IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE:	)	Chapter 11
HOME PRODUCTS INTERNATIONAL, INC. and HOME PRODUCTS INTERNATIONAL-NORTH AMERICA, INC.,	)	Case Nos. 06-11457(CSS)
	)	Jointly Administered
Debtors.	)	

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER CONFIRMING SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION OF HOME PRODUCTS INTERNATIONAL, INC. AND HOME PRODUCTS INTERNATIONAL – NORTH AMERICA, INC. DATED JANUARY 29, 2007

WHEREAS, on January 29, 2007, the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**") filed the Second Amended Chapter 11 Plan of Reorganization of Home Products International, Inc. and Home Products International – North America, Inc. dated January 29, 2007 (including all amendments and modifications thereof and all exhibits thereto, including the Plan Supplement filed on March 2, 2007, as may be amended, the "**Plan**"),[1] and the Second Amended Disclosure Statement with Respect to Plan of Reorganization of Home Products International, Inc. and Home Products International – North America, Inc. dated January 29, 2007 (including all amendments and modifications thereof and the exhibits thereto, the "**Disclosure Statement**") with the Bankruptcy Court;

WHEREAS, on January 30, 2007, the Bankruptcy Court entered the Solicitation Procedures Order that, among other things, (a) approved the Disclosure

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan. Any term used but not defined herein or in the Plan, but that is defined in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning ascribed to such term in the Bankruptcy Code or the Bankruptcy Rules. Such meanings shall be equally applicable to both the singular and the plural forms of such terms.

Statement under § 1125 of the Bankruptcy Code and Rule 3017 of the Federal Rules of Bankruptcy Procedure, (b) established March 8, 2007, as the date for the hearing to consider confirmation of the Plan (the "**Confirmation Hearing**"), (c) approved the form of the Ballots, the Confirmation Hearing Notice, the Unimpaired Notice, the Election Form, the New Convertible Notes Election Option Procedures and the Solicitation Packages (as those terms are defined therein), (d) established certain procedures for soliciting and tabulating votes and certain elections with respect to the Plan, and (e) established certain procedures with respect to the New Convertible Notes Facility and for tabulating those who elect the New Convertible Notes Election Option;

WHEREAS, the Solicitation Packages, the Confirmation Hearing Notices and the Unimpaired Notices were transmitted in accordance with Rule 3017(d) of the Bankruptcy Rules and the Solicitation Procedures Order;

WHEREAS, on February 21, 2007, the Debtors filed the Declaration of Donald J. Hotz attaching certain financial information (the "**Financial Information**");

WHEREAS, on March 6, 2007, the Debtors filed the Declaration of George Hamilton, the Chief Restructuring Officer of the Debtors, regarding, among other things, feasibility of the Plan ("**Hamilton Declaration**"); the Declaration of Howard Korenthal of Morris Anderson & Associates, Inc., regarding, among other things, the valuation and liquidation analysis of the Debtors (the "**Korenthal Declaration**"); and the Affidavit of Kevin A. Martin of The BMC Group, Inc., regarding, among other things, the solicitation of votes from Class 5 Claimholders and Class 6 Interestholders entitled to vote on the Plan within the time and in the manner required by the Solicitation Procedures Order (the

"**Martin Declaration**" and together with the Hamilton Declaration and the Korenthal Declaration, the "**Confirmation Declarations**");

WHEREAS, on March 6, 2007, the Debtors filed the Information Statement for the Option related to the Issuance of 6.00% 2007 Notes Due 2017 and the Common Stock Issuable Upon Conversion of the Notes and the exhibits thereto (collectively, the "**Information Statement**");

WHEREAS, on March 6, 2007, the Debtors filed their Memorandum of Law in Support of Confirmation of the Second Amended Chapter 11 Plan of Reorganization of Home Products International, Inc. and Home Products International – North America, Inc. (the "**Confirmation Memorandum**");

WHEREAS, pursuant to § 1128 of the Bankruptcy Code and Rule 3020(b)(2) of the Bankruptcy Rules, the Bankruptcy Court held the Confirmation Hearing to consider confirmation of the Plan on March 8, 2007 at 10:00 a.m.;

NOW THEREFORE, based upon (a) the Bankruptcy Court's review of the Plan, the Plan Supplement, the Confirmation Declarations and the Confirmation Memorandum, (b) all of the evidence proffered or adduced at, and arguments of counsel made at, the Confirmation Hearing and (c) the entire record of these Chapter 11 Cases; and after due deliberation thereon and sufficient cause appearing therefor:

IT IS HEREBY FOUND, CONCLUDED AND ORDERED THAT:

FINDINGS OF FACT AND CONCLUSIONS OF LAW[2]

Background, Jurisdiction and Venue

1. On December 20, 2006, the Debtors each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Thereafter, the Debtors continued to operate their businesses and manage their properties pursuant to §§ 1107 and 1108 of the Bankruptcy Code as debtors-in-possession.

2. On January 3, 2007, the Office of the United States Trustee for the District of Delaware, pursuant to § 1102 of the Bankruptcy Code, appointed the Creditors' Committee to represent the interests of all unsecured creditors in the Chapter 11 Cases.

3. This Court has jurisdiction over the Chapter 11 Cases pursuant to 28 U.S.C. § 1334 and the district court's reference of these Chapter 11 Cases to this Bankruptcy Court pursuant to 28 U.S.C. § 157(a).

4. Venue in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

5. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (L), (N) and (O).

6. This Bankruptcy Court takes judicial notice of (a) the docket of the Chapter 11 Cases maintained by the Clerk of the Court and its duly-appointed agents, (b) all pleadings and other documents filed and all orders entered in the Chapter 11 Cases, and (c) all evidence and arguments made, proffered or adduced at, the hearings held before the

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[2] These findings of fact and conclusions of law are those of the Bankruptcy Court under Fed. R. Civ. P. 52, as made applicable by Bankruptcy Rules 7052 and 9014. Any finding of fact shall constitute a finding of fact even if it is stated as a conclusion of law, and any conclusion of law shall constitute a conclusion of law even if it is stated as a finding of fact.

Bankruptcy Court during the pendency of the Chapter 11 Cases, including, but not limited to, the hearing to consider the adequacy of the Disclosure Statement.

Notice, Solicitation and Acceptance

7. In accordance with Bankruptcy Rules 2002, 3018, 3019, 6006 and 9014 and the Solicitation Procedures Order, adequate notice of the time for filing objections to confirmation of the Plan and the transactions contemplated thereby and adequate notice of the Confirmation Hearing was provided to all holders of Claims and Interests, counterparties to executory contracts and unexpired leases and other parties in interest entitled to receive such notice under the Bankruptcy Code and the Bankruptcy Rules. No other or further notice of the Confirmation Hearing or confirmation of the Plan is necessary.

8. The Debtors' decisions with respect to defects in certain ballots as set forth in the Martin Affidavit and the Ballot Report attached thereto are approved.

9. The Ballot Report discloses that of those who voted, 100% of the Class 5 Noteholders voted to accept the Plan and only one of the twenty-nine Class 6 Interestholders counted voted to reject the Plan, thereby giving near unanimous support for the Plan.

10. Based on the record before the Bankruptcy Court in these Chapter 11 Cases, the Debtors and each of their respective directors, officers, employees, shareholders, members, agents, advisors, accountants, consultants, attorneys, and other representatives as well as the Creditors' Committee, the Settling Noteholders, the Ad Hoc Committee, SAC and the Indenture Trustee and each of their respective directors, officers, employees, shareholders, members, agents, advisors, accountants, consultants, attorneys, and other representatives, through their participation in the negotiation and preparation of the Plan and

the Disclosure Statement and their efforts to confirm the Plan, have acted in "good faith" within the meaning of § 1125(e) of the Bankruptcy Code in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all of their respective activities relating to the solicitation of acceptances to the Plan and their participation in the activities described in § 1125 of the Bankruptcy Code, and are entitled to the protections afforded by § 1125(e) of the Bankruptcy Code.

Objections

11. Only one objection to confirmation of the Plan was filed, and that objection has been withdrawn. Therefore, there are no objections to confirmation of the Plan.

Compliance with Section 1129 of the Bankruptcy Code

12. Plan Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(1)). The Plan complies with the applicable provisions of the Bankruptcy Code, thereby satisfying § 1129(a)(1) of the Bankruptcy Code.

(a) Compliance with 11 U.S.C. §§ 1122 and 1123(a)(1), (2) and (3). In addition to Administrative Expense Claims and Priority Tax Claims, which need not be classified under § 1122, the Plan designates seven (7) Classes of Claims and Interests, thereby satisfying § 1123(a)(1). Article III of the Plan specifies Classes 1, 2, 3, 4, and 7 as Unimpaired under the Plan, thereby satisfying § 1123(a)(2) of the Bankruptcy Code. Article III of the Plan also designates Classes 5 and 6 as Impaired and specifies the treatment of Claims and Interests in those Classes, thereby satisfying § 1123(a)(3) of the Bankruptcy Code. The Claims and Interests placed in each Class are substantially similar to other Claims and Interests, as the case may be, in each such Class. Valid business, factual and legal

reasons exist for separately classifying the various Classes of Claims and Interests created under the Plan, and such Classes do not unfairly discriminate between holders of Claims and Interests. The Plan satisfies §§ 1122 and 1123(a)(1), (2) and (3) of the Bankruptcy Code.

(b) Compliance with 11 U.S.C. § 1123(a)(4). The Plan provides for the same treatment for each Claim or Interest in each respective Class unless the holder of a particular Claim or Interest agrees in writing to less favorable treatment of such Claim or Interest, thereby satisfying § 1123(a)(4) of the Bankruptcy Code.

(c) Compliance with 11 U.S.C. § 1123(a)(5). The Plan provides adequate and proper means for its implementation, thereby satisfying § 1123(a)(5) of the Bankruptcy Code.

(d) Compliance with 11 U.S.C. § 1123(a)(6). The Amended and Restated Certificate of Incorporation and Amended and Restated By-laws of Reorganized HPI satisfy the requirements of the Plan and the Bankruptcy Code by expressly prohibiting the issuance of non-voting equity securities. The Certificate of Incorporation and By-Laws of HPI-NA, and thus Reorganized HPI-NA, are amended through the Plan and this Confirmation Order to prohibit the issuance of non-voting equity securities. Accordingly, § 1123(a)(6) of the Bankruptcy Code is satisfied.

(e) Compliance with 11 U.S.C. § 1123(a)(7). The Plan contains only provisions that are consistent with the interests of Claimholders and Interestholders and with public policy with respect to the manner of selection of the Reorganized Debtors' directors and officers. Specifically, each member of the Board of Directors of the Reorganized Debtors, each officer and any of their respective successors will serve in

accordance with their respective certificate of incorporation and by-laws and the laws of the State of Delaware.

(f) Compliance with 11 U.S.C. § 1123(b). The Plan contains only provisions that are either required by § 1123(a) or permitted by § 1123(b) of the Bankruptcy Code.

13. Debtors' Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(2)). As required by § 1129(a)(2) of the Bankruptcy Code, the Debtors have complied with the applicable provisions of the Bankruptcy Code. The Debtors are eligible to be debtors under § 109 of the Bankruptcy Code. The Debtors have complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Procedures Order in transmitting the Plan, the Disclosure Statement, the Ballots, the Confirmation Hearing Notice, the Unimpaired Notice and related documents and notices and in soliciting and tabulating votes on the Plan.

14. Plan Proposed in Good Faith (11 U.S.C. § 1129(a)(3)). As required by § 1129(a)(3) of the Bankruptcy Code, the Debtors have proposed the Plan in good faith and not by any means forbidden by law. In determining that the Plan has been proposed in good faith, the Bankruptcy Court has examined the totality of the circumstances surrounding the formulation of the Plan and the Chapter 11 Cases. The Chapter 11 Cases were filed, and the Plan and all modifications thereto were proposed, with the legitimate and honest purpose of reorganizing the Debtors' estates and maximizing the recovery to holders of Claims and Interests. The Plan (including the Plan Supplement and all other documents necessary to effectuate the Plan), was negotiated at arms' length among the Debtors, the Creditors' Committee, the Ad Hoc Committee, SAC and their respective representatives, members and

advisors. All transactions contemplated by the Plan were negotiated and consummated at arms' length, without collusion and in good faith.

15. Payment for Services or Costs and Expenses (11 U.S.C. § 1129(a)(4)). As required by § 1129(a)(4) of the Bankruptcy Code, any payment made or to be made by the Debtors or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable, unless otherwise ordered by the Bankruptcy Court.

16. Directors, Officers and Insiders (11 U.S.C. § 1129(a)(5)). The Debtors have complied with § 1129(a)(5) of the Bankruptcy Code. As of the Effective Date, the Board of Directors and officers of the Reorganized Debtors will consist of the individuals set forth in the notice filed with this Court on March 2, 2007, as amended at or prior to the Confirmation Hearing. The appointment of such individuals is consistent with the interests of creditors and equity security holders and with public policy. The Debtors have disclosed the identity of any insider that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such insider.

17. No Rate Changes (11 U.S.C. § 1129(a)(6)). The Plan does not provide for the changes in any rates that are subject to regulatory approval. Thus, § 1129(a)(6) of the Bankruptcy Code is not applicable in these Chapter 11 Cases.

18. Best Interests of Creditors (11 U.S.C. § 1129(a)(7)). The Plan satisfies § 1129(a)(7) of the Bankruptcy Code. The Confirmation Declarations and the other evidence proffered or adduced at the Confirmation Hearing are persuasive and credible, and establish

that each holder of an impaired Claim or Interest either has accepted the Plan or will receive or retain under the Plan, on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

19. Acceptance or Rejection by All Classes (11 U.S.C. § 1129(a)(8)). All Classes have either accepted the Plan in accordance with § 1126(c) of the Bankruptcy Code or are Unimpaired. The Plan therefore satisfies § 1129(a)(8) of the Bankruptcy Code.

20. Treatment of Administrative, Priority and Tax Claims (11 U.S.C. § 1129(a)(9)). The Plan's treatment of Claims of a kind specified in Bankruptcy Code §§ 507(a)(1) through (8) satisfies the requirements set forth in § 1129(a)(9) of the Bankruptcy Code.

21. Acceptance by Impaired Class (11 U.S.C. § 1129(a)(10)). As required by § 1129(a)(10) of the Bankruptcy Code, at least one Class of Claims that is Impaired under the Plan has voted to accept the Plan, without including acceptances of the Plan by an insider.

22. Feasibility (11 U.S.C. § 1129(a)(11)). The Disclosure Statement, the Confirmation Declarations and the other evidence proffered or adduced at the Confirmation Hearing with respect to feasibility (a) are persuasive and credible and (b) establish that confirmation of the Plan is not likely to be followed by the need for further financial reorganization or liquidation of the Debtors, thus satisfying the requirements of § 1129(a)(11) of the Bankruptcy Code.

23. Payment of Fees (11 U.S.C. § 1129(a)(12)). As required by § 1129(a)(12) of the Bankruptcy Code, to the extent that fees payable to the United States

Trustee under 28 U.S.C. § 1930(a)(6) have not been paid, the Plan provides for the payment of all such fees on the Effective Date of the Plan and as they come due after the Effective Date.

24. Continuation of Retiree Benefits (11 U.S.C. § 1129(a)(13)). No retiree benefits have been modified pursuant to § 1114(e)(1)(B) or (g) of the Bankruptcy Code. Therefore, § 1129(a)(13) of the Bankruptcy Code is not applicable to the Plan. Confirmation of the Plan will not limit such rights and powers as the Debtors otherwise have to modify existing retiree benefits.

25. Other Provisions of 11 U.S.C. § 1129(a). The provisions of 11 U.S.C. §§ 1129(a)(14), (15) and (16) of the Bankruptcy Code are not applicable to the Debtors.

26. Principal Purpose (11 U.S.C. § 1129(d)). The principal purpose of the Plan is not the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933.

27. Burden of Proof. The Debtors, therefore, have met their burden of proving by a preponderance of the evidence all of the elements of § 1129(a) and (d) of the Bankruptcy Code.

Exemptions

28. Exemption from Registration Requirements (11 U.S.C. § 1145). The Plan provides for the issuance of securities, specifically the (a) New HPI Stock, (b) an option to purchase the New Convertible Notes to Class 5 Claimholders and Class 6 Interestholders and (c) the New Convertible Notes. The New HPI Stock and the option to purchase the New Convertible Notes are to be issued in exchange for their Class 5 Claims and Class 6 Interests. The New Convertible Notes are offered for sale and will be sold upon the exercise of such

option. Pursuant to § 1145(a)(1) and (2) of the Bankruptcy Code, such securities are therefore exempt from the registration requirements of section 5 of the Securities Act of 1933, as amended, or any other applicable federal law, and any state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of or broker or dealer in such securities. Neither Debtor is an underwriter within the meaning of § 1145(b) of the Bankruptcy Code. The offer and sale of such securities are of the kind and in the manner specified under § 1145(a) and are therefore public offerings pursuant to § 1145 of the Bankruptcy Code.

