

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re:

Chapter 11

Creative Loafing, Inc.	Case No. 8:08-bk-14939-CED [Lead Case]
CL Charlotte, Inc.	Case No. 8:08-bk-14950-CED
Weekly Planet of Sarasota, Inc.	Case No. 8:08-bk-14945-CED
Weekly Planet, Inc.	Case No. 8:08-bk-14943-CED
Creative Loafing Atlanta, Inc.	Case No. 8:08-bk-14947-CED
CL Chicago, Inc.	Case No. 8:08-bk-14953-CED
CL Washington, Inc.	Case No. 8:08-bk-14960-CED
Washington Free Weekly, Inc.	Case No. 8:08-bk-14961-CED
CL Birmingham, Inc.	Case No. 8:08-bk-14954-CED

Debtors.

(Jointly Administered Cases)

**JOINT DISCLOSURE STATEMENT
IN CONNECTION WITH JOINT PLAN OF REORGANIZATION
OF CREATIVE LOAFING, INC. AND AFFILIATED DEBTORS**

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Dated: December 15, 2008

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE HEARING TO CONSIDER THE ADEQUACY OF THIS DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE **IS CURRENTLY SCHEDULED FOR JANUARY 26, 2009 AT 2:00 P.M.** THE DEBTORS RESERVE THE RIGHT TO MODIFY AND SUPPLEMENT THIS DISCLOSURE STATEMENT AND THE ACCOMPANYING JOINT PLAN OF REORGANIZATION UP TO AND INCLUDING THE TIME OF APPROVAL OF THE DISCLOSURE STATEMENT. THE DEBTORS ARE NOT CURRENTLY SOLICITING VOTES ON THE JOINT PLAN OF REORGANIZATION.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS PROVIDED FOR PURPOSES OF SOLICITING VOTES ON THE *JOINT PLAN OF REORGANIZATION OF CREATIVE LOAFING, INC. AND AFFILIATED DEBTORS* (THE "PLAN"). THE INFORMATION MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF VOTES ON THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE STATED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT WILL BE CORRECT AT ANY TIME AFTERWARDS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS AGAINST CREATIVE LOAFING, INC., OR ANY OF THE AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION IN THESE CASES, SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS PURSUANT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN CREATIVE LOAFING, INC. OR ANY OF THE AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION IN THESE CASES.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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**JOINT DISCLOSURE STATEMENT IN CONNECTION
WITH JOINT PLAN OF REORGANIZATION
OF CREATIVE LOAFING, INC. AND AFFILIATED DEBTORS**

I. INTRODUCTION

The Debtors and Debtors-in-possession in the above-referenced Chapter 11 cases include the following related companies (individually a “Debtor” and collectively, the “Debtors”):

Creative Loafing, Inc. (“Creative Loafing”)
CL Charlotte, Inc. (“CL Charlotte”)
Weekly Planet of Sarasota, Inc. (“WP Sarasota”)
Weekly Planet, Inc. (“WP”)
Creative Loafing Atlanta, Inc. (“CLA”)
CL Chicago, Inc. (“CL Chicago”)
CL Washington, Inc. (“CL Washington”)
Washington Free Weekly, Inc. (“WFW”)
CL Birmingham, Inc. (“CL Birmingham”)

The Debtors submit this Disclosure Statement (the “Disclosure Statement”) pursuant to Section 1125 of Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”), for use in the solicitation of votes on the *Joint Plan of Reorganization of Creative Loafing, Inc. and Affiliated Debtors* dated December 15, 2008 (the “Plan”). **A copy of the Plan is attached as Exhibit “A” to this Disclosure Statement. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.** All capitalized terms used in this Disclosure Statement but not otherwise defined herein have the meanings ascribed to such terms in Article I of the Plan.

A. PURPOSE OF THIS DISCLOSURE STATEMENT

This Disclosure Statement sets forth certain information regarding the Debtors’ pre-petition operating and financial history, their reasons for seeking protection and reorganization under Chapter 11, significant events that have occurred during the Chapter 11 Cases and the anticipated organization, operations, and financing of the Debtors upon their successful emergence from Chapter 11. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the securities to be issued under the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

By order dated October 30, 2008 (Docket No. 96), the Bankruptcy Court has scheduled a hearing to determine whether this Disclosure Statement contains “adequate information” in accordance with Section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable

investor typical of the Holders of Claims against, or Interests in, the Debtors to make an informed judgment as to whether to accept or reject the Plan, and conditionally authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT SHALL NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtors or their businesses, other than that contained in this Disclosure Statement, the Plan, and all appendices, supplements, or exhibits to the Plan and Disclosure Statement.

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or Interests that are (i) "impaired" by a plan of reorganization and (ii) entitled to receive a distribution under such plan are entitled to vote on the plan. In the Debtors' cases, only Claims in Classes 2, 3, 4, 5, 6, 7, and 8 are Impaired by and entitled to receive a Distribution under the Plan, and only the Holders of Claims in those Classes are entitled to vote to accept or reject the Plan. Claims and Interests in Classes 1 and 10 are Unimpaired by the Plan, and such Holders are conclusively presumed to have accepted the Plan. Because Claims or Interests in Class 9 will neither receive nor retain anything under the Plan, these Holders are deemed to have rejected the Plan and are not entitled to vote.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE PLAN, PLEASE SEE ARTICLE VII OF THIS DISCLOSURE STATEMENT, ENTITLED "SUMMARY OF THE PLAN OF REORGANIZATION," AND ARTICLE IX OF THIS DISCLOSURE STATEMENT, ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED."

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS THAT HAVE OCCURRED IN THE CHAPTER 11 CASES, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT ALL SUCH SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE UNDERLYING DOCUMENTS AND TO THE EXTENT THAT THEY MAY CHANGE AS PERMITTED BY THE PLAN AND APPLICABLE LAW. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS

OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF ALLOWED CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR WITH RESPECT TO ANY QUESTIONS OR CONCERNS REGARDING TAX, SECURITIES, OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS, AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS.

Except with respect to any pro formas and other financial projections that may be offered in connection with this Disclosure Statement or the confirmation of the Debtors' Plan, and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof. Those future events may have a material impact on the correctness and completeness of the information, assumptions, and statements contained in this Disclosure Statement. The Debtors do not undertake any obligation to update any of the projections; thus, the projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the projections. Further, the Debtors do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement will not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof. Moreover, any projections will be based on assumptions that, although believed to be reasonable by the Debtors, may differ from actual results.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THE DEBTORS TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11, AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THE HOLDERS OF CLAIMS. THE DEBTORS URGE SUCH HOLDERS TO VOTE TO ACCEPT THE PLAN.

B. CRITICAL DEADLINES AND DATES

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes certain critical deadlines and dates that relate to the process by which the Plan will or will not be confirmed. In certain instances, your failure to act on or before certain deadlines or dates could adversely affect your rights. Please carefully review these dates and deadlines. All such deadlines and dates are subject to change and parties are encouraged to review the record of the Bankruptcy Court to stay apprised of any such changes.

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement

The hearing to consider approval of this Disclosure Statement has or will take place on **January 26, 2009 at 2:00 p.m. Eastern Time** in Courtroom 10B, Sam M. Gibbons United States Courthouse, 801 North Florida Avenue, Tampa, Florida.

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote on the enclosed Ballot and file the Ballot via U.S. Mail or overnight delivery to Clerk, Bankruptcy Court, Sam M. Gibbons United States Courthouse, 801 North Florida Avenue, Tampa, Florida 33602, with a copy to Jennis & Bowen, P.L., c/o Chad S. Bowen, 400 N. Ashley Dr., Ste. 2540, Tampa, FL 33602. **Your Ballot must be received by the Clerk on or before [REDACTED], at 5:00 p.m. Eastern Daylight Time or it will not be counted.**

3. Deadline for Objecting to the Adequacy of the Disclosure Statement and Confirmation of the Plan

Objections to final approval of this Disclosure Statement must be filed with the Court pursuant to the Rules and Orders of the Bankruptcy Court. Objections to Confirmation of the Plan must be filed with the Bankruptcy Court and properly served on or before [REDACTED], **at 5:00 p.m. Eastern Daylight Time.**

4. Time and Place of the Hearing to Confirm Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on [REDACTED] **Eastern Daylight Time**, in Courtroom 10B, Sam M. Gibbons United States Courthouse, 801 North Florida Avenue, Tampa, Florida

5. Identity of Persons to Contact for More Information

If you want additional information about the Plan, you should contact David S. Jennis or Chad S. Bowen, Jennis & Bowen, P.L., 400 N. Ashley Dr., Ste. 2540, Tampa, FL 33602, 813-229-1700.

II. OVERVIEW OF CHAPTER 11

Chapter 11 is the section of the Bankruptcy Code that primarily addresses business reorganizations. Chapter 11 allows a fresh start for a debtor's business and promotes the equal treatment for similarly situated creditors and similarly situated equity interest holders, subject to the priority scheme for distributions established by the Bankruptcy Code. The filing of a bankruptcy petition commences a bankruptcy case and creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the bankruptcy commencement date. Chapter 11 of the Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." Upon the filing of a petition for relief under Chapter 11, Section 362 of the Bankruptcy Code provides for an automatic stay which enjoins substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the Chapter 11 case.

Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and shareholders. The primary objective of a Chapter 11 case is the confirmation and consummation of a Chapter 11 plan.

Prior to soliciting acceptances of a proposed Chapter 11 plan, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Chapter 11 plan. The confirmation of a Chapter 11 plan by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

The terms of the Debtors' Plan are based upon, among other things, the Debtors' assessment of their ability to achieve the goals of their business plan, make the Distributions contemplated under the Plan, and pay their continuing obligations in the ordinary course of their businesses. Under the Plan, Claims against and Interests in the Debtors are divided into Classes according to their relative seniority and other criteria.

In these Chapter 11 Cases, if the Plan is confirmed by the Bankruptcy Court and consummated, (i) the Claims in certain Classes will be reinstated or modified and receive Distributions equal to the full amount of such Claims, (ii) the Claims of certain other Classes will be modified and receive Distributions constituting a partial recovery on such Claims, and (iii) the Claims and Interests in certain other Classes will receive no recovery on such Claims or Interests. On the Effective Date and at certain times thereafter, the Reorganized Debtors will distribute Cash, New Common Stock, and other property in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan, and the other property to be distributed under the Plan, are described below.

III. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article VII of this Disclosure Statement, entitled "Summary of the Plan of Reorganization."

The Plan provides for the limited substantive consolidation of the Debtors' Estates for purposes of voting and for Distributions under the Plan. At or prior to Confirmation, Creative Loafing will seek the Bankruptcy Court's authorization to substantively consolidate its Estate

with those of its Affiliated Debtors pursuant to Section 105 of the Bankruptcy Code and applicable law, solely for the purposes of voting and Distributions under the Plan. The Debtors believe substantive consolidation will benefit all Holders of Claims and Interests by (i) essentially eliminating the myriad of Intercompany Claims (and Administrative Expense Claims among the Debtors) that will otherwise be difficult, if not impossible, to accurately reconcile, and (ii) providing a more equitable Distribution to all Holders of Claims and Interests under the Plan.

The Plan designates eight Classes of Claims and two Classes of Equity Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests. Claims are treated generally in accordance with the priorities established under the Bankruptcy Code. Claims that have priority status under the Bankruptcy Code or that are secured by valid Liens on Collateral are to be paid in full or as provided in the Plan. Holders of other Claims and Interests will generally receive Cash in satisfaction of their respective Claims and Interests under the Plan.

The following is an overview of certain material terms of the Plan:

- The Debtors will be reorganized pursuant to the Plan and will continue in operation, achieving the objectives of Chapter 11 for the benefit of their Creditors, customers, suppliers, and employees.
- Generally, Allowed Administrative Claims, Priority Tax Claims, and Priority Claims will be fully paid in Cash as and when required by the Bankruptcy Code, unless otherwise agreed by the Holders of such Claims.
- Counterparties to executory contracts or unexpired leases assumed by the Debtors who hold Allowed Cure Claims will receive Cash payments in the full amount of such Claims, as determined by the Bankruptcy Court and/or agreed by the parties.
- Holders of Allowed Secured Claims shall receive one or more promissory notes obligating the Reorganized Debtors to make deferred Cash payments having a present value, as of the Effective Date, equal to the amount of such Allowed Secured Claim (as established by stipulation of the parties or by Final Order of the Bankruptcy Court).
- Holders of Unsecured Claims will receive Cash payments from the Reorganized Debtors equal to all or some portion of their respective Allowed Unsecured Claims.
- Existing Holders of the Old Stock and Old Stock Rights shall have such Equity Interests cancelled, and will have no further interest in Creative Loafing by reason of such ownership nor receive any Distribution under the Plan.
- The Reorganized Debtors will, in exchange for the New Equity Contribution, issue the New Stock representing one hundred percent (100%) of the equity ownership of

Reorganized Debtors to certain investors comprising the New Equity Group to support payments required to be made under the Plan, repay any DIP Financing, pay transaction costs, establish employee stock incentive programs, and/or fund working capital and general corporate purposes of the Reorganized Debtors following their emergence from bankruptcy.

- Holders of Subsidiary Interests in the Debtors shall retain such Equity Interests, which shall be preserved under the Plan solely for the benefit of the New Equity Group.

The Debtors believe that the Plan provides the best means currently available for their emergence from Chapter 11.

IV. SOLICITATION AND VOTING INSTRUCTIONS

A. WHO MAY VOTE

Only the Holders of Claims which are deemed “allowed” under the Bankruptcy Code and which are “impaired” under the terms and provisions of the Plan are permitted to vote to accept or reject the Plan (the “Voting Classes”). The Plan classifies Claims into various Classes depending upon the nature of the Claims, but due to the contemplated substantive consolidation, without regard to which entity the Claims may be asserted against. Holders of Claims or Equity Interests not Impaired by the Plan are deemed to accept the Plan under Section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. Holders of Claims or Equity Interests Impaired by the Plan and receiving no Distribution under the Plan are not entitled to vote because they are deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code.

Notwithstanding the foregoing, only Holders of Allowed Claims in the Voting Classes are entitled to vote on the Plan. A Claim which is unliquidated, contingent, or Disputed is not an Allowed Claim and is, therefore, not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved, or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement as may be permitted. However, the Bankruptcy Court may deem a contingent, unliquidated, or Disputed Claim to be allowed on a provisional basis, for purposes only of voting on the Plan. If your Claim is contingent, unliquidated, or Disputed, you should consider seeking temporary allowance of your Claim for voting purposes, and it will be your responsibility to obtain an order provisionally allowing your Claim.

The following sets forth both the Classes that are entitled to vote on the Plan and the Classes that are not entitled to vote on the Plan:

- The Debtors ARE NOT seeking votes from the Holders of Claims in Class 1 or Class 10 because such Class, and each Holder of a Claim or Interest in such Class, are

Unimpaired under the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, such Classes are conclusively presumed to have accepted the Plan.

- The Debtors ARE soliciting votes to accept or reject the Plan from those Holders of Claims in Classes 2, 3, 4, 5, 6, 7, and 8 because Claims in those Classes are Impaired under the Plan and the Holders of Allowed Claims in those Classes will receive Distributions under the Plan. As such, the Holders of such Claims have the right to vote to accept or reject the Plan.
- The Debtors ARE NOT soliciting votes from the Holders of Interests in Class 9 as such Claims are Impaired under the Plan, and such Holders will not retain anything on account of such Interests or receive any Distributions under the Plan. Pursuant to Section 1126(g) of the Bankruptcy Code, Holders of Class 9 Claims are deemed to have rejected the Plan.

B. HOW TO VOTE

Accompanying this Disclosure Statement are copies of the following (collectively, the “Solicitation Package”):

- the Plan;
- the Disclosure Statement Order, which, among other things, (a) approves this Disclosure Statement as containing “adequate information” in accordance with Section 1125 of the Bankruptcy Code, (b) establishes the procedures for voting on the Plan, (c) schedules a hearing to consider confirmation of the Plan (the “Confirmation Hearing”) and final approval of the Disclosure Statement, and (d) sets the deadlines for voting on and for objecting to confirmation of the Plan;
- Notice of the Confirmation Hearing (“Confirmation Hearing Notice”), which may be included in and is made part of the Disclosure Statement Order; and
- one or more Ballots, which are provided only to the Holders of Claims in Classes 2, 3, 4, 5, 6, 7, and 8.

After carefully reviewing all of the documents contained in the Solicitation Package, their exhibits, and any other documents referenced therein, Creditors in Voting Classes should complete the enclosed Ballot, indicating their vote thereon with respect to the Plan, and return it as provided below.

If you are a member of a Voting Class and did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please immediately call Debtors’ Counsel at (813) 229-1700.

CREDITORS IN VOTING CLASSES SHOULD COMPLETE AND SIGN A COPY OF THE ENCLOSED BALLOT AND RETURN IT AS DESCRIBED BELOW. EACH HOLDER OF A CLAIM IN A VOTING CLASS MAY CAST ONLY ONE BALLOT FOR EACH SUCH CLAIM HELD. IN ORDER TO BE COUNTED, BALLOTS MUST BE DULY COMPLETED AND EXECUTED AND RECEIVED NO LATER THAN [REDACTED] at 5:00 P.M. EASTERN DAYLIGHT TIME, UNLESS EXTENDED (THE “BALLOT DATE”). ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM AND TIMELY SUBMITTED, BUT WHICH DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, SHALL NOT BE COUNTED.

