries, if any (as applicable), may retain such management, law firms, accounting firms, experts, advisors, agents, consultants, investigators, appraisers, auctioneers, or other professionals as they may deem reasonably necessary, including, without limitation, a transfer or disbursing agent, to aid them in the performance of their responsibilities pursuant to the terms of the Plan. It shall not be a requirement that any such parties retained by any of the Reorganized Debtors or any of the New Subsidiaries (as applicable) be a "disinterested person" (as such term is defined in Bankruptcy Code § 101(14)), and such retained parties may include Professionals or other Persons who had previously been active in these Cases on behalf of any Debtor, Creditor, Interest Holder, Committee, or other constituency herein.

(c) The Reorganized Debtors shall be responsible for filing all federal, state, and local tax returns for the Debtors and for the Reorganized Debtors.

(d) To the extent the manner of performance is not specified, the Debtors, the Reorganized Debtors, and the New Subsidiaries, if any (as applicable), will have the discretion to carry out and perform all other obligations or duties imposed on them by, or actions contemplated or authorized by, the Plan, any Plan Document, or by law in any manner their respective Boards of Directors or officers so choose, as long as such performance is not inconsistent with the intents and purposes of the Plan.

6.7. **Provisions Relating to Existing Notes, Existing Stock, and the Credit Facilities**.

(a) On the Effective Date, the Senior Secured Notes; the Senior Subordinated Notes; the BancBoston Note; any and all notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees; the O'Sullivan Holdings Common Stock; the O'Sullivan Holdings Preferred Stock; any other Interests in O'Sullivan Holdings; the Class A Common Stock Warrant Agreements; the Series B Preferred Stock Warrant Agreements; and any other options, warrants, calls, subscriptions, or other similar rights or other agreements or commitments, contractual or otherwise, obligating any of the Debtors to issue, transfer, or sell any shares of O'Sullivan Holdings Common Stock, O'Sullivan Holdings Preferred Stock, or other Interest in O'Sullivan Holdings (including, without limitation, as may be required pursuant to the Tandy Agreements, the Class A Common Stock Warrant Agreements, the Series B Preferred Stock Warrant Agreements, or otherwise), shall be automatically canceled and deemed terminated, extinguished, and of no further force and effect without further act or action under any applicable agreement, law, regulation, order, or rule, and the Holders thereof shall have no rights, and such instruments shall evidence no rights, except the right to receive the distributions (if any) to be made to the Holders of such instruments under this Plan. In the event that the Reorganized Debtors elect to pay the Allowed amount of all Claims arising under the Industrial Revenue Bonds, pursuant to Plan Section 4.4, then the Industrial Revenue Bonds shall be automatically canceled and deemed terminated, extinguished, and of no further force and effect without further act or action under any applicable agreement, law, regulation, order, or rule, and the Holder thereof shall have no rights, and such instruments shall evidence no rights, except the right to receive such payment.

(b) No Holder of any of the Senior Secured Notes or any notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees shall be entitled to any distribution under the Plan unless and until such Holder has first (x) surrendered or caused to be surrendered (in the manner set forth below in this Plan subsection) (i) to the Senior Secured Notes Indenture Trustee, with respect to the Senior Secured Notes and/or the Senior Secured Notes Guarantees, (ii) to the DIP Agent, with respect to any notes issued in connection with the DIP Facility (if any), or (iii) to the Debtors, with respect to any notes issued in connection with the Senior Credit Facility and/or the Senior Credit Facility Guaranty (if any), the original notes held by it or, (b) in the event that such original notes have been lost, destroyed, stolen, or mutilated, has first executed and delivered an affidavit of loss and indemnity with respect thereto in a form customarily utilized for such purposes that is reasonably satisfactory to the Debtors, and, in the event the Debtors so request, has first furnished a bond in form and substance (including, without limitation, amount) reasonably satisfactory to the Debtors. If a Holder has actual possession of any Senior Secured Note or any note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees, then such Holder must physically surrender or cause to be surrendered its note(s) to, and in accordance with the procedures required by (i) the Senior Secured Notes Indenture Trustee, with respect to the Senior Secured Notes and/or the Senior Secured Notes Guarantees, (ii) the DIP Agent, with respect to any notes issued in connection with the DIP Facility, or (iii) the Debtors, with respect to any notes issued in connection with the Senior Credit Facility and/or the Senior Credit Facility Guaranty (if any). The Senior Secured Notes Indenture Trustee and the DIP Agent shall in turn physically surrender or cause to be surrendered to the Reorganized Debtors any and all notes

previously surrendered to it in accordance with this paragraph and any and all other notes previously held by such party in connection with the Senior Secured Notes Indenture or any notes issued in connection with the DIP Facility or any of the Guarantees (if any), as applicable. Alternatively, if a Senior Secured Noteholder holds its Senior Secured Note in book-entry form, then such Holder shall comply with such procedures and provide such instructions as are necessary to surrender its Senior Secured Notes electronically. As soon as practicable after such surrender of the applicable note(s) or such delivery of an affidavit of loss and indemnity and such furnishing of a bond as provided in this Section 6.7(b), the DIP Agent and the Senior Secured Notes Indenture Trustee (as provided in Plan Sections 3.2, 5.2 and 6.7, respectively) shall make the distributions provided in the Plan with respect to the applicable Allowed Claim(s) (as and to the extent as set forth therein). Promptly upon the surrender of such instruments, the Reorganized Debtors and/or the Senior Secured Notes Indenture Trustee (as applicable) shall cancel the (1) Senior Secured Notes and (2) any and all notes issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees (if any).

(c) For the purpose of distributions to the Holders of Allowed Senior Secured Notes Claims under the Plan, the Senior Secured Notes Indenture Trustee shall be deemed to be the sole Holder of all such Claims. All distributions on account of Allowed Senior Secured Notes Claims under the Plan shall be distributed to the Senior Secured Notes Indenture Trustee for further distribution to the Senior Secured Noteholders pursuant to the terms and subject to the conditions of the Senior Secured Notes Indenture and the Plan. Upon the delivery of the foregoing distributions to the Senior Secured Notes Indenture Trustee, the Debtors and the Reorganized Debtors shall be released of all liability with respect thereto. The Senior Secured Notes Indenture Trustee shall thereafter take all steps reasonably necessary and appropriate to effectuate such further distribution thereof to the Holders of the Allowed Senior Secured Notes Claims (including, but not limited to, in its discretion, making a distribution of the appropriate amount of shares of New O'Sullivan Holdings Common Stock and New Notes to the record holders of the Senior Secured Notes with instructions that such record holders subsequently distribute such shares of New O'Sullivan Holdings Common Stock and New Notes to the applicable beneficial Holders of Allowed Senior Secured Notes Claims on whose behalf such record holder holds the Senior Secured Notes). On the Effective Date, the obligations under the Senior Secured Notes and the Senior Secured Notes Indenture shall be deemed terminated, canceled, and extinguished (all without any further action by any person or the Bankruptcy Court) and shall have no further legal effect other than as evidence of any right to receive distributions under the Plan as set forth in Section 5.2 hereof; provided, however, that the Senior Secured Notes shall not be deemed canceled on the books and records of the Senior Secured Notes Indenture Trustee, the applicable securities depositories, clearing systems, or broker, bank, or custodial participants in the clearing system so as to facilitate distributions to the Senior Secured Noteholders. The authority of the Senior Secured Notes Indenture Trustee under the Senior Secured Notes Indenture shall be terminated as of the Effective Date; provided, however, that the Senior Secured Notes Indenture shall continue in effect solely for the purposes of (i) allowing the Senior Secured Notes Indenture Trustee to make the distributions as provided for in the Plan and to perform any and all current and future administrative functions and (ii) permitting the Senior Secured Notes Indenture Trustee to maintain its right, if any, and in such event only to the extent provided in the Senior Secured Notes Indenture, to a charging lien against any and all distributions payable to the Senior Secured Noteholders.

(d) The Debtors shall provide the sum total of the distributions to be made to the DIP Facility Lenders on account of the Allowed DIP Facility Claims (as set forth in Plan Section 3.2) to the DIP Agent, which, in turn, shall make the Pro Rata distributions thereof to the individual Holders of Allowed DIP Facility Claims. Upon the delivery of such distributions to the DIP Agent, the Debtors and the Reorganized Debtors shall be released of all liability with respect thereto. The DIP Agent shall take all steps reasonably necessary to effectuate such Pro Rata distributions to the individual Holders of Allowed DIP Facility Claims. The Debtors shall provide the sum total of the distributions to be made to the Senior Credit Facility Lender on account of the Allowed Senior Credit Facility Claims (if any) as set forth in Plan Section 4.3 directly to the Senior Credit Facility Lender.

(e) In accordance with the terms and conditions of the Senior Secured Notes Indenture, the Debtors shall be responsible for satisfying the reasonable and customary fees and expenses incurred by the Senior Secured Notes Indenture Trustee in the performance of any function associated with the Senior Secured Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until, but not including, the Effective Date. In accordance with the terms and conditions of the Senior Subordinated Notes Indenture, the Debtors shall be responsible for satisfying the reasonable and customary fees and expenses incurred by the Senior Subordinated Notes Indenture Trustee in the performance of any function associated with the Senior Subordinated Notes Indenture or the Plan, in an amount up to $[50,000], and such additional amounts as may be reasonably acceptable to the Debtors and/or the Reorganized Debtors and the Senior Secured Noteholders Representative during the period from the Petition Date until, but not including, the Effective Date.

6.8. **Delivery of Distributions; Unclaimed Property; Undeliverable Distributions**.

(a) Except as provided in Sections 3.2, 5.2, 6.7, and 6.8 hereof, any distributions to Holders of Allowed Claims under this Plan shall be made: (i) at the addresses set forth on the Schedules, or on the respective Proofs of Claim filed by such Holders in the event that the addresses indicated thereon differ from those set forth on the Schedules; or (ii) at the addresses set forth in any written notices of address change delivered to the Debtors or the Reorganized Debtors (if after the Effective Date) after the date of any related Proof of Claim.

(b) In accordance with Bankruptcy Code § 1143, any Holder of any (i) Senior Secured Note or (ii) any note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees, that fails to surrender the applicable security or deliver an affidavit of loss and indemnity as provided herein by 5:00 p.m. Eastern Standard Time on the date that is one year from and after the later of the Effective Date or the applicable Allowance Date with respect to any Claims arising from or relating to such Senior Secured Note or note issued in connection with the Senior Credit Facility, the DIP Facility, or any of the Guarantees (if any), shall be deemed to have forfeited all rights and claims in respect of such Claims, and shall be forever barred from receiving any distributions under the Plan on account thereof. In such cases, any property held for distribution by the Reorganized Debtors on account of Allowed Claims based on such Senior Secured Notes or note issued in connection with the Senior Credit

Facility, the DIP Facility, or any of the Guarantees (if any) shall be retained by the Reorganized Debtors.

(c) If the distribution to the Holder of any Allowed Claim is returned to the Reorganized Debtors as undeliverable, no further distribution shall be made to such Holder unless and until the Reorganized Debtors are notified in writing of such Holder's then current address. The Reorganized Debtors shall retain any such undeliverable distributions.

(d) Any Holder of an Allowed Claim who does not assert a claim for an undeliverable distribution by 5:00 p.m. Eastern Standard Time on the date that is one year after the date by which such Holder was first entitled to such distribution shall no longer have any claim to, or interest in, such undeliverable distribution and shall be forever barred from receiving any distribution under the Plan.

(e) Nothing contained in the Plan shall require the Debtors or the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim.

6.9. **Funding of Cash Distributions under the Plan**. Any funds necessary to make the Cash distributions required under Articles III, IV, and V of the Plan and/or to fund the future obligations of the Reorganized Debtors shall (as applicable) be made from: the Cash on hand of the Debtors and of the Reorganized Debtors; the Exit Credit Facility; and the future operations of the Debtors and the Reorganized Debtors (as applicable).

6.10. **Manner of Payments Under the Plan**. Any Cash payment to be made by the Debtors or the Reorganized Debtors (as applicable) pursuant to the Plan may be made by a check on a United States bank selected by the Debtors or the Reorganized Debtors (as applicable); provided, however, that Cash payments made to foreign Holders of Allowed Claims may be paid, at the option of the Debtors or the Reorganized Debtors (as applicable), in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

6.11. **Disputed Claims**.

(a) No distribution or payment shall be made on a Disputed Claim until such Disputed Claim becomes an Allowed Claim. On the Initial Distribution Date, the distributions reserved for the Holders of Disputed Claims in each Class under the Plan shall be deposited in reserve accounts segregated by the respective Classes in which the Disputed Claims are classified (each reserve account a "**Disputed Claims Reserve**").

(b) Notwithstanding any other provisions of the Plan, the Reorganized Debtors (or any transfer or disbursing agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of the Plan) shall withhold from the property to be distributed under the Plan, and deposit in each Disputed Claims Reserve, a sufficient Pro Rata share of the property to be distributed on account of the face amount of Claims that are Disputed Claims in such Class as of the Initial Distribution Date for such Class under the Plan. For the purposes of this provision, the "face amount" of a Claim is (i) the amount set forth on the Proof of Claim or such lower amount as may be determined in accordance with Plan Section 6.11(c), unless the Claim is filed in an unliquidated amount; or (ii) if a Proof of Claim has been filed in an unliquidated amount, the amount determined in accordance with Plan Section 6.11(c). In determining the amount of the

Pro Rata distributions to the Holders of Allowed Claims in any Class for which a Disputed Claims Reserve has or will be established, the calculation of the amount of Pro Rata distribution to each Holder of an Allowed Claim in such Class shall be made as if all Disputed Claims in the applicable Class were Allowed Claims in their respective face amounts.

