IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
NORWOOD PROMOTIONAL PRODUCTS HOLDINGS, INC., et al.,[1]	)	Case No. 09-11547 (___)
Debtors.	)	Joint Administration Requested

DECLARATION OF KEITH A. MAIB, CHIEF FINANCIAL OFFICER OF NORWOOD PROMOTIONAL PRODUCTS HOLDINGS, INC., IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Keith A. Maib, hereby declare under penalty of perjury:

1. I am over the age of 18 and am competent to testify. I am currently, and have been since June 19, 2008, the Chief Financial Officer, Senior Vice President and Treasurer of Norwood Promotional Products Holdings, Inc. ("Holdings"), one of the above-captioned debtors and debtors in possession in these chapter 11 cases (Holdings, together with each of its subsidiaries as debtors and debtors in possession, collectively, "Norwood" or the "Debtors"). I am also a Managing Director of Mackinac Partners, LLC ("Mackinac"), a financial advisory firm that specializes in, among other things, restructuring and turnaround management and bankruptcy-related services. In this capacity, I am familiar with Norwood's day-to-day operations, business, financial affairs and books and records.

2. Concurrently with the filing of this declaration (the "Declaration"), and on the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11

1 The Debtors, along with the last four digits of each Debtor's federal tax identification number, are: Norwood Promotional Products Holdings, Inc. (9391); Norwood Promotional Products, Inc. (4534); Norwood Operating Company, LLC (3446); Advertising Unlimited, LLC (4435); The McCleery-Cumming Company, LLC (2652); and Renaissance Publishing Company, LLC (2740). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 10 W. Market Street, Suite 1400, Indianapolis, Indiana 46204.

of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are operating their business and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrently herewith, Norwood has filed a motion seeking joint administration of these chapter 11 cases pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

3. In addition to providing the Court with a summary overview of Norwood's business and operations and the events that have led up to these chapter 11 cases, I submit this Declaration in support of Norwood's chapter 11 petitions and the various "first day" motions filed therewith, which are intended to soften Norwood's transition into chapter 11 and minimize certain adverse effects of operating a business in chapter 11 (collectively, the "First Day Motions"). I am familiar with the contents of the First Day Motions (including any exhibits thereto), and I believe the relief sought in each is necessary to stabilize Norwood's operations and facilitate a smooth transition into the chapter 11 cases, ensure the best likelihood of completing a successful going-concern sale of Norwood's assets and maximize the value of Norwood's estates for the benefit of all parties in interest.

4. I am authorized to submit this Declaration on behalf of Norwood and in support of Norwood's chapter 11 petitions and the First Day Motions. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon: (a) my personal knowledge of Norwood's business and operations; (b) my review of relevant documents; (c) information supplied to me or verified by other members of Norwood's management, employees or professional advisors, including, without limitation, Kirkland & Ellis LLP ("K&E"), Houlihan Lokey Howard & Zukin Capital, Inc. ("Houlihan Lokey") and Mackinac; (d) and/or my opinion based upon my experience, knowledge and information concerning Norwood's operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein.

SITUATIONAL OVERVIEW

5. Norwood is the second largest supplier of promotional products in the United States (excluding apparel products) and maintains a leading market-share position in several industry-recognized product categories, including calendars, writing instruments, golf products and awards. Because of its extensive manufacturing and imprinting capabilities, Norwood offers one of the broadest (if not the broadest) product lines in the industry—featuring more than 3,700 products across 17 of the 20 major product categories—which enables Norwood to provide a one-stop shopping solution in what is otherwise a highly-fragmented supplier market.

6. Despite its leading position in the promotional products industry, in 2008, like many similarly-situated businesses, the combination of the various events and factors summarized here and discussed in detail in Part IV below, have negatively impacted Norwood's financial performance and precipitated operating losses that can not be sustained in the long-term without creating severe liquidity constraints which, ultimately, could cause Norwood's cash balance to decline to levels that would jeopardize the continued operations of the business.

7. As this Court is no doubt well-aware, the unprecedented financial crisis affecting the banking system and financial markets and current uncertainties in global economic conditions have resulted in a tightening in the credit markets, a low level of liquidity in global financial markets and extreme volatility in credit, equity and fixed income markets. These factors have made it increasingly difficult for Norwood to refinance its existing debt obligations or otherwise recapitalize its balance sheet and/or secure the additional financing availability necessary to fund ongoing operations and anticipated capital expenditures outside of a chapter 11 filing.

8. In addition to directly impacting Norwood, these macroeconomic factors have also materially impacted Norwood's customers and end-user advertisers. Combined, deteriorating economic conditions, rising unemployment and all-time low consumer confidence, have contributed

to a decrease in promotional activity which, in turn, has resulted in a decline in order volume and size that has negatively impacted Norwood's profitability. In particular, despite relatively positive sales in January 2009, Norwood experienced lower-than-expected February and March 2009 sales—9% and 21% below forecast, respectively—a decrease of 26% and 14%, respectively, from the same periods in 2008.

9. Unfortunately, these sudden adverse market conditions began at a particularly inopportune time, when Norwood's financial position was exceptionally vulnerable as a result of unexpected losses and increased costs Norwood incurred in connection with the flooding of its Cedar Rapids manufacturing facility in June 2008. Prior to the flood, the Cedar Rapids facility supplied Norwood's entire writing instrument product line, which, in 2008, accounted for approximately 10% of Norwood's total sales. As a result of the flooding, Norwood was forced to evacuate the facility and suspend operations. Immediately thereafter, Norwood deployed a disaster recovery plan to mitigate losses and provide assistance to employees, many of whom suffered significant damages to or the complete loss of their home and personal belongings. Notwithstanding that under the disaster recovery plan, Norwood was able to transition its operations to its Red Wing and Sleepy Eye facilities—a necessary means of continuing to supply customers with products previously manufactured at the Cedar Rapids plant—the flooding of the Cedar Rapids facility ultimately resulted in a total loss of approximately $17 million.

10. Norwood's highly-leveraged balance sheet, however, has left little room to offset its deteriorating gross margins while maintaining working capital sufficient to fund operations and absorb the losses caused by the Cedar Rapids flood. Specifically, based on near-term outlooks given Norwood's leveraged position, compressed operating margins and tightened liquidity, and in light of current market conditions and trends, I believe and am advised that cash flow from operations and

other sources will not be sufficient to fund Norwood's operations and working capital expenditures, pay the professional fees of its advisors and the advisors retained by its creditor constituencies, meet its current debt service requirements and satisfy the approximately $175 million in debt maturities coming due and owing in the next ten months.

11. In light of the foregoing (and notwithstanding the unsuccessful recapitalization and marketing efforts over the past several years discussed in Part IV), beginning most recently in July 2008, Norwood has been actively exploring its potential restructuring alternatives, including, among other things, seeking out new sources of debt or equity capital, refinancing its obligations and effecting the sale of its business. In particular, in addition to negotiations with its current lenders, Norwood, with the assistance of its advisors, has also canvassed the marketplace, contacting over 200 potential investors, buyers and lenders in a concerted and exhaustive effort to locate potential financial or strategic partners. Norwood's soft financial performance earlier this year caused its most recently-contemplated refinancing transaction to become unfeasible, and although various other parties expressed interest in pursuing one or more possible transactions at one point or another during this time, Norwood's efforts ultimately proved fruitless.

12. Against this backdrop, after considering its options, in consultation with its financial advisors, professionals and other interested parties, Norwood determined that the only viable course of action to preserve the going-concern value of the company would be through an orderly sale of all or substantially all of Norwood's assets under section 363 of the Bankruptcy Code, subject to higher and better bids pursuant to a Court approved auction process. Because of its rapidly deteriorating liquidity position, and in order to maximize the value that could be obtained from such a sale, Norwood sought a "stalking horse" bidder, engaging in discussions with certain interested parties as well as with its secured creditors to that end. After extensive, arm's-length negotiations, Norwood

entered into an agreement to sell substantially all of its assets to Promotional Holdings, LLC, a Delaware limited liability company (the "Purchaser") pursuant to an asset purchase agreement that would serve as the stalking horse bid in a sale under section 363 of the Bankruptcy Code.

13. Accordingly, and only once it became clear that Norwood would not be able to complete an out-of-court alternative within the timeframe necessary to address pressing liquidity issues, Norwood made the difficult but prudent decision to commence these chapter 11 cases to effectuate the sale of all or substantially all of its assets, without delay, either to the Purchaser or to a higher and better bidder that emerges from the chapter 11 auction. I believe that absent a chapter 11 filing, Norwood's ability to finance, sell or restructure its business, maximize its value and preserve and enhance its financial health would have been severely compromised. In contrast, the commencement of these chapter 11 cases and the implementation of an orderly sale process under the supervision of this Court, with the Purchaser providing the floor against which interested parties may bid, I believe will allow Norwood to consummate a going-concern sale of its business, thus maximizing the value of Norwood's estates, which inures to the benefit of all stakeholders.