All completed and executed Ballots should be returned either by regular mail, hand delivery, or overnight delivery to:

United States Bankruptcy Court
Middle District of Florida
801 North Florida Avenue
Tampa, FL 33602

and a copy of the completed and executed Ballot should also be mailed to:

Jennis & Bowen, P.L.
Counsel for the Debtors
Attn: David S. Jennis and Chad S. Bowen
400 N. Ashley Dr., Suite 2540
Tampa, FL 33602

C. ACCEPTANCE OF PLAN AND VOTE REQUIRED FOR CLASS ACCEPTANCE

The votes of Holders of Allowed Claims in the Voting Classes are extremely important. In order for the Plan to be accepted and thereafter confirmed by the Bankruptcy Court without resorting to the “cram-down” provisions of Section 1129(b) of the Bankruptcy Code as to other classes of Allowed Claims, votes representing at least two-thirds in amount and more than one-half in number of Allowed Claims of each Impaired Class that are voted must be cast for the acceptance of the Plan. The Debtors are soliciting acceptances only from members of the Voting Classes. You may be contacted by the Debtors or their agents with regard to your vote on the Plan.

Ballots will be tabulated in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Disclosure Statement Order. Among other things:

- Ballots that are unsigned or where a company name is not shown on the signature line will not be counted either as an acceptance or rejection;

- Where the amount shown as owed on the Ballot differs from the Scheduled Claim or filed proof of claim, the amount shown on the proof of claim will be used for the purpose of determining the amount voting. If no proof of claim is filed, the amount shown on the Schedules will be used;
- Ballots that do not show a choice of either acceptance or rejection will not be counted as either accepting or rejecting the Plan;
- Ballots that are filed after the last date set for the filing of Ballots will not be counted as either accepting or rejecting the Plan, without leave of the Court; and/or
- Where duplicate Ballots are filed with respect to a single Claim, and one Ballot elects to accept, and the other elects to reject the Plan, neither Ballot will be counted unless the later Ballot is clearly designated as amending the prior Ballot.

Under the Plan, Creditors holding Unsecured Claims may elect to reduce larger Claims to be Allowed as Unsecured Claims of \$1,000.00 (or less), and therefore receive treatment under the Plan as the Holder of a Class 4 Unsecured Convenience Class Claim. Holders of Claims that opt to be classified and treated as an Unsecured Convenience Class Claimant must clearly mark such election where indicated on their Ballot, and shall thereupon be counted under Class 4 separately for voting purposes, rather than being counted pursuant to their original classification. For Holders of Claims eligible to elect to participate as a Creditor in the Unsecured Convenience Class, a Holder's failure to clearly indicate such election on their Ballot will be deemed an election to not opt for treatment as a Class 4 Unsecured Convenience Class participant, and their Claim shall instead be treated in accordance with the Class in which it otherwise belongs.

To meet the requirements for confirmation of the Plan under the "cram-down" provisions of the Bankruptcy Code with respect to any Impaired Class that votes to reject the Plan (a "Rejecting Class"), the Debtor would have to show that all Classes junior to the Rejecting Class will not receive or retain any property under the Plan unless all Holders of Claims in the Rejecting Class receive under the Plan property having a value equal to the full amount of their Allowed Claims. For a more complete description of the implementation of the "cram-down" provisions of the Bankruptcy Code pursuant to the Plan, see Article XI of this Disclosure Statement.

D. SPECIAL NOTICE TO HOLDERS OR POTENTIAL HOLDERS OF UNSECURED CLAIMS CONCERNING CLAIM CLASSIFICATION

If you have a Claim that is entitled to vote on the Plan, you may receive a Ballot that identifies the Class in which the Debtors believe your Claim belongs. If so, and you disagree and believe that your Claim belongs in another Class, you should file with the Bankruptcy Court, on or before [REDACTED], **at 5:00 p.m. Eastern Daylight Time**, a "Motion for Determination of Plan Class." Your Motion for Determination of Plan Class must identify the Class in which you believe your Claim belongs and the basis for your belief. Alternatively, in the event the Ballot you receive does not designate the Class to which the Debtors believe your

Claim belongs, you must fill in the space provided to identify the Class to which you believe your Claim(s) belong. If the Debtors disagree with the Class designation you select, the Debtors may file their own motion objecting to your Class designation and requesting that the Bankruptcy Court determine the appropriate Class designation. If you do not identify the Class to which you believe your Claim belongs, your Claim will be treated for all purposes as the type of Claim designated by the Debtors prior to or at Confirmation.

E. THE CONFIRMATION HEARING

Pursuant to Section 1128(a) of the Bankruptcy Code, after notice, the Bankruptcy Court shall hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan. The Bankruptcy Court has scheduled the Confirmation Hearing for [REDACTED] **a/p.m., Eastern Time** (the “Confirmation Hearing Date”) before the Honorable Caryl E. Delano, Bankruptcy Judge, in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division, located at the **Sam M. Gibbons United States Courthouse, 801 North Florida Avenue, Tampa, Florida, Courtroom 10B**. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to confirmation of the Plan must be filed and served on the Debtors, Debtors’ Counsel, the U.S. Trustee, and certain other parties designated by the Bankruptcy Court, by no later than [REDACTED], **at 5:00 p.m. Eastern Time** (the “Plan Objection Deadline”). Any objection to confirmation of the Plan must be in writing and specify in detail the name and address of the objector, the basis for the objection, the specific grounds for the objection, and the amount of the Claim held by the objector. **UNLESS OBJECTIONS TO CONFIRMATION OF THE PLAN ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER, THEY MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

V. GENERAL INFORMATION CONCERNING THE DEBTORS

A. CORPORATE HISTORY AND ORGANIZATIONAL STRUCTURE

The original Creative Loafing brand newspaper was founded in 1972 by the parents of current Chief Executive Officer Benjamin A. Eason (“Eason”). It was initially operated by a company known as Eason Publications. The newspaper developed a large and loyal following. In 1987, Eason Publications launched the Creative Loafing brand in Charlotte, North Carolina. The following year, Eason Publications began publishing Creative Loafing newspapers in Tampa, Florida. In 1994, Eason acquired the Tampa newspaper and began to operate this publication independently as the *Weekly Planet*. In 1998, Eason’s company acquired the Sarasota publication that became WP Sarasota. In September 2000, all of the Creative Loafing and Weekly Planet newspapers were consolidated under the ownership of Creative Loafing, Inc., a newly formed corporation, the controlling interest of which Eason and his family owned. In July of 2007, Creative Loafing acquired the assets of the Chicago Reader (through the creation of subsidiary CL Chicago) and the assets and stock of Washington Free Weekly, Inc. These acquisitions allowed Creative Loafing and the Creative Loafing “group” to establish a national platform. Strategically, the “national footprint” was viewed as a critical component of a “Digital

Transformation Strategy.” The Digital Transformation Strategy is described in more detail in Section C below. This acquisition of the Chicago Reader and Washington City Paper newspapers gave Creative Loafing strong brands in three of the top ten markets and five of the top 25 markets. The Debtors are the second largest group of alternative newspapers in the United States.

The net result of these various acquisitions is that Creative Loafing is essentially a holding company and the parent corporation holding one hundred percent (100%) of the Equity Interests in virtually all of the other affiliated Debtors.¹ Specifically, the corporate structure for the Debtors is as follows: Creative Loafing is a Florida corporation that is owned by various shareholders, including Eason and his family; CL Charlotte is a Georgia corporation, which is wholly owned by Creative Loafing; WP Sarasota is a Florida corporation, which is wholly owned by Creative Loafing; WP is a Florida corporation, which is wholly owned by Creative Loafing; CLA is a Florida corporation, which is wholly owned by Creative Loafing; CL Chicago is a Florida corporation, which is wholly owned by Creative Loafing; CL Washington is a Florida corporation, which is wholly owned by Creative Loafing; WFW is a Delaware corporation, which is wholly owned by CL Washington; and CL Birmingham is a Georgia corporation, which is wholly owned by Creative Loafing. Based on the organizational structure and operations of the Debtors, significant Intercompany Claims exist.

B. OVERVIEW OF BUSINESS OPERATIONS

Creative Loafing is the direct or indirect parent of a multi-media enterprise that, through operating subsidiaries, publishes six alternative newspapers with a weekly circulation in excess of 400,000 and owns seven web communities. The Debtors’ primary newspaper markets are Tampa, Atlanta, Chicago, Washington DC, Charlotte, and Sarasota. Creative Loafing also owns www.straightdope.com. Through subsidiary CL Birmingham, the Debtors own a minority investment in Magnolia Media, publisher of the *Birmingham Weekly*, and in SelectAlternatives, an online personals company. Creative Loafing’s websites reach over 2,000,000 unique visitors monthly. Creative Loafing’s print publications have a weekly audience of more than 1,000,000 readers and have a customer base of over 1,000 weekly advertisers. The Debtors’ print and online audience is primarily targeted to the 18-39 year old demographic in the nation’s largest cities.

The Debtors operate their market-specific publishing operations (i.e., the Tampa or Atlanta newspaper markets) as subsidiary corporations that are wholly owned by the parent company.² Each of the subsidiary corporations utilizes certain services – creative services, accounting/finance, and information services – from the corporate parent, Creative Loafing. Creative Loafing allocates service costs amongst the publishing subsidiaries at cost. The Debtors maintain one central accounting operation in Tampa that handles all payroll, accounts receivable, accounts payable, financial accounting, and corporate operations.

¹ As described below, this is with the exception of WFW. WFW is the wholly owned subsidiary of CL Washington which is, in turn, the wholly owned subsidiary of Creative Loafing.

² For example, the Tampa edition of the *Creative Loafing* brand newspaper is published by Weekly Planet, Inc., a wholly owned subsidiary of Creative Loafing. Likewise, Creative Loafing’s Charlotte newspaper is published by CL Charlotte, another wholly owned subsidiary of Creative Loafing.

The Debtors generate revenue from selling advertising and classified and personal ads in their newspapers and internet and mobile platforms.

C. GROWTH STRATEGIES

The downward trends in the print and newspaper industries have been widely published. Recognizing those trends, in 2006 Eason and the Debtors' management designed and began to implement the Digital Transformation Strategy. Through the Digital Transformation Strategy, they have been leveraging their brand and market position in their core print markets to create interactive online and mobile advertising and promotional channels that are taking advantage of the changing strategies of their local and national advertisers. At their inception, alternative newspapers were a primary means by which like-minded people could find events of mutual interest and rapidly build social networks. However, technological advances as to growth of the internet have left the Debtors with both an opportunity and vulnerability as business shifts to the internet and mobile platforms. The local advertising markets are undergoing rapid change with the global internet companies seeking ways to localize their offerings thru geo-targeting to appeal to local advertisers and locally based traditional media companies seeking to match the digitally tailored offerings offered by the global companies. It is unclear which model will be adopted by local advertisers. The readership of publications and attraction of their websites by its audience has remained very constant over the past several years. While the Debtors do not suffer from the readership declines that have been experienced by daily newspapers, they are significantly affected by the advertising trends that are shifting from traditional media to digital strategies that offer better targeting and measurability. For instance, the Debtors, and virtually all print publishers, have experienced significant losses in their classifieds business to "Craig's List," and similar sources of a free online classifieds community and have threats across a range of segments of their businesses.

The Debtors have had considerable success in the past 12 months in developing a new business model that is a combination of digital, web, and mobile advertising to be sold along with their print publications. This "bundled sale" now accounts for roughly 10% of their revenue and is growing rapidly. This model will provide advertisers greater access to the 18-39 year old audience in all of the nation's urban markets.

The Debtors have formidable local sales forces in the Chicago, Washington DC, Atlanta, Tampa, Sarasota, and Charlotte markets that provide a strong advantage over virtual competitors for their local online strategies. The Debtors also have very talented content and news teams in their local markets that have acted as the community's "conscience" for the past 25-35 years. The Debtors' brands are a vital community interest in Tampa, Atlanta, Chicago, Washington DC, Charlotte, and Sarasota. The Debtors run perhaps the most efficient operation of any newspaper company in the United States. They have taken advantage of the use of technology to centralize and outsource key elements of the newspapers to reduce costs.

D. CAPITAL STRUCTURE

In 2007, as mentioned previously, Creative Loafing acquired the assets and business of the *Chicago Reader* and *Washington City Paper* (the “2007 Transaction”).³ The 2007 Transaction was designed to achieve significant savings in core operations while maintaining and expanding the Debtors’ existing and future print and digital businesses with strong content and advertising services. Creative Loafing obtained financing (a) for the 2007 Transaction and (b) to refinance its existing debt through a senior financing transaction (“Atalaya Financing”) with Anacapa Funding I, LLC (“Anacapa”), essentially a “hedge fund” based in New York and Atlanta, and a junior secured financing transaction (“BIA Financing”) from BIA Digital Partners SBIC II, LP, a mezzanine fund (“BIA”).⁴

The amount currently outstanding on the Atalaya Financing is approximately \$30,000,000.00 (exclusive of accrued interest and charges that may be claimed by Atalaya). The amount currently outstanding on the BIA loan is approximately \$10,500,000.00. Atalaya claims a senior Lien and security interest on virtually all assets of the Debtors pursuant to a security agreement dated July 24, 2007 and related security documents executed in connection with the Atalaya Financing. By virtue of a Subordination Agreement involving Atalaya, BIA claims a second position subordinate Lien on virtually all assets of the Debtors pursuant to a security agreement dated July 24, 2007 executed in connection with the BIA Financing. Both Anacapa and BIA also obtained warrants with respect to CLI’s Class C stock in connection with the respective financing arrangements. The documents evidencing the Atalaya Financing and BIA Financing have been filed and are part of the Bankruptcy Court’s record in these cases.

In connection with the Liens and security interests granted to secure the Atalaya Financing and the BIA Financing, the Debtors, Anacapa and BIA, respectively, and Wachovia Bank, N.A. (“Wachovia”) entered into primary and secondary “control agreements” with respect to the certain zero balance accounts and master control accounts. All of the Debtors’ accounts at Wachovia are maintained in the name of Weekly Planet, Inc. These accounts were part of a cash management system that, among other things, permitted Atalaya and BIA to monitor the Debtors’ account activity.

E. MANAGEMENT AND EMPLOYEES

1. Executive Officers and Company Board Members

Benjamin A. Eason: Mr. Eason has been President, Chief Executive Officer, and Chairman of the Board since September 2000. He is the founder of *Creative Loafing Newspaper of Tampa* (1988) and *Creative Loafing Newspaper of Charlotte, North Carolina* (1987). Mr. Eason is responsible for the Debtors’ day to day operations, setting and implementing strategic direction,

³ Creative Loafing also acquired the stock of Washington Free Weekly, Inc., publisher of the Washington City Paper as part of the 2007 Transaction.

⁴ Anacapa was both a lender and agent for other lenders under a Loan Agreement dated July 24, 2007 whereby the Lenders made a term loan of approximately \$30,000,000. Anacapa has been replaced as agent and lender by Atalaya Administrative, LLC and Atalaya Funding II, LP (and for ease of reference, may be referred to collectively in this Disclosure Statement as “Atalaya”).

the Digital Transformation Strategy, managing customer and vendor relationships, as well as product development and marketing.

Angela LaFon: Ms. LaFon was appointed Chief Financial Officer and Corporate Treasurer in September 2000. She is primarily responsible for the day to day management duties with respect to the Debtors' finances and business operations.

Taylor Eason: Ms. Eason was appointed Business Development Director and Corporate Secretary in September 2000. Ms. Eason is responsible for the day to day oversight of a certain web-based business owned by Debtors, as well as management and negotiations with any freelance writers/contributors whose columns are run in multiple cities.

Kirk MacDonald: Mr. MacDonald was appointed the Chief Operating Officer in January, 2008. He currently handles this duty as well as serves as Publisher of the Chicago publication. Prior to October 1, 2008, Mr. MacDonald's status was as an independent contractor.

The Plan provides that the existing executive officers of the Debtors will serve in the same positions after the Effective Date for the Reorganized Debtors until replaced or removed in accordance with Debtors' applicable governing documents.

Immediately prior to the Petition Date, the Debtors' Board of Directors (the "Board") consisted of Benjamin Eason, Gregg Johnson (representative of BIA), and Richard Mandt. Additionally, representatives of Atalaya had "observer status," which allowed them to observe, but not actively participate in, Board proceedings. Currently, the Board of Creative Loafing is comprised of Benjamin Eason as Chairman, and Richard Mandt as Director.

2. Employees

In connection with their business operations, the Debtors lease several office locations in their major markets, employ roughly 260 people, and use the goods and services of a number of independent contractors and vendors. To date, the Debtors believe they have been successful in attracting and retaining skilled and motivated individuals. The Debtors have been forced to make strategic cuts in personnel in an effort to address the challenges they face in the print industry. The Debtors' future success will depend in large part upon the continued ability to attract and retain qualified employees, and to maintain personnel levels consistent with implementing the Digital Transformation Strategy. The Debtors have never experienced a work stoppage and the employees are not covered by a collective bargaining agreement. The Debtors believe they generally have good relations with their current employees.

3. Compensation and Benefits

Pursuant to the Bankruptcy Court's *Order Granting Motion for Authority to Pay Officers' Compensation, Benefits, and Related Taxes and Tax Deposits* (Docket No. 60), the Debtors were authorized to continue providing the pre-petition salaries and related benefits at the same rates as those salaries and benefits were prior to the Petition Date. As set forth in that Order, the Debtors

are authorized to compensate (i) Mr. Eason at an annual salary of \$232,176, plus a \$50,000 bonus upon achievement of annual EBITDA targets; (2) Ms. LaFon at an annual salary of \$161,982, plus a \$30,000 bonus upon achievement of annual EBITDA targets; (3) Mr. MacDonald at an annual salary of \$214,188, plus a \$100,000 bonus upon achievement of annual EBITDA targets; and (4) Ms. Eason at an annual salary of \$69,561. In addition, Mr. Eason's cellular phone bill is authorized to be paid in full at an approximate monthly cost of \$125. Ms. LaFon, Mr. MacDonald, and Ms. Eason are each authorized a cellular phone bill allowance of \$50 per month each. Other benefits provided to Officers, Directors and other employees with five (5) years or longer of tenure include health and dental insurance of which 80% is paid by Debtors and a 401(k) savings plan for which the Debtors match 25% of any amount contributed up to 6%.

The Debtors' Officers also regularly incur certain out-of-pocket business related expenses, such as necessary and authorized travel expenses, and are reimbursed upon the submission of expense reports and supporting documentation. All expense reports are subject to review by the Debtors' management team.