(c) As to any Disputed Claim, if any, the Bankruptcy Court shall, upon motion by the Debtors or the Reorganized Debtors (as applicable), estimate the maximum allowable amount of such Disputed Claim and the amount to be placed in the Disputed Claims Reserve on account of such Disputed Claim. Any Creditor whose Claim is so estimated by an Order of the Bankruptcy Court shall not have any recourse to the Debtors or to the Reorganized Debtors (or to any New Subsidiary), any assets theretofore distributed on account of any Allowed Claim, or any other entity or property (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) if the finally Allowed Claim of that Creditor exceeds that estimated maximum allowable amount. Instead, such Creditor shall have recourse only to the undistributed assets (if any) in the applicable Disputed Claims Reserve for the Claim of that Creditor and (on a Pro Rata basis with other Creditors of the same Class who are similarly situated) to those portions (if any) of the Disputed Claims Reserve for other Disputed Claims of the same Class that exceed the ultimately allowed amount of such Claims.

(d) All earnings on the Cash held in a Disputed Claims Reserve accounts shall be held in trust and shall be distributed only in the manner described in the Plan.

(e) At such time as all or any portion of a Disputed Claim becomes an Allowed Claim, the distributions reserved for such Disputed Claim or such portion, plus any earnings thereon (if any), shall be released from the appropriate Disputed Claims Reserve account and delivered to the Holder of such Allowed Claim in the manner as described in the Plan. At such time as all or any portion of any Disputed Claim is determined not to be an Allowed Claim, the distribution reserved for such Disputed Claim or such portion, plus any earnings thereon, shall be released from the appropriate Disputed Claims Reserve account and made available for redistribution or otherwise in the manner described in the Plan.

(f) (i) After the Confirmation Date, the Debtors, and (ii) after the Effective Date, the Reorganized Debtors, shall have the authority to object to, settle, compromise, resolve, withdraw any objection to, or litigate Disputed Claims without the need for any Bankruptcy Court or other approval or any other or further notice.

(g) Notwithstanding anything contained in this Section 6.11 to the contrary, if there exists any Disputed Administrative Claim or Disputed Tax Claim, or any Disputed Class 1, 2A, or 2B Claim, the Reorganized Debtors shall withhold in a separate reserve account the "face amount" (as calculated under Section 6.11(b)) of any such Disputed Claim until and to the extent such Claim is determined to be an Allowed Claim.

6.12. **Bar Date for Objections to Claims**. Unless an earlier time is set by an order of the Bankruptcy Court, all objections to Claims (other than with respect to (a) Administrative Claims and (b) Rejection Claims arising under those Executory Contracts that are to be rejected under and pursuant to the Plan) must be filed by the Claims Objection Bar Date; provided,

however, that no such objections may be filed against any Claim after the Bankruptcy Court has determined by entry of a Final Order that such Claim is an Allowed Claim. The failure by any party in interest, including the Debtors, to object to any Claim, whether or not unpaid, for purposes of voting shall not be deemed a waiver of such party's rights to object to, or to re-examine, any such Claim in whole or in part, for purposes of distributions under the Plan.

6.13. **Deadlines for Determining the Record Holders of the Various Classes of Claims**. At the close of business on the Distribution Record Date, the transfer records for the DIP Facility, the Senior Credit Facility, the Senior Secured Notes, the Senior Subordinated Notes, and all other Class 3 Claims shall be closed, and there shall be no further changes in the record holders of the Senior Credit Facility Claims, the DIP Facility Claims, the Senior Secured Notes Claims, the Senior Subordinated Notes Claims, or any notes issued in connection with either the Senior Credit Facility, the DIP Facility, or any of the Senior Credit Facility Guaranty, or the Senior Secured Notes Guarantees (if any) after such date. Neither the Debtors, the Reorganized Debtors, any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of this Plan, the DIP Agent, the Senior Subordinated Notes Indenture Trustee, nor the Senior Secured Notes Indenture Trustee shall have any obligation to recognize any transfer of the Senior Credit Facility Claims, the DIP Facility Claims, any notes issued in connection with either the Senior Credit Facility, the DIP Facility, or any of the Senior Credit Facility Guaranty, the Senior Subordinated Notes Guarantees, or the Senior Secured Notes Guarantees (if any), the Senior Subordinated Notes, the Senior Secured Notes Claims, the Senior Subordinated Notes, or the Senior Subordinated Notes Claims occurring after the Distribution Record Date, and such parties shall be entitled, instead, to recognize and deal for all purposes hereunder with only those record holders thereof as of the close of business on the Distribution Record Date.

6.14. **The Exit Credit Facility and the Exit Credit Facility Guarantees**. On the Effective Date (or as soon thereafter as is practicable), [Reorganized O'Sullivan Industries, as borrower, the Exit Credit Facility Guarantors, as guarantors], the Exit Credit Facility Lenders, as lenders, and the New Agent, as agent, shall execute and deliver the Exit Credit Facility, and [Reorganized O'Sullivan Industries and the Exit Credit Facility Guarantors] (as applicable) shall execute and deliver the respective Exit Credit Facility Guarantees and any and all security agreements, mortgages or extensions of mortgages, certificates, and other instruments, agreements, assignments, and documents contemplated and/or required by the Exit Credit Facility, including, but not limited to, any and all such documents that serve to evidence and secure [Reorganized O'Sullivan Industries' and the Exit Credit Facility Guarantors'] respective obligations under the Exit Credit Facility and the Exit Credit Facility Guarantees, and any Liens in favor of the New Agent on behalf of the Exit Credit Facility Lenders securing such obligations.

The Exit Credit Facility shall be in an aggregate principal amount equal to approximately $40-50 million, consisting of (a) the Credit Facility Exit Revolver, and (b) the Exit Credit Facility Term Loan, and shall be sufficient in amount to provide for the distributions contemplated herein plus availability of up to $15 million. The various obligations under the Exit Credit Facility shall be secured by first and second priority Liens on, and security interests in, substantially all of the Reorganized Debtors' respective Assets. [Reorganized O'Sullivan

Industries' obligations under the Exit Credit Facility shall be guaranteed by the Exit Credit Facility Guarantors.]

6.15. **New O'Sullivan Holdings Common Stock**. On the Effective Date (or as soon thereafter as is practicable), Reorganized O'Sullivan Holdings shall issue in accordance with the terms of the Plan (including Sections 5.2 and 6.7 hereof), 10 million shares (in the aggregate) of New O'Sullivan Holdings Common Stock to the Holders of Allowed Claims in Class 2C. As of the Effective Date, such 10 million shares of New O'Sullivan Holdings Common Stock to be so distributed to the Holders of Allowed Claims in Class 2C shall collectively represent 100% of the outstanding shares of New O'Sullivan Holdings Common Stock on a fully-diluted basis (subject to dilution on a *pari passu* basis with all other holders of shares of New O'Sullivan Holdings Common Stock based on the issuance of the shares of New O'Sullivan Holdings Common Stock issuable upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan). Upon the issuance of these shares of New O'Sullivan Holdings Common Stock pursuant to the Plan (including, but not limited to, upon the exercise of the options to be granted pursuant to the Management and Director Equity Plan), all such shares of New O'Sullivan Holdings Common Stock will be deemed fully paid and nonassessable.

6.16. **Management and Director Equity Plan**. On or after the Effective Date, the Management and Director Equity Plan shall be adopted by Reorganized O'Sullivan Holdings. Under the Management and Director Equity Plan, Reorganized O'Sullivan Holdings shall grant the Management Stockholders and the Director Stockholders options to purchase, over a four-year period following the Effective Date, up to 10% (in the aggregate) of the outstanding shares of New O'Sullivan Holdings Common Stock on a fully-diluted basis. Specifically, the Management Stockholders and the Director Stockholders shall be granted options, that, in the aggregate, enable the Holders thereof to acquire an additional 2% of the then outstanding shares of New O'Sullivan Holdings Common Stock (on a fully diluted basis) at a strike price that values the Reorganized Debtors at $103 million, on each of the Effective Date; September 30, 2007; September 30, 2008; September 30, 2009; and September 30, 2010; there will be a 15% premium above such strike price for the years 2008-2010. A general summary of the parameters of the Management and Director Equity Plan is included in the Plan Supplement. Entry of the Confirmation Order shall constitute the deemed approval by all parties-in-interest in these Cases of the adoption of the Management and Director Equity Plan by the Reorganized Debtors without the need for any other or further order of the Bankruptcy Court or any other or further corporate action or approval by any of the Debtors or the Reorganized Debtors. Following the Effective Date, the Management and Director Equity Plan may be amended or modified by the Board of Directors of Reorganized O'Sullivan Holdings in accordance with the terms thereof, and any such amendment or modification shall not require any amendment of the Plan or further order of the Bankruptcy Court.

6.17. **The KERP**. In an effort to ensure the continued retention of approximately 25 of their key employees through the conclusion of the Debtors' restructuring process (in accordance with the terms of this Plan and the transactions contemplated herein), the Debtors will adopt the KERP, pursuant to which those employees could potentially receive a total of approximately $1.47 million over time; this figure also includes a $200,000 discretionary pool. The general principal terms of the KERP are as set forth on Exhibit F to the Disclosure Statement. Pursuant to the terms of the KERP, such 25 employees have been divided into two tiers, with one tier,

consisting of 6 members of the Debtors' most senior management, potentially receiving a total amount equal to 37.5% of their annual salary, and a second tier, consisting of approximately 19 key employees, potentially receiving a total equal to 25.0% of their annual salary. Such payments will be divided into an incentive component and a retention component. 50% of the retention component will be paid upon the earlier of the Effective Date or June 30, 2006, and the remaining 50% thereof will be paid at the earlier of September 30, 2006 or the Effective Date. The incentive component of the KERP would be paid to these employees in the event the Reorganized Debtors' were to meet certain net sales and EBITDAR levels for FY 2006, as specified in their 5-year business plan: if 100% of these business plan figures is achieved, then 100% of the incentive-based KERP amount would be paid; if greater than or equal to 90% and less than 100% of these business plan figures is achieved, then 75% of the incentive-based KERP amount would be paid; if greater than or equal to 80% and less than 90% of these business plan figures is achieved, then 50% of the incentive-based KERP amount would be paid; and if less than 80% of these business plan figures is achieved, then none of the incentive-based KERP amount would be paid. For those employees in Tier I, the incentive component would be 75% and the retention component would be 25% of their total potential KERP payments. For those employees in Tier II, the incentive component would be 25% and the retention component would be 75%, of their total potential KERP payments. Entry of the Confirmation Order shall constitute the deemed approval by all parties-in-interest in these Cases of the adoption and continuing implementation of the KERP by the Debtors and the Reorganized Debtors without the need for any other or further order of the Bankruptcy Court or any other or further corporate action or approval by any of the Debtors or the Reorganized Debtors.

6.18. **Registration Rights Agreement**. Following the Effective Date, certain Holders of New O'Sullivan Holdings Common Stock shall be entitled to require the registration of New O'Sullivan Holdings Common Stock under the Securities Act in accordance with the terms of the Registration Rights Agreement. The Registration Agreement shall be filed as part of the Plan Supplement and shall be executed and delivered by Reorganized O'Sullivan Holdings and become effective on the Effective Date.

6.19. **The New Notes and the New Notes Guarantees.** Reorganized O'Sullivan Industries will issue the New Notes, in the aggregate principal amount of $10 million, and the New Notes Guarantors will execute and deliver the New Notes Guarantees. The New Notes will be secured by liens and security interests on all or substantially all of the assets of the Reorganized Debtors that are junior in priority only to the security interests granted to the Exit Credit Facility Lenders under the Exit Credit Facility Term Loan and the Credit Facility Exit Revolver. The liens and security interests securing the New Notes shall be granted pursuant to, and evidenced by, customary security documents, including, without limitation, mortgages, security agreements, pledge agreements and related instruments of perfection, all satisfactory, in form and substance, to the Senior Secured Noteholders. The New Notes will (a) bear interest at a rate equal to 150 basis points higher than, and (b) will mature 6 months beyond the maturity date of, the Exit Credit Facility Term Loan. Under certain conditions, based on the Reorganized Debtors' operating cash flows, Reorganized O'Sullivan Industries may, in its sole discretion, pay any interest due under the New Notes in-kind rather than in Cash.

6.20. **No Fractional Shares**. No fractional shares of New O'Sullivan Holdings Common Stock will be issued or distributed under the Plan. Whenever any distribution to a

particular Person would otherwise call for the distribution of a fraction of a share of New O'Sullivan Holdings Common Stock, the actual distribution of shares of such stock will be rounded down to the next lower whole number. The total number of shares of New O'Sullivan Holdings Common Stock to be distributed to a Class of Claims will be adjusted as necessary to account for this rounding. No consideration will be provided in lieu of fractional shares of New O'Sullivan Holdings Common Stock that are rounded down.

6.21. **Potential Restructuring Transactions**.

(a) The Debtors, with the prior consent of the Senior Secured Noteholders Representative, or the Reorganized Debtors may potentially engage in one or more Restructuring Transactions involving one or more of the Debtors' or the Reorganized Debtors' respective assets, liabilities, and/or operations (as applicable) and may otherwise take such actions that the Debtors or Reorganized Debtors determine to be necessary or appropriate to effect a corporate restructuring of their respective businesses or to simplify or otherwise improve the overall corporate structure or operations of the Reorganized Debtors. Such transactions may include one or more mergers, consolidations, restructurings, dispositions, sales, or other transfers, leases, or assignments, liquidations, or dissolutions, or change from a corporation to a limited liability corporation or other legal form, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. The actions to effect these transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, formation of new subsidiaries, disposition, sale, transfer, assignment, lease, liquidation, or dissolution containing terms that are not inconsistent with the terms of the Plan and that satisfy the requirements of applicable state law and such other terms to which the applicable entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, lease, or delegation of any asset, property, right, liability, duty, or obligation on terms not inconsistent with the terms of the Plan and having such other terms to which the applicable entities may agree; (c) the filing of appropriate certificates or articles of merger, consolidation, or dissolution pursuant to applicable state law; and (d) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. The Debtors and the Reorganized Debtors are hereby authorized to take any and all actions as may be reasonably necessary or appropriate to effectuate any and all such potential Restructuring Transactions, to the extent such actions are not inconsistent with the terms of this Plan. Similarly, the respective Boards of Directors, officers, and/or member of the Debtors, the Reorganized Debtors, and the New Subsidiaries (as applicable) are hereby authorized to take all such actions as are necessary and appropriate to effectuate any and all Restructuring Transactions, without the need for any additional corporate action or court order.