14. To familiarize the Court with Norwood's business and the first day relief sought by the Debtors, I have organized this Declaration as follows: Part I describes Norwood's business and operations; Part II describes Norwood's acquisition history and current corporate structure; Part III describes Norwood's capital structure; Part IV describes the principal circumstances surrounding, and the events leading up to and driving, the commencement of these chapter 11 cases; Part V describes Norwood's out-of-court restructuring initiatives and efforts; and Part VI provides the factual background to the First Day Motions and the relief Norwood is seeking therein.

PART I
NORWOOD'S BUSINESS AND OPERATIONS

A. Norwood's Business and Operations

15. Headquartered in Indianapolis, Indiana, Norwood is a leading supplier of imprinted promotional products. Generally speaking, promotional products are items or merchandise that are imprinted with the name, logo, slogan or message of an advertiser and are typically given free to a target audience as a form of advertising, goodwill or appreciation. With certain limited exceptions relating primarily to paper goods, Norwood does not manufacture the raw inventory customized for distribution to its end-user buyers but, rather, purchases such materials on open credit from suppliers located in the United States, Canada and overseas (primarily from China and other parts of Asia) and then imprints an advertising message or logo onto such products. Norwood customizes these promotional products in five facilities that, in the aggregate, total over 900,000 square feet, and depending on the season, Norwood employs between 1,800 and 2,200 employees, depending on the season. As of December 31, 2008, the book value of Norwood's assets totaled approximately $150.26 million and the liabilities totaled $205.02 million.

16. Norwood's broad printing and manufacturing capabilities allow Norwood to offer virtually every imprinting process available in the industry. As a result, Norwood markets a wide-range of product lines, featuring more than 3,700 promotional products across 17 of the 20 major industry-recognized product categories. Norwood markets its products under a number of brand names, including Action Line®, Air-Tex®, Barlow®, Econ-O-Line®, Good Value® Calendars, Jaffa™, Pillowline®, RCC Koozie®, Sentry Safety®, Souvenir™, Style-Rite® Planners & Diaries, Tee Off®, Triumph™ Calendars and V-Line™.

17. By offering a wide-range of product lines, Norwood is able to provide low-cost, high-service, one-stop shopping for promotional products and advertising specialties, which affords

Norwood a viable and unique advantage to maintain and grow its market share in the highly-competitive promotional products industry. Indeed, according to industry analysts, Norwood has leading market share positions in a number of product categories.

B. Norwood's Products

18. Norwood's product lines fall into one of two general product categories: "hard goods" and "paper products." Consistent with recent years, Norwood's sales of hard goods and paper products accounted for approximately 60% and 40% of sales revenue, respectively, in fiscal 2008. "Hard goods" are typically small-order, low- to medium-priced products generally marketed under one of the following product lines:

- automotive, tools and flashlights (*e.g.*, highway and vehicular emergency kits, tool kits, tape measures and flashlights);
- awards, recognition and gifts (*e.g.*, trophies, plaques and other awards);
- bags, meeting and outdoor (*e.g.*, bags, outdoor and leisure equipment, travel accessories and headwear);
- drinkware and housewares (*e.g.*, plastic water bottles, ceramic drinking cups and various kinds of Koozie(R) products);
- golf, sports and fun (*e.g.*, customized golf bags, golf balls, golf tees and other gold accessories, other customized sports balls, such as footballs, soccer balls and hockey pucks and various sports-related items, such as clappers, sports sudoku and poker sets);
- health, wellness and safety (*e.g.*, first aid kits, personal safety items, stress relievers, personal care items);
- office, magnets and badge holders (*e.g.*, desk clocks, picture frames, various magnets and lanyards for storing office identification cards); and
- writing instruments (*e.g.*, pens, pencils, highlighters and erasers).

19. Norwood's broad imprinting capabilities, manufacturing capacity and selling and administrative infrastructure, allow Norwood to acquire or develop hard goods products with little incremental fixed manufacturing, selling or administrative cost, which enables Norwood to better-

adapt to changing customer preferences and market conditions. Norwood's focus on lower priced hard goods also helps to capture market share in slower-growth environments and, as a result of the positioning of its product lines, Norwood historically experiences stable top-line growth for such products compared to competitors who focus on high-priced products in weaker markets.

20. Norwood's paper goods business (in which Norwood is a vertically integrated manufacturer) focuses on manufacturing calendars, planners and diary products that are customized with an advertiser's message or logo. In particular, Norwood is the market leader in the calendar category, which generates approximately $100 million in annual revenues. Generally speaking, while new competitors easily enter the promotional products industry given the low barriers to entry, the opposite is true in the capital-intensive calendar segment of the promotional products industry, where the prominence of Norwood's calendar products yields significant market share.

C. Norwood's Customers

21. In the promotional products industry, suppliers typically market their products to unaffiliated, third-party promotional products distributors who, in turn, sell such products to the end-user consumers (*e.g.*, advertisers, affiliate groups and businesses). To preserve and grow its market share, Norwood's strategically-balanced sales force markets its products directly and exclusively to promotional products distributors. Because it is the distributors who develop direct and often long-term relationships with actual end-users of Norwood's products, and especially given that Norwood does not sell any of its products directly to end users, maintaining favorable and fruitful relationships with the distributors on whom Norwood relies to promote its products and serve as the face of the Norwood brand, is it is fundamental to the success of Norwood's business model and operations.

22. Fortunately, Norwood has relationships with a large number of distributors. Indeed, Norwood received orders from over 21,000 (out of approximately 22,000 total) promotional products distributors in 2008. Norwood's revenue is diversified across distributors, with Norwood's

largest account representing approximately 3.6% and its top ten (10) distributors representing approximately 17.6% of total sales revenue in fiscal 2008.

PART II
NORWOOD'S HISTORY AND CORPORATE STRUCTURE

A. Acquisition History

23. Norwood and its predecessors have been marketing promotional products since the 1950's, during which time they have focused on product line expansion and expanding market share. Following certain earlier acquisitions and other corporate transactions, Norwood's current corporate structure was developed through the following acquisitions and divestitures:

- 1992: Norwood acquired Barlow Specialty Advertising (tape measures, key chains, buttons, badges, magnets and pocket knives);
- 1994: Norwood acquired Key Industries (cubes, sticky notes, plastic items, badges, luggage tags, rulers, magnets and button) and ArtMold Products (gold products and molded plastic promotional products, including pocket specialties and desk accessories);
- 1995: Norwood acquired Air-Tex (sport, travel and tote bags), Designer Line (duffle, sport, barrel, golf and tote bags and briefcases), BTS Group (coasters, wall and desk plaques, picture frames and other items incorporating brass medallions) and Ocean Specialty Manufacturing (pocket specialties and desk and business accessories);
- 1996: Norwood acquired Tee-Off Enterprises (custom imprinted gold balls and accessories) and Alpha Products (insulated beverage containers);
- 1997: Norwood acquired DM Apparel (jackets) and Wesburn Golf and Country Club (custom imprinted gold balls and accessories);
- 1999: Norwood acquired Bemrose (leather briefcases, portfolios, bag tags, pens, sports bottles, fine crystal, calendar lines, diary products and bereavement products) and Advertising Unlimited (calendar lines, personal organizers and diaries and personal care products);
- 2003: Norwood divested Plastag (identification cards); and
- 2007: Norwood divested Talbot (Canadian distributor).

B. Norwood's Current Corporate Structure

24. As a result of the out-of-court restructuring transaction discussed below, Norwood Promotional Products Holdings, Inc. ("Holdings") currently owns 100% of the common stock of Norwood Promotional Products, Inc. ("Opco"). Holdings has no operations and no assets other than Opco's common stock. Opco, in turn, is the sole equity holder of Norwood Operating Company, LLC, a Delaware limited liability company, which in turn owns 100% of the common stock of Advertising Unlimited, LLC, a Minnesota limited liability company, The McCleery-Cumming Company, LLC, an Iowa limited liability company and Renaissance Publishing Company, LLC, an Indiana limited liability company (excluding Opco, collectively, the "Subsidiaries").