F. SUMMARY OF ASSETS AND LIABILITIES

The Debtors have filed Schedules with the Bankruptcy Court that contain detail as to the assets and liabilities of the Debtors as of the Petition Date. The Schedules provide the Debtors' best estimate, on a deconsolidated basis, of the asset values calculated using net book values, which are not typically reflective of actual values. The Schedules may be reviewed during business hours in the offices of the Clerk of the Bankruptcy Court.

1. Debtors' Consolidated Financial Status.

As of the end of fiscal October, 2008, unaudited consolidated financial statements reflect the following:

Current Assets	
Cash	944,516
Accounts Receivable Trade	2,612,212
Other Receivables	44,850
Prepaid Expenses	619,928
Employee Advances	12,000
Income Tax Receivable	45,600
Trade Assets	542,889
Deferred Loan Fees Current	570,808
Total Current Assets	5,392,803
Fixed Assets	1,362,392
Other Assets	
Goodwill	23,745,464
Notes Receivable noncurrent	281,450
Deposits	125,384
Deferred Loan Fees	1,400,252

Deferred Tax Asset	1,677,517
Total Other Assets	27,230,067
Total Assets	33,985,262

Liabilities and Equity

Current Liabilities:

Accounts Payable	1,110,420
Debt – Current	2,247,919
Other Accrued Expenses	2,663,574
Total Current Liabilities	6,021,913

Long Term Liabilities:

LT Debt, net of current	36,248,687
Total Long Term Liabilities	36,248,687

Stockholders Equity:

Additional Paid in Capital	10,527,945
Retained Earnings	(16,464,402)
Income (Loss)	(2,362,030)
Dividends	(15,276)
Notes Receivable Stock Subscriptions	28,427
Total Stockholders Equity	(8,285,336)
Total Liabilities & Equity	33,985,264

2. Significant Pre-Petition Litigation

On the Petition Date, the Debtors were involved in the following litigation:

- Murray Waas v. Washington City Paper, Creative Loafing, Inc., Michael Lenehan, Jason Cherkis, and Erik Wemple, Case No. 2008 CA 3580, Superior Court for the District of Columbia, Civil Division

On May 9, 2008, Murray Waas (“Waas”) filed an action in the Superior Court for the District of Columbia, Civil Division, against Washington City Paper, Creative Loafing, Inc., Michael Lenehan, Jason Cherkis, and Erik Wemple (“Defendants”) for damages resulting from alleged defamation and false light invasion of privacy based on an article published by the *Washington City Paper*. Upon filing their Bankruptcy Cases, the automatic stay under Section 362 of the Bankruptcy Code went into affect, and has essentially ceased any action by the Plaintiff in this case. The Debtors are currently evaluating whether to seek removal of this action by the Bankruptcy Court.

- Grillmarks of Largo, Inc. v. Weekly Planet, Inc., Case No. 06-9076-CC, County Court of Pinellas County, Florida, Civil Division.

On September 14, 2006, Grillmarks of Largo, Inc. filed an action in the County Court of Pinellas County (the "Grillmarks Case"), which arises from an advertising contractual dispute.

G. HISTORICAL FINANCIAL INFORMATION

Creative Loafing's Financial performance over the past eight years has been very stable and predictable. Its revenues grew from approximately \$21,000,000 in revenue in 2000 to \$24,000,000 in 2006. Its profitability grew from approximately \$1,000,000 in earnings before interest, taxes, depreciation, and amortization ("EBITDA") to \$3,500,000 in EBITDA during the same period of time. The Company has been a leader in its industry in introducing innovations in its sales, content and operations that has allowed for highly profitable growth during this period. The Company's highly centralized operations allowed for a tremendous growth in earnings and allowed it to introduce zoned advertising during the media recession of 2001-2002 which contributed to growth while the rest of the industry experienced losses.

In 2005, the Company began to experience significant losses in its highly profitable classifieds business and the business model began to become more dependent on display revenue – particularly in the housing and related markets. The loss in classifieds revenue eliminated the profitability in the Chicago Reader operations, which Creative Loafing acquired in 2007. Creative Loafing was able to stabilize its profits during this period by its reliance on centralized operations and used these platforms to develop a healthy profit stream from its acquisition of the Chicago Reader and City Paper.

The Company's acquisition in 2007 coincided with the peak level of consumer confidence in the U.S. and this indicator mirrors the decline of consumer spending since August of 2007 through the present time. The housing markets fell to unprecedented levels beginning in the autumn of 2007 and the Company lost a significant portion of its housing and furniture advertising business, which accounted for roughly 15% of its revenues. Following a round of cost reductions in 2007 and throughout the spring of 2008, the Company's profitability was restored and the efficiencies were gained from the acquisitions. Consumer confidence was further undermined in July with the spike in oil prices and then shattered in the fall of 2008 when the financial markets fell. The Company has experienced additional revenue losses as its advertising base is dependent on businesses that are consumer luxuries – restaurants, concert tickets, entertainment.

Generally the media business in the past six to twelve months has also undergone a shift as national advertising has accelerated its migration to more digital marketing. The Company has responded by increasing its traffic growth and advertising opportunities online and has grown its online business by 170% over last year. The Company has seen a decline in the business from its larger businesses in print but growth in its smaller business in print, and believes the future models will come from a mix of print and online offerings depending on the size and sophistication of the advertiser. The Company believes the shift to digital content will continue to accelerate during the economic downturn as advertisers seek more accountable media during difficult times and shy away from traditional branding approaches involving broad analog media.

H. EVENTS LEADING TO COMMENCEMENT OF THE CHAPTER 11 CASE

The Debtors have experienced a cyclical decline in their print advertising revenues over the past twelve (12) months. The Debtors believe this revenue decline is due primarily to macro economic forces in the nation's housing markets and in related furniture and other businesses tied to the purchase of new homes. This cyclical decline has accelerated what was a more gradual secular shift towards digital advertising and away from print advertising. In addition, the commodity prices of newsprint rose to record levels during the twelve (12) months preceding the Petition Date, causing additional costs to be borne by newspapers. While always maintaining sufficient cash to fund operations and development of the Digital Transformation Strategy, the combination of these forces left the Debtors with insufficient funds to fully service their existing Debt obligations with Atalaya and BIA. As a result, while fulfilling their operating expenses and other obligations, the Debtors were unable to service the relatively high interest rate obligations to Atalaya and BIA.

After considerable negotiations with Atalaya and BIA, on February 21, 2008, the Debtors entered into forbearance agreements with Atalaya and BIA ("Forbearance Agreements") whereby Atalaya and BIA agreed to forbear from exercising various rights under their financing arrangements until September 30, 2008 (the "Forbearance Period"). The Forbearance Agreements contained a number of financial and other covenants. Given economic conditions, the forbearance agreements also provided that the parties would negotiate to reset and re-establish the financial covenants in the respective financing documents. The Debtors achieved the financial results called for in the Forbearance Agreements at the close of the fiscal year on June 30, 2008 and requested that Atalaya renegotiate the Financial Covenants.

During the Forbearance Period, the Debtors also had engaged in discussions with potential equity investors seeking capital to lower the Debt obligations, re-structure their capital base and facilitate the transition to non-traditional media platforms. The capital markets were such that the Debtors were unable to find equity to accomplish this objective at that time.

Exacerbating the situation was the fact that Atalaya and BIA did not discuss or renegotiate the Financial Covenants as provided in the Forbearance Agreements. Instead, on August 26, 2008 and again on September 25, 2008, the Debtors were notified by Atalaya that they believed the Debtors were in default under the Atalaya Financing. The September 25, 2008 default letter also advised that the Forbearance Period had terminated and that Atalaya would "strictly enforce" its rights under the Financing Agreements, including the right to impose default interest, accelerate and demand full payments of all amounts due, and exercise all rights. Given the threat that its business would be terminated due to Atalaya's second default notice, the Debtors' Board determined that it was appropriate to seek relief under chapter 11 in this Court.

VI. CHAPTER 11 CASES

Acting upon resolution of the Board, Creative Loafing and its Affiliated Debtors filed their respective Voluntary Petitions for Relief under Chapter 11 of the Bankruptcy Code on September 29, 2008. Upon the commencement of the Chapter 11 Cases, the Debtors became Debtors-in-Possession and have continued in possession of their respective properties and

management of their respective business operations pursuant to Sections 1107 and 1108 of the Bankruptcy Code and by order of the Bankruptcy Court. This section of the Disclosure Statement briefly describes some of the more significant events that occurred during the pendency of the Debtors' bankruptcy cases, and is qualified in all respects by the docket and the record maintained in these bankruptcy cases.

A. STAY OF LITIGATION AND COLLECTION ACTIVITIES.

An immediate effect of the filing of the Debtors' bankruptcy petitions on September 29, 2008 was the imposition of the automatic stay under Section 362 of the Bankruptcy Code. That provision, with limited exceptions, enjoins the commencement and continuation of all collection efforts by Creditors, litigation against the Debtors, the enforcement of Liens against property of the Debtors, and the continuation of litigation against the Debtors. Significant was the Debtors' request for and grant of injunctive relief in conjunction with the automatic stay to prevent efforts of Atalaya and BIA to exercise any rights against the Debtors' Stock owned and pledged by Eason, as described in Section C below. This relief continues to provide the Debtors with the "breathing room" necessary to assess and reorganize their businesses and prevent Creditors from obtaining unfair advantages regarding their respective Claims during the pendency of the Chapter 11 cases.

B. FIRST DAY MOTIONS/ORDERS

Upon the initiation of the Chapter 11 Cases, the Debtors filed several papers with the Bankruptcy Court seeking relief through what are often termed "first day motions." First day motions are generally intended to ease and facilitate the transition between a Debtor's pre-petition and post-petition business operations. These motions are essentially designed to allow certain normal business practices and provide for smoother administration of the Bankruptcy Cases but require the prior approval of the Bankruptcy Court. The first day motions and orders obtained in the Chapter 11 Cases were typical of orders entered in business reorganization cases in this jurisdiction, and authorized, among other things:

- authorization to use "Cash Collateral" subject to certain conditions;
- the joint administration of the Debtors' Chapter 11 Cases;
- the payment of certain pre-petition employee compensation, payroll taxes, benefits, and related obligations;
- the payment of Officers' and Insiders' compensation and benefits after the Petition Date;
- the Debtors' continued use of the existing cash management system and bank accounts and authority to honor certain pre-petition checks; and
- an extension of the deadline for the Debtors to file their respective Schedules and statements of financial affairs.

C. ADVERSARY PROCEEDING FOR INJUNCTIVE RELIEF

As additional security for the Atalaya Financing and BIA Financing, Mr. Eason entered into various pledge agreements with Anacapa and BIA, in which Mr. Eason granted these Creditors a Lien on certain “Pledged Collateral,” as defined in the respective financing documents, which included Eason’s controlling voting interests in shares of Creative Loafing.

On September 29, 2008, contemporaneous with commencing these Bankruptcy Cases, the Debtors filed their *Verified Complaint by Debtors to Extend Automatic Stay and Obtain Injunctive Relief and for Declaratory Relief*, and also immediately filed *Debtors’ Verified Emergency Motion for Temporary Restraining Order and Preliminary Injunction and Request for Emergency Hearing*, thereby commencing Adversary Proceeding No. 8:08-ap-00470-CED. The purpose of those filings was to enjoin Atalaya and BIA from taking any action to control or exercise any rights attendant to the Equity Interests of Creative Loafing, owned by Eason. Although actions against Eason and his property would normally fall outside of the protection of the automatic stay afforded to the Debtors, the Debtors were able to demonstrate that “unusual circumstances” existed such that the protection of the automatic stay did extend to prevent actions to take control of Eason’s stock in CLI. Finding that allowing such action would jeopardize the Debtors’ reorganization efforts, after notice and a hearing, the Bankruptcy Court entered its *Order Granting Debtors’ Emergency Motion for Preliminary Injunction* (Adv. Doc. No. 9).

D. RETENTION OF PROFESSIONALS

After carefully considering their alternatives, the Debtors retained Jennis & Bowen, P.L. as their lead bankruptcy counsel. Foley & Lardner, LLP has been retained and approved as special corporate and litigation counsel and additional attorneys may be retained through the course of the Chapter 11 Cases as special counsel to provide the Debtors with legal advice and legal services on other discreet issues or areas of law, including prosecution of pending lawsuits and any retained causes of action as may be provided for under the Plan.

As the Chapter 11 Cases progressed, the Debtors also sought to enlist the assistance of financial advisors to assist in analysis of the Debtors’ current financial status, proposed Plan of reorganization, and overall reorganization efforts. Accordingly, on November 10, 2008, the Debtors filed their *Application for Order Authorizing Employment of Skyway Advisors, LLC as Financial Advisors for Debtors Nunc Pro Tunc to Petition Date* (Docket No. 102). Atalaya filed an objection to the Debtors’ proposed retention of Skyway (Docket No. 114). On December 10, 2008, the Court conducted a hearing on the application, at which the Debtors announced that they would amend the terms of the proposed retention of Skyway to, among other things, limit Skyway’s scope of representation to only financial advisory services, and limiting its compensation to solely an hourly based fee (plus expenses). A continued hearing on that objection is currently scheduled for December 18, 2008 at 2:00 p.m.

The Debtors also anticipate filing an *Application to Employ Special Counsel* seeking to employ the Law Office of David M. Snyder (“Snyder”) as special litigation counsel with respect

to and in connection with the Waas and Grillmarks litigation, and any other matters in which the Debtors require the assistance of special litigation counsel.

The Debtors will also need to retain accountants to provide auditing and tax accounting services for federal, state, and local tax returns and other accounting services on an as needed basis for Debtors. The Debtors also anticipate that they will need to retain the services of one or more experts to address the complicated issue involving valuation of the Secured Claims at issue in the Bankruptcy Cases, as well as the liquidation, enterprise, and reorganization values of the Debtors and their assets.

E. OTHER MATERIAL MATTERS ADDRESSED DURING THE CHAPTER 11 CASES

In addition to the first day relief sought in the Chapter 11 Cases, the Debtors have sought authority with respect to a multitude of matters designed to assist in the administration of the Chapter 11 Cases, maximize the value of the Debtors' Estates, and provide the foundation for the Debtors' emergence from Chapter 11. Set forth below is a brief summary of certain of the principal motions the Debtors have filed during the pendency of the Chapter 11 Cases.

1. Assumption and Rejection of Executory Contracts and Non-Residential Leases of Real Property

(a) Produce Park Lease – *Motion for Order Authorizing Rejection of Unexpired Lease of Non-Residential Real Property Nunc Pro Tunc to September 29, 2008* (Produce Park Location). This lease relates to the Debtors' Florida loading dock, and is used in connection with the storage and delivery of the Debtors' Florida publications.

(b) *CL Chicago's Motion for Authority to Enter Into Amendment to Lease Agreement of Non-Residential Property*. This lease relates to the Debtors' Chicago location, and is used in connection with the publication of the *Chicago Reader*.

(c) *WFW's Motion for Authority to Assume and Amend Lease of Non-residential Property*. This lease relates to the Debtors' Washington location and is used in connection with the publication of the *Washington Free Weekly*.

2. Bar Date for Filing Proofs of Claim

On October 30, 2008, the Bankruptcy Court entered its *Order Fixing Time for Filing Proofs of Claim, Establishing a Deadline for Filing Plan and Disclosure Statement, and Scheduling Hearing on Approval of Disclosure Statement* (Docket No. 96), establishing **December 4, 2008**, as the Claims Bar Date.

3. Establishment of the Plan Filing Deadline

Pursuant to the Bankruptcy Code, the Debtors had the exclusive right to file their Plan and Disclosure Statement within 120 days following the date of the Order for Relief, unless that

deadline was extended. In this case, the Bankruptcy Court additionally established that the Debtors were required to file their Plan and Disclosure Statement on or before December 15, 2008 (the "Plan Filing Deadline"). The Debtors' Plan and Disclosure Statement were filed on or before the Plan Filing Deadline.

VII. SUMMARY OF THE PLAN OF REORGANIZATION

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN. THIS SECTION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS, THE REORGANIZED DEBTORS, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. LIMITED SUBSTANTIVE CONSOLIDATION

The Plan proposes that the Debtors will, prior to or through confirmation, substantively consolidate their cases for the limited purposes of future reporting, voting, and making Distributions under the Plan. Relevant issues the Debtors have considered in pursuing limited substantive consolidation are the following: (i) whether the elements necessary to obtain an order of substantive consolidation are satisfied in the Chapter 11 Cases; (ii) the value of the Debtors' Estates on an individual and a consolidated basis, and the proper method of determining such value; (iii) whether the Estate of each Debtor should be treated separately for purposes of making payments to Holders of Claims; (iv) whether it is possible to attribute particular Claims asserted in the Chapter 11 Cases to a specific Debtor; (v) the strength of the relative rights and positions of the different Classes of Unsecured Claims with respect to disputes over substantive consolidation; (vi) other issues having to do with the rights of certain Estates, Claims, or Classes of Claims vis-à-vis other Estates, Claims, or Classes of Claims; (vii) the amount and priority of Intercompany Claims (and post-petition Administrative Claims among the Debtors) and the

potential voidability of certain intercompany transfers; and (viii) the treatment of Subsidiary Interests.

Substantive consolidation is an equitable remedy that the Bankruptcy Court may order. In general, substantive consolidation can affect creditor recovery because it pools the assets and liabilities of entities with different debt-to-asset ratios. The Debtors believe that the limited substantive consolidation contemplated in the Plan is in the best interest of all Holders of Claims and Equity Interests.

Except as may be otherwise specifically provided in the Plan, substantive consolidation under the Plan will not result in the merger or otherwise affect the separate legal existence of each Debtor, other than with respect to Distribution rights under the Plan. The Plan structure will not (a) impair the validity or enforceability of guarantees that exist under or with respect to any assumed executory contracts or unexpired leases; (b) affect valid, enforceable, and unavoidable Liens that would not otherwise be terminated under the Plan, except for Liens that secure a Claim that is eliminated by virtue of the Plan and Liens against Collateral that secure Debts that are extinguished by virtue of the Plan; or (c) have the effect of creating a Claim in a Class different from the Class in which a Claim would have been placed in the absence of such structure.