(b) The Restructuring Transactions may include one or more mergers, consolidations, restructurings, formations of new subsidiaries, dispositions, sales, or other transfers, leases, or assignments, liquidations, or dissolutions that result in all or a portion of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors or the Reorganized Debtors' vesting in one or more surviving, resulting, or acquiring corporation(s) or similar entity. In each case in which the surviving, resulting, or acquiring corporation or similar entity in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting, or acquiring corporation or similar entity will perform the obligations of the applicable

Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring corporation or similar entity, which may provide that another Reorganized Debtor will perform such obligations.

6.22. **De Minimis Distributions**. No Debtor, Reorganized Debtor, or any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of this Plan will distribute any Cash to the Holder of an Allowed Claim if the amount of Cash to be distributed on account of such Claim is less than $100. Any Holder of an Allowed Claim on account of which the amount of Cash to be distributed is less than $100 will have its Claim for such distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtors, any New Subsidiary, or their respective property. Any Cash not distributed pursuant to this Section 6.22 will be the property of Reorganized O'Sullivan Industries, free of any restrictions thereon, and any such Cash held by any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of this Plan will be returned to Reorganized O'Sullivan Industries.

6.23. **Withholding and Reporting Requirements**. In connection with the Plan and all instruments issued in connection therewith and distributed thereunder, the Debtors, the Reorganized Debtors, any disbursing agent or transfer agent retained by the Reorganized Debtors pursuant to Section 6.6(b) of this Plan, the Senior Credit Facility Lender, the DIP Agent, and the Senior Secured Notes Indenture Trustee, as the case may be, shall comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under the Plan shall be subject to any such withholding and reporting requirements.

6.24. **Non-Debtor Intercompany Claims**. All Non-Debtor Intercompany Claims shall be reviewed by the Debtors and adjusted, continued, or discharged, as the Debtors determine as appropriate, taking into account, among other things, the distribution of consideration under the Plan and the economic condition of the Reorganized Debtors and their non-Debtors subsidiaries and Affiliates.

6.25. **Direction to Parties**. From and after the Effective Date, the Reorganized Debtors and/or the New Subsidiaries (if any) may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to effect a transfer of property dealt with by the Plan (including, but not limited to, pursuant to any Restructuring Transaction), and to perform any other act, including the satisfaction of any Lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

6.26. **Setoffs**. The Debtors shall, pursuant to Bankruptcy Code § 553, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, all claims, rights, and causes of action of any nature that the Debtors may hold against the Holder of such Allowed Claim that are not otherwise waived, released, or compromised in accordance with the Plan; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim shall constitute a waiver or release by the Debtors of any such claims, rights, and causes of action that any of the Debtors may possess against such Holder.

6.27. **Preservation of Rights of Action**. Except as otherwise specified in the Plan, in accordance with Bankruptcy Code § 1123(b), as of the Effective Date, the Reorganized Debtors shall retain the Bankruptcy Claims and shall have the power, subject to any applicable releases and/or waivers contained in the Plan, (i) to institute and present in the name of the Debtors, or otherwise, all proceedings that they may deem proper in order to collect, assert, or enforce any claim (including, but not limited to, any and all Bankruptcy Claims), right, or title of any kind in or to any of the Debtors' Assets or to avoid any purported Lien, and (ii) to defend and compromise any and all actions, suits, or proceedings in respect of such Assets.

6.28. **Settlement of Bankruptcy Claims**. At any time after the Confirmation Date and before the Effective Date, notwithstanding anything in the Plan to the contrary, the Debtors may settle some or all of the Bankruptcy Claims with the approval of the Bankruptcy Court pursuant to Bankruptcy Rule 9019.

6.29. **Termination of Claims of Contractual Subordination of Holders of Senior Secured Notes Claims and Senior Subordinated Notes Claims**. Provided that (i) the Bankruptcy Court shall have entered the Confirmation Order and (ii) the Effective Date shall have occurred and the Plan shall have been substantially consummated (as defined in § 1101(2) of the Bankruptcy Code), all rights, actions, or causes of action between or among the Holders of "Senior Indebtedness" (as such term is defined in the Senior Secured Notes Indenture and the Senior Subordinated Notes Indenture) and Holders of Senior Secured Notes Claims and Senior Subordinated Notes Claims relating in any manner whatsoever to Claims against the Debtors based upon any claimed right to contractual or other subordination shall be satisfied, terminated, void, and of no further force and effect as of the Effective Date, so that notwithstanding any such rights, actions, or causes of action, each Holder of Senior Secured Notes Claims (as applicable) shall have the rights and benefits of any distributions provided in this Plan to such Holder.

6.30. **"Change of Control" Provisions**. Notwithstanding anything contained herein or in the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture to the contrary, the transactions to be consummated in accordance with the Plan shall not create, or be deemed to create, any (a) right on the part of a Senior Secured Noteholder or a Senior Subordinated Noteholder to require that O'Sullivan Industries or Reorganized O'Sullivan Industries repurchase such Holder's Senior Secured Notes or Senior Subordinated Notes (as applicable) or (b) any other claim in connection therewith, upon a "Change of Control," as such term is defined in each of the Senior Secured Notes Indenture and Senior Subordinated Notes Indenture (as applicable) or in any Executory Contract being assumed pursuant to this Plan.

6.31. **Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims**. The classification and treatment of Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims will be treated as follows:

(a) The Allowed Secondary Liability Claims arising from or related to any Debtor's joint or several liability for the obligations under any (a) Allowed Claim that is being Reinstated under the Plan or (b) Executory Contract that is being assumed or deemed assumed by another Debtor or Reorganized Debtor or under any Executory Contract that is being assumed by and assigned to another Debtor or Reorganized Debtor or any other entity will be Reinstated.

(b) Holders of all other Allowed Secondary Liability Claims will be entitled to only one distribution from the Debtors, which distribution will be as provided in the Plan in respect of such underlying Allowed Claim, and which Allowed Claim will be deemed satisfied in full by the distributions on account of the related underlying Allowed Claim. No multiple recovery on account of any Allowed Secondary Liability Claim (including, but not limited to, on account of any Claim based on any of the Guarantees or any guaranty related to an Executory Contract) will be provided or permitted.

6.32. **Plan Supplement**. The Plan Supplement will be filed with the Bankruptcy Court within the time established by the order of the Bankruptcy Court approving the Disclosure Statement. The Plan Supplement will include, without limitation, the respective forms of the Amended and Restated Certificates of Incorporation and the Amended and Restated Bylaws; the list of Executory Contracts to be assumed under the Plan and the proposed respective cure amounts due thereunder (if any); the list of the Executory Contracts to be rejected under the Plan; the Registration Rights Agreement; the form of the New Notes; the Shareholders Agreement; and summaries of the principal terms and/or parameters of the Management and Director Equity Plan, among certain other Plan Documents.

6.33. **Allocation of Distributions**. All distributions paid to Holders of Claims in satisfaction thereof pursuant to this Plan shall be allocated first to the original principal amounts of such Claims (as determined for federal income tax purposes), and, second, to the portion of such Claims representing interest (as determined for federal income tax purposes), and any excess thereafter shall be allocated to the remaining portion of such Claims, provided, however, that payments made to the Holders of DIP Facility Claims shall be allocated in accordance with the terms of the DIP Facility; payments made to the Holder of Class 2A Claims shall be allocated in accordance with the terms of the Senior Credit Facility; and payments made to the Holders of Class 2C Claims shall be allocated in accordance with the terms of the Senior Secured Notes Indenture.

6.34. **Distribution Limitations**. Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made on account of any Claim, or part thereof, (i) that is not an Allowed Claim or (ii) that has been avoided or is subject to any objection. The sum total of the value of the distributions to be made on the Initial Distribution Date to all Claims in a particular Class (if any) shall not exceed the aggregate amount of the Allowed Claims in such Class (if any), and the distribution to be made to each individual Holder of an Allowed Claim shall not exceed the amount of such Holder's Allowed Claim.

6.35. **Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims**. Distributions under the Plan to each Holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the Holder thereof under any pertinent insurance policies and applicable law. Nothing in this Section 6.35 will constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities that any entity may hold against any other entity, including the Debtors' insurance carriers.

6.36. **Consent or Acceptance by the Senior Secured Noteholders Representative.** In connection with any and all provisions of this Plan calling for the consent or acceptance of the Senior Secured Noteholders Representative, such consent or acceptance (as applicable) shall not unreasonably be withheld by the Senior Secured Noteholders Representative.

ARTICLE VII

EXECUTORY CONTRACTS

7.1. **Assumption of Executory Contracts**. As of the Confirmation Date, but subject to the occurrence of the Effective Date, all Executory Contracts will be deemed assumed by the applicable Debtors and (except as otherwise provided in (i) Section 7.2 hereof with respect to any Assigned Executory Contracts that shall be assigned to a New Subsidiary pursuant to a Restructuring Transaction, if any, and (ii) Section 7.8 hereof with respect to insurance policies that relate to the assets, liabilities, and/or operations that are the subject of any Restructuring Transaction or are otherwise to be assigned to a New Subsidiary pursuant to a Restructuring Transaction, if any), retained by the applicable Reorganized Debtors in accordance with the provisions and requirements of Bankruptcy Code §§ 365 and 1123, except those Executory Contracts that (i) have been rejected by order of the Bankruptcy Court, (ii) are the subject of a motion to reject pending on the Confirmation Date, (iii) are identified as "to be rejected" on the list included in the Plan Supplement, or (iv) are otherwise rejected under and pursuant to the terms of the Plan. Rejection of the Executory Contracts at issue in clauses (iii) and (iv) in the immediately preceding sentence shall be effective as of the Confirmation Date, subject to the occurrence of the Effective Date. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to Bankruptcy Code §§ 365(a) and 1123, subject to the occurrence of the Effective Date. Each Executory Contract assumed pursuant to this Article VII that is not assigned to a New Subsidiary pursuant to Section 7.2 hereof shall revest in and be fully enforceable by the respective Reorganized Debtor in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption, or (iii) applicable federal law. The Debtors shall retain the right at all times prior to the Effective Date to reject any additional or other Executory Contract(s) not identified on the list thereof included in the Plan Supplement as "to be rejected." Without limiting the effect of this Plan Section 7.1, the Disclosure Statement will contain a schedule of all known Executory Contracts anticipated to be assumed under the Plan, subject to the Debtors' right to determine at any time subsequently, on or prior to the Effective Date, including, without limitation, in the Plan Supplement, to reject any Executory Contracts or to include additional Executory Contracts to be assumed or assumed and assigned under the Plan.

7.2. **Assumption and Assignment of the Assigned Executory Contracts to the New Subsidiaries**. On the Effective Date or as soon thereafter as is practicable, the Reorganized Debtors may assign all of the Assigned Executory Contracts set forth on the list thereof included in the Plan Supplement, if any, to the applicable New Subsidiaries in connection with the Restructuring Transactions contemplated in, and authorized by, Section 6.21 hereof. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any and all such assignments pursuant to Bankruptcy Code §§ 365 and 1123, if any. Each Assigned Executory Contract assigned pursuant to this Article VII to a New Subsidiary, if any, shall be fully

enforceable by such New Subsidiary in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption and assignment, or (iii) applicable federal law.

7.3. **Cure of Defaults of Assumed or Assigned Executory Contracts.** Any monetary amounts by which each Executory Contract to be assumed or assigned to a New Subsidiary (if any, in the case of the Assigned Executory Contracts) pursuant to the Plan is in default shall be satisfied, pursuant to Bankruptcy Code § 365(b)(1), by payment of the default amount (as such amount has been agreed upon by the Reorganized Debtors, or in the event of a dispute regarding such default amount, as such amount has been determined by an order of the Bankruptcy Court) in Cash by the latest of (i) the Effective Date, (ii) in the event of a dispute regarding the default amount, within 10 days of the entry of an order of the Bankruptcy Court establishing such default amount, (iii) the date of an order of the Bankruptcy Court approving and authorizing the assumption or assignment of an Executory Contract not otherwise assumed or assigned pursuant to the terms of the Plan, or (iv) on such other terms as the parties to such Executory Contracts may otherwise agree. Notwithstanding the foregoing, in the event of a dispute regarding: (1) the amount of any cure payments, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of Bankruptcy Code § 365) under the Executory Contract or lease to be assumed or assigned, or (3) any other matter pertaining to assumption or assignment (each an "**Assumption Dispute**"), the cure payments required by Bankruptcy Code § 365(b)(1) shall be made following the entry of a Final Order resolving the dispute and approving the assumption or assignment; provided, however, that (a) in the event the Bankruptcy Court determines that the actual cure payment owed to a particular non-Debtor party to an Executory Contract exceeds the proposed cure amount as set forth in the notice provided by the Debtors pursuant to Section 7.4 hereof or (b) the Debtors and the applicable non-Debtor party involved in any Assumption Dispute cannot otherwise consensually resolve such Assumption Dispute prior to the Effective Date, the Debtors may reject the Executory Contract at issue pursuant to Bankruptcy Code § 365 rather than paying the disputed cure amount, by presenting a proposed order to the Bankruptcy Court for such rejection. In the event any Executory Contract is so rejected, the non-Debtor party thereto shall be entitled to file a Proof of Claim pursuant to Section 7.5 of this Plan, which Claim shall be classified pursuant to Section 7.6 hereof, but shall not be entitled to any other or further Claim or relief from any of the Debtors, the Reorganized Debtors, or any New Subsidiary.