PART III
NORWOOD'S CURRENT CAPITALIZATION AND STRUCTURE

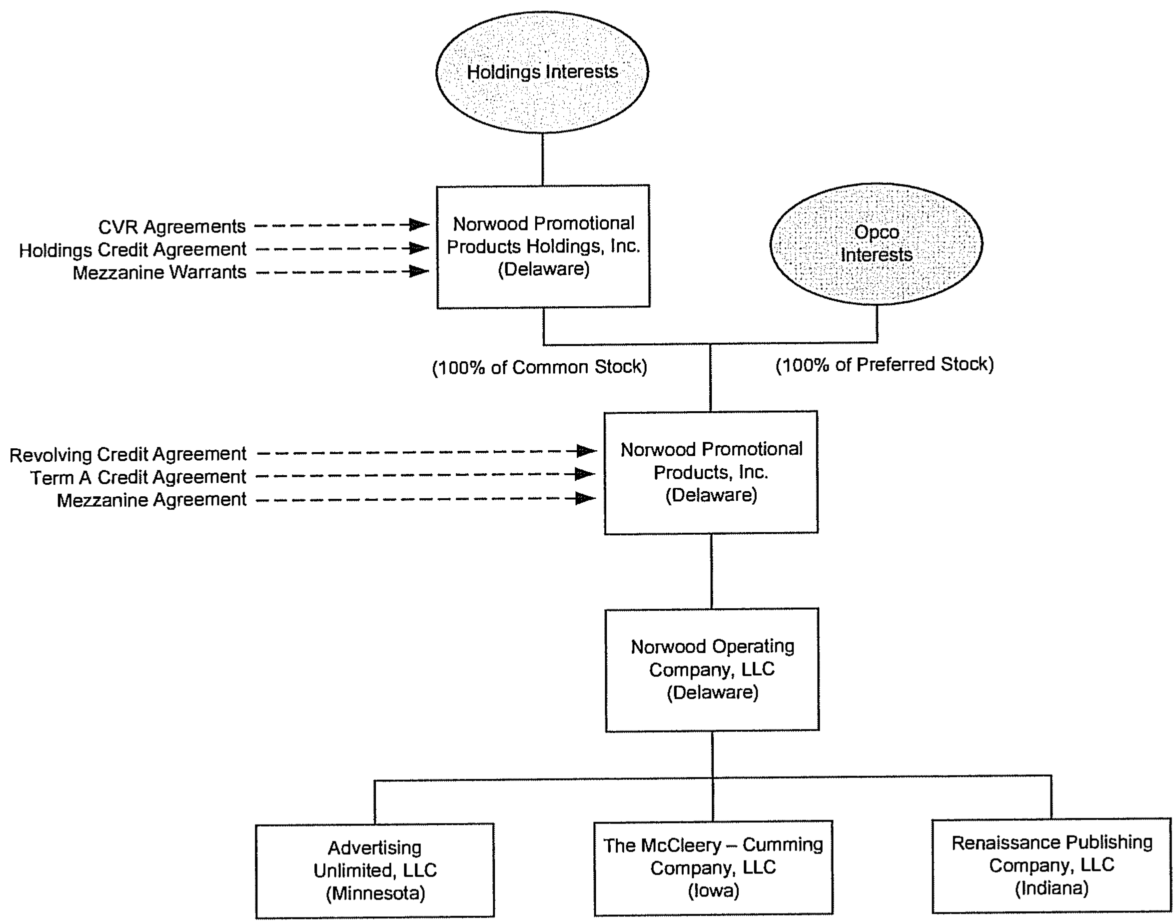
25. Norwood's current capital structure is by and large the result of an out-of-court, consensual debt and equity restructuring transaction (the "2004 Restructuring") completed in August 2004. Specifically, as a result of the 2004 Restructuring: (a) Opco's then-existing revolving credit facility was replaced with a new facility; (b) the lenders under Opco's then-existing term facility received a combination of cash and new loans under Opco's current term facility; and (c) the lenders under Holdings' then-existing term facility received a combination of new voting common stock of Holdings, new loans under Opco's current term facility and new loans under Holdings' current term facility.

26. In addition, certain other lenders received new voting common stock of Holdings, Opco's then-existing notes and the notes and preferred stock of Holdings' predecessor entity ("Old Holdco") were cancelled, and in exchange, the holders thereof received contingent value rights (depending on the type of security the parties held) issued by Holdings. Lastly, the outstanding common stock of the subsidiaries of Old Holdco was cancelled in exchange for certain mutual

releases and debt forgiveness. Following the 2004 Restructuring, Holdings was capitalized with the contribution of loans above-described and held 100% of the shares of voting common stock of Opco.

27. As of the Petition Date, the Debtors have total outstanding debt in the aggregate principal amount of approximately $295.4 million, consisting primarily of $165.2 million of outstanding borrowings under Opco's credit facilities, $127.2 million of outstanding borrowings under Holdings' credit facilities and approximately $3.0 million of various other debt obligations, including capital leases, issued and outstanding letters of credit and outstanding performance bonds.

<u>Norwood's Current Corporate and Capital Structure</u>



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A. Opco's Capital Structure

(i) The Revolving Credit Agreement

28. In July 2008, Opco replaced its then-existing revolving credit facility with a new $40.0 million senior secured revolving credit facility, including a $7.5 million letter of credit subfacility pursuant to that certain Loan and Security Agreement, dated as of July 15, 2008 (as the same has been and may be further amended, supplemented or modified from time to time, the "Revolving Credit Agreement") by and between Opco, as borrower, and Wachovia Bank, National Association, as lender (the "Revolving Lender").

29. Opco's obligations under the Revolving Credit Agreement (the "Revolver Obligations") are guaranteed by each of the Subsidiaries and secured by a first-priority security interest in substantially all of Norwood's accounts, inventory, general intangibles and proceeds thereof and other traditional revolver collateral, as well as those of the Guarantors, subject to certain customary exceptions, and a second-priority security interest in the remaining assets of Opco and the Subsidiaries, excluding real property (the "Revolver Collateral"). As of the Petition Date, approximately $9.7 million has been drawn and $2.1 million in letters of credit has been issued and remains outstanding under the Revolving Credit Agreement.

30. Amounts repaid under the Revolving Credit Agreement may be reborrowed (subject to satisfaction of the applicable borrowing conditions, including availability under a borrowing base formula, minimum availability and any reserves imposed by the Revolving Lender) at any time prior to the maturity of the Revolving Credit Obligations, which is July 15, 2011.[2] The Revolving Credit Agreement has been amended as of April 8, 2009, as a condition of the existing forbearance, which

2 The Revolving Credit Agreement has springing maturity thirty (30) days prior to the maturity date for the Term A Credit Agreement (August 16, 2009) if the Term A Credit Agreement has not been refinanced or the maturity date otherwise extended.

amendment reduced the size of the facility to $30 million. In addition, as a result of the forbearance, the pricing grid has been eliminated, the interest rates were increased, the LIBOR rate option was eliminated, the availability was decreased, a $7.5 million availability block was imposed and the reporting frequency was increased to daily.

31. Currently, after giving effect to the amendment, the Revolver Obligations bear interest, *per annum*, based on a base rate (which is equal to the greater of the Revolving Lender's prime rate or the Federal Funds Rate plus 50 basis points) plus 2.25%. In addition, Norwood pays between 2.0% and 2.5% (based on the aggregate amount of availability under the Revolving Credit Agreement) *per annum* on all outstanding letters of credit, and pays an unused revolver fee in an amount equal to 0.375% per year on the unused commitments under the Revolving Credit Agreement. In addition, the Revolving Lender may increase the applicable interest rate by 2.0% *per annum* for the period from and after the date of the occurrence of an Event of Default for so long as such Event of Default is continuing.

(ii) <u>The Term A Credit Agreement</u>

32. In 1999, Opco and the Subsidiaries obtained a $140.0 million term loan, which is currently evidenced by that certain Third Amended and Restated Credit Agreement, dated as of August 16, 2004 (as the same has been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "<u>Term A Credit Agreement</u>"), by and between Opco and the Subsidiaries, as borrowers, The Bank of New York Mellon (f/k/a The Bank of New York) ("<u>The Bank of New York</u>"), and each of the other commercial banks, finance companies, insurance companies or other financial institutions or funds from time to time party hereto (together with The Bank of New York, the "<u>Term A Lenders</u>"), The Bank of New York, successor to U.S. Bank National Association, as administrative agent for the Term A Lenders (in such capacity, the "<u>Term A Agent</u>") and Merrill Lynch, as Syndication Agent.

33. Opco's obligations under the Term A Credit Agreement (the "Term A Obligations") are secured by a security interest in substantially all of the assets of Opco and the Subsidiaries, which is junior to the first-priority security interest granted in favor of the Revolving Lender on the Revolver Collateral (the "Term A Collateral"). As of the Petition Date, the outstanding amount of the Term A Obligations was approximately $133.8 million. The Term A Obligations bear interest, *per annum*, at Opco's option based on an alternate base rate (greater of prime or federal funds rate plus 50 basis points) plus an applicable margin or LIBOR plus an applicable margin (6.25% at December 31, 2008). The principal is payable in quarterly installments of $1.0 million through June 2009, with the outstanding balance (plus PIK interest) due on August 16, 2009.

(iii) The Mezzanine Notes

34. In 2006, Norwood entered into that certain Note and Equity Purchase Agreement, dated as of July 17, 2006 (as the same has been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "Mezzanine Agreement"), by and between Opco and the Subsidiaries, as issuers, Holdings, The Bank of New York Mellon (f/k/a The Bank of New York), as administrative agent (in such capacity, the "Mezzanine Agent") and the securities purchasers from time to time party thereto (the "Mezzanine Note Purchasers"), pursuant to which Opco and the Subsidiaries, as issuers, could issue secured notes with an available face amount of up to $20.0 million (the "Mezzanine Notes").

35. Norwood's obligations under the Mezzanine Agreement (the "Mezzanine Obligations") are secured by a third-priority security interest in substantially all assets of Norwood (the "Mezzanine Collateral"). Interest on the Mezzanine Notes accrues on the unpaid principal balance at LIBOR plus a margin (4%) *per annum* payable quarterly, plus an additional 15% *per annum* PIK interest. The outstanding balance of the Mezzanine Obligations (which as of the Petition Date was approximately $20.5 million) matures on February 15, 2010. As a condition to Waiver and

Amendment No. 1, Norwood was required to pay additional fees in the form of additional indebtedness if the refinancing was not completed by the designated milestones, and the intercreditor agreement between the existing lenders was amended to reduce the permitted revolving facility size from $55 million to $40 million.