B. REORGANIZED EQUITY STRUCTURE CREATED BY PLAN

The Plan sets forth the capital structure for the Reorganized Debtors upon their emergence from Chapter 11, which is premised on the contribution of new money or value described in the Plan as the New Equity Contribution. The New Equity Contribution will be given in exchange for command/or preferred shares of New Stock. The Debtors anticipate that the equity structure of the Reorganized Debtors under the Plan will leave Creative Loafing's ownership of the Subsidiary Interests intact, for the benefit of Creative Loafing and the New Equity Group. However, pursuant to the new equity structure under the Plan, the ownership of Creative Loafing will be reflected by the issuance of common shares to the New Equity Group (representing one hundred percent (100%) of the outstanding shares on an undiluted basis), and possibly the issuance to the New Equity Group of additional shares of Class A Preferred Stock with certain liquidated preferences. Funds from the New Equity Contribution will be used to support payments required to be made under the Plan (including the Cash portion of Cure Claims), repay any DIP or Exit Financing, and/or fund working capital and general corporate purposes of the Reorganized Debtors following the Effective Date.

C. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

The table below summarizes the classification and treatment of the pre-petition Claims and Interests under the Plan.

The Debtors have established the various Classes of Creditors and Interest Holders pursuant to Section 1122 of the Bankruptcy Code. The Plan places the various Claims and Interests in a particular Class only if such Claim or Interest is substantially similar to the other

Claims or Interest in such Class. Pursuant to the Bankruptcy Code, the Debtors have not classified Administrative Claims and Priority Claims under the Plan. Holders of Allowed Priority Claims (other than Priority Tax Claims) are separately classified as Class 1 Claims based on their entitlement to treatment under Section 507(a) of the Bankruptcy Code. The portion of Atalaya's Claims against the Reorganized Debtors that is an Allowed Secured Claim is separately classified as a Class 2 Claim based on its Lien in the Collateral. The portion of BIA's Claim against the Reorganized Debtors that is an Allowed Secured Claim (if any) is separately classified as a Class 3 Claim based on its junior secured status to that of Atalaya. The Debtors separately classified the Class 4 Administrative Convenience Class Claims pursuant to Section 1122(b) of the Bankruptcy Code. The Debtors separately classified the "trade creditors" holding Allowed Unsecured Claims and who agree to continue doing business with the Debtor after the Effective Date as Class 5 claimants based on the critical need for the Debtors to maintain trade and credit relationships with their vendors following Confirmation. Through the Plan, the Debtors separately classify the Deficiency Claim of Atalaya as a Class 6 Claim based on the different nature of that Claim and the divergence of interests of Atalaya on account of its Unsecured Claims from those of the other Unsecured Creditors in the Bankruptcy Cases. The Plan also separately classifies the Deficiency Claim of BIA as a Class 7 Claim based, again, on the different nature of that Claim and the divergence of interests of BIA on account of its Unsecured Claim from other Unsecured Creditors, as well as the subordination of BIA's Claims to those of Atalaya's pursuant to the Subordination Agreement and applicable law. The Debtors' Plan separately classifies the Claims of General Unsecured Creditors under Class 8 (that are not otherwise classified under the Plan) based on the distinction of the Claims from all other Unsecured Creditor Claims. The Plan separately classifies the Equity Interests in the Debtor, Creative Loafing, as Class 9, and those Claims of Creative Loafing's Subsidy Interests are designated as Class 10. The Debtor believes these classifications do not discriminate unfairly, that Claims in each Class are substantially similar to each other, that the separate classifications are based on the nature of the respective Claims and Interests, and that they are justified under the Bankruptcy Code and applicable law.

In all Classes, Claimants have the ability to consent to a treatment of their Claim that is different (but not more favorable) than that proposed under the Plan. Additionally, the Debtors may modify, with the Bankruptcy Court's approval, the treatment currently proposed in the Plan. Estimated Claim amounts are calculated as of the Petition Date. Estimated percentage recoveries are also set forth below for certain Classes of Claims.

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 have not yet reviewed and fully analyzed all Proofs of Claim filed in the Chapter 11 Cases. The estimated claim amounts set forth below are consolidated amounts based upon the Debtors' review of their books and records and of certain Proofs of Claim, and include estimates of a number of Claims that are contingent, Disputed, and/or unliquidated.

Class Description	Summary of Treatment Under Plan
<p><u>Administrative Claims</u></p> <p>Estimated Allowed Claims (including anticipated accrued Claims for Professional Fee and Expense Claims, Vendor Administrative Claims, U.S. Trustee Claims; exclusive of ordinary course operational expenses and DIP Financing Claim(s))</p> <p>Approximately \$150,000</p>	<p>Administrative Claims including: (a) the costs and expenses incurred in the operation of the businesses of the Debtors, (b) Professional Fee Claims, (c) Vendor Administrative Claims under Section 503(b)(9) of the Bankruptcy Code, (d) all fees and charges assessed against the Estates under Section 1930 of Title 28 of the United States Code, and (e) any Claim(s) arising out of DIP or Exit Financing.</p> <p>Administrative Claims shall be paid in full, in Cash (a) in the ordinary course of the Debtors' businesses as such Claims become due and owing, or (b) when allowed by the Bankruptcy Court.</p> <p>Allowed Administrative Claims with respect to fixed and undisputed obligations incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases will be paid in the ordinary course of business.</p> <p>Administrative Claims are not classified. The Holders of such Claims are not entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p>
<p><u>Priority Tax Claims</u></p> <p>Estimated Allowed Priority Tax Claims: Approximately \$25,000</p>	<p>Priority Tax Claims are Claims of governmental units for taxes that are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code.</p> <p>Allowed Priority Tax Claims will be paid in full, in Cash, the later of: (a) the Effective Date; (b) the date of the Order allowing such Claim; or (c) the date that such Allowed Priority Tax Claim would have been due if the Chapter 11 Cases had not been commenced; <u>provided, however</u>, that the Debtors may, at their option, in lieu of payment in full of Allowed Priority Tax Claims on the Effective Date, make deferred Cash payments with principal amount of such Allowed Priority Tax Claims amortized and payable in equal annual installments over five (5) years from the order of relief and interest shall accrue from the Effective Date .</p> <p>Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p>

Class Description	Summary of Treatment Under Plan
<p><u>Class 1: Priority Claims</u></p> <p>Estimated at \$10,000</p>	<p>Class 1 consists of all Priority Claims against the Debtors, which are Claims against the Debtors entitled to priority pursuant to Section 507(a) of the Bankruptcy Code, other than Priority Tax Claims or Administrative Claims.</p> <p>Each Holder of an Allowed Priority Claim in this Class shall receive, in full satisfaction, settlement, release and discharge thereof, Cash in an amount equal to the unpaid portion of such Allowed Priority Claim on the later of: (i) the Effective Date or as soon thereafter as practical; or (ii) the date upon which there is a Final Order allowing such Claim as an Allowed Priority Claim (or any other date specified in such Final Order) or as soon thereafter as practical, unless the Holder of an Allowed Priority Claim and the respective Debtor (or Reorganized Debtor) agree to a less favorable treatment.</p> <p>Priority Claims are Unimpaired. The Holders of such Claims are not entitled to vote on the Plan.</p> <p>Estimated Percentage Recovery: 100%</p> <p>Unimpaired</p>
<p><u>Class 2: Secured Claim of Atalaya</u></p> <p>Estimated at \$5,000,000 - \$15,000,000</p>	<p>Class 2 consists of the Allowed Secured Claim arising out of the Atalaya Financing, which is secured by all personal property and other assets of Debtors.</p> <p>The amount of Atalaya's Class 2 Claim shall be determined by the Bankruptcy Court, pursuant to Section 506(a) of the Bankruptcy Code. On account of and in full satisfaction of such Class 2 Claim the Holder of such Claim shall receive a promissory note from the Reorganized Debtors, jointly and severally, providing for deferred Cash payments totaling at least the amount of such Allowed Secured Claim and of a value, as of the Effective Date, of at least the value of its Allowed Secured Claim. Such deferred Cash payments shall be made in one hundred twenty (120) monthly payments, commencing on the last day of the first full calendar month following the Effective Date and continuing on the last day of each subsequent calendar month.</p> <p>The repayment of Atalaya's Allowed Secured Claim shall be evidenced by a promissory note ("<u>Atalaya Note</u>") providing for the repayment of the amount or more of such Allowed Secured Claim through one hundred twenty (120) monthly payments, at an appropriate rate of interest (as agreed by the parties or allowed by the Bankruptcy Court) such that the present value of those payments have a value on the Effective Date, equal to the amount of Atalaya's Allowed Secured Claim. Because the amount of Atalaya's Allowed Secured Claim the exact number of payments necessary to pay the Secured Claim, and the appropriate interest rate to be applied to ensure that the payments made will have a present value as of the Effective Date equal to the Allowed Secured Claim will likely be determined by the Bankruptcy Court, the Debtors are unable to include all material terms of the Atalaya Note in this Disclosure Statement. However, attached as Exhibit "B" to this Disclosure Statement are the financial projections (the "<u>Financial Projections</u>") prepared by Debtors' management reflecting operating and cash flow results through the end of the Debtors' fiscal year of 2019 and attached as Exhibit "C" to this</p>

Class Description	Summary of Treatment Under Plan
	<p>Disclosure Statement is an analysis setting forth the Debtors' debt service projections for repayment of the Atalaya Note under a range of Secured Claim Amounts and interest rates that could be determined by the Bankruptcy Court (the "<u>Sensitivity Analysis</u>"). Specifically, and for demonstrative purposes only, the Sensitivity Analysis forecasts the timing and method of repayment of the Atalaya Note assuming a range of principal amounts from \$5,000,000 to \$15,000,000 and interest rates of 6%, 8%, and 10%. Under each scenario, the Sensitivity Analysis assumes Cash payments shall be made in one hundred twenty (120) payments, commencing on the last day of the first full calendar month following the Effective Date and continuing on the last day of each subsequent calendar month. The length of the repayment term and method of amortization (i.e., straight line or balloon) may vary from the terms set forth in the Sensitivity Analysis depending on the amount of Atalaya's Secured Claim an interest rate as determined by the Bankruptcy Court.</p> <p>The Holders of Allowed Class 2 Claims shall retain any Lien(s) on the Collateral securing the Allowed Class 2 Claim, to the same extent, validity and priority as existed on the Petition Date, unless the Holder of such Class 2 Claim and the Debtors (or the Reorganized Debtors, as the case may be) agree to a less favorable treatment.</p> <p>Estimated Percentage of Recovery: 100%</p> <p>Impaired</p>
<p><u>Class 3: Secured Claim of BIA</u></p> <p>Estimated at \$0</p>	<p>Class 3 consists of the Holders of the Allowed Secured Claims arising out of the BIA Financing Transaction.</p> <p>The Debtors anticipate that the value of the Collateral securing BIA's claim is less than the amount of senior liens on such Collateral. Accordingly, pursuant to Section 506(a) of the Bankruptcy Code, BIA will not have an Allowed Secured Claim. However, to the extent that BIA is determined to have any Allowed Secured Claim, on account of and in full satisfaction of such Class 3 Claim, BIA shall receive from the Reorganized Debtors a promissory note from the Reorganized Debtors, jointly and severally, providing for deferred Cash payments of a value, as of the Effective Date, of at least the value of its Allowed Secured Claim. Such deferred Cash payments totaling at least the amount of such Allowed Secured Claim and shall be made in one hundred twenty (120) monthly payments, commencing on the last day of the first full calendar month following the Effective Date and continuing on the last day of each subsequent calendar month, provided that to the extent required by the Subordination Agreement, any payments to be made on account of such Class 3 Claim shall be paid to the Holder of the Class 2 Claim.</p> <p>The Holders of Allowed Class 3 Claims shall retain any Lien(s) on the Collateral securing ANY Allowed Class 3 Claim, to the same extent, validity and priority as existed on the Petition Date, unless the Holder of such Class 3 Claim and the Debtors (or the Reorganized Debtors, as the case may be) agree to a less favorable treatment.</p> <p>The Debtors have not included any payments to BIA on account of any Allowed Secured Claim in the Sensitivity Analysis attached as Exhibit "C."</p>

Class Description	Summary of Treatment Under Plan
	<p>Estimated Percentage of Recovery: 0%</p> <p>Impaired</p>
<p><u>Class 4: Administrative Convenience Claims</u></p> <p>Estimated at \$45,000</p>	<p>Class 4 consists of (i) the Holders of Allowed Unsecured Claims in an amount of One Thousand Dollars (\$1,000.00) or less, and (ii) the Holders of Claims who elect to reduce such Claims to Unsecured Claims in an amount of One Thousand Dollars (\$1,000.00 or less).</p> <p>The Reorganized Debtors shall pay the Holders of Allowed Administrative Convenience Class Claims Cash equal to one hundred percent (100%) of their Allowed Class 4 Claim within sixty (60) days of the Effective Date.</p> <p>Estimated Percentage of Recovery: 90%</p> <p>Impaired</p>
<p><u>Class 5: Trade Creditors</u></p> <p>Estimated at \$1,000,000</p>	<p>Class 5 consists of Holders of Allowed Claims on account of the provision of goods and services to a Debtor in the ordinary course of its business prior to the Petition Date <u>and</u> agree (prior to the Effective Date) to provide goods and services in the ordinary course of the Debtors' business following the Effective Date under ordinary credit terms that are at least as favorable as those which existed prior to the Petition Date.</p> <p>The Reorganized Debtors shall pay those Creditors Holding Allowed Class 5 Claims and who so agree, one or more Cash payments within six (6) months following the Effective Date equaling the full amount of such Allowed Class 5 Claim, without interest.</p> <p>Estimated Percentage of Recovery: 100%</p> <p>Impaired</p>
<p><u>Class 6: Unsecured Portion of Atalaya's Claim</u></p> <p>Estimated at \$10,000,000 to \$25,000,000</p>	<p>Class 6 consists of Holders of Allowed Claims arising out of the Atalaya Financing.</p> <p>The Reorganized Debtors shall pay the Holders of any Allowed Class 6 Claim an amount of Cash equal to such Holder's Pro Rata share of the Unsecured Claims Pool on the first, second, and third anniversary date of the Effective Date.</p> <p>Estimated Percentage of Recovery: Undetermined</p> <p>Impaired</p>
<p><u>Class 7: Unsecured Portion of BIA's Claim</u></p> <p>Estimated at \$11,000,000</p>	<p>Class 7 consists of Holders of Allowed Claims arising out of the BIA Financing.</p> <p>The Reorganized Debtors shall pay the Holder of the Allowed Class 7 Claim an amount of Cash equal to such Holder's Pro Rata share of the Unsecured Claims Pool on the first, second, and third anniversary date of the Effective Date, provided that to the extent required by the Subordination Agreement, any payments to be made on account of such Class 7 Claim shall be paid to the Holder of the Class 6 Claim.</p> <p>Estimated Percentage of Recovery: Undetermined</p> <p>Impaired</p>

<p><u>Class 8: General Unsecured Claims</u></p> <p>Estimated at \$50,000</p>	<p>Class 8 consists of Holders of Unsecured Claims that are not otherwise classified above.</p> <p>The Reorganized Debtors shall pay the Holder of Allowed Class 8 Claims an amount of Cash equal to such Holder's Pro Rata share of the Unsecured Claims Pool on the first, second, and third anniversary date of the Effective Date, provided that to the extent required by the subordination Agreement, any payments to be made on account of such Class 7 Claim shall be paid to the Holder of the Class 8 Claim.</p> <p>Estimated Percentage of Recovery: Undetermined</p> <p>Impaired</p>
<p><u>Class 9: Equity Interests</u></p>	<p>Class 9 consists of Holders of Allowed Equity Interests in Creative Loafing.</p> <p>All Interests in the Debtors existing as of the Petition Date, other than Subsidiary Interests, shall be cancelled under the Plan and the Equity Holders of such Interests shall not receive or retain any Distribution, money or property under the Plan on account of those Equity Interests.</p> <p>Estimated Percentage of Recovery: 0%</p> <p>Impaired</p>
<p><u>Class 10: Subsidiary Interests</u></p>	<p>Class 10 consists of the Equity Interests in the Subsidiary Debtors held by Creative Loafing.</p> <p>Solely for the deemed benefit of the of the Holders of the New Stock to be received on account of the New Equity Contribution, Creative Loafing shall retain its Equity Interests in the Subsidiary Debtors in which it is the direct owner and any Subsidiary Debtor that is the direct owner of another Subsidiary Debtor shall retain the Equity Interest in such other Subsidiary Debtor.</p> <p>Estimated Percentage of Recovery: N/A</p> <p>Unimpaired</p>

The amount of Allowed Administrative Claims that must be paid prior to or on the Effective Date could vary significantly depending on a number of factors, including the duration of these Bankruptcy Cases. Unsecured Claims shall be calculated in amounts estimated as of the Petition Date. For other Claims, the calculation date is not necessarily the Effective Date of the Plan. The Effective Date will occur after the Confirmation Date, when the conditions precedent to the occurrence of the Effective Date are satisfied.

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

D. ALLOWED CLAIMS, DISTRIBUTION RIGHTS, AND OBJECTIONS TO CLAIMS

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive Distributions under the Plan. An Allowed Administrative Claim is all or any portion of an Administrative Claim (a) that has been allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, or (b) that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases. A post-petition obligation that is contingent or Disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding Claims arising under workers' compensation law), secondary payor liability, or any other Disputed legal or equitable Claim based on tort, statute, contract, equity or common law, is not considered to be an obligation that is payable in the ordinary course of business.