7.4. **Notice of Proposed Cure Amount and Objection Deadline**. The Debtors will provide notice to the non-Debtor party to any Executory Contract to be assumed and/or assumed and assigned to a New Subsidiary pursuant to any Restructuring Transaction of (i) the proposed default amount owed (if any) under the applicable Executory Contract and (ii) the last date by which such non-Debtor party may file an objection or other response with respect to such proposed default amount. Any non-Debtor party that fails to object or otherwise respond in a timely manner to such notice of proposed default amount owed shall be deemed to have consented to such proposed amount and/or to the assignment of the Executory Contract to the applicable New Subsidiary in the case of an Assigned Executory Contract (if any).

7.5. **Rejection Claims**. Each Person who is a party to an Executory Contract rejected under and pursuant to this Article VII shall be entitled to file, not later than 30 days after the entry of the Bankruptcy Court order approving such rejection, a Proof of Claim for alleged

Rejection Claims (the "**Plan Rejection Bar Date**"). If no such Proof of Claim for a Rejection Claim is timely filed, any such Claim shall be forever barred and shall not be enforceable against the Debtors, the Reorganized Debtors, any New Subsidiary, or their respective Estates or Assets. Objections to any such Proof of Claim shall be filed not later than 180 days after such Proof of Claim is filed, and the Bankruptcy Court shall decide any such objections. Payment of such Claims (consistent with the distributions to be received by Holders of other Claims in the Class into which such Claims fall, as determined by Section 7.6 hereof) shall be made no earlier than the later of (a) 10 days after the expiration of the 180-day period for filing an objection in respect of any Proof of Claim filed pursuant to this Section 7.5 and (b) 10 days after the Claim has been allowed by a Final Order, provided that no such payments shall be made before the Effective Date.

Notwithstanding anything to the contrary herein, the Plan Rejection Bar Date shall apply only to Rejection Claims with respect to those Executory Contracts that are to be rejected under and pursuant to the Plan. Any Holder of a Rejection Claim for an Executory Contract that is not to be rejected pursuant to this Plan, but whose Rejection Claim instead arises under an Executory Contract that either has already been rejected by an order of the Bankruptcy Court or is the subject of a separate motion to reject pending on the Confirmation Date, must file a Proof of Claim for such Rejection Claim by the date provided in any order relating to such Rejection Claim.

7.6. **Classification of Rejection Claims**. Except as otherwise provided under the Plan, any Rejection Claims against (a) any of O'Sullivan Industries, O'Sullivan Virginia, or OFFO, shall be treated as Class 3 Claims and (b) O'Sullivan Holdings, shall be treated as Class 4 Claims, to the extent they are Allowed Claims.

7.7. **Reinstatement of Allowed Secondary Liability Claims Arising From or Related to Executory Contracts Assumed and/or Assigned by the Debtors.** On the Effective Date, in accordance with Section 6.31 hereof, any Allowed Secondary Liability Claim arising from or related to any Debtor's joint or several liability for the obligations under or with respect to: (a) any Executory Contract that is being assumed or deemed assumed pursuant to Bankruptcy Code § 365 by another Debtor or Reorganized Debtor; (b) any Executory Contract that is being assumed by and assigned to another Debtor, Reorganized Debtor, or New Subsidiary (if any); or (c) a Reinstated Claim will be Reinstated. Accordingly, such Allowed Secondary Liability Claims will survive and be unaffected by entry of the Confirmation Order.

7.8. **Insurance Policies**. All insurance policies of the Debtors providing coverage to the Debtors and/or the Debtors' directors, officers, stockholders, agents, employees, representatives, and others for conduct in connection in any way with the Debtors, their assets, liabilities, and/or operations, to the extent such policies are Executory Contracts, shall be deemed assumed by the applicable Debtors as of the Confirmation Date, subject to the occurrence of the Effective Date. Without limiting the generality of the foregoing, on the Effective Date or as soon thereafter as is practicable, the Reorganized Debtors shall assign all insurance policies relating to the Debtors' assets, liabilities, and/or operations that are the subject of a Restructuring Transaction (if any) to the applicable New Subsidiar(ies). Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and/or assignments pursuant to Bankruptcy Code §§ 365 and 1123 or otherwise. Each insurance policy assumed pursuant to

this Article VII of the Plan that is not assigned to a New Subsidiary pursuant to this Section 7.8 of the Plan shall revest in, and be fully enforceable by, the respective Reorganized Debtor in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption, or (iii) applicable federal law. Each insurance policy assigned pursuant to this Article VII to a New Subsidiary (if any) shall be fully enforceable by such New Subsidiary in accordance with its terms, except as may be modified by (i) the provisions of the Plan, (ii) any order of the Bankruptcy Court approving and authorizing its assumption and assignment, or (iii) applicable federal law. Whether such insurance policies are Executory Contracts or not, if they have not done so already, on or prior to the Effective Date, the applicable Debtors shall cure any defaults (if any) under such insurance policies. Without limiting the effect of this Plan Section 7.8, the schedule to the Disclosure Statement of all known Executory Contracts referenced in Plan Section 7.1 will include all known insurance policies anticipated to be assumed, provided, however, that the failure to list any insurance policy on such schedule will not impair the Debtors' ability to assume and/or to assume and assign such policy, and instead, any and all such policies will still be assumed and/or assigned in accordance with this Section 7.8.

Notwithstanding anything provided herein to the contrary, the Plan shall not be deemed in any way to diminish or impair the enforceability of any insurance policies that may cover claims against any of the Debtors or any other Person.

7.9. **Compensation and Benefits Programs**. Except as otherwise expressly provided under this Plan, or any exhibit hereto, unless otherwise rejected or lawfully terminated by the Debtors, all employment agreements, all employment policies, and all compensation and benefit plans, policies, and programs of the Debtors applicable to their Employees, retirees, and non-Employee directors, including, without limitation, all savings plans, the KERP, any profit-sharing plans, pension or retirement plans (including, but not limited to, any plans qualified under Internal Revenue Code § 401(a)), healthcare plans, disability plans, benefit plans, and life, accidental death, and dismemberment insurance plans in effect as of the Confirmation Date (collectively, the "**Compensation and Benefits Programs**") either shall be (i) treated as Executory Contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of Bankruptcy Code §§ 365 and 1123 or (ii) otherwise deemed assumed on the Effective Date. Without limiting the effect of this Plan Section 7.9, the schedule to the Disclosure Statement of all known Executory Contracts referenced in Plan Section 7.1 will include all known Compensation and Benefits Programs anticipated to be assumed; provided, however, that the failure to list any Compensation and Benefits Programs on such schedule will not impair the Debtors' ability to assume and/or assign such program, and instead, any and all such programs will be still be assumed and/or assigned in accordance with this Section 7.9.

In the event that the Debtors establish a New Subsidiary in accordance with the terms of the Plan (including Section 6.21 hereof), on the Effective Date or as soon thereafter as is practicable, any of the New Subsidiaries may be named as a participating employer(s) under the applicable Compensation and Benefits Programs, as determined by the Reorganized Debtors. Alternatively, in the event one or more of the Compensation and Benefits Programs does not contain a "participating employer" concept, action shall be taken otherwise to effect coverage thereunder of applicable employees of the relevant New Subsidiary, if any, as determined by the Reorganized Debtors. Except as otherwise set forth herein, any employee of any New

Subsidiary so covered under the Compensation and Benefits Programs shall be eligible for the benefits and entitlements thereunder to the same extent as such employee was eligible thereunder prior to the Effective Date.

7.10. **Obligations to Indemnify Directors, Officers, and Employees, etc**. Notwithstanding anything to the contrary in this Plan, the obligations of each Debtor or Reorganized Debtor to indemnify any person having served as one of its directors, officers, employees, agents, representatives, management, or otherwise by reason of such person's service to the Debtors in such a capacity or as a director, officer, employee, agent, representative, manager, or otherwise of another corporation, partnership, or other legal entity, to the extent provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies, or procedures of or with such Debtor, will be deemed and treated as executory contracts that are assumed by the applicable Debtor or Reorganized Debtor pursuant to the Plan and Bankruptcy Code § 365 or otherwise as of the Effective Date. Accordingly, such indemnification obligations will not be discharged but will instead survive and be unaffected by entry of the Confirmation Order. Without in any way limiting the generality of the foregoing, the Reorganized Debtors shall maintain for a period of not less than six years from the Effective Date coverage for the individuals covered by such policies at levels and on terms no less favorable to such individuals than the terms and levels provided for under the policies assumed pursuant to the Plan.

7.11. **Executory Contracts Entered Into After the Petition Date**. Executory Contracts entered into after the Petition Date by any Debtor, including any Executory Contracts assumed by any Debtor pursuant to Bankruptcy Code § 365, will be performed by the Debtor or the Reorganized Debtor liable thereunder in accordance with the terms and subject to the conditions of such Executory Contract(s) in the ordinary course of its business. Accordingly, such Executory Contracts (including any Executory Contracts assumed pursuant to Bankruptcy Code § 365) will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VIII

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS

8.1. **Conditions to Confirmation.** Confirmation of the Plan shall not occur unless and until the following conditions have been satisfied or waived, pursuant to Section 8.3, in writing by the Debtors: (a) an order approving the Disclosure Statement as containing adequate information pursuant to Bankruptcy Code § 1125 shall have been entered and (b) the Confirmation Order shall be reasonably acceptable in form and substance to the Debtors and the Senior Secured Noteholders Representative.

8.2. **Conditions to Effectiveness**. Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur, and the Plan shall not be binding on any party, unless and until each of the following conditions has been satisfied or waived, pursuant to Section 8.3, in writing by the Debtors:

(a) The Confirmation Order (i) shall have been entered on the docket by the Clerk of the Bankruptcy Court in form and substance reasonably acceptable to the Debtors and

the Senior Secured Noteholders Representative and (ii) shall not have been reversed, stayed, amended, or modified in any manner adverse to the Debtors or their estates;

(b) The Plan Documents and all other documents provided for under, and reasonably necessary to effectuate the (i) terms of, and (ii) actions contemplated under, the Plan, in form and substance reasonably acceptable to the Debtors and the Senior Secured Noteholders Representative, shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived in writing by the parties benefited by such documents, including, but not limited to, the following documents:

(1) the Amended and Restated Certificates of Incorporation and the Amended and Restated By-Laws;

(2) all documents reasonably necessary or appropriate to implement the Management and Director Equity Plan;

(3) all documents reasonably necessary or appropriate to implement the KERP;

(4) the Exit Credit Facility, the Exit Credit Facility Guarantees, the New Notes, the New Notes Guarantees, and all instruments, certificates, guarantees, agreements, and documents contemplated by Sections 6.14 and 6.19 of this Plan;

(5) the Registration Rights Agreement; and

(6) the Shareholders Agreement.

(c) All conditions precedent to the consummation of, and the funding obligation under, the Exit Credit Facility shall have been satisfied or waived in accordance with the terms thereof;

(d) The Amended and Restated Certificates of Incorporation of the Reorganized Debtors shall have been adopted and/or filed with the applicable authority of each entity's jurisdiction of incorporation in accordance with such jurisdiction's state corporate laws;

(e) The new respective Boards of Directors of the Reorganized Debtors shall have been appointed; and

(f) All authorizations, consents, and regulatory approvals required (if any) in connection with the effectiveness of this Plan shall have been obtained.

If the Effective Date does not occur for any reason, then the Plan and the Confirmation Order shall be deemed null and void and, in such event, nothing contained herein or therein shall be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings (whether or not such proceedings involve any of the Debtors). If the Confirmation Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a

waiver or release of any Claims by or against, or any Interests in, the Debtors; (2) prejudice in any manner the rights of the Debtors; or (3) constitute an admission, acknowledgement, offer, or undertaking by the Debtors in any respect.

8.3. **Waiver of Conditions**. With the consent of the Senior Secured Noteholders Representative, the Debtors may, but shall have no obligation to, waive any conditions set forth in this Article at any time, without notice, without leave of or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. The failure to satisfy or waive any condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such conditions to be satisfied.

ARTICLE IX

TITLE TO PROPERTY AND RELEASES

9.1. **Vesting of Property**. Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, but retroactive to the Confirmation Date, (a) the Reorganized Debtors shall continue to exist as separate corporate entities (except in the case of the Dissolved Entities, if any, which shall continue to exist as separate corporate entities only until the effective date of the dissolution thereof in accordance with the provisions of applicable state corporate law), with all the powers of corporations under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law, and (b) all property of the respective Estates of the Debtors (including, but not limited to, the Debtors' respective equity interests in any Debtor Subsidiary or any non-Debtor domestic or foreign subsidiary (including, without limitation, O'Sullivan Industries UK Ltd., Furniture Zone Australasia Pty. Ltd., ACN 090 567 052 Pty. Ltd., O'Sullivan Furniture Asia Pacific Pty. Ltd, and O'Sullivan Industries (Australia) Pty. Ltd., to the extent that any of such non-Debtor subsidiaries has not been dissolved under applicable law prior to the Effective Date) but not including any assets transferred, or any Assigned Executory Contract assigned, after the Confirmation Date but prior to the Effective Date to a New Subsidiary pursuant to a Restructuring Transaction, if any, as provided for and authorized herein), wherever situated, shall vest in the applicable Reorganized Debtor, subject to the provisions of the Plan and the Confirmation Order. Thereafter, each Reorganized Debtor may operate its business, incur debt and other obligations in the ordinary course of its business, and may otherwise use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. After the Effective Date, but retroactive to the Confirmation Date, all property retained by the Reorganized Debtors pursuant hereto or transferred or assigned to a New Subsidiary pursuant to a Restructuring Transaction shall be free and clear of all Claims, debts, Liens, security interests, obligations, encumbrances, and interests of Creditors and Interest Holders of the Debtors and all other Persons, except as contemplated by or provided in the Plan or the Confirmation Order and except for the obligation to perform according to the Plan and the Confirmation Order, and except for the claims, debts, Liens, security interests, encumbrances, and interests (a) of those Holders of Allowed Class 2B Claims whose Secured Claims the applicable Debtor elects to Reinstate pursuant to Section 4.4 of the Plan (as opposed to the applicable Debtor's electing to (i) pay the Allowed amount of such Allowed Class 2B Claim in full, (ii) return the underlying collateral to such Class 2B Creditor, or (iii) otherwise satisfy such

Allowed Claim in a manner provided for under Section 4.4 hereof) or (b) arising in connection with the Exit Credit Facility and the New Notes.

