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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION**

)		
In re:)	Chapter 11	
)		
Bosque Power Company, LLC, <i>et al.</i> , ¹)	Case No. 10-60348-BK	
)		
Debtors.)	Jointly Administered	
)		

**DISCLOSURE STATEMENT WITH RESPECT TO THE
JOINT CHAPTER 11 PLAN DATED AS OF JULY 19, 2010**

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¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BosPower Development LLC (3544); BosPower Partners LLC (6652); Bosque Power Company, LLC (8730); BosPower Development Blocker I Inc. (1043); BosPower Development Blocker II Inc. (1097); and Fulcrum Marketing and Trade LLC (8911).



DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE JOINT CHAPTER 11 PLAN DATED JULY 19, 2010, FILED BY BOSPOWER DEVELOPMENT LLC; BOSPOWER PARTNERS LLC; BOSQUE POWER COMPANY, LLC; BOSPOWER DEVELOPMENT BLOCKER I INC.; BOSPOWER DEVELOPMENT BLOCKER II INC.; AND FULCRUM MARKETING AND TRADE LLC, DEBTORS AND DEBTORS IN POSSESSION (AS MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "PLAN"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

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

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF ANY OF THE DEBTORS AND DEBTORS IN POSSESSION IN THESE CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY

INTERESTS IN ANY OF THE DEBTORS AND DEBTORS IN POSSESSION IN THESE CASES.

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I. INTRODUCTION

The debtors and debtors in possession in the above-referenced chapter 11 cases (these “Chapter 11 Cases”) are the following related companies (collectively, the “Debtors” or the “Company”):

BosPower Development LLC;
BosPower Partners LLC;
Bosque Power Company, LLC;
BosPower Development Blocker I Inc.;
BosPower Development Blocker II Inc.; and
Fulcrum Marketing and Trade LLC

The Debtors submit this disclosure statement (as may be amended, the “Disclosure Statement”) pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for use in the solicitation of votes on the Joint Chapter 11 Plan Dated as of July 19, 2010 (as may be amended, the “Plan”). A copy of the Plan is attached hereto as Appendix A. Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

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

By order entered on or about [_____], 2010, the Bankruptcy Court has approved this Disclosure Statement as containing “adequate information,” in accordance with section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable investor typical of Holders of Claims against the Debtors to make an informed judgment as to whether to accept or reject the Plan, and has authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtors and their business, other than that contained in this Disclosure Statement, the Plan, the Plan Supplement and all exhibits and appendices hereto and thereto.

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are (a) “impaired” by a plan and (b) entitled to receive a distribution under such

plan are entitled to vote on the plan. In the Debtors' cases, only Claims in Classes 3 and 4 are Impaired by and entitled to receive a distribution under the Plan; accordingly, only the Holders of Claims in those Classes are entitled to vote to accept or reject the Plan. Claims in Classes 1 and 2 are Unimpaired by the Plan; accordingly, the Holders thereof are conclusively presumed to have accepted the Plan. Claims in Classes 5 and 6, Interests in Class 7 and Claims in Class 8, which receive nothing under the Plan, are deemed to have rejected the Plan and the Holders of Claims in Classes 5 and 6, Interests in Class 7 and Claims in Class 8 are not entitled to vote.

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

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

NOTHING CONTAINED HEREIN SHALL BE DEEMED TO CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. EXCEPT WITH RESPECT TO THE *PRO FORMA* FINANCIAL PROJECTIONS SET FORTH IN APPENDIX B ANNEXED HERETO (THE "PROJECTIONS") AND EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS DO NOT UNDERTAKE ANY

OBLIGATION TO, AND DO NOT INTEND TO, UPDATE THE PROJECTIONS; THUS, THE PROJECTIONS WILL NOT REFLECT THE IMPACT OF ANY SUBSEQUENT EVENTS NOT ALREADY ACCOUNTED FOR IN THE ASSUMPTIONS UNDERLYING THE PROJECTIONS. FURTHER, THE DEBTORS DO NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUCH OCCURRENCES. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. MOREOVER, THE PROJECTIONS ARE BASED ON ASSUMPTIONS THAT, ALTHOUGH BELIEVED TO BE REASONABLE BY THE DEBTORS, MAY DIFFER FROM ACTUAL RESULTS.