An Allowed Claim (other than an Administrative Claim) is such Claim or any portion thereof (a) that has been allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, or (b) as to which (i) no Proof of Claim has been filed with the Bankruptcy Court and (ii) the liquidated and non-contingent amount of which is included in the Schedules, other than a Claim that is included in the Schedules at zero, in an unknown amount, or as Disputed, or (c) for which a Proof of Claim in a liquidated amount has been timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court, or other applicable bankruptcy law, and as to which either (i) no objection to its allowance has been filed within the periods of limitation fixed by the Plan, the Bankruptcy Code, or any order of the Bankruptcy Court, or (ii) any objection to its allowance has been settled, withdrawn, or denied by a Final Order, or (d) that is expressly allowed in a liquidated amount in the Plan.

In no event will those Administrative Claims or those other Claims subject to disallowance under Section 502(d) of the Bankruptcy Code be deemed to be an Allowed Claim.

2. Interest on Claims; Dividends; Attorneys Fees

The Plan provides that unless otherwise specifically provided for in the Plan or the Confirmation Order, post-petition interest, costs, and attorney's fees will not accrue or be paid on Claims, and no Holder of a Claim will be entitled to interest, costs, or attorneys' fees accruing on or after the Petition Date on any Claim or Equity Interest.

3. Making of Distributions

Reorganized Debtor, Creative Loafing, shall, following the Effective Date, be responsible for making (or causing to be made) Distributions under the Plan. Unless otherwise ordered by the Court, Distributions to Holders of Allowed Claims will be made by the Reorganized Debtor(s) (a) at the addresses set forth on the Proofs of Claim filed by such Holders, (b) at the addresses reflected in the Schedules if no Proof of Claim has been filed, or (c) at the addresses

set forth in any written notices of address changes delivered to the Debtor or the Reorganized Debtors after the date of any related Proof of Claim, or after the date of the Schedules if no Proof of Claim was filed.

If any Holder's Distribution is returned as undeliverable, a reasonable effort will be made to determine the current address of such Holder, but no further Distributions to such Holder will be made unless and until the Reorganized Debtor is notified of such Holder's then current address, at which time all missed Distributions will be made to such Holder, without interest. Unless otherwise agreed by the Reorganized Debtors, amounts with respect to undeliverable Distributions made by the Reorganized Debtor will be returned to and for the benefit of the Reorganized Debtors.

All Claims for undeliverable Distributions must be made within the later of six (6) months after the Effective Date or six (6) months after Distribution is made to such Holder; after which date all Unclaimed Property will revert to the Reorganized Debtors free of any restrictions thereon and the Claims of any Holder or successor to such Holder with respect to such property will be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

4. Means of Cash Payment

The Plan provides that Cash payments made pursuant to the Plan will be in U.S. funds, by the means agreed to by the payor and the payee, including by check, and/or wire transfer or, in the absence of an agreement, such commercially reasonable manner as the payor will determine in its sole discretion. For purposes of effectuating Distributions under the Plan, any Claim denominated in foreign currency will be converted to U.S. Dollars pursuant to the applicable published exchange rate in effect on the Petition Date.

5. Fractional Distributions

The Plan provides that notwithstanding any other provision of the Plan to the contrary, no payment of fractional cents will be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made will reflect a rounding of such fraction to the nearest whole penny (up or down), with half cents or more being rounded up and fractions less than half of a cent being rounded down.

6. De Minimis Distributions

The Plan provides that notwithstanding anything to the contrary contained in the Plan, the Reorganized Debtors will not be required to distribute, and will not distribute, Cash to the Holder of any Allowed Claim if the amount of Cash to be distributed on account of such Claim is less than \$5. Any Holder of an Allowed Claim on account of which the amount of Cash or other property to be distributed is less than \$5 will have such Claim discharged and will be forever barred from asserting such Claim against the Debtors, the Reorganized Debtors, or their

respective property. Any Cash not distributed pursuant to this provision will be the property of the Reorganized Debtors, free of any Liens, Claims, Interests, or restrictions thereon.

7. Reserves for Disputed Claims; Distributions on Account Thereof

No payments or Distributions will be made on account of a Disputed Claim or, if less than the entire Claim is a Disputed Claim, the portion of a Claim that is Disputed, until such Claim becomes an Allowed Claim.

With respect to any Administrative Claim, other than an Administrative Claim that has been Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court or that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases, a Disputed Claim is a Claim that is contingent or Disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding Claims arising under workers' compensation law), secondary payor liability, or any other Disputed legal or equitable Claim based on tort, statute, contract, equity, or common law.

With respect to any Claim that is not an Administrative Claim, other than a Claim that has been Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court, a Disputed Claim is a Claim: (a) if no Proof of Claim has been filed or deemed to have been filed by the applicable Bar Date, that has been or hereafter is listed on the Schedules as unliquidated, contingent, or Disputed; (b) if a Proof of Claim has been filed or deemed to have been filed by the applicable Bar Date, as to which a Debtor has timely filed an objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court, or which is otherwise Disputed by a Debtor in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order; (c) for which a Proof of Claim was required to be filed by the Bankruptcy Code, the Bankruptcy Rules, or an order of the Bankruptcy Court, but as to which a Proof of Claim was not timely or properly filed; (d) for damages based upon the rejection by a Debtor of an executory contract or unexpired lease under Section 365 of the Bankruptcy Code and as to which the applicable Bar Date has not passed; (e) that is Disputed under the provisions of the Plan; or (f) if not otherwise Allowed, as to which the applicable Claims Objection Deadline has not expired.

The Reorganized Debtor will, on the applicable Distribution Dates, make Distributions on account of any Disputed Claim that has become an Allowed Claim. Such Distributions will be made pursuant to the provisions of the Plan governing the applicable Class. Such Distributions will be based solely upon the amount of the Distributions that would have been made to the Holder of such Claim under the Plan if the Disputed Claim had been an Allowed Claim on the Effective Date in the amount ultimately Allowed.

8. Objection Procedures

All objections to Claims, other than Claims that are deemed to be Disputed Claims, must be filed and served on the Holders of such Claims by the Claims Objection Deadline. Objections to Claims (other than Administrative Claims), shall be filed on the later of ninety (90) days after the Effective Date, or (b) ninety (90) days after the applicable Proof of Claim is filed. If an objection has not been filed to a Proof of Claim or a scheduled Claim by the Claims Objection Deadline, unless such Proof of Claim asserts a Claim that is deemed to be a Disputed Claim, the Claim to which the Proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier.

9. Estimation of Contingent or Unliquidated Claims

The Debtors or Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event the Bankruptcy Court so estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as applicable and as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation, and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims may be estimated and thereafter resolved by any permitted mechanisms.

10. Impact of Disputed Claims on Unsecured Claims Recovery

The Debtors may seek one or more Final Orders of the Bankruptcy Court disallowing certain Claims. However, to protect the rights of Holders of such Disputed Claims, the Plan proposes to establish a Disputed Claims Reserve. The Debtors will seek to determine a maximum potentially allowable amount for all Disputed Claims, obtaining orders of the Bankruptcy Court where necessary to estimate or fix the maximum amount. It would be the Debtors' expectation that many of the Disputed Claims will be Disallowed in whole or part, and that the funds placed in the Disputed Claims Reserve on their account will not be distributed to the Holders of such Claims. In that event, any such unused funds will become available for redistribution to Holders of Allowed Claims at such times and in such amounts as contemplated under the Plan. Based upon the contingencies associated with the Disputed Claims, it is not possible at this time to accurately estimate the final percentage recovery to be realized by Holders of Allowed Unsecured Claims.

11. Maximum Distributions for Claims

No Holder of a Claim will receive a recovery that is valued as of the Effective Date to exceed 100% of such Holder's Allowed Claim. Likewise, no Holder of a Claim shall receive a recovery that exceeds 100% of such Holder's Allowed Claim as of the Effective Date resulting from a decrease in the amount of Administrative Claims, Priority Claims, Priority Tax Claims, and Secured Claims as determined on the Effective Date and/or an increase in the amount of Cash available to the Debtors to satisfy such Claims as determined on the Effective Date.

12. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing will affect the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of Setoff or recoupment.

E. DISPOSITION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. Executory Contracts and Unexpired Leases Deemed Assumed

The Plan provides for the deemed assumption of all executory contracts or unexpired leases that have not been otherwise disposed of. Specifically, except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor will be deemed to have assumed each pre-petition executory contract and unexpired lease to which it is a party unless such contract or lease (a) was previously assumed or rejected upon motion by a Final Order, (b) previously expired or terminated pursuant to its own terms, or (c) is the subject of any pending motion, including a motion to assume, to assume on modified terms, to reject, or to make any other disposition filed by a Debtor on or before the Confirmation Date. The Confirmation Order will constitute an order of the Bankruptcy Court under Section 365(a) of the Bankruptcy Code approving the assumptions of pre-petition executory contracts and unexpired leases described above, as of the Effective Date.

2. Rejection Damages Bar Date for Rejections Pursuant to Plan

If the rejection of an executory contract or unexpired lease pursuant to the Plan results in a Claim, then such Claim will be forever barred and will not be enforceable against any Debtor or Reorganized Debtor or the properties of any of them unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel to the Reorganized Debtors within thirty (30) days after the notice of entry of the order authorizing the rejection of such executory contract or unexpired lease. The foregoing applies only to Claims arising from the rejection of an executory contract or unexpired lease; any other Claims held by a party to a rejected contract or lease will have been evidenced by a Proof of Claim filed by earlier applicable bar dates or will be barred and unenforceable.

3. Assumption of Executory Contracts and Unexpired Leases

Under the Plan, the Debtors reserve the right, at any time prior to the Effective Date, except as otherwise specifically provided in the Plan, to seek to assume or reject any executory contract or unexpired lease to which any Debtor is a party and to file a motion requesting authorization for the assumption or rejection of any such executory contract or unexpired lease.

4. Cure with Respect to Assumed Executory Contracts and Unexpired Leases

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default will be satisfied, under Section 365(b)(1) of the Bankruptcy Code, by Cure. If there is a dispute regarding (a) the nature or amount of any Cure, (b) the ability of any Reorganized Debtor or any assignee to provide “adequate assurance of future performance” (within the meaning of Section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, Cure will occur following the entry of a Final Order by the Bankruptcy Court resolving the dispute and approving the assumption or assumption and assignment, as the case may be; provided however, that the Reorganized Debtors will be authorized to reject any executory contract or unexpired lease to the extent the Reorganized Debtors, in the exercise of their sound business judgment, conclude that the amount of the Cure obligation, as determined by such Final Order, renders assumption of such executory contract or unexpired lease unfavorable to the Reorganized Debtors.

The foregoing applies only to assumptions that will occur pursuant to the provisions of the Plan, rather than to assumptions that will occur pursuant to separate motions. The Debtors’ motions to assume will generally seek to fix any cure amounts. Parties to the contracts and leases proposed to be assumed under such motions have the opportunity to file an objection disputing the amount of cure designated by the Debtors in such motions. If the dispute cannot be consensually resolved, the Bankruptcy Court will determine the amount of cure the Debtors must pay to assume the contract or lease at issue.

5. Limited Extension of Time to Assume or Reject

Under the Plan, in the event of a dispute as to whether a contract or lease is executory or unexpired, the right of the Debtors or the Reorganized Debtors to move to assume or reject such contract or lease will be extended until the date that is thirty (30) days after entry of a Final Order by the Bankruptcy Court determining that the contract or lease is executory or unexpired.

In the event the Debtors or the Reorganized Debtors become aware after the Confirmation Date of the existence of an executory contract or unexpired lease that was not included in the Schedules, the right of the Reorganized Debtors to move to assume or reject such contract or lease will be extended until the date that is thirty (30) days after the date on which the Debtors or the Reorganized Debtors become aware of the existence of such contract or lease. The deemed assumption provided for in the Plan will not apply to any such contract or lease.

6. Post-Petition Contracts and Leases

The Plan provides that the Debtors will not be required to assume or reject any contract or lease entered into by the Debtors after the Petition Date. Any such contract or lease will continue in effect in accordance with its terms after the Effective Date, unless the Debtor has obtained a Final Order of the Bankruptcy Court approving rejection of such contract or lease.

7. Treatment of Claims Arising From Assumption or Rejection

The Plan provides that all Allowed Claims arising from the assumption of any executory contract or unexpired lease will be treated as Administrative and Expense Claims pursuant to the Plan; all Allowed Claims arising from the rejection of an executory contract or unexpired lease will be treated, to the extent applicable, as Class 8 Unsecured Claims, unless otherwise ordered by Final Order of the Bankruptcy Court; and all other Allowed Claims relating to an executory contract or unexpired lease will have such status as they may be entitled to under the Bankruptcy Code as determined by Final Order of the Bankruptcy Court.

F. REVESTING OF ASSETS; RELEASE OF LIENS

The property of each Debtor's Estate, together with any property of each Debtor that is not property of its Estate and that is not specifically disposed of or abandoned pursuant to the Plan, will revert in the applicable Debtor on the Effective Date. Thereafter, each Reorganized Debtor may operate its business and may use, acquire, and dispose of such property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. As of the Effective Date, all such property of each Reorganized Debtor will be free and clear of all Liens, Claims, and Interests except as otherwise provided under the Plan.

G. RESTRUCTURING TRANSACTIONS

Under the Plan, each of the Reorganized Debtors may enter into such transactions and may take such actions as may be necessary or appropriate, in accordance with any applicable state law to effect a corporate or operational restructuring of their respective businesses, to otherwise simplify the overall corporate or operational structure of the Reorganized Debtors, to achieve corporate or operational efficiencies, or to otherwise improve financial results; provided, however, that such transactions or actions are not otherwise inconsistent with the Plan, the Distributions to be made under the Plan, the new Restated Articles, the new By-laws, or the requirements of the New Equity Group. Such transactions or actions may include such mergers, consolidations, restructurings, dispositions, liquidations, closures, or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate.

H. POST-CONSUMMATION CORPORATE STRUCTURE, MANAGEMENT AND OPERATION

1. Continued Corporate Existence

The Plan provides that one or more of the Reorganized Debtors will remain in existence, but may elect to merge after the Effective Date, in accordance with the applicable laws in the respective jurisdictions in which they are incorporated and pursuant to any new Restated Articles of Incorporation and By-Laws (collectively, the "Restated Articles") that may be effectuated under the Plan.

2. Post-Consummation Governance Documents

The Restated Articles and governing corporate documents for each Reorganized Debtor may be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and will include, for example, a provision prohibiting the issuance of non-voting equity securities, but only to the extent required by Section 1123(a)(6) of the Bankruptcy Code.

3. Officers and Directors of Reorganized Debtors

The Debtors currently anticipate that the Board of Directors of Creative Loafing immediately prior to the Effective Date shall continue to serve in their existing capacity as of the Effective Date unless and until a New Board is elected or appointed pursuant to the applicable governing documents and applicable laws. Any additions to the Board of Directors will be designated at least fourteen (14) days prior to the Confirmation Hearing. On the Effective Date, the directors of the Reorganized Debtors that are designated shall be deemed to have been elected by the required plurality vote of the stockholders and shall have responsibility for the management, control and operations of Reorganized Debtor. New Board Members may be designated by the majority vote of the New Equity Group.

4. Further Participation in Incentive Plans

Any pre-existing understandings, either oral or written, between the Debtors and any director, officer, or employee as to entitlement to participate in any pre-existing equity or other incentive plan of any kind will be null and void as of the Effective Date and will not be binding on Reorganized Creative Loafing with respect to any incentive plan implemented after the Effective Date. All decisions as to entitlement to participate after the Effective Date in any new incentive plan will be within the sole and absolute discretion of the New Board.

5. Funding of Reorganized Debtors

In addition to revenues from business operations and available Cash, the Plan contemplates that the Reorganized Debtors will obtain Cash in the form of the New Equity Contribution, and may also obtain Cash in the form of DIP Financing and/or Exit Financing to the extent needed to make the required payments under the Plan, and to conduct post-reorganization operations. The Confirmation Order (or other Final Order of the Bankruptcy

Court) will (i) approve the infusion of the New Equity Contribution and (ii) authorize the Debtors to execute such other documents as may be required in connection with any financing.

On the Effective Date all documents, instruments, share certificates, mortgages, and agreements to be entered into, delivered, or confirmed thereunder on the Effective Date, will become effective. All obligations under any DIP Financing or Exit Financing will be repaid as set forth in any Exit Financing documents.

6. Exemption from Certain Transfer Taxes

Pursuant to Section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any securities, instruments, or documents; (b) the creation of any other Lien, mortgage, deed of trust, or other security interest; or (c) the making or assignment of any lease or sublease, or the making, delivery, filing, or recording of any deed or other instrument of transfer under, pursuant to, in furtherance of, or in connection with the Plan, including any deeds, bills of sale, or assignments executed in connection with the Plan, will not be taxed under any law imposing a stamp tax, documentary tax, real estate transfer tax, sales or use tax, intangible tax, recording or filing fee, privilege tax, or other similar tax or fee. Such exemption specifically applies, without limitation, to all documents necessary to evidence and implement the provisions of and the Distributions to be made under the Plan, including the Restated Articles, issuance of the New Stock, the DIP Financing and/or the Exit Financing (and the providing of security therefor), and the maintenance or creation of security contemplated by the Plan.

7. Corporate Action

On the Effective Date, the adoption and filing of any Restated Articles, the appointment of directors and officers of Reorganized Creative Loafing, and all actions contemplated by the Plan will be authorized and approved in all respects pursuant to the Plan. All matters provided for in the Plan involving the corporate structure of the Debtors or Reorganized Debtors and any corporate action required by the Debtors or Reorganized Debtors in connection with the Plan will be deemed to have occurred and will be in effect, without any requirement of further action by the stockholders or directors of the Debtors or Reorganized Debtors. On the Effective Date the appropriate officers or directors of the Reorganized Debtors will be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan in the name of and on behalf of the Reorganized Debtors without the need for any required approvals, authorizations, or consents, except for express consents required under the Plan.