9.2. **Discharge and Injunction**. *Pursuant to 11 U.S.C. § 1141(b) or otherwise, except as may otherwise be provided herein or in the Confirmation Order, upon the occurrence of the Effective Date, the rights afforded and the payments and distributions to be made under this Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge, and release of any and all existing debts, Claims, and Interests of any kind, nature, or description whatsoever against the Debtors or any of the Debtors' Assets and any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction or other property, and shall effect a full and complete release, discharge, and termination of all Liens, security interests, or other Claims, interests, or encumbrances upon all of the Debtors' Assets (as well as upon any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) and property. No Creditor or Interest Holder of the Debtors nor any other Person may receive any payment from, or seek recourse against, any Assets (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) that are to be distributed under the terms of the Plan, except for those distributions expressly provided for under the Plan. All Persons are precluded from asserting, against any property that is to be distributed under the terms of the Plan (including, but not limited to, any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction), any claims, obligations, rights, causes of action, liabilities, or equity interests based upon any act, omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, other than as expressly provided for in the Plan or the Confirmation Order, whether or not (a) a Proof of Claim based upon such debt is filed or deemed filed under Bankruptcy Code § 501; (b) a Claim based upon such debt is allowed under Bankruptcy Code § 502; or (c) the Holder of a Claim based upon such debt has accepted the Plan. Except as otherwise provided in the Plan or the Confirmation Order, all Holders of Claims and Interests arising prior to the Effective Date shall be permanently barred and enjoined from asserting against the Debtors, the Reorganized Debtors, any of the New Subsidiaries, their successors, or the Assets or any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction, any of the following actions on account of such Claim or Interest: (a) commencing or continuing in any manner any action or other proceeding on account of such Claim or Interest against property to be distributed under the terms of the Plan, other than to enforce any right to distribution with respect to such property under the Plan; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any of the property to be distributed under the terms of the Plan or transferred to a New Subsidiary pursuant to any Restructuring Transaction, other than as permitted under subclause (a) above; (c) creating, perfecting, or enforcing any Lien or encumbrance against any property to be distributed under the terms of the Plan or transferred to a New Subsidiary pursuant to any Restructuring Transaction; (d) asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due the Debtors, the Reorganized Debtors, or any New Subsidiary, the Assets (as well as any assets transferred to a New Subsidiary pursuant to any Restructuring Transaction) or any other property of the Debtors, the Reorganized Debtors, or any New Subsidiary, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons; and (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan.*

9.3. **No Waiver of Discharge**. Except as otherwise specifically provided herein, nothing in this Plan shall be deemed to waive, limit, or restrict in any way the discharge granted to the Debtors upon Confirmation of the Plan by Bankruptcy Code § 1141.

9.4. **Post-Consummation Effect of Evidences of Claims or Interests**. Except as otherwise expressly set forth in this Plan (including, without limitation, Sections 4.6 and 6.3), any and all notes, stock certificates, and/or other evidences of Claims against, or Interests in, any of the Debtors shall, effective upon the Effective Date, represent only the right to participate in the distributions contemplated by the Plan, if any, and shall otherwise be cancelled and of no force and effect as of the Effective Date.

9.5. **Term of Injunctions or Stays**. Unless otherwise provided, all injunctions or stays provided for in these Cases pursuant to Bankruptcy Code § 105, § 362, or otherwise, and in effect on the Confirmation Date, shall remain in full force and effect until the Effective Date.

9.6. **Releases**.

(a) *Except as otherwise provided herein, as of the Confirmation Date, but subject to the occurrence of the Effective Date, none of: (i) the Debtors, the Reorganized Debtors, or any New Subsidiary and these parties' respective successors and assigns; (ii) the DIP Agent, the Senior Credit Facility Lender, the DIP Facility Lenders, the Senior Secured Noteholders, and the Senior Subordinated Noteholders; (iii) the members of the Creditors Committee; (iv) the respective directors, officers, and employees who have continued to serve in such capacity as of the Confirmation Date and present members, agents, principals, representatives, stockholders, attorneys, advisors, financial advisors, accountants, underwriters, appraisers, investment bankers, and other professionals of any Person referred to in clauses (i), (ii), or (iii) of this Section 9.6(a); (v) any Person claimed to be liable derivatively through any Person referred to in clauses (i), (ii), (iii), or (iv) of this Section 9.6(a), including, without limitation, any of such Person's directors, officers, employees, predecessors, successors, members, agents, principals, representatives, stockholders, attorneys, advisors, financial advisors, accountants, underwriters, appraisers, investment bankers, or other professionals) (all such Persons referred to in clauses (i) through (v) (inclusive) of this Section 9.6(a) are referred to herein collectively as the "**Released Parties**"), shall have or incur any liability to any Person that has held, holds, or may hold a Claim or Interest or at any time was a creditor or Interest Holder of any of the Debtors and votes to accept the Plan (all such Persons are referred to herein collectively as the "**Releasing Parties**") for any claim, obligation, right, cause of action, or liability (including, but not limited to, any claims arising out of, or relating to, any alleged fiduciary or other duty; any alleged violation of any federal securities law or any other law relating to creditors' rights generally; any of the Released Parties' ownership of any securities of any of the Debtors; or the potential avoidance of preferences or fraudulent conveyances or any derivative claims) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, or occurrence from the beginning of time through and including the Effective Date in any way relating to the Debtors, these Cases, or the Plan; and any and all claims based upon or arising out of such actions or omissions shall be forever and completely waived and released by the Releasing Parties (other than the right to enforce the Debtors' or the Reorganized Debtors' obligations under (a) the Plan, (b) any*

settlement agreement (including any related postpetition agreements) approved by the Bankruptcy Court in these Cases, (c) the Assumed Contracts, or (d) the Plan Documents to be delivered under the Plan); provided, however, that such complete waiver and release will be in addition to the discharge of Claims and termination of Interests provided in this Plan and under the Confirmation Order and the Bankruptcy Code; and provided further, however, that nothing in this Section 9.6(a) shall be deemed to assert or imply any admission of liability on the part of any of the Released Parties.

(b) *Except as otherwise provided in this Plan, all Persons shall be forever precluded from asserting any of the claims released pursuant to this Section 9.6 against any of the Released Parties or any of the Released Parties' respective assets; and to the extent that any Person receives monetary damages from any Released Party on account of any claim released pursuant to this Section 9.6, such Persons hereby assign all of their respective right, title, and interest in and to such recovery to the Released Parties against whom such money is recovered.*

(c) Notwithstanding any provision of the Plan to the contrary, the releases contained in this Section 9.6 of the Plan shall not be construed as, or operate as a release of, or limitation on (i) claims by the Releasing Parties against the Released Parties that do not relate to or involve the Debtors or (ii) objections to Claims.

9.7. **Release by the Debtors**. *On the Effective Date, pursuant to Bankruptcy Rule 9019 or otherwise, the Debtors, the Reorganized Debtors, and any Person seeking to exercise the rights of the Debtors' estates, including, without limitation, any successor to the Debtors or any estate representative appointed or selected pursuant to Bankruptcy Code § 1123(b), on their own behalf, and on behalf of all the Debtors' respective Interest Holders and Creditors derivatively, hereby completely and forever release, waive, and discharge all of the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities (including any Bankruptcy Claims), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity, or otherwise, that are based in whole or in part on any act, omission, transaction, or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, these Cases, or the Plan that such entity has, had, or may have based upon any act or omission related to past service with, for, or on behalf of the Debtors or their Affiliates through and including the Effective Date, including, but not limited to, with respect to any actions to be contemplated by this Plan or not taken in connection herewith. The immediately preceding sentence shall not, however, apply to (i) any indebtedness of any Person to any of the Debtors for money borrowed by such Person or any other contractual obligation of any Person to any of the Debtors or (ii) any setoff or counterclaim that the Debtors may have or assert against any Person, provided that the aggregate amount thereof shall not exceed the aggregate amount of any Claims held or asserted by such Person against the Debtors. Holders of Claims and Interests against any of the Debtors shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover any such claim that could be brought on behalf of or in the name of the Debtors.*

9.8. **Injunction Related to Releases**. *The Confirmation Order will permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or*

otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities released pursuant to the Plan.

ARTICLE X

MODIFICATION AND RESERVATION OF RIGHTS IN THE EVENT OF NONACCEPTANCE OF THE PLAN

The Debtors hereby reserve the right to request that the Bankruptcy Court confirm the Plan over the objection of any impaired Class or Interest in accordance with the applicable provisions of Bankruptcy Code § 1129(b). In the event that any impaired Class or Classes of Allowed Claims shall not accept the Plan, upon the written request of the Debtors filed with the Bankruptcy Court, and subject to the prior consent of the Senior Secured Noteholders Representative, the Plan shall be modified, revised, and amended to provide such treatment as set forth in such request, to assure that the Plan does not discriminate unfairly, and is fair and equitable, with respect to the Classes rejecting the Plan, and, in particular, to provide the treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b) with respect to (i) the rejecting Classes and (ii) any other Classes adversely affected by the modifications caused by this Article. In particular, the treatment of any rejecting Classes or adversely affected Classes shall be modified and amended from that set forth in Article V, even if less favorable, to the minimum treatment necessary to meet the requirements of Bankruptcy Code § 1129(a) and (b). These modifications may include, but shall not be limited to, cancellation of all amounts otherwise payable under the Plan to the rejecting Classes and to any junior Classes affected thereby (even if such Classes previously accepted the Plan) consistent with Bankruptcy Code § 1129(b)(2)(B)(ii) and (C)(ii).

ARTICLE XI

SUBSTANTIVE CONSOLIDATION OF THE DEBTORS

The Debtors reserve the right to seek the entry of an order of the Bankruptcy Court providing for the substantive consolidation of some or all of the Debtors for the purpose of implementing the Plan, including for purposes of voting, confirmation, and distributions to be made under the Plan, subject to the right of any party in interest to object to such relief.

ARTICLE XII

RETENTION OF JURISDICTION

12.1. **Claims and Actions.** Following the Effective Date, the Bankruptcy Court shall retain such jurisdiction over these Cases as is legally permissible, including, without limitation, such jurisdiction as is necessary to ensure that the intents and purposes of the Plan are carried out. The Bankruptcy Court shall also expressly retain jurisdiction: (a) to hear and determine all Claims against any of the Debtors; and (b) to enforce all causes of action that may exist on behalf of any of the Debtors, including, but not limited to, all Bankruptcy Claims.

12.2. **Retention of Additional Jurisdiction**. Following the Effective Date, the Bankruptcy Court shall also retain jurisdiction for the purpose of classification of Claims and Interests, the re-examination of Claims that have been allowed, and the dispositions of such objections as may be filed to any Claims, including Bankruptcy Code § 502(c) proceedings for estimation of Claims. The Bankruptcy Court shall further retain jurisdiction for the following additional purposes:

(a) to decide all questions and disputes regarding title to the respective Assets of the Debtors, all causes of action, controversies, disputes, or conflicts, whether or not subject to any pending action as of the Effective Date, between any of the Debtors and any other party, including, without limitation, any right to recover assets pursuant to the provisions of the Bankruptcy Code;

(b) to modify the Plan after the Effective Date in accordance with the terms of the Plan and pursuant to the Bankruptcy Code and the Bankruptcy Rules;

(c) to enforce and interpret the terms and conditions of the Plan;

(d) to enter such orders, including, but not limited to, such future injunctions as are necessary to enforce the respective title, rights, and powers of the Debtors, and to impose such limitations, restrictions, terms, and conditions on such title, rights, and powers as the Bankruptcy Court may deem necessary;

(e) to enter an order closing these Cases;

(f) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to implement the intents and purposes of the Plan;

(g) to decide any and all objections to the allowance of Claims or purported Liens;

(h) to determine any and all applications for allowances of compensation and reimbursement of expenses and the reasonableness of any fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

(i) to determine any applications or motions pending on the Effective Date for the rejection, assumption, or assignment of any Executory Contract and to hear and determine, and, if need be, to liquidate any and all Claims and/or disputes arising therefrom;

(j) to determine any and all applications, adversary proceedings, and contested matters that may be pending on the Effective Date;

(k) to consider any modification of the Plan, whether or not the Plan has been substantially consummated, and to remedy any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, to the extent authorized by the Plan or the Bankruptcy Court;

(l) to determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or any Plan Document;

(m) to consider and act on the compromise and settlement of any Claim against or cause of action by or against any of the Debtors arising under or in connection with the Plan;

(n) to issue such orders in aid of execution of the Plan as may be authorized by Bankruptcy Code § 1142;

(o) to protect any Released Party against any Claims or Interests released pursuant to Article IX of the Plan; and

(p) to determine such other matters or proceedings as may be provided for under Title 28 or any other title of the United States Code, the Bankruptcy Code, the Bankruptcy Rules, other applicable law, the Plan, or in any order or orders of the Bankruptcy Court, including, but not limited to, the Confirmation Order or any order that may arise in connection with the Plan or the Confirmation Order.