Transactions Pursuant to the Plan

29. Release, Indemnification and Exculpation. The release, indemnification and exculpation provisions of the Plan are integral to all of the agreements of the Claimholders and Interestholders that are embodied in the Plan and are therefore essential to the Debtors' ability to propose and obtain necessary acceptance of the Plan. Those provisions are therefore appropriate within the meaning of § 1123(b)(6) of the Bankruptcy Code, and they are not inconsistent with any provision of the Bankruptcy Code. Moreover the release, indemnification and exculpation provisions of the Plan have been negotiated in good faith and at arms' length among the Debtors, the Creditors' Committee, the Ad Hoc Committee, SAC and their respective representatives, members and advisors, and are fair, equitable and reasonable. Accordingly, the compromises and settlements embodied in the release, indemnification and exculpation provisions described in Article X of the Plan are authorized by § 1123(b)(6) of the Bankruptcy Code, and are approved.

30. Assumption of Executory Contracts and Leases. The assumption of all executory contracts and unexpired leases, other than the leases set forth on the Rejected

Lease Listing, pursuant to the Plan and the Confirmation Order is a reasonable exercise of the Debtors' business judgment and is in the best interests of the Debtors and their Estates. Without limiting the foregoing, all executory contacts and unexpired leases that the Debtors have entered into and assumed pursuant to other orders of this Court, including, without limitation, the Lease Modification Agreement between the Debtors and General Electric Capital Corporation and the other Lease Documents (as defined in said Agreement, including any related guaranties) approved by this Court by its order entered of even date herewith, shall remain in place, in full force and effect, and shall be fully enforceable by the parties thereto notwithstanding confirmation of the Plan, and confirmation of the Plan shall not discharge the Debtors' obligations under such approved and assumed executory contracts and unexpired leases.

31. Plan Documents Valid and Binding. All other documents reasonably necessary to implement the Plan shall be, upon execution on or after the Effective Date, valid, binding and enforceable according to their terms.

32. Compliance with Rule 3016 of the Bankruptcy Rules. In accordance with Rule 3016(a) of the Bankruptcy Rules, the Plan is dated, and the Debtors that submitted it and filed it are identified.

Miscellaneous Provisions

33. Confirmation of the Plan and the consummation of the transactions contemplated thereby are in the best interests of the Debtors, their Estates, holders of Claims and Interests and all other parties in interest.

34. All findings of fact and conclusions of law announced by this Bankruptcy Court on the record in connection with confirmation of the Plan or otherwise at the Confirmation Hearing are incorporated herein by reference.

ORDER

Based on the foregoing findings of fact and conclusions of law, it is hereby ORDERED that:

35. Confirmation of the Plan. The Plan, attached hereto as Exhibit A, is APPROVED and CONFIRMED under § 1129 of the Bankruptcy Code. The terms of the Plan are incorporated herein by reference and are an integral part of this Confirmation Order.

36. Approval of the Plan Documents. The form and substance of the Documents as reflected in the Plan Supplement are hereby approved.

37. Exit Financing. The Reorganized Debtors are hereby authorized to enter into that certain Second Amended and Restated Loan and Security Agreement with Bank of America, N.A. ("Lender") and related documents thereto ("BofA Loan Documents") which are hereby acknowledged and confirmed as being in full force and effect as of and after the Effective Date. The obligations of the Reorganized Debtors under the BofA Loan Documents shall not be affected by any of the terms of the Plan, and shall be secured by first priority (other than prior Permitted Liens under the BofA Documents), valid and perfected security interests in and liens on all of the collateral provided in the BofA Loan Documents, without the necessity of any further recordations of mortgages, security agreements, pledge documents, arrangements, control agreements, financing statements, or similar instruments. The liens and security interests acknowledged and granted pursuant to this Confirmation Order shall constitute valid and duly perfected security interests and liens, and the Lender

shall not be required to file or serve financing statements, notices of lien, mortgages or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including possession, to validate and perfect such security interests and liens; and the failure by the Reorganized Debtors to execute any documentation relating to the liens and security interests shall in no way affect the validity, perfection or priority of such liens or security interests. The financial accommodations to be extended pursuant to the BofA Loan Documents are being extended in good faith, for legitimate business purposes, are reasonable and shall not be subject to recharacterization for any purposes whatsoever.

38. New Convertible Notes Facility. The Reorganized Debtors are hereby authorized to enter into that certain Securities Purchase Agreement with Third Avenue Management LLC on behalf of certain of its investment advisory clients, Storage Acquisition Company, LLC and other purchasers party thereto from time to time, as purchasers, and HSBC Bank USA, N.A., as agent (the "Collateral Agent"), and related documents thereto, including the commitment letter dated March 8, 2007, ~~which letter is hereby approved~~ CS ("Second Lien Note Documents") which are hereby acknowledged and confirmed as being in full force and effect as of and after the Effective Date. The obligations of the Reorganized Debtors under the Second Lien Note Documents shall not be affected by any of the terms of the Plan, and shall be secured by first priority (other than prior Permitted Liens under the Second Lien Note Documents), valid and perfected security interests in and liens on all of the collateral provided in the Second Lien Loan Documents, including without limitation, any liens granted to the Collateral Agent under the First Lien Loan Documents, without the necessity of any further recordations of mortgages, security agreements, pledge documents,

arrangements, control agreements, financing statements, or similar instruments. The liens and security interests acknowledged and granted pursuant to this Confirmation Order shall constitute valid and duly perfected security interests and liens, and the Lender shall not be required to file or serve financing statements, notices of lien, mortgages or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including possession, to validate and perfect such security interests and liens; and the failure by the Reorganized Debtors to execute any documentation relating to the liens and security interests shall in no way affect the validity, perfection or priority of such liens or security interests. The financial accommodations to be extended pursuant to the Second Lien Note Documents are being extended in good faith, for legitimate business purposes, are reasonable and shall not be subject to recharacterization for any purposes whatsoever. Any liens granted under the Second Lien Note Documents are subject to the terms of the Intercreditor Agreement applicable to the BofA Loan Documents and the Second Lien Note Documents.

39. Solicitation of New Convertible Notes Facility. On or before March 9, 2007, the Debtors are authorized to mail a copy of the (a) Information Statement (including a copy of the Exit Credit Agreement, Securities Purchase Agreement, the Intercreditor Agreement, the 2007 Note Due 2017, the Amended and Restated Certificates of Incorporation of HPI, the Amended and Restated By-Laws of HPI, the Stockholders Agreement, and the Recent Financial Statements), (b) the New Convertible Notes Election Form, as amended, and (c) the New Convertible Notes Election Option Procedures, as amended, to holders of Class 5 Noteholder Claims and Class 6 HPI Interests in connection with the exercise of the option to purchase the New Convertible Notes. The forms of the

Information Statement, the New Convertible Notes Election Form, as amended, and the New Convertible Notes Election Option Procedures, as amended, are hereby approved. The procedures set forth in the Solicitation Procedures Order regarding the solicitation of the New Convertible Notes Facility are incorporated herein by reference.

40. Release of Liens. A certified copy of this Confirmation Order may be filed with the appropriate clerk or recorded with the appropriate recorder to act to cancel any Liens or other encumbrances of record except for Liens permitted under the Plan or this Confirmation Order. If any Person which has filed statements or other documents or agreements evidencing Liens on or interests in all or any portion of the Property shall not have delivered to the Debtors prior to the Effective Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all Liens or interests which the Person has or may assert with respect to all or any portion of the Property, the Reorganized Debtors are hereby authorized to execute and file such statements, instruments releases and other documents on behalf of such Person with respect to such Property. This Confirmation Order is and shall be binding upon and govern all acts of all Persons notwithstanding any otherwise applicable non-bankruptcy law or rules.

41. Vesting of Property in Reorganized Debtors. On the Effective Date, except as otherwise provided in the Plan or this Confirmation Order, the Property (which, as of the Effective Date shall include the proceeds of the sale of the New Convertible Notes held in escrow pursuant to the New Convertible Notes Election Option Procedures) shall revest in the Reorganized Debtor that, as the Debtor, owned such Property on the Petition

Date or, as debtor-in-possession, acquired such Property before the Effective Date. As of the Effective Date, all Property that has so revested in a Reorganized Debtor shall be free and clear of all liens, claims, encumbrances and interests except as specifically provided or contemplated in the Plan, in prior orders of this Bankruptcy Court or in this Confirmation Order.

42. Distribution of Securities. The Reorganized Debtors are hereby authorized and directed to issue the New HPI Stock without the need for any corporate action or action by the Reorganized Debtors' shareholders or Boards of Directors. The Reorganized Debtors are further authorized to distribute to Eligible Holders the Information Statement, which is hereby approved, and to solicit the Class 5 Claimholders and Class 6 Interestholders by issuing the option to purchase the New Convertible Notes. The Reorganized Debtors are further authorized, upon exercise of the option, to issue New Convertible Notes to purchasers of the New Convertible Notes in accordance with the procedures set forth in the New Convertible Notes Election Option Procedures and without the need for any corporate action or action by the Reorganized Debtors' shareholders or Boards of Directors.

43. Transfers. The transfers of Property, securities and Cash to holders of Claims and Interests under the Plan are valid and effective and (a) vest the recipients with indefeasible good title in such Property, securities and Cash free and clear of all Claims and Interests, (b) shall not be subject to avoidance under the Bankruptcy Code or under applicable non-bankruptcy law, and (c) shall not subject the Debtors, the Reorganized Debtors or the recipients to any liability under the Bankruptcy Code or under non-bankruptcy law.

44. No Violation of Law. The Reorganized Debtors, the Debtors, the Creditors' Committee, the Settling Noteholders, SAC and the Indenture Trustee (and each of their respective affiliates, agents, directors, officers, members, employees, advisors and attorneys) have, and upon confirmation of the Plan (including all documents necessary to effectuate the Plan or otherwise contemplated by the Plan, including the Plan Supplement) shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the distribution of the New HPI Stock, the options to purchase New Convertible Notes, and the New Convertible Notes under the Plan, and therefore are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

45. Injunction. To the fullest extent authorized or provided by the Bankruptcy Code, including §§ 105, 524 and 1141 thereof, the entry of this Confirmation Order, provided that the Effective Date occurs, permanently enjoins all Entities that have held, currently hold or may hold a Claim or other Cause of Action, right, debt or liability that is subject to this Plan or who have held, currently hold or may hold or may be a member of an Entity that holds or may be the beneficiary of an Interest that is subject to this Plan from taking any of the following actions in respect of such Claim, debt, liability or Interest: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, Cause of Action or other proceeding of any kind against the Debtors or the Reorganized Debtors, or with respect to Plan Conduct, the Designated Persons, the Ad Hoc Committee, the Creditors' Committee, the Settling Noteholders or the Indenture Trustee and each of their respective Related Parties; (b) enforcing, levying, attaching, collecting or otherwise recovering in any

manner or by any means, whether directly or indirectly, any judgment, award, decree or order against the Debtors or the Reorganized Debtors; (c) creating, perfecting or enforcing in any manner directly or indirectly, any Lien or encumbrance of any kind against the Debtors or the Reorganized Debtors; (d) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors or the Reorganized Debtors; and (e) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan.

46. Release and Exculpation Provisions. The release and exculpation provisions of Sections 10.01(c) and 10.02 of the Plan are approved and binding on all Persons as provided therein.

47. Assumption and Rejection of Executory Contracts and Unexpired Leases. The assumption and rejection of executory contracts and unexpired leases in accordance with Section 6.01 of the Plan is hereby approved pursuant to § 365(a) of the Bankruptcy Code. The procedures for determining and curing defaults under assumed executory contracts and unexpired leases, and the amount of any Claim arising from the rejection of executory contracts and unexpired leases contained in Sections 6.02 and 6.03 of the Plan are approved. In addition, if any party to a contract or unexpired lease claims that the Debtors are in default thereunder, that party shall file an objection to such assumption specifying such default no later than 21 days following the Confirmation Date. To the extent that the Debtors agree or the Bankruptcy Court determines that such default exists, the Debtors shall promptly cure such default. Any party who does not file such an objection

shall be deemed to waive any default under the contract or lease to which it is a party with either Debtor and may not assert any such default in any form for any purpose.

48. Continued Existence. The Reorganized Debtors shall continue to exist after the Effective Date as separate entities in accordance with Delaware law under their respective certificates of incorporation and by-laws in effect before the Effective Date or as amended by the Amended and Restated Certificate of Incorporation and By-Laws.

49. United States Trustee Fees. Each Reorganized Debtor shall pay quarterly fees in accordance with 28 U.S.C. § 1930 until the Chapter 11 Case for such Reorganized Debtor is closed by order of the Bankruptcy Court.

50. Plan Documents. All documents and agreements introduced in the Plan Supplement or contemplated by the Plan (including all exhibits and attachments thereto and documents referred to therein) are approved, and the execution, delivery and performance thereunder by the Reorganized Debtors are authorized and approved, without need for further organizational action or further order or authorization of the Bankruptcy Court. All such documents necessary to implement the Plan have been negotiated in good faith at arms' length and shall, upon completion of documentation and execution (including the BofA Loan Documents and the Second Lien Note Documents) be valid, binding and enforceable agreements and not be in conflict with any federal or state law. The Reorganized Debtors are authorized and empowered to make any and all modifications to any and all documents included as part of the Plan and Plan Supplement that may be agreed to by the parties thereto and that are consistent with the Plan and the terms of this Confirmation Order.

51. Approvals. No further approvals, notices or meetings of any Debtor's board of directors, stockholders or officers are necessary to effectuate the Plan, and each

director and officer is authorized to execute any document, instrument, certificate or agreement necessary to effectuate the Plan on behalf of such Debtor, which documents, instruments, certificates and agreements shall be binding on the Debtors and all holders of Claims and Interests. This Confirmation Order shall constitute all approvals and consents required, if any, by the laws, rules or regulations of any state or other governmental authority with respect to the implementation or consummation of the Plan, the transaction contemplated in the Plan, and any documents, instruments or agreements, and any amendments or modifications thereto, and any other acts referred to in, or contemplated by, the Plan and the Plan Supplement, including the filing of any documents with any governmental authority. Notwithstanding anything to the contrary herein, nothing in this Confirmation Order shall abrogate or otherwise limit the requirement that (i) the BofA Loan Documents, the Second Lien Note Documents, the Management Incentive Plan, the Stockholders Agreement, and the Amended and Restated Certificates of Incorporation and By-laws, among others, must be in a form and substance satisfactory to the Creditors' Committee and the Settling Noteholders, or (ii) that the Second Lien Note Documents, the Stockholders Agreement, and the Amended and Restated Certificates of Incorporation and By-laws, and any and all other documents respecting the treatment of the Old HPI Stockholders and the New Convertible Notes, must be in form and substance satisfactory to SAC.

52. Cancellation of Existing Interests. On the Effective Date, (a) Old HPI Stock and all other Class 6 Interests shall be terminated and extinguished, (b) any certificates or other documents that previously evidenced ownership of those Interests shall be deemed canceled (all without further action by any Person or the Bankruptcy Court) and shall be null

and void and (c) such certificates and other documents shall evidence no rights or interests in Reorganized HPI.

53. Cancellation of Existing Management Incentive Plan. Any management incentive plan of the Debtors existing prior to the Confirmation Hearing shall be deemed cancelled upon the Effective Date and superseded by the Management Incentive Plan.

54. Exemption from Certain Taxes. In accordance with § 1146(a), the issuance, transfer or exchange of a security under the Plan or the making or delivery of an instrument of transfer from a Debtor to a Reorganized Debtor or any other person or entity pursuant to the Plan, including, without limitation, the granting or recording of any Lien or mortgage on any Property under the BofA Loan Documents or the Second Lien Note Documents shall not be subject to any stamp tax, or other similar tax or any tax held to be a stamp tax or other similar tax by applicable law. The Reorganized Debtors or any agent or representative of the Reorganized Debtors are authorized to serve upon all filing and recording officers a notice, in connection with the filing and recording of any instruments of transfer in accordance with the Plan, to evidence and implement this paragraph. All filing and recording officers are hereby directed to accept for filing or recording all instruments to be filed and recorded in accordance with the Plan and the exhibits thereto, without payment of any such taxes. This Court retains jurisdiction to enforce the foregoing direction, by contempt proceedings or otherwise.

