

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF KENTUCKY
LOUISVILLE DIVISION

In re:) Chapter 11
)
Jillian's Entertainment Holdings, Inc.,) Case No. 04-0____
et al.,¹) (Jointly Administered)
)
Debtors.)

**DISCLOSURE STATEMENT FOR THE JOINT LIQUIDATING PLAN OF REORGANIZATION OF
JILLIAN'S ENTERTAINMENT HOLDINGS, INC. AND CERTAIN OF ITS SUBSIDIARIES
PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE**

IMPORTANT DATES

- Date by which Ballots must be received: **[TO COME]**
- Date by which objections to Confirmation of the Plan must be filed and served: **[TO COME]**
- Hearing on Confirmation of the Plan: **[TO COME]**

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¹ The Debtors are the following entities: Jillian's Entertainment Holdings, Inc., Jillian's Entertainment Corporation, Derby City Promotions, Inc., Jillian's America Live of Minneapolis, Inc., Jillian's Billiard Café II of Raleigh, NC, Inc., Jillian's Billiard Café of Akron, Inc., Jillian's Billiard Café of Columbia, South Carolina, Inc., Jillian's Billiard Café of Raleigh, NC, Inc., Jillian's Billiard Club of Annapolis, Inc., Jillian's Billiard Club of Champaign Urbana, Inc., Jillian's Billiard Club of Champaign Urbana, LP, Jillian's Billiard Club of Charlotte, NC, Inc., Jillian's Billiard Club of Cleveland Heights, Inc., Jillian's Billiard Club of Cleveland Heights, LP, Jillian's Billiard Club of Cleveland, Inc., Jillian's Billiard Club of Louisville, Kentucky, Inc., Jillian's Billiard Club of Manchester, NH, Inc., Jillian's Billiard Club of Pasadena, Inc., Jillian's Billiard Club of Seattle, Inc., Jillian's Billiard Club of Tacoma, Inc., Jillian's Billiard Club of Worcester, Inc., Jillian's Billiard Club of Worcester, LP, Jillian's Gators of Minneapolis, Inc., Jillian's Inc., Jillian's Knuckleheads of Minneapolis, Inc., Jillian's Management Company, Inc., Jillian's of Albany, NY, Inc., Jillian's of Arundel, MD, Inc., Jillian's of Concord, NC, Inc., Jillian's of Covington, Kentucky, Inc., Jillian's of Farmingdale, NY, Inc., Jillian's of Franklin, PA, Inc., Jillian's of Gwinnett, GA, Inc., Jillian's of Hollywood, CA, Inc., Jillian's of Houston, TX, Inc., Jillian's of Indianapolis, IN, Inc., Jillian's of Katy, TX, Inc., Jillian's of Memphis, TN, Inc., Jillian's of Minneapolis, MN, Inc., Jillian's of Montreal, Inc., Jillian's of Nashville, TN, Inc., Jillian's of Norfolk, VA, Inc., Jillian's of Rochester, NY, Inc., Jillian's of San Francisco, CA, Inc., Jillian's of Scottsdale, AZ, Inc., Jillian's of Westbury, NY, Inc., Jillian's of Youngstown, OH, Inc., and River Vending, Inc.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE JOINT LIQUIDATING PLAN OF REORGANIZATION OF JILLIAN'S ENTERTAINMENT HOLDINGS, INC. AND CERTAIN OF ITS SUBSIDIARIES PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE (AS AMENDED FROM TIME TO TIME, THE "PLAN"), A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A, AS WELL AS CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE. THE FINANCIAL INFORMATION SUMMARIES AND OTHER DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE DOCUMENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN, OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION INCORPORATED HEREIN BY REFERENCE, THE PLAN OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION, AS THE CASE MAY BE, SHALL GOVERN FOR ALL PURPOSES.

MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER BUT RATHER SHOULD BE CONSTRUED AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

THE DEBTORS MAKE THE STATEMENTS AND PROVIDE THE FINANCIAL INFORMATION CONTAINED HEREIN AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DATE HEREOF UNLESS SO SPECIFIED. EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE THEREFORE SHOULD CAREFULLY REVIEW THE PLAN, THIS DISCLOSURE STATEMENT AND THE EXHIBITS TO BOTH DOCUMENTS IN THEIR ENTIRETY BEFORE CASTING A BALLOT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. ANY PERSONS DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH THEIR OWN ADVISORS.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE CONTENTS OF THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

THE DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT, EXCEPT WHERE SPECIFICALLY NOTED, HAS NOT BEEN AUDITED.

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF ALL OF THEIR CREDITORS AND REPRESENTS THE BEST POSSIBLE OUTCOME FOR THEIR CREDITORS. THE DEBTORS THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS SUBMIT BALLOTS TO ACCEPT THE PLAN. WHEN EVALUATING THE PLAN, PLEASE SEE ARTICLE VIII OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF

DIFFERENT “RISK FACTORS” WHICH SHOULD BE CONSIDERED IN CONNECTION WITH A DECISION BY A HOLDER OF AN IMPAIRED CLAIM TO ACCEPT THE PLAN.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
A. PLAN OVERVIEW/ EXECUTIVE SUMMARY	2
1. Solicitation.....	2
2. Purpose of the Liquidating Plan of Reorganization.....	2
3. Substantive Consolidation for Plan Purposes Only	2
4. Establishment of the Post Confirmation Estate	2
5. Summary of Classification and Treatment of Claims and Equity Interests	3
6. Voting and Confirmation.....	6
7. Liquidation Analysis.....	7
8. Risk Factors	8
9. Injunction.....	8
B. RECOMMENDATION.....	8
C. DISCLAIMER.....	8
II. GENERAL INFORMATION.....	9
A. DESCRIPTION OF THE DEBTORS' BUSINESSES.....	9
1. Club Types.....	10
2. The Debtors' Corporate History	11
B. EXISTING CAPITAL STRUCTURE OF THE DEBTORS	11
1. Equity	11
2. Debt Constituencies.....	12
C. EVENTS LEADING TO THE CHAPTER 11 CASES.....	13
1. Defaults Under Debt Constituencies.....	13
2. Competition and Sales Decline	14
D. PLANNED SALE(S) OF THE DEBTORS' ASSETS	15
1. Gemini Asset Purchase Agreement	15
2. D&B Asset Purchase Agreement	17
3. Public Auction for the Sale(s) of the Debtors' Assets	18
III. THE CHAPTER 11 CASES	19
A. DEBTOR-IN-POSSESSION FINANCING	19
B. PUBLIC AUCTION FOR THE SALE(S) OF THE DEBTORS' ASSETS.....	19
1. Bidding Procedures Motion	19
2. Sale Motion.....	20
C. SUMMARY OF OTHER SIGNIFICANT MOTIONS	20
1. Applications for Retention of Debtors' Professionals	20
2. Motion for Joint Administration of the Chapter 11 Cases.....	20
3. Motion to Pay Employee Wages and Associated Benefits.....	20
4. Utilities Procedures Motion	20
5. Motion to Pay Certain Essential Trade Vendors	20
6. Motion for Authority to Implement the Key Employee Retention Program	21
7. Motion to Employ Ordinary Course Professionals.....	21
8. Schedules and Statement of Financial Affairs.....	21
9. Motion for Contract and Lease Rejection Procedures	21
10. Taxes	21
11. Claims Bar Date.....	21
12. Cash Management	22
13. Customer Programs	22
IV. SUMMARY OF THE LIQUIDATING PLAN OF REORGANIZATION.....	22
A. OVERVIEW OF CHAPTER 11	22

B.	GENERALLY	23
1.	Liquidating Plan of Reorganization.....	23
2.	The Post Confirmation Estate	23
C.	CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS	23
1.	Schedule of Treatment of Claims and Equity Interests.....	24
2.	Treatment of Unclassified Claims	25
3.	Classification and Treatment of Classified Claims.....	25
D.	TREATMENT OF DISPUTED CLAIMS.....	28
1.	Objections to Claims; Prosecution of Disputed Claims	28
2.	Estimation of Claims	29
3.	Payments and Distributions on Disputed Claims	29
E.	DISTRIBUTIONS	29
1.	Means of Cash Payment	29
2.	Delivery of Distributions	29
3.	Undeliverable Distributions.....	29
4.	Withholding and Reporting Requirements.....	30
5.	Time Bar to Cash Payments.....	30
6.	Distributions after Effective Date.....	30
7.	Interest.....	30
8.	Fractional Dollars; De Minimis Distributions.....	30
9.	Setoffs.....	31
10.	Settlement of Claims and Controversies	31
F.	MEANS FOR IMPLEMENTATION OF THE PLAN.....	31
1.	Establishment of the Post Confirmation Estate	31
2.	Corporate Action.....	31
3.	Preservation of Causes of Action; Settlement of Causes of Action.....	32
4.	Cancellation of Notes, Instruments, Debentures and Equity Securities	33
5.	Dissolution of Committee(s).....	33
6.	Insurance Preservation; Directors and Officers Insurance; Indemnification	33
7.	Accounting.....	33
G.	EXECUTORY CONTRACTS.....	33
1.	Rejection of Executory Contracts and Unexpired Leases	33
2.	Rejection Damages Claim.....	34
H.	POST CONFIRMATION ESTATE AND PLAN ADMINISTRATOR	34
1.	Generally.....	34
2.	Purpose of the Post Confirmation Estate	34
3.	Termination of Post Confirmation Estate	34
4.	Termination of Plan Administrator.....	34
5.	Compensation of Plan Administrator	34
6.	Administrator Fund	35
7.	Exculpation; Indemnification.....	35
I.	CONDITIONS PRECEDENT TO PLAN CONFIRMATION AND CONSUMMATION.....	35
1.	Acceptance or Rejection of the Plan.....	35
2.	Conditions Precedent to Confirmation.....	35
3.	Conditions Precedent to Effective Date of the Plan.....	36
4.	Waiver of Conditions Precedent.....	36
5.	The Confirmation Order	36
J.	EFFECT OF PLAN CONFIRMATION.....	36
1.	Discharge of Claims and Termination of Interests	36
2.	Termination of Subordination Rights and Settlement of Related Claims	37
3.	Injunction.....	37
4.	Terms of Existing Injunctions and Stays.....	37
5.	Exculpation.....	37

6.	Releases	38
K.	MISCELLANEOUS PROVISIONS	39
1.	Payment of Statutory Fees	39
2.	Section 1146 Exemption	39
3.	Business Day	39
4.	Severability	39
5.	Conflicts	39
6.	Further Assurances	39
7.	Notices	39
8.	Filing of Additional Documents	40
9.	Successors and Assigns	40
10.	Closing of Case	41
11.	Section Headings	41
L.	RETENTION OF JURISDICTION	41
M.	MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN	42
1.	Modification of the Plan	42
2.	Revocation, Withdrawal or Non-Consummation	42
V.	ACCEPTANCE OR REJECTION OF THE PLAN	42
A.	CLASSES ENTITLED TO VOTE	42
B.	ACCEPTANCE BY IMPAIRED CLASSES	43
C.	PRESUMED ACCEPTANCE OF THE PLAN	43
D.	PRESUMED REJECTION OF THE PLAN	43
VI.	PROCEDURES FOR VOTING ON THE PLAN	43
A.	VOTING DEADLINE	43
B.	VOTING RECORD DATE	43
C.	VOTING INSTRUCTIONS	43
D.	VOTING TABULATION	45
E.	VOTING PROCEDURES AND STANDARD ASSUMPTIONS	45
F.	THE CONFIRMATION HEARING	47
VII.	STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN	49
A.	GENERALLY	49
B.	FEASIBILITY	49
C.	“BEST INTERESTS” TEST	50
D.	ACCEPTANCE BY IMPAIRED CLASS	51
E.	NON-CONSENSUAL CONFIRMATION	51
1.	Secured Claims	51
2.	Unsecured Claims	51
3.	Equity Interests	52
VIII.	PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMING AND CONSUMMATING THE PLAN	52
A.	FINANCIAL INFORMATION; DISCLAIMER	52
B.	CERTAIN BANKRUPTCY CONSIDERATIONS	52
1.	Classification Risk	52
2.	The Debtors May be Unable to Close the Sale(s)	52
3.	The Debtors May Not be Able to Secure Confirmation of the Plan.	53
4.	The Confirmation and Consummation of the Plan Are Also Subject to Certain Conditions as Described Herein.	53
5.	The Debtors May Object to the Amount or Classification of a Claim.	53
6.	Nonconsensual Confirmation	53
7.	Delays of Confirmation and/or the Effective Date	54
C.	PENDING LITIGATION	54
D.	LIQUIDATION UNDER CHAPTER 7	54

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES	55
A. CONSEQUENCES TO DEBTORS	55
B. FEDERAL INCOME TAX TREATMENT OF POST CONFIRMATION ESTATE	56
1. Classification of Post Confirmation Estate	56
2. Tax Reporting	56
3. Claim Reserve for Disputed Claims	56
C. CONSEQUENCES TO HOLDERS OF CLAIMS	57
1. Holders of Allowed Claims	57
2. Distributions in Discharge of Accrued but Unpaid Interest	57
3. Character of Gain or Loss; Tax Basis; Holding Period	57
D. CONSEQUENCES TO HOLDERS OF EQUITY INTERESTS	58
E. WITHHOLDING	58
X. RECOMMENDATION	58

EXHIBITS

- Exhibit A - Debtors' Joint Liquidating Plan of Reorganization
- Exhibit B - Gemini Asset Purchase Agreement
- Exhibit C - D&B Asset Purchase Agreement
- Exhibit D - Hypothetical Liquidation Analysis

I.

INTRODUCTION

On May 23, 2004, the following entities (collectively, the “Debtors”) filed petitions under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division (the “Bankruptcy Court”): Jillian’s Entertainment Holdings, Inc., Jillian’s Entertainment Corporation, Derby City Promotions, Inc., Jillian’s America Live of Minneapolis, Inc., Jillian’s Billiard Café II of Raleigh, NC, Inc., Jillian’s Billiard Café of Akron, Inc., Jillian’s Billiard Café of Columbia, South Carolina, Inc., Jillian’s Billiard Café of Raleigh, NC, Inc., Jillian’s Billiard Club of Annapolis, Inc., Jillian’s Billiard Club of Champaign Urbana, Inc., Jillian’s Billiard Club of Champaign Urbana, LP, Jillian’s Billiard Club of Charlotte, NC, Inc., Jillian’s Billiard Club of Cleveland Heights, Inc., Jillian’s Billiard Club of Cleveland Heights, LP, Jillian’s Billiard Club of Cleveland, Inc., Jillian’s Billiard Club of Louisville, Kentucky, Inc., Jillian’s Billiard Club of Manchester, NH, Inc., Jillian’s Billiard Club of Pasadena, Inc., Jillian’s Billiard Club of Seattle, Inc., Jillian’s Billiard Club of Tacoma, Inc., Jillian’s Billiard Club of Worcester, Inc., Jillian’s Billiard Club of Worcester, LP, Jillian’s Gators of Minneapolis, Inc., Jillian’s Inc., Jillian’s Knuckleheads of Minneapolis, Inc., Jillian’s Management Company, Inc., Jillian’s of Albany, NY, Inc., Jillian’s of Arundel, MD, Inc., Jillian’s of Concord, NC, Inc., Jillian’s of Covington, Kentucky, Inc., Jillian’s of Farmingdale, NY, Inc., Jillian’s of Franklin, PA, Inc., Jillian’s of Gwinnett, GA, Inc., Jillian’s of Hollywood, CA, Inc., Jillian’s of Houston, TX, Inc., Jillian’s of Indianapolis, IN, Inc., Jillian’s of Katy, TX, Inc., Jillian’s of Memphis, TN, Inc., Jillian’s of Minneapolis, MN, Inc., Jillian’s of Montreal, Inc., Jillian’s of Nashville, TN, Inc., Jillian’s of Norfolk, VA, Inc., Jillian’s of Rochester, NY, Inc., Jillian’s of San Francisco, CA, Inc., Jillian’s of Scottsdale, AZ, Inc., Jillian’s of Westbury, NY, Inc., Jillian’s of Youngstown, OH, Inc., and River Vending, Inc.

The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

Chapter 11 of the Bankruptcy Code allows a debtor to sponsor a plan of reorganization that proposes how to dispose of a debtor’s assets and treat claims (i.e., debts) against, and interests in, such a debtor. A plan of reorganization typically may provide for a debtor-in-possession to reorganize by continuing to operate, to liquidate by selling assets of the estate or to implement a combination of both. The Plan is a liquidating plan of reorganization.

The Bankruptcy Code requires that the party proposing a chapter 11 plan of reorganization prepare and file with the Bankruptcy Court a document called a “disclosure statement.” **THIS DOCUMENT IS THE DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) FOR THE PLAN. THE DISCLOSURE STATEMENT INCLUDES CERTAIN EXHIBITS, EACH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.**

Please note that any terms not specifically defined in this Disclosure Statement shall have the meanings ascribed to them in the Plan and any conflict arising therefrom shall be governed by the Plan.

This Disclosure Statement summarizes the Plan’s content and provides information relating to the Plan and the process the Bankruptcy Court will follow in determining whether to confirm the Plan. The Disclosure Statement also discusses the events leading to the Debtors’ filing of their chapter 11 cases (the “Chapter 11 Cases”), describes certain events anticipated to occur in the Debtors’ Chapter 11 Cases, and, finally, summarizes and analyzes the Plan. The Disclosure Statement also describes certain potential Federal income tax consequences of Holders of Claims and Equity Interests, voting procedures and the confirmation process.

The Bankruptcy Code requires a disclosure statement to contain “adequate information” concerning the Plan. In other words, a disclosure statement must contain sufficient information to enable parties who are affected by the Plan to vote intelligently for or against the Plan or object to the Plan, as the case may be. The Bankruptcy Court has reviewed this Disclosure Statement, and has determined that it contains adequate information and may be sent to you to solicit your vote on the Plan.

All Holders of Claims (as defined in the Plan) should carefully review both the Disclosure Statement and the Plan before voting to accept or reject the Plan. Indeed, Holders of Claims should not rely solely on the Disclosure Statement but should also read the Plan. Moreover, the Plan provisions will govern if there are any inconsistencies between the Plan and the Disclosure Statement.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS _____ .M. (PREVAILING LOUISVILLE, KENTUCKY TIME) ON _____, 2004, UNLESS THE COURT OR THE DEBTORS EXTEND THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE VOTING DEADLINE FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED.

A. PLAN OVERVIEW/ EXECUTIVE SUMMARY

THE FOLLOWING SUMMARIZES CERTAIN KEY INFORMATION CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT. REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, THE MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT AND IN THE PLAN. THE PLAN WILL CONTROL IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY AND THE PLAN. FOR A MORE DETAILED SUMMARY OF THE PLAN, PLEASE SEE ARTICLE IV OF THIS DISCLOSURE STATEMENT.

1. Solicitation

Solicitation materials, including this Disclosure Statement and a Ballot to be used for voting on the Plan, are being distributed to all known Holders of Claims entitled to vote on the Plan. Classes of Claims entitled to vote on the Plan are Classes 1, 2 and 4. The purpose of this solicitation, among other things, is to obtain the requisite number of acceptances of the Plan under the Bankruptcy Code from the Classes of Claims entitled to vote (the statutory requirements for Confirmation of the Plan are described in Article IV.I herein - "Conditions Precedent to Plan Confirmation and Consummation" and Article V herein). Assuming the requisite acceptances are obtained, the Debtors intend to seek Confirmation of the Plan at the Confirmation Hearing commencing on [_____, 2004].

2. Purpose of the Liquidating Plan of Reorganization

The Plan provides for the orderly liquidation of substantially all of the Debtors' Estates. Cash on hand, the Sale Proceeds, Cash generated from the disposition or collection of property, and any recovery from the retained Causes of Action will be used to pay Allowed Claims under the Plan.

3. Substantive Consolidation for Plan Purposes Only

Subject to the occurrence of the Effective Date, the Debtors will be deemed consolidated for the following purposes under the Plan: (a) no Distributions will be made under the Plan on account of the Intercompany Claims; (b) the guarantees of certain Debtors of obligations of other Debtors, including, but not limited to, those obligations arising under the Credit Agreement, the Heller Loan, and the 13% Notes, will be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any Debtor with another Debtor will be deemed to be one obligation of the deemed consolidated Debtors; and (c) each and every Claim against a Debtor will be deemed asserted against the consolidated Estates of all of the Debtors, will be deemed one Claim against and obligation of the deemed consolidated Debtors and their Estates and will be treated in the same Class regardless of the Debtor.