THE DEBTORS BELIEVE THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS, THEIR CREDITORS AND THEIR ESTATES. THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

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

The Plan provides for the classification and treatment of Claims against and Interests in the Debtors. The Plan designates seven Classes of Claims and one Class of Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

A. General Structure of the Plan

The Plan is structured as a joint plan. The Chapter 11 Cases were filed to implement a restructuring which is embodied in the Plan in an efficient, expedient and economical fashion, with minimal disruption to the Debtors’ ongoing business operations. The Plan provides for means of implementation through either a Reorganization or a Sale.

As of the Petition Date, the aggregate principal amount of Prepetition Senior Secured Claims totaled approximately \$415,022,851. As of the Petition Date, after taking into account certain payments made to Holders of Claims authorized pursuant to orders of the Bankruptcy Court, the Debtors’ unsecured trade debt totaled approximately \$726,500.

Under the Plan, Holders of Allowed Class 3 will receive (i) in the event a Reorganization is consummated, their Pro Rata Shares of (a) the Plan Cash (which the Debtors estimate to be approximately \$14,371,000), (b) the New Senior Secured Cash Notes (in the principal amount of \$300,000,000) and (c) in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do not make the 1111(b) Election, fifteen percent (15%) of the New Equity Securities, or in the event that the Holders of the Class 3 Prepetition Senior Secured Claims make the 1111(b) Election, the New Senior Secured Bullet Notes (in the principal amount of \$27,500,000 or (ii) in the event a Sale is consummated, its Pro Rata Share of the Plan

Cash (following a determination pursuant to a final, non-appealable order of the priority of claims vis-à-vis Class 3 Claims and Class 4 Claims).

The Holder of the Allowed Class 4 Claim will receive (i) in the event a Reorganization is consummated, (a) \$5,000,000 in Cash on or as soon as reasonably practical after the Effective Date and (b) the Lauren Notes (in the principal amount of \$3,393,198), or (ii) in the event a Sale is consummated, either (a) in the event that a final, non-appealable order determines that Class 4 Claim is entitled to priority over Class 3 Claims, payment in Cash of the Allowed amount of the Class 4 Claim on the latter of the Effective Date or sixty (60) days after the entry of such final order or (b) in the event that a final, non-appealable order determines that the Class 3 Claims are entitled to priority over the Class 4 Claim, payment of the available proceeds of the Sale (up to the Allowed amount of the Class 4 Claim) after payment in full of all allowed Administrative Claims and Allowed Class 3 Claims.

The following are certain additional material terms of the Plan:

- In the event a Reorganization is consummated, the means for implementation of the Plan include a \$42,500,000 equity infusion to be contributed by the Equity Sponsor in exchange for eighty-five percent (85%) (in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do not make the 1111(b) Election) or 100% (in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do make the 1111(b) Election) of the New Equity Securities in each of the Reorganized Debtors. The Debtors will be reorganized pursuant to the Plan and will continue in operation, achieving the objectives of chapter 11 for the benefit of their creditors, customers, suppliers and employees. Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Miscellaneous Secured Claims, Allowed Miscellaneous Priority Claims will be Unimpaired by the Plan or will be paid in full as required by the Bankruptcy Code, unless otherwise agreed by the Holders of such Claims. Holders of Prepetition Senior Deficiency Claims and General Unsecured Claims will not receive or retain any property under the Plan on account of such Claims. Old Equity will be cancelled and Insider Claims will be extinguished.
- In the event a Sale is consummated, proceeds of the Sale shall be applied (a) to fund the Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Miscellaneous Secured Claims and Allowed Miscellaneous Priority Claims, (b) to establish the Plan Cash to be distributed pro rata to each Holder of an Allowed Class 3 Prepetition Senior Secured Claim in accordance with Section 3.07 of the Plan and (c) to be distributed pro rata to each Holder of an Allowed Class 4 Lauren Claim in accordance with Section 3.08 of the Plan. Holders of Prepetition Senior Deficiency Claims and General Unsecured Claims will not receive or retain any property under the Plan on account of such Claims. Old Equity will be cancelled and Insider Claims will be extinguished.