55. Exemption from Securities Laws. The offer and sale of the New HPI Stock, the option to purchase the New Convertible Notes and the New Convertible Notes issued under the Plan shall each be exempt from registration under the Securities Act and any

State or local law, pursuant to § 1145(a)(1) and (2) of the Bankruptcy Code. In addition, under § 1145(c) of the Bankruptcy Code, the offer and sale of the New HPI Stock and the New Convertible Notes to be received upon the exercise of the option to purchase New Convertible Notes are deemed to be public offerings pursuant to § 1145(c) of the Bankruptcy Code and will be freely tradeable by the recipients thereof, subject to the provisions of the Stockholders Agreement and the Securities Purchase Agreement, the documents underlying and relating to such securities and § 1145(b)(1) of the Bankruptcy Code relating to the definition of an "underwriter" in section 2(a)(11) of the Securities Act, and compliance with any rules and regulations of the SEC applicable at the time of any future transfer of such securities or instruments.

56. Final Fee Applications. Professionals must file applications for compensation and reimbursement of expenses pursuant to § 330 of the Bankruptcy Code no later than April 20, 2007.

57. Termination of Injunctions and Automatic Stay. All injunctions or stays provided for in the Chapter 11 Cases under §§ 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Confirmation Date, shall terminate upon the Effective Date.

58. Bar Date. The provisions of the Plan relating to the filing of Claims or Interests satisfies the requirements of Rule 3003(c)(3) of the Bankruptcy Rules, and no further order of the Bankruptcy Court is required under said rule. Objections, if any, to any proofs of claim or proofs of interest filed prior to the Confirmation Hearing shall be filed with the Bankruptcy Court on or before March 30, 2007. The foregoing shall not alter any

prior orders of the Bankruptcy Court establishing a date by when a proof of claim and proof of interest must be filed or the timing for filing objections thereto.

59. Binding Effect. The failure to reference any particular provision of the Plan in this Confirmation Order shall have no effect on the binding effect, enforceability or legality of such provisions, and such provisions shall have the same binding effect, enforceability or legality as every other provision of the Plan.

60. Effectiveness. Upon the Effective Date, the terms of the Plan shall be effective, enforceable and binding upon the Debtors, the Reorganized Debtors and all holders of Claims or Interests (irrespective of whether such Claims or Interests are Impaired under the Plan or whether the holders of such Claims or Interests accepted or are deemed to have accepted the Plan), all entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan or herein, each Person acquiring Property, securities or Cash under the Plan, and all non-Debtor parties to executory contracts and unexpired leases with the Debtors and their respective heirs, executors, administrators, successors or assigns, affiliates, officers, directors, agents, representatives, attorneys, beneficiaries or guardians, if any, of any of the foregoing.

61. Retention of Jurisdiction. The Court may properly retain jurisdiction over matters relating to these Chapter 11 Cases in accordance with Section 11.01 of the Plan.

62. Modifications to the Plan. The Plan is hereby amended as follows:

(a) The definition of "Allowed Interests" is hereby amended and restated in its entirety, as follows:

> "***Allowed Interest***" means any Interest in either Debtor that (a) is listed by such Debtor in its Schedules and is not scheduled as disputed, contingent or unliquidated, (b) is deemed allowed in accordance with § 502(a) of the Bankruptcy Code, (c) is allowed by the provisions of this Plan or (d) is allowed by Final Order of the Bankruptcy Court. The Interests of SAC, the

owner of 7,597,163 shares of Old HPI Stock, and the Interests of other holders of Old HPI Stock as and to the extent stated in HPI's books and records, are allowed under this Plan for all purposes.

(b) The definition of "Amended Certificate of Incorporation and By-Laws" is hereby amended and restated in its entirety, as follows:

"***Amended Certificate of Incorporation and By-Laws***" means the amended certificate of incorporation and by-laws of Reorganized HPI in substantially the form included in the Plan Supplement.

(c) The definition of "Exit Credit Agreement" is hereby amended and restated in its entirety, as follows:

"***Exit Credit Agreement***" means the credit agreement between Reorganized HPI-NA, as borrower, and the Exit Lenders, together with any of the documents and instruments relating thereto, setting forth the terms of the Exit Facility, which shall be included in the Plan Supplement.

(d) ~~The first sentence of~~ Section 4.01(d) of the Plan is hereby amended and restated in its entirety, as follows:

"*Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors.* As of the Effective Date, the Reorganized Debtors shall continue to exist as separate corporate entities in accordance with applicable law pursuant to their respective certificates of incorporation and by-laws. Unimpaired Claims, to the extent not paid in full on the Effective Date, shall remain the obligations solely of such Debtor or Reorganized Debtor and shall not become obligations of the other Debtor or Reorganized Debtor by virtue of this Plan, the Chapter 11 Cases or otherwise. Except as otherwise provided in this Plan, on and after the Effective Date, all property of each Estate of a Debtor, including all claims, rights and causes of action, shall vest in a Reorganized Debtor free and clear of all Claims, Liens, charges, other encumbrances, and Interests. Without limiting the foregoing on the Effective Date, all proceeds of the New Convertible Notes Election Option in the escrow account with the Election Agent as of the Effective Date shall vest in, become the Property of, and be distributed to, the Reorganized Debtors on the Effective Date, and any additional proceeds that the Election Agent receives after the Effective Date relating to the exercise of the New Convertible Notes Election Option shall vest in, be distributed to, and become the Property of, the Reorganized Debtors on or as soon as practicable after the Facility Election Deadline upon the issuance of additional New Convertible Notes relating thereto; provided, however, that, in the event any New Convertible Notes subscribed for pursuant to the New Convertible Notes Election Option, including by way of the Backstop Commitments, are not issued by the Reorganized Debtors pursuant to the terms of the Securities Purchase Agreement, including because certain conditions precedent have not been satisfied or waived, then any proceeds of

the New Convertible Notes Election Option in the escrow account of the Election Agent relating to such subscribed for but not issued New Convertible Notes shall not vest in, be distributed to, and become the Property of, the Reorganized Debtors but instead shall be returned to the applicable purchasers pursuant to the New Convertible Notes Election Option Procedures. On and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of Property and compromise or settle any Claims without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by this Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

Section 4.01(c)(i) of the Plan is hereby amended and restated in its entirety, as follows:

"*Certificates of Incorporation and By-Laws.* On the Effective Date or as soon thereafter as is practicable, Reorganized HPI shall file with the Secretary of State of the State of Delaware, in accordance with §§ 103 and 303 of the Delaware General Corporation Law, the Amended Certificate of Incorporation. The Amended Certificate of Incorporation and By-Laws shall become the certificate of incorporation and by-laws of Reorganized HPI. The certificate of incorporation and by-laws of HPI-NA will be, and upon the occurrence of the Effective Date will be deemed to be, amended to prohibit the issuance of non-voting equity securities."

(d) Section 4.01(e)(ii) of the Plan is hereby amended and restated in its entirety, as follows:

"***Directors of the Reorganized Debtors.*** On the Effective Date, the operations of the Reorganized Debtors shall become the general responsibility of the boards of directors of the Reorganized Debtors, subject to, and in accordance with, the Amended Certificates of Incorporation and By-Laws of HPI and the certificate of incorporation and by-laws of HPI-NA. Subject to the requirement of Bankruptcy Court approval pursuant to § 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the initial board of directors of Reorganized HPI shall be comprised of seven members, six selected by the Settling Noteholders and one selected by Old HPI Stockholders which hold a majority of the Old HPI Stock. Such directors shall be deemed elected or appointed, as the case may be, pursuant to the Confirmation Order, but shall not take office and shall not be deemed to be so elected or appointed until the occurrence of the Effective Date. The board of directors of Reorganized HPI-NA shall be comprised of members of the board of directors of Reorganized HPI. Pursuant to § 1129(a)(5) of the Bankruptcy Code, the Debtors shall disclose, on or prior to the Confirmation Date, the identity and affiliations of

any person proposed to serve on the initial board of directors of each of the Reorganized Debtors, and, to the extent such person is an insider other than by virtue of being a director, the nature of any compensation for such person. The length of the initial term of each director shall be one year. The classification and composition of the board of directors of the Reorganized Debtors shall be consistent with their respective certificate of incorporation and by-laws. Each such director shall serve from and after the Effective Date pursuant to the terms of the Amended Certificates of Incorporation and By-Laws, the other constituent documents of the Reorganized Debtors and applicable law. The boards of directors of each of HPI and HPI-NA shall be deemed to have resigned on the Effective Date."

The modifications to the Plan as set forth on the record at the Confirmation Hearing and made by this Confirmation Order do not adversely affect or change the treatment of any creditor or interestholder who has not accepted such modifications. Accordingly, pursuant to Rule 3019 of the Bankruptcy Rules, these modifications neither require additional disclosure under § 1125 of the Bankruptcy Code nor re-solicitation of acceptances or rejections under § 1126 of the Bankruptcy Code, nor do they require the holders of Claims or Interests be afforded an opportunity to change previously made acceptances or rejections of the Plan. Disclosure of the modifications on the record of the Confirmation Hearing or through this Confirmation Order constitutes due and sufficient notice thereof under the circumstances of the Chapter 11 Cases. Accordingly, pursuant to § 1127 of the Bankruptcy Code and Rule 3019 of the Bankruptcy Rules, all holders of Claims and Interests that have accepted or are conclusively deemed to have accepted the Plan are deemed to have accepted such modifications to the Plan.

63. Further Modifications to Documents. Without the need for a further order or authorization of this Court, but subject to the express provisions of this Confirmation Order, the Debtors, with the prior written consent of the Creditors' Committee and the Settling Noteholders, and, with respect to the Second Lien Note Documents, the

Stockholders Agreement, the Amended and Restated Certificates of Incorporation and By-Laws, and other documents respecting the treatment of the Old HPI Stockholders and the New Convertible Notes, SAC, shall be authorized and empowered to make non-material modifications to the exhibits comprising the Plan Supplement as in their reasonable business judgment may be necessary. Further, following entry of this Confirmation Order, the Debtors shall be authorized, with prior written consent of the Creditors' Committee and the Settling Noteholders and upon further order of the Bankruptcy Court, to alter, amend or modify the Plan in accordance with § 1127(b) of the Bankruptcy Court, or to remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

64. Validity. If any or all of the provisions of this Confirmation Order are hereafter reversed, modified or vacated by subsequent order of this Court or any other court, such reversal, modification or vacatur shall not affect the validity of the acts or obligations incurred or undertaken under or in connection with the Plan prior to the Debtors' receipt of written notice of any such order. Notwithstanding any such reversal, modification or vacatur of this Confirmation Order, any such act or obligation incurred or undertaken pursuant to, and in reliance on, this Confirmation Order prior to the effective date of such reversal, modification or vacatur shall be governed in all respects by the provisions of this Confirmation Order and the Plan and all documents related to the Plan and any amendments or modifications to any of the foregoing.

65. Inconsistency. The provisions of the Plan and this Confirmation Order shall be construed in a manner consistent with each other so as to effect the purposes of each; provided, however, that if there is determined to be any inconsistency between any Plan

provision and any provision of this Confirmation Order that cannot be so reconciled, then solely to the extent of such inconsistency, the provisions of this Confirmation Order shall govern and any provision of this Confirmation Order shall be deemed a modification to the Plan and shall control and take precedence.

66. Authorization to Consummate. Notwithstanding Rule 3022 of the Bankruptcy Rules, this Confirmation Order shall not be stayed and shall be effective immediately upon its entry. The Debtors are authorized to consummate the Plan at any time after the entry of this Confirmation Order, subject to satisfaction or waiver of the conditions precedent to the Effective Date set forth in Section 9.02 of the Plan.

67. Notice of Entry of Confirmation Order. In accordance with Rule 3020(c)(2) of the Bankruptcy Rules, the Debtors shall cause notice of the entry of the Confirmation Order to be mailed to the trustee, creditors, equity security holders, other parties in interest and, if known, to any identified entity subject to an injunction provided for in the Plan against conduct not otherwise enjoined under the Bankruptcy Code.

United States Bankruptcy Judge

DATED: March 8, 2007

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE:	)	Chapter 11
HOME PRODUCTS INTERNATIONAL, INC. and HOME PRODUCTS INTERNATIONAL-NORTH AMERICA, INC.,	)	Case No. 06-11457(CSS)
	)	Jointly Administered
Debtors.	)	

SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION OF HOME PRODUCTS INTERNATIONAL, INC. AND HOME PRODUCTS INTERNATIONAL-NORTH AMERICA, INC.

DATED: JANUARY 29, 2007

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TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS, INTERPRETATION AND EXHIBITS 1

Section 1.01 Definitions. 1
Section 1.02 Rules of Interpretation 11
Section 1.03 Time Computations. 12
Section 1.04 Exhibits 12

ARTICLE II CLASSIFICATION OF CLAIMS AND INTERESTS 12

Section 2.01 Generally. 12
Section 2.02 Unclassified Claims 12
Section 2.03 Unimpaired Classes of Claims Deemed to Accept. 13
Section 2.04 Impaired Classes Entitled to Vote. 13
Section 2.05 Unimpaired Class of Interests Deemed to Accept 13

ARTICLE III TREATMENT OF CLASSES OF CLAIMS AND INTERESTS 14

Section 3.01 Generally. 14
Section 3.02 Unclassified Claims. 14
Section 3.03 Unimpaired Classes of Claims. 15
Section 3.04 Impaired Classes of Claims and Interests 15
Section 3.05 Unimpaired Class of Interests. 17

ARTICLE IV MEANS FOR IMPLEMENTATION OF THIS PLAN 17

Section 4.01 Restructuring Transactions. 17
Section 4.02 Implementation 21
Section 4.03 Retention, Enforcement and Release of Causes of Action. 21

ARTICLE V DISTRIBUTIONS UNDER THIS PLAN 22

Section 5.01 Timing and Delivery of Distributions. 22
Section 5.02 Distribution Record Date for Distributions to Holders of Notes and Old HPI Stock. 22
Section 5.03 Failure to Claim Undeliverable Distributions. 22
Section 5.04 Fractional Dollars. 23
Section 5.05 Fractional Shares. 23
Section 5.06 Compliance With Tax Requirements. 23
Section 5.07 Setoffs. 23
Section 5.08 Documentation Necessary to Release Liens. 24

Section 5.09 Allocation Between Principal and Accrued Interest. 24

ARTICLE VI EXECUTORY CONTRACTS AND UNEXPIRED LEASES 24

Section 6.01 Treatment of Executory Contracts and Unexpired Leases. 24
Section 6.02 Cure of Defaults for Assumed Contracts and Leases. 25
Section 6.03 Claims for Rejection Damages. 25
Section 6.04 Effect of Confirmation Order with Respect to Executory Contracts and Unexpired Leases. 25
Section 6.05 Indemnification Obligations. 26
Section 6.06 Compensation and Benefit Programs. 27
Section 6.07 INTENTIONALLY OMITTED. 27
Section 6.08 INTENTIONALLY OMITTED. 27

ARTICLE VII PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS 27

Section 7.01 Special Provision Regarding Unimpaired Claims and Interests. 27
Section 7.02 Objections to Claims; Disputed Claims. 28
Section 7.03 No Payment or Distribution Pending Allowance. 29
Section 7.04 Disputed Distribution. 29
Section 7.05 Resolution of Disputed Claims. 29

ARTICLE VIII BAR DATE FOR PROFESSIONAL CLAIMS 29

Section 8.01 Bar Date for Professionals. 29

ARTICLE IX CONDITIONS TO CONFIRMATION AND CONSUMMATION OF THIS PLAN 30

Section 9.01 Conditions to Confirmation. 30
Section 9.02 Conditions to Effective Date. 30
Section 9.03 Waiver of Conditions and Failure of Conditions. 31
Section 9.04 Occurrence of Effective Date. 31

ARTICLE X EFFECTS OF CONFIRMATION 31

Section 10.01 Discharge of All Claims and Interests and Releases. 31
Section 10.02 Exculpation. 32
Section 10.03 Injunctions. 33
Section 10.04 Obligation to Defend and Indemnify Designated Persons. 34
Section 10.05 Guaranties. 34
Section 10.06 Waiver of Subordination Rights. 35

ARTICLE XI RETENTION OF JURISDICTION 35

Section 11.01 Exclusive Jurisdiction of Bankruptcy Court. 35

ARTICLE XII MISCELLANEOUS PROVISIONS 37

Section 12.01 Joint Administration. 37
Section 12.02 Binding Effect of Plan. 37
Section 12.03 Withdrawal or Revocation of this Plan. 37
Section 12.04 Modification of this Plan. 38
Section 12.05 Severability 38
Section 12.06 Governing Law. 38
Section 12.07 Notices. 38
Section 12.08 Filing of Additional Documents. 39
Section 12.09 No Interest. 39
Section 12.10 Defenses with Respect to Claims. 40
Section 12.11 No Admissions. 40
Section 12.12 Section 1146 Exemption. 40
Section 12.13 Plan and Disclosure Statement Exhibits. 40
Section 12.14 Dissolution of Creditors' Committee. 41

INTRODUCTION

Home Products International, Inc. and Home Products International-North America, Inc., the above-captioned debtors and debtors-in-possession, propose the following joint plan of reorganization pursuant to chapter 11 of the Bankruptcy Code.