12.3. **Failure of Bankruptcy Court to Exercise Jurisdiction**. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising out of these Cases, including the matters set forth in this Article, this Article shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1. **Governing Law**. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of the Plan Documents and any other contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York**,** without giving effect to the principles of conflicts of law thereof.

13.2. **Revocation or Withdrawal of the Plan**. The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date with the prior consent of the Senior Secured Noteholders Representative. If the Debtors so revoke or withdraw the Plan, then the Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving any of the Debtors.

13.3. **Successors and Assigns**. The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors, or assigns of such Person.

13.4. **Time**. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rules 9006(a) shall apply, and, among other things, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day or, when the act to be done is the filing of a paper in court, a day on which weather or other conditions have made the clerk's office inaccessible, in which event the period runs until the end of the next day which is not one of the aforementioned days. When the period of time prescribed or allowed is less than eight calendar days, intermediate days that are not Business Days shall be excluded in the computation.

13.5. **Modification of the Plan**. The Debtors reserve the right to alter, amend, or modify the Plan prior to or after the entry of the Confirmation Order, subject to the consent of the Senior Secured Noteholders Representative. After the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, with the consent of the Senior Secured Noteholders Representative and upon an order of the Bankruptcy Court, may amend or modify the Plan in accordance with Bankruptcy Code § 1127.

13.6. **No Penalty or Late Charges**. Except as expressly stated in the Plan, or allowed by a Final Order of the Bankruptcy Court, no penalty or late charge is to be allowed on any Claim subsequent to the Petition Date.

13.7. **Professional Fees**. No Professional Fees shall be paid with respect to any Claim or Interest except as specified herein or as allowed by an order of the Bankruptcy Court. All final applications for Professional Fees for services rendered in connection with these Cases prior to and including the Effective Date shall be filed with the Bankruptcy Court not later than ninety (90) days after the Effective Date. Without limiting the foregoing, each Reorganized Debtor shall pay the reasonable charges that it incurs on or after the Effective Date for Professional Fees, disbursements, expenses, or related support services (including reasonable fees and expenses relating to the preparation of Professional Fee applications) without application to the Bankruptcy Court.

13.8. **Amounts of Claims**. All references to Claims and amounts of Claims refer to the amount of the Claim allowed by Final Order of the Bankruptcy Court or by the Plan; provided, however, that Claims that have been objected to and that have not been allowed or disallowed prior to the day set for return of ballots shall be voted and counted, if at all, at the amount, if any, as estimated by the Bankruptcy Court. The Debtors and other interested parties reserve the right, both before and after Confirmation, to object to Claims so as to have the Bankruptcy Court determine or estimate the Allowed amount of such Claim under the Plan.

13.9. **Exculpation**. *The Released Parties shall have no liability to any Person for any act taken or not taken or any omission in connection with, or arising out of these Cases (and the commencement thereof); the Disclosure Statement, the Plan, the Exit Credit Facility, the Plan Documents, or the formulation, negotiation, preparation, dissemination, implementation, or administration of any of the foregoing documents; the solicitation of votes for the pursuit of confirmation of this Plan; the confirmation and/or consummation of this Plan; the Plan Documents; any Restructuring Transaction; any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; or any other pre-or*

post-Petition Date act taken or omitted to be taken in connection with, or in contemplation of, any of the restructuring or other transactions contemplated herein and therein, or the administration of this Plan or the property to be distributed or otherwise transferred under this Plan; and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan, and shall be fully protected in acting or refraining from acting in accordance with such advice.

13.10. **Deletion of Certain Classes**. Any Class of Claims that is not occupied as of the date of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Rule 3018 of the Bankruptcy Rules shall be deemed deleted from the Plan for all purposes.

13.11. **Bankruptcy Code § 1145 and Other Exemptions.** Pursuant to Bankruptcy Code § 1145(a)(1), the issuance of the New O'Sullivan Holdings Common Stock, the New Notes, and/or any other notes issued in connection with the Exit Credit Facility, to the extent any of the foregoing constitute "securities" under applicable law, shall be exempt from the registration requirements of the Securities Act of 1933, as amended, and any state or local laws requiring registration for the offer or sale of securities. All such securities, when issued or sold, shall be freely transferable by the recipients thereof, subject to: (i) the provisions of Bankruptcy Code § 1145(b) relating to "underwriters," as defined therein, (ii) any restrictions contained in the terms of the securities themselves; or (iii) any restrictions on the securities that have been agreed to by the Holder of the securities with respect thereto. Any securities to be issued under the Plan shall be issued without further act or action under applicable law, regulation, order, or rule. To the maximum extent permitted by law, pursuant to Section 4(2) of the Securities Act of 1933, Regulation D of the Securities Act of 1933, Rule 701 promulgated under the Securities Act of 1933, or otherwise, the issuance of any common stock of Reorganized O'Sullivan Holdings in the future in connection with the exercise of any of the options to be granted pursuant to the Management and Director Equity Plan shall be exempt from the registration requirements of the Securities Act of 1933, as amended, and any state or local laws requiring registration for the sale of securities.

13.12. **Bankruptcy Code § 1146 Exemption**. Pursuant to Bankruptcy Code § 1146(c), the issuance, transfer, or exchange of any security under the Plan; the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan; and the revesting, transfer, assignment, or sale of any real or personal property of any of the Debtors pursuant to, in implementation of, or as contemplated by the Plan (including, but not limited to, any assets transferred to a New Subsidiary pursuant to a Restructuring Transaction) shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee.

13.13. **Applicability of Bankruptcy Code § 1125**. The protection afforded by Bankruptcy Code § 1125(e) with regard to the solicitation of acceptances or rejections of the Plan and with regard to the offer, issuance, sale, or purchase of the New O'Sullivan Holdings Common Stock, the New Notes, and/or any other securities or notes issued in connection with the Exit Credit Facility, or otherwise under the Plan, or any other security, shall apply to the fullest extent provided by law, and the entry of the Confirmation Order shall constitute the determination by the Bankruptcy Court that the Debtors, the DIP Agent, the Creditors Committee, the Senior Credit Facility Lender, the Senior Secured Notes Indenture Trustee, the

Senior Subordinated Notes Indenture Trustee, and each of their respective officers, directors, partners, employees, members, agents, attorneys, accountants, financial advisors, investment bankers, dealer-managers, placement agents, and other professionals, shall have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code pursuant to Bankruptcy Code § 1125(e), and therefore, are not liable on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

13.14. **Indenture Trustees as Claim Holders**. Consistent with Bankruptcy Rule 3003(c), the Reorganized Debtors shall recognize Proofs of Claim timely filed by the Senior Secured Notes Indenture Trustee, in respect of the Senior Secured Notes Claims, or the Senior Subordinated Notes Indenture Trustee, in respect of the Senior Subordinated Notes Claims. Accordingly, in the event that the applicable trustee timely files such proofs of claim, any Proof of Claim filed by a registered or beneficial Holder of a Senior Secured Notes Claim or a Senior Subordinated Notes Claims (as applicable) that is limited exclusively to the repayment of principal, interest and/or other applicable fees in respect of such notes, shall be disallowed as duplicative of a Proof of Claim filed by the applicable Indenture Trustee, without any further action or order of the Bankruptcy Court, the Debtors, or the Reorganized Debtors.

13.15. **Substantial Consummation**. On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

13.16. **Rules of Interpretation.** For purposes of the Plan: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such from or substantially on such terms and conditions; (iii) any reference in the Plan to an existing document or exhibit filed, or to be filed, shall mean such document or exhibit, as it may have been or may be amended, modified, or supplemented in accordance with its terms; (iv) unless otherwise specified, all references in the Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to the Plan; (v) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; and (vii) the rules of construction set forth in Bankruptcy Code § 102 shall apply.

13.17. **Severability**. Except as to terms which, if unenforceable, would frustrate the overall purposes of this Plan, should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of the Plan.

13.18. **Implementation**. The Debtors, the Reorganized Debtors, the DIP Agent, the New Agent, the Senior Secured Notes Indenture Trustee, the Senior Subordinated Notes Indenture Trustee, the Creditors Committee, the Senior Secured Noteholders Representative, and the Exit Credit Facility Lenders, shall take all steps, and execute all documents, including

appropriate releases and certificates, reasonably necessary or appropriate to effectuate the provisions contained in this Plan.

13.19. **Inconsistency**. In the event of any inconsistency between the Plan and the Disclosure Statement, the provisions of the Plan shall govern, and in the event of any inconsistency between the Plan and any Plan Document, the provisions of such Plan Document shall govern (except to the extent of any such inconsistencies that are adverse to the Debtors or the Reorganized Debtors, in which case the Plan shall govern).

13.20. **Service of Documents**. Any pleading, notice or other document required by the Plan to be served on or delivered to the following parties shall be sent by first class U.S. mail, postage prepaid to:

The Debtors and the Reorganized Debtors:

O'Sullivan Industries, Inc.
10 Mansell Court East, Suite 100
Roswell, Georgia 30076
Attn: Mr. Rick A. Walters

and

O'Sullivan Industries, Inc.
1900 Gulf Street
Lamar, Missouri 64759
Attn: Rowland H. Geddie III, Esq.

with copies to:

Dechert LLP
30 Rockefeller Plaza
New York, New York 10112
Attn: Joel H. Levitin, Esq.

The Creditors Committee:

_____

with copies to:

_____

The Senior Secured Noteholders and the Senior Secured Noteholders Representative:

_____

with copies to:

13.21. **Compromise of Controversies**. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, and other benefits provided under the Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Reorganized Debtors, the Estates, and any Person holding Claims against any of the Debtors.

13.22. **No Admissions**. Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed as an admission by an Person with respect to any matter set forth herein.

13.23. **Filing of Additional Documents**. On or before the Effective Date, the Debtors may file with the Bankruptcy Court such agreements and other documents as may be necessary and appropriate to effectuate and further evidence the terms and conditions of the Plan.

13.24. **Dissolution of any Committee Appointed**. On the Effective Date, any Committee that has been appointed in these Cases shall be deemed dissolved and the members of any such Committee(s) shall be released and discharged from all rights and duties arising from or related to these Cases. Unless otherwise agreed by the Reorganized Debtors, the professionals retained by any such Committee(s) and the members thereof shall not be entitled to compensation or reimbursement of expenses for any services rendered after the Effective Date, except for reasonable charges for services rendered and expenses incurred in connection with any applications for allowance of compensation and reimbursement of expenses incurred as of the Effective Date and approved by the Bankruptcy Court.

13.25. **Further Actions**. The Debtors, with the consent of the Senior Secured Noteholders Representative, the Reorganized Debtors, and any and all New Subsidiaries shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, certificates, releases, and other agreements and to take such other action as may be reasonably necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, any Plan Document, any Restructuring Transaction(s), the transactions contemplated herein and therein, the Management and Director Equity Plan, the KERP, the Registration Rights Agreement, the Exit Credit Facility, the New Notes, or any notes or guarantee issued in connection herewith or therewith.

Dated: October 14, 2005

O'SULLIVAN INDUSTRIES, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN INDUSTRIES HOLDINGS, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN INDUSTRIES – VIRGINIA, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

O'SULLIVAN FURNITURE FACTORY OUTLET, INC.,
Debtor and Debtor-in-Possession

By: /s/
Rick A. Walters,
Executive Vice President and Chief Financial Officer

Submitted by:

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-- and --

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EXHIBIT B

PROJECTED FINANCIAL INFORMATION FOR THE REORGANIZED DEBTORS

EXHIBIT B

PROJECTED FINANCIAL INFORMATION

The Debtors have prepared projected operating and financial results on a consolidated basis for the five years ending June 30, 2010 (the "Financial Projections"). The Debtors have also prepared a pro-forma balance sheet of O'Sullivan Industries Holdings, Inc. and its debtor affiliates and subsidiaries based upon an assumed Effective Date of March 31, 2006.

THE FINANCIAL PROJECTION INFORMATION DISCUSSED HEREIN CONTAINS CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

THE DEBTORS BELIEVE THAT THE PROJECTIONS ARE BASED ON ESTIMATES AND ASSUMPTIONS THAT ARE REASONABLE. THE ESTIMATES AND ASSUMPTIONS MAY NOT BE REALIZED, HOWEVER, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN THE PROJECTIONS. THEREFORE, ALTHOUGH THE PROJECTIONS ARE NECESSARILY PRESENTED WITH NUMERICAL SPECIFICITY, THE ACTUAL RESULTS OF OPERATIONS ACHIEVED DURING THE PROJECTION PERIOD WILL VARY FROM PROJECTED RESULTS. THESE VARIATIONS MAY BE MATERIAL. ACCORDINGLY, NO REPRESENTATION CAN BE OR IS BEING MADE WITH RESPECT TO THE ACCURACY OF THE PROJECTIONS OR THE ABILITY OF THE REORGANIZED DEBTORS TO ACHIEVE THE PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS.

The Financial Projections should be read in conjunction with the assumptions, qualifications and explanations set forth in the historical consolidated financial statements, including the notes and schedules thereto, incorporated herein by reference to O'Sullivan's Annual Report on Form 10-K for the year ended June 30, 2004 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. Condensed versions of these historical financial statements are cited in Section V.D.1(c) of the Disclosure Statement.

The Financial Projections have been prepared on the assumption that the Effective Date of the Plan will be March 31, 2006. Although the Debtors presently intend to seek to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when the Effective Date will actually occur. The balance sheet adjustments in the column captioned "Reorganization Adjustments" reflect the assumed effect of Confirmation and the consummation of the transactions contemplated by the Plan, including the settlement of various liabilities and incurrence of new indebtedness.