The Debtors have estimated the ultimate distributions that will be made in respect of Allowed Claims and Interests. As explained more fully in Section VII entitled “Certain Risk Factors to Be Considered,” however, because of inherent uncertainties, many of which are beyond the Debtors’ control, there can be no guaranty that actual performance will meet the Debtors’ estimates. The Debtors nonetheless believe that if the Plan is not consummated, it is likely that Holders of Claims against and Interests in the Debtors’ estates will receive less than they would if the Plan is confirmed because liquidation of the Debtors’ assets under chapter 7 of the Bankruptcy Code will reduce the consideration available for distribution. The Debtors’ Liquidation Analysis is attached hereto as Appendix C.

B. Summary of Treatment of Claims and Interests under the Plan

The table below summarizes the classification and treatment of the prepetition Claims against and Interests in the Debtors under the Plan. For certain Classes of Claims, estimated percentage recoveries also are set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including (where not Allowed by the Plan) the amount of Allowed Claims in each Class.

For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows. Except for Claims Allowed by the Plan, estimated Claim amounts for each Class set forth below are based upon the Debtors’ review of their books and records, and include estimates of a number of Claims that are contingent, disputed and/or unliquidated. Accordingly, for these reasons, no representation can be or is being made with respect to whether the estimated percentage recoveries shown in the table below for Classes 3 and 4 will actually be realized by the Holders of Allowed Claims in such Classes.

Type of Claim or Interest and Description Thereof	Treatment Under Sale Option	Treatment Under Reorganization Option
<p>Unclassified — Administrative Claims</p> <p>Estimated Aggregate Allowed Amount: Approximately \$9,200,000</p> <p>An Administrative Claim is a Claim for (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to, (i) any actual and necessary post Petition Date cost or expense of preserving the Debtors' respective Estates or operating the business of the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their respective businesses, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors' respective Estates under section 1930 of title 28 of the United States Code; and (c) any Allowed Administrative Claims or superpriority Claims granted pursuant to the Cash Collateral Order.</p> <p>Administrative Claims are not classified and are treated as required by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan.</p>	<p>Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed or (iii) a date agreed to in writing by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order.</p> <p>Estimated Percentage Recovery: 100%</p>	<p>Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed or (iii) a date agreed to in writing by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Unclassified — Priority Tax Claims</p> <p>Estimated Aggregate Allowed Amount: Approximately \$2,300,000</p>	<p>Under the Plan, Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective</p>	<p>Under the Plan, Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective</p>

Type of Claim or Interest and Description Thereof	Treatment Under Sale Option	Treatment Under Reorganization Option
<p>The Plan defines Priority Tax Claims as any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtors that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.</p> <p>Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan.</p>	<p>Date, (ii) the date on which such Priority Tax Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order. Prior to the Effective Date, the Debtors shall have the right, in their sole discretion, to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.</p> <p>Estimated Percentage Recovery: 100%</p>	<p>Date, (ii) the date on which such Priority Tax Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order. Prior to the Effective Date, the Debtors shall have the right, in their sole discretion, to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 1 — Miscellaneous Secured Claims Estimated Aggregate Allowed Amount: \$1,100,000</p> <p>Class 1 consists of Miscellaneous Secured Claims, which are any Secured Claim other than the Prepetition Senior Secured Claims and the Lauren Claim.</p>	<p>Under the Plan, Class 1 Miscellaneous Secured Claims are Unimpaired. Each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive, in the sole discretion of the Debtors or the Disbursing Agent, as the case may be, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) Cash equal to the amount of such Allowed Miscellaneous Secured Claim on or as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Miscellaneous Secured Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 1 Miscellaneous Secured Claim; (b) Reinstatement of such Allowed</p>	<p>Under the Plan, Class 1 Miscellaneous Secured Claims are Unimpaired. Each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive, in the sole discretion of the Debtors or the Disbursing Agent, as the case may be, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) Cash equal to the amount of such Allowed Miscellaneous Secured Claim on or as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Miscellaneous Secured Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 1 Miscellaneous Secured Claim; (b) Reinstatement of such Allowed</p>