4. Establishment of the Post Confirmation Estate

On or prior to the Effective Date, the Debtors shall consummate one or more Sale(s) pursuant to the Motion for Order Under Sections 105(a), 363, 365 and 1146(c) of the Bankruptcy Code (A) Authorizing the Sale(s) of Certain or All of the Debtors' Assets, Free and Clear of Liens, Claims, Encumbrances and Interests, (B)

Approving Asset Purchase Agreements, and (C) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale(s), filed by the Debtors on the Petition Date. On the Effective Date, and in accordance with and pursuant to the terms of the Plan, the Debtors shall assign and transfer to the Post Confirmation Estate all of their right, title, and interest in and to all of the Post Confirmation Estate Assets, notwithstanding any prohibition of assignability under applicable non-bankruptcy law. In connection with the transfer of the Post Confirmation Estate Assets, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Post Confirmation Estate, shall vest in the Post Confirmation Estate and its representatives, including the Plan Administrator, and the Debtors, the Post Confirmation Estate and the Plan Administrator are authorized to take all necessary actions to effectuate the transfer of such privileges.

5. Summary of Classification and Treatment of Claims and Equity Interests

The Plan provides for the classification and treatment of Claims against and Equity Interests in the Debtors. The following chart summarizes the treatment of Allowed Claims and Equity Interests under the Plan. This chart is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

<u>Class</u>	<u>Description</u>	<u>Treatment</u>
Unclassified	DIP Facility Claims	On or prior to the Effective Date, the DIP Facility Agent shall receive in full satisfaction, settlement, release, and discharge of and in exchange for the Allowed DIP Facility Claims, if any, (i) Cash equal to the principal amount under the DIP Facility owing together with all accrued and unpaid interest, fees, expenses and charges as set forth in the DIP Order or (ii) such other treatment as to which the Debtors and the DIP Lenders have agreed upon in writing.
Unclassified	Administrative Claims	Each Allowed Administrative Claim shall be paid by the Debtors, at their election, (i) in full, in Cash, in such amounts as are (1) incurred in the ordinary course of business by the Debtors, or (2) in such amounts as such Administrative Claim is Allowed by the Bankruptcy Court upon the later of the Effective Date or the date upon which such Administrative Claim is Allowed, (ii) upon such other terms as may exist in the ordinary course of the Debtors' business or (iii) upon such other terms as may be agreed upon between the Holder of such Administrative Claim and the applicable Debtor.
Unclassified	Priority Tax Claims	On, or as soon as reasonably practicable after, the latest of the Effective Date or the date such Priority Tax Claims becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claim or (ii) such other treatment as to which the Debtors and such Holder have agreed upon in writing.
1	Prepetition Lender Secured Claims	Impaired. On, or as soon as reasonably practicable after, the Effective Date, the Administrative Agent shall receive, in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Prepetition Lender Secured Claims, (i) the Prepetition Lender Disbursement or (ii) such other

<u>Class</u>	<u>Description</u>	<u>Treatment</u>
		treatment as to which the Debtors and the Administrative Agent have agreed upon in writing. The Prepetition Lenders shall also receive (x) any excess amount remaining in the Claims Reserve after all such Disputed Claims have been resolved and all payments in connection therewith have been distributed and (y) any Other Forfeited Distributions pursuant to Article V.C of the Plan. Holders of a Prepetition Lender Deficiency Claim, if any, shall be entitled to participate in, and receive a Distribution to be made to Class 4 Claims pursuant to Article III.B.4(b) of the Plan.
2	Other Secured Claims	<i>Impaired.</i> On, or as soon as reasonably practicable after, the later of the Effective Date or the date such Claim becomes an Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following distributions in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Other Secured Claim, at the option of the Debtors or Plan Administrator, upon notice to and consultation with the Prepetition Lenders: (i) cash equal to the fair market value of the property upon which a Lien has been asserted securing such Claim subject to and reduced by such Holder's Sale Expense Pro Rata share of the Sale Costs, or (ii) the property securing such Allowed Other Secured Claim, or (iii) such other treatments as which the Debtors and such Holder shall have agreed upon in writing; but only up to an amount no greater than the full amount of the Allowed Other Secured Claim.
3	Other Priority Claims	<i>Unimpaired.</i> On, or as soon as reasonably practicable after, the later of the Effective Date or the date such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Other Priority Claim or (ii) such other treatment as to which the Debtors and such Holder have agreed upon in writing. Other Priority Claims that are (i) Allowed on or prior to the Effective Date shall be funded from the Sale Proceeds and (ii) Allowed after the Effective Date shall be funded from the Claims Reserve.
4	Unsecured Claims	<i>Impaired.</i> If Holders of Other Secured Claims (Class 2) reject the Plan pursuant to section 1126 of the Bankruptcy Code, Holders of Allowed Unsecured Claims shall not receive any Distribution on account of such Unsecured Claims under the Plan. If the Holders of Other Secured Claims (Class 2) accept the Plan pursuant to section 1126 of the Bankruptcy Code, Holders of Allowed Unsecured Claims shall receive the following treatment: (i) the Holders of Allowed Unsecured Claims shall receive a Pro Rata share of the Unsecured Claim Pool and the Residual Proceeds, if any, at such time when all Unsecured Claims have

<u>Class</u>	<u>Description</u>	<u>Treatment</u>
		<p>been Allowed or otherwise resolved. The Plan Administrator, however, in its sole discretion, may distribute a percentage of the respective Pro Rata shares of the Unsecured Claim Pool to Holders of Allowed Unsecured Claims prior to such time when all Unsecured Claims have been Allowed or otherwise resolved; <u>provided, however</u>, the Plan Administrator shall continue to holdback an appropriate amount of the Unsecured Claim Pool, in its sole discretion, that he deems necessary to ensure proper Pro Rata Distributions to Holders of Disputed Unsecured Claims which subsequently become Allowed Unsecured Claims;</p> <p>(ii) pursuant to Article V.C of the Plan, the Forfeited Unsecured Distributions, if any, shall return to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the remaining Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;</p> <p>(iii) in the event that the full amount of the Prepetition Lender Secured Claims are satisfied pursuant to Article III.B.1 of the Plan, (i) excess Claims Reserve amounts, if any, and (ii) Other Forfeited Distributions, if any, shall become part of the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;</p> <p>(iv) recoveries, if any, received on account of any Cause of Action (other than the Encumbered Actions) pursued by the Debtors or the Plan Administrator shall be added to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;</p> <p>(v) in the event that the full amount of the Prepetition Lender Secured Claims are satisfied pursuant to Article III.B.1 of the Plan, any further proceeds or recoveries recovered on account of the Encumbered Actions that become available after the Effective Date shall be added to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan; and</p> <p>(vi) in the event that, as of the Effective Date, the actual aggregate amount of allowed fees and expenses of the professionals retained by any Committee in these Chapter 11 Cases, together with any allowed reimbursable expenses of the members of any such Committee (collectively, the “Committee Allowed Fees”), is less than the amount of the Committee Fee Carveout (as defined in the DIP Order), then the Unsecured Claim Pool shall be increased in amount by the difference between the Committee Allowed Fees and the Committee Fee</p>

<u>Class</u>	<u>Description</u>	<u>Treatment</u>
		Carveout; provided, however, that in the event that, as of the Effective Date, the Committee Allowed Fees are more than the amount of the Committee Fee Carveout (the “Committee Fee Additional Costs”), then the Unsecured Claim Pool shall be decreased or reduced in the amount of the Committee Fee Additional Costs. Holders of Unsecured Claims in Class 4 (including the Prepetition Lender Deficiency Claim) are entitled to vote to accept or reject the Plan; provided, however, that, in the event that Holders of Other Secured Claims (Class 2) reject the Plan, Class 4 will be deemed to have voted to reject the Plan.
5	Subordinated Note Claims	<i>Impaired.</i> On the Effective Date, the Subordinated Note Claims will be canceled and the Holders of Subordinated Note Claims shall not receive or retain any Distribution or property on account of such Subordinated Note Claims under the Plan.
6	Intercompany Claims	<i>Impaired.</i> On the Effective Date, all Intercompany Claims shall be cancelled and Holders of Intercompany Claims shall not receive any Distribution on account of such Intercompany Claim under the Plan.
7	Equity Interests	<i>Impaired.</i> On the Effective Date, all Equity Interests shall be cancelled and the Holders of Equity Interests shall not receive or retain any Distribution or property on account of such Equity Interests.

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN DO NOT YET BIND ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BIND ALL CLAIM AND EQUITY INTEREST HOLDERS.

6. Voting and Confirmation

Each Holder of a Claim in Classes 1, 2 and 4 will be entitled to vote either to accept or reject the Plan. Classes 1, 2 and 4 shall have accepted the Plan if: (i) the Holders of at least two-thirds in amount of the Allowed Claims actually voting in each such Class have voted to accept the Plan and (ii) the Holders of more than one-half in number of the Allowed Claims actually voting in each such Class have voted to accept the Plan. Class 3 is Unimpaired under the Plan and is deemed to accept the Plan. Classes 5, 6 and 7 are deemed to reject the Plan and are not entitled to vote to accept or reject the Plan. Assuming the requisite acceptances are obtained, the Debtors intend to seek confirmation of the Plan at a hearing (the “Confirmation Hearing”) scheduled to commence on [_____, 2004, at : _____ .m. (prevailing Louisville, Kentucky time)], before the Bankruptcy Court. **Notwithstanding the foregoing, provided that at least one Impaired class accepts the Plan, the Debtors will seek Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to the Impaired Classes presumed to reject the Plan, and reserve the right to do so with respect to any other rejecting Class or to modify the Plan in accordance with Article XIII of the Plan.**

Article VI of this Disclosure Statement specifies the deadlines, procedures and instructions for voting to accept or reject the Plan and the applicable standards for tabulating Ballots. The Bankruptcy Court has established [_____, 2004] (the “Voting Record Date”), as the date for determining which Holders of Claims

are eligible to vote on the Plan. Ballots will be mailed to all registered Holders of Claims as of the Voting Record Date who are entitled to vote to accept or reject the Plan. An appropriate return envelope will be included with your Ballot, if necessary.

The Debtors have engaged a solicitation agent to assist in the voting process. The solicitation agent will answer questions, provide additional copies of all materials and oversee the voting tabulation. The solicitation agent will also process and tabulate ballots for each Class entitled to vote to accept or reject the Plan. The solicitation agent is Kurtzman Carson Consultants LLC, 12910 Culver Boulevard, Suite I, Los Angeles, California 90066, (866) 381-9100 ext. 509.

TO BE COUNTED, THE SOLICITATION AGENT MUST RECEIVE YOUR BALLOT INDICATING AN ACCEPTANCE OR REJECTION OF THE PLAN NO LATER THAN _____ .M. (PREVAILING LOUISVILLE, KENTUCKY TIME) ON _____, 2004 (THE "VOTING DEADLINE") UNLESS THE COURT OR THE DEBTORS EXTEND THE PERIOD DURING WHICH VOTES WILL BE ACCEPTED BY THE DEBTORS, IN WHICH CASE THE VOTING DEADLINE FOR SUCH SOLICITATION SHALL MEAN THE LAST TIME AND DATE TO WHICH SUCH SOLICITATION IS EXTENDED.

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF ALL OF THEIR CREDITORS AS A WHOLE. THE DEBTORS THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS SUBMIT BALLOTS TO ACCEPT THE PLAN.

(a) Deadline for Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to vote timely on the enclosed Ballot and return the Ballot in the enclosed envelope to Kurtzman Carson Consultants LLC, 12910 Culver Boulevard, Suite I, Los Angeles, California 90066.

The Voting Deadline to accept or reject the Plan is [_____ .m.] (prevailing Louisville, Kentucky time) on [_____, 2004], unless the Bankruptcy Court or the Debtors extend the period during which votes will be accepted by the Debtors, in which case the Voting Deadline for such solicitation shall mean the last time and date to which such solicitation is extended. Your vote must be received prior to the Voting Deadline or it will not be counted. At the Debtors' request, the Bankruptcy Court has established certain procedures for the solicitation and tabulation of votes on the Plan, which are described in Article VI of this Disclosure Statement.

(b) Deadline for Objecting to the Confirmation of the Plan

Objections to confirmation of the Plan must be filed and served on or before [_____ .m. prevailing Louisville, Kentucky time on _____, 2004], in accordance with the Confirmation Hearing Notice accompanying this Disclosure Statement. **UNLESS OBJECTIONS TO CONFIRMATION ARE TIMELY SERVED AND FILED, THEY WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

7. Liquidation Analysis

The Debtors believe that the Plan will produce a greater recovery for Holders of Claims than would be achieved in a chapter 7 liquidation because, among other things, the administrative costs and delays incurred in connection with a chapter 7 case would likely diminish the distributions to such Holders, and the projected liquidation of the Debtors would not produce any recovery for Holders of Priority Tax Claims, Other Priority Claims and Unsecured Claims. The Debtors' financial advisors assisted the Debtors in the preparation of a hypothetical liquidation analysis to assist Holders of Claims to reach their determination as to whether to accept or reject the Plan. This Hypothetical Liquidation Analysis, attached hereto as Exhibit D, estimates the proceeds to be realized if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code. The Hypothetical Liquidation Analysis is based upon projected assets and liabilities as of March 28, 2004, and incorporates estimates and assumptions developed by the Debtors, which are subject to potentially material changes with respect to economic and business conditions, as well as uncertainty not within the Debtors' control.

8. Risk Factors

There are a variety of factors that each Holder of a Claim should consider prior to voting to accept or reject the Plan. Some of these factors, which are described in more detail in Article VIII of this Disclosure Statement, are as follows and may impact the recoveries under the Plan:

(a) The financial information disclosed in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and Disclosure Statement.

(b) Article IX of this Disclosure Statement describes certain significant federal tax consequences of the transactions that are described herein and in the Plan that affect the Debtors and others. Such consequences may include: (1) the recognition of taxable gain or loss to the Debtors; (2) the reduction of net operating loss carryforward by the Debtors; and (3) the recognition of taxable income by the Holders of Claims. Holders of Claims are urged to consult with their own tax advisors regarding the federal, state, local and other tax consequences of the Plan.

(c) Although the Debtors believe that the Plan complies with all applicable standards of the Bankruptcy Code, the Debtors can provide no assurance that the Plan will comply with section 1129 of the Bankruptcy Code or that the Bankruptcy Court will confirm the Plan.

(d) The Debtors may be required to request Confirmation of the Plan without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code.

(e) Any delays of either Confirmation or the Effective Date of the Plan could result in, among other things, increased Claims of Professionals.

(f) The Debtors may be unable to close the Sale(s), as described in more detail in VIII.B.2 of this Disclosure Statement.

9. Injunction

Except as otherwise expressly provided in the Plan, all Entities that have held, hold or may hold Claims against or Equity Interests in the Debtors are permanently enjoined, from and after the Effective Date, from taking any of the following actions against any of the Debtors, their Estates, the Post Confirmation Estate, the Plan Administrator, the Prepetition Lenders or any of their property on account of any Claims or causes of action arising from events prior to the Effective Date: (i) commencing or continuing in any manner any action or other proceeding of any kind; (ii) enforcing, attaching, collecting or recovering by any manner or in any place or means any judgment, award, decree or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance of any kind; and (iv) asserting any defense or right of setoff, subrogation or recoupment of any kind against any obligation, debt or liability due to the Debtors.

By accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving Distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Article X of the Plan.

B. RECOMMENDATION

The Debtors believe that the Plan provides the best and most feasible recovery for Holders of Allowed Claims against the Debtors and that accepting the Plan is in the best interests of the Holders of Allowed Claims against the Debtors. The Debtors therefore recommend that you vote to accept the Plan.

C. DISCLAIMER

In formulating the Plan, the Debtors relied on financial data derived from their books and records. The Debtors therefore represent that everything stated in the Disclosure Statement is true to the best of their knowledge.

The Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Moreover, the Bankruptcy Court has not yet determined whether the Plan is confirmable and therefore does not recommend whether you should accept or reject the Plan.

The discussion in the Disclosure Statement regarding the Debtors may contain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as “may,” “expect,” “anticipate,” “estimate” or “continue” or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses, distribution projections, and other information are estimates only, and the timing and amount of actual distributions to Holders of Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT IS, OR SHALL BE DEEMED TO BE, AN ADMISSION OR STATEMENT AGAINST INTEREST BY THE DEBTORS FOR PURPOSES OF ANY PENDING OR FUTURE LITIGATION MATTER OR PROCEEDING.

ALTHOUGH THE ATTORNEYS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS, AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTORS, THEY HAVE NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY THEREOF. THE ATTORNEYS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS SHALL HAVE NO LIABILITY FOR THE INFORMATION IN THE DISCLOSURE STATEMENT.

THE DEBTORS AND THEIR PROFESSIONALS ALSO HAVE MADE A DILIGENT EFFORT TO IDENTIFY IN THIS DISCLOSURE STATEMENT PENDING LITIGATION CLAIMS AND PROJECTED OBJECTIONS TO CLAIMS. HOWEVER, NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTORS, THE POST CONFIRMATION ESTATE, THE PLAN ADMINISTRATOR OR OTHER PARTIES-IN-INTEREST MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE LITIGATION CLAIMS AND PROJECTED OBJECTIONS TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

II.

GENERAL INFORMATION

A. DESCRIPTION OF THE DEBTORS' BUSINESSES

Jillian's Entertainment Holdings, Inc. (“Holdings”) is a Delaware corporation and the parent of Jillian's Entertainment Corporation (“Jillian's Entertainment”), a Florida corporation. Jillian's Entertainment in turn is the parent of Jillian's Inc. (“Jillian's”), a Delaware corporation. Holdings, Jillian's Entertainment and Jillian's are headquartered in Louisville, Kentucky. Jillian's owns and coordinates the operations of approximately 35 multi-venue dining and entertainment complexes in 18 different states, each of which are separate legal entities (collectively, all the entertainment complexes will be referred to herein as the “Clubs”).

All the Clubs are located upon leased properties, and such leases typically provide for a minimum term of ten years, with a majority of the leases providing for options to renew for at least one additional five-year term. In addition, Jillian's manages two other complexes (located in Denver, Colorado and Las Vegas, Nevada, both of

which are non-Debtor entities (the “Managed Clubs”) owned by and licensed to third parties. Jillian’s receives management fees from the Managed Clubs .

In addition, there are debtor subsidiaries who do not operate Clubs, but who fulfill other discrete functions, such as holding leases, owning arcade games, managing licensees, handling promotions and fulfilling management functions. Finally, several of the Debtors’ operated Clubs are now closed, dissolved or are otherwise inactive.

As of the Petition Date, the Debtors employed approximately 4,721 employees in the aggregate. Approximately 4,320 of the employees are hourly employed at the various Clubs. In addition, approximately 318 of the employees are salaried employees that are employed as managers or event coordinators at the various Clubs. Finally, approximately 83 of the employees are salaried employees that are employed at the Debtors’ corporate offices.

Through the Clubs bearing the Jillian’s brand name, the Debtors provide interactive dining and entertainment in an upscale, high-energy atmosphere targeted primarily at adults. The various Clubs incorporate a variety of restaurants, billiards, video arcade games, dancing and bowling facilities in accordance with the Debtors’ “eat, drink and play” philosophy. The Clubs are generally classified into three categories: Upscale Billiards Clubs, Urban Units and Mall-Based Complexes (each as defined herein).

1. Club Types

(a) Upscale Billiards Clubs

The Debtors operate the following eight smaller sized Clubs (generally less than 20,000 square feet) offering pub fare, billiards and limited video games (the “Upscale Billiards Clubs”): (i) Jillian’s Billiards Club of Champaign Urbana, LP; (ii) Jillian’s Billiard Club of Cleveland Heights, LP; (iii) Jillian’s Billiard Club of Cleveland, Inc.; (iv) Jillian’s Billiard Club of Manchester, NH, Inc.; (v) Jillian’s Billiard Club of Pasadena, Inc.; (vi) Jillian’s Billiard Club of Seattle, Inc.; (vii) Jillian’s Billiard Club of Tacoma, Inc.; and (viii) Jillian’s Billiard Club of Worcester, LP. Jillian’s Billiard Club of Annapolis, LP was also an Upscale Billiards Club but was recently closed by the Debtors. The Upscale Billiards Clubs represent the original Jillian’s prototype unit. Billiards are the primary activity in most of the Upscale Billiards Clubs, supported by food and beverages. The Upscale Billiards Clubs account for approximately 9% of the Debtors’ revenue. All of the Upscale Billiards Clubs operate under the name “Jillian’s,” except for Jillian’s Billiard Club of Pasadena, Inc., which operates under the name “Jake’s.”