The Financial Projections are based on, and assume the successful implementation of the Reorganized Debtors' business plan.

I. Principal Assumptions For The Financial Projections

A. General

1. *Methodology*. The Financial Projections are based upon the Debtors' operating budget for the five-year period ending June 30, 2010. The budget contains a highly detailed, bottoms-up buildup of gross revenues, sales deductions, net sales and other applicable financial metrics based on an extensive analysis of future expected customer activity. The budget also contains detailed projections of the reorganized Debtors' cost structure, which explicitly incorporates various cost reduction initiatives and programs. Major assumptions, which underlie the budget, have been derived based on projected micro- and macro-economic factors that historically have been shown to affect the Debtors' operational and financial performance.

2. *Plan Consummation*. The operating assumptions assume the Plan will be confirmed and consummated by March 31, 2006.

3. *Macroeconomic and Industry Environment*. The Financial Projections reflect a cyclical improvement in the ready-to-assemble ("RTA") furniture manufacturing environment over the Debtors' fiscal years 2006-2010 Projection Period and a rising interest rate environment.

B. Projected Statements of Operations

1. *Net Sales*. Consolidated net revenues, estimated to be $246.9 million in FY 2005, are projected to decline by approximately 18.6% in FY 2006 primarily as a result of the reduction of lower margin product and the loss of stale merchandise at certain of the Debtors' key customers. Net sales are projected to grow by 4.7% in FY 2007 and peak in the forecast period FY 2010 at $259.5 million. Forecasted growth in net sales slightly outpaces recent RTA industry growth, which could imply modest gains in the Debtors' market share over the period.

2. *Gross Margin*. Gross margin is projected to be 18.2% in FY 2006, increasing to 26.4% in FY 2010. Excluding customer freight, cash gross margin is projected to reach FY 2001 levels of 27% by FY 2008.

3. *Selling, General and Administrative ("SG&A") Expenses*. From FY 2006 through FY 2010, the Debtors' SG&A expenses, as a percentage of net sales, are projected to decline from 16.4% to 14.7%.

4. *Restructuring Costs.* Restructuring costs/expenses include projected payments under the Key Employee Retention Program, estimated payments to professionals advising the Debtors and

certain of its creditors and other one time restructuring charges/expenses, including those relating to various cost reduction initiatives and programs.

5. *Depreciation.* Book depreciation is projected based on estimates of useful life of the Reorganized Debtors' Property, Plant and Equipment

6. *Interest Expense*. Post-emergence interest expense reflects the interest costs of a $15 million Exit Credit Facility Term Loan, $10 million of New Notes and the Credit Facility Exit Revolver. Assuming a fully funded Credit Facility Exit Revolver, the Debtors are projected to have an average borrowing cost of LIBOR + approximately 390 basis points.

7. *Income Tax Provision.* Projected income taxes reflect the impact of COD income on the Effective Date and future projected differences between tax and book pretax income. Projected income taxes also reflect the application of surviving pre-petition tax attributes to offset taxable income subject to Section 382(l)(6) limitations.

C. Projected Statements of Cash Flow

1. *Working Capital*. Accounts receivable and accounts payable are projected to be outstanding for 44-41 days and 19-20 days, respectively, for the period from FY 2007 through FY 2010.

2. *Capital Expenditures*. Capital expenditures are expected to remain constant at $1.5 million throughout the Projection Period.

3. *Borrowing (Repayment) of Debt*. The Financial Projections reflect the use of free cash flow to pay down, in certain periods, the Credit Facility Exit Revolver. The Exit Credit Facility Term Loan is assumed to have a term of five (5) years. The New Notes are assumed to have a term of six (6) years.

Projected Balance Sheet Statement

Fresh Start Accounting

The American Institute of Certified Public Accountants (“AICPA”) has issued Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). The Financial Projections have been prepared in accordance with the fresh-start reporting principles set forth in the SOP 90-7, giving effect thereto as of March 31, 2006, subject to significant simplifying assumptions.

The Pro Forma Reorganized Balance Sheet ("Reorganized Balance Sheet") is based on an Estimated Pre-Reorganization Balance Sheet, as modified by estimated "Recapitalization Adjustments" and "Fresh-Start Adjustments." The Pre-Reorganization Balance Sheet provides estimates of assets and liabilities just prior to confirmation, including liabilities subject to compromise recorded in accordance with the SOP 90-7. The Recapitalization Adjustments adjusts the Pre-Reorganization Balance Sheet for the discharge of administrative claims and of estimated claims allowed by the Court upon confirmation. The Fresh-Start Adjustments further adjusts the Pre-Reorganization Balance Sheet of the emerging entity to:

1. Reflect the reorganization value of the assets;

2. Allocate the reorganization value among the assets; and

3. Reflect each liability at the plan confirmation date at its fair value.

Reorganization value approximates the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets immediately after restructuring. Determination of the reorganization value requires a detailed valuation of all of the Reorganized Debtors’ identifiable assets as of the Effective Date, including working capital assets, fixed assets and identifiable intangible assets such as third-party contracts. Allocation of the reorganization value among assets involves revaluing each of these assets at its fair value. Each liability of the emerging entity is reflected at its fair value.

The foregoing assumptions and resulting computations were made solely for purposes of preparing the Financial Projections. The Reorganized Debtors will be required to determine their actual reorganization value as of the Effective Date. Reorganization value may change depending on the amount of cash retained upon emergence. The actual reorganization and fresh start adjustments will depend on the balance sheet as of the actual confirmation date and a final determination of the fair value appraisals. Such fair value appraisals could be materially higher or lower than the values assumed in the foregoing computations. In all events, the determination of reorganization value and the fair value of Reorganized Debtors’ assets and the determination of their actual liabilities, will be made as of the Effective Date, and the changes between the amounts of any or all of the foregoing items as assumed in the Financial Projections and the actual amounts thereof as of the Effective Date may be material.

Pro Forma Projected Balance Sheet (Unaudited)

As of March 31, 2006
($ in 000s)

	Estimated Pre-Reorganization Balance Sheet	Reorganization Adjustments		Pro Forma Reorganized Balance Sheet[a]
		Recapitalization	"Fresh Start"	
ASSETS				
Current Assets				
Cash	-	-	-	-
Total Accounts Receivable	$24,564	-	-	$24,564
Inventory	35,511	-	-	35,511
Other Current Assets	2,784	-	-	2,784
Total Current Assets	$62,859	-	-	$62,859
Non-Current Assets				
Property, Plant & Equipment, Net	44,515	-	-	44,515
Other Assets	44,354	-	($11,645) [b]	32,709
Total Assets	$151,728	-	($11,645)	$140,083
LIABILITIES & SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$3,506	-	-	$3,506
Accrued Liabilities	15,903	-	-	15,903
Accrued Interest	277	($277) [c]	-	-
Total Current Liabilities	19,687	(277)	-	19,409
Non-Current Liabilities				
DIP	$7,352	($7,352) [d]	-	-
Credit Facility Exit Revolver	-	4,129 [e]	-	4,129
Exit Credit Facility Term Loan	-	15,000 [f]	-	15,000
New Notes	-	10,000 [g]	-	10,000
6.0% Industrial Revenue Bonds	10,000	(10,000) [h]	-	-
Other Long Term Liabilities	12,174	-	-	12,174
Total Non-Current Liabilities	29,526	11,777	-	41,303
Liabilities Subject to Compromise	341,347	(341,347) [i]	-	-
Total Liabilities	$390,560	($329,847)	-	$60,712
Shareholders' Equity	(238,831)	329,847 [j]	(11,645) [k]	79,371
Total Liabilities & Shareholders' Equity	**$151,728**	**-**	**($11,645)**	**$140,083**

NOTES TO PRO FORMA PROJECTED BALANCE SHEET

(a) The pro forma balance sheet adjustments contained herein for periods March 31, 2006 and after account for (i) the projected reorganization and related transactions pursuant to the Plan and (ii) the implementation of "fresh start" accounting pursuant to *SOP 90-7*, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, as issued by the AICPA. The Fresh Start Adjustments are based on a total equity value of approximately $79.7 million consistent with the mid-point of Lazard's equity valuation.

(b) Reflects a $11.6 million write-down of intangible assets under fresh-start accounting adjustments.

(c) Reflects cash payment of projected accrued interest on the 6.0% Industrial Revenue Bonds.

(d) Reflects cash repayment of the DIP Facility at March 31, 2006.

(e) Reflects projected borrowings under the Credit Facility Exit Revolver as of the Effective Date.

(f) Reflects issuance of $15 million Exit Credit Facility Term Loan.

(g) Reflects $10 million of New Notes issued to Senior Secured Holders.

(h) Reflects principal repayment of the 6.0% Industrial Revenue Bonds in cash.

(i) Reflects the extinguishment of pre-petition obligations, including Senior Secured Notes ($100 million principal plus estimated accrued interest of $7.9 million) and Senior Subordinated Notes ($96 million principal plus estimated accrued interest of $6.3 million). Also reflects the extinguishment of pre-petition accounts payable, the Tandy payable and the O'Sullivan Holdings Senior Preferred Stock.

(j) Reflects settlement of liabilities subject to compromise above.

(k) Reflects adjustments to shareholders' equity based on the estimated equity value of the Reorganized Debtors in accordance with "fresh start" accounting provisions of SOP 90-7.

1. Projected Statements of Operations (Unaudited)
($ in 000s)

	Fiscal Year Ending June 30,				
	2006E	2007E	2008E	2009E	2010E
Net Sales	$200,957	$210,327	$227,519	$242,822	$259,483
Cost of Sales	164,349	161,457	171,787	180,620	191,090
Gross Profit	**$36,608**	**$48,871**	**$55,732**	**$62,202**	**$68,393**
Selling, General and Administrative Expense	32,905	33,681	35,140	36,598	38,237
Other Operating Expense	9,029	9,235	10,062	10,796	11,606
Operating Income	**($5,326)**	**$5,954**	**$10,530**	**$14,809**	**$18,551**
Interest Expense, Net	14,016	2,969	2,971	2,999	2,999
Other Expense	1,873	1,876	1,873	1,877	1,882
Restructuring Expense[(a)]	(118,720)	5,897	3,772	-	-
Pre-Tax Income	$97,506	($4,789)	$1,915	$9,933	$13,670
Income Taxes - Current	-	-	-	-	-
Income Taxes - Deferred	-	-	-	-	-
Net Income (Loss)	**$97,506**	**($4,789)**	**$1,915**	**$9,933**	**$13,670**

(a) Includes Cancellation of Indebtedness Income of $148.9 million as well as other restructuring expenses.

2. Projected Balance Sheets (Unaudited)

($ in 000s)

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
ASSETS					
Current Assets					
Cash and Cash Equivalents	-	$9,918	$27,092	$39,803	$54,718
Total Accounts Receivable	$24,398	25,923	26,378	28,095	29,864
Inventory	34,040	31,389	33,166	34,606	36,279
Other Current Assets	2,782	2,785	2,787	2,790	2,794
Total Current Assets	**$61,220**	**$70,015**	**$89,422**	**$105,294**	**$123,654**
Non-Current Assets					
Property, Plant & Equipment, Net	42,347	30,270	14,911	12,017	10,240
Other Assets	32,709	32,709	32,709	32,709	32,709
Total Assets	**$136,276**	**$132,994**	**$137,043**	**$150,021**	**$166,603**
LIABILITIES & SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	$5,383	$8,404	$9,544	$10,034	$10,616
Accrued Interest	620	712	720	727	727
Accrued Liabilities	15,872	16,886	16,073	16,820	17,351
Total Current Liabilities	**$21,875**	**$26,002**	**$26,336**	**$27,582**	**$28,694**
Credit Facility Exit Revolver	4,420	-	-	-	-
Long Term Debt	25,000	25,000	25,000	25,000	25,000
Other Long-Term Liabilities	12,624	14,424	16,224	18,024	19,824
Total Liabilities	**$63,919**	**$65,426**	**$67,560**	**$70,605**	**$73,518**
Shareholders' Equity	$72,357	$67,568	$69,483	$79,415	$93,085
Total Liabilities & Shareholders' Equity	**$136,276**	**$132,994**	**$137,043**	**$150,021**	**$166,603**

3. Projected Statements of Cash Flow (Unaudited)

($ in 000s)

	Fiscal Year Ending June 30,				
	2006	2007	2008	2009	2010
Funds From Operations:					
Net Income (Loss)	$97,474	($4,789)	$1,915	$9,933	$13,670
COD Income	(148,916)	-	-	-	-
Depreciation	10,216	$7,782	$6,398	$4,394	$3,278
Restructuring Charges	-	4,270	3,761	-	-
"Fresh Start" Adjustments	11,645	-	-	-	-
Working Capital					
(Increase)/Decrease in Net A/R	(4,697)	(1,525)	(455)	(1,717)	(1,769)
(Increase)/Decrease in Net Inventory	6,045	2,651	(1,777)	(1,441)	(1,672)
(Increase)/Decrease in Other Current Assets	(537)	(3)	(2)	(3)	(4)
Increase/(Decrease) in Accounts Payable	6,516	3,021	1,140	491	582
Increase/(Decrease) in Accrued Liabilities	(1,968)	1,014	(814)	748	531
Total	5,359	5,158	(1,908)	(1,923)	(2,333)
(Increase)/Decrease in Other Assets	334	-	-	-	-
Increase/(Decrease) in Liabilities	13,667	1,892	1,808	1,807	1,800
Total	**($10,220)**	**$14,315**	**$11,974**	**$14,210**	**$16,415**
Funds Provided by Investing Activities:					
Capital expenditures	($1,299)	($1,500)	($1,500)	($1,500)	($1,500)
Proceeds from Asset Sales	-	1,524	6,700	-	-
Total	**($1,299)**	**$24**	**$5,200**	**($1,500)**	**($1,500)**
Funds Provided by Financing Activities:					
Increase/(Decrease) in Borrowings	$10,124	($4,420)	-	-	-
Changes in Other Financings	200	-	-	-	-
Total	**$10,324**	**($4,420)**	**$0**	**$0**	**$0**
Change in Cash and Equivalents	**($1,195)**	**$9,918**	**$17,174**	**$12,710**	**$14,915**
Beginning Cash	$1,195	$0	$9,918	$27,092	$39,803
Ending Cash	**($0)**	**$9,918**	**$27,092**	**$39,803**	**$54,718**

4. Adjusted EBITDA Build-Up
($ in 000s)

	Debtors Adjusted EBITDA Build-Up		
	LTM	FY 2006	FY 2007
EBIT[a]	**($8,491)**	**$111,521**	**($1,820)**
Plus: Depreciation & Amortization	11,850	10,216	7,782
EBITDA	**$3,359**	**$121,737**	**$5,963**
Plus: Restructuring Charges	-	(118,720) [b]	5,897
Plus: Other Charges	1,566	2,288	2,306
Adjusted EBITDA	**$4,924**	**$5,305**	**$14,166**

(a) Earnings before interest and taxes, net of other income/expenses.
(b) Includes COD income and intangible asset write-down.