36. In connection with the issuance of the Mezzanine Notes, Holdings granted common stock warrants exercisable for $.01 per share for 176,471 shares of Holding's common stock (the "Mezzanine Warrants"). The Mezzanine Warrants may be exercised in whole or in part until the earlier of (i) July 17, 2011 and (ii) a "Change of Control" (defined as any direct or indirect sale or other transfer, whether by a stock sale, merger, consolidation or otherwise, and whether in a single or a series of transactions, of the capital stock of Holdings, which results in more than 50% of the capital stock of Holdings being held or owned (directly or indirectly) by any person or group other than Holdings or a subsidiary or an affiliate of Holdings).

37. The Mezzanine Warrants, if not exercised, will terminate upon Change of Control (as defined above). As originally drafted, the Mezzanine Warrants were not detachable until Norwood has achieved certain minimum EBITDA thresholds. Such thresholds were not met, but the Mezzanine Warrants have nevertheless been trading separately from the Mezzanine Notes in violation of the Mezzanine Agreement. In Amendment No. 2, dated as of September 10, 2008, the requirement that the Mezzanine Notes and the Mezzanine Warrants were trading together has been deleted, and all non-compliant prior trades have been grandfathered in. Concurrent with the Waiver and Amendment No. 1, Norwood waived any claims it may have had against the Mezzanine Note Purchasers.

(iv) The Opco Interests

38. Opco's outstanding equity securities consist of (i) shares of common stock, 100% of which are held by Holdings, and (ii) shares of preferred stock (the "Opco Interests"), awarded to members of Opco's board of directors and certain of Opco's current and former officers (the "MRSP Participants") pursuant to that certain Management Restricted Stock Plan (as the same has been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "MRSP"). The MRSP was originally adopted on August 16, 2004, and was amended and restated as of November 13, 2006 and January 18, 2008. 15,000 shares of Opco Interests, par value of $0.001 per share, are authorized under the MRSP, 4,090 of which may be awarded to members of the Opco Board. As of the date hereof, 11,441 shares of preferred stock have been granted or reserved for future issuance under the MRSP.

B. Holdings' Capital Structure

(i) The Holdings Credit Agreement

39. In connection with the 2004 Restructuring described above, Holdings issued notes in the aggregate principal amount of $101 million pursuant to that certain Credit Agreement, dated as of August 16, 2004 (as the same has been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "Holdings Credit Agreement"), by and between Holdings, as borrower, The Bank of New York, and each of the other commercial banks, finance companies, insurance companies or other financial institutions or funds from time to time party hereto (together with Bank of New York, the "Holdings Lenders"), The Bank of New York, successor to U.S. Bank National Association, as administrative agent for the Holdings Lenders (in such capacity, the "Holdings Agent") and Merrill Lynch & Co., as Syndication Agent.

40. Holdings' obligations under the Holdings Credit Agreement (the "Holdings Obligations"), are secured by a first lien in substantially all of the assets of Holdings—*i.e.*, the

outstanding common stock of Opco (the "Holdings Collateral"). As of the Petition Date, the outstanding amount of the Holdings Obligations was approximately $128.2 million. The Holdings Obligations bear interest at 6% *per annum*, of which 1% is paid quarterly in cash and 5% is PIK interest paid annually. Norwood pays the cash interest due on the Holdings Obligations on behalf of Holdings. The Holdings Obligations mature on August 16, 2011.

(ii) The Contingent Value Rights Agreement

41. In connection with the 2004 Restructuring described above, Holdings issued certain contingent value rights (collectively, the "CVRs") pursuant to that certain Contingent Value Rights Agreement, dated as of August 16, 2004 (as the same may have been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "Contingent Value Rights Agreement") by and between Holdings, certain Holders of the CVR Claims party thereto, and Liberty Partners, L.P., as agent. As a general matter, current holders of the CVRs have those rights provided for in the Contingent Value Rights Agreement and that certain Proceeds Sharing Agreement dated August 16, 2004 (as the same may have been and may be further amended, supplemented or modified from time to time in accordance with its terms, the "Proceeds Sharing Agreement," and together with the Contingent Value Rights Agreement, the "CVR Agreements") by and between Holdings, the lenders party thereto, U.S. Bank National Association, as such lenders' agent, the holders of the CVRs party thereto and Liberty Partners, L.P., as such holders' agent.

(iii) The Holdings Interests

42. In connection with the 2004 Restructuring described above, Holdings issued shares of common stock and warrants to purchase shares of common stock (collectively, the "Holdings Interests") pursuant to the certificate of incorporation and bylaws of Holdings. Each Holder of the Holdings Interests is a party to that certain Stockholders Agreement, dated as of August 16, 2004, by and between such Holders and Holdings.

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PART IV
EVENTS LEADING TO THE CHAPTER 11 FILING

43. Like many companies, recent turmoil in the credit markets and the financial services industry has negatively impacted Norwood's financial condition and liquidity. As the Court knows, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil characterized by the bankruptcy, failure, collapse or sale of various financial institutions, and an unprecedented level of intervention from the U.S. federal government. While the ultimate outcome of these events cannot be predicted, such events have had a material adverse effect on Norwood's ability to refinance existing debt obligations and/or otherwise complete a balance sheet recapitalization transaction outside of the bankruptcy forum and raise additional funding necessary for working capital, capital expenditures, debt service requirements and other purposes.

44. In addition to these macroeconomic factors, certain other conditions have contributed to Norwood's declining financial condition and the lack of liquidity ultimately precipitating the filing of these chapter 11 cases, the most significant of which are described below.

A. Recent Softened Operating Performance

45. Norwood's financial performance depends primarily upon the market demand for its products and the prices that it receives for such products. Because sales volume in the promotional products industry is generally correlated to economic conditions, difficult economic conditions tend to result in decreased consumer demand for promotional products, thereby reducing overall sales volumes. Notably, the recent economic downturn has significantly affected the market for advertising spending, including promotional products, leading to increased inventory levels and downward pressure on Norwood's operating income.

46. In particular, as above-noted, Norwood's profitability has been adversely affected by declining order volume and size. Worldwide sales revenue declined to approximately $312.2 million

(unaudited) in 2008 from $324.9 million in 2007, and fourth quarter 2008 revenues were down 10.3% over the same period for 2007. Moreover, Norwood's adjusted EBITDA declined dramatically from 2007 to 2008, from $40.1 million in 2007 to approximately $25.7 million in 2008—a decrease of roughly 36%. In addition to the deterioration in general market conditions, several other factors also contributed to this decline, including rising material costs and the Cedar Rapids flood (both are discussed below), as well as significantly higher professional fee expenses associated with the refinancing efforts and the negotiation of the amendments and waivers to Norwood's existing credit documents discussed herein. Most recently, despite relatively positive sales in January 2009 (14% above forecast), Norwood experienced significantly lower-than-expected sales in February and March 2009—9% and 21% below forecasted levels, respectively—a decrease of 26% and 14% from February and March 2008, respectively.

B. Imminent Maturities and Significant Debt Obligations

47. Norwood is highly-leveraged, and its declining EBITDA has made it more difficult to service this leverage. Available cash, access to additional capital and future business prospects have been limited by Norwood's levels of debt and other financial obligations, restrictive intercreditor agreements and loan covenants and the current depressed condition of the capital markets. In addition to the effects on Norwood's financial performance discussed herein, the extreme disruption in the capital markets has adversely impacted Norwood's prospects for refinancing its current credit facilities or recapitalizing Norwood outside of a chapter 11 filing.

48. Under current market conditions and trends, I believe and am advised that Norwood's cash balances, cash generated from operating activities and access to working capital funding under its existing credit facilities are not sufficient to meet Norwood's immediate and anticipated cash requirements, including, importantly, the imminent maturities of the Term A Obligations (which mature on August 16, 2009), the Revolver Obligations (which, due to the springing maturity under

the Revolving Credit Agreement, mature on July 17, 2009) and the Mezzanine Obligations (which mature on February 15, 2010). Combined, the foregoing maturities require payments in excess of $175 million over the next ten months.

C. Defaults Under the Credit Facilities

49. As of the date hereof, certain events of default under each of Norwood's credit agreements have occurred, and are continuing to occur, including: (i) the failure to deliver a thirteen-week forecast of sources and uses of cash and a report of the actual sources and uses of cash for the preceding month for the fiscal period ended December 31, 2008 and all periods prior thereto; (ii) the failure to comply with certain financial covenants; (iii) the failure to deliver audited annual financial statements without auditors' material qualification; (iv) breaches of representations and warranties related to the defaults specified above; (v) failure to make certain principal and interest payments; and (vi) cross-defaults to the other credit facilities.

50. As a result of the foregoing, Norwood entered into forbearance agreements with the Term A Lenders and the Revolving Lender (the Holdings Lenders and Mezzanine Note Purchasers indicated that they would grant Norwood a similar forbearance, but as of the Petition Date, a final version was not circulated), pursuant to which the respective lenders agreed to forbear (provided certain conditions are met) from exercising default-related rights and remedies in connection with the existing events of default under their respective facility. Despite the forbearance agreements, default interest rates may apply in accordance with the provisions of each credit facility.