8. Discharge and Discharge Injunction

Confirmation of the Plan effects a discharge of all Claims against the Debtors. As set forth in the Plan, except as otherwise provided therein or in the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever against the Debtors or any of their assets or properties and, regardless of whether any property will have been

abandoned by order of the Bankruptcy Court, retained, or distributed pursuant to the Plan on account of such Claims, upon the Effective Date, the Debtors, and each of them, will be deemed discharged and released under Section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in Section 502 of the Bankruptcy Code, whether or not (i) a Proof of Claim based upon such Debt is filed or deemed filed under Section 501 of the Bankruptcy Code, (ii) a Claim based upon such Debt is Allowed under Section 502 of the Bankruptcy Code, (iii) a Claim based upon such Debt is or has been Disallowed by order of the Bankruptcy Court, or (iv) the Holder of a Claim based upon such Debt accepted the Plan.

Under the Plan, as of the Effective Date, except as provided in the Plan or the Confirmation Order, all Persons will be precluded from asserting against the Debtors or the Reorganized Debtors, directly or indirectly, any other or further Claims, Debts, rights, causes of action, Claims for relief, liabilities, or Equity Interests relating to the Debtors based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination of discharge of all such Claims and other Debts and liabilities against the Debtors pursuant to Sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtors at any time, to the extent that such judgment relates to a discharged Claim.

In furtherance of the discharge of Claims, the Plan provides that, except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that have held, currently hold, may hold, or allege that they hold, a Claim or other Debt or liability that is discharged or an Interest or other right of an Equity Security Holder that is terminated pursuant to the terms of the Plan, are permanently enjoined from taking any of the following actions against the Debtors, the Reorganized Debtors, and their respective subsidiaries or their property on account of any such discharged Claims, Debts, or liabilities: (a) commencing or continuing, in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any Lien or encumbrance; (d) asserting a Setoff, right of subrogation, or recoupment of any kind against any Debt, liability, or obligation due to the Debtors or the Reorganized Debtors; or (e) commencing or continuing any action, in each such case in any manner, in any place, or against any Person that does not comply with or is inconsistent with the provisions of the Plan.

I. PRESERVATION OF CAUSES OF ACTION; RESULTING CLAIM TREATMENT

Under the Plan, Causes of Action consist of Claims, rights of action, suits, or proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Person (except to the extent such Claims are expressly released under the Plan). The Debtors may also elect, prior to confirmation, to pursue litigation against any Person (and/or any related guarantees) arising out of a debt to the Debtors. The Plan provides that except as otherwise provided in the Plan or the Confirmation Order, or in any contract instrument, release, indenture, or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, on the Effective Date, each

Debtor or Reorganized Debtor will retain all of the respective Causes of Action that such Debtor or Reorganized Debtor may hold against any Person. Each Debtor or Reorganized Debtor will retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all such Causes of Action. Each Debtor or Reorganized Debtor or their respective successor(s) may pursue such retained Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights in accordance with applicable law and consistent with the terms of the Plan.

If, as a result of the pursuit of any Causes of Action, a Claim would arise from a recovery pursuant to Section 550 of the Bankruptcy Code after Distributions under the Plan have commenced, making it impracticable to treat the Claim in accordance with the applicable provisions of the Plan, the Reorganized Debtors will be permitted to reduce the recovery by an amount that reflects the value of the treatment that would have been accorded to the Claim, thereby effectively treating the Claim through the reduction.

Causes of Action include potential avoidance or other bankruptcy Causes of Action. Such Causes of Action may exist as a result of “preferential” payments or other transfers made by the Debtors on account of antecedent debts within ninety (90) days of the Petition Date, or one (1) year in the case of Insiders. The deadline for commencing preference actions is two (2) years after the Petition Date. A decision with respect to whether to pursue such transfers will be made by the New Board prior to the expiration of that deadline. All Creditors and other parties who received potentially preferential payments are advised that such payments are subject to possible avoidance in proceedings to be commenced by the Reorganized Debtors. The Debtors do not anticipate that the pursuit of preference or other avoidance actions will yield recoveries that will materially impact or enhance value or be of material benefit to Creditors. In fact, the New Board may decide that the interests of the Reorganized Debtors, including the value of the New Stock, would not be served by pursuing any such actions, as doing so could impair valuable relationships with continuing vendors and suppliers. In addition, Causes of Action include non-bankruptcy Claims, rights of action, suits, or proceedings that arise in the ordinary course of the Debtors’ businesses.

The Debtors and the Reorganized Debtors reserve the right to pursue, settle, or otherwise not pursue any pending or potential Claims, rights of action, suits, or proceedings against any of the parties described herein. Neither the listing nor the failure to list any party herein will prejudice the Debtors’ or Reorganized Debtors’ rights to pursue any Claims, rights of action, suits, or proceedings that have arisen or may arise in the future in the ordinary course of the Debtors’ or Reorganized Debtors’ businesses.

J. CONFIRMATION AND/OR CONSUMMATION

Described below are certain important considerations under the Bankruptcy Code in connection with confirmation of the Plan.

Before the Plan can be confirmed, the Bankruptcy Court must determine at the hearing on confirmation of the Plan (the “Confirmation Hearing”) that, among others, the following

requirements for confirmation set forth in Section 1129 of the Bankruptcy Code have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or 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, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before 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.
- The Debtors have disclosed (a) the identity and affiliations of (i) any individual proposed to serve after confirmation of the Plan as a director, officer, or voting trustee of the Reorganized Debtors, (ii) any affiliate of the Debtors participating in a joint Plan with the Debtors, or (iii) 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 Claim and Interest Holders and with public policy), and (b) the identity of any Insider that will be employed or retained by the Debtors and the nature of any compensation to such Insider.
- With respect to each Class of Claims or Interests, each Impaired Claim 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 Holder, property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code.
- The Plan provides that Administrative Claims and Priority Claims other than Priority Tax Claims will be paid in full on the Effective Date and that Priority Tax Claims will receive on account of such Claims deferred Cash payments, over a period not exceeding five (5) years from the order of relief, 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.
- 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.

- 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.

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 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of Chapter 11, and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

VIII. VALUATION OF REORGANIZED CREATIVE LOAFING

A. INTRODUCTION

A number of issues relating to Confirmation of the Debtors' Plan will involve the valuation of the Debtors' assets, businesses, and Equity Interests. In order to determine the value of the Debtors' assets, the amount of Atalaya's Secured Claim, the Debtors' ability to confirm the Plan over Atalaya's anticipated rejection, and the adequacy of the value to be contributed by the New Equity Group, the Bankruptcy Court will need to determine the value of the Debtors' assets and property as of the Effective Date of the Plan. In order to assist the Bankruptcy Court in determining these values, the Debtors and other parties may present expert opinions with respect to these values. The Debtors anticipate that the relevant valuation standard with respect to these issues may be the estimated going concern enterprise value of the Reorganized Debtors, on a consolidated basis, after giving effect to the reorganization as set forth in the Plan.

In conducting this valuation analysis, the Debtors anticipate that the Debtors' valuation expert will, among other things:

- review certain business and historical financial information relating to the Debtors;
- review certain internal financial information and other data relating to the business and financial prospects of the Reorganized Debtors, including the Financial Projections prepared by Debtors' management reflecting operating and cash flow results through the end of the Debtors' fiscal year of 2019;
- conduct discussions with members of the Debtors' senior management concerning the business and financial prospects of the Reorganized Debtors;
- review publicly available financial and stock market data, to the extent available, with respect to certain other companies in lines of business that may be similar or comparable in certain respects to some lines of the Reorganized Debtors' businesses;
- review the financial terms, to the extent available, of certain transactions that may be generally relevant;

- consider certain specific and general industry and economic information relevant to the Reorganized Debtors' businesses;
- review the Plan and the information contained in this Disclosure Statement;
- review the Financial Projections currently utilized by the Debtors' management in connection with the formulation of the Plan, which are attached as **Exhibit "B"** to this Disclosure Statement; and
- conduct such other financial studies, analyses, and investigations, and consider such other information, as may be deemed necessary or appropriate.

ANY ESTIMATED GOING CONCERN ENTERPRISE VALUE OF THE REORGANIZED DEBTORS SUBMITTED OR OFFERED BY THE DEBTORS OR ANY PARTY, WILL NECESSARILY REPRESENT A HYPOTHETICAL VALUATION OF THE REORGANIZED DEBTORS, ASSUMING THAT THE REORGANIZED DEBTORS CONTINUE AS AN OPERATING BUSINESS, ESTIMATED BASED ON VARIOUS VALUATION METHODOLOGIES. THE ESTIMATED GOING CONCERN ENTERPRISE VALUE OF THE REORGANIZED DEBTORS WILL NOT PURPORT TO CONSTITUTE AN APPRAISAL AND EVEN THE ULTIMATE DETERMINATION OF THE BANKRUPTCY COURT MAY NOT NECESSARILY REFLECT THE ACTUAL MARKET VALUE THAT MIGHT BE REALIZED THROUGH A SALE OR LIQUIDATION OF THE REORGANIZED DEBTORS, THEIR SECURITIES OR THEIR ASSETS, WHICH VALUE MAY BE SIGNIFICANTLY HIGHER OR LOWER THAN THE ESTIMATE. ACCORDINGLY, SUCH ESTIMATED GOING CONCERN ENTERPRISE VALUE IS NOT NECESSARILY INDICATIVE OF ANY PRICES AT WHICH THE NEW COMMON STOCK OR OTHER SECURITIES OF REORGANIZED CREATIVE LOAFING MAY ULTIMATELY BE WORTH OR TRADE AFTER GIVING EFFECT TO THE REORGANIZATION SET FORTH IN THE PLAN.

The actual value of operating businesses, such as the Reorganized Debtors', is subject to various factors, many of which may be beyond the control or knowledge of the Debtors, the experts, Secured Creditors, or even the Bankruptcy Court, and such value will fluctuate with changes in such factors. In addition, the actual enterprise or reorganization value of the Debtors, the amount of Atalaya's Secured Claim and the value of any market prices of securities to be issued under the Plan will depend upon, among other things, prevailing interest rates, conditions in the financial markets, investment decisions, and other factors that generally influence the prices of securities. The Debtors do not anticipate that there will be any liquid market available in the future with respect to Reorganized Debtors' securities.

Any analysis regarding the estimated going concern enterprise value of the Reorganized Debtors may not address other aspects of the proposed reorganization, the Plan or any other transactions.

Any valuation analysis will also be based upon, among other things, the Reorganized Debtors achieving the Financial Projections prepared by management. The future results of the

Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors, and consequently may be inherently difficult to project. The Reorganized Debtors' actual future results may differ materially from the projections and such differences may affect the ultimate value of the Reorganized Debtors.

B. METHODOLOGY

In preparing any valuation, a variety of financial analyses must be performed and many factors considered. The following is a brief summary of some of the material financial analyses that may be performed: (a) an analysis of the market value of selected publicly-held companies in lines of business believed to be generally comparable in certain respects to certain lines of business of the Reorganized Debtors, (b) to the extent available or comparable, an analysis of selected completed or announced transactions that may be believed to be generally relevant, and (c) a discounted cash flow analysis or similar analysis based on anticipated results of operations. The summary does not purport to be a complete description of the analyses that may be performed and factors considered in connection with the value to be determined by the Bankruptcy Court and the Debtors and/or the Bankruptcy Court may determine it is appropriate to consider or disregard any particular methodology.

The preparation of a valuation analysis is a complex analytical process involving various judgmental determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances, and such analyses and judgments are not readily susceptible to summary description.

The Debtors believe that the appropriate estimated going concern enterprise value of the Reorganized Debtors should be determined on a consolidated basis, as an operating business, after giving effect to the reorganization set forth in the Plan. A description of the methods that may be employed is as follows:

1. Selected Publicly Traded Companies Analysis

One methodology for determining enterprise value is to analyze the market value of selected publicly-held companies in lines of business believed to be comparable in certain respects to certain businesses of the Reorganized Debtors. To the extent such selected companies also operated in lines of business that are unlike the Debtors' lines of businesses under consideration, adjustments to the market values of the selected companies may be appropriate. The enterprise value of the selected companies can be analyzed as a multiple of certain historical and projected financial data or other commonly used metric of such companies' operations (adjusted as described above). Those multiples are then used to impute a range of values applicable to the certain lines of business of the Reorganized Debtors. The projected financial data for the Reorganized Debtors will be based on the Financial Projections prepared by the Debtors' management and the projected financial data for the selected companies will be based on publicly available research analyst reports and other publicly available information.

Although the selected companies may be used for comparison purposes, the Debtors believe that no selected company could be either identical or directly comparable to the primary

lines of business of the Reorganized Debtors. Accordingly, any comparison of the selected companies to the businesses of the Reorganized Debtors and analysis of the results of such comparisons may not be purely mathematical, but instead may necessarily involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and of the Reorganized Debtors.

2. Selected Transactions Analysis.

To the extent selected, completed or announced transactions may be generally relevant, the enterprise value of the companies or assets involved in such transactions may be implied by the consideration in such transactions as a multiple of certain historical financial data or operating metrics of such companies. Those multiples may be analyzed and compared with the multiples derived by assigning a range of enterprise values to the applicable lines of business of the Reorganized Debtors and dividing those enterprise values by the corresponding financial data of the applicable lines of business of the Reorganized Debtors.

Even if selected transactions are used for comparison purposes, there may not be any transactions that are directly comparable to those set forth in the Plan or any companies involved that are directly comparable to the primary businesses of the Reorganized Debtors. Furthermore, given the prevailing economic environment, any transaction dating prior to the first quarter of 2008 is not likely to be a reliable indication of value of assets subsequent to that time. Accordingly, even if any comparable transactions exist, any analysis may not be purely mathematical, but instead may necessarily involve complex considerations and judgments concerning differences in transaction structure, financial and operating characteristics of the companies involved and other factors that could affect the relative values achieved in such transactions and the enterprise value of the Reorganized Debtors.

3. Discounted Cash Flow Analysis

One more methodology of determining enterprise value is to perform a discounted cash flow analysis to estimate the present value of the Reorganized Debtors' future consolidated cash flows. The Debtors anticipate that the Financial Projections of the Reorganized Debtors' consolidated cash flow through the end of fiscal year 2019 may be utilized. For the purpose of calculating the terminal value as of 2019, the ending (or terminal year) cash flow projections may be adjusted based on various assumptions and a range of terminal values may be calculated by applying a perpetual growth factor to the terminal year cash flow projection. A range of discount rates may be applied to arrive at a range of present values of those cash flows and terminal values. The discounted cash flow analysis also involves complex considerations and judgments concerning appropriate adjustments to terminal year cash flows for perpetuity purposes, perpetuity growth factors, and discount rates.

C. ESTIMATED GOING CONCERN ENTERPRISE VALUE OF THE REORGANIZED DEBTORS

For the purposes of evaluating the transactions and restructurings proposed in the Plan, the Debtors have estimated that the going concern enterprise value of the Reorganized Debtors as of the Effective Date of the Plan will be in a range between \$8,000,000 and \$15,000,000 million. In making this estimate, the Debtors assume that:

- The Plan will be confirmed and consummated in accordance with its terms, and the Debtors will be reorganized as set forth in the Plan;
- The Effective Date will be March 31, 2009;
- The Reorganized Debtors' capitalization and available cash will be as set forth in the Plan and this Disclosure Statement as supplemented;
- Certain tax benefits and attributes (including NOLs) will be available to the Reorganized Debtors, as reflected in the Plan and the Financial Projections;
- Neither the Debtors nor the Reorganized Debtors will engage in any material asset sales or other strategic transaction, and no such asset sales or strategic transactions are required to meet the Reorganized Debtors' ongoing cash requirements;
- There will not be any material change in the business, condition (financial or otherwise), results of operations, assets, liabilities or prospects of the Debtors other than as reflected in the Financial Projections;
- There will not be any material change in economic, market, financial, and other conditions other than those reflected in the Financial Projections.

IX. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND ANY SUPPLEMENTS TO THIS DISCLOSURE STATEMENT) PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. GENERAL BANKRUPTCY RISK FACTORS

1. Parties In Interest May Object to the Debtors' Classification of Claims or Interests

Section 1122 of the Bankruptcy Code provides that a plan or reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to

the other claims or interests of such class. The Debtors believe that the classification of claims and interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, the Debtors cannot assure you that the Bankruptcy Court will reach the same conclusion.

2. The Possible Loss of Favorable Tax Attributes

Although the Debtors do not believe that implementation of the Plan will itself result in significant tax liability, the proposed transactions could potentially reduce the amount of the Debtors' existing net operating loss carryovers and/or could result in limitations on the Reorganized Debtors' ability to use remaining loss carryovers and built-in losses. The reduction of, and potential limitations on the Debtors' ability to use such favorable tax attributes could adversely affect the Reorganized Debtors' financial position in future years.

3. The Debtors May Not Be Able to Secure Confirmation of the Plan.

The Debtors cannot assure that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, the Debtors cannot assure you that the Bankruptcy Court will confirm the Plan. A non-accepting holder of a Claim or Equity Interest might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any statutory requirements for confirmation had not been met.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the plan is not likely to be followed by a liquidation or a need for further financial reorganization and that value of distributions to non-accepting holders of claims and interests within a particular class under the plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan will not be followed by a need for further financial reorganization and that non-accepting Holders within each Class under the Plan will receive Distributions at least as great as would be received following a liquidation under Chapter 7 of the Bankruptcy Code when taking into consideration all Administrative Claims and the costs and uncertainty associated with any such Chapter 7 case.

The confirmation and consummation of the Plan are also subject to certain conditions, including, contribution of money, money's worth, or other property or value by the New Equity Group in exchange for the New Stock in the Reorganized Debtors. If the Plan is not confirmed, it is unlikely that any other restructuring of the Debtors could be implemented and it is likely that Atalaya would be permitted to foreclose on its Liens and Security Interests in the Debtors' assets. In that event, it is highly unlikely that any other Claims or Interests would receive any other Distribution. In fact, the Debtors believe Atalaya would immediately proceed to take control of the Debtors and liquidate their assets.