(b) Urban Units

The Debtors operate the following 13 slightly larger Clubs (generally between 20,000 to 70,000 square feet) in downtown areas of cities around the United States, offering dining and venues for video games, dancing, billiards and, in some cases, live music and bowling (the “Urban Units”): (i) Jillian’s Billiard Café of Akron, Inc.; (ii) Jillian’s Billiard Café of Columbia, SC, Inc.; (iii) Jillian’s Billiard Café of Raleigh, NC, Inc.; (iv) Jillian’s Billiard Club of Charlotte, NC, Inc.; (v) Jillian’s Billiard Club of Louisville, Kentucky, Inc.; (vi) Jillian’s of Albany, NY, Inc.; (vii) Jillian’s of Covington, Kentucky, Inc.; (viii) Jillian’s of Hollywood, CA, Inc.; (ix) Jillian’s of Indianapolis, IN, Inc.; (x) Jillian’s of Memphis, TN, Inc.; (xi) Jillian’s of Norfolk, VA, Inc.; (xii) Jillian’s of Rochester, NY, Inc.; and (xiii) Jillian’s of San Francisco, CA, Inc. The Urban Units are generally housed in urban warehouse-type spaces, resulting in relatively low rent obligations. The Urban Units account for approximately 28% of the Debtors’ revenue.

(c) Mall-Based Complexes

The largest of the Club types (generally between 40,000 to 70,000 square feet) are housed in regional malls or similar locations (the “Mall-Based Complexes”). The Debtors operate the following 14 Mall-Based Complexes: (i) Jillian’s America Live of Minneapolis, Inc.; (ii) Jillian’s of Arundel, MD, Inc.; (iii) Jillian’s of Concord, NC, Inc.; (iv) Jillian’s of Farmingdale, NY, Inc.; (v) Jillian’s of Franklin, PA, Inc.; (vi) Jillian’s of Houston, TX, Inc.; (vii) Jillian’s of Katy, TX, Inc.; (viii) Jillian’s of Minneapolis, MN, Inc.; (ix) Jillian’s of Nashville, TN, Inc.; (x) Jillian’s of Scottsdale, AZ, Inc.; (xi) Jillian’s of Westbury, NY, Inc.; (xii) Jillian’s of

Youngstown, OH, Inc.; (xiii) Sugarloaf Gwinnett Entertainment Company, LP; and (xiv) Jillian's Knuckleheads of Minneapolis, Inc.¹ Jillian's Gators of Minneapolis, Inc. was also a Mall-Based Complex but was recently closed by the Debtors. The Mall-Based Complexes generally include dining venues, bowling alleys, venues for dancing, live music, billiards, video arcade game rooms and large banquet rooms. Among the Mall-Based Complexes there is also a comedy club, "dueling piano" bar and dance club in the Mall of America in Minneapolis, Minnesota. The Mall-Based Complexes account for approximately 63% of the Debtors' revenue.

2. The Debtors' Corporate History

Jillian's opened its first Club in Boston, Massachusetts in 1988 as an Upscale Billiards Club. Jillian's opened four additional Clubs during the following two years. In an effort to access capital to fund continued expansion, Jillian's Entertainment merged with Metal Bank, a then publicly traded shell company, and acquired two of the Clubs as well as the exclusive right to develop the Jillian's concept nationwide through a series of transactions beginning in April, 1990. Six additional Clubs were opened by the end of 1996, as the Debtors expanded the Upscale Billiard Club concept to include pub fare and a limited number of arcade games.

J.W. Childs, a private equity concern, acquired a controlling interest in Jillian's in 1997 and provided capital through Holdings to fund further growth. In the next nine months, the Debtors opened six new Clubs. Since the end of the fiscal year end 1998, the Debtors have continually refined the Jillian's concept by increasing the size and number of venues per Club. Simultaneously, the Debtors have expanded by opening 32 new Clubs since 1997.

B. EXISTING CAPITAL STRUCTURE OF THE DEBTORS

1. Equity

Holdings owns 100% of the common stock in Jillian's Entertainment. Jillian's Entertainment, in turn, owns 100% of Jillian's, and Jillian's, in turn, owns 100% of nearly all of the subsidiaries at the Club level. Jillian's does not own (i) the comedy club, dance club and piano bar in the Mall of America in Minneapolis, Minnesota, which are owned directly by Jillian's Entertainment, or (ii) the non-Debtor Denver, Colorado and Las Vegas, Nevada Clubs, which, as stated herein, are owned by third parties from whom the Debtors receive management fees.

In addition, Jillian's does not own 100% of the four Clubs that are operated by limited partnerships. Rather, Jillian's owns between 50.1% to 94% of the various limited partnerships through general partners which are wholly-owned subsidiaries. These four Clubs are operated by the following limited partnerships:

- Jillian's Billiard Club of Champaign-Urbana, L.P.;
- Jillian's Billiard Club of Cleveland Heights L.P.;
- Jillian's Billiard Club of Worcester L.P.; and
- Sugarloaf Gwinnett Entertainment Company, L.P. (a non-Debtor entity).

J.W. Childs is Holdings' principal shareholder, holding 98% to 100% of four outstanding classes (Series A-D Preferred) of convertible preferred stock. J.W. Childs also owns 100% of Series E non-convertible preferred stock. The holders of Holdings' common stock are comprised mainly of individuals, including current and former members of management. Only Steven Foster, former CEO of Jillian's Entertainment, Kevin Troy and Steven Rubin each own more than 10% of Holdings' outstanding common stock.

¹ The size of Jillian's Knuckleheads of Minneapolis, Inc. is approximately 5,000 square feet.

In addition, Holdings has issued Series E Debt Warrants which are held by J.W. Childs (100%) and sub debt warrants which are held by Bridge East Capital, L.P. ("Bridge East") (70%) and FleetBoston Robertson Stevens, Inc. ("Robertson Stevens") (30%).

2. Debt Constituencies

The Debtors' expansion between 1997 and 2002 required significant capital. The principal outside sources of capital and liquidity were borrowings under the Debtors' Senior Credit Facility (as defined herein), allowances provided by landlords, various secured term loans, preferred debt and the issuance of subordinated debt. As of May 17, 2004, the Debtors had approximately \$68,167,000 of outstanding indebtedness.²

(a) Senior Credit Facility

The Debtors borrowed funds from Fleet National Bank and other lenders (collectively, the "Senior Lenders") pursuant to a credit agreement dated October 14, 1998 (with subsequent amendments, the "Credit Agreement"). Funds made available under the Credit Agreement consist of a revolving loan (the "Revolver") and a term loan (the "Term Loan" and together with the Revolver, the "Senior Credit Facility") under which the Debtors currently owe approximately \$23,070,000 and \$17,500,000, respectively.³

While the borrowing party under the Credit Agreement is Jillian's Entertainment, the Credit Agreement provides that the indebtedness is guaranteed by Holdings as well as each of Jillian's Entertainment's domestic subsidiaries. Loans made pursuant to the Credit Agreement are secured by substantially all of the Debtors' machinery and equipment, inventory, accounts, contract rights, chattel paper, instruments, deposit accounts, intellectual property, the common stock of Jillian's Entertainment and stock of all the subsidiaries.

(b) The Senior Secured Term Loan

There is approximately \$3,133,000 outstanding on a term loan made October 5, 2000, which matured on October 5, 2003 (the "Senior Secured Term Loan") by Heller EMX, Inc. to six Debtor subsidiaries. The borrowers of the Senior Secured Term Loan (all of whom are Debtors) are: Jillian's of Arundel, MD, Inc., Jillian's of Houston, TX, Inc., Jillian's of Memphis, TN, Inc., Jillian's of Minneapolis, MN, Inc., Jillian's of Westbury, NY, Inc., and River Vending, Inc. (collectively, the "Senior Secured Term Loan Clubs"). GE Capital has since succeeded Heller EMX, Inc. The Senior Secured Term Loan financed the purchase of various arcade items, audio and visual equipment, billiard tables and restaurant equipment. The Senior Secured Term Loan is secured by all the equipment that is subject to the advances made under the Senior Secured Term Loan and any proceeds thereof. Holdings guarantees all of the borrowers' obligations.

(c) The Senior Subordinated Notes

On April 28, 2000, Holdings issued \$10 million in notes (the "Senior Subordinated Notes") to Bridge East (\$7,000,000) and Robertson Stephens (\$3,000,000) which mature on April 28, 2006. The Senior Subordinated Notes provide that the debt obligations themselves are guaranteed by each of Holdings' subsidiaries which is a party to the Guaranty to the Subordinated Notes dated as of April 28, 2000.

In connection with the issuance of the Senior Subordinated Notes, Holdings and certain of its subsidiaries entered into a subordination and intercreditor agreement, dated April 28, 2000, with Fleet National Bank, Bridge East and Robertson Stephens (the "Subordination and Intercreditor Agreement"). Pursuant to the

² In addition to the Senior Credit Facility, the Senior Secured Term Loan, the Senior Subordinated Notes and the Subordinated Note (each as defined herein), Jillian's of Scottsdale, AZ, Inc., a Debtor, issued \$750,000 of secured registered promissory notes to management and former executives (the "Scottsdale Notes"). The Scottsdale Notes are secured by certain equipment of Jillian's of Scottsdale, AZ, Inc. Approximately \$725,000 in principal and \$234,000 in interest are currently outstanding under the Scottsdale Notes. Also included in this figure are (i) Holdings' unsecured guarantee of approximately \$866,091 outstanding on a senior secured term loan to Jilfor Holdings, L.P., a former subsidiary of Jillian's Entertainment and (ii) other equipment obligations.

³ The Credit Agreement also provides for occasional swing loans and letters of credit not to exceed \$2.5 million. No swing loan or letter of credit advances have been made.

Subordination and Intercreditor Agreement, the Debtors are prohibited from making, and Bridge East and Robertson Stephens are prohibited from receiving, any payment of principal, interest or any other amount due with respect to the Senior Subordinated Notes if, at the time of such payment, a default under the Credit Agreement exists and has not been cured or waived in accordance with the terms of the Credit Agreement.

As of the Petition Date, the Debtors owed approximately \$10,142,000 and \$4,347,000 to Bridge East and Robertson Stephens, respectively. Interest on the Senior Subordinated Notes accrues at 13% annually, but the rate increases to 15% during a period of default.

(d) The Subordinated Note

On May 12, 1998, Holdings issued a \$2,500,000 note to The Main Event, Inc. (the "Subordinated Note") in connection with a sale of assets by The Main Event, Inc. to the Debtors. The Subordinated Note is pari passu with the Senior Subordinated Notes, and bears interest at 12% annually. The Subordinated Note was due and payable on May 12, 2001. On that date, the Debtors agreed to amend the Subordinated Note, executing an allonge (the "Allonge") calling for principal to be paid back in six equal monthly installments of \$200,000 each, beginning in November 2001, with the balance of the Subordinated Note paid off in May 2002. The Debtors were unable to meet the terms of the Allonge because, pursuant to the Credit Agreement and to the subordination provisions in the Subordinated Note, the Debtors were prohibited from making any such payments while there were uncured defaults under the Senior Credit Facility. As of the Petition Date, the Debtors owed approximately \$3,250,000 under the Subordinated Note.

As a result of the Debtors' inability to make payments pursuant to the Subordinated Note, on November 5, 2002, The Main Event, Inc. filed a lawsuit against Holdings and Fleet National Bank in the District Court of Dallas County, Texas, Case No. 02-10442-D, seeking repayment of the amount due under the Subordinated Note. Holdings, Fleet National Bank and The Main Event, Inc. have unsuccessfully moved for summary judgment. Discovery in relation to the lawsuit has been substantially completed, and the lawsuit has been continued to a two week floating period commencing on July 19, 2004, at which time the trial is expected to commence.

C. EVENTS LEADING TO THE CHAPTER 11 CASES

1. Defaults Under Debt Constituencies

On October 15, 2001, Jillian's Entertainment defaulted under the Credit Agreement, when the indebtedness thereunder matured and Jillian's Entertainment failed to pay the outstanding principal. Pursuant to a letter agreement, dated October 15, 2001, the Senior Lenders notified the Debtors of their default under the Credit Agreement. Since then, pursuant to additional letter agreements, respectively dated November 14, 2001, December 14, 2001 and February 6, 2002, the Senior Lenders further notified the Debtors of their continued default under the Credit Agreement.

As a result thereof, the Debtors and the Senior Lenders negotiated the terms of three successive forbearance agreements (April 2002, August 2002 and March 2003). Pursuant to such forbearance agreements, the Senior Lenders agreed to temporarily refrain from exercising remedies for the existing defaults and for certain anticipated defaults by the Debtors in consideration for the payment of certain fees and interest payments.

In particular, in exchange for the March 2003 forbearance agreement (the "March 2003 Forbearance Agreement"), Jillian's Entertainment paid the Senior Lenders' reasonable fees and expenses (including legal fees) incurred in connection with the March 2003 Forbearance Agreement and agreed, in part, that (a) interest during the forbearance period would accrue at an annual rate equal to the sum of the Prime Rate⁴ plus 2%, (b) the Debtors would continue to consult with an investment banker, (c) the Debtors would take steps to solicit new investments according to the timeline set forth by the Senior Lenders and (d) the Debtors would not make any payments on account of the Senior Subordinated Notes, in accordance with the Subordination and Intercreditor

⁴ The Credit Agreement defines Prime Rate as the higher of (a) Fleet National Bank's in Boston, Massachusetts announced prime rate or (b) ½ of one percent per annum above the federal funds rate.

Agreement, or the Subordinated Note, until all obligations to the Senior Lenders were satisfied, unless otherwise allowed by the Senior Lenders.

The March 2003 Forbearance Agreement provided for up to three additional 30-day forbearance periods, which the Debtors exercised. The last of such forbearance periods expired on August 31, 2003. As a result thereof, there is currently no formal forbearance agreement in place.

On March 30, 2004, the Senior Lenders notified the Debtors yet again that they continued to be in default under the terms of the Credit Agreement. The Senior Lenders also notified the Debtors that the Senior Lenders elected to exercise the remedy of set-off provided by the Credit Agreement. In particular, pursuant to Section 11.5 of the Credit Agreement, the Senior Lenders elected to set off an amount of money from one of the Debtors' bank accounts and to apply such amount pursuant to the Senior Lenders' rights under the Credit Agreement and the Senior Lenders' rights and remedies that they may have at law, equity or otherwise. Since March 30, 2004, the Senior Lenders elected to set off additional amounts of money from one of the Debtors' bank accounts on four separate occasions.

As of the Petition Date, the Debtors have not been able to satisfy all of their obligations under the Credit Agreement. In particular, the Debtors are currently in default under the Credit Agreement for the (a) failure to repay principal due and owing under the Revolver and Term Loan and (b) failure to comply with certain representations and warranties of the Debtors. In addition, and as a result thereof, the Debtors continue to be prohibited from making any payments on the Senior Subordinated Notes and the Subordinated Note and, accordingly, remain in default thereunder.

2. Competition and Sales Decline

The restaurant and entertainment industries are highly competitive. Innumerable restaurants, bars and entertainment facilities compete directly and indirectly with the Debtors. In each of the restaurant and entertainment sectors, the Debtors face many well-established competitors, both nationally and locally, who have greater financial resources and a longer history of operations than do the Debtors. Nevertheless, there are few other companies with a national presence that offer cutting edge multi-venue entertainment and dining at a single location.

In particular, the Debtors' business has been hurt by competition in the dining and entertainment industries due in part to: changes in consumer tastes and eating habits; general economic conditions; population and demographic trends; traffic patterns and the location and attractiveness of facilities; price, quality, and selection of food, merchandise, and service; availability and retention of employees; and the effectiveness of marketing.

Despite the Debtors' best efforts, the Debtors began to experience same-Club sales declines for the first time during fiscal 2002. Due to a corresponding lack of liquidity, the Debtors have not had the necessary financial flexibility to adequately invest in (i) upgrades to existing facilities and entertainment offerings (in particular, video games) and (ii) marketing and promotion to reverse the sales declines. Sales were further diminished as the scarcity of liquidity interfered with re-investment and advertising in existing Clubs.

The Debtors' management has implemented a number of measures to mitigate the decline in sales and to maintain profitability. In addition to selling or closing four unprofitable Clubs since 2002, management initiated an operational restructuring aimed at reducing the Debtors' cost structure. More specifically, the Debtors have (i) implemented a corporate downsizing, (ii) re-engineered the existing menu for greater returns and (iii) reduced or eliminated non-essential operating programs.

Despite the foregoing measures, the Debtors remain in default under the Senior Credit Facility and do not have sufficient liquidity to cure such defaults. As a result thereof, the Debtors are prohibited from making payments on the Senior Subordinated Notes and the Subordinated Note until all such defaults are cured under the Senior Credit Facility.

D. PLANNED SALE(S) OF THE DEBTORS' ASSETS

In early 2003, the Debtors initiated a formal process to solicit potential buyers and/or investors for the company. To accomplish this objective, the Debtors retained the investment banking firm of Houlihan Lokey Howard & Zukin Capital ("HLHZ") to assist in the exploration of strategic alternatives, including the infusion of new capital and a restructuring of the Debtors' capital structure or the sale of the Debtors' assets, as a whole or in part. In particular, HLHZ sought all qualified purchasers who satisfied the size criteria and risk profile to consummate the purchase of a distressed company similar to the Debtors' operations.

The qualified purchasers that were contacted by HLHZ included both strategic and financial buyers. The strategic buyers contacted by HLHZ included mid-sized to large companies with a high degree of operations within the restaurant industry and/or amusement and recreational segments of the entertainment industry. HLHZ also contacted financial buyers with one or more of the following criteria: i) those that currently own a company that participates in the restaurant and/or amusement and recreational segments of the entertainment industry, ii) those that have previously owned a company that participated in the restaurant and/or amusement and recreational segments of the entertainment industry and iii) those that invest in companies with a similar size and/or value as the Debtors.

HLHZ and the Debtors also prepared and distributed a teaser memorandum and a comprehensive confidential information memorandum to further solicit potential interest. With the assistance of HLHZ, in May through June of 2003, the Debtors contacted 204 investor groups, 65 of which executed confidentiality agreements, 6 of which received presentations from management and 24 of which pursued due diligence.

1. Gemini Asset Purchase Agreement

On November 14, 2003, the Debtors executed a letter of intent with Daniel M. Smith, Chief Executive Officer, President and a Director of Holdings, and Gemini Investors III, L.P. (collectively, "Gemini") specifying the terms and conditions of a possible transaction with respect to certain assets and properties of the Debtors (collectively, the "Gemini Assets"). The Gemini Assets include, without limitation, the Debtors' right and title in and to certain assets and properties associated with the following Clubs:

- (a) Jillian's Billiard Club of Seattle, Inc. (Store Number 07);
- (b) Jillian's Billiard Club of Cleveland, Inc. (Store Number 08);
- (c) Jillian's Billiard Club of Cleveland Heights, Inc. (Store Number 09);
- (d) Jillian's Billiard Club of Pasadena, Inc. (Store Number 11);
- (e) Jillian's Billiard Club of Worcester, Inc. (Store Number 12);
- (f) Jillian's of Norfolk VA, Inc. (Store Number 30);
- (g) Jillian's Billiard Club of Champaign-Urbana, Inc. (Store Number 14);
- (h) Jillian's Billiard Café of Columbia, South Carolina, Inc. (Store Number 21);
- (i) Jillian's Billiard Club of Manchester NH, Inc. (Store Number 25);
- (j) Jillian's Billiard Café of Akron, Inc. (Store Number 23);
- (k) Jillian's Billiard Club of Louisville, Kentucky, Inc. (Store Number 22);
- (l) Jillian's of Albany, NY, Inc. (Store Number 33);
- (m) Jillian's of San Francisco, CA, Inc. (Store Number 41);
- (n) Jillian's of Indianapolis, IN, Inc. (Store Number 34);
- (o) Jillian's Billiard Café of Raleigh, NC, Inc. (Store Number 20);
- (p) Jillian's of Covington, KY, Inc. (Store Number 29);
- (q) Jillian's Billiard Club of Charlotte, NC, Inc. (Store Number 27);
- (r) Jillian's of Hollywood, CA, Inc. (Store Number 56); and
- (s) Jillian's of Youngstown, OH, Inc. (Store Number 43).

Pursuant to the Gemini Asset Purchase Agreement (as defined below), Gemini has the option to exclude Jillian's of Indianapolis, IN, Inc. from the list of Clubs being acquired by Gemini, in which case, any and all assets related to Jillian's of Indianapolis, IN, Inc. shall be excluded from the definition of Gemini Assets.

The Debtors, in consultation with HLHZ, evaluated the terms and benefits of Gemini’s proposal, as well as the benefits of other alternatives. The Debtors, in their best business judgment, concluded that Gemini’s proposal (the “Gemini Bid”) offered the most advantageous terms and greatest economic benefit to the Debtors with respect to the Gemini Assets and commenced negotiations with Gemini on the terms of an asset purchase agreement.

As a result of extensive, arms-length negotiations, on or about May 23, 2004, the Debtors and Gemini executed an asset purchase agreement (the “Gemini Asset Purchase Agreement”), a copy of which is attached hereto as Exhibit B. Pursuant to the Gemini Asset Purchase Agreement, the Gemini Assets are to be sold and transferred to Gemini pursuant to section 363 of the Bankruptcy Code, free and clear of all liens, claims, encumbrances and other interests.