D. Increased Production Costs

51. Like other manufacturers, Norwood's operations require the use of materials, labor, energy, fuel and other inputs related to the manufacturing and distribution of their products. As the Court is no doubt aware, in early fiscal 2008, skyrocketing energy and industrial commodity costs combined with sharp increases in inventory pricing, translated into a significant unanticipated

pricing pressure for many companies in a wide-range of industries, including Norwood. As the increase in oil and natural gas prices continued to escalate through 2008, Norwood, like other similarly-situated businesses, continued to experience increased pricing for the inventory Norwood uses to customize the products necessary to fulfill customers' orders. In addition, the costs of fuel and other distribution costs have risen dramatically over the past few years and, unfortunately for shipping-intensive businesses like Norwood's, continued to reach historic highs in early 2008 as price of oil rose which, in turn, further compressed Norwood's operating margins.

52. In addition, because Norwood sources approximately half of its inventory from foreign suppliers whose primary currency is not the U.S. dollar—including from China, Canada, India, Sri Lanka, Bangladesh, Japan, Taiwan, Korea and parts of Europe—Norwood is influenced by fluctuations in the rate of exchange for the U.S. dollar against certain major currencies (*i.e.*, decreases in the value of the U.S. dollar results in increased source product costs), which, in many cases recently, has not been favorable to Norwood. Moreover, orders for foreign inventory must be placed (and typically paid for) 120-160 days in advance. Because Norwood relies on estimated demand forecasts based upon historical trends in Norwood and in the marketplace, major changes in the economy (like those experienced in 2008) and/or unexpected shifts in consumer demand make it difficult for Norwood to accurately manage fluctuating inventory, which can necessitate reduced production, thereby creating excess or underutilized capacity which ties up much-needed liquidity.

53. Finally, given competitive pressures and the highly-challenging nature of the promotional products market, these increased overhead costs have proven increasingly difficult to pass through to Norwood's customers. In fact, price competition in the promotional products industry has restricted Norwood's ability to increase pricing for Norwood's products which, coupled with Norwood's highly-leveraged position and the increased production costs described below, have

further worsened Norwood's financial position. Importantly, Norwood can only increase prices at the beginning of the year, as prices are published in an annual catalog. Additionally, most of Norwood's sales are made to customers on a purchase order basis (as opposed to long-term purchase commitments), which provides no assurance that these price increases can be passed through to customers. Although Norwood strives to maintain or increase profitability by reducing costs through improving production efficiency, emphasizing higher margin products and controlling selling, labor and administration expenses, these efforts are not sufficient to offset fully the effect of declining sales and Norwood's high fixed costs. Accordingly, increases in source product costs and other costs may not necessarily correlate with changes in product prices, which, together with higher utility, shipping and freight and labor-related costs, have led to decreased gross margins.

E. Flooding of the Cedar Rapids Manufacturing Facility

54. As above-described, another factor contributing to lower-than-forecast 2008 sales was the flooding of Norwood's Cedar Rapids, Iowa facility in June 2008, which forced the evacuation and suspension of operations at that facility. As a direct result of the flood, sales declined approximately $10 million, and Norwood incurred a business interruption loss of approximately $5 million. While the losses incurred as a result of such interruption are covered under Norwood's insurance policies for twelve months following the date thereof loss, any gains or recoveries resulting from business interruption cannot be recognized under GAAP until the period in which such claims are paid and all contingencies are removed. Norwood has reached a final settlement of its claim in the amount of $17 million and, as of the Petition Date, has received $12 million from the insurance carrier as an advance against the claim arising from the flood (as discussed in more detail in the DIP Motion, as defined below).

PART V
NORWOOD'S OUT-OF-COURT RESTRUCTURING EFFORTS

A. The 2005 Operational Restructuring

55. As a result of the above-described acquisitions, by 2002, Norwood consisted of 29 separate businesses operating out of 14 autonomous, non-integrated facilities. Norwood's high-operating costs, supply chain inefficiencies resulting from Norwood's lack of integration and declining sales volume compelled Norwood to engage the services of a restructuring firm to identify and assist with the elimination of unnecessary cost in the business. Norwood turned its attention toward operations, developing initiatives designed to reduce costs and improve cash flow. In particular, Norwood effected a number of permanent and sustainable operational changes throughout 2005, including: (i) completing a consolidation from the 14 facilities to six facilities (resulting in a total annual cost savings of $18.1 million); (ii) re-establishing relationships with the distribution channel and ending the failed strategy to circumvent this channel; and (iii) implementing lean operating principles in all its factories and at corporate headquarters.

56. Despite the successful implementation of the above-listed operational initiatives, Norwood realized that it was not going to be able to sustain its debt service through cost reductions only and, consequently, began the search for a new management team for the long-term.

B. Financial Restructuring Efforts

57. In June 2006 a new management team was formed with industry-based leadership. The new team has over 70 years of combined promotional products experience. The team was able to maintain the cost reductions and, at the same time, began repairing industry relationships resulting in immediate new sales. Norwood also committed to the development of lean operating practices in its factories and at its headquarters to continue to reduce costs.

58. In early 2006, after reviewing 2005 numbers and the 2006 budget projections, it became clear that there would need to be modifications to the Term A Credit Agreement, the Holdings Agreement and the $35 million revolving credit agreement in place at that time to provide for waivers of a broad-range of covenants and to reset certain covenants based on revised projections. Norwood approached the three lending groups to discuss amending each of the three credit facilities (during which time the lenders would agree to forbear from exercising default-related rights under their respective agreements. After extensive negotiations, on July 17, 2006, Opco entered into a second amendment to the Term A Credit Agreement with the Term A Lenders, and Holdings entered into a first amendment of the Holdings Agreement with the Holdings Lenders.

59. Negotiations relating to the revolving facility were not as productive. Instead, Bank of America (the agent under the revolving facility) restricted Norwood's revolver availability, prompting Norwood to actively look for alternative lenders or means by which Bank of America could be paid off and the revolving facility refinanced. After reviewing a number of competing proposals, on July 17, 2006, Norwood replaced the Bank of America revolver with a new $27.2 million revolving credit facility provided by a new syndicate of lenders comprised from the existing term lender group. Additionally, Norwood entered into the Mezzanine Agreement to obtain additional working capital funds.

60. By early 2007, it became apparent that the size of the 2006 revolving facility was insufficient to meet Norwood's liquidity needs in a growth situation, and Norwood launched a recapitalization initiative consisting of a simultaneous refinancing and restructuring transactions designed to simplify and streamline Norwood's capital structure. From May through August 2007, Norwood engaged in dealings with Credit Suisse ("CS") as arranger to syndicate an asset-based revolving credit facility, a senior-secured first lien term loan facility and a senior secured second lien

term loan facility, with an aggregate principal amount of up to $255 million. Unfortunately, at the same time Norwood was engaged in negotiations with CS, the leveraged financing markets constricted significantly and the international credit markets generally lost their liquidity and the loan volume that was being syndicated fell dramatically, affecting the banks as well as the borrowers and, further, a dramatic increase in secondary market trading at significant discounts below par had a chilling effect on primary markets. Despite Norwood's best efforts and threatened litigation, the deal was never completed.

61. As a result, by the end of December 2007, Norwood tripped certain covenants regarding the granting of subordinated liens for the benefit of the revolver lenders against certain assets. Around the same time, Norwood initiated discussions with a potential strategic buyer for Norwood. After engaging a sub-set of equity holders in such discussions, certain large equity holders demanded that Norwood retain an investment banking firm to advise Norwood in connection with the potential sale, and further demanded that Norwood expand its board of directors (a demand with which Norwood complied). The sales transaction failed to materialize.

62. On July 15, 2008, Norwood refinanced its revolving credit facility for the third time, this time replacing the $27.2 million revolver with the proceeds of the Revolving Credit Agreement obtained from Wachovia Bank, National Association (discussed above). In addition, effective June 2, 2008, Norwood's existing credit agreements were amended to delete the requirement for the revolver supplementary liens, revise certain financial and non-financial covenants including minimum consolidated EBITDAR, permitted indebtedness and required reporting. In conjunction with these amendments, the revolving facility in place at that time was reduced from $50 million to $40 million, and Norwood's lenders waived all existing defaults and events of default.

63. In mid-2008, despite efforts to restart the discussions with the strategic buyer regarding the sale of Norwood, these discussions cooled and then, following the flooding of the Cedar Rapids facility, ended all together. In March 2008, with the assistance of Mackinac, Norwood commenced a process to refinance each of Opco's credit facilities. Because of the lack of interest and general lack of term loan facilities available in the market at that time, Norwood shifted its focus to refinancing its revolving credit facility (which was scheduled to mature on December 31, 2008), in light of Norwood's heightened working capital needs during the then-upcoming peak season for its calendar business. These refinancing efforts were successful, and Norwood was able to replace its then-existing $27.2 million revolving credit facility with the above-described facility obtained from the current Revolving Lender.