4. Litigation Risks

Even if all voting Impaired Classes vote in favor of the Plan, and even if with respect to any Impaired Class deemed to have rejected the Plan, the requirements for “cramdown” are met, the Bankruptcy Court, which, as a court of equity, may exercise substantial discretion, may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtors and that the value of Distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

If a liquidation or protracted reorganization were to occur with respect to any of these issues, there is a significant risk that the value of the Debtors’ enterprises would be substantially eroded to the detriment of all stakeholders.

B. RISKS RELATED TO THE DEBTORS’ BUSINESSES

The Debtors intend to expand their customer base through the Debtors’ Digital Transformation Strategy to established and new customers who fall within the Debtors’ target markets. The Debtors’ future profitability depends, in part, on increasing sales of the Digital Transformation Strategy. The Debtors will not achieve profitability if they cannot compete successfully for sales of their Digital Transformation Strategy. If the Debtors fail to penetrate the target markets and/or book substantial sales of the Debtors’ products, the Debtors’ operations and prospects will suffer. Gaining market acceptance will depend, in part, upon the Debtors’ ability to demonstrate the advantages of the Digital Transformation Strategy over publications, digital media, and web offerings offered by other companies. If the Debtors are unable to compete successfully in the markets for Digital Transformation Strategy, the Debtors may not increase their revenues or achieve profitability.

The Debtors’ inability or failure to enhance and protect the Debtors’ technology and digital platform could damage the Debtors’ ability to compete, particularly in digital media and web offerings, reduce the Debtors’ revenues and damage the Debtors’ prospects for achieving growth and profitability.

The Debtors have been able to maintain profitability from declining print revenues in its publications by reducing the general cost structure of the business. The digital based revenue is very profitable to the Debtors because the Debtors are able to maintain profitability through their direct connection to the print side of the business. The Debtors’ future profitability rests on their ability to continue to adjust their cost structure in print and to maintain their profits online. The unique strategic and cost structure of the Debtors’ businesses allow them to maintain this profitability through centralized operations and scalable web operations. If print revenues fall below certain thresholds in annual revenue for its current cost structure, the Debtors may not be able to maintain such scale economics.

C. RISKS RELATED TO THE DEBTORS' INDUSTRY

Slower growth in demand in the markets in which the Debtors operate may harm the Debtors' revenues and prospects for achieving growth and profitability. The markets for the Debtors' products and services depend on advertising trends that are shifting from traditional media to digital strategies that offer better targeting and measurability.

The markets for the Debtors' goods and services change rapidly because of technological innovation, changes in customer requirements, declining prices, and evolving industry standards. New products and technology often render existing technology products, services or infrastructure obsolete, too costly or otherwise unmarketable. The Debtors' success depends on the Debtors' ability to introduce innovations in the Debtors' products and services, integrate new technologies into current products, and to develop new products and services, all on a timely basis.

The related daily newspaper print marketplace is under severe pressure that these Debtors believe will persist for some time.

D. CONDITIONS PRECEDENT TO CONSUMMATION; TIMING

The Plan provides for certain conditions that must be satisfied (or waived) prior to the Confirmation Date and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

E. INHERENT UNCERTAINTY OF FINANCIAL PROJECTIONS

The Debtors' projected financial performance will necessarily be based on numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms; realization of the operating strategy of the Reorganized Debtors; industry performance; no material adverse changes in applicable legislation or regulations, or the administration thereof, or generally accepted accounting principles; no material adverse changes in general business and economic conditions; no material adverse changes in competition; the Reorganized Debtors' retention of key management and other key employees; adequate financing; the absence of material contingent or unliquidated litigation, indemnity, or other Claims; and other matters, many of which will be beyond the control of the Reorganized Debtors, and some or all of which may not materialize.

To the extent that any assumptions are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtors, the assumptions and estimates are subject to significant business, economic, and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Debtors. It can be expected that some or all of the assumptions will not be realized and that actual results will vary.

Financial information contained in the Financial Projections should not be regarded as a representation or warranty by the Debtors, the Debtors' advisors, or any other Person that such projections can or will be achieved.

F. OPERATIONAL RISK FACTORS

The Debtors will face a number of risks with respect to their continuing business operations upon emergence from Chapter 11, including but not limited to the following: the Debtors' ability to improve profitability and generate positive operating cash flow; the Debtors' ability to increase sales; the Debtors' response to the entry of new competitors into its markets; the Debtors' ability to reduce the level of operating losses experienced in recent years; the Debtors' ability to upgrade its information systems and implement new technology and business processes; the Debtors' ability to implement new customer service programs; the Debtors' ability to implement effective pricing and promotional programs; the Debtors' ability to successfully implement effective business continuity; the Debtors' ability to resolve certain lawsuits successfully; changes in federal, state or local laws or regulations; general economic conditions in the Debtors' operating regions; increases in labor and employee benefit costs, such as health care and related expenses; and changes in accounting standards, taxation requirements, and bankruptcy laws.

Finally, the Debtors view the leadership of the Chief Executive Officer and President, Benjamin A. Eason, Chief Financial Officer, Angela LaFon, and Chief Operating Officer, Kirk MacDonald, to be important factors in Creative Loafing's ability to meet the future challenges they face. Although Creative Loafing anticipates that it will either enter into new employment agreements or retention agreements with Ms. LaFon and Mr. MacDonald prior to Confirmation, there can be no assurance that this will occur or that the Debtors will be successful in retaining Ms. LaFon and Mr. MacDonald in the future.

The successful implementation of the Digital Transformation Strategy requires high trust and commitment between senior leadership and the organization in order to maximize the impact of available resources devoted to the digital platforms while continually lowering the costs related to the print edition. The Debtor believes retention of existing senior management and existing publishers, editors, directors of shared services and key online personnel are vital to successful implementation of this strategy as the markets are shifting very quickly at this time.

G. COMPETITION

Like the Debtors, the Reorganized Debtors will face intense competition which could harm their financial condition and results of operations. The Debtors must compete based on product quality, variety, and price, as well as project support. Principal competitors include, among others, Craig's List and free online classifieds communities.

Current management and the Eason family have deep relationships in markets where the Debtors currently operate and the Debtors have a very strong culture that reflects many years of family ownership. There is a substantial risk that members of current management may enter into competition with the Debtors if new equity is not able to demonstrate a commitment to the

strong cultural norms of the Debtors' businesses. The emerging digital models allow for much lower barriers for new competition to enter the markets.

H. LEVERAGE

The Debtors believe that they will emerge from Chapter 11 with a reasonable level of Debt that can be effectively serviced in accordance with their business plan. Circumstances, however, may arise which might cause the Debtors to conclude that they are overleveraged, which could have significant negative consequences, including:

- it may become more difficult for the Reorganized Debtors to satisfy all of their obligations;
- the Reorganized Debtors may be vulnerable to a downturn in the markets in which they operate, or to a downturn in the economy in general;
- the Reorganized Debtors may be required to dedicate a substantial portion of their cash flow from operations to fund working capital, capital expenditures, and other general corporate requirements;
- the Reorganized Debtors may be limited in their flexibility to Plan for, or react to, changes in their businesses and the industry in which they operate or the entry of new competitors into their markets;
- the Reorganized Debtors may be placed at a competitive disadvantage compared to their competitors that have less Debt, including with respect to implementing effective pricing and promotional programs; and
- the Reorganized Debtors may be limited in borrowing additional funds.

The covenants and other provisions that may exist in any Exit Financing may also restrict the Reorganized Debtors' flexibility. Such covenants may place restrictions on the ability of the Reorganized Debtors to incur indebtedness, pay dividends and make other payments or investments, sell assets, make capital expenditures, engage in certain mergers and acquisitions, and/or refinance existing indebtedness.

Additionally, there may be factors beyond the control of the Reorganized Debtors that could impact their ability to meet debt service requirements. The ability of the Reorganized Debtors to meet debt service requirements will depend on their future performance, which, in turn, will depend on the Reorganized Debtors' ability to sustain sales conditions in the markets in which the Reorganized Debtors operate, the economy generally, and other factors that are beyond their control. The Debtors can provide no assurance that the businesses of the Reorganized Debtors will generate sufficient cash flow from operations or that future borrowings will be available in amounts sufficient to enable the Reorganized Debtors to pay their indebtedness or to fund their other liquidity needs. Moreover, the Reorganized Debtors may need to refinance all or a portion of their indebtedness on or before maturity. The Debtors

cannot make assurances that the Reorganized Debtors will be able to refinance any of their indebtedness on commercially reasonable terms or at all. If the Reorganized Debtors are unable to make scheduled debt payments or to comply with the other provisions of their debt instruments, their various lenders will be permitted under certain circumstances to accelerate the maturity of the indebtedness owing to them and exercise other remedies provided for in those instruments and under applicable law.

I. LITIGATION

The nature of the Debtors' businesses entail the risk that Reorganized Debtors will be subject to various claims and legal actions arising in the ordinary course of their businesses unrelated to the Bankruptcy Cases. The Debtors are not able to predict the nature and extent of any such claims and actions and cannot guarantee that the ultimate resolution of such claims and actions will not have a material adverse effect on the Reorganized Debtors.

J. ADVERSE PUBLICITY

Adverse publicity or news coverage relating to the Reorganized Debtors, including but not limited to publicity or news coverage in connection with the Chapter 11 Cases, may negatively impact the Debtors' efforts to establish and promote name recognition and a positive image after the Effective Date.

K. CERTAIN TAX CONSIDERATIONS

There are a number of income tax considerations, risks, and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in Article X of this Disclosure Statement regarding certain U.S. Federal income tax consequences of the transactions proposed by the Plan to the Debtors and the Reorganized Debtors and to certain Holders of Claims who are entitled to vote to accept or reject the Plan.

X. CERTAIN U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain anticipated U.S. federal income tax consequences of the Plan to the Debtors and certain Holders of Claims in voting Classes. This summary is provided for information purposes only and is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect, that could adversely affect the U.S. federal income tax consequences described below.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular Holder of a Claim in light of its particular facts and circumstances or to certain types of Holders of Claims subject to special treatment under the Tax Code (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, grantor trusts, Persons holding a Claim as part of a "hedging," or claims trading, Persons holding Claims

through a partnership or other pass-through entity, Persons that have a “functional currency” other than the U.S. dollar, and Persons who have acquired an Equity Interest or a security in a Debtor in connection with the performance of services). Except to the extent discussed in Article X. below, this summary does not address the tax considerations applicable to Holders who obtained their Claims (or the rights underlying such Claims) in connection with the performance of service. In addition, this summary does not discuss any aspects of state, local, or non-U.S. taxation and does not address the U.S. federal income tax consequences to Holders of Claims that are Unimpaired under the Plan or Holders of Claims that are not entitled to receive or retain any property under the Plan, if any.

A substantial amount of time may elapse between the date of this Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of this Disclosure Statement, such as additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. There can be no assurance that the Internal Revenue Service (the “IRS”) will not take a contrary view with respect to one or more of the issues discussed below. No ruling will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect to the statements regarding tax consequences made in this Disclosure Statement.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS REMINDED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR FILE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS

For U.S. federal income tax purposes, Creative Loafing is the parent of an affiliated group of corporations which includes the Debtors that join in the filing of a consolidated federal income tax return (the “Creative Loafing Group”).

1. Cancellation of Indebtedness Income

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of indebtedness income (“COD Income”) recognized during the taxable year. COD Income generally equals excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any other property transferred by the debtor in satisfaction of such discharged indebtedness (including stock). COD Income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged.

The Tax Code permits a debtor in bankruptcy to exclude its COD Income from gross income, but requires the debtor to reduce its Tax Attributes (described below) by the amount of the excluded COD Income such as net operating loss ("NOL") carry forwards, current year NOL's, tax credits, and tax basis in assets (collectively, "Tax Attributes"). Treasury regulations address the application of the rules for the reduction of Tax Attributes to situations where a member of a U.S. consolidated group recognizes excluded COD Income. Under the ordering rules of the treasury regulations, generally, the Tax Attributes of the debtors is reduced first (including NOL's and the stock basis of subsidiaries). In this regard, the treasury regulations adopt a "tier-down" approach such that if the debtor reduces its basis in its stock in a subsidiary, corresponding reductions must be made to the Tax Attributes of that subsidiary. To the extent that the excluded COD exceeds the Tax Attributes of the debtor member, the Treasury regulations require the reduction of certain tax Attributes (NOL's but not tax basis in assets) of other members of the consolidated group. To the extent the amount of excluded COD Income exceeds the Tax Attributes available for reduction after reduction of certain Tax Attributes of other consolidated group members, the remaining COD Income generally, has no adverse federal income tax consequences. The reduction in Tax Attributes generally occurs after the calculation of a debtor's tax for the year in which the debt is discharged.

Under the Tax Code, a debtor that recognizes excluded COD Income may elect to reduce its basis in depreciable assets prior to the reduction of other Tax Attributes, with any excess COD Income applied next to reduce NOL's and other Tax Attributes in the prescribed statutory order. In addition, a debtor can elect to treat its stock in a subsidiary as a depreciable asset to the extent that the subsidiary consents to a reduction in the basis of its depreciable assets.

It is likely that the Debtor subsidiaries of the Creative Loafing Group will recognize a significant amount of COD Income upon the consummation of the Plan. The Debtors will not be required to include COD Income in gross income because the indebtedness will be discharged while the Debtors are under the jurisdiction of a court in a Title 11 case. Instead, the Debtors will be required to reduce Tax Attributes by the amount of the COD Income recognized in the manner described above. The Debtors have not yet determined whether it would be beneficial to elect to reduce the basis of their depreciable property prior to any reduction of NOL's or other Tax Attributes. The extent to which NOL's and other Tax Attributes remain following Tax Attribute reduction, and the extent of the reduction in the basis of the Debtors' assets, will depend upon the amount of the COD Income. The Debtors have not analyzed the tax consequences or the impact on NOLs and other Tax Attributes that may be occasioned by the purchase of the New Stock by the New Equity Group.

2. Limitation on NOL Carry forwards and Other Tax Attributes

Creative Loafing reported consolidated NOL, carry forwards of well over \$1,600,000 as of October 2008. The amount of Creative Loafing's consolidated NOL carryovers will be significantly reduced or eliminated as a result of the reduction of Tax Attributes described above in Article X.A. Additionally, Creative Loafing's ability to utilize certain Tax Attributes of the Debtors allocable to periods prior to the Effective Date (collectively, "Pre-Change Losses") will be subject to limitation pursuant to Section 382 of the Tax Code ("Section 382") as a result of the

change in ownership of the Debtors that will occur upon emergence from bankruptcy, as described below.

3. General Section 382 Limitation

In general, when a corporation (or a consolidated group) undergoes an “ownership change” and the corporation does not qualify for (or elects out of) the Bankruptcy Exception discussed below, Section 382 limits the corporation’s ability to utilize such as NOL carry forwards, current year NOL’s, tax credits, and tax basis in assets and other Tax Attributes to offset future taxable income. Such limitation also may apply to certain losses or deductions that are “built-in” (i.e., economically accrued but unrecognized) as of the date of the ownership change and that are subsequently recognized. Creative Loafing will most likely undergo an ownership change as a result of the Plan. Creative Loafing also estimates that it will have a substantial “net unrealized built-in loss” (discussed below), and that under Section 382 its ability to utilize such loss may be limited.

In general, unless the Bankruptcy Exception (defined in Section 5 below) applies, Section 382 places an annual limitation on a corporation’s use of such as NOL carry forwards, current year Tax Attributes equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the stock of the common parent) with certain adjustments immediately before the ownership change; and (ii) the highest of the adjusted federal “long-term tax-exempt rates” in effect for any month in the three-calendar-month period ending with the month in which the ownership change occurs (the “Annual Limitation”). For a corporation (or consolidated group) in bankruptcy that undergoes a change of ownership pursuant to a confirmed plan, the stock value generally is determined immediately after (rather than before) the ownership change, and certain adjustments that ordinarily would apply do not apply.

Unless the Bankruptcy Exception applies, for any taxable year ending after an ownership change, the NOL's that can be used in that year to offset taxable income of a corporation cannot exceed the amount of the Annual Limitation. Any unused Annual Limitation may be carried forward, thereby increasing the Annual Limitation in the subsequent taxable year. However, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the Annual Limitation resulting from the ownership change is zero. Furthermore, if the corporation (or the consolidated group) undergoes a second ownership change, the second ownership change may result in a lesser Annual Limitation with respect to any losses that existed at the time of the first ownership change.

4. Built-in Gains and Losses

Under certain circumstances, Section 382 of the Tax Code also limits the deductibility of certain built-in losses that are recognized during the five years following the date of an ownership change. In particular, subject to a de minimis exception, if a loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in loss at the time of an ownership

change (taking into account its assets and items of “built-in” income and deduction), then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as a pre-change loss and will be subject to the Annual Limitation. Conversely, if the loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the Annual Limitation in the year recognized, such that the loss corporation (or loss consolidated group or subgroup) would be permitted to use such as NOL carry forwards, current year Tax Attributes against such built-in gain income in addition to its regular Annual Limitation.

Although the rules applicable to net unrealized built-in losses generally apply to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within five years prior to the ownership change may not be taken into account in the group computation of net unrealized built-in loss. Nevertheless, such corporations would be taken into account in determining whether the consolidated group has a net unrealized built-in gain.

5. Bankruptcy Exception

Section 382 provides an exception to the Annual Limitation for corporations under the jurisdiction of a court in a Title 11 case (the “Bankruptcy Exception”) if shareholders of the debtor immediately before an ownership change and qualified (so-called “historic” or “qualified”) creditors of a debtor receive, in respect of their claims, stock with at least fifty percent (50%) of the vote and value of all the stock of the reorganized debtor (or of a controlling corporation if such corporation is also in bankruptcy) pursuant to a confirmed bankruptcy plan of reorganization.