The following briefly summarizes certain provisions of the Gemini Asset Purchase Agreement and is qualified entirely by reference to the Gemini Asset Purchase Agreement:

Excluded Assets	The Excluded Assets include all of the Debtors’ assets and properties that are being retained by the Debtors and are not being sold or transferred to Gemini, including, among other things, cash, certain claims and causes of action, insurance policies, and certain corporate documents.
Assumption of Certain Liabilities (collectively, the “Assumed Liabilities”)	The Assumed Liabilities include, without limitation, all of the liabilities and obligations (i) under the assumed contracts in respect of periods after the closing; (ii) relating to and arising from the operation of the acquired stores and purchased assets after the closing; and (iii) under gift cards and gift certificates which may be redeemed by consumers at acquired stores.
Retained Liabilities	The Retained Liabilities include all of the liabilities, obligations and indebtedness of the Debtors being sold other than the Assumed Liabilities, including, but not limited to, liabilities with respect to employee plans and benefit arrangements and all claims, liabilities, obligations or indebtedness that arise from or which are in any way connected to existing Equal Employment Opportunity Commission proceedings against one or more of the Debtors or their affiliates (which claims are described in the Gemini Asset Purchase Agreement).
Purchase Price	Subject to certain adjustments, the aggregate cash consideration for the Gemini Assets is equal to U.S. \$10,920,142.
Representations and Warranties	The representations and warranties are customary representations and warranties for a transaction of this type, including, without limitation, representations and warranties regarding: the authority to enter into the sale transaction, the agreement to abide by all laws with respect to the sale, the capability of satisfying the conditions contained in section 365 of the Bankruptcy Code with respect to assumed contracts, and a general disclaimer regarding representations and warranties not specifically enumerated.

Covenants	The covenants are customary covenants for a transaction of this type, including, without limitation, covenants regarding: the best efforts of the parties, notices and consents, and access to information.
Events of Default	The events of default are customary events of default for a transaction of this type.

2. D&B Asset Purchase Agreement

On January 29, 2004, the Debtors executed a letter of intent with Dave and Buster's, Inc. ("D&B") in which the parties agreed to negotiate in good faith toward a definitive agreement to purchase certain assets including, but not limited to, certain unexpired real estate leases and executory contracts, as specifically set forth in the D&B Asset Purchase Agreement (as defined below), associated with certain of the Debtors' Clubs (the "D&B Assets"). In particular, the D&B Assets include, without limitation, (i) certain intellectual property (including the Jillian's trade name), (ii) the rights under the management contract for the Denver, Colorado store, and (iii) the Debtors' right and title in and to certain assets and the assignment of real property leases associated with the following Clubs:

- (a) Jillian's America Live of Minneapolis, Inc. (Store Number 36);
- (b) Jillian's of Minneapolis, MN, Inc. (Store Number 59);
- (c) Jillian's of Franklin, PA, Inc. (Store Number 42);
- (d) Jillian's of Concord, NC, Inc. (Store Number 47);
- (e) Jillian's of Farmingdale, NY, Inc. (Store Number 46);
- (f) Jillian's of Nashville, TN, Inc. (Store Number 58);
- (g) Jillian's of Westbury, NY, Inc. (Store Number 57);
- (h) Jillian's of Houston, TX, Inc. (Store Number 53);
- (i) Jillian's of Arundel, MD, Inc. (Store Number 62);
- (j) Jillian's of Scottsdale, AZ, Inc. (Store Number 69); and
- (k) Jillian's of Katy, TX, Inc. (Assets only) (Store Number 49).

The real property lease associated with the Katy, TX store is not being assigned to D&B subsidiaries.

The D&B Assets and the Gemini Assets are exclusive from one another and do not include any of the same assets or properties of the Debtors.

The Debtors, in consultation with HLHZ and Carl Marks Consulting Group LLC ("Carl Marks"), the Debtors' management and restructuring consultants, evaluated the terms and benefits of D&B's proposal, as well as the benefits of other alternatives. The Debtors, in consultation with HLHZ and Carl Marks, and in their best business judgment, concluded that D&B's proposal (the "D&B Bid") with respect to the D&B Assets offered the most advantageous terms and greatest economic benefit to the Debtors and commenced negotiations with D&B on the terms of an asset purchase agreement.

As a result of extensive, arms-length negotiations, on or about May 23, 2004, the Debtors and D&B executed an asset purchase agreement (the "D&B Asset Purchase Agreement"), a copy of which is attached hereto as Exhibit C, requiring the D&B Assets to be sold, transferred and assigned to D&B subsidiaries pursuant to sections 363 and 365 of the Bankruptcy Code, free and clear of all liens, claims, encumbrances and interests.

The following briefly summarizes certain provisions of the D&B Asset Purchase Agreement and is qualified entirely by reference to the D&B Asset Purchase Agreement:

Excluded Assets	The Excluded Assets include all of the Debtors' assets and properties that are being retained by the Debtors and are not being sold to D&B, including, among other things, cash, certain claims and causes of action, and certain corporate documents.
Assumption of Certain Liabilities (collectively, the "Assumed Liabilities")	The Assumed Liabilities include, without limitation, all of the liabilities and obligations (i) under the assumed contracts in respect of the periods after the closing; (ii) relating to and arising from the operation of the acquired stores and purchased assets after the closing; (iii) under gift cards or gift certificates which may be redeemed by consumers at the acquired stores; (iv) under certain license agreements and (v) subject to certain conditions, under the Gwinnett Limited Partnership Agreement in respect of periods after the closing.
Retained Liabilities	The Retained Liabilities include all of the liabilities, obligations and indebtedness of the Debtors being sold other than the Assumed Liabilities.
Purchase Price	Subject to certain adjustments, the aggregate cash consideration for the D&B Assets is equal to U.S. \$27,580,000.
Representations and Warranties	The representations and warranties are customary representations and warranties for a transaction of this type, including, without limitation, representations and warranties regarding: the authority to enter into the sale transaction, the agreement to abide by all laws with respect to the sale, the capability of satisfying the conditions contained in section 365 of the Bankruptcy Code with respect to assumed contracts, and a general disclaimer regarding representations and warranties not specifically enumerated.
Covenants	The covenants are customary covenants for a transaction of this type, including, without limitation, covenants regarding: the best efforts of the parties, notices and consents, and access to information.
Events of Default	The events of default are customary events of default for a transaction of this type.

3. Public Auction for the Sale(s) of the Debtors' Assets

On the Petition Date, the Debtors sought to establish procedures for the Sale(s) of the Gemini Assets, the D&B Assets and/or all of the Debtors' assets (collectively, the "Jillian Assets") by filing the Motion for Order (a) Authorizing and Scheduling Public Auction (the "Auction") for the Sale(s) of Certain or All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests, (b) Approving Procedures for the Submission of Qualifying Bids (the "Bidding Procedures"), (c) Approving Bid Protections and (d) Approving the Form and Manner of Notice Pursuant to FED. R. BANKR. P. 2002 (the "Bidding Procedures Motion"). Contemporaneously therewith, the Debtors filed the Motion for Order Under Sections 105(a), 363, 365 and 1146(c)

of the Bankruptcy Code (A) Authorizing the Sale(s) of Certain or All of the Debtors' Assets, Free and Clear of Liens, Claims, Encumbrances and Interests, (B) Approving Asset Purchase Agreements, and (C) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale(s) (the "Sale Motion").

Pursuant to the Bidding Procedures, parties interested in bidding on the Gemini Assets, the D&B Assets and/or the Jillian Assets must submit a Qualifying Bid (as defined in the Bidding Procedures) in accordance with the Bidding Procedures. Prior to the Auction, the Debtors shall evaluate each Conforming Qualifying Bid (as defined in the Bidding Procedures) they have received, as well as the Gemini Bid and the D&B Bid, and shall select the bid(s) that the Debtors determine to be the highest and best offer(s).

In accordance with the Bidding Procedures, bidders who have made a Conforming Qualifying Bid, as well as Gemini and D&B, will be invited to the Auction to compete to make the highest and best offer(s) for the Gemini Assets, the D&B Assets and/or the Jillian Assets. The bid(s) that the Debtors select as the highest and best offer(s) that constitutes a Superior Proposal (as defined in the Bidding Procedures) for the Gemini Assets, the D&B Assets and/or the Jillian Assets will serve as the opening bid(s) at the Auction. The Auction will commence on [_____, 2004], at [_____, prevailing Louisville, Kentucky time,] at a location to be designated by the Debtors. Attendees at the Auction will be invited to offer a bid that is higher and better than the opening bid(s).

After the Auction, the bid(s) for the Gemini Assets, the D&B Assets and/or the Jillian Assets that the Debtors determine, in their sole discretion, after consultation with the Senior Lenders, to be the highest and best offer(s) (collectively, the "Final Accepted Bid(s)") will be submitted to the Bankruptcy Court at the hearing to consider the Sale(s) (the "Sale Hearing"). The Sale Hearing will be held on [_____, 2004], at [_____, prevailing Louisville, Kentucky time], at the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division. The Debtors shall seek approval of the Final Accepted Bid(s) at the Sale Hearing; provided, however, that pursuant to the Bidding Procedures, the Debtors reserve the right to reject any and all bids, including Conforming Qualifying Bids.

III.

THE CHAPTER 11 CASES

On the Petition Date, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On the Petition Date, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed under section 362 of the Bankruptcy Code. The Debtors have continued to conduct their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

A. DEBTOR-IN-POSSESSION FINANCING

On May 23, 2004, the Debtors and Fleet National Bank ("Fleet") entered into a \$3 million secured debtor-in-possession agreement (the "DIP Credit Agreement"). The DIP Credit Agreement will provide the Debtors with sufficient liquidity to operate during the Chapter 11 Cases and financial protection while the Debtors (i) close the Sale(s) and (ii) dispose of their remaining assets.

B. PUBLIC AUCTION FOR THE SALE(S) OF THE DEBTORS' ASSETS

1. Bidding Procedures Motion

As discussed in Article II.D herein, on the Petition Date, the Debtors sought to establish procedures for the Sale(s) of the Gemini Assets, the D&B Assets and/or the Jillian Assets by filing the Motion for Order (a) Authorizing and Scheduling Public Auction for the Sale(s) of Certain or All of the Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Interests, (b) Approving Procedures for the Submission of Qualifying Bids, (c) Approving Bid Protections and (d) Approving the Form and Manner of Notice Pursuant to FED. R. BANKR. P. 2002.

2. Sale Motion

As discussed in Article II.D herein, on the Petition Date, the Debtors sought approval of the Sale(s) of the Gemini Assets, the D&B Assets and/or the Jillian Assets by filing the Motion for Order Under Sections 105(a), 363, 365 and 1146(c) of the Bankruptcy Code (A) Authorizing the Sale(s) of Certain or All of the Debtors' Assets, Free and Clear of Liens, Claims, Encumbrances and Interests, (B) Approving Asset Purchase Agreements, and (C) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale(s).

C. SUMMARY OF OTHER SIGNIFICANT MOTIONS

The following summarizes other significant motions that the Debtors filed on the Petition Date. You may view each of these motions, and many more, by (i) accessing the Bankruptcy Court's website at <http://www.kywd.uscourts.gov>, (ii) accessing the website at <http://www.kccllc.net/jillians> or (iii) making a written request to the Debtors' notice, claims and balloting agent, Kurtzman Carson Consultants LLC, 12910 Culver Boulevard, Suite I, Los Angeles, California 90066.

1. Applications for Retention of Debtors' Professionals

The Debtors filed applications for the retention of certain professionals to represent and assist the Debtors in connection with the Chapter 11 Cases. These professionals include, among others: (a) Kirkland & Ellis LLP, as co-counsel to the Debtors, (b) Frost Brown Todd LLC, as co-counsel to the Debtors, (c) Houlihan, Lokey, Howard & Zukin Capital, as financial advisor and investment banker to the Debtors, (d) Carl Marks Consulting Group LLC, as interim management consultants to the Debtors, (e) Kurtzman Carson Consultants LLC, as notice, claims and balloting agent to the Debtors, (f) Robert Falls & Co., as public relations consultants to the Debtors and (g) Hilco Appraisal Services, LLC to appraise certain of the Debtors' assets.

2. Motion for Joint Administration of the Chapter 11 Cases

The Debtors filed a motion seeking to consolidate the Debtors' Chapter 11 Cases for administrative purposes only. The Debtors' Chapter 11 Cases are currently administered under a single case name and number: In re Jillian's Entertainment Holdings, Inc. et al., Case No. [04-_____], for administrative purposes only.

3. Motion to Pay Employee Wages and Associated Benefits

The Debtors believe that their employees are a valuable asset and that any delay in paying prepetition or postpetition compensation or benefits to their employees would destroy their relationship with employees and irreparably harm employee morale at a time when the dedication, confidence and cooperation of their employees is most critical. The Debtors filed a motion requesting that the Bankruptcy Court authorize the Debtors, in their sole discretion, to pay all compensation and benefits to their employees for obligations payable as of the Petition Date, as well as obligations that come due after the Petition Date.

4. Utilities Procedures Motion

The Debtors believe that uninterrupted utility services are essential to ongoing operations. The Debtors sought authority to implement procedures to prevent utilities from discontinuing, altering or refusing service and to provide a systematic procedure for determining adequate assurances.

5. Motion to Pay Certain Essential Trade Vendors

The Clubs require a constant supply of and the ability to serve alcoholic beverages. The Debtors' ability to purchase and serve alcoholic beverages is imperative to the success of the Debtors' Chapter 11 Cases and to maintaining the Debtors' business operations. Any disruption in the ability to purchase or serve alcoholic beverages will result in a loss of customers, revenues and, potentially, the business as whole. The Debtors filed a

motion requesting that the Bankruptcy Court authorize, but not direct, the Debtors to pay certain prepetition claims of liquor suppliers.

6. Motion for Authority to Implement the Key Employee Retention Program

The Debtors believe that the retention of certain key employees at this critical juncture of the Chapter 11 Cases will greatly increase the likelihood of maintaining the value of the Debtors' estates during the proposed sale process, thus maximizing their creditors' recovery. The Debtors filed a motion requesting that the Bankruptcy Court authorize, but not require, the Debtors to implement a key employee retention program.

7. Motion to Employ Ordinary Course Professionals

The Debtors retain the services of various professionals in the ordinary course of their business operations. The Debtors filed a motion requesting permission to continue to employ such professionals postpetition without the necessity of filing formal applications for employment and compensation by each professional.

8. Schedules and Statement of Financial Affairs

The Debtors filed their schedules of claims, assets, liabilities, executory contracts and other information (the "Schedules") and a Statement of Financial Affairs (the "SOFAs") to provide creditors and other interested parties with material information to enable each creditor to evaluate its proposed treatment under the Plan. Interested parties may review the Schedules and the SOFAs (i) by accessing the Bankruptcy Court's website at <http://www.kywd.uscourts.gov>, (ii) by accessing the website at <http://www.kccllc.net/jillians> or (iii) at the office of the Clerk of the Bankruptcy Court for the Western District of Kentucky, Louisville Division.

9. Motion for Contract and Lease Rejection Procedures

The Debtors filed a motion requesting that the Bankruptcy Court approve certain procedures for (i) rejecting executory contracts and unexpired leases of non-residential real property and (ii) the abandonment of the Debtors' personal property. The Debtors believe that the adoption of such procedures will save substantial legal expenses and Bankruptcy Court time that would otherwise be incurred if multiple hearings were held on separate motions with respect to every executory contract or unexpired lease that the Debtors determine should be rejected and what property, if any, to be abandoned.

10. Taxes

In the ordinary course of business, the Debtors (a) incur taxes, including, but not limited to, use and franchise taxes, fees, licenses and other similar charges and assessments and (b) collect sales taxes from their customers on behalf of various taxing and licensing authorities (collectively, the "Authorities"). The Debtors believe that some, if not all, of the Authorities will cause the Debtors to be audited if the taxes and fees are not paid forthwith. Such audits will unnecessarily divert the Debtors' attention away from the Chapter 11 Cases. The Debtors filed a motion seeking authority, in their sole discretion, to pay all prepetition sales, use and similar tax claims owed to various taxing authorities, as well as certain audit amounts.

11. Claims Bar Date

In order to efficiently proceed towards confirmation of the Plan in a relatively short period of time, the Debtors believe it is essential to ascertain, as soon as possible, the full nature, extent and scope of all claims asserted against the Debtors and their respective estates in order to determine the feasibility of the Plan and to facilitate the establishment of appropriate reserves under the Plan. The Debtors filed a motion seeking to establish _____, 2004 as the bar date for all non-governmental persons or entities to file prepetition Claims, and _____, 2004 as the bar date for all governmental units to file prepetition Claims in these Chapter 11 Cases. The motion further requests that any person or entity that is required to file a proof of claim in these Chapter 11 Cases but fails to do so in a timely manner shall be forever barred, estopped and enjoined from (a) asserting any Claim against the Debtors that such person or entity has that (i) is in an amount that exceeds the amount, if any, that

may be set forth in the Schedules or (ii) is of a different nature or in a different classification than what may be set forth in the Schedules (in either case any such Claim referred to as an “Unscheduled Claim”) and (b) voting upon, or receiving distributions under, the Plan in respect of an Unscheduled Claim.

12. Cash Management

To avoid delays in paying debts incurred postpetition and to ensure as smooth a transition into chapter 11 as possible, the Debtors filed a motion seeking authority to maintain their existing cash management system, business forms, and bank accounts, and, if necessary, to open new accounts and close existing accounts in the normal course of business operations, without further application to the Bankruptcy Court.

13. Customer Programs

To preserve, during the postpetition period and the sale process, their critical business and customer relationships and goodwill for the benefit of their estates, the Debtors sought authority allowing, but not directing, the Debtors, in their business judgment, to (a) perform their prepetition obligations related to their customer programs and (b) continue, renew, replace, implement new and/or terminate their customer programs, in the ordinary course of business, without further application to the Bankruptcy Court.

IV.

SUMMARY OF THE LIQUIDATING PLAN OF REORGANIZATION

A. OVERVIEW OF CHAPTER 11

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

The commencement of a chapter 11 case creates an estate that comprises all of a debtor’s legal and equitable interests as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession.”

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

A chapter 11 plan may specify that the legal, contractual and equitable right of the Holders of Claims or Equity Interests in classes are to remain unaltered by the reorganization to be effectuated by the plan. Such classes are referred to as “unimpaired” and, because of such favorable treatment, are deemed to accept the plan. Accordingly, it is not necessary to solicit votes from the Holders of Claims or Equity Interests in such Classes. A chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against a debtor. Such classes are deemed not to accept the plan and, therefore, need not be solicited to vote to accept or reject the Plan. Any Classes that are receiving a distribution of property under the Plan but are not “unimpaired” will be solicited to vote to accept or reject the Plan.

THE REMAINDER OF THIS SECTION SUMMARIZES THE STRUCTURE AND MEANS FOR IMPLEMENTING THE PLAN AND HOW THE PLAN CLASSIFIES AND TREATS CLAIMS AND

EQUITY INTERESTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS THEREIN).

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN THE 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 HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD REFER TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN.

THE PLAN ITSELF AND THE DOCUMENTS THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE OCCURRENCE OF THE EFFECTIVE DATE, BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS, THE DEBTORS' ESTATES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES-IN-INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT SHALL GOVERN.

HOLDERS OF CLAIMS OR EQUITY INTERESTS AND OTHER INTERESTED PARTIES ARE THEREFORE URGED TO READ THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

B. GENERALLY

1. Liquidating Plan of Reorganization

The Plan is a liquidating chapter 11 plan of reorganization that provides for the orderly liquidation of all of the Debtors' assets, the determination of all Claims and the distribution of the proceeds of the assets to creditors. On or prior to the Effective Date, the Debtors shall consummate one or more Sale(s). On the Effective Date, and in accordance with and pursuant to the terms of the Plan, the Debtors shall assign and transfer to the Post Confirmation Estate all of their right, title, and interest in and to all of the Post Confirmation Estate Assets, notwithstanding any prohibition of assignability under applicable non-bankruptcy law. In connection with the transfer of the Post Confirmation Estate Assets, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Post Confirmation Estate, shall vest in the Post Confirmation Estate and its representatives, including the Plan Administrator, and the Debtors, the Post Confirmation Estate and the Plan Administrator are authorized to take all necessary actions to effectuate the transfer of such privileges.

2. The Post Confirmation Estate

The Post Confirmation Estate shall be established for the primary purpose of liquidating its assets, in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Post Confirmation Estate shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth in the Plan. The Post Confirmation Estate is intended to qualify as a "grantor trust" for federal income tax purposes with the beneficiaries treated as grantors and owners of the trust.

C. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed

classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, but the treatment for such unclassified claims are set forth in Article II of the Plan and Article IV.C.2 herein.

The Debtors believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of section 1122 of the Bankruptcy Code, but it is possible that a Holder of a Claim or Equity Interest may challenge the classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed.

As set forth in Article III.A.2 of the Plan, subject to the occurrence of the Effective Date, the Debtors will be deemed consolidated for the following purposes under the Plan: (a) no Distributions will be made under the Plan on account of the Intercompany Claims; (b) the guarantees of certain Debtors of obligations of other Debtors, including, but not limited to, those obligations arising under the Credit Agreement, the Heller Loan, and the 13% Notes, will be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any Debtor with another Debtor will be deemed to be one obligation of the deemed consolidated Debtors; and (c) each and every Claim against a Debtor will be deemed asserted against the consolidated Estates of all of the Debtors, will be deemed one Claim against and obligation of the deemed consolidated Debtors and their Estates and will be treated in the same Class regardless of the Debtor.

The classification of Claims and Equity Interests and the nature of Distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Equity Interests reflects an appropriate resolution of their Claims and Equity Interests, taking into account the differing nature and priority (including applicable contractual subordination) of Claims and Equity Interests. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Plan. Many of these tests are designed to protect the interests of Holders of Claims or Equity Interests who are not entitled to vote on the Plan, or do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed by the Bankruptcy Court. The “cramdown” provisions of section 1129(b) of the Bankruptcy Code, for example, permit confirmation of a chapter 11 plan in certain circumstances even if the Plan has not been accepted by all Impaired Classes of Claims and Equity Interests. The Debtors will seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable, because of the deemed rejection of Classes 5, 6 and 7. Although the Debtors believe that the Plan could be confirmed under section 1129(b) even if the Plan has not been accepted by all of the Impaired Classes, there can be no assurance that the requirements of such section would be satisfied.

1. Schedule of Treatment of Claims and Equity Interests

<u>Class</u>	<u>Title</u>	<u>Status</u>	<u>Entitled to Vote</u>
1	Petition Lender Secured Claims	Impaired	Yes
2	Other Secured Claims	Impaired	Yes
3	Other Priority Claims	Unimpaired	No
4	Unsecured Claims	Impaired	Yes ⁵
5	Subordinated Note Claims	Impaired	No
6	Intercompany Claims	Impaired	No
7	Equity Interests	Impaired	No

⁵ Pursuant to Article III.B.4(c) of the Plan, in the event that Holders of Other Secured Claims (Class 2) reject the Plan, Class 4 will be deemed to have voted to reject the Plan.

2. Treatment of Unclassified Claims

(a) DIP Facility Claims

On or prior to the Effective Date, the DIP Facility Agent shall receive in full satisfaction, settlement, release, and discharge of and in exchange for the Allowed DIP Facility Claims, if any, (i) Cash equal to the principal amount under the DIP Facility owing together with all accrued and unpaid interest, fees, expenses and charges as set forth in the DIP Order or (ii) such other treatment as to which the Debtors and the DIP Lenders have agreed upon in writing.

(b) Administrative Claims

Each Allowed Administrative Claim shall be paid by the Debtors, at their election, (i) in full, in Cash, in such amounts as are (1) incurred in the ordinary course of business by the Debtors, or (2) in such amounts as such Administrative Claim is Allowed by the Bankruptcy Court upon the later of the Effective Date or the date upon which such Administrative Claim is Allowed, (ii) upon such other terms as may exist in the ordinary course of the Debtors' business or (iii) upon such other terms as may be agreed upon between the Holder of such Administrative Claim and the applicable Debtor.

(c) Priority Tax Claims

On, or as soon as reasonably practicable after, the latest of the Effective Date or the date such Priority Tax Claims becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claim or (ii) such other treatment as to which the Debtors and such Holder have agreed upon in writing.

3. Classification and Treatment of Classified Claims

(a) **Class 1—Prepetition Lender Secured Claims**

(i) *Classification:* Class 1 consists of all Prepetition Lender Secured Claims.

(ii) *Treatment:* On, or as soon as reasonably practicable after, the Effective Date, the Administrative Agent shall receive, in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Prepetition Lender Secured Claims, (i) the Prepetition Lender Disbursement or (ii) such other treatment as to which the Debtors and the Administrative Agent have agreed upon in writing. The Prepetition Lenders shall also receive (x) any excess amount remaining in the Claims Reserve after all such Disputed Claims have been resolved and all payments in connection therewith have been distributed and (y) any Other Forfeited Distributions pursuant to Article V.C of the Plan. Holders of a Prepetition Lender Deficiency Claim, if any, shall be entitled to participate in, and receive a Distribution to be made to Class 4 Claims pursuant to Article III.B.4(b) of the Plan.

(iii) *Voting:* Class 1 is impaired. Holders of Prepetition Lender Secured Claims in Class 1 are entitled to vote to accept or reject the Plan.

(b) **Class 2—Other Secured Claims**

(i) *Classification:* Class 2 consists of all Other Secured Claims.

(ii) *Treatment:* On, or as soon as reasonably practicable after, the later of the Effective Date or the date such Claim becomes an Allowed Other Secured

Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following distributions in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Other Secured Claim, at the option of the Debtors or Plan Administrator, upon notice to and consultation with the Prepetition Lenders: (i) cash equal to the fair market value of the property upon which a Lien has been asserted securing such Claim subject to and reduced by such Holder's Sale Expense Pro Rata share of the Sale Costs, or (ii) the property securing such Allowed Other Secured Claim, or (iii) such other treatments as which the Debtors and such Holder shall have agreed upon in writing; but only up to an amount no greater than the full amount of the Allowed Other Secured Claim.

- (iii) *Voting:* Class 2 is impaired. Holders of Other Secured Claims in Class 2 are entitled to vote to accept or reject the Plan.

(c) Class 3—Other Priority Claims

- (i) *Classification:* Class 3 consists of all Other Priority Claims.
- (ii) *Treatment:* On, or as soon as reasonably practicable after, the later of the Effective Date or the date such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, (i) Cash equal to the unpaid portion of such Allowed Other Priority Claim or (ii) such other treatment as to which the Debtors and such Holder have agreed upon in writing. Other Priority Claims that are (i) Allowed on or prior to the Effective Date shall be funded from the Sale Proceeds and (ii) Allowed after the Effective Date shall be funded from the Claims Reserve.
- (iii) *Voting:* Class 3 is unimpaired. Holders of Other Priority Claims in Class 3 are deemed to accept the Plan and are not therefore entitled to vote to accept or reject the Plan.

(d) Class 4 - Unsecured Claims

- (i) *Classification:* Class 4 consists of all Unsecured Claims.
- (ii) *Treatment:* If Holders of Other Secured Claims (Class 2) reject the Plan pursuant to section 1126 of the Bankruptcy Code, Holders of Allowed Unsecured Claims shall not receive any Distribution on account of such Unsecured Claims under the Plan. If the Holders of Other Secured Claims (Class 2) accept the Plan pursuant to section 1126 of the Bankruptcy Code, Holders of Allowed Unsecured Claims shall receive the following treatment:
 - (1) the Holders of Allowed Unsecured Claims shall receive a Pro Rata share of the Unsecured Claim Pool and the Residual Proceeds, if any, at such time when all Unsecured Claims have been Allowed or otherwise resolved. The Plan Administrator, however, in its sole discretion, may distribute a percentage of the respective Pro Rata shares of the Unsecured Claim Pool to Holders of Allowed Unsecured Claims prior to such time when all Unsecured Claims have been Allowed or otherwise resolved; provided, however, the Plan Administrator shall continue to holdback an appropriate amount of the Unsecured Claim Pool, in its sole discretion, that he deems necessary to ensure proper

Pro Rata Distributions to Holders of Disputed Unsecured Claims which subsequently become Allowed Unsecured Claims;

- (2) pursuant to Article V.C of the Plan, the Forfeited Unsecured Distributions, if any, shall return to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the remaining Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;
 - (3) in the event that the full amount of the Prepetition Lender Secured Claims are satisfied pursuant to Article III.B.1 of the Plan, (i) excess Claims Reserve amounts, if any, and (ii) Other Forfeited Distributions, if any, shall become part of the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;
 - (4) recoveries, if any, received on account of any Cause of Action (other than the Encumbered Actions) pursued by the Debtors or the Plan Administrator shall be added to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan;
 - (5) in the event that the full amount of the Prepetition Lender Secured Claims are satisfied pursuant to Article III.B.1 of the Plan, any further proceeds or recoveries recovered on account of the Encumbered Actions that become available after the Effective Date shall be added to the Unsecured Claim Pool to be distributed on a Pro Rata basis to the Holders of Allowed Unsecured Claims by the Plan Administrator in accordance with Article III.B.4(b)(1) of the Plan; and
 - (6) in the event that, as of the Effective Date, the actual aggregate amount of allowed fees and expenses of the professionals retained by any Committee in these Chapter 11 Cases, together with any allowed reimbursable expenses of the members of any such Committee (collectively, the "Committee Allowed Fees"), is less than the amount of the Committee Fee Carveout (as defined in the DIP Order), then the Unsecured Claim Pool shall be increased in amount by the difference between the Committee Allowed Fees and the Committee Fee Carveout; provided, however, that in the event that, as of the Effective Date, the Committee Allowed Fees are more than the amount of the Committee Fee Carveout (the "Committee Fee Additional Costs"), then the Unsecured Claim Pool shall be decreased or reduced in the amount of the Committee Fee Additional Costs.
- (iii) *Voting:* Class 4 is impaired. Holders of Unsecured Claims in Class 4 (including the Prepetition Lender Deficiency Claim) are entitled to vote to accept or reject the Plan; provided, however, that, in the event that Holders of Other Secured Claims (Class 2) reject the Plan, Class 4 will be deemed to have voted to reject the Plan.

(e) Class 5 -- Subordinated Note Claims

- (i) *Classification:* Class 5 consists of all Subordinated Note Claims.

- (ii) *Treatment:* On the Effective Date, the Subordinated Note Claims will be canceled and the Holders of Subordinated Note Claims shall not receive or retain any Distribution or property on account of such Subordinated Note Claims under the Plan.
- (iii) *Voting:* Class 5 is impaired. Because Holders of Subordinated Note Claims will receive no Distribution under the Plan, Class 5 will be deemed to have voted to reject the Plan.

(f) Class 6 -- Intercompany Claims

- (i) *Classification:* Class 6 consists of all Intercompany Claims.
- (ii) *Treatment:* On the Effective Date, all Intercompany Claims shall be cancelled and Holders of Intercompany Claims shall not receive any Distribution on account of such Intercompany Claim under the Plan.
- (iii) *Voting:* Class 6 is impaired. Because Holders of Intercompany Claims will receive no Distributions under the Plan, Class 6 will be deemed to have voted to reject the Plan.

(g) Class 7 -- Equity Interests

- (i) *Classification:* Class 7 consists of all Equity Interests.
- (ii) *Treatment:* On the Effective Date, all Equity Interests shall be cancelled and the Holders of Equity Interests shall not receive or retain any Distribution or property on account of such Equity Interests.
- (iii) *Voting:* Class 7 is impaired. Because Holders of Equity Interests will receive no Distribution under the Plan, Class 7 will be deemed to have voted to reject the Plan.

D. TREATMENT OF DISPUTED CLAIMS

1. Objections to Claims; Prosecution of Disputed Claims

After the Effective Date, the Plan Administrator shall object (and shall take over, and continue prosecuting, any outstanding objections by the Debtors) to the allowance of Disputed Claims filed with the Bankruptcy Court. All objections shall be litigated to Final Order; provided, however, that the Plan Administrator shall have the authority and sole discretion to file, settle, compromise or withdraw any objections to Claims, without approval of the Bankruptcy Court.

There shall be no deadline to object to or investigate and review Claims, and any objections to Claims and settlement thereof shall be dealt with as the Debtors or the Plan Administrator, as the case may be, in their sole discretion, deem to be appropriate. Further, the Plan Administrator shall have the sole and complete discretion to decide not to review and/or object to proofs of Claim below a certain dollar amount to the extent such review and/or objection would be uneconomical.

Unless otherwise provided by the Plan or the Post Confirmation Estate Agreement, no Bankruptcy Court approval shall be required in order for the Plan Administrator to settle and/or compromise any Claim, objection to Claim, cause of action, or right to payment of or against the Debtors, their Estates or the Post Confirmation Estate.

2. Estimation of Claims

The Debtors or the Plan Administrator may at any time request that the Bankruptcy Court estimate any contingent or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Plan Administrator previously have 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, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or Disputed Claim, the amount so estimated shall constitute the maximum allowable amount of such Claim. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Post Confirmation Estate may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

3. Payments and Distributions on Disputed Claims

No interest shall be paid on Disputed Claims that later become Allowed Claims or with respect to any distribution to such Holder. No distribution shall be made with respect to all or any portion of any Claim, a portion of which or all of which is a Disputed Claim, pending the entire resolution thereof.

E. DISTRIBUTIONS

1. Means of Cash Payment

Cash Payments, made pursuant to the Plan, shall be in U.S. dollars and, at the option and in the sole discretion of the Debtors or the Plan Administrator, be made by (a) checks drawn on or (b) wire transfers from a domestic bank selected by the Debtors or the Plan Administrator. Cash payments to foreign creditors may be made, at the option of the Debtors or the Plan Administrator, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

2. Delivery of Distributions

Subject to the provisions of Rule 2002(g) of the Bankruptcy Rules, and except as otherwise provided in the Plan, distributions and deliveries to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the Schedules filed with the Bankruptcy Court, unless superseded by the address set forth on timely filed proof(s) of claim or some other writing Filed with the Bankruptcy Court and served upon the Plan Administrator.

3. Undeliverable Distributions

(a) Holding of Undeliverable Distributions:

If any Distribution to any Holder is returned to the Plan Administrator as undeliverable, no further Distributions shall be made to such Holder unless and until the Plan Administrator is notified by such Holder, in writing, of such Holder's then-current address. Upon such an occurrence, the appropriate Distribution shall be made as soon as reasonably practicable after such Distribution has become deliverable. All Entities ultimately receiving previously undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Debtors or the Plan Administrator to attempt to locate any Holder of an Allowed Claim or an Allowed Equity Interest.

(b) Failure to Claim Undeliverable Distributions:

Any Holder of an Allowed Claim entitled to an undeliverable or unclaimed Distribution that does not provide notice of such Holder's correct address to the Debtors and the Plan Administrator within the later of six

(6) months after (i) the Effective Date or (ii) the date of the initial Distribution made by the Debtors or the Plan Administrator to such Holder, shall be deemed to have forfeited its claim for such undeliverable or unclaimed Distribution and shall be forever barred and enjoined from asserting any such claim for an undeliverable or unclaimed Distribution against any of the Debtors, their Estates or the Post Confirmation Estate. In such cases, the Other Forfeited Distributions shall be distributed in accordance with Article III.B.1 of the Plan and the Forfeited Unsecured Distributions shall be distributed in accordance with Article III.B.4 of the Plan. Nothing contained in the Plan shall require the Debtors or the Plan Administrator to attempt to locate any holder of an Allowed Claim.

4. Withholding and Reporting Requirements

In connection with the Plan and all Distributions thereunder, the Debtors and the Plan Administrator shall comply with all tax withholding and reporting requirements imposed by any U.S. federal, state or local or non-U.S. taxing authority, and all Distributions hereunder shall be subject to any such withholding and reporting requirements. The Debtors and the Plan Administrator shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such Distribution, and (b) the Debtors and the Plan Administrator reserve the option, in their discretion, to not make a Distribution to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Debtor or the Plan Administrator for the payment and satisfaction of such tax obligations or has, to the Debtors' or Plan Administrator's satisfaction, established an exemption therefrom. Any Distributions to be made pursuant to the Plan shall, pending the implementation of such withholding and reporting requirements, be treated as undeliverable pursuant to Article V.C.2 of the Plan.

5. Time Bar to Cash Payments

Checks issued by the Plan Administrator on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Plan Administrator by the Holder of the Allowed Claim. Any claim relating to such voided check shall be made on or before the later of: (i) sixth (6th) month after the Effective Date; or (ii) one hundred and eighty (180) days after the date of issuance of such check. After such date, all claims relating to such voided checks shall be discharged and forever barred, and the Post Confirmation Estate shall treat all such moneys related to Allowed Unsecured Claims in the same manner as the Forfeited Unsecured Distributions and all such moneys related to all other Allowed Claims in the same manner as the Other Forfeited Distributions in accordance with Article III.B.1 and Article III.B.4 of the Plan respectively.

6. Distributions after Effective Date

Distributions made after the Effective Date to Holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to have been made on the Effective Date.

7. Interest

Unless otherwise required by applicable bankruptcy law, post-petition interest shall not accrue or be paid on any Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

8. Fractional Dollars; De Minimis Distributions

Notwithstanding anything contained in the Plan to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. The Plan Administrator will not make any payment of less than twenty dollars (\$20) on

account of any Allowed Claim, unless a specific request therefor is made in writing to the Plan Administrator on or before ninety (90) days after the Effective Date.

9. Setoffs

Consistent with applicable law, the Plan Administrator may, but shall not be required to, set-off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtors, their Estates, or the Post Confirmation Estate may hold against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a set-off nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, their Estates, the Plan Administrator or the Post Confirmation Estate of any such claims, rights and Causes of Action that the Debtors, their Estates, or the Post Confirmation Estate may possess against such Holder.

10. Settlement of Claims and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims or controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim with respect thereto, or any distribution to be made on account of such an Allowed Claim. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims or controversies, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders of Claims and is fair, equitable and reasonable.

F. MEANS FOR IMPLEMENTATION OF THE PLAN

1. Establishment of the Post Confirmation Estate

On or prior to the Effective Date, the Debtor shall consummate one or more Sale(s). On the Effective Date, the Debtors, on their own behalf and on behalf of Holders of Allowed Claims, shall execute the Post Confirmation Estate Agreement and shall take all other steps necessary to establish the Post Confirmation Estate. On the Effective Date, and in accordance with and pursuant to the terms of the Plan, the Debtors shall assign and transfer to the Post Confirmation Estate all of their right, title, and interest in and to all of the Post Confirmation Estate Assets, notwithstanding any prohibition of assignability under applicable non-bankruptcy law. In connection with the transfer of the Post Confirmation Estate Assets, including any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Post Confirmation Estate, shall vest in the Post Confirmation Estate and its representatives, including the Plan Administrator, and the Debtors, the Post Confirmation Estate and the Plan Administrator are authorized to take all necessary actions to effectuate the transfer of such privileges.

For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Plan Administrator and the beneficiaries of the Post Confirmation Estate) shall treat the transfer of assets to the Post Confirmation Estate in accordance with the terms of the Plan, as a transfer of such assets by the Debtors to the Holders of Allowed Claims and followed by a transfer by such Holders to the Post Confirmation Estate, and the Post Confirmation Estate beneficiaries shall be treated as the grantors and owners thereof.

2. Corporate Action

Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided under the Plan involving the corporate structure of the Debtors shall be deemed authorized and approved without any requirement of further action by the Debtors, the Debtors' shareholders or the Debtors' boards of directors. The Debtors (and their boards of directors) shall dissolve or otherwise terminate their existence upon the Effective Date.

3. Preservation of Causes of Action; Settlement of Causes of Action

The Debtors are currently investigating whether to pursue potential Causes of Action against other parties or Entities. Under the Plan, the Plan Administrator retains all rights of and on behalf of the Debtors and the Post Confirmation Estates to commence and pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding filed in the Debtors' Chapter 11 Cases) discovered in such investigation to the extent the Plan Administrator deems appropriate, other than any Causes of Action against the Released Parties, as all such Causes of Action have been released by the Debtors under Article X.F of the Plan. Potential Causes of Action, other than any Causes of Action against the Released Parties, currently being investigated by the Debtors, which may but need not (if at all) be pursued by the Debtors prior to the Effective Date and by the Plan Administrator after the Effective Date to the extent warranted include, without limitation, the potential claims and Causes of Action set forth herein and/or set forth on a schedule to be Filed with the Bankruptcy Court prior to the Confirmation Hearing.