ARTICLE I

DEFINITIONS, INTERPRETATION AND EXHIBITS

Section 1.01 **Definitions**.

Unless the context requires otherwise, capitalized terms used herein without definition have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, has the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

"***Ad Hoc Committee***" means the ad hoc committee of Noteholders formed prior to the Petition Date.

"***Administrative Claim***" means a Claim for costs and expenses of administration of the Chapter 11 Cases under § 503(b) or payable under § 1114(e)(2) of the Bankruptcy Code, or incurred in the ordinary course of the Debtors' businesses within the meaning of § 364(a) of the Bankruptcy Code, including: (a) actual and necessary costs and expenses incurred after the Petition Date to preserve the Debtors' Estates and operate the businesses of the Debtors; (b) Professional Claims; (c) fees and charges assessed against the Debtors' Estates under § 1930 of title 28 of the United States Code; and (d) the DIP Claims.

"***Affiliate***" means with respect to any Person, (a) an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent (20%) or more of the outstanding voting securities of such Person, other than an entity that holds such securities (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities or (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote; (b) a corporation 20 percent (20%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such Person, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent (20%) or more of the outstanding voting securities of such Person, other than an entity that holds such securities (i) in a fiduciary or agency capacity without sole discretionary power to vote such securities or (ii) solely to secure a debt, if such entity has not in fact exercised such power to vote; (c) a Person whose business is operated under a lease or operating agreement by such Person, or Person substantially all of whose property is operated under an operating agreement with such Person; or (d) an entity that operates the business or substantially all of the property of such Person under a lease or operating agreement.

"***Allowed Claim***" means any Claim against either Debtor that (a) is listed by such Debtor in its Schedules and is not scheduled as disputed, contingent or unliquidated,

(b) is allowed by the provisions of this Plan or (c) is allowed by Final Order of the Bankruptcy Court. An Allowed Claim (i) includes a Disputed Claim to the extent such Disputed Claim becomes allowed after the Effective Date and (ii) shall be net of any valid setoff exercised with respect to such Claim under the provisions of the Bankruptcy Code and applicable law.

"***Allowed Interest***" means any Interest in either Debtor that (a) is listed by such Debtor in its Schedules and is not scheduled as disputed, contingent or unliquidated, (b) is deemed allowed in accordance with § 502(a) of the Bankruptcy Code, (c) is allowed by the provisions of this Plan or (d) is allowed by Final Order of the Bankruptcy Court. The Interests of SAC, the owner of 7,597,163 shares of Old HPI Stock, are allowed under this Plan for all purposes.

"***Amended Certificate of Incorporation and By-Laws***" means the respective amended certificate of incorporation and by-laws of each Reorganized Debtor in substantially the form to be included in the Plan Supplement.

"***Avoidance Actions***" means any and all Causes of Action (whether direct or derivative) that the Debtors, the Estates, a trustee, or other appropriate party in interest may assert under §§ 544, 545, 547, 548, 549, 550, 551 and 553(b) of the Bankruptcy Code, or under similar state or federal statutes or common law, including fraudulent transfer laws, whether or not litigation is commenced to prosecute such Cause of Action (other than those which are released or dismissed as part of and pursuant to this Plan), including the Debtors' rights of setoff, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) and any other indirect claim of any kind whatsoever, whenever and wherever arising or asserted, relating to such Causes of Action.

"***Backstop Commitments***" means with respect to Third Avenue, eighty-five percent (85%), and with respect to SAC, fifteen percent (15%), of the total New Convertible Notes.

"***Backstop Fee***" means a fee to be paid to each of the Backstop Lenders equal to two percent (2%) of that Backstop Lender's Backstop Commitment.

"***Backstop Lenders***" means (a) Third Avenue and (b) SAC.

"***Ballot***" means the ballot accompanying the Disclosure Statement upon which holders of Impaired Claims and holders of Impaired Interests (a) are entitled to vote on this Plan, (b) may indicate their acceptance or rejection of this Plan in accordance with the instructions regarding voting and (c) may elect to participate in the Note Cash-Out Option or the Stock Election Option, as applicable.

"***Bankruptcy Code***" means title 11 of the United States Code, as applicable to the Chapter 11 Cases.

"***Bankruptcy Court***" means the United States Bankruptcy Court for the District of Delaware or, if such court ceases to exercise jurisdiction over the Chapter 11 Cases and related proceedings, the court or adjunct thereof that exercises jurisdiction over the Chapter 11 Cases.

"***Bankruptcy Rules***" means the Federal Rules of Bankruptcy Procedure, as amended from time to time, promulgated under § 2075 of title 28 of the United States Code and the local rules for the United States District Court for the District of Delaware and the United States Bankruptcy Court for the District of Delaware, as applicable to these Chapter 11 Cases.

"***Business Day***" means any day which is not a Saturday, a Sunday, or a "legal holiday" as defined in Bankruptcy Rule 9006(a).

"***Cash or $***" means the legal tender of the United States of America and equivalents thereof, including drafts, checks and wire transfers denominated in such legal tender.

"***Causes of Action***" means any and all actions, causes of action, suits, controversies, adversary proceedings, rights to payment, performance of an obligation or claims for relief, whether known, unknown, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise, and whether for indemnity, contribution or otherwise, and whether in the nature of or sounding in tort, or under contract, warranty or any other theory of law, equity or admiralty and whether direct or derivative.

"***Chapter 11 Cases***" means the cases under chapter 11 of the Bankruptcy Code commenced by each of the Debtors in the Bankruptcy Court on the Petition Date.

"***Claim***" means, as against either of the Debtors, any (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment from a Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"***Claimholder***" means the holder of a Claim.

"***Class***" means a class of Claims or Interests as described in Article II of this Plan.

"***Confirmation Date***" means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court with respect to the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

"***Confirmation Hearing***" means the hearing held before the Bankruptcy Court to consider confirmation of this Plan pursuant to §§ 1128(a) and 1129 of the Bankruptcy Code, as it may be adjourned or continued from time to time.

"***Confirmation Order***" means the order entered by the Bankruptcy Court confirming this Plan pursuant to § 1129 of the Bankruptcy Code.

"***Creditor***" means (a) an Entity that has a Claim against either Debtor that arose at the time of or before the order for relief in these Chapter 11 Cases against either Debtor; or (b) an Entity that has a Claim against either Estate of a kind specified in §§ 502(g), 502(h) or 502(i) of the Bankruptcy Code.

"***Creditors' Committee***" means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases.

"***Day(s)***" means, unless expressly otherwise provided, calendar day(s).

"***Debtors***" means HPI and HPI-NA.

"***Designated Persons***" means SAC and any Old HPI Stockholders that execute the Plan Support Agreement prior to the hearing on the adequacy of the Disclosure Statement.

"***DIP Claims***" means all Claims of the DIP Lender against the Debtors arising under the DIP Order.

"***DIP Lender***" means Bank of America, N.A., as agent.

"***DIP Order***" means that certain Stipulation and Final Order (I) Authorizing Secured Post-Petition Financing on a Superpriority Basis Pursuant to 11 U.S.C. § 364, (II) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. §§ 363 and 364, (III) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 363 and 364, and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(c), entered on January 11, 2007 in the Chapter 11 Cases.

"***Disbursing Agent***" means the Reorganized Debtors or such other Entity that is designated by the Reorganized Debtors to make disbursements in accordance with this Plan.

"***Disclosure Statement***" means the Second Amended Disclosure Statement Pursuant to § 1125 of the Bankruptcy Code for the Chapter 11 Plan of Reorganization of

Home Products International, Inc. and Home Products International – North America, Inc., dated January 29, 2007, including all exhibits, appendices, schedules and annexes attached thereto, as submitted by the Debtors pursuant to § 1125 of the Bankruptcy Code and approved by the Bankruptcy Court, as such Disclosure Statement may be altered, amended, supplemented or modified from time to time, prepared and distributed in accordance with §§ 1125 and 1126 of the Bankruptcy Code and Bankruptcy Rule 3018.

"***Disclosure Statement Order***" means the order of the Bankruptcy Court approving the Disclosure Statement and the Solicitation procedures pursuant to § 1125 of the Bankruptcy Code.

"***Disputed***" means with respect to Claims or Interests, any Claim or Interest that is not allowed.

"***Distribution Record Date***" means the record date for distributions under this Plan as fixed by an order of the Bankruptcy Court, which date shall be the Confirmation Date.

"***Documents***" means collectively, the Amended Certificates of Incorporation and By-Laws, the New Convertible Notes and related documents, the Stockholders Agreement, and the Management Incentive Plan, and any other documents to be executed in connection with this Plan.

"***Effective Date***" has the meaning given it in Section 9.04 herein.

"***Electing Class 5 Holder***" has the meaning given it in Section 3.04(a) herein.

"***Electing Class 6 Holder***" has the meaning given it in Section 3.04(b) herein.

"***Election Agent***" means The BMC Group.

"***Eligible Holders***" has the meaning given it in Section 4.01(b) herein.

"***Entity***" means any Person, estate, trustee, agency, unincorporated organization, government, trust, governmental unit (as defined in the Bankruptcy Code), political subdivision, the Estates, the Ad Hoc Committee, the Creditors' Committee and the United States Trustee.

"***Estates***" means the estates created pursuant to § 541 of the Bankruptcy Code upon commencement of the Chapter 11 Cases.

"***Exit Credit Agreement***" means the credit agreement between Reorganized HPI-NA, as borrower, and the Exit Lenders, together with any of the documents and instruments relating thereto, setting forth the terms of the Exit Facility. A term sheet setting forth the material terms of the Exit Credit Agreement shall be filed in the Plan Supplement.

"***Exit Facility***" means an exit facility to be provided to the Reorganized Debtors on the Effective Date by the Exit Lenders, which shall be acceptable in all respects to the Creditors' Committee and Settling Noteholders.

"***Exit Lenders***" means the lenders under the Exit Credit Agreement as of the Effective Date, as determined by the Debtors, the Creditors' Committee and the Settling Noteholders.

"***Facility Election Deadline***" means the deadline for Eligible Holders to exercise the New Convertible Notes Election Option.

"***File, Filed or Filing***" means file, filed or filing with the Bankruptcy Court in the Chapter 11 Cases.

"***Final Decree***" means the final decree entered by the Bankruptcy Court after the Effective Date with respect to the Reorganized Debtors, pursuant to § 350(a) of the Bankruptcy Code and Bankruptcy Rule 3022.

"***Final Order***" means an order, ruling or judgment of the Bankruptcy Court or any other court of competent jurisdiction, which has not been reversed, vacated or stayed and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, on and after the Effective Date, the Reorganized Debtors or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

"***General Unsecured Claim***" means any unsecured Claim other than Unclassified Claims, Non-Priority Tax Claims and Noteholder Claims.

"***HPI***" means the Debtor Home Products International, Inc., a Delaware corporation.

"***HPI-NA***" means the Debtor Home Products International – North America, Inc., a Delaware corporation.

"***Impaired***" means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of § 1124 of the Bankruptcy Code.

"***Indenture***" means that certain Indenture dated as of May 14, 1998 among HPI, the Subsidiary Guarantors (as defined therein) and the Indenture Trustee.

"***Indenture Trustee***" means HSBC Bank USA, National Association, as successor-in-interest to LaSalle National Bank, as indenture trustee under the Indenture, or its duly appointed successor, if any.

"***Interestholder***" means the holder of an Interest.

"***Interests***" means all equity interests in either Debtor including, but not limited to, those represented by shares of common stock of either Debtor and any rights, options, warrants, calls, subscriptions or other similar rights or other agreements, commitments or outstanding securities obligating either Debtor to issue, transfer or sell any shares of common stock of such Debtor.

"***Liens***" means a charge against or interest in property to secure payment of a debt or performance of an obligation.

"***Management Incentive Plan***" means that certain management incentive plan for Reorganized HPI-NA, in substantially the form to be included in the Plan Supplement.

"***Management Incentive Plan Shares and Options***" means the shares of New HPI Stock or warrants to purchase such shares and options to acquire shares of New HPI Stock, granted to the participants under the Management Incentive Plan.

"***Miscellaneous Secured Claims***" means any and all Secured Claims other than DIP Claims or Prepetition Lender Secured Claims.

"***New Convertible Notes***" means the new second lien convertible notes to be issued by Reorganized HPI in the aggregate principal amount of not less than $25,000,000, on the terms set forth in the Plan Supplement.

"***New Convertible Notes Election Option***" means the option offered to Eligible Holders to purchase New Convertible Notes as set forth in Section 4.01(b) herein and the New Convertible Notes Election Option Procedures.

"***New Convertible Notes Election Option Procedures***" means the terms and procedures for the New Convertible Notes Election Option.

"***New Convertible Notes Facility***" means the financing facility pursuant to which the New Convertible Notes will be issued by Reorganized HPI, on terms and

conditions which shall be acceptable in all respects to the Creditors' Committee and the Settling Noteholders.

"***New HPI Stock***" means the 1,000,000 shares of common stock of Reorganized HPI to be issued pursuant to this Plan and the Amended Certificate of Incorporation and By-Laws of Reorganized HPI.

"***Note Cash-Out Option***" has the meaning given in Section 3.04(a) herein.

"***Noteholder***" means an Entity that holds any of the Notes.

"***Noteholder Claims***" means any and all Claims in respect of, or in connection with, any portion of the outstanding aggregate and unpaid amount of principal and interest due and owing under the Notes. The Noteholder Claims are Allowed Claims under this Plan for all purposes in the amount of $116,050,000 plus accrued and unpaid interest as of the Petition Date. The definition of "Noteholder Claims" does not include any Notes held by the Debtors on the Petition Date.

"***Notes***" means the 9.625% Senior Subordinated Notes due 2008, issued by HPI pursuant to the Indenture.

"***Old HPI Stock***" means HPI's common stock, par value of $.01 per share, issued and outstanding as of the Petition Date.

"***Old HPI Stockholders***" means the owners of Old HPI Stock.

"***Person***" means any individual, corporation, limited liability company, partnership, or other business organization recognized by applicable law, but not a governmental unit except as provided in § 101(41) of the Bankruptcy Code.

"***Petition Date***" means December 20, 2006, the date on which each of the Debtors Filed its respective petition for relief under the Bankruptcy Code commencing the Chapter 11 Cases.

"***Plan***" means this Second Amended Chapter 11 Plan of Reorganization Proposed by Home Products International, Inc. and Home Products International – North America, Inc., dated January 29, 2007, including all exhibits, appendices, schedules and annexes, if any, as such Plan may be altered, amended, supplemented or modified from time to time.

"***Plan Conduct***" has the meaning given it in Section 10.02 herein.

"***Plan Supplement***" means the compilation of Documents, forms of documents, schedules and exhibits to be filed, as modified or supplemented, no less than five (5) days prior to the Confirmation Hearing, and which shall be in form and substance

satisfactory to the Creditors' Committee, Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC.

"***Plan Support Agreement***" means that certain Plan Support Agreement dated as of December 12, 2006 by and among HPI, HPI-NA, the members of the Ad Hoc Committee and SAC.

"***Prepetition Credit Agreement***" means that certain Amended and Restated Loan and Security Agreement dated December 14, 2004, by and among the lenders named therein, Bank of America, N.A., as agent and a lender, and HPI-NA, as amended, modified or supplemented from time to time.

"***Prepetition Lender Secured Claims***" means the Claims of the lenders under the Prepetition Credit Agreement.

"***Priority Non-Tax Claims***" means any and all Claims given priority in payment pursuant to §§ 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6), 507(a)(7) or 507(a)(9) of the Bankruptcy Code.

"***Priority Tax Claims***" means any and all Claims given priority in payment pursuant to §§ 502(i) and 507(a)(8) of the Bankruptcy Code.