If a corporation is eligible for and applies the Bankruptcy Exception, such as Tax Attributes will not be subject to the Annual Limitation. However, the amount of Tax Attributes that may be carried over to a post-change year must be reduced by the amount of interest payments made during the current taxable year and the three preceding taxable years in respect of indebtedness that was exchanged for stock pursuant to the bankruptcy reorganization.

Based on the cancellation of the existing Preferred Stock and Common Stock, the Creative Loafing Group believes that it will not be eligible for the Bankruptcy Exception.

6. Alternative Minimum Tax

In general, a federal alternative minimum tax (“AMT”) of 20% is imposed on a corporation’s alternative minimum taxable income if such tax exceeds the corporation’s regular federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular federal income tax purposes by applying NOL carry forwards, only 90% of a corporation’s taxable income for AMT purposes may be offset by available NOL carry forwards (as computed

for AMT purposes). Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future years when the corporation is no longer subject to the AMT. In addition, if a corporation (or a consolidated group) undergoes an “ownership change” within the meaning of Section 382 of the Tax Code and has a net unrealized built-in loss on the date of the ownership change, the corporation’s (or group’s) aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date. Although not entirely clear, it appears that the application of this provision to the Debtors would be unaffected by whether the debtors otherwise qualify for the Bankruptcy Exception.

B. U.S. FEDERAL INCOME TAX CONSEQUENCES TO CLAIM HOLDERS

The U.S. federal income tax consequences to holders of allowed claims arising from the distributions to be made in satisfaction of their claims pursuant to a bankruptcy plan of reorganization may vary, depending upon, among other things: (a) the type of consideration received by the holder of a claim in exchange for the indebtedness it holds; (b) the nature of the indebtedness owed to it; (c) whether the holder has previously claimed a bad debt or worthless security deduction in respect of its claim against the corporation; (d) whether such claim constitutes a security; (e) whether the holder of a claim is a citizen or resident of the United States for tax purposes, or otherwise subject to U.S. federal income tax on a net income basis; (f) whether the holder of a claim reports income on the accrual or cash basis; and (g) whether the holder of a claim receives distributions under the bankruptcy plan in more than one taxable year. For tax purposes, the modification of a claim may represent an exchange of the claim for a new claim, even though no actual transfer takes place. In addition, where a gain or loss is recognized by a holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the claim constitutes a capital asset in the hands of the holder and how long it has been held or is treated as having been held, whether the claim was acquired at a market discount, and whether and to what extent the holder previously claimed a bad debt deduction with respect to the underlying claim. A holder who purchased its claim from a prior holder at a market discount may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of its claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such claim as of the date of the exchange.

1. Accrued but Unpaid Interest

In general, to the extent a holder of a debt instrument receives property in satisfaction of interest accrued during the holding period of such instrument, such amount will be taxable to the holder as interest income (if not previously included in the holder’s gross income). Conversely, such a holder generally recognizes a deductible loss to the extent that any accrued interest claimed or amortized original issue discount (“OID”) was previously included in its gross income and is not paid in full.

The extent to which property received by a holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all Distributions in respect of any Allowed Claim will be allocated first to the principal amount of such Allowed Claim, and thereafter to accrued but unpaid interest, if any. Certain legislative history indicates that an allocation of consideration between principal and interest provided in a bankruptcy plan of reorganization is binding for U.S. federal income tax purposes. However, there is no assurance that such allocation will be respected by the IRS for U.S. federal income tax purposes.

Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of previously included unpaid interest and OID for tax purposes.

2. Holders of Secured Claims

A Holder of a Secured Claim who receives the Collateral securing such Claim or who receives Cash with respect to such Claim pursuant to the Plan generally will be required to recognize gain or loss for U.S. federal income tax purposes equal to the difference between the fair market value of the Collateral or the amount of Cash, as the case may be, received in exchange therefor and such Holder's adjusted tax basis in the Claim.

A Holder of a Secured Claim who receives deferred Cash payments and realizes gain thereon may be eligible to report gain from such Cash payments under the installment method, which generally will result in the recognition of gain as deferred Cash payments are received, unless such Holder affirmatively elects out of the installment method. Under the installment method, a portion of the Cash received will be characterized as interest income. Additionally, Holders reporting under the installment method may be subject to an interest charge with respect to their deferred tax liability. A Holder of an Allowed Secured Claim who receives deferred Cash payments and recognizes loss thereon likely would recognize loss equal to the difference between such Holder's adjusted tax basis in such Claim and the issue price (in the case of a Cash basis taxpayer) or the principal amount (in the case of an accrual basis taxpayer) of the deferred Cash payments. Holders of Secured Claims who receive deferred Cash payments should consult their tax advisors regarding the application of the installment method, the determination of the amount of gain or loss to be recognized, and the imputed interest rules.

3. Priority Wage Claims

Any Cash Payments received by Holders of Claims that are treated as compensation for the performance of services for U.S. federal income tax purposes may be treated as ordinary income and will be subject to federal income tax withholding and other applicable withholding rules.

4. Administrative Convenience Claims (Class 4)

In general, the receipt of Cash payments in respect of Administrative Convenience Claims should be treated as a taxable exchange for U.S. federal income tax purposes.

Accordingly, Holders of Class 4 Claims (including Holders of Claims in Class 5 that elect to reduce their Claims for a discounted Cash payment, but only to the extent such alternative is available) should recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the Cash payments received and such Holder's adjusted tax basis in its Claim.

C. INFORMATION REPORTING AND BACKUP WITHHOLDING

Certain payments, including certain payments of Claims pursuant to the Plan, if any, may be subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding unless the taxpayer: (i) comes within certain exempt categories (which generally include corporations), or (ii) provides a correct taxpayer identification number and otherwise complies with applicable backup withholding provisions. In addition, Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

D. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XI. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. FEASIBILITY OF THE PLAN

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to Section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors.

To support their belief in the feasibility of the Plan, the Debtors have relied and will rely upon the preliminary Financial Projections for the one hundred twenty (120) months following the Effective Date, which are attached to this Disclosure Statement as **Exhibit "B."** The Financial Projections set forth financial information from March 31, 2009, on the basis of the Debtors' fiscal year through 2019. The preliminary Financial Projections indicate that together

with the New Equity Contribution (and/or any additional Exit Financing), the Reorganized Debtors should have sufficient cash flow to pay and service their debt obligations and to fund their operations. Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of Section 1129(a)(11) of the Bankruptcy Code.

The projections are based on numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms; realization of the operating strategy of the Reorganized Debtors; industry performance; no material adverse changes in applicable legislation or regulations, or the administration thereof, or generally accepted accounting principles; no material adverse changes in general business and economic conditions; no material adverse changes in competition; the Reorganized Debtors' retention of key management and other key employees; adequate financing; the absence of material contingent or unliquidated litigation, indemnity, or other Claims; and other matters, many of which will be beyond the control or knowledge of the Reorganized Debtors and some or all of which may not materialize.

To the extent that any assumptions are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtors, the assumptions and estimates are subject to significant business, economic, and competitive uncertainties and contingencies, many of which will be beyond the control of the Reorganized Debtors. It can be expected that some or all of the assumptions will not be realized and that actual results will vary, which variations may be material and are likely to increase over time. In light of the foregoing, Holders are cautioned not to place undue reliance on the assumptions. The Debtors may be required to adopt "fresh start" accounting upon their emergence from Chapter 11. The actual adjustments for "fresh start" accounting that the Debtors may be required to adopt upon emergence may differ substantially from the projected financial information contained in this Disclosure Statement.

The assumptions should be read together with the information in Article IX of this Disclosure Statement entitled "Certain Risk Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the projections.

The Debtors may, but do not intend to, update or otherwise revise the projections, including any revisions to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtors do not intend to update or revise the projections to reflect changes in general economic or industry conditions.

B. SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements made in this Disclosure Statement and the projections contained in this Disclosure Statement, and other written or oral statements made by the Debtors or on the Debtors' behalf, may constitute "forward-looking statements" within the meaning of the federal and/or state securities laws. Statements regarding future events and developments and the Debtors' future performance, as well as management's expectations, beliefs, plans, estimates, or

projections related to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements include and may be indicated by words or phrases such as “anticipate,” “estimate,” “plans,” “expects,” “projects,” “should,” “will,” “believes,” or “intends” and similar words and phrases.

All forward-looking statements, as well as the Debtors’ business and strategic initiatives, are subject to risks and uncertainties that could cause actual results to differ materially from expected results after the Effective Date. Management believes that these forward-looking statements are reasonable. However, you should not place undue reliance on such statements. These statements are based on current expectations and speak only as of the date of such statements. The Debtors undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. Additional information concerning the risks and uncertainties, and other factors that you may wish to consider, are contained in this Disclosure Statement, in Creative Loafing’s filing in these Bankruptcy Cases. A number of factors could cause the Debtors’ actual results to differ materially from the expected results described in the Debtors’ forward-looking statements after the Effective Date.

C. ACCEPTANCE OF THE PLAN

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

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, Holders of Claims in the voting Classes will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. The procedure used to tabulate ballots is set forth in more detail in Article IV of this Disclosure Statement. Holders of Claims who fail to vote are not counted as either accepting or rejecting a Plan.

D. BEST INTERESTS TEST

As noted above, even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The “best interests” test, as set forth in Section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtors were liquidated under Chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under Chapter 7, a bankruptcy court must first determine

the aggregate dollar amount that would be generated from the debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a Chapter 7 trustee.

Typically, forced liquidations of assets will generate considerably less value than the "operating" or "going concern" value of those assets. The amount received by unsecured creditors by virtue of liquidation of assets would then be reduced by the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 case. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in its Chapter 11 case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the Chapter 7 cases, litigation costs, and claims arising from the operations of the debtor during the pendency of the Chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

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

E. LIQUIDATION ANALYSIS

For purposes of the Best Interest Test, in order to determine the amount of liquidation value available to Creditors, the Debtors, with the assistance of their advisors, prepared a preliminary liquidation analysis (the "Liquidation Analysis"), a final version of which is annexed hereto as **Exhibit "D"**. The Debtors' preliminary liquidation analysis concludes that in a Chapter 7 liquidation, Holders of pre-petition Unsecured Claims, under either substantive consolidation or deconsolidation basis, would receive less of a recovery than the recovery they would receive under the Plan. This conclusion is premised upon the assumptions set forth in the Liquidation Analysis, which the Debtors believe are reasonable.

Notwithstanding the foregoing, the Debtors believe that any liquidation analysis with respect to the Debtors is inherently speculative. The Liquidation Analysis for the Debtors necessarily contains estimates of the net proceeds that would be received from a forced sale of assets as well as the amount of Claims that would ultimately become Allowed Claims. Claims estimates are based solely upon the Debtors' initial review of the Claims filed and the Debtors'

books and records. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the preliminary Liquidation Analysis. In preparing the preliminary Liquidation Analysis, the Debtors have projected an amount of Allowed Claims that represents their best estimate of the Chapter 7 liquidation dividend to Holders of Allowed Claims. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any Distributions to be made on account of Allowed Claims under the Plan. A Liquidation Analysis will be annexed to this Disclosure Statement.

F. APPLICATION OF THE “BEST INTERESTS” OF CREDITORS TEST TO THE LIQUIDATION ANALYSIS AND VALUATION ASSUMPTIONS

Although based on their assumptions, the Debtors have attempted to estimate the recoveries of Holders of Claims in the Classes designated by the Plan, it is impossible to determine with any specificity the actual value each Holder of an Unsecured Claim will receive as a percentage of its Allowed Claim until the aggregate of all Allowed Unsecured Claims is determined.

Notwithstanding the difficulty in quantifying recoveries with precision, the Debtors believe that the Plan provides for greater or equal recovery to Holders of Unsecured Claims in Impaired Classes than the recovery available in a Chapter 7 or other liquidation. Accordingly, the Debtors believe that the “best interests” test of Section 1129 of the Bankruptcy Code is satisfied.

G. CONFIRMATION WITHOUT ACCEPTANCE OF ALL IMPAIRED CLASSES: THE “CRAMDOWN” ALTERNATIVE

The Debtors may seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code in the event one or more Classes of Creditors vote to reject the Plan. The Debtors reserve the right to seek confirmation of the Plan with respect to the Claims of all voting Classes in the event the Holders of such Claims vote to reject the Plan. Specifically, Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of the debtors if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

The Debtors believe the Plan does not discriminate unfairly with respect to the Claims and Interests in the voting Classes. It is anticipated that the Holders of such Claims are to be paid in a similar manner. Because all Holders of Claims and Interests in the voting Classes are similarly treated, there is no unfair discrimination with respect to such Holders of Claims and Interests.

A plan is fair and equitable to a class of secured creditors that reject a plan if the plan provides is that the plan provides (i) that the holders of secured claims retain the liens in the property securing such claims to the extent of the allowed amount of such claims, and that the holders of such claims receive on account of such claims deferred cash payments totaling at least the allowed amount of such claims, of a value, as of the effective date of the plan, of at least the value of such holders' interest in the estate's interest in such property; (ii) for the sale of any property subject to the liens securing such claims, free and clear of such liens, with the liens attaching to the proceeds of such sale, and such lien proceeds being treated either pursuant to (i) or (ii); or (iii) for the realization by such holders of the indubitable equivalent of such claims. In the event Atalaya rejects the Debtors' Plan, the Debtors intend to establish the satisfaction of these requirements through the valuation processes described in Article VIII of this Disclosure Statement.

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

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

The Debtors believe that they will meet the "fair and equitable" requirements of Section 1129(b) of the Bankruptcy Code notwithstanding the anticipated rejection of the Plan by Atalaya as a Holder of both a Secured Claim and an Unsecured Claim. The Debtor submits that the Plan is fair and equitable as to Atalaya's Secured Claim as the Plan provides for Atalaya to retain its existing Lien in the Debtors' assets and for Atalaya to receive deferred Cash payments totaling the Allowed amount of such Secured Claim and having a present value equal to the value of Atalaya's Collateral, all as determined by the Bankruptcy Court. The Plan is fair and equitable with respect to the treatment of Atalaya's Allowed Unsecured Claim in that no junior Class of Claims or Interests (including BIA or the Creative Loafing shareholders) will receive or retain any property under the Plan on account of such Claims or Interests. Instead, all Equity Interests in Creative Loafing will be cancelled and extinguished and the New Stock Distributed to the New Equity Group solely on account of the New Equity Contribution. The Debtors further reserve the right to modify the Plan to the extent necessary to comply with any requirement that the amount, value, and sufficiency of the New Equity Contribution be "market tested" through one or more methods such as an equity auction, the termination of the Debtors' exclusive right to propose a Plan, sale and/or bidding procedures or other similar alternatives.

As to the Voting Classes, and in the event it becomes necessary to “cramdown” the Plan over the rejection of any such Classes, the Debtors will demonstrate at the Confirmation Hearing that the Plan does not discriminate unfairly and is fair and equitable with respect to such Classes.

XII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims and Interests the potential for the greatest realization on the Debtors’ assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received or the Plan is not confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative Plan or Plans of reorganization or (b) liquidation of the Debtors under Chapter 7 or Chapter 11 of the Bankruptcy Code.

A. ALTERNATIVE PLAN(S) OF REORGANIZATION

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors or any other party in Interest could attempt to formulate and propose a different Plan or Plans of reorganization. Such a Plan or Plans might involve both a reorganization and continuation of the Debtors’ businesses or an orderly liquidation of assets. In all likelihood, in any alternative scenario, Atalaya would take control of, and ultimately liquidate, the Debtors.

The Debtors believe that the Plan enables Creditors and Interest Holders to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated.

B. LIQUIDATION UNDER CHAPTER 7 OR CHAPTER 11

If no Plan is confirmed, the Debtors’ cases may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors’ assets for Distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors.

The Debtors believe that in a liquidation under Chapter 7, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants, and other Professionals to assist such trustees would cause a substantial diminution in the value of the Debtors’ Estates. The assets available for Distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors’ assets. More importantly, conversion to Chapter 7 liquidation would likely result in the immediate cessation of the Debtors’ businesses, as most Chapter 7 trustees are disinclined to continue operations.

The Debtors could also be liquidated pursuant to the provisions of a Chapter 11 Plan of reorganization. In liquidation under Chapter 11, the Debtors' assets theoretically could be sold in an orderly fashion over a more extended period of time than in liquidation under Chapter 7, thus resulting in a potentially greater recovery. Conversely, to the extent the Debtors' businesses incur operating losses, the Debtors' efforts to liquidate their assets over a longer period of time theoretically could result in a lower net Distribution to Creditors than they would receive through Chapter 7 liquidation. Nevertheless, because there would be no need to appoint a Chapter 7 trustee and to hire new Professionals, Chapter 11 liquidation might be less costly than Chapter 7 liquidation and thus provide larger net Distributions to Creditors than in Chapter 7 liquidation. Any recovery in a Chapter 11 liquidation, while potentially greater than in a Chapter 7 liquidation, would also be highly uncertain.

In either liquidation scenario, Creditors and Interest Holders would likely realize a substantially reduced recovery, because much of the Debtors' value (as well as the value of its assets), is dependent on the Debtors' continued operations, and that value would be lost in a liquidation. Likewise, any assets thereafter available for Distribution would be further reduced by any valid Secured Claims of Creditors (such as the Claims of the DIP Lender(s)), and again by additional administrative costs. Although preferable to a Chapter 7 liquidation, the Debtors believe that any alternative liquidation under Chapter 11 is a much less attractive alternative to Creditors than the Plan because of the greater return anticipated by the Plan.

XIII. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims in the voting Classes to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before 5:00 p.m. Eastern Daylight Time on the Voting Deadline.

Creative Loafing, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

CL Charlotte, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

Weekly Planet of Sarasota, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

Weekly Planet, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

Creative Loafing Atlanta, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

CL Chicago, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

CL Washington, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

Washington Free Weekly, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008

CL Birmingham, Inc.

By: /s/ Benjamin Eason

Benjamin Eason
President

Date: December 15, 2008