64. Upon completion of this refinancing effort, Norwood turned its focus toward refinancing the Term A, Mezzanine and Holdings Obligations, launching a high yield offering in August 2008. However, Norwood's softened financial performance at that time (resulting from the flooding of Cedar Rapids and general market downturn) coupled with the continued tightening credit markets and the precipitous decline of the general global economy, made the financing harder to place than originally expected, and Norwood was unable to effectuate the financing.

65. It is important to note at this point, however, that despite the widely-publicized "frozen credit markets" and notwithstanding the foregoing conditions, certain capital providers nevertheless expressed a willingness to continue to negotiate with Norwood regarding the terms of a consensual out-of-court recapitalization transaction. Indeed, beginning in July 2008, Norwood, with the assistance of its professional advisors, engaged in extensive negotiations with each of its lending groups and certain majority equity holders in an effort to reach a consensual agreement on the recapitalization and restructuring of Norwood's capital structure.

66. As above-described, despite efforts to improve profitability and maximize revenues, February and March sales and EBITDAR were well-under budget. Regrettably, this softened financial performance prevented the completion of an otherwise successful solicitation of the terms of a prepackaged chapter 11 plan. Notably, given Norwood's weakened performance and current projections, it has become apparent that there is a substantial likelihood that Norwood will not be able to meet the minimum excess liquidity covenant required to effectuate the new-money financing transactions proposed under the restructuring term sheet, as solicited.

C. The Decision to Complete a Sale of its Business

67. When it became clear that the most recent restructuring alternative could not be effectuated, Norwood and its advisors approached each of the lender groups and certain interested parties who had been actively involved in the negotiations relating to the prepackaged chapter 11 plan, to discuss available options for resolving Norwood's currently pressing liquidity situation, including, among other things, modifying the excess liquidity covenant, marketing alternative strategic and financial proposals and completing a sale of Norwood's assets, in whole or in part, under section 363 of the Bankruptcy Code.

68. Ultimately, following a thorough review and evaluation of all other alternatives, and only after it became clear that completing an out-of-court transaction would not be possible within the timeframe necessary to address Norwood's pressing liquidity issues, Norwood and its advisers concluded that the value-maximizing course for its business was through a sale of all or substantially all of its assets under section 363 of the Bankruptcy Code. Given the circumstances facing Norwood as a result of its rapidly declining cash position, Norwood approached its existing lenders and the Purchaser in an effort to negotiate the terms on which either would agree to be the stalking horse bidder at an auction for the sale of all or substantially all of Norwood's assets effected under the

supervision of this Court, subject to any higher and better bid received as a result of a competitive bidding process.

69. Following extensive, arm's-length, good faith negotiations between Norwood and the Purchaser and their financial advisors and counsel, Norwood and the Purchaser executed the asset purchase agreement described in Part VI below, which contemplates the sale of substantially all of Norwood's assets for a purchase price of approximately \$132.5 million (subject to certain adjustments). Additionally, Norwood has obtained a \$30.0 million debtor-in-possession financing facility from Wachovia Bank, National Association (the Revolving Lender), which, as more-fully discussed in Part VI below, I believe should provide sufficient to fund Norwood's operations and working capital expenditures through the pendency of the sale process. I believe and am advised that these additional funds should enable Norwood to continue to operate as going-concern while its assets are market tested and competitive bids are solicited as part of the auction process summarized herein and described in detail in the Bidding Procedures Motion.

70. To that end, with the stalking horse and a minimum purchase price in place, Norwood has commenced these chapter 11 cases to implement a competitive bidding process and promptly effectuate the sale of its assets. I believe and am advised that after considering and evaluating any and all available options and potential alternatives, Norwood has determined, in the exercise of its sound business judgment, that the commencement of these chapter 11 cases and the sale proposed to be effectuated thereunder, is the best opportunity under the circumstances to maximize the value of Norwood's estates for the benefit of Norwood's creditors and all parties in interest.

PART VI
SUMMARY OF FIRST DAY MOTIONS[3]

71. It is critical that Norwood is able to make as smooth a transition as practicably possible into chapter 11 operations to preserve its reputation, maintain the loyalty and goodwill of its customers and employees and instill confidence in interested parties as to Norwood's ability to continue operations as a going-concern pending the consummation of a sale of substantially all of Norwood's assets. To do so, sales and operations must continue in the ordinary course of business. It is also imperative that Norwood remain on good terms with its key suppliers, customers and employees, among other parties, so that current operations continue uninterrupted. Achieving these goals, however, is likely to be particularly challenging while operating in chapter 11. To that end, the First Day Motions are designed to facilitate Norwood's transition into chapter 11 and minimize disruptions to Norwood's business operations. Absent Court approval of relief sought in each of the First Day Motion, I believe and am advised that Norwood's business operations will suffer and the value of its assets will deteriorate.

72. Several of the First Day Motions request authority to pay certain prepetition claims. I am advised and understand that the Court will not consider motions to pay prepetition claims during the first twenty days following the Petition Date, except to the extent necessary to avoid "immediate and irreparable harm" as required by Bankruptcy Rule 6003. In recognition thereof, upon the advice and with the assistance of counsel, Norwood has used its best efforts to narrowly-tailor requests for authority to pay prepetition claims to those circumstances where the failure to do so would, in Norwood's reasonable business judgment, result in immediate and irreparable harm.

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3 Capitalized terms used but not otherwise defined in this Part VI shall have the meanings ascribed to them in the relevant First Day Motion.

73. As stated above, I have reviewed each of the First Day Motions (including the exhibits and schedules attached thereto) and, to the best of my knowledge, information and belief, insofar as I have been able to ascertain after reasonable inquiry, I believe that the facts set forth therein are true and correct. Accordingly, for the reasons stated herein and in each of the First Day Motions filed in herewith, I respectfully request that each of the First Day Motions be granted in its entirety, together with such other and further relief as this Court deems just and proper.

A. Joint Administration Motion

74. By this motion (the "Joint Administration Motion"), Norwood requests entry of an order directing joint administration of the chapter 11 cases (for procedural purposes only). Specifically, Norwood requests that (i) the Court maintain one file and one docket for all of the chapter 11 cases under the case of Norwood Promotional Products Holdings, Inc., and (ii) an entry be made on the docket of each of the Debtors' chapter 11 cases, other than that of Debtor Norwood Promotional Products Holdings, Inc., to reflect the joint administration of these chapter 11 cases.

75. As discussed in greater detail in the Joint Administration Motion, given the integrated nature of Norwood's operations, joint administration of the chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest in these cases. Many of the motions, hearings and orders that will arise in the chapter 11 cases will jointly affect each and every Debtor. The entry of an order directing joint administration of the chapter 11 cases will reduce fees and costs by avoiding duplicative filings and objections and will allow the U.S. Trustee and all parties in interest to monitor the chapter 11 cases with greater ease and efficiency.

76. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Joint Administration Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and

continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

B. Epiq Retention Motion

77. By this motion (the "Epic Retention Motion"), Norwood requests entry of an order authorizing Norwood to retain and employ Epiq Bankruptcy Solutions, LLC ("Epiq") to serve as notice and claims agent in connection with these chapter 11 cases.

78. As discussed in greater detail in the Epic Retention Motion, Norwood estimates that it may have thousands of potential creditors. In addition to these creditors, there are thousands of other parties in interest in Norwood's chapter 11 cases. This significant number of creditors and parties in interest may impose heavy administrative and other burdens on the Court and the Office of the Clerk of the United States Bankruptcy Court for the District of Delaware. To relieve the clerk's office of these burdens, Norwood respectfully submits that the most effective and efficient manner of notifying creditors and all other relevant constituencies of the commencing of these chapter 11 cases, as well as transmitting, receiving, docketing and maintaining proofs of claim filed in connection with these chapter 11 cases, is for Norwood to engage Epiq as an independent third party to act as Norwood's notice, claims and balloting agent.

79. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Epiq Retention Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

C. Cash Management Motion

80. By this motion (the "Cash Management Motion"), Norwood requests entry of an order authorizing Norwood to: (i) continue using its existing cash management system, including its bank accounts and business and correspondence forms; and (ii) maintain its existing investment and deposit practices for sixty (60) days from the Petition Date, pending further motion of the Debtors and order of this Court. Norwood further requests that the Court authorize the banks at which Norwood maintains its bank accounts to continue to maintain, service and administer Norwood's bank accounts and debit Norwood's accounts in the ordinary course of business on account of: (i) checks drawn on Norwood's accounts which are presented for payments at the banks or exchanged for cashier's checks prior to the Petition Date; (ii) checks or other items deposited in the bank accounts prior to the Petition Date which have been dishonored or returned unpaid for any reason (including associated fees and costs), to the same extent Norwood was responsible for such items prior to the Petition Date; and (iii) undisputed, outstanding service charges owed to the banks as of the Petition Date, on account of the maintenance of Norwood's cash management system, if any.

81. As discussed in greater detail in the Cash Management Motion, in the ordinary course of business, Norwood utilizes an integrated, centralized cash management system to collect, transfer and disburse funds generated by its operations and maintains current and accurate accounting records of all daily cash transactions. The cash management system is managed primarily by Norwood's financial personnel at its headquarters in Indianapolis, Indiana, and is comprised of bank accounts maintained at various banks throughout North America and Asia. Norwood's cash management system was specifically tailored to meet Norwood's operating needs, including, among other things, by enabling Norwood to centrally control and monitor corporate funds, invest excess cash, track its

cash availability, comply with the requirements of its financing agreements, reduce administrative expenses and obtain accurate account balances and presentment information.