"***Pro Rata Share***" means, (a) with respect to any distribution to a Class of Claims under this Plan, a proportionate share such that the ratio of the amount distributed on account of an Allowed Claim to the amount of such Allowed Claim is the same as the ratio of the total amount distributed to such Class to the total amount of all Allowed Claims and remaining Disputed Claims in such Class, and (b) with respect to any distribution to a Class of Interests under this Plan, a proportionate share such that the ratio of the amount distributed on account of an Allowed Interest to the amount of such Allowed Interest is the same as the ratio of the total amount distributed to such Class to the total amount of all Allowed Interests and remaining Disputed Interests in such Class.

"***Professional Claim***" means a Claim for compensation or reimbursement of expenses pursuant to §§ 327, 328, 330, 331 or 503(b) of the Bankruptcy Code relating to services incurred on and after the Petition Date and prior to and including the Effective Date in connection with an application made to the Bankruptcy Court in the Chapter 11 Cases.

"***Professionals***" means any professional employed in the Chapter 11 Cases pursuant to §§ 327, 328 or 1103 of the Bankruptcy Code or to be compensated pursuant to §§ 327, 328, 330, 331, 503(b)(2) or (4) or 1103 of the Bankruptcy Code.

"***Proof of Claim***" means any proof of claim Filed with the Bankruptcy Court or its duly appointed claims agent with respect to the Debtors pursuant to § 501 of the Bankruptcy Code.

"***Proof of Interest***" means any proof of interest Filed with the Bankruptcy Court or its duly appointed claims agent with respect to the Debtors pursuant to § 501 of the Bankruptcy Code.

"***Property***" means all assets or property of the Estates of any nature whatsoever, real or personal, tangible or intangible, including contract rights, accounts and Avoidance Actions, and Causes of Action (whether direct or derivative), previously or now owned by the Debtors or the Reorganized Debtors, as the case may be, or acquired by the Estates, as defined in § 541 of the Bankruptcy Code.

"***Rejected Lease Listing***" means that certain list of leases that the Debtors or the Reorganized Debtors are rejecting in accordance with Article VI herein, which shall be included in the Plan Supplement.

"***Related Parties***" means with respect to any Entity, its former, current and future Affiliates, members, managing members, partners, officers, directors, shareholders, employees, consultants, agents, advisors, attorneys, accountants (including independent certified public accountants), financial advisors, or other representatives and professionals of that Entity or any Entity's Affiliates.

"***Reorganized Debtors***" means collectively, Reorganized HPI and Reorganized HPI-NA.

"***Reorganized HPI***" means HPI on and after the Effective Date.

"***Reorganized HPI-NA***" means HPI-NA on and after the Effective Date.

"***SAC***" means Storage Acquisition Company, L.L.C.

"***Schedules***" means the respective schedules, statements and lists Filed by the Debtors with the Bankruptcy Court pursuant to § 521(1) of the Bankruptcy Code and Bankruptcy Rule 1007, if such documents are Filed, as they have been or may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court prior to the entry of the Final Order.

"***Secured Claim***" means any Claim that is a "secured" claim within the meaning of, and to the extent allowable as a secured claim under, § 506 of the Bankruptcy Code.

"***Settling Noteholders***" means Aragorn LLC, Concise Capital Management, LP, CSFB Intl, Highland Capital Management, L.P., Tivoli Partners, L.P. and Third Avenue. Unless otherwise provided for herein, any authorization, approvals, waivers or consents to be given by the Settling Noteholders pursuant to this Plan shall be determined based on the vote of a majority of the aggregate principal face amount of the Notes held by all Settling Noteholders.

"***Solicitation***" means the solicitation by the Debtors with respect to the acceptance or rejection of this Plan that includes the Disclosure Statement and related materials and, where appropriate, the Ballots.

"***Stock Election Option***" has the meaning given in Section 3.04(b) of this Plan.

"***Stockholders Agreement***" means that certain Stockholders Agreement entered into among the shareholders of Reorganized HPI, in substantially the form to be included in the Plan Supplement.

"***Tax***" means any tax, charge, fee, levy, impost or other assessment by any federal, state, local or foreign governmental unit, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, ad valorem, estimated, severance, stamp, occupation and withholding tax, together with any interest, penalties, fines or additions attributable to, imposed on, or collected by any such federal, state, local or foreign governmental unit.

"***Third Avenue***" means certain investment advisory clients of Third Avenue Management, LLC.

"***Unclassified Claims***" means Administrative Claims and Priority Tax Claims.

"***Unimpaired***" means any Claim or Interest that is not Impaired.

"***United States Trustee***" means the United States Trustee appointed under § 581(a)(3) of title 28 of the United States Code to serve in the Chapter 11 Cases.

"***Voting Agent***" means The BMC Group.

"***Voting Record Date***" means the record date for voting to accept or reject this Plan as fixed by an order of the Bankruptcy Court, which date shall be the date of entry of the Disclosure Statement Order.

Section 1.02 **Rules of Interpretation**.

Whenever appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter gender. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to this Plan as a whole and not to any particular paragraph, subparagraph or clause contained in this Plan. The words "includes" and "including" are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. The captions and headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Without limiting anything in this

Article I, the rules of construction set forth in § 102 of the Bankruptcy Code shall apply to this Plan.

Section 1.03 **Time Computations**.

In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall govern.

Section 1.04 **Exhibits**.

All exhibits and schedules to this Plan, including any exhibits or schedules filed in the Plan Supplement, are incorporated into and are a part of this Plan as if set forth in full herein, regardless of when Filed. All references to "this Plan" shall be construed, where applicable, to include references to this document and all of its exhibits, appendices, schedules and annexes (and any amendments thereto made in accordance with the Bankruptcy Code), including the Plan Supplement. To the extent that the description of any exhibit, appendix, schedule or annex to this Plan is inconsistent with the actual terms or conditions of such exhibit, appendix, schedule or annex, the terms and conditions of the exhibit, appendix, schedule or annex shall control.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

Section 2.01 **Generally**.

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the Classes set forth below. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class for the purposes of receiving distributions pursuant to this Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class, and has not been paid, released or otherwise settled prior to the Effective Date.

Section 2.02 **Unclassified Claims**.

In accordance with §§ 1123(a)(1) and 1129(a)(9) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified and are excluded from the Classes designated in this Article II. The treatment accorded Unclassified Claims is set forth in Article III of this Plan. The holders of such Claims are not entitled to vote on this Plan.

Section 2.03 **Unimpaired Classes of Claims Deemed to Accept.**

This Plan classifies the following Claims as Unimpaired Classes that are not entitled to vote on this Plan. Pursuant to § 1126(f) of the Bankruptcy Code, each Claimholder in the following Classes is conclusively presumed to have accepted this Plan in respect of such Claims:

(a) Class 1 Claims consist of all Priority Non-Tax Claims ("**Class 1 Claims**");

(b) Class 2 Claims consist of the Prepetition Lender Secured Claims ("**Class 2 Claims**");

(c) Class 3 Claims consist of the Miscellaneous Secured Claims ("**Class 3 Claims**"); and

(d) Class 4 Claims consist of the General Unsecured Claims ("**Class 4 Claims**").

Section 2.04 **Impaired Classes Entitled to Vote.**

For the purposes of voting and all confirmation matters, this Plan classifies certain Claims and Interests as Impaired. Such Impaired Claims and Interests are classified as follows, and all Claimholders and Interestholders in the following Classes are entitled to vote on this Plan:

(a) Class 5 Claims consist of all Noteholder Claims ("**Class 5 Claims**"); and

(b) Class 6 Interests consist of all Interests in HPI ("**Class 6 Interests**").

Section 2.05 **Unimpaired Class of Interests Deemed to Accept.**

This Plan classifies the following Interests as Unimpaired. Pursuant to § 1126(g) of the Bankruptcy Code, each Interestholder in the following Class is conclusively presumed to have accepted this Plan in respect of such Interests and is not entitled to vote:

(a) Class 7 Interests consist of all Interests in HPI-NA ("**Class 7 Interests**").

ARTICLE III

TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

Section 3.01 **Generally**.

Each holder of an Allowed Claim or an Allowed Interest shall receive, on account of such Claim or Interest, the treatment described in this Article III and Article X of this Plan, unless the Debtors, with the consent of the Creditors' Committee and Settling Noteholders, and the holder of any such Claim or Interest agree to other treatment that is no more favorable to such holder. Unless otherwise provided in this Section 3.01, treatment in accordance with this Article III and Article X of this Plan or such agreement shall be in full satisfaction, release and discharge of each such Claim and Interest, and all other Claims and Interests against any and all of the Debtors and their Affiliates, if any, of the holders of such Claims and Interests directly or indirectly related to or arising out of the transactions, agreements, or instruments upon which such Claims or Interests were based. The holder of any Claim or Interest shall have no further rights on account of such Claims or Interests, except its rights to such treatment under this Plan or such agreement.

Section 3.02 **Unclassified Claims**.

(a) *Administrative Claims*. Subject to the provisions of §§ 330(a), 331 and 503(b) of the Bankruptcy Code, each Allowed Administrative Claim shall be paid by the Reorganized Debtors, at their election, (i) in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtors, or in such amounts as are allowed by the Bankruptcy Court, on the later of (x) the Effective Date and (y) the date upon which there is a Final Order allowing such Administrative Claim, or (ii) upon such other terms as may be agreed upon between the holder of such Administrative Claim and the Reorganized Debtors; provided, however, that Allowed Administrative Claims representing obligations incurred in the ordinary course shall be paid in full or otherwise satisfied, consistent with past practice.

(b) *Priority Tax Claims*. On the later of (i) the Effective Date, (ii) the date on which such Claim becomes an Allowed Priority Tax Claim, and (iii) the date on which the Debtors or the Reorganized Debtors and the holder of such Allowed Priority Tax Claim otherwise agree, each holder of an Allowed Priority Tax Claim shall be entitled to receive from the Reorganized Debtors Cash payments made in equal annual installments beginning on or before the first anniversary following the Effective Date with the final installment being payable no later than the fifth anniversary of the Petition Date, together with interest on the unpaid balance of such Allowed Priority Tax Claim from the Effective Date calculated at the rate under applicable non-bankruptcy law.

Section 3.03 **Unimpaired Classes of Claims**.

(a) *Class 1 Claims (Priority Non-Tax Claims).* On the later of (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim becomes an Allowed Claim and (iii) the date on which the Debtors or the Reorganized Debtors, as the case may be, and the holder of such Allowed Priority Non-Tax Claim otherwise agree, each holder of an Allowed Priority Non-Tax Claim shall be entitled to receive Cash in an amount sufficient to render such Allowed Priority Non-Tax Claim Unimpaired; provided, however, that Allowed Priority Non-Tax Claims representing obligations incurred in the ordinary course shall be paid in full or otherwise satisfied, consistent with past practice.

(b) *Class 2 Claims (Prepetition Lender Secured Claims).* Class 2 Claims shall be allowed in an amount equal to the principal amount outstanding as of the Effective Date plus accrued and unpaid interest, costs and attorneys' fees and expenses through the Effective Date. Reorganized HPI-NA shall pay such Allowed Claims in Cash on the Effective Date or the date such Claims are allowed, whichever is later, or treat such Claims as HPI-NA, the Creditors' Committee and the Class 2 Claimholders otherwise agree, rendering such Allowed Prepetition Lender Secured Claims Unimpaired.

(c) *Class 3 Claims (Miscellaneous Secured Claims).* As of the Effective Date, at the sole option of the Reorganized Debtors, (i) the legal, equitable and contractual rights of each holder of a Class 3 Claim shall remain unaltered by this Plan so as to leave such Claims Unimpaired, and such Unimpaired Claims shall not be discharged upon confirmation of this Plan or (ii) the Reorganized Debtors shall provide such other treatment as the Reorganized Debtors and such holder agree.

(d) *Class 4 Claims (General Unsecured Claims).* As of the Effective Date, at the sole option of the Reorganized Debtors, (i) the legal, equitable and contractual rights of each holder of a Class 4 Claim shall remain unaltered by this Plan so as to leave such Claims Unimpaired, and such Unimpaired Claims shall not be discharged upon confirmation of this Plan or (ii) the Reorganized Debtors shall provide such other treatment as the Reorganized Debtors and such holder agree.

Section 3.04 **Impaired Classes of Claims and Interests**.

(a) *Class 5 Claims (Noteholder Claims).* On the Effective Date, each holder of an Allowed Class 5 Claim shall receive (i) its Pro Rata Share (based on such holder's share of the Notes held by all holders of Allowed Class 5 Claims) of ninety-five percent (95%) of the New HPI Stock on the Effective Date, subject to dilution by the Management Incentive Plan Shares and Options; provided, however, that each holder of a Class 5 Claim may elect on its Ballot (the "**Electing Class 5 Holder**") to receive, in lieu of the New HPI Stock to which it would otherwise be entitled to receive, an amount in Cash equal to $22.97 for each $1,000 of Notes held by such Electing Class 5 Holder (which Cash payment reflects both a ten percent (10%) reduction in value for an expected ten percent

(10%) dilution for Management Incentive Plan Shares and Options and an additional thirty percent (30%) discount to the value of the New HPI Stock that such holder would otherwise have received) ("**Note Cash-Out Option**") and (ii) the right to purchase New Convertible Notes as set forth in Section 4.01(b) of this Plan. Each holder of an Allowed Noteholder Claim receiving New HPI Stock pursuant to this Plan shall be deemed to be a party to and subject to the Stockholders Agreement. If, pursuant to the final sentence of Section 3.04(b) below, the value of the five percent (5%) of the New HPI Stock that would otherwise be distributed to the holders of Allowed Class 6 Interests is instead to be distributed to the holders of Allowed Class 5 Claims, the ninety-five (95%) appearing in the first sentence of this Section 3.04(a) shall be increased to 100%, and the $22.97 that appears in the first sentence of this Section 3.04(a) shall be increased to $24.18. The fees and expenses of the Indenture Trustee that have been invoiced on or prior to the Effective Date shall be paid in full in Cash by the Reorganized Debtors on the Effective Date. Thereafter, no later than 21 days following the presentment of invoices for the Indenture Trustee's fees and expenses, including reasonable fees and expenses of its professionals, the Reorganized Debtors will pay such invoices in full in Cash. No distributions will be made on account of Noteholder Claims that the Debtors hold, which arise out of any Notes held by the Debtors.

(b) *Class 6 Interests (HPI Interests)*. Class 6 Interests shall be cancelled and extinguished on the Effective Date. Provided that holders of Class 6 Interests accept this Plan, on the Effective Date, each holder of an Allowed Class 6 Interest shall receive (i) an amount in Cash equal to $0.01721 per share of Old HPI Stock held by such Class 6 Interestholder (which Cash payment reflects both a ten percent (10%) reduction in value for an expected ten percent (10%) dilution for Management Incentive Plan Shares and Options and an additional thirty percent (30%) discount to the value of the New HPI Stock that such holder has the option to receive as provided for herein); provided, however, that each holder of an Allowed Class 6 Interest may elect on its Ballot (the "**Electing Class 6 Holder**") to receive shares of New HPI Stock in lieu of Cash in a number equal to its Pro Rata Share (based on such holder's share of the Interests held by all holders of Allowed Class 6 Interests) of five percent (5%) of the New HPI Stock, subject to dilution by the Management Incentive Plan Shares and Options (the "**Stock Election Option**"), and (ii) the right to purchase New Convertible Notes as set forth in Section 4.01(b) of this Plan. SAC has consented to and, therefore, shall be deemed to have elected to exercise the Stock Election Option. Holders of Interests that do not consist of Old HPI Stock shall not receive any distribution unless they had exercised such rights as they may have to receive Old HPI Stock before the date of the hearing on the adequacy of the Disclosure Statement. Each holder of an Allowed HPI Interest receiving New HPI Stock pursuant to this Plan shall be deemed to be a party to and subject to the Stockholders Agreement. To the extent that Class 6 does not accept this Plan, holders of Class 6 Interests shall not receive any distribution, and the five percent (5%) of the New HPI Stock and the rights to purchase New Convertible Notes that would otherwise be distributed under this Section shall instead be added to the ninety-five percent (95%) of New HPI Stock and the rights distributed under Section 3.04(a) of this Plan.

Section 3.05 **Unimpaired Class of Interests.**

(a) *Class 7 Interests (HPI-NA Interests)* Class 7 Interestholders shall retain their Interests. Old HPI-NA Stock shall not be canceled.

ARTICLE IV

MEANS FOR IMPLEMENTATION OF THIS PLAN

Section 4.01 **Restructuring Transactions.**

(a) *Exit Facility.* As of the Effective Date, to the extent necessary, Reorganized HPI-NA, as borrower, and the Exit Lenders shall execute and deliver the Exit Credit Agreement for the Exit Facility to (i) refinance amounts outstanding on the Effective Date under the DIP Order, (ii) make other payments required to be made on the Effective Date and (iii) provide additional borrowing capacity to the Reorganized Debtors following the Effective Date. On the Effective Date, the Reorganized Debtors shall be authorized to enter into, execute and deliver the Exit Credit Agreement (which shall be acceptable in all respects to the Creditors' Committee and Settling Noteholders).