Subject to the releases and exculpation provisions in the Plan, potential Causes of Action which may be pursued by the Debtors prior to the Effective Date and by the Post Confirmation Estate and the Plan Administrator after the Effective Date, also include, without limitation any other Causes of Action, whether legal, equitable or statutory in nature, arising out of, or in connection with the Debtors' businesses or operations, including, without limitation, the following: possible claims against vendors, landlords, sublessees, assignees, customers or suppliers for warranty, indemnity, back charge/set-off issues, overpayment or duplicate payment issues and collections/accounts receivables matters; deposits or other amounts owed by any creditor, lessor, utility, supplier, vendor, landlord, sublessee, assignee, or other Entity; employee, management or operational matters; claims against landlords, sublessees and assignees arising from the various leases, subleases and assignment agreement relating thereto, including, without limitation, claims for overcharges relating to taxes, common area maintenance and other similar charges; financial reporting; environmental, and product liability matters; actions against insurance carriers relating to coverage, indemnity or other matters; counterclaims and defenses relating to any Claims or other obligations, including, without limitation, Holdings' counterclaim against The Main Event, Inc. ("Main Event"), currently pending in the legal proceeding of *The Main Event vs. Jillian's Entertainment Holdings, Inc. and Fleet National Bank* in the District Court of Dallas County, Texas, Case No. 02-10442-D, (a) alleging that Main Event breached the Subordinated Note by filing such legal proceeding in violation of the standstill provisions set forth in the Subordinated Note and (b) seeking recovery of its costs and reasonable attorneys' fees incurred in prosecuting the counterclaim, as well as all costs and attorneys' fees payable to Fleet National Bank in connection with Fleet National Bank's cross-claim against Holdings for indemnity currently pending in such legal proceeding; contract or tort claims which may exist or subsequently arise; and any and all Avoidance Actions pursuant to any applicable section of the Bankruptcy Code arising from any transaction involving or concerning the Debtors.

In addition, there may be numerous other Causes of Action which currently exist or may subsequently arise that are not set forth herein or in the Plan because the facts upon which such Causes of Action are based are not currently or fully known by the Debtors and, as a result, cannot be raised during the pendency of the Chapter 11 Cases. The failure to list any such unknown Cause of Action in the Disclosure Statement is not intended to limit the right of the Plan Administrator to pursue any unknown Cause of Action to the extent the facts underlying such unknown Cause of Action subsequently becomes fully known to the Debtors or the Plan Administrator.

The Debtors and the Plan Administrator do not intend, and it should not be assumed that because any existing or potential Causes of Action have not yet been pursued by the Debtors or are not set forth herein, that any such Causes of Action have been waived. The Debtors reserve the right to supplement the potential claims and Causes of Action set forth herein on a schedule to be Filed with the Bankruptcy Court prior to the Confirmation Hearing.

Unless Causes of Action against an Entity are expressly waived, relinquished, released pursuant to the Mutual Releases, compromised or settled in the Plan, or any Final Order, the Debtors expressly reserve all Causes of Action, known or unknown, for later adjudication and therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the Confirmation or Consummation of the Plan.

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement entered into in connection with the Plan, in accordance with section 1123(b)(3) of the Bankruptcy Code, any claims, rights, and Causes of Action that the respective Debtors or the Post Confirmation Estate may hold against any Entity shall vest in the Post Confirmation Estate subject to the Liens of the Prepetition Lenders and the Prepetition Lender Secured Claims relating to the Encumbered Actions, and the Plan Administrator, on behalf of the Post Confirmation Estate, shall retain and may exclusively enforce, as the authorized representative of the Post Confirmation Estate, any and all such claims, rights, or Causes of Action, as appropriate, in accordance with the best interests of the Post Confirmation Estate and the Holders of Allowed Claims entitled to Distributions under the Plan, and the terms of the Post Confirmation Estate Agreement. The Plan Administrator, on behalf of the Post Confirmation Estate, shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights, and Causes of Action without the consent or approval of any third party other than the Prepetition Lenders and without any further order of the Bankruptcy Court or any other court.

4. Cancellation of Notes, Instruments, Debentures and Equity Securities

On the Effective Date, except to the extent provided otherwise in the Plan, all notes, instruments, debentures, certificates and other documents evidencing Claims and all Equity Interests in any of the Debtors shall be canceled and deemed terminated and surrendered (regardless of whether such notes, instruments, debentures, certificates or other documents are in fact surrendered for cancellation to the appropriate indenture trustee or other such Person). On the Effective Date, any indentures to which any Debtor is a party shall be deemed canceled as permitted by section 1123(a)(5) of the Bankruptcy Code.

5. Dissolution of Committee(s)

On the Effective Date, any and all Committees shall dissolve and the members thereof and the professionals retained by such Committees in accordance with section 1103 of the Bankruptcy Code shall be released and discharged from their respective fiduciary obligations without need of any further Bankruptcy Court approval.

6. Insurance Preservation; Directors and Officers Insurance; Indemnification

Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any policies of insurance that may cover any claims against the Debtors or any other Entity.

The Post Confirmation Estate shall assume the pre-Effective Date obligations to the Debtors' directors and officers solely to the extent that such obligations are covered by directors and officers insurance policies. Other than as set forth in the preceding sentence, the Post Confirmation Estate shall not be liable or responsible in any way for any pre-Effective Date obligations to the Debtors or their directors and officers.

7. Accounting

Any and all reserves, including the Claims Reserve and the Unsecured Claim Pool, maintained by the Debtors or the Plan Administrator, as the case may be, in connection with the distribution of funds on account of the Allowed Claims, may be maintained by bookkeeping entries alone; the Debtors or the Plan Administrator, as the case may be, need not (but may) establish separate bank accounts for such purposes.

G. EXECUTORY CONTRACTS

1. Rejection of Executory Contracts and Unexpired Leases

Any executory contracts or unexpired leases which have not (i) expired by their own terms on or prior to the Effective Date, or (ii) been assumed, assumed and assigned, or rejected with the approval of the Bankruptcy Court in connection with the Sale(s) or otherwise, shall be deemed rejected by the Debtors as of the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the

rejections of such executory contracts and unexpired leases pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

2. Rejection Damages Claim

Each entity that is a party to an executory contract or unexpired lease that is rejected as of the Effective Date pursuant to the Plan and the Confirmation Order will be entitled to File, not later than thirty (30) days following the Effective Date, a proof of Claim for damages alleged to have been suffered due to such rejection; provided, however, that the opportunity afforded an Entity whose executory contract or unexpired lease is rejected as of the Effective Date pursuant to the Plan and the Confirmation Order to file a proof of Claim shall in no way apply to Entities that may assert a claim on account of an executory contract or unexpired lease that was previously rejected by the Debtors for which a prior Bar Date was established. Any Entity that has a Claim for damages as a result of the rejection of an executory contract or unexpired lease pursuant to this paragraph of the Plan that does not File a proof of Claim in accordance with the terms and provisions of the Plan with the Bankruptcy Court (and serve such proof of Claim upon the Plan Administrator) will be forever barred from asserting that Claim against, and such Claim shall be unenforceable against, the Debtors or the Post Confirmation Estate.

H. POST CONFIRMATION ESTATE AND PLAN ADMINISTRATOR

1. Generally

The Debtors, after consultation with the Prepetition Lenders, shall appoint the Plan Administrator, and except as may be otherwise authorized by Order of the Bankruptcy Court and provided by the Plan, shall have the sole authority to administer all assets prior to their transfer to the Post Confirmation Estate. The Plan Administrator shall perform his duties under the Plan and the Post Confirmation Estate Agreement until death, resignation or discharge and the appointment of a successor Plan Administrator will be in accordance with the Post Confirmation Estate Agreement.

2. Purpose of the Post Confirmation Estate

The Post Confirmation Estate shall be established for the primary purpose of liquidating its assets, in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Post Confirmation Estate shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth in the Plan. The Post Confirmation Estate is intended to qualify as a “grantor trust” for federal income tax purposes with the beneficiaries treated as grantors and owners of the trust.

3. Termination of Post Confirmation Estate

The Post Confirmation Estate will dissolve when all Disputed Claims have been resolved, all Distributions have been made pursuant to the Plan and all other obligations under the Plan have been fulfilled.

4. Termination of Plan Administrator

The duties, responsibilities and powers of the Plan Administrator shall terminate when the Post Confirmation Estate dissolves.

5. Compensation of Plan Administrator

The Plan Administrator shall be compensated from the Administrator Fund pursuant to the terms of the Post Confirmation Estate Agreement. Any professionals retained by the Plan Administrator shall be entitled to reasonable compensation for services rendered and reimbursement of expenses incurred from the Administrator Fund. The payment of the fees and expenses of the Plan Administrator and its retained professionals shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court.

6. Administrator Fund

Immediately prior to the dissolution of the Post Confirmation Estate, any remaining Administrator Fund amounts, if any, will be distributed in the same manner as would excess Claims Reserve amounts.

7. Exculpation; Indemnification

Except as modified by the Post Confirmation Estate Agreement, no Holder of a Claim or any other party-in-interest will have, or otherwise pursue, any Claim or cause of action against the Plan Administrator, the Post Confirmation Estate or the employees and professionals thereof (solely in the performance of their duties thereas), for making payments in accordance with the Plan or for implementing the provisions of the Plan.

I. CONDITIONS PRECEDENT TO PLAN CONFIRMATION AND CONSUMMATION

The Debtors have proposed the Plan, but such proposal is conditioned upon the occurrence or non-occurrence of certain events and conditions. Specifically, there are certain conditions precedent to the Debtors' seeking confirmation of the Plan, and there are additional conditions precedent to the Debtors ultimately consummating the Plan. These conditions, and the circumstances under which such conditions may be waived, are discussed immediately below.

1. Acceptance or Rejection of the Plan

(a) Acceptance by Impaired Classes

An Impaired Class of Claims will have accepted the Plan if the Holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims in the Class actually voting have voted to accept the Plan, in each case not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code.

(b) Elimination of Classes

Any Class that does not contain any Allowed Claims or Equity Interests or any Claims or Equity Interests temporarily allowed for voting purposes under Federal Rule of Bankruptcy Procedure 3018, as of the date of the commencement of the Confirmation Hearing, will be deemed not included in the Plan for purposes of (i) voting to accept or reject the Plan and (ii) determining whether such Class has accepted or rejected the Plan under section 1129(a)(8) of the Bankruptcy Code.

(c) Nonconsensual Confirmation

The Bankruptcy Court may confirm the Plan over the dissent of any Impaired Class if all of the requirements for consensual confirmation under subsection 1129(a), other than subsection 1129(a)(8), of the Bankruptcy Code and for nonconsensual confirmation under subsection 1129(b) of the Bankruptcy Code have been satisfied. In the event that any impaired Class of Claims or Equity Interests shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtors reserve the right to (i) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code or (ii) amend the Plan.

2. Conditions Precedent to Confirmation

The occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent:

(a) The entry of the Confirmation Order in form and substance satisfactory to the Debtors and the Prepetition Lenders.

(b) All provisions, terms and conditions hereof and of any purchase agreements relating to any Sale(s) are approved in the Confirmation Order or in another Final Order of the Bankruptcy Court.

(c) The Sale Order becomes a Final Order and the Debtors close the Sale(s).

(d) The Debtors are authorized to take all actions necessary or appropriate to enter into, implement and consummate the Plan and other agreements or documents created in connection with the Plan.

(e) The provisions of the Confirmation Order are nonseverable and mutually independent.

(f) All Entities shall be permanently enjoined from enforcing or attempting to enforce any contractual, legal and equitable subordination right satisfied, compromised or settled pursuant to Article X.B of the Plan.

3. Conditions Precedent to Effective Date of the Plan

The occurrence of the Effective Date and the Consummation of the Plan are subject to satisfaction of the following conditions precedent:

(a) Confirmation Order. The Confirmation Order as entered by the Bankruptcy Court shall be a Final Order in full force and effect, in form and substance reasonably satisfactory to the Debtors and the Prepetition Lenders.

(b) Execution of Documents; Other Actions. All actions, documents and agreements necessary to implement the Plan shall have been effected or executed, including the Post Confirmation Estate Agreement.

4. Waiver of Conditions Precedent

To the extent legally permissible, each of the conditions precedent in Article IX.B and Article IX.C of the Plan may be waived, in whole or in part, by the Debtors in their sole discretion, but after consultation with the Prepetition Lenders. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action other than proceeding as if such condition did not exist. The failure of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights. Upon the waiver of any conditions to the Effective Date set forth in Article IX.C of the Plan, and subject to the satisfaction in full of each of the remaining conditions set forth in such Article, the Plan shall become effective in accordance with its terms without notice to third parties or any other formal action.

5. The Confirmation Order

If the Confirmation Order is vacated for whatever reason, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, any of the Debtors; (ii) prejudice in any manner the rights of the Debtors or the Prepetition Lenders; or (iii) constitute an admission, acknowledgment, offer or undertaking by the Debtors or the Prepetition Lenders in any respect.

J. EFFECT OF PLAN CONFIRMATION

1. Discharge of Claims and Termination of Interests

Except as provided in the Confirmation Order, pursuant to section 1141(d) of the Bankruptcy Code, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan shall be in exchange for and in complete satisfaction, settlement, discharge and release of all Claims and termination of all Equity Interests. Confirmation shall (a) discharge the Debtors from all Claims and other debts that arose before the Confirmation Date and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (ii) the

Holder of a Claim based on such debt has accepted the Plan; and (b) terminate all Equity Interests and other rights of equity security holders in the Debtors.

As of the Confirmation Date, all Entities shall be precluded from asserting against the Debtors, their Estates, the Post Confirmation Estate, the Plan Administrator, their successors or their property, any other or further Claims, debts, rights, causes of action, liabilities or Equity Interests based upon any act, omission, transaction or other activity of any nature that occurred prior to the Confirmation Date. In accordance with the foregoing, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities and Equity Interests of or in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Debtors at any time to the extent that such judgment relates to a discharged Claim or Equity Interest.

2. Termination of Subordination Rights and Settlement of Related Claims

The classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments hereunder take into account and/or conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. **The Confirmation Order shall permanently enjoin, effective as of the Effective Date, all Persons from enforcing or attempting to enforce any such contractual, legal and equitable subordination rights satisfied, compromised and settled in this manner.**

3. Injunction

Except as otherwise expressly provided in the Plan, all Entities that have held, hold or may hold Claims against or Equity Interests in the Debtors are permanently enjoined, from and after the Effective Date, from taking any of the following actions against any of the Debtors, their Estates, the Post Confirmation Estate, the Plan Administrator, the Prepetition Lenders or any of their property on account of any Claims or causes of action arising from events prior to the Effective Date: (i) commencing or continuing in any manner any action or other proceeding of any kind; (ii) enforcing, attaching, collecting or recovering by any manner or in any place or means any judgment, award, decree or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance of any kind; and (iv) asserting any defense or right of setoff, subrogation or recoupment of any kind against any obligation, debt or liability due to the Debtors.

By accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving Distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in the Plan.

4. Terms of Existing Injunctions and Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105, 362 or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. The Confirmation Order will permanently enjoin the commencement or prosecution by any Entity, whether directly, derivatively or otherwise, of any Claims, Equity Interests, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan.

5. Exculpation

Neither the Debtors, their Estates, the Post Confirmation Estate, the Plan Administrator, the Prepetition Lenders nor any of their respective present or former officers, directors, shareholders, employees, advisors, attorneys or agents acting in such capacity or their respective affiliates, shall have or incur any liability to, or be subject to any right of action by, the Debtors or any Holder of a Claim or an Equity Interest, or any other party in interest, or any of their respective agents, shareholders, employees, representatives, financial advisors, attorneys

or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, (a) any act taken or omitted to be taken on or after the Petition Date, (b) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan, (c) the solicitation of acceptances and rejections of the Plan, (d) the Mutual Releases or the solicitation thereof, (e) the Chapter 11 Cases, (f) the administration of the Plan, (g) the distribution of property under the Plan, (h) any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Cases, or (i) the Sale(s), and in all respects shall be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. Releases

(a) Releases by the Debtors

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors in their individual capacities and as debtors in possession, shall forever release, waive and discharge all claims, obligations, suits, judgments, demands, debts, rights, causes of action and liabilities, whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to (i) the Debtors; (ii) the parties released pursuant to the Mutual Releases; (iii) any act taken or omitted to be taken on or after the Petition Date; (iv) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan; (v) the solicitation of acceptances and rejections of the Plan; (vi) the solicitation of the Mutual Releases; (vii) the Chapter 11 Cases; (viii) the administration of the Plan; (ix) the property to be distributed under the Plan; (x) the Sale(s) or (xi) any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Cases, against (a) the current and former directors, officers and employees (in their capacities as such) of any of the Debtors (other than for money borrowed from or owed to the Debtors by any such directors, officers or employees as set forth in the Debtors' books and records as of the Effective Dates); (b) the Debtors' agents and Professionals; (c) each Holder of a Prepetition Lender Secured Claim (Class 1 Claims), an Other Secured Claim (Class 2 Claims) and an Unsecured Claim (Class 4 Claims) that votes to accept the Plan; (d) each Holder of a DIP Facility Claim, if any; and (e) the Plan Administrator.

(b) Mutual Releases by Holders of Claims and Interests

As of the Effective Date, in exchange for accepting consideration pursuant to the Plan, all Holders of Prepetition Lender Secured Claims (Class 1 Claims), Holders of Other Secured Claims (Class 2 Claims) and Holders of Unsecured Claims (Class 4 Claims) that vote to accept the Plan, Holders of DIP Facility Claims, if any, and the current and former directors, officers and employees of the Debtors (in their capacity as such) shall forever release, waive and discharge all Claims, obligations, suits, judgments, demands, debts, rights, causes of action and liabilities (other than the right to enforce the Debtors' obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered under the Plan), whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to (i) the Debtors; (ii) the parties released pursuant to the Mutual Releases; (iii) any act taken or omitted to be taken on or after the Petition Date; (iv) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan; (v) the solicitation of acceptances and rejections of the Plan; (vi) the solicitation of the Mutual Releases; (vii) the Chapter 11 Cases; (viii) the administration of the Plan; (ix) the property to be distributed under the Plan; (x) the Sale(s) or (xi) any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Cases, against each of (a) the current and former directors, officers and employees (in their capacities as such) of any of the Debtors (other than for money borrowed from or owed to the Debtors by any such directors, officers or employees as set forth in the Debtors' books and records as of the Effective Date); (b) the Debtors' agents and Professionals; (c) each Holder of a Prepetition Lender Secured Claim, an Other Secured Claim and an Unsecured Claim that votes to accept the Plan; (d) each Holder of a DIP Facility Claim, if any; and (e) the Plan Administrator.

K. MISCELLANEOUS PROVISIONS

Certain additional miscellaneous information regarding the Plan and the Chapter 11 Cases is set forth below.

1. Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date to the extent required by applicable law.

2. Section 1146 Exemption

Pursuant to section 1146(c) of the Bankruptcy Code, (a) the creation, modification, consolidation or recording of any mortgage, deed of trust, lien, pledge or other security interest; (b) the making, recording or assignment of any lease or sublease; or (c) the making recording or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, any merger agreements; agreements of consolidation, restructuring, disposition, liquidation or dissolution; deeds; bills of sale; and transfers of tangible property, will not be subject to any stamp tax, recording tax, personal property tax, real estate transfer tax, sales or use tax or other similar tax. Any transfers from the Debtors to the Post Confirmation Estate or otherwise pursuant to the Plan shall not be subject to any such taxes, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Unless the Bankruptcy Court orders otherwise, any of the foregoing transactions taken on or prior to the Effective Date shall be deemed to have been in furtherance of, or in connection with, the Plan.

3. Business Day

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

4. Severability

The provisions of the Plan shall not be severable unless such severance is agreed to by the Debtors and such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

5. Conflicts

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

6. Further Assurances

The Debtor, the Plan Administrator, all Holders of Claims receiving Distributions under the Plan, and all other parties in interest shall, from time to time, prepare, execute and deliver agreements or documents and take other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

7. Notices

All notices, requests, and demands required by the Plan or otherwise, to be effective, shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided in the Plan, shall be deemed

to have been duly given or made when actually delivered to all of the following, or in the case of notice by facsimile transmission, when received by all of the following, addressed as follows or to such other addresses as Filed with the Bankruptcy Court:

<p>To the Debtors:</p> <p>Jillian’s Entertainment Holdings, Inc. c/o Richard Walker 4500 Bowling Boulevard, Ste 200 Louisville, KY 40207 (502) 638-9008 (telephone) (502) 638-0635 (facsimile)</p> <p>With a copy to the Debtors’ Counsel:</p> <p>Kirkland & Ellis LLP c/o James W. Kapp III, Esq. 200 East Randolph Drive Chicago, Illinois 60601 (312) 861-2000 (telephone) (312) 861-2200 (facsimile)</p> <p>Frost Brown Todd LLC c/o Edward M. King, Esq. 400 West Market Street 32nd Floor Louisville, Kentucky 40202 (502) 589-5400 (telephone) (502) 581-1087 (facsimile)</p> <p>and</p> <p>c/o Ronald E. Gold, Esq. 2200 PNC Center 201 East Fifth Street Cincinnati, Ohio 45202 (513) 651-6800 (telephone) (513) 651-6981 (facsimile)</p>	<p>To the Prepetition Lenders and DIP Lenders:</p> <p>Buchanan Ingersoll PC c/o Vincenzo Paparo, Esq. and Louis T. DeLucia, Esq. 140 Broadway, 35th Floor New York, NY 10005 (212) 440-4483 (telephone) (212) 440-4401 (facsimile)</p> <p>To Counsel for any Committee (if and when appointed)</p>
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8. Filing of Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

9. Successors and Assigns

The rights, benefits and obligations of any entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

10. Closing of Case

The Plan Administrator shall, promptly upon the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

11. Section Headings

The section headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan.

L. RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain and have exclusive jurisdiction after the Effective Date over any matter arising under the Bankruptcy Code, arising in or related to the Chapter 11 Cases or the Plan, or that relates to the following, in each case to the greatest extent permitted by applicable law:

1. to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;
2. to determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Plan Administrator or the Post Confirmation Estate after the Effective Date; provided, however, that the Plan Administrator and the Post Confirmation Estate shall reserve the right to commence collection actions, actions to recover receivables and other similar actions in all appropriate jurisdictions;
3. to ensure that distributions to Holders of Allowed Claims are accomplished as provided in the Plan;
4. to hear and determine any timely objections to Administrative Expense Claims and Priority Claims or to proofs of Claim and Equity Interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Equity Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;
5. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;
6. to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
7. to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;
8. to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;
9. to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released or exculpated under the Plan;

10. to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;
11. to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Post Confirmation Estate Agreement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement to be executed in connection with the Plan;
12. to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
13. to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and
14. to enter a Final Decree closing the Chapter 11 Cases.

M. MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

1. Modification of the Plan

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, in their sole discretion, but after consultation with the Prepetition Lenders, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such Holder and the votes of each Class for or against the Plan shall be counted and used in connection with the modified plan of reorganization.

2. Revocation, Withdrawal or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if the Confirmation Order confirming the Plan shall not be entered or become a Final Order, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (1) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Entity, (2) prejudice in any manner the rights of the Debtors, the Prepetition Lenders or any other Entity, (3) constitute an admission of any sort by the Debtors, the Prepetition Lenders or any other Entity, or (4) constitute a release of any Causes of Action possessed or maintained by the Debtors.

V. ACCEPTANCE OR REJECTION OF THE PLAN

A. CLASSES ENTITLED TO VOTE

Each Impaired Class of Claims that will receive or retain property or any interest in property under the Plan is entitled to vote to accept or reject the Plan. Classes 1, 2 and 4 shall be entitled to vote to accept or reject the Plan.

B. ACCEPTANCE BY IMPAIRED CLASSES

An Impaired Class of Claims shall be deemed to have accepted the Plan if (a) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

C. PRESUMED ACCEPTANCE OF THE PLAN

By operation of law, each Class of Claims that is Unimpaired is deemed to have accepted the Plan and, therefore, is not entitled to vote. Class 3 is Unimpaired under the Plan, and, therefore, is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

D. PRESUMED REJECTION OF THE PLAN

By operation of law, Holders of Impaired Claims and Impaired Equity Interests that are not entitled to receive or retain any property under the Plan are presumed to have rejected the Plan and, therefore, are not entitled to vote. Classes 5, 6 and 7 are Impaired under the Plan and are not entitled to receive or retain any property under the Plan and, thus, are presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

VI.

PROCEDURES FOR VOTING ON THE PLAN

The following is a brief summary regarding the acceptance and confirmation of the Plan. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys. Additional information regarding voting procedures is set forth in the Notices accompanying this Disclosure Statement.

A. VOTING DEADLINE

The Voting Deadline to accept or reject the Plan is [_____.m.] (prevailing Louisville, Kentucky time) on [_____, 2004], unless the Bankruptcy Court or the Debtors extend the period during which votes will be accepted by the Debtors, in which case the Voting Deadline for such solicitation shall mean the last time and date to which such solicitation is extended.

B. VOTING RECORD DATE

The Voting Record Date for purposes of determining which Holders of Claims are entitled to vote on the Plan is [_____, 2004].

C. VOTING INSTRUCTIONS

This Disclosure Statement, accompanied by a Ballot to be used for voting on the Plan, is being distributed to Holders of Claims in Classes 1, 2 and 4. Only Holders in these Classes are entitled to vote to accept or reject the Plan and may do so by completing the Ballot and returning it in the envelope provided. *In light of the benefits of the Plan for each Class of Claims, the Debtors recommend that Holders of Claims in each of the Impaired Classes vote to accept the Plan and return the Ballot.*

BALLOTS CAST BY HOLDERS IN CLASSES ENTITLED TO VOTE MUST BE RECEIVED BY THE SOLICITATION AGENT BY THE VOTING DEADLINE AT THE FOLLOWING ADDRESSES:

Jillian's Ballot Processing
c/o Kurtzman Carson Consultants LLC
12910 Culver Boulevard, Suite I
Los Angeles, CA 90066

IF YOU HAVE ANY QUESTIONS ON VOTING PROCEDURES, PLEASE CALL THE SOLICITATION AGENT AT (866) 381-9100 ext. 509, OR VISIT THEIR WEBSITE AT WWW.KCCLLC.NET/JILLIANS.

BALLOTS ARE ACCOMPANIED BY RETURN ENVELOPES WHENEVER POSSIBLE. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.

ANY BALLOT WHICH IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN SHALL BE DEEMED AN ACCEPTANCE OF THE PLAN.

THE PLAN PROVIDES THAT HOLDERS OF CLAIMS WHO RECEIVE A DISTRIBUTION OF PROPERTY IF THE PLAN IS CONFIRMED SHALL BE DEEMED TO HAVE RELEASED ALL CLAIMS AGAINST CERTAIN PARTIES UPON THE EFFECTIVE DATE OF THE PLAN, EVEN IF SUCH HOLDERS VOTE TO REJECT THE PLAN OR DO NOT VOTE TO ACCEPT OR REJECT THE PLAN.

NOTWITHSTANDING THE FOREGOING, A VOTE TO ACCEPT THE PLAN CONSTITUTES AN ACCEPTANCE AND ASSENT TO THE MUTUAL RELEASES SET FORTH IN THE PLAN. PLEASE SEE ARTICLE X.F.2 OF THE PLAN FOR FURTHER INFORMATION ABOUT THE MUTUAL RELEASES.

The Debtors will publish the Confirmation Hearing Notice once within five (5) business days after the entry of the order approving the Disclosure Statement in the national edition of [The Wall Street Journal](#) and the [Louisville Courier-Journal](#), which will contain the date for the Disclosure Statement Hearing, the Disclosure Statement Objection Deadline, the Plan Objection Deadline and the Confirmation Hearing, in order to provide notification to persons who may not otherwise receive notice by mail.

For all Holders:

By signing and returning a Ballot, each Holder of Claims in Classes 1, 2 and 4 will also be certifying to the Bankruptcy Court and the Debtors that, among other things:

- such person or entity is the Holder of the aggregate face amount of the Claims set forth in the Ballot and has full power and authority to vote to accept or reject the Plan;
- such Holder has received and reviewed a copy of the Disclosure Statement, the Plan, and related Ballot and acknowledges that the solicitation of votes to accept or reject the Plan is being made pursuant to the terms and conditions set forth therein;
- such Holder has cast the same vote on every Ballot completed by such Holder with respect to holdings of such Class of Claims;
- no other Ballots with respect to such Class of Claims have been cast or, if any other Ballots have been cast with respect to such Class of Claims, such earlier Ballots are thereby revoked;
- the Debtors have made available to such Holder or its agents all documents and information relating to the Plan and related matters reasonably requested by or on behalf of such Holder;

- except for information provided by the Debtors in writing, and by its own agents, such Holder has not relied on any statements made or other information received from any person with respect to the Plan; and
- all authority conferred or agreed to be conferred pursuant to the Ballot, and every obligation of the Holder thereunder, shall be binding upon the transferees, successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the Holder and shall not be affected by, and shall survive, the death or incapacity of the Holder.

D. VOTING TABULATION

In tabulating votes, the following rules shall be used to determine the Claim amount associated with a creditor’s vote:

- If the Debtors do not object to a Claim, the Claim amount for voting purposes shall be the Claim amount contained on a timely filed proof of claim or, if no proof of claim was filed, the non-contingent, liquidated and undisputed Claim amount listed in the Debtors’ Schedules;
- Ballots cast by creditors whose Claims are not listed on the Schedules, but who timely file proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed before the commencement of the hearing to consider the confirmation of the Plan (the “Confirmation Hearing”), will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code and will count as Ballots for Claims in the amount of \$1.00 solely for the purpose of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code;
- If the Debtors object to a Claim, such creditor’s Ballot shall not be counted in accordance with Bankruptcy Rule 3018(a), unless temporarily allowed by the Court for voting purposes, after notice and a hearing;
- If a creditor casts a Ballot and is listed on the Schedules as holding a Claim that is contingent, unliquidated or disputed, such creditor’s Ballot shall not be counted in accordance with Bankruptcy Rule 3018(a), unless temporarily allowed by the Court for voting purposes, after notice and a hearing;
- Creditors seeking temporary allowance of their Claims for voting purposes must serve on the Debtors and file with the Court a motion for an order pursuant to Bankruptcy Rule 3018(a) (a “Rule 3018(a) Motion”) seeking temporary allowance for voting purposes. Such Rule 3018(a) Motion, with evidence in support thereof, must be filed by the Plan Objection Deadline, and it shall be the responsibility of each creditor filing a Rule 3018(a) Motion to schedule a hearing on such Rule 3018(a) Motion to occur not less than ten (10) days prior to the Confirmation Hearing; and
- Unless otherwise provided herein, a Claim will be deemed temporarily allowed for voting purposes in an amount equal to the lesser of (i) the amount of such Claim as set forth in the Debtors’ Schedules as not contingent, unliquidated or disputed or (ii) the amount of such Claim as set forth in a filed proof of claim.

E. VOTING PROCEDURES AND STANDARD ASSUMPTIONS

The following general voting procedures and standard assumptions shall be used in tabulating Ballots:

- Except to the extent the Debtors otherwise determine, or as permitted by the Bankruptcy Court, Ballots received after the Voting Deadline will not be accepted or counted by the Debtors in connection with the Debtors’ request for confirmation of the Plan;

- Creditors shall not split their vote within a Claim; thus, each creditor shall be deemed to have voted the full amount of its Claims either to accept or reject the Plan;
- Any Ballot which is executed by the Holder of an Allowed Claim but which does not indicate an acceptance or rejection or which indicates both an acceptance or rejection of the Plan shall be deemed an acceptance of the Plan.
- Creditors holding Claims in more than one Class under the Plan, may receive more than one Ballot coded for each different Class; however, each Ballot votes only those Claims indicated on that Ballot;
- The method of delivery of Ballots to be sent to the Solicitation Agent is at the election and risk of each Holder of a Claim, but, except as otherwise provided in this Disclosure Statement, such delivery will be deemed made only when the original, executed Ballot is actually received by the Solicitation Agent;
- Delivery of the original, executed Ballot to the Solicitation Agent on or before the Voting Deadline is required. Delivery of a Ballot by facsimile, email or any other electronic means will not be accepted;
- No Ballot sent to the Debtors, any indenture trustee or agent, or the Debtors' financial or legal advisors shall be accepted or counted;
- The Debtors expressly reserve the right to amend at any time and from time to time the terms of the Plan (subject to compliance with section 1127 of the Bankruptcy Code and the terms of the Plan regarding modification). If the Debtors make material changes in the terms of the Plan or the Debtors waive a material condition, the Debtors will disseminate additional solicitation materials and will extend the solicitation, in each case to the extent directed by the Bankruptcy Court;
- If multiple Ballots are received from or on behalf of an individual Holder of a Claim with respect to the same Claims prior to the Voting Deadline, the last ballot timely received will be deemed to reflect the voter's intent and to supersede and revoke any prior Ballot;
- If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person shall be required to indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors to so act on behalf of a beneficial interest Holder;
- The Debtors, in their sole discretion, subject to contrary order of the Bankruptcy Court, may waive any defect in any Ballot at any time, either before or after the close of voting, and without notice. Except as otherwise provided herein, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors may, in their sole discretion, reject such Ballot as invalid and, therefore, not count it in connection with confirmation of the Plan;
- Unless otherwise ordered by the Bankruptcy Court, all questions as to the validity, eligibility (including time of receipt) and revocation or withdrawal of Ballots will be determined by the Debtors in their sole discretion which determination shall be final and binding;
- If a designation is requested under section 1126(e) of the Bankruptcy Code, any vote to accept or reject the Plan cast with respect to such Claim will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise;
- Any Holder of Impaired Claims who has delivered a valid Ballot voting on the Plan may withdraw such vote solely in accordance with Bankruptcy Rule 3018(a);

601 West Broadway, Gene Snyder Courthouse, Louisville, Kentucky. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court 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 or before [_____.m. ____prevailing Louisville, Kentucky time on _____, 2004] (the “Plan Objection Deadline”). All objections to the Plan must be filed with the Bankruptcy Court on or before the Plan Objection Deadline and served in a manner so that they are actually received on or before 4:00 p.m., prevailing Louisville, Kentucky time, on the Plan Objection Deadline by the following parties (the “Notice Parties”):

<p><u>Co-Counsel to the Debtors and Debtors in Possession</u> Kirkland & Ellis LLP 200 East Randolph Drive Chicago, IL 60601 Attn: James H.M. Sprayregen, P.C. James W. Kapp III, Esq. Ryan S. Nadick, Esq.</p>	<p><u>Co-Counsel to the Debtors and Debtors in Possession</u> Frost Brown Todd LLC 400 West Market Street, 32nd Floor Louisville, KY 40202-3363 Attn: Edward M. King, Esq.</p> <p>and</p> <p>2200 PNC Center 201 East Fifth Street Cincinnati, OH 45202 Attn: Ronald E. Gold, Esq.</p>
<p><u>United States Trustee</u> Office of the United States Trustee 512 Gene Snyder Courthouse 601 West Broadway Louisville, KY 40202 Attn: Joseph Golden, Esq.</p>	<p><u>Debtors’ Solicitation Agent</u> Kurtzman Carson Consultants LLC 12910 Culver Boulevard, Suite I Los Angeles, CA 90066 Attn: Jonathan Carson Christopher R. Schepper</p>
<p><u>Counsel for the Agent to the Prepetition Lenders and Proposed Debtor in Possession Lenders</u> Buchanan Ingersoll P.C. 140 Broadway, 35th Floor New York, NY 10005 Attn: Vincenzo Paparo, Esq. Louis DeLucia, Esq.</p>	<p><u>Counsel, if any, to the Official Committee of Unsecured Creditors.</u> To come</p>

The Bankruptcy Court shall only consider timely filed and served written objections. All objections must (a) state with particularity the legal and factual grounds for such objection, (b) provide, where applicable, the specific text that the objecting party believes to be appropriate to insert into the Plan, and (c) describe the nature and amount of the objector’s claim. Objections not timely filed and served in accordance with these procedures shall be overruled. With regard to any timely-filed objection(s), the Debtors shall be allowed to file an omnibus reply on or before the date which is three (3) business days before the Confirmation Hearing.

VII.

STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

A. GENERALLY

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as Plan proponents, will 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 under the Plan for services or for costs and expenses in, or in connection with, these Chapter 11 Cases, or in connection with the Plan and incident to these Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before the Confirmation of the Plan is reasonable, or if such payment is to be fixed after the Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- With respect to each Class of Impaired Claims or Equity Interests, either each Holder of a Claim or Equity Interest of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim or Equity Interest, property of a value, as of the Effective Date of the Plan, 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.
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of such Claim, the Plan provides that Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims will be paid in full on the Effective Date, or as soon thereafter as practicable.
- At least one Class of Impaired Claims will accept the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of 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.
- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee will be paid as of the Effective Date.

The Debtors believe that (a) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (b) it has complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (c) the Plan has been proposed in good faith.

B. FEASIBILITY

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Plan contemplates that all assets of the Debtors will ultimately be liquidated to Cash and all Cash proceeds will be distributed to the creditors pursuant to the terms of the Plan. Since no further financial reorganization of the Debtors will be possible, the Debtors believe that the Plan

meets the feasibility requirement. In addition, based upon the proceeds resulting from the Sale(s), the Debtors believe that sufficient funds will exist at confirmation to make all payments required by the Plan.

C. “BEST INTERESTS” TEST

With respect to each Impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each such Holder either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value that each such Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the Holders of Allowed Claims in each Impaired Class would receive from the liquidation of the Debtors’ assets and properties in the context of chapter 7 liquidation cases. The cash amount available to satisfy unsecured claims of the Debtors would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors, augmented by the unencumbered Cash held by the Debtors at the time of the commencement of the liquidation cases. Such cash amount would be reduced by the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of the Debtors’ businesses and the use of chapter 7 for the purposes of liquidation.

The Debtors’ costs of liquidation under chapter 7 also would include the fees payable to a trustee in bankruptcy, as well as those payable to attorneys, investment bankers and other professionals that such trustee may engage, plus any unpaid expenses incurred by the Debtors during the Chapter 11 Cases, such as compensation for attorneys, advisors, accountants and costs and expenses of members of any official committees that are allowed in the chapter 7 cases. In addition, Claims could arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Debtors during the pendency of the Chapter 11 Cases.

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

To determine if the Plan is in the best interests of each Impaired Class, the value of the distributions from the proceeds of the liquidation of the Debtors’ assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of claims and equity interests under the Plan.

In applying the “best interests” test, it is possible that claims and equity interests in the chapter 7 cases may not be classified according to the seniority of such claims and equity interests. In the absence of a contrary determination by the Bankruptcy Court, all pre-chapter 11 unsecured claims that have the same rights upon liquidation would be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from the chapter 7 cases of the Debtors. The distributions from the liquidation proceeds would be calculated on a Pro Rata basis according to the amount of the Claim held by each creditor. Therefore, creditors who claim to be third-party beneficiaries of any contractual subordination provisions might have to seek to enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. The Debtors believe that the most likely outcome of liquidation proceedings under chapter 7 would be the application of the rule of absolute priority of distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full with interest and no stockholder receives any distribution until all creditors are paid in full with postpetition interest.

The Debtors, with the assistance of their financial advisors, have prepared a hypothetical liquidation analysis, which is annexed to this Disclosure Statement as Exhibit D (the “Hypothetical Liquidation Analysis”). After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (b) the increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases; and (c) the significantly lower proceeds likely to be realized from a liquidation of the Debtors’ assets under a chapter 7 liquidation, the Debtors believe that Confirmation of the Plan will provide each Holder of an Allowed Claim with as much or more than the amount it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code. In particular, the Hypothetical Liquidation Analysis provides that in the event of a liquidation

under chapter 7, there would be no (i.e. 0%) recovery for Priority Tax Claims, Other Priority Claims and Unsecured Claims. In contrast, under the Plan, Holders of Priority Tax Claims and Other Priority Claims will not be Impaired and Holders of Unsecured Claims may receive some recovery with respect to their Claims. Therefore, Holders of such Claims will receive as much or more under the Plan than in a chapter 7 liquidation.

Although the Debtors believe the Plan meets the “best interests” test of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will determine that the Plan meets this test. **THESE ESTIMATES OF VALUE ARE SUBJECT TO A NUMBER OF ASSUMPTIONS AND SIGNIFICANT QUALIFYING CONDITIONS. ACTUAL VALUES AND RECOVERIES COULD VARY MATERIALLY FROM THE ESTIMATES SET FORTH HEREIN.**

D. ACCEPTANCE BY IMPAIRED CLASS

The Bankruptcy Code requires, as a condition to Confirmation, that each class of claims or equity interests that is impaired under a plan accept the plan, with the exception described in Article VII.E of the Disclosure Statement. A class that is not “impaired” under a plan of reorganization is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is “impaired” unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest; (b) cures any default and reinstates the original terms of the obligation; or (c) provides that on the consummation date, the holder of the claim or interest receives cash equal to the allowed amount of such claim or, with respect to any interest, any fixed liquidation preference to which the interest holder is entitled or any fixed price at which the debtor may redeem the security.

E. NON-CONSENSUAL CONFIRMATION

The Bankruptcy Court may confirm the Plan over the dissent of any Impaired Class if the Plan satisfies all of the requirements for (i) consensual confirmation under section 1129(a), other than section 1129(a)(8), of the Bankruptcy Code and (ii) nonconsensual confirmation under section 1129(b) of the Bankruptcy Code.

To obtain nonconsensual confirmation of the Plan under a procedure commonly known as “cramdown,” it must be demonstrated to the Bankruptcy Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each impaired, non-accepting class. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its claims or interests. The Debtors believe that the Plan satisfies this requirement.

The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes tests for determining what is “fair and equitable” for secured creditors, unsecured creditors and equity holders, as follows:

1. Secured Claims

Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens to attach to the proceeds of the sale and the treatment of such liens with respect to such proceeds as provided in clause (i) or (ii).