82. Norwood also uses a variety of checks and business forms. To minimize expenses to its estates and avoid unnecessarily confusing its employees, customers and suppliers, Norwood believes it is appropriate to continue to use all correspondence and business forms (including, without limitation, letterhead, purchase orders and invoices) as such forms were in existence immediately before the Petition Date—without reference to Norwood's status as debtor in possession—rather than requiring Norwood to incur the expense and delay of ordering entirely new business forms.

83. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the cash management motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

D. Debtor-In-Possession Financing and Cash Collateral

84. By this motion (the "DIP Motion"), Norwood requests entry of interim and final orders an expedited basis: (i) authorizing Norwood to obtain a $30.0 million postpetition revolving credit financing facility (the "DIP Facility"), (ii) authorizing the use of the cash collateral of the Prepetition Lenders; (iii) granting adequate protection to the Prepetition Lenders; (iv) prescribing the form and manner of notice and setting the time for the final hearing on the DIP Motion; and (v) granting related relief.

85. As discussed in greater detail in the DIP Motion, the immediate access to the proceeds of the DIP Facility and the authority to use cash collateral on the terms set forth in the interim order (the "Interim DIP Order") is urgently required to ensure Norwood is able to continue

ongoing business operations, preserve the value of its assets, maintain favorable relationships with suppliers and customers, pay employees and satisfy other working capital and general corporate needs, among other things, all of which are necessary to maintain the value of Norwood's business and, ultimately, effectuate a successful going-concern sale of Norwood's business.

86. The terms of the DIP Facility and the conditions governing Norwood's use of cash collateral (including, among other things, the forms of adequate protection proposed to be provided to the Prepetition Lenders, subject to Court approval, as described in the DIP Motion) are the culmination of extensive, arm's-length, good-faith negotiations. Importantly, notwithstanding economic conditions that continue to wreak unprecedented havoc on the global economy and the credit markets more generally, the DIP Facility and the request to use cash collateral are presented to the Court on a consensual basis, and on terms that I believe are fair and reasonable under the circumstances. In light of the Debtors' urgent need to use such cash collateral and access additional financing, for the reasons discussed at length in the DIP Motion (which are incorporated as though fully set forth herein), I believe that approval of both the DIP Facility—the only financing available to Norwood at this time—on the terms proposed and the use of cash collateral and forms of adequate protection in exchange therefor, is justified, appropriate and necessary under the circumstances of these chapter 11 cases, and I am advised satisfy the applicable provisions of the Bankruptcy Code.

87. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the DIP Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

E. Critical Vendors, Foreign Suppliers, Shippers and Service Providers Motion

88. By this motion (the "Trade Motion"), Norwood requests entry of an order authorizing Norwood to pay certain prepetition claims of critical vendors, foreign suppliers, shippers and service providers, and approving the payments procedures relating thereto.

89. As discussed in greater detail in the Trade Motion, in the ordinary course of business, the promotional products Norwood ultimately markets to distributors are the culmination of a meticulously-choreographed product development, sourcing, purchasing, manufacturing and delivery system accomplished through the coordinated efforts of various unaffiliated third parties throughout the promotional products supply chain. As such, in the ordinary course of business, Norwood relies on a number of unaffiliated third parties, including, generally:

- domestic vendors and foreign suppliers that sell the inventory required to fill customers' orders;
- unaffiliated, third-party shippers, truckers, expediters, shipping agents, common carries, logistics service providers, warehousemen, customs brokers, ocean vessel operators and owners, foreign stevedores, foreign samplers and certain other carriers and related service providers involved in the shipping and handling of inbound inventory and outbound finished promotional products; and
- contractors and sub-contractors, maintenance providers who improve, maintain and repair Norwood's real property and production facilities in the ordinary course of business and equipment servicers who install, repair and provide specialized parts, inks, oils and components otherwise necessary to ensure the equipment in Norwood's manufacturing lines runs efficiently and with minimal interruption.

90. In an effort to avoid the adverse effects on its business operations resulting from even a temporary interruption in its supply chain (and ensure that Norwood is not disadvantaged by the filing of these chapter 11 cases), Norwood is seeking to pay certain amounts owing to the above-listed trade creditors who are essential to its long-term viability. Moreover, as set forth in the procedures annexed to the Trade Motion, Norwood intends to make payments to such trade creditors

only to the extent necessary to preserve its business and, to that end, Norwood will use its best efforts under the circumstances to obtain favorable trade terms for the postpetition delivery of goods and provision of services.

91. Indeed, given the potential for material adverse effects on Norwood's operations, including its ability to fulfill customers' orders, resulting from the seizure or even the temporary interruption of or delay in the shipment of inventory and finished products—and the lack of any workable enforcement mechanism against the majority of these parties—Norwood believes that a sound business justification exists for paying or otherwise honoring the claims of certain of its trade creditors under the circumstances of these chapter 11 cases in accordance with the procedures for payment described in the Trade Motion.

92. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Critical Trade Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

F. Customer Programs Motion

93. By this motion (the "Customer Programs Motion"), Norwood requests entry of an order authorizing Norwood, in its business judgment, to (i) pay or otherwise honor obligations earned by and owing to its customers outstanding as of the Petition Date arising under and based upon the customer programs, (ii) continue to maintain and administer the customer programs postpetition and (iii) compromise and/or settle disputes, if any, unresolved and outstanding as of the Petition Date relating to the customer program obligations, in each case in the ordinary course of the business and in a manner consistent with past practice.

94. As discussed in greater detail in the Customer Programs Motion, in the ordinary course of business, Norwood maintains a wide-variety of customer programs, which Norwood believes are successful business strategies that play a critical role in the purchasing decisions of its customers. Indeed, because the promotional products industry is both relationship-based and highly competitive, suppliers like Norwood set themselves apart by the scope of services they offer and the attention they provide to distributors as much as by the quality of their products. By way of example, Norwood's customer programs include:

- distributor promotions, where Norwood offers short-term pricing discounts to distributors to sell excess inventory and introduce new product lines and offers distributors various deals on brand-name merchandise;
- rebates and special pricing arrangements, where Norwood offers certain long-term volume-based rebate programs and special pricing arrangements for a defined period of time to attract new customers and retain existing ones;
- sales and marketing efforts and obligations, where Norwood markets its products and related services to existing and potential new distributors, including, among other things, by distributing product samples, on-line, print and video advertising, flyers and catalogs;
- customer service programs, where Norwood permits returns for products that Norwood determines do not meet its standards for quality and workmanship and certain policies and programs and services that are intended to demonstrate to distributors the unparalleled solutions Norwood offers that separate Norwood from its competitors; and
- corporate citizenship, product safety and environmental awareness programs, where Norwood maintains certain programs and adheres to various policies that augment Norwood's reputation with its distributors and end-users and otherwise strengthen its relationships with other parties in the promotional products industry.

95. I believe and am advised that Norwood's customer programs are integral to its continued operations because they are necessary to maintain the confidence and goodwill of Norwood's customer base. Indeed, the importance of Norwood's customer programs is even more poignant today in light of current economic conditions, when Norwood, like other similarly-situated

suppliers, is working harder than ever to retain customers and attract new ones. Moreover, the benefits to Norwood's business and profitability from the customer programs come at a relatively low cost to Norwood, which Norwood believes are, in the aggregate, offset by the revenue generated therefrom.

96. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Customer Programs Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

G. Employee Wages and Compensation Motion

97. By this motion (the "Employee Compensation Motion"), Norwood requests entry of an order authorizing Norwood to pay certain prepetition claims, honor obligations and continue programs relating to, among other things, wage obligations, reimbursable expenses, garnishments and payroll taxes and employee benefits.

98. As discussed in greater detail in the Employee Compensation Motion, in the ordinary course of business, Norwood incurs payroll and various other obligations and provides other benefits to its employees for the performance of services. As of the Petition Date, Norwood employs approximately 1,800 full-time employees (including salaried and hourly employees), of which the majority are employed in the United States, with some employees employed outside the United States (the majority of whom are in China, with the remainder in Canada). From time to time in the ordinary course of business, Norwood also utilizes the services of temporary employees, independent contractors and sales brokers as needed based on the cyclical nature of its business.

99. Norwood's employee-related obligations include: (i) wages and salary obligations for salaried, hourly, temporary, union, seasonal employees, independent contractors and sales brokers;

(ii) obligations owing on account of seasonal employees such as payroll taxes and contributions to Norwood's 401(k) plan; (iii) sales broker commissions; (iv) independent contractor compensation; (v) compensation to third party agencies who supply temporary employees; and (vi) employee incentive programs.

100. Norwood is also required by law to withhold from the employees' salaries and wages amounts related to federal, state and local income taxes, as well as Social Security and Medicare taxes and to remit the same to the appropriate taxing authorities. In addition, Norwood is required to make payments from its own funds on account of Social Security and Medicare taxes, and to pay, based on a percentage of gross payroll (and subject to state-imposed limits), additional amounts to the taxing authorities for, among other things, state and federal unemployment insurance.