(b) *New Convertible Notes Election Option.* In accordance with the New Convertible Notes Election Option Procedures, the New Convertible Notes Election Option shall permit, as of the Distribution Record Date, each holder of an Allowed Class 5 Claim and each holder of an Allowed Class 6 Interest (the "**Eligible Holders**") to elect to purchase New Convertible Notes in an amount equal to: (i) to the extent that such holder holds an Allowed Class 5 Claim, the product of (x) $25,000,000, (y) ninety-five percent (95%) and (z) such holder's share of the Notes held by all holders of Allowed Class 5 Claims, and (ii) to the extent that such holder holds an Allowed Class 6 Claim, the product of (x) $25,000,000, (y) five percent (5%) and (z) such holder's share of the Interests held by all holders of Allowed Class 6 Interests; provided, that any holder that holds both an Allowed Class 5 Claim and an Allowed Class 6 Interest shall have the right to make two separate elections, one for its Allowed Class 5 Claim and one for its Allowed Class 6 Interest. The Settling Noteholders and SAC may, but shall not be obligated to, subscribe for their full shares of the New Convertible Notes immediately upon their receipt of the New Convertible Notes Election Option following the Confirmation Date, and if any of them so subscribes, each shall be deemed to have exercised its right to acquire the full amount of New Convertible Notes available to it. In addition, pursuant to the Plan Support Agreement, each of the Backstop Lenders, subject to certain terms and conditions, has backstopped the New Convertible Notes Election Option and has committed to fund its share (in accordance with its respective Backstop Commitment and in consideration of its share of the Backstop Fees) of the portion of the New Convertible Notes Facility not funded by the Eligible Holders that elect to purchase New Convertible Notes pursuant to the New Convertible Notes Election Option to ensure that the aggregate principal amount of the New Convertible Notes issued by Reorganized HPI is not less than $25,000,000. If Class 6 does not accept this Plan, (i) the

ninety-five percent (95%) appearing in the first sentence of this Section 4.01(b) shall be increased to one-hundred percent (100%), and (ii) the five percent (5%) appearing in the first sentence of this Section 4.10(b) shall be decreased to zero percent (0%).

Any election made by an Eligible Holder pursuant to the New Convertible Notes Election Option Procedures shall be deemed to be an irrevocable commitment by such electing Eligible Holder to purchase its share of the New Convertible Notes and such electing Eligible Holder shall be required to fund such purchase into escrow simultaneously with its exercise of its option as provided in the New Convertible Notes Election Option Procedures.

(c) INTENTIONALLY OMITTED.

(d) *Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors.* As of the Effective Date, the Reorganized Debtors shall continue to exist as separate corporate entities in accordance with applicable law pursuant to their Amended Certificates of Incorporation and By-Laws. Unimpaired Claims, to the extent not paid in full on the Effective Date, shall remain the obligations solely of such Debtor or Reorganized Debtor and shall not become obligations of the other Debtor or Reorganized Debtor by virtue of this Plan, the Chapter 11 Cases or otherwise. Except as otherwise provided in this Plan, on and after the Effective Date, all property of each Estate of a Debtor, including all claims, rights and causes of action, shall vest in a Reorganized Debtor free and clear of all Claims, Liens, charges, other encumbrances, and Interests. Without limiting the foregoing, on the Effective Date, all proceeds of the New Convertible Notes Election Option in the escrow account with the Election Agent as of the Effective Date shall vest in, become the Property of and be distributed to, the Reorganized Debtors on the Effective Date. Any additional proceeds that the Election Agent receives after the Effective Date relating to the exercise of the New Convertible Notes Election Option shall be distributed to the Reorganized Debtors on or as soon as practicable after the Facility Election Deadline in connection with the issuance of additional New Convertible Notes relating thereto. On and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of Property and compromise or settle any Claims without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by this Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

(e) *Corporate Governance, Directors, Officers and Corporate Action.*

(i) *Certificates of Incorporation and By-Laws.* On the Effective Date or as soon thereafter as is practicable, the Reorganized Debtors shall file with the Secretary of State of the State of Delaware, in accordance with §§ 103

and 303 of the Delaware General Corporation Law, the Amended Certificates of Incorporation. The Amended Certificates of Incorporation and By-Laws shall become the Amended Certificates of Incorporation and By-Laws of the Reorganized Debtors.

(ii) *Directors of the Reorganized Debtors.* On the Effective Date, the operations of the Reorganized Debtors shall become the general responsibility of the boards of directors of the Reorganized Debtors, subject to, and in accordance with, the Amended Certificates of Incorporation and By-Laws of each of the Reorganized Debtors. Subject to the requirement of Bankruptcy Court approval pursuant to § 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, the initial board of directors of Reorganized HPI shall be comprised of seven members, six selected by the Settling Noteholders and one selected by Old HPI Stockholders which hold a majority of the Old HPI Stock. Such directors shall be deemed elected or appointed, as the case may be, pursuant to the Confirmation Order, but shall not take office and shall not be deemed to be so elected or appointed until the occurrence of the Effective Date. The board of directors of Reorganized HPI-NA shall be comprised of members of the board of directors of Reorganized HPI. Pursuant to § 1129(a)(5) of the Bankruptcy Code, the Debtors shall disclose, on or prior to the Confirmation Date, the identity and affiliations of any person proposed to serve on the initial board of directors of each of the Reorganized Debtors, and, to the extent such person is an insider other than by virtue of being a director, the nature of any compensation for such person. The length of the initial term of each director shall be two years. The classification and composition of the board of directors of each of the Reorganized Debtors shall be consistent with its Amended Certificate of Incorporation and By-Laws. Each such director shall serve from and after the Effective Date pursuant to the terms of the Amended Certificates of Incorporation and By-Laws, the other constituent documents of the Reorganized Debtors and applicable law. The boards of directors of each of HPI and HPI-NA shall be deemed to have resigned on the Effective Date.

(iii) *Management Incentive Plan.* On or after the Effective Date, the board of directors of Reorganized HPI shall be authorized to and shall adopt the Management Incentive Plan. Under the Management Incentive Plan, options to purchase up to ten percent (10%) of the fully diluted New HPI Stock as of the Effective Date may be granted from time to time to certain employees of the Reorganized Debtors. The specific identities of the recipients of the Management Incentive Plan Shares and Options, amounts of grants and other terms of the Management Incentive Plan shall be determined by the board of directors of Reorganized HPI.

(iv) *Corporate Action.* On the Effective Date, the adoption of the Amended Certificates of Incorporation and By-Laws or similar constituent documents, the selection of directors and officers for the Reorganized Debtors, and all other actions contemplated by this Plan shall be authorized and approved in all respects (subject to the provisions of this Plan). All matters provided for in this Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with this Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders or directors of the Debtors or the Reorganized Debtors.

(v) *Cancellation of Notes, Instruments, Debentures and Common Stock.* On the Effective Date, except as otherwise provided for herein, (a) the Prepetition Credit Agreement, the Indenture, the Notes, Old HPI Stock, and any other notes, bonds, indentures or other instruments or documents evidencing or creating any indebtedness or obligations of either Debtor shall be cancelled, and (b) the obligations of the Debtors under any agreements, indentures or certificates of designation governing the Prepetition Lender Secured Claims, the Indenture, the Notes, Old HPI Stock, the DIP Order and the Claims, and any other notes, bonds, indentures, or other instruments or documents evidencing or creating any indebtedness or obligations of Debtors shall be discharged; provided, however, that (x) the Indenture shall remain in effect to allow the Indenture Trustee to make distributions to holders of Allowed Noteholder Claims and (y) any provisions which, pursuant to the terms of the Indenture, survive discharge of the Indenture shall remain in effect, including the provision permitting the Indenture Trustee to maintain any rights and/or liens it may have for payment or reimbursement of fees and expenses incurred under the Indenture. If the reasonable fees and expenses of the Indenture Trustee (including the reasonable fees and expenses of its counsel) that have been incurred and invoiced to the Debtors prior to the Effective Date are paid on or before the Effective Date, then distributions on account of the Notes shall not be reduced by the amount of the reasonable fees and expenses. As of the Effective Date, all Old HPI Stock that has been authorized to be issued but that has not been issued shall be deemed cancelled and extinguished without any further action of any party.

(vi) *Issuance of New Securities and Related Documentation.* On or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall issue the New HPI Stock and New Convertible Notes to be distributed pursuant to this Plan without further act or action under applicable law, regulation, order or rule. The issuance of the New HPI Stock and New Convertible Notes and the distribution thereof under this Plan shall be exempt from registration under applicable securities laws pursuant to § 1145(a) of the Bankruptcy Code. Without limiting the effect of § 1145 of the Bankruptcy

Code, all documents, agreements and instruments entered into, on or as of the Effective Date contemplated by or in furtherance of this Plan, including, without limitation, the Exit Credit Agreement, the New Convertible Notes, the Management Incentive Plan, the Stockholders Agreement and any other agreement entered into in connection with the foregoing, shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto. Without limiting the foregoing, on the Effective Date, without any requirement of further action by security holders or directors of the Debtors or the Reorganized Debtors, the Reorganized Debtors shall be authorized and directed to enter into and issue (a) the Exit Credit Agreement, as well as any notes, documents or agreements in connection therewith, (b) the New Convertible Notes, as well as any documents or agreements in connection therewith, and (c) the Stockholders Agreement.

(vii) *Sources of Cash for Plan Distributions*. Except as otherwise provided in this Plan or the Confirmation Order, all Cash necessary for the Reorganized Debtors to make payments pursuant to this Plan shall be obtained from existing Cash balances, the operations of the Debtors and the Reorganized Debtors and the proceeds of the Exit Credit Agreement and the New Convertible Notes.

Section 4.02 **Implementation**.

Upon confirmation of this Plan, the Debtors or the Reorganized Debtors, as the case may be, shall be authorized to take all necessary steps, and perform all necessary acts, to consummate the terms and conditions of this Plan. On or before the Effective Date, the Debtors or the Reorganized Debtors, as the case may be, may file with the Bankruptcy Court such agreements and documents as may be necessary or appropriate to effectuate or further evidence the terms and conditions of this Plan. The Debtors or the Reorganized Debtors, as the case may be, are hereby authorized to execute such agreements and documents and take such other actions as are necessary to effectuate the transactions provided for in this Plan without the need for any required approvals, authorizations or consents.

Section 4.03 **Retention, Enforcement and Release of Causes of Action**.

Subject to Section 10.01 of this Plan, and pursuant to § 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors (as representative of the Estates) shall retain the exclusive right to enforce, in their sole discretion, any and all Causes of Action of the Debtors, including all Avoidance Actions, and all other Causes of Action of a trustee and debtor in possession under the Bankruptcy Code; provided, however, that on the Effective Date, any and all such Avoidance Actions, and all other Causes of Action of a trustee and debtor in possession under the Bankruptcy Code shall be deemed released; provided, further, however, that the foregoing release shall not apply to Causes of Action with respect to any

Disputed Claims (whether arising from setoff issues or otherwise), and any adversary proceeding or other action commenced before and pending on the Effective Date.

ARTICLE V

DISTRIBUTIONS UNDER THIS PLAN

Section 5.01 **Timing and Delivery of Distributions**.

The Disbursing Agent shall make distributions of Property to all holders of Allowed Claims or Interests as of the Distribution Record Date in accordance with Article III of this Plan; provided, however, that all distributions by the Disbursing Agent on account of Allowed Noteholder Claims shall be made to or at the direction of the Indenture Trustee, which shall serve as the disbursing agent for purposes of making distributions in accordance with the Indenture to holders of Allowed Noteholder Claims and, provided, further, however, that any and all distributions made by or at the direction of the Indenture Trustee to holders of Allowed Noteholder Claims shall not be made to holders of Allowed Noteholder Claims as of the Distribution Record Date but rather shall be effectuated through a mandatory exchange of the Notes for distributions under this Plan as soon as reasonably practicable after the Effective Date in accordance with the Indenture and the procedures of the Depository Trust Company or its nominee, Cede & Co. The Disbursing Agent shall make distributions to holders of Allowed Claims and Allowed Interests at the addresses set forth on the Proofs of Claims or Proofs of Interests, if any, Filed by such Claimholders or Interestholders or at the last known addresses of such Claimholders or Interestholders. The Reorganized Debtors shall pay the Indenture Trustee its reasonable fees and expenses for making distributions under this Plan to holders of Allowed Noteholder Claims.

Section 5.02 **Distribution Record Date for Distributions to Holders of Notes and Old HPI Stock**.

At the close of business on the Distribution Record Date, the transfer ledgers for the Notes and Old HPI Stock shall be closed, and there shall be no further changes in the record holders of such securities. The Reorganized Debtors and the Indenture Trustee shall have no obligation to recognize any transfer of any such securities occurring after the Distribution Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only those record holders listed on the transfer ledgers as of the close of business on the Distribution Record Date.

Section 5.03 **Failure to Claim Undeliverable Distributions**.

Any holder of an Allowed Claim or Allowed Interest that does not assert a claim pursuant to this Plan for an undeliverable or unclaimed distribution within one (1) year after the Effective Date shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such claim for an undeliverable or unclaimed distribution against the Debtors, their Estates, the

Reorganized Debtors or their Property. In such cases, any Property, including Cash and New HPI Stock, for distribution on account of such Claims or Interests for undeliverable or unclaimed distributions shall become the property of the Reorganized Debtors free of any restrictions thereon. Nothing contained in this Plan shall require the Disbursing Agent to attempt to locate any holder of any Allowed Claim or Allowed Interest.

Section 5.04 **Fractional Dollars.**

Notwithstanding any other provision of this Plan, the Reorganized Debtors shall not make Cash distributions of fractions of dollars; rather, whenever any payment of a fraction of a dollar would be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down.

Section 5.05 **Fractional Shares.**

Notwithstanding any other provision of this Plan, the Reorganized Debtors shall not distribute fractional shares of New HPI Stock. Where a fractional share would otherwise be called for, the actual issuance shall reflect a rounding up (in the case of .50 or more than .50) of such fraction to the nearest whole New HPI Stock share or a rounding down of such fraction (in the case of less than .50).

Section 5.06 **Compliance With Tax Requirements.**

In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Reorganized Debtors shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Entity from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Reorganized Debtor within thirty (30) days from the date of such request, the Reorganized Debtor may, at its option, withhold the amount required and distribute the balance to such Person or decline to make such distribution until the information is received.

Section 5.07 **Setoffs.**

Except for any Claim that is allowed in an amount set forth in this Plan, the Debtors or the Reorganized Debtors may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to this Plan in respect of such Claims, any and all debts, liabilities and claims of every type and nature whatsoever that the Estates or the Debtors may have against the Claimholders, but neither the failure to do so nor the allowance of any such Claims, whether pursuant to this Plan or otherwise, shall constitute a waiver or release by the Debtors of any such claims that the Debtors may have against such

Claimholders, and all such claims shall be reserved for and retained by the Reorganized Debtors.

Section 5.08 **Documentation Necessary to Release Liens**.

Each Creditor which is to receive a distribution under this Plan in full satisfaction of a DIP Claim, a Class 2 Claim or a Class 3 Claim is directed to execute and deliver any documents (in recordable form if appropriate) necessary to release all Liens arising under any applicable security agreement or provision of the Bankruptcy Code, the DIP Order or non-bankruptcy law in connection with such DIP Claim, Class 2 Claim or Class 3 Claim and such other documents as the Debtors, the Reorganized Debtors or the Disbursing Agent may reasonably request. The Reorganized Debtors are authorized to withhold such distribution from such Creditors that fail to comply with this Section 5.08.

Section 5.09 **Allocation Between Principal and Accrued Interest**.

Except as specifically provided in this Plan, on the Effective Date, the aggregate consideration paid to Creditors in respect of their Claims shall be treated as allocated first to the principal amount of such Claims and then to the accrued interest thereon.

ARTICLE VI

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 6.01 **Treatment of Executory Contracts and Unexpired Leases**.