2. Unsecured Claims

Either (i) each impaired unsecured creditor receives or retains, under the plan, property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

3. Equity Interests

Either (i) each holder of an equity interest will receive or retain, under the plan, property of value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled, or the value of the interest or (ii) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the plan.

The Debtors reserve the right to pursue confirmation of the Plan without having previously obtained sufficient acceptances of the Plan from all Classes of Impaired Claims and Equity Interests. In such case, the Debtors may request confirmation of the Plan under section 1129(b) of the Bankruptcy Code notwithstanding that such Class or Classes did not accept the Plan.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

VIII.

PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMING AND CONSUMMATING THE PLAN

ALL IMPAIRED HOLDERS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. FINANCIAL INFORMATION; DISCLAIMER

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and Disclosure Statement. While the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

B. CERTAIN BANKRUPTCY CONSIDERATIONS

1. Classification Risk

Under Section 1123(a)(4) of the Bankruptcy Code, a plan of reorganization must provide the same treatment for each claim or interest of a particular class, unless the holder of the particular claim or interest agrees to a less favorable treatment of such particular claim or interest. The Debtors can provide no assurance that the Bankruptcy Code will not disapprove of the classifications of Claims and Equity Interests contained in the Plan.

2. The Debtors May be Unable to Close the Sale(s)

The Debtors anticipate that they will be able to timely close the Sale(s). It is possible, however, that the following events could prevent a timely closing of the Sale(s) and/or result in the termination of the sale agreements: (i) the Debtors and/or the buyer(s) of the Debtors' assets may not be able to meet the various closing conditions, and, as a result of these failures, the Debtors or such buyer(s) could elect to cancel their respective sale agreements; (ii) objections could be filed against the Sale Motion, and, as a result of such objections, the Bankruptcy Court could deny the Sale Motion and the Sale(s) contemplated thereby; and (iii) delays in obtaining Bankruptcy Court approval of the Sale(s) (as a result of objections or otherwise) could prevent the closing of the Sale(s) by the

dates set forth in the sale agreements, thereby permitting the buyer(s) of the Debtors' assets to terminate their respective sale agreements.

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

There can be no assurance that the Debtors will receive the requisite acceptances to confirm the Plan. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of a Claim or Equity Interest of the Debtors might challenge the adequacy of this Disclosure Statement or contend that the balloting procedures and results are not 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 of the statutory requirements for confirmation had not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes. 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 Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes, confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization, and the 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. While there can be no assurance that these requirements will be met, the Debtors believe that the Plan will not be followed by a need for further liquidation and that non-accepting Holders within each Class under the Plan will receive distributions at least as great as they would receive following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and costs associated with any such chapter 7 case. The Debtors believe that Holders of unsecured claims would receive no distribution under a liquidation pursuant to chapter 7 of the Bankruptcy Code.

4. The Confirmation and Consummation of the Plan Are Also Subject to Certain Conditions as Described Herein.

If the Plan is not confirmed, it is unclear whether another liquidating plan could be implemented and what distributions Holders of Claims or Equity Interests ultimately would receive with respect to their Claims or Equity Interests. If an alternative liquidating plan could not be agreed to, it is possible that the Debtors would have to liquidate their assets under chapter 7 of the Bankruptcy Code, in which case it is likely Holders of Claims would receive substantially less favorable treatment than they would receive under the Plan.

5. The Debtors May Object to the Amount or Classification of a Claim.

The Debtors reserve the right to object to the amount or classification of any Claim or Equity Interest. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim or Equity Interest whose Claim or Equity Interest is subject to an objection. Any such Claim or Equity Interest Holder may not receive its specified share of the estimated distributions described in this Disclosure Statement.

6. Nonconsensual Confirmation.

Pursuant to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the Debtors' request if at least one Impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any "insider" in such Class) and, as to each Impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Impaired Classes. See Article VII above. The Debtors believe that the Plan satisfies these requirements, and pursuant to the Plan, will request such nonconsensual confirmation in accordance with section 1129(b) of the Bankruptcy Code in the event either Class 1, 2 or 4 accepts the Plan.

7. Delays of Confirmation and/or the Effective Date

Any delays of either Confirmation or of the Effective Date could result in, among other things, increased Claims of Professionals. These or any other negative effects of delays of either Confirmation or the Effective Date could endanger the ultimate approval of the Plan by the Bankruptcy Court.

C. PENDING LITIGATION

The Debtors are involved from time to time in routine litigation that is incidental to their businesses. The Debtors do not believe that the outcome of any such litigation will have a material adverse effect upon the Debtors. In particular, excluding the *The Main Event* litigation proceeding discussed below, as a result of the Debtors' applicable insurance policies, as of the Petition Date, none of the Debtors are a party to, or affected by, any litigation in which claims may affect any of the Debtors in an amount exceeding \$100,000.

The Main Event v. Jillian's Entertainment Holdings, Inc. and Fleet National Bank - On May 12, 1998, Holdings issued a \$2,500,000 Subordinated Note to Main Event in connection with a sale of assets by Main Event to the Debtors. The Subordinated Note is pari passu with the Senior Subordinated Notes, and bears interest at 12% annually. The Subordinated Note was due and payable on May 12, 2001. On that date, the Debtors agreed to amend the Subordinated Note, executing the Allonge calling for principal to be paid back in six equal monthly installments of \$200,000 each, beginning in November 2001, with the balance of the Subordinated Note paid off in May 2002. The Debtors were unable to meet the terms of the Allonge because, pursuant to the Credit Agreement and to the subordination provisions in the Subordinated Note, the Debtors were prohibited from making any such payments while there were uncured defaults under the Senior Credit Facility.

On November 5, 2002, Main Event filed a lawsuit against Holdings and Fleet National Bank ("Fleet") in the District Court of Dallas County, Texas, Case No. 02-10442-D (the "Action"), seeking repayment of the amounts due under the Subordinated Note. On December 20, 2002, Fleet filed its answer, counterclaim and cross-claim, (i) denying liability, (ii) seeking the recovery of attorneys' fees from Main Event arising from the Action and (iii) seeking indemnification from Holdings for any and all damages for which Fleet may be found liable and/or any and all fees Fleet may incur in the defense of the Action, including attorneys' fees. On April 10, 2003, Holdings filed its counterclaim against Main Event. Holdings' counterclaim (a) alleges that Main Event breached the Subordinated Note by filing the Action in violation of the standstill provisions set forth in the Subordinated Note and (b) seeks recovery of its costs and reasonable attorneys' fees incurred in prosecuting the counterclaim, as well as all costs and attorneys' fees payable to Fleet in connection with Fleet's cross-claim against Holdings for indemnity.

Holdings, Fleet and Main Event have unsuccessfully moved for summary judgment. Discovery in relation to the lawsuit has been substantially completed, and the lawsuit has been continued to a two week floating period commencing on July 19, 2004, at which time the trial is expected to commence.

D. LIQUIDATION UNDER CHAPTER 7

The Debtors believe that the Plan affords Holders of Claims and Equity Interests the potential for the greatest recovery and, therefore, is in the best interests of such Holders. If, however, the Plan is not confirmed in the Chapter 11 Cases, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of claims against or interests in the Debtors.

As described herein, however, the Debtors believe that in a liquidation under chapter 7 of the Bankruptcy Code, before creditors receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' estates. The assets available for distribution to creditors would be reduced by such additional expenses and by claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, including (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in a bankruptcy and professional advisors to such trustee, (b) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the “forced sale” atmosphere that would prevail and (c) substantial increases in claims which would be satisfied on a priority basis, **THE DEBTORS HAVE DETERMINED THAT CONFIRMATION OF THE PLAN WILL PROVIDE THE CREDITORS AND EQUITY INTEREST HOLDERS WITH A RECOVERY THAT IS NOT LESS THAN THEY WOULD RECEIVE PURSUANT TO A LIQUIDATION OF THE DEBTORS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.**

IX.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and to Holders of Allowed Claims. This discussion is based on the Internal Revenue Code, Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Due to the complexity of certain aspects of the Plan, the lack of applicable legal precedent, the possibility of changes in the law, the differences in the nature of the Claims (including Claims within the same Class) and Equity Interests, the Holders’ status and method of accounting (including Holders within the same Class) and the potential for disputes as to legal and factual matters with the IRS, the tax consequences described herein are subject to significant uncertainties. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the IRS with respect to any of the issues discussed below. Furthermore, legislative, judicial or administrative changes may occur, perhaps with retroactive effect, which could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the Debtors and the Holders of Allowed Claims.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or the Holders of Allowed Claims in light of their personal circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, regulated investment companies and foreign taxpayers). This discussion does not address the tax consequences to Holders of Claims who did not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PERSONAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. CONSEQUENCES TO DEBTORS

Under the Plan, the Debtors intend to sell substantially all of their assets prior to the Effective Date. The Sale(s) will generally be taxable transactions resulting in the recognition of gain or loss by the Debtors. Net operating losses (“NOLs”) and other loss carryforwards of the Debtors may offset most, if not all, of any such gain. In the event that the NOLs and the capital loss carryforwards are not sufficient to offset potential gains arising from the liquidations, the Debtors will be jointly and severally liable for the resulting tax liability. Moreover, because the resulting tax liability will arise during the pendency of the bankruptcy and as a result of the Plan, the tax liability will be classified as an Administrative Claim under section 503(b) of the Bankruptcy Code. In such an event, the amount of proceeds available to pay certain claims could be less than currently anticipated by the Plan or eliminated altogether. The Debtors have not estimated the amount of tax liability, if any, that will arise with respect to the Plan and the transactions contemplated thereunder.

A corporation or a consolidated group of corporations may incur alternative minimum tax liability even where NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is possible that the Debtors may be liable for the alternative minimum tax.

Under the Plan, the Debtors are transferring the Post Confirmation Estate Assets to the Post Confirmation Estate. These transfers of assets may result in the recognition of taxable gain or loss to the Debtors.

B. FEDERAL INCOME TAX TREATMENT OF POST CONFIRMATION ESTATE

1. Classification of Post Confirmation Estate

Pursuant to the Plan, the Debtors will transfer the Post Confirmation Estate Assets to the Post Confirmation Estate and the Post Confirmation Estate will become obligated to make Distributions in accordance with the Plan. The Plan provides, and this discussion assumes, that the Post Confirmation Estate will be treated for federal income tax purposes as a “liquidating trust,” as defined in Treasury Regulation Section 301.7701-4(d), and will therefore be taxed as a grantor trust, of which the beneficiaries will be treated as the owners and grantors thereof (the “Beneficiaries”). Accordingly, because a grantor trust is treated as a pass-through entity for federal income tax purposes, no tax should be imposed on the Post Confirmation Estate itself or on the income earned or gain recognized by the Post Confirmation Estate. Instead, the Beneficiaries will be taxed on their allocable shares of such net income or gain in each taxable year (determined in accordance with the Post Confirmation Estate Agreement), whether or not they received any distributions from the Post Confirmation Estate in such taxable year.

Although the Post Confirmation Estate has been structured with the intention of complying with guidelines established by the IRS in Rev. Proc. 94-45, 1994-2 C.B. 684, for the formation of liquidating trusts, it is possible that the IRS could require a different characterization of the Post Confirmation Estate, which could result in different and possibly greater tax liability to the Post Confirmation Estate and/or the Holders of Allowed Claims. No ruling has been or will be requested from the IRS concerning the tax status of the Post Confirmation Estate and there can be no assurance the IRS will not require an alternative characterization of the Post Confirmation Estate. If the Post Confirmation Estate were determined by the IRS to be taxable not as a liquidating trust, as described in Treasury Regulation Section 301.7701-4(d), the taxation of the Post Confirmation Estate and the transfer of assets by the Debtors to the Post Confirmation Estate could be materially different than is described herein and could have a material adverse effect on the Holders of Allowed Claims.

2. Tax Reporting

The Plan Administrator will file tax returns with the IRS for the Post Confirmation Estate as a grantor trust in accordance with Treasury Regulation Section 1.671-4(a). The Plan Administrator will also send to each Beneficiary a separate statement setting forth the Beneficiary’s allocable share of items of income, gain, loss, deduction or credit and will instruct the Beneficiary to report such items on such Beneficiary's federal income tax return.

3. Claim Reserve for Disputed Claims

The Plan Administrator will establish the Claim Reserve on account of any distributable amounts required to be set aside on account of Disputed Claims. Such amounts, net of certain expenses, shall be distributed as such Disputed Claims are resolved as such amounts would have been distributable had the Disputed Claims been Allowed Claims as of the Effective Date, together with any net earnings related thereto. The Post Confirmation Estate will pay taxes on the taxable net income or gain allocable to Holders of Disputed Claims on behalf of such Holders and, when such Disputed Claims are ultimately resolved, Holders whose Disputed Claims are determined to be Allowed Claims will receive distributions from the Post Confirmation Estate net of taxes which the Post Confirmation Estate had previously paid on their behalf.

C. CONSEQUENCES TO HOLDERS OF CLAIMS

The federal income tax consequences of the Plan to a Holder of a Claim will depend upon several factors, including but not limited to: (1) the manner in which a Holder acquired a Claim; (2) the length of time the Claim has been held; (3) whether the Claim was acquired at a discount; (4) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (5) whether the Holder has previously included accrued or unpaid interest with respect to the Claim; (6) the method of tax accounting of the Holder; and (7) whether the Holder receives distributions under the Plan in more than one taxable year. **HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS.**

1. Holders of Allowed Claims

Generally, a Holder of an Allowed Claim will recognize gain or loss equal to the difference between the "amount realized" by such Holder and such Holder's adjusted tax basis in the Allowed Claim. The "amount realized" is equal to the sum of the Cash and the fair market value of any other consideration received under the Plan in respect of a Holder's Claim, including, to the extent such Holder is a Beneficiary of the Post Confirmation Estate, the fair market value of each such Holder's proportionate share of the assets transferred to the Post Confirmation Estate on behalf of and for the benefit of such Holder (to the extent that such Cash or other property is not allocable to any portion of the Allowed Claim representing accrued but unpaid interest (see discussion below)).

The transfer of the Post Confirmation Estate Assets to the Post Confirmation Estate by the Debtors should be treated for federal income tax purposes as a transfer of such Post Confirmation Estate Assets to the Holders of Allowed Claims to the extent they are Beneficiaries of the Post Confirmation Estate, followed by a deemed transfer of such Post Confirmation Estate Assets by such Beneficiaries to the Post Confirmation Estate. As a result of such treatment, such Holders of Allowed Claims will have to take into account the fair market value of their Pro Rata share, if any, of the Post Confirmation Estate Assets transferred on their behalf to the Post Confirmation Estate in determining the amount of gain realized and required to be recognized upon consummation of the Plan on the Effective Date. In addition, since a Holder's share of the assets held in the Post Confirmation Estate may change depending upon the resolution of Disputed Claims, the Holder may be prevented from recognizing any loss in connection with consummation of the Plan until the time that all such Disputed Claims have been resolved. The Plan Administrator will provide the Holders of Allowed Claims with valuations of the assets transferred to the Post Confirmation Estate on behalf of and for the benefit of such Holders and such valuations should be used consistently by the Post Confirmation Estate and such Holders for all federal income tax purposes. **HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR ALLOWED CLAIMS.**

2. Distributions in Discharge of Accrued but Unpaid Interest

Pursuant to the Plan, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance that the IRS will respect such allocation for federal income tax purposes. Holders of Allowed Claims not previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be treated as receiving taxable interest, to the extent any consideration they receive under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan. **HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR ALLOWED CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.**

3. Character of Gain or Loss; Tax Basis; Holding Period

The character of any gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss recognized by a Holder of an Allowed Claim under the Plan will be determined by a number of

factors, including, but not limited to, the status of the Holder, the nature of the Allowed Claim in such Holder's hands, the purpose and circumstances of its acquisition, the Holder's holding period of the Allowed Claim, and the extent to which the Holder previously claimed a deduction for the worthlessness of all or a portion of the Allowed Claim. The Holder's aggregate tax basis for any consideration received under the Plan will generally equal the amount realized in the exchange (less any amount allocable to interest as described in the preceding paragraph). The holding period for any consideration received under the Plan will generally begin on the day following the receipt of such consideration.

D. CONSEQUENCES TO HOLDERS OF EQUITY INTERESTS

Pursuant to the Plan, all Equity Interests in all of the Debtors are being extinguished. A Holder of any Equity Interest extinguished under the Plan should generally be allowed a "worthless stock deduction" in an amount equal to the Holder's adjusted basis in the Holder's Equity Interest. A "worthless stock deduction" is a deduction allowed to a Holder of a corporation's stock for the taxable year in which such stock becomes worthless. If the Holder held the Equity Interest as a capital asset, the loss will be treated as a loss from the sale or exchange of such capital asset. Capital gain or loss will be long-term if the Equity Interest was held by the Holder for more than one year and otherwise will be short-term. Any capital losses realized generally may be used by a corporate Holder only to offset capital gains, and by an individual Holder only to the extent of capital gains plus \$3,000 of other income.

E. WITHHOLDING

All Distributions to Holders of Allowed Claims under the Plan are subject to any applicable withholding, including employment tax withholding. The Debtors and/or the Post Confirmation Estate will withhold appropriate employment taxes with respect to payments made to a Holder of an Allowed Claim which constitutes a payment for compensation. Payers of interest, dividends, and certain other reportable payments are generally required to backup withholding at a rate not in excess of 28% of such payments if the payee fails to furnish such payee's correct taxpayer identification number (social security number or employer identification number), to the payor. The Debtors and/or the Post Confirmation Estate may be required to withhold a portion of any payments made to a Holder of an Allowed Claim if the Holder (i) fails to furnish the correct social security number or other taxpayer identification number ("TIN") of such Holder, (ii) furnishes an incorrect TIN, (iii) has failed to properly report interest or dividends to the IRS in the past, or (iv) under certain circumstances, fails to provide a certified statement signed under penalty of perjury, that the TIN provided is the correct number and that such Holder is not subject to backup withholding. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder of an Allowed Claim's United States federal income tax liability, and a Holder of an Allowed Claim may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

X.

RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to the alternatives described herein because it provides for a larger distribution to the Holders of Claims than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the Holders of Claims. *Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan support confirmation of the Plan and vote to accept the Plan.*

Dated: May 23, 2004

Respectfully submitted,

Jillian's Entertainment Holdings, Inc.
Jillian's Entertainment Corporation
Derby City Promotions, Inc.
Jillian's America Live of Minneapolis, Inc.
Jillian's Billiard Café II of Raleigh, NC, Inc.
Jillian's Billiard Café of Akron, Inc.
Jillian's Billiard Café of Columbia, South Carolina, Inc.
Jillian's Billiard Café of Raleigh, NC, Inc.
Jillian's Billiard Club of Annapolis, Inc.
Jillian's Billiard Club of Champaign Urbana, Inc.
Jillian's Billiard Club of Champaign Urbana, LP
Jillian's Billiard Club of Charlotte, NC, Inc.
Jillian's Billiard Club of Cleveland Heights, Inc.
Jillian's Billiard Club of Cleveland Heights, LP
Jillian's Billiard Club of Cleveland, Inc.
Jillian's Billiard Club of Louisville, Kentucky, Inc.
Jillian's Billiard Club of Manchester, NH, Inc.
Jillian's Billiard Club of Pasadena, Inc.
Jillian's Billiard Club of Seattle, Inc.
Jillian's Billiard Club of Tacoma, Inc.
Jillian's Billiard Club of Worcester, Inc.
Jillian's Billiard Club of Worcester, LP
Jillian's Gators of Minneapolis, Inc.
Jillian's Inc.
Jillian's Knuckleheads of Minneapolis, Inc.
Jillian's Management Company, Inc.
Jillian's of Albany, NY, Inc.
Jillian's of Arundel, MD, Inc.
Jillian's of Concord, NC, Inc.
Jillian's of Covington, Kentucky, Inc.
Jillian's of Farmingdale, NY, Inc.
Jillian's of Franklin, PA, Inc.
Jillian's of Gwinnett, GA, Inc.
Jillian's of Hollywood, CA, Inc.
Jillian's of Houston, TX, Inc.
Jillian's of Indianapolis, IN, Inc.
Jillian's of Katy, TX, Inc.
Jillian's of Memphis, TN, Inc.
Jillian's of Minneapolis, MN, Inc.
Jillian's of Montreal, Inc.
Jillian's of Nashville, TN, Inc.
Jillian's of Norfolk, VA, Inc.
Jillian's of Rochester, NY, Inc.
Jillian's of San Francisco, CA, Inc.
Jillian's of Scottsdale, AZ, Inc.
Jillian's of Westbury, NY, Inc.
Jillian's of Youngstown, OH, Inc.
River Vending, Inc.

By: 
Name: Greg Stevens
Title: Chief Financial Officer of Jillian's Entertainment Holdings, Inc.