101. Norwood reimburses their employees for certain reimbursable expenses such as travel expenses incurred in the discharge of ordinary duties, automobile expenses for certain salaried employees, and relocation expenses on account of employee transfers. Norwood also has various employee benefit plans and policies for the following benefits: (i) medical insurance, dental insurance, vision care, employee assistance and health savings accounts; (ii) workers' compensation insurance; (iii) life, accident and disability insurance; (iv) flexible spending accounts; (v) 401(k) retirement plans; (vi) paid time off; and (vii) certain other benefits. Last, Norwood pays certain board of directors' fees in the ordinary course of business.

102. I believe that Norwood's employees are integral to its operations. Failure to satisfy its obligations with respect to its employees in the ordinary course of business will jeopardize employee loyalty and trust, possibly causing employees to leave Norwood's employ and severely disrupting Norwood's operations at a critical juncture. Moreover, Norwood's employees rely on

their compensation, benefits and reimbursement of expenses to pay their living expenses and the effect could be financially ruinous if Norwood cannot pay them in the ordinary course of business.

103. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Employee Compensation Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

H. Utilities Motion

104. By this motion (the "Utilities Motion"), Norwood requests entry of an order: (i) prohibiting the utility providers from altering, refusing, disrupting and/or discontinuing utility services on account of, without limitation, amounts owed on account of utility services outstanding as of the Petition Date and/or any perceived inadequacy with respect to the adequate assurance proposed; (ii) approving the objection procedures; (iii) approving the adequate assurance proposed by Norwood; and (iv) determining that Norwood is not required to provide any additional adequate assurance beyond that which is proposed by Norwood.

105. As discussed in greater detail in the Utilities Motion, in the ordinary course of business, Norwood incurs costs and expenses on account of certain water, electricity, natural gas, telephone service, internet service, waste management and other utility services. Uninterrupted utility services are essential to Norwood's business and operations and, therefore, to the success of these chapter 11 cases. Simply put, without utility services, Norwood's operations will be forced to shut down.

106. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Utilities Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate

its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

I. Insurance Policies and Premium Financing Agreements Motion

107. By this motion (the "Insurance Motion"), Norwood requests entry of an order authorizing Norwood to (i) continue its prepetition insurance policies, (ii) revise, extend, renew, supplement or change insurance coverage as needed, including by obtaining new policies, if necessary, (iii) maintain its premium financing agreements and (iv) revise, extend, renew, supplement or change the premium financing agreement, as needed, including by entering into new financing agreements, if necessary, in each case in the ordinary course of business, consistent with past practice.

108. As discussed in greater detail in the Insurance Motion, in the ordinary course of business, Norwood maintains a number of insurance policies that provide coverage for, among other things, property, flood, international package, general liability, automobile, workers' compensation, umbrella, excess umbrella, general cargo, motor truck cargo, marine cargo, crime, kidnap and ransom, fiduciary liability, employment practice, directors and officers' liability, excess directors and officers' liability, and directors and officers' liability A-side.

109. Norwood finances certain of the premiums for its insurance policies pursuant to two premium financing agreements with third-party lenders. In general, the ability to finance certain policies benefits Norwood by spreading out the cost of such Policies over the applicable coverage period. If Norwood fails to pay its monthly premium obligations, the third-party lender has the right to terminate the financed Policies and accelerate the entire balance of the unpaid premiums. Upon such termination, the third-party lender has the right to set-off the amounts owed by Norwood against the amounts of unearned premiums returned to the third-party lender by the insurance carriers. If the third-party lender chose to cancel Norwood's insurance coverage under the financing

agreements, Norwood would then be forced to obtain replacement insurance on an expedited basis and at a significant cost and disruption to its estates and operations. Moreover, any non-payment of the monthly premiums could have an adverse impact on Norwood's ability to finance premiums for future policies.

110. I believe that Norwood needs its insurance coverage to remain in place, uninterrupted by the commencement of these chapter 11 cases. If the policies lapse, or if certain of the insurance providers cancel the policies or otherwise refuse to continue doing business with Norwood on account of unpaid premiums before Norwood is able to find replacement coverage, Norwood's estates could be exposed to significant potential liabilities. Further, the loss of the insurance coverage would impose considerable administrative and financial burden on Norwood, requiring that Norwood's management expend significant attention and resources to secure replacement coverage at a critical juncture in its bankruptcy cases and, additionally, could render Norwood non-compliant with the U.S. Trustee's requirement that debtors maintain insurance coverage during their cases.

111. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Insurance Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

J. Taxes and Fees Motion

112. By this motion (the "Taxes and Fees Motion"), Norwood requests entry of an order authorizing, but not directing, Norwood to pay any taxes and fees that are determined to be owed without regard to whether such obligations accrued or arose before or after the Petition Date.

113. As discussed in greater detail in the Taxes and Fees Motion, in the ordinary course of business, Norwood: (i) incurs taxes, including, sales, use, income, franchise, business license, real

and personal property and other taxes in operating its business; (ii) charges fees and other similar charges and assessments on behalf of various taxing, licensing and other governmental authorities; and (iii) pays fees to such authorities for licenses and permits required to conduct Norwood's business in the ordinary course of its business. Norwood pays the taxes and fees monthly, quarterly or annually to the respective authorities, in each case as required by applicable laws and regulations.

114. Norwood's failure to pay the taxes and fees could impact adversely Norwood's business operations because, among other things: (i) the authorities could initiate audits of Norwood or prevent Norwood from continuing its business, which would divert unnecessarily its attention away from these chapter 11 cases; (ii) the authorities could attempt to suspend Norwood's operations, file liens, seek to lift the automatic stay and pursue other remedies that will harm the estates; and (iii) certain directors and officers might be subject to personal liability—even if such a failure to pay such taxes and fees was not a result of malfeasance on their part—which would undoubtedly distract those key employees from their duties related to Norwood's restructuring.

115. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Taxes and Fees Motion is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable Norwood to transition more smoothly into, and continue to operate its business in, chapter 11 without undue disruption. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

K. Motion to Shorten Notice for Approval of Bidding Procedures Order

116. By this motion (the "Motion to Shorten Notice"), Norwood requests entry of an order shortening the notice period with respect to the hearing to consider the entry of the Bidding Procedures Order[4] (the "Bidding Procedures Hearing") and approving the form and manner of notice

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4 As defined in and annexed as Exhibit A to the *Motion of the Debtors For Entry of: (i) an Order Approving (a) Bidding Procedures, (b) Form of Asset Purchase Agreement and Certain Payments to Stalking Horse Bidder*

of, and setting the time and date for, the Bidding Procedures Hearing. The Bidding Procedures Order, in turn, contemplates approving, among other things, bidding procedures to facilitate an orderly and competitive marketing, bidding and sale process (the "Bidding Procedures"), the asset purchase agreement above-discussed, procedures for the assumption and assignment of executory contracts and unexpired leases and other related relief.

117. Norwood will seek this Court's approval of the proposed sale transaction and related bidding procedures at the Bidding Procedures Hearing. By the Motion to Shorten Notice, Norwood is seeking merely to obtain Court approval to shorten the notice period with respect thereto. In light of Norwood's rapidly deteriorating liquidity position, to preserve going concern value, minimize the expenses associated with the chapter 11 process and obtain the anticipated benefits of the proposed transaction, it is imperative that the sale process be completed expeditiously. Thus, Norwood brings this motion on an emergency, expedited basis. Indeed, for the reasons discussed throughout this Declaration and in greater detail in the Bidding Procedures Motion, it is critical that the sale process proceed. I believe and am advised that under the circumstances of these chapter 11 cases, "cause" exists to shorten the notice period with respect to the Bidding Procedures Hearing.

118. To the best of my knowledge, based on reasonable inquiry, I believe that the relief requested in the Motion to Shorten Notice is in the best interests of Norwood's estates, its creditors and other parties in interest, and will enable the Debtors to effectuate the sale of their business as swiftly as possible to ensure maximum recovery for their estates and stakeholders. Accordingly, on behalf of Norwood, I respectfully submit that this motion should be approved.

Thereunder, (c) Form and Manner of Notices, (d) Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases and (e) Dates and Deadlines Relating Thereto; and (ii) an Order Approving the Sale of Substantially all the Assets of the Selling Debtors Free and Clear of all Liens, Claims, Encumbrances and Interests, filed herewith but which is not a First Day Motion (the "Bidding Procedures Motion").

CONCLUSION

119. To minimize any loss to the value of its assets, Norwood's immediate objective is to engage in business as usual following the commencement of these chapter 11 cases with as little interruption to Norwood's operations as possible. If this Court grants the relief above-summarized and set forth in detail in the First Day Motions, I believe and am advised that the prospect of achieving these objectives will be substantially enhanced, which, in turn, will preserve the going-concern value of the Debtors' estates and ensure maximum recovery for the Debtors' estates to the substantial benefit stakeholders.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: May 5, 2009

By:
Name: Keith A. Maib
Title: Chief Financial Officer, Senior Vice President, and Treasurer of Norwood Promotional Products Holdings, Inc.