EXHIBIT C

O'SULLIVAN INDUSTRIES, INC., ET AL.,

HYPOTHETICAL LIQUIDATION ANALYSIS

EXHIBIT C

LIQUIDATION ANALYSIS AND BEST INTERESTS TEST

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the "Best Interests Test"), Holders of Allowed Claims and Allowed Equity Interests must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan's assumed Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under Chapter 7 of the Bankruptcy Code. In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors' assets under Chapter 7. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the cash held by the Debtors at the commencement of their Chapter 7 cases. Prior to delivering any proceeds to general unsecured creditors, available cash and asset liquidation proceeds would first be applied to Secured Claims and amounts necessary to satisfy any Chapter 7 Administrative Claims (including any incremental Administrative Claims that may result from the termination of the Debtors' business and the liquidation of the Debtors' assets). Any remaining cash and asset liquidation proceeds after satisfaction of Secured Claims and Administrative Claims would be available for distribution to general unsecured creditors and equity holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The liquidation analysis ("Liquidation Analysis") below reflects the estimated cash proceeds, net of liquidation-related costs, that would be available to the Debtors' creditors as of October 14, 2005 pursuant to a Chapter 7 liquidation. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by management and the Debtors' advisors, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and management. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

The Liquidation Analysis assumes that the Debtors' estimated, unaudited September 30, 2005 balance sheet, on which this analysis is based, is a proxy for the balance sheet on the date upon which a liquidation would commence. The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of a court-appointed Chapter 7 trustee and continue for a maximum of 12 months, during which time all of the Debtors' major assets would be sold and the cash proceeds, net of liquidation-related costs, would be distributed to satisfy Claims.

The following Liquidation Analysis should be reviewed in conjunction with the accompanying notes.

1. IMPORTANT CONSIDERATIONS AND ASSUMPTIONS:

Estimate of Net Proceeds

The Liquidation Analysis assumes that a liquidation of the Debtors' assets would occur under the direction of a Bankruptcy Court-appointed Chapter 7 trustee. Liquidation values were generally assessed for classes of assets by estimating the percentage recoveries that a Chapter 7 might achieve through their disposition. The proceeds of these sale transactions would be conveyed to the Debtors' creditors. The liquidation period, estimated to be a minimum of six months to a maximum of twelve months, would allow for an expedited sale process and the documentation and closing of such sale transactions.

Estimates of Costs

The Debtors' liquidation costs under Chapter 7 would include fees payable to a Chapter 7 trustee as well as those that might be payable to attorneys, financial advisors, appraisers, accountants, and other professionals in connection with the Chapter 7 liquidation.

Distribution of Net Proceeds Under Absolute Priority

Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full. In addition, the analysis assumes the application of proceeds from asset sales to first pay down secured creditors with valid liens against such assets before any proceeds are available for distribution to unsecured claimants. When appropriate, it is assumed that letters of credit, which are outstanding as of the date of the commencement of the liquidation, are drawn and funded upon conversion to a Chapter 7 liquidation.

After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, including (i) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a Chapter 7 case in the context of the expeditious liquidation required under Chapter 7, and (iii) potential increases in claims which may arise in a liquidation, the Debtors have determined, as summarized on the charts below, that confirmation of the Plan will provide creditors with a recovery that is not less than they would receive pursuant to a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

Liquidation Analysis

($ in 000s)

Estimated Liquidation Proceeds

		Hypothetical Liquidation Range			
		Recovery %		Amount	
	Book Value[a]	Low	High	Low	High
ASSETS					
Current Assets					
Cash and Cash Equivalents[b]	-			-	-
Trade Receivables, Net[c]	$23,149	57.9%	73.3%	$13,393	$16,965
Inventories, Net[d]	37,543	24.4%	31.4%	9,170	11,790
Prepaid Expenses and Other Current Assets[e]	5,497	0.0%	0.0%	-	-
Total Current Assets	$66,189			$22,563	$28,755
Non-Current (Fixed) Assets					
Property, plant and equipment, net[f]	$48,858	24.5%	30.7%	$11,983	$14,979
Goodwill, net/Other Non-Current Assets[g]	44,354	0.0%	0.0%	-	-
	$93,212			$11,983	$14,979
TOTAL ASSETS	**$159,401**			**$34,546**	**$43,734**

Distribution of Liquidation Proceeds

	Amount	
	Low	High
Gross Current Asset Proceeds Available for Distribution	$22,563	$28,755
Gross Non-Current (Fixed) Asset Proceeds Available for Distribution	11,983	14,979
Gross Liquidation Proceeds	**$34,546**	**$43,734**
Chapter 7 Administrative Claims		
Trustee and receiver fees[h]	$864	$1,093
Counsel for trustee and other professional fees[i]	2,700	2,700
Wind-down Costs[j]	6,000	6,000
Chapter 7 Administrative Claims	$9,564	$9,793
Net Current Asset Proceeds Available for Distribution[k]	$16,317	$22,315
Net Non-Current (Fixed) Asset Proceeds Available for Distribution[k]	8,666	11,625
Total Net Proceeds Available for Distribution	**$24,983**	**$33,940**
Less:		
Senior Credit Facility (Class 2A) Claims[l]	$14,417	$14,417
Recovery Amount ($)	14,417	14,417
% Recovery	*100.0%*	*100.0%*
Less:		
10.63% Senior Secured Notes (Class 2C) Claims[m]	$107,930	$107,930
Recovery Amount ($)	10,566	19,524
% Recovery	*9.8%*	*18.1%*
Net Proceeds Available for Unsecured Claims	-	-
Less:		
General Unsecured (Class 3) Claims[n]	$110,330	$110,330
Recovery Amount ($)	-	-
% Recovery	*0.0%*	*0.0%*
Less:		
All Other (Class 4) Claims against O'Sullivan Holdings[o]	$29,053	$29,053
Recovery Amount ($)	-	-
% Recovery	*0.0%*	*0.0%*

NOTES TO LIQUIDATION ANALYSIS

a) Estimated Book Values as of September 30, 2005. Unless otherwise stated, the book values used in the Liquidation Analysis are estimated book values as of September 30, 2005. These estimated balances are used as a reference point for the analysis and assumed to be representative of the Debtors' assets as of the assumed date of the commencement of the liquidation.

b) Cash and Cash Equivalents. Cash consists of all cash in banks or operating accounts and liquid investments with maturities of three months or less. The zero balance shown is an estimated balance as of September 30, 2005.

c) Trade Receivables. Estimated proceeds realizable from accounts receivable ("A/R") under a liquidation are based on an analysis of eligible and ineligible A/R as of September 30, 2005 per a borrowing base calculation under the Debtors' existing credit agreement with General Electric Capital Corporation. The liquidation range of 57.9% to 73.3% of book value of A/R is an estimate of the proceeds that would be available in a forced sale scenario.

d) Inventory. Estimated proceeds are based on a recent inventory appraisal's estimation of net orderly liquidation value. Range of recovery percentages presented reflects 70.0% - 90.0% of such appraisal value.

e) Prepaid Expenses and Other Current Assets. Analysis assumes no recovery on prepaid expenses and other current and intangible assets.

f) Property, Plant and Equipment. Property, plant and equipment includes machinery and equipment, land, buildings, improvements, and other fixed assets, less accumulated depreciation. Proceeds realizable under a liquidation of the Company's machinery and equipment ("M&E") are based on a September 2005 M&E appraisal for the Company's South Boston, Virginia facility and estimates of orderly liquidation value for M&E located at the Company's Lamar, Missouri facility. Estimated proceeds which could be realized from the liquidation of the Company's South Boston, VA property are based on a September 2005 fair market value real property appraisal. Proceeds from the liquidation of the Lamar, Missouri property were estimated. The overall range of recovery rates across all fixed asset classes was determined to be 24.5% to 30.7% of estimated net book value as of the September 30, 2005 balance shown in the table.

g) Goodwill, Net/Other Non-Current Assets. Analysis assumes no recovery on prepaid expenses and other current and intangible assets.

h) Trustee and Receiver Fees. Compensation for the Chapter 7 trustee will be limited to fee guidelines in section 326 of the Bankruptcy Code. Management has assumed trustee fees of 2%-3% of the proceeds in the liquidation. The liquidation analysis assumes the midpoint of this range.

i) Counsel for Trustee and Other Professional Fees. Compensation for the Chapter 7 trustee's counsel and other legal, financial and professional advice during the Chapter 7 proceedings is estimated to be approximately $200,000 to $400,000 per month beginning at the commencement of the liquidation proceedings. The total estimate of these fees assumes a nine-month liquidation process and the midpoint of the range of monthly expenses.

j) Wind-down costs. The Debtors assume the Chapter 7 liquidation process will take six to twelve months to complete. Corporate payroll and operating costs during liquidation are based on the assumption that certain functions and facilities would be required during the liquidation process. Costs would include salaries of financial and operating employees, severance pay, and maintenance, security and utility costs that would be incurred during a Chapter 7 liquidation. Operating expenses for a nine-month period (the mid-point of the six to twelve month estimated liquidation process) are assumed to range from $5.0 million to $7.0 million. The liquidation analysis assumes the midpoint of this range.

k) **Net Current Asset/Non-Current (Fixed) Asset Proceeds Available for Distribution.** Net Current Asset Proceeds and Net Non-Current (Fixed) Asset Proceeds Available for Distribution represent Gross Current Asset Proceeds and Gross Non-Current (Fixed) Asset Proceeds Available for Distribution, respectively, net of their pro-rata share of Chapter 7 administrative claims/costs.

l) **Senior Credit Facility Claims (Class 2A).** Claims reflect $14.4 million of estimated borrowings under the Senior Credit Facility as of October 14, 2005, including amounts for letters of credit assumed drawn following the announcement of a Chapter 7 liquidation. The estimated balance under the credit agreement specifically assumes that a letter of credit in an amount of $10.3, which backs the 6.0% Industrial Revenue Bonds issued by O'Sullivan Virginia and due 2008, is drawn. The recovery amount reflects up to 100% of Net Current Asset Proceeds Available for Distribution, on which the Senior Credit Facility has a first lien.

m) **10.63% Senior Secured Notes Claims (Class 2C).** Includes claims of Holders of 10.63% Secured Notes due 2008 pursuant to the Senior Secured Notes Indenture dated September 29, 2003. Includes $100 million of principal and $7.9 million of estimated accrued interest as of October 14, 2005. The recovery amount reflects 100% of Net Non-Current (Fixed) Asset Proceeds Available for Distribution, on which Senior Secured Noteholders would have a first lien, plus any excess Net Current Asset Proceeds Available for Distribution (based on the Senior Secured Noteholders' second lien on these current assets).

n) **General Unsecured Claims Against O'Sullivan Industries, O'Sullivan Virginia, and OFFO (Class 3).** Includes claims of Holders of 13.375% Senior Subordinated Notes due 2009 pursuant to Senior Subordinated Notes Indenture dated November 30, 1999. Includes $96 million of principle and $6.3 million of estimated accrued interest as of October 14, 2005. Also includes approximately $8.0 million of estimated prepetition Vendor Claims. Unsecured claims must recover in full before equity interests.

o) **All Other Claims against O'Sullivan Holdings (Class 4)**. Includes $29.1 million BancBoston claim as of October 14, 2005.

EXHIBIT D

LIST OF KNOWN EXECUTORY CONTRACTS ANTICIPATED TO BE ASSUMED UNDER THE PLAN AND THE PROPOSED CURE AMOUNTS THEREFOR

The following schedule sets forth the schedule of known Executory Contracts anticipated to be assumed under the Plan (including (1) Compensation and Benefits Programs, (2) Insurance Policies, and (3) other Executory Contracts), subject to the Debtors' right to determine subsequently to reject such Executory Contracts, effective upon the Effective Date, and the proposed cure amounts therefor (within the meaning of Bankruptcy Code § 365).

AGREEMENT	DATE	PROPOSED CURE AMOUNT

EXHIBIT E

LIST OF KNOWN EXECUTORY CONTRACTS ANTICIPATED TO BE REJECTED PURSUANT TO THE DEBTORS' CHAPTER 11 PLAN

The following schedule sets forth the schedule of known Executory Contracts anticipated to be rejected under the Plan, effective as of the Effective Date.

AGREEMENT	DATE

EXHIBIT F

GENERAL PRINCIPAL TERMS OF THE KEY EMPLOYEE RETENTION PLAN

[TO BE INSERTED]

If you have any questions, please contact our Balloting Agent,

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Melville, NY 11747

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