Except as otherwise provided in this Plan, effective on and as of the Effective Date, any and all unexpired leases and executory contracts that exist between the Debtors and any Entity that (a) have not expired or terminated pursuant to their own terms, (b) have not previously been assumed, assumed and assigned or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date, (c) are not the subject of pending motions to assume, assume and assign or reject as of the Confirmation Date or (d) are not specified in the list of executory contracts and unexpired leases to be rejected by the Reorganized Debtors pursuant to this Plan, as identified on the Rejected Lease Listing, are hereby specifically assumed; provided, however, that the Debtors shall have the right, at any time prior to the Effective Date, to amend the Rejected Lease Listing (i) to delete any executory contract or unexpired lease listed therein, thus providing for its assumption pursuant to this Section 6.01 or (ii) to add any executory contract or unexpired lease thereto, thus providing for its rejection by the Reorganized Debtors pursuant to this Section 6.01. Listing a contract or lease on the Rejected Lease Listing shall not constitute an admission by the Debtors that that they have any liability thereunder.

Section 6.02 **Cure of Defaults for Assumed Contracts and Leases.**

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to this Plan is in default shall be satisfied, pursuant to § 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or on such other terms as the Bankruptcy Court orders or the parties to each such executory contract or unexpired lease may otherwise agree. In the event of a dispute regarding (a) the amount of any cure payments, (b) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of § 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption, the cure payments required by § 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption.

Section 6.03 **Claims for Rejection Damages.**

Notwithstanding any other provision of this Plan, every holder of a Claim arising from the rejection of executory contracts or unexpired leases pursuant to Section 6.01 of this Plan or § 365 of the Bankruptcy Code, if any, must file a Proof of Claim with the Bankruptcy Court as provided in each order authorizing and approving such rejection, which orders shall contain a provision requiring service of each such order on any affected party. Any Claims arising from the rejection of an executory contract or unexpired lease not filed within such time shall be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, or their Property unless otherwise provided for in this Plan. If a timely Proof of Claim is filed for a Claim arising from the rejection of an executory contract or unexpired lease, the allowance of such Claim shall be subject to the provisions of the Bankruptcy Code regarding allowance of Claims, including § 502 of the Bankruptcy Code. All Allowed Claims arising from rejection of executory contracts or unexpired leases shall be classified as General Unsecured Claims. To the extent that Claims arising from the rejection of an executory contract or unexpired lease are not allowed, such Claims shall be discharged.

Section 6.04 **Effect of Confirmation Order with Respect to Executory Contracts and Unexpired Leases.**

The Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute an order of the Bankruptcy Court (a) approving such assumptions pursuant to §§ 365 and 1123(b)(2) of the Bankruptcy Code and Section 6.01 of this Plan, as of the Effective Date, (b) extending the time, pursuant to § 365(d)(4) of the Bankruptcy Code and Section 6.01 of this Plan, within which the Debtors may assume, assume and assign, or reject the unexpired leases specified in Section 6.01 of this Plan through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired leases, and (c) approving, pursuant to §§ 365(a) and 1123(b)(2) of the Bankruptcy

Code, the rejection of the executory contracts and unexpired leases pursuant to Section 6.01 of this Plan.

Section 6.05 **Indemnification Obligations**.

(a) The obligations of the Debtors to indemnify any Person or Entity serving at any time on or prior to the Effective Date as one of their directors, officers, or employees by reason of such Person's or Entity's service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in the Debtors' constituent documents or by a written agreement with the Debtors or the applicable state's general corporation law, each as applicable, shall be deemed and treated as executory contracts that are assumed by the Debtors pursuant to this Plan and § 365 of the Bankruptcy Code as of the Effective Date. Accordingly, such assumed indemnification obligations shall survive unimpaired and unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date. The Reorganized Debtors shall not alter such obligations of indemnification in any way in the Amended Certificate of Incorporation and By-Laws.

(b) For a period of six (6) years following the Effective Date, the Reorganized Debtors shall maintain in effect a policy of directors' and officers' insurance covering those persons who are currently covered by the Debtors' directors' and officers' insurance policy in effect as of the date hereof for actions or omissions occurring on or prior to the Effective Date, which insurance policy shall contain terms and conditions (including, without limitation, coverage amounts) that are substantially the same as the terms and conditions of Debtors' directors' and officers' insurance policy in effect as of the date hereof; provided, however, that notwithstanding the foregoing, the Reorganized Debtors shall not be required to pay aggregate premiums for such policy coverage with regard to actions or omissions occurring on or prior to the Effective Date that exceed $750,000; and provided further, however, that notwithstanding the foregoing, the Reorganized Debtors may satisfy their obligations under this Section 6.05(b) by purchasing a "tail" policy under the Debtors' existing directors' and officers' insurance policy which (i) has an effective term of six (6) years from the Effective Date, (ii) covers those persons who are currently covered by the Debtors' directors' and officers' insurance policy in effect as of the date hereof for actions and omissions occurring on or prior to the Effective Date and (iii) contains terms and conditions (including, without limitation, coverage amounts) that are substantially the same as the terms and conditions of the Debtors' directors' and officers' insurance policy in effect as of the date hereof. Without the prior written consent of such directors, the Reorganized Debtors (x) may not amend or otherwise modify in a manner adverse to the directors or officers, the tail coverage or take any action that would result in the cancellation, termination, amendment or modification in a manner adverse to the directors or officers, the tail coverage and (y) shall continue to honor its obligations under the tail coverage.

(c) All indemnification obligations under Sections 6.04 and 10.04 of this Plan shall survive any sale of a majority of assets or a merger or consolidation of either or

both of the Reorganized Debtors and, if either of the Reorganized Debtors (i) consolidates or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its assets to any Person, then and in such case, proper provision shall be made so that the successors and assigns of the Reorganized Debtors or their assets to any Person, then and in each such case, proper provision shall be made so that the successors and assigns of the Reorganized Debtors or their assets assume the indemnification obligations under such sections.

Section 6.06 **Compensation and Benefit Programs**.

Except as otherwise expressly provided hereunder or in a separate order of the Bankruptcy Court, all employment contracts and collective bargaining agreements and employment and severance policies, and all compensation and benefit plans, policies and programs of the Debtors applicable to their employees, retirees and non-employee directors and the employees and retirees of its subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans, life and accidental death and dismemberment insurance plans are treated as executory contracts under this Plan and on the Effective Date shall be assumed pursuant to the provisions of §§ 365 and 1123 of the Bankruptcy Code. All employment contracts and benefit plans assumed pursuant to this Section 6.06 shall be deemed modified such that the transactions contemplated by this Plan shall not be a default or ground for termination or modification of such contracts or plans. After the Effective Date, the Reorganized Debtors shall have the authority, consistent with applicable agreements, to terminate, amend or enter into employment, retirement, indemnification and other agreements with their respective active directors, officers and employees and to terminate, amend or implement retirement income plans, welfare benefit plans and other plans for active employees.

Section 6.07 INTENTIONALLY OMITTED.

Section 6.08 INTENTIONALLY OMITTED.

ARTICLE VII

PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

Section 7.01 **Special Provision Regarding Unimpaired Claims and Interests**.

Except as otherwise provided in this Plan or by order of the Bankruptcy Court, the legal, equitable and contractual rights of holders of Unimpaired Claims or Unimpaired Interests shall remain unaltered by this Plan, whether or not such Claim or Interest is deemed an Allowed Claim or Allowed Interest. Except as otherwise provided in Section 6.03 of this Plan, holders of Unimpaired Claims or Unimpaired Interests, whether or not allowed, shall not be required to, and no such holders should, file Proofs of Claim or Proofs of Interest with the Bankruptcy Court. Rather, to the extent that a Claim is a Disputed Claim, the

determination of whether such Claim shall be allowed and/or the amount of any such Claim shall be determined, resolved, or adjudicated, as the case may be, in the manner in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced. To the extent the holder of an Unimpaired Claim or Unimpaired Interest files a Proof of Claim or Proof of Interest, irrespective of whether the Debtors or the Reorganized Debtors object to such Proof of Claim or Proof of Interest, nothing shall affect, compromise, limit or prejudice the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to the allowance of such Unimpaired Claim or Unimpaired Interest, including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments against such Unimpaired Claim or Unimpaired Interest; unless this Plan expressly provides for the allowance of such Unimpaired Claim or Unimpaired Interest or the Bankruptcy Court has entered an order deeming such Claim or Interest an Allowed Claim or Allowed Interest, as the case may be. Notwithstanding anything to the contrary contained herein, Unimpaired Claims are subject to all applicable provisions of the Bankruptcy Code, including, without limitation, §§ 502(b)(6) and (7) of the Bankruptcy Code.

Section 7.02 **Objections to Claims; Disputed Claims**.

If and to the extent that Proofs of Claim or Proofs of Interest are filed, then as soon as practicable, but in no event later than 120 days after the Effective Date (unless extended by an order of the Bankruptcy Court), the Debtors or Reorganized Debtors, as the case may be, may, but shall not be required to, file objections to such Proofs of Claim or Proofs of Interest with the Bankruptcy Court and serve such objections on the holders of each of the Claims or Interests to which objections are made; provided, however, that the Debtors and the Reorganized Debtors shall not object to Claims or Interests that are deemed Allowed Claims or Allowed Interests pursuant to this Plan. Nothing contained in this Plan, however, shall limit the Debtors' or the Reorganized Debtors' right to object to Proofs of Claim or Proofs of Interest, if any, that are not allowed under this Plan or that are filed or amended more than 120 days after the Effective Date. The Debtors and the Reorganized Debtors shall be authorized to, and shall, resolve all Disputed Claims or Disputed Interests by withdrawing or settling any objections thereto, or by litigating to judgment in the Bankruptcy Court or such other court having jurisdiction over the validity, nature, and/or amount thereof. Notwithstanding the foregoing, the failure of the Debtors or the Reorganized Debtors, as the case may be, to object to a Proof of Claim or Proof of Interest shall not affect, compromise, limit or prejudice the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to such Unimpaired Claim or Unimpaired Interest, including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments against such Unimpaired Claim or Unimpaired Interest.

Section 7.03 **No Payment or Distribution Pending Allowance.**

All references to Claims and Interests and amounts of Claims and Interests refer to the amount of the Claim or Interest allowed by operation of law, by agreement of the Debtors or the Reorganized Debtors, as the case may be, and the holders of such Claims or Interests by Final Order or this Plan. Accordingly, notwithstanding any other provision in this Plan, no payment or distribution of Property shall be made on account of or with respect to any Claim or Interest or portion thereof to the extent it is a Disputed Claim unless and until such claim becomes an Allowed Claim or Allowed Interest, and the Claimholder or Interestholder has paid the amount, or turned over any Property, for which Person, Entity or transferee is liable with respect to any Avoidance Action.

Section 7.04 **Disputed Distribution.**

If any dispute arises as to the identity of a holder of an Allowed Claim or Allowed Interest who is to receive any distribution, the Disbursing Agent, in lieu of making such distribution to such Claimholder or Interestholder, may make such distribution into an escrow account until the disposition thereof shall be determined by a Final Order or by written agreement among the interested parties to such dispute.

Section 7.05 **Resolution of Disputed Claims.**

The sole and exclusive right (a) to initiate and prosecute any objections to Claims against or Interests in the Debtors or the Estates, (b) to litigate any objection to Claims, (c) to settle or to compromise any Claim or (d) to withdraw any objection to any Claim (other than a Claim that is allowed or deemed to be allowed pursuant to this Plan or a Final Order) shall vest with the Debtors prior to the Effective Date and with the Reorganized Debtors on and after the Effective Date.

ARTICLE VIII

BAR DATE FOR PROFESSIONAL CLAIMS

Section 8.01 **Bar Date for Professionals.**

Applications for Professional Claims shall be Filed no later than thirty (30) days after the Effective Date or such later date as the Bankruptcy Court approves, and shall be served on (a) counsel to the Debtors, Goldberg Kohn Bell Black Rosenbloom & Moritz, Ltd., 55 East Monroe Street, Suite 3700, Chicago, Illinois 60603, Attn: Kathryn Pamenter; (b) local counsel to the Debtors, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware, 19801, Attn: Michael Merchant, (c) the United States Trustee, District of Delaware, 844 North King Street, Room 2311, Lockbox 35, Wilmington, Delaware 19801, Attn: David L. Buchbinder; (d) counsel to the Creditors' Committee, Fried, Frank, Harris, Shriver & Jacobson, LLP, One New York Plaza, New York, New York 10004, Attn.: Gary L. Kaplan, and (e) local counsel to the Creditors'

Committee, Pachulski Stang Ziehl Young Jones & Weintraub LLP, 919 North Market Street, 17th Floor, Wilmington, Delaware 19801, Attn: Laura Davis Jones. The Bankruptcy Court shall not consider applications that are not timely Filed. The Reorganized Debtors may pay Professional fees and expenses incurred after the Effective Date without an application to the Bankruptcy Court.

ARTICLE IX

CONDITIONS TO CONFIRMATION AND CONSUMMATION OF THIS PLAN

Section 9.01 **Conditions to Confirmation**.

This Plan shall not be confirmed unless and until the following conditions have occurred or been duly waived (if waivable) by the Debtors, the Creditors' Committee, the Settling Noteholders and SAC:

(a) *Confirmation Order*. The form of the Confirmation Order is satisfactory in form and substance to the Debtors, the Creditors' Committee, the Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC; and

(b) *Documents*. Each of the Documents shall be in a form and substance that is satisfactory to the Debtors, the Creditors' Committee, the Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC.

Section 9.02 **Conditions to Effective Date**.

This Plan shall not be become effective and the Effective Date shall not occur unless and until the following conditions have occurred or been duly waived (if waivable) by the Debtors, the Creditors' Committee, the Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC:

(a) *Entry of Confirmation Order*. The Confirmation Order, in form and substance acceptable to the Debtors, the Creditors' Committee, the Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC, shall have been signed by the Bankruptcy Court and duly entered and shall have become a Final Order;

(b) *Authorizations, Consents and Approvals*. All necessary authorizations, consents and regulatory approvals in connection with the consummation of this Plan have been obtained and not revoked;

(c) *Documents*. Each of the Documents contemplated by this Plan and the Disclosure Statement have been executed and, to the extent modified or supplemented from the form previously approved pursuant to Section 9.01(b) of this Plan, are in a form and substance that is satisfactory to the Debtors or the Reorganized Debtors, as the case may be, the Creditors' Committee, the Settling Noteholders, and in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC, and all conditions thereto shall have been satisfied or waived as provided therein; and

(d) *Exit Facility*. Reorganized HPI-NA and the Exit Lenders have agreed to and entered into the Exit Facility and executed the Exit Credit Agreement.

Section 9.03 **Waiver of Conditions and Failure of Conditions**.

Each of the conditions set forth in Sections 9.01 and 9.02 above, other than those set forth in Sections 9.01(a) and 9.02(a) above, may be waived in whole or in part by the Debtors with the consent of the Creditors' Committee, the Settling Noteholders and, in respect of the treatment of the Old HPI Stockholders and the New Convertible Notes to be issued pursuant to this Plan, SAC, without any notice to parties in interest or the Bankruptcy Court and without a hearing.

Section 9.04 **Occurrence of Effective Date**.

Unless otherwise determined by the Debtors, with the consent of the Creditors' Committee and the Settling Noteholders, the Effective Date shall occur on the first Business Day immediately following the date upon which all conditions to the Effective Date set forth in Section 9.02 of this Plan have been satisfied or waived by the Debtors or the Reorganized Debtors, as the case may be, with the consent of the Creditors' Committee and the Settling Noteholders, which shall not be unreasonably withheld; provided, however, that if a stay of the Confirmation Order is in effect on such date, the Effective Date shall be the first Business Day after such stay is no longer in effect.

ARTICLE X

EFFECTS OF CONFIRMATION

Section 10.01 **Discharge of All Claims and Interests and Releases**.

(a) On the Effective Date, except as otherwise provided in this Plan, including Sections 3.03(c) and 3.03(d) of this Plan, or in the Confirmation Order, confirmation of this Plan shall discharge the Debtors and the Reorganized Debtors from any and all Claims including any Claim, demands, Liens, Causes of Action and Interests that arose (i) from any agreement of the Debtors entered into, or obligation of the Debtors incurred, before the Effective Date, (ii) from any conduct of the Debtors before the Effective Date or (iii) before the Effective Date, including, without limitation, all interest, if any, on such debts, whether such interest accrued before or after the

Petition Date of a kind specified in §§ 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (x) a Proof of Claim based on such Claim was Filed or deemed Filed under § 501 of the Bankruptcy Code, or such Claim was listed on the Schedules of the Debtors, (y) such Claim is or was allowed under § 502 of the Bankruptcy Code or (z) such Claimholder has voted on or accepted this Plan.

(b) Furthermore, but in no way limiting the generality of the foregoing, except as otherwise specifically provided by this Plan, the distributions and rights that are provided in this Plan shall be in complete satisfaction, discharge and release, effective as of the Confirmation Date (but subject to the occurrence of the Effective Date), of all Claims and Causes of Action against, liabilities of, liens on, obligations of and Interests in the Debtors or the Reorganized Debtors or the direct or indirect assets and properties of the Debtors or the Reorganized Debtors, whether known or unknown, regardless of whether a Proof of Claim or Proof of Interest was Filed, whether or not allowed and whether or not the holder of the Claim or Interest has voted on this Plan, or based on any act or omission, transaction or other activity or security, instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date that was or could have been the subject of any Claim or Interest, in each case regardless of whether a Proof of Claim or Proof of Interest was Filed, whether or not allowed and whether or not the holder of the Claim or Interest has voted on this Plan.

(c) Upon the Effective Date, except as otherwise specifically provided by this Plan, and except to the extent that a holder of a Class 5 Claim or the holder of a Class 6 Interest elects on its Ballot to opt-out of this Section 10.01(c), (i) each of the Debtors, the Reorganized Debtors and their Related Parties, (ii) each holder of a Noteholder Claim and their Related Parties and (iii) each holder of an Allowed Interest and their Related Parties, hereby release each other from any and all claims, debts, obligations, rights, suits, damages, actions, causes of action, remedies, and liabilities of every kind and nature, whether known or unknown, foreseen or unforeseen, derivative or direct, from the beginning of time through the Effective Date, in law, at equity or otherwise, whether for tort, fraud, contract, violations of federal or state securities laws or otherwise, based in whole or in part upon any act or omission, transaction or other occurrence, or circumstances existing or taking place prior to or on the Effective Date arising from, in connection with, or related in any way to the Debtors including, without limitation, their businesses, operations or financing (including, without limitation, the Noteholder Claims).

Section 10.02 Exculpation.

The Debtors, the Reorganized Debtors, the Ad Hoc Committee, the Creditors' Committee, the Settling Noteholders, the Designated Persons, the Indenture Trustee and each of their respective Related Parties shall not have and shall not incur any liability to any Claimholder, Creditor, Interestholder, party-in-interest to the

Chapter 11 Cases herein or any other Person for any act or omission ("*Plan Conduct*") in connection with or arising out of: (a) the filing, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating this Plan or the Property to be distributed under this Plan; (b) all activities leading to the promulgation and confirmation of this Plan, the Plan Supplement, the Disclosure Statement (including any information provided or statements made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to this Plan or the administration of the Debtors or the Chapter 11 Cases; (c) actions taken under this Plan in good faith, including, without limitation, failure to obtain confirmation of this Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date; (d) the management and operations or activities of the Debtors; (e) the implementation of any of the transactions provided for, or contemplated in, this Plan; (f) any action taken in connection with either the enforcement of the Debtors' rights against any Entities or the defense of Claims asserted against the Debtors with regard to the Chapter 11 Cases; (g) the administration of the Chapter 11 Cases, this Plan or the assets and Property to be distributed pursuant to this Plan; or (h) any other act or omission during the administration of the Debtors' Estates or in contemplation of the Chapter 11 Cases, except for willful misconduct, gross negligence or bad faith as finally determined by a Final Order; provided, however, that any Claims for gross negligence or bad faith with respect to actions or inactions occurring prior to the Confirmation Date must be Filed by the Confirmation Date. The Debtors, the Reorganized Debtors, the Ad Hoc Committee, the Creditors' Committee, the Settling Noteholders, the Indenture Trustee and the Designated Persons and each of their respective Related Parties, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan.

Section 10.03 Injunctions.

(a) Sections 10.01 and 10.02 of this Plan shall also act as an injunction against any Entity commencing or continuing any action, employment of process, or act to collect, offset or recover any Claim or Cause of Action satisfied, released or discharged under this Plan.

(b) Furthermore, except as otherwise expressly provided for in this Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including §§ 105, 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Entities that have held, currently hold or may hold a Claim or other Cause of Action, right, debt or liability that is subject to this Plan or who have held, currently hold or may hold or may be a member of an Entity that holds or may be the beneficiary of an Interest that is subject to this Plan from taking any of the following actions in respect of such Claim, debt, liability or Interest: (a) commencing, conducting or

continuing in any manner, directly or indirectly, any suit, Cause of Action or other proceeding of any kind against the Debtors, or the Reorganized Debtors, or with respect to Plan Conduct, the Designated Persons, the Ad Hoc Committee, the Creditors' Committee, the Settling Noteholders or the Indenture Trustee and each of their respective Related Parties; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order against the Debtors or the Reorganized Debtors; (c) creating, perfecting or enforcing in any manner directly or indirectly, any Lien or encumbrance of any kind against the Debtors or the Reorganized Debtors; (d) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors or the Reorganized Debtors; and (e) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of this Plan.

Section 10.04 **Obligation to Defend and Indemnify Designated Persons.**

The Debtors or the Reorganized Debtors, as the case may be, shall, with respect to any action threatened or commenced against any Designated Person and any of its Related Parties relating to Plan Conduct: pay from the first dollar of any defense costs, settlement costs, judgments or other out-of-pocket expenses incurred, provided that (a) the Debtors' or the Reorganized Debtors', as the case may be, aggregate obligations hereunder shall not exceed $250,000; (b) the choice of counsel must be reasonably acceptable to the Designated Person and the Debtors or the Reorganized Debtors, as the case may be; and (c) any settlement must be consented to by the Debtors or the Reorganized Debtors, as the case may be, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the obligations of the Debtors or the Reorganized Debtors, as the case may be, set forth above shall terminate with respect to any Designated Person and any of its Related Parties to the extent that such Designated Person or Related Party is determined by Final Order to be guilty of willful misconduct. In such event, such Designated Person or Related Party shall reimburse the Debtors or the Reorganized Debtors, as the case may be, for all payments made pursuant to this Section 10.04.

Section 10.05 **Guaranties.**

Notwithstanding the existence of guaranties by a Debtor of obligations of any Entity and a Debtor's joint obligations with another Entity or Entities with respect to the same obligations, all Claims against the Debtor based upon any such guaranties shall be satisfied, discharged and released in the manner provided in this Plan, and the Claimholders shall be entitled to only one distribution with respect to any given obligation of the Debtor.

Section 10.06 **Waiver of Subordination Rights**.

Except as otherwise provided in this Plan, to the fullest extent permitted by applicable law, all Claims and Interests in the Debtors, and all rights and claims between or among holders of Claims or Interests relating in any manner whatsoever to Claims or Interests, based on any contractual, legal or equitable subordination rights, shall be terminated on the Effective Date and discharged in the manner provided in this Plan, and all such Claims, Interests and rights so based and all such contractual, legal and equitable subordination rights to which any Entity may be entitled shall be irrevocably waived by the acceptance by such Entity (or, unless the Confirmation Order provides otherwise, the Class of which such Entity is a member) of this Plan or of any distribution pursuant to this Plan. Except as otherwise provided in this Plan and to the fullest extent permitted by applicable law, the rights afforded and the distributions that are made in respect of any Claims or Interests hereunder shall not be subject to levy, garnishment, attachment or like legal process by any holder of a Claim or Interest by reason of any contractual, legal or equitable subordination rights, so that, notwithstanding any such contractual, legal or equitable subordination rights, each holder of a Claim or Interest shall have and receive the benefit of the rights and distributions set forth in this Plan.

Pursuant to Bankruptcy Rule 9019, and any applicable state law, and as consideration for the distributions and other benefits provided under this Plan, the provisions of this Section 10.06 shall constitute a good faith compromise and settlement of any Causes of Action relating to the matters described in this Section 10.06 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest, which compromise and settlement is in the best interests of Creditors and Interestholders and is fair, equitable and reasonable. This settlement shall be approved by the Bankruptcy Court as a settlement of all such Causes of Action. The Bankruptcy Court's approval of this settlement pursuant to Bankruptcy Rule 9019 and its finding that this is a good faith settlement pursuant to any applicable state law, given and made after due notice and opportunity for hearing, shall bar any such Cause of Action relating to the matters described in this Section 10.06 which could be brought by any holder of a Claim or Interest against or involving another holder of a Claim or Interest.

ARTICLE XI

RETENTION OF JURISDICTION

Section 11.01 **Exclusive Jurisdiction of Bankruptcy Court**.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to, the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction:

(a) To consider any modification to this Plan, correct any defect, cure any omission, or reconcile any inconsistency in this Plan or in the Confirmation Order, to the extent necessary to carry out the purposes and intent of this Plan;

(b) To effectuate performance of obligations and payments under the provisions of this Plan;

(c) To hear and determine any objections to the allowance of Claims or Interests and requests for estimation of Claims;

(d) To hear and determine all matters with respect to the assumption and rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any required cure or the liquidation and allowance of any Claims arising therefrom;

(e) To hear and determine any and all applications, adversary proceedings, motions and other contested matters not resolved in this Plan;

(f) To hear and determine any and all Professional Claims;

(g) To enforce the terms and provisions of payments, rights and interests required or created by this Plan, or by earlier orders of the Bankruptcy Court;

(h) To enter any order necessary to consummate, interpret, and effect the provisions of this Plan and the Confirmation Order and any and all contracts, instruments, releases and other agreements or documents created in connection with this Plan or the Confirmation Order, or as may otherwise be required by the Bankruptcy Code;

(i) To hear and determine disputes arising in connection with the interpretation, implementation, consummation or enforcement of this Plan, including disputes arising under agreements, documents or instruments executed in connection with this Plan;

(j) To issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with implementation, consummation or enforcement of this Plan or the Confirmation Order;

(k) To enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;

(l) To hear and determine any matters arising in connection with or relating to this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order;

(m) To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with these Chapter 11 Cases;

(n) Except as otherwise limited herein, to recover all assets of the Debtors and property of the Estates, wherever located;

(o) To hear and determine matters concerning state, local, and federal taxes, including the amount of any tax or penalty related thereto, in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code;

(p) To hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

(q) To enter a final decree closing each of these Chapter 11 Cases, simultaneously, or on a case-by-case basis, as appropriate.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01 **Joint Administration**.

This Plan is a joint plan, and the Debtors are being jointly administered for procedural purposes only. The Debtors are not being substantively consolidated, and each Debtor shall remain a separate entity on the Effective Date.

Section 12.02 **Binding Effect of Plan**.

The provisions of this Plan shall be binding upon and inure to the benefit of the Debtors, the Estates, the Reorganized Debtors, and any Claimholder or Interestholder treated herein or any Entity named or referred to in this Plan and each of their respective Related Parties, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by this Plan.

Section 12.03 **Withdrawal or Revocation of this Plan**.

The Debtors reserve the right, with the consent of the Creditors' Committee and the Settling Noteholders, at any time prior to the substantial consummation (as that term is defined in § 1101(2) of the Bankruptcy Code) of this Plan, to revoke or withdraw this Plan. If this Plan is revoked or withdrawn or if the Effective Date does not occur, this Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors, the Reorganized Debtors or any Entity in any further proceedings involving the Debtors.

Section 12.04 **Modification of this Plan**.

The Debtors, with the consent of the Creditors' Committee and the Settling Noteholders, may alter, amend or modify this Plan under § 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Effective Date. After the Confirmation Date and prior to the substantial consummation of this Plan, and in accordance with the provisions of § 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtors and any party in interest may, so long as the treatment of Claimholders or Interestholders or this Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in this Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of this Plan.

Section 12.05 **Severability**.

Should the Bankruptcy Court determine, prior to the Confirmation Date, that any provision of this Plan is either illegal on its face or illegal as applied to any Claim or Interest, such provision shall be unenforceable as to all Claimholders or Interestholders or to the specific Claimholder or Interestholder, as the case may be, as to which the provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of this Plan. The Debtors reserve the right not to proceed with confirmation or consummation of this Plan if any such ruling occurs.

Section 12.06 **Governing Law**.

EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE OR BANKRUPTCY RULES OR OTHER FEDERAL LAWS ARE APPLICABLE, AND SUBJECT TO THE PROVISIONS OF ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT ENTERED INTO IN CONNECTION WITH THIS PLAN, THE CONSTRUCTION, IMPLEMENTATION AND ENFORCEMENT OF THIS PLAN AND ALL RIGHTS AND OBLIGATIONS ARISING UNDER THIS PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAW PRINCIPLES WHICH WOULD APPLY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK OR THE UNITED STATES OF AMERICA.

Section 12.07 **Notices**.

Any notice required or permitted to be provided under this Plan shall be in writing and deemed given (a) five (5) days after mail, if by certified mail, return receipt requested, postage prepaid, or (b) receipt if by hand delivery or reputable overnight delivery service, freight prepaid. Notices shall be addressed as follows:

If to the Reorganized Debtors:

Home Products International, Inc. and Home
Products International – North America, Inc.
4501 West 47th Street
Chicago, IL 60632
Attn: Donald Hotz

With a copy to:

Goldberg Kohn Bell Black Rosenbloom &
Moritz, Ltd.
55 East Monroe Street, Suite 3700
Chicago, IL 60603
Attn: Ronald Barliant and Kathryn Pamenter

If to the United States Trustee:

Office of the United States Trustee
District of Delaware
844 North King Street, Room 2311
Wilmington, DE 19801
Attn: David L. Buchbinder

If to the Creditors' Committee:

Fried, Frank, Harris, Shriver & Jacobson, LLP
One New York Plaza
New York, NY 10004
Attn: Gary L. Kaplan and Jennifer Rodburg

Section 12.08 **Filing of Additional Documents**.

On or before substantial consummation of this Plan, the Debtors shall issue, execute, deliver, and File with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence the terms and conditions of this Plan.

Section 12.09 **No Interest**.

Unless otherwise specifically provided for in this Plan or Confirmation Order or allowed by a Final Order, postpetition interest shall not accrue or be paid on Claims, and no Claimholder or Interestholder shall be entitled to such interest or any penalty or late charge accruing on or after the Petition Date on any such Claim or Interest. Interest shall not

accrue or be paid on any Disputed Claim with respect to the period from the Petition Date to the date paid with respect to such Claim once allowed.

Section 12.10 **Defenses with Respect to Claims**.

Except as otherwise provided in this Plan, nothing shall affect the rights and legal and equitable defenses of the Debtors, with respect to any Claim, including but not limited to all rights in respect of legal and equitable defenses to setoffs or recoupments against such Claims.

Section 12.11 **No Admissions**.

Notwithstanding anything herein to the contrary, nothing contained in this Plan will be deemed an admission by the Debtors with respect to any matter set forth herein, including, without limitation, liability on any Claim or Interest, except to the extent that a Claim or Interest is allowed under this Plan.

Section 12.12 **Section 1146 Exemption**.

To the fullest extent permitted under § 1146(a) of the Bankruptcy Code, the assignment or surrender of any unexpired lease, sublease or executory contract, or the delivery, making, filing, or recording of any deed or other instrument of transfer, or the issuance, transfer, or exchange of any security under this Plan, or the execution, delivery or recording of an instrument of transfer under this Plan, or the revesting, transfer or sale of any real or other Property of or to the Debtors, whether arising prior or subsequent to the Confirmation Date, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by this Plan shall not be subject to any stamp Tax, real estate transfer, mortgage, recording or other similar Tax. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp Tax, deed stamps, stamp Tax, transfer Tax, mortgage recording Tax, intangible Tax or similar Tax.

Section 12.13 **Plan and Disclosure Statement Exhibits**.

Unless otherwise provided herein, any and all exhibits to this Plan and Disclosure Statement, or other lists or schedules, not filed with this Plan and the Disclosure Statement shall be filed with the Clerk of the Bankruptcy Court prior to the Confirmation Hearing. Upon such filing, such documents may be inspected in the office of the Clerk of the Court during normal course hours. Holders of Claims or Interests may obtain a copy of any such document upon written request to the Debtors.

Section 12.14 **Dissolution of Creditors' Committee.**

On the Effective Date, the Creditors' Committee shall be automatically dissolved and all members, Professionals and agents of such Creditors' Committee shall be deemed released of their duties, responsibilities and obligations, and shall be without further duties, responsibilities and authority in connection with the Debtors, the Chapter 11 Cases, and this Plan or its implementation.

CONFIRMATION REQUEST

The Debtors hereby request confirmation of this Plan pursuant to § 1129(a) or, in the event that this Plan is not accepted by each of those Classes of Claims and Interests entitled to vote, § 1129(b) of the Bankruptcy Code.

Dated: January 29, 2007

HOME PRODUCTS INTERNATIONAL, INC. and HOME PRODUCTS INTERNATIONAL – NORTH AMERICA, INC.,

Debtors and Debtors-in-Possession

By: Donald J. Hotz
Name: Donald J. Hotz
Title: Chief Financial Officer