Type of Claim or Interest and Description Thereof	Treatment Under Sale Option	Treatment Under Reorganization Option
	<p>Miscellaneous Secured Claim; (c) the Property securing such Miscellaneous Secured Claim; or (d) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Secured Claim and the Debtors or the Disbursing Agent, as the case may be.</p> <p>Estimated Percentage Recovery: 100%</p>	<p>Miscellaneous Secured Claim; (c) the Property securing such Miscellaneous Secured Claim; or (d) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Secured Claim and the Debtors or the Disbursing Agent, as the case may be.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2 — Miscellaneous Priority Claims Estimated Aggregate Allowed Amount: \$0</p> <p>Class 2 consists of Miscellaneous Priority Claims, which are any Claims against the Debtors entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.</p>	<p>Under the Plan, Class 2 Miscellaneous Priority Claims are Unimpaired. Each Holder of an Allowed Class 2 Miscellaneous Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 2 Claim becomes Allowed and (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 2 Miscellaneous Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Priority Claim and the Debtors or the Disbursing Agent, as the case may be.</p> <p>Estimated Percentage Recovery: 100%</p>	<p>Under the Plan, Class 2 Miscellaneous Priority Claims are Unimpaired. Each Holder of an Allowed Class 2 Miscellaneous Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 2 Claim becomes Allowed and (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 2 Miscellaneous Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Priority Claim and the Debtors or the Disbursing Agent, as the case may be.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 3 — Prepetition Senior Secured Claims Estimated Aggregate Allowed Amount: Approximately \$286,256,000</p> <p>Class 3 consists of Claims of the Prepetition Senior Lenders arising under the Prepetition Credit Agreement, together with the CS Secured Hedge Claims, but only to the extent that such Claim is a secured claim as determined under the Bankruptcy Code.</p>	<p>Under the Plan, Class 3 Prepetition Senior Secured Claims are Impaired. On the Effective Date of the Plan, following a determination pursuant to a final, non-appealable order of the priority of claims vis-à-vis Class 3 Prepetition Senior Secured Claims and the Allowed Lauren Claim, each Holder of an Allowed Prepetition Senior Secured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, its Pro Rata Share of the Plan Cash</p>	<p>Under the Plan, Class 3 Prepetition Senior Secured Claims are Impaired. On the Effective Date, each Holder of an Allowed Prepetition Senior Secured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, its Pro Rata Share of (a) the Plan Cash, (b) the New Senior Secured Cash Notes and (c) in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do not make the 1111(b) Election, fifteen percent (15%) of the New Equity Securities, or in the event that the Holders of the Class 3 Prepetition Senior Secured Claims make the 1111(b) Election, the New Senior Secured Bullet Notes.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 4 — Lauren Claim Estimated Aggregate Allowed Amount: Approximately \$8,393,198</p> <p>Class 4 consists of the Lauren Claim, which consists of any and all Claims of Lauren against any of the</p>	<p>Under the Plan, the Class 4 Lauren Claim is Impaired. In the event that a final, non-appealable order determines that the Lauren Claim is entitled to priority over Class 3 Prepetition Senior Secured Claims, the Holder of the Allowed Class 4 Lauren Claim shall receive payment in Cash of the Allowed amount of the Lauren Claim on the latter of (i) the Effective Date or (ii) sixty (60) days after the entry of such final order. In the event that a final, non-</p>	<p>Under the Plan, the Class 4 Lauren Claim is Impaired. The Holder of an Allowed Class 4 Lauren Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of the Lauren Claim (i) \$5,000,000 in Cash on or as soon as reasonably practical after the Effective Date and (ii) the Lauren Notes, all pursuant to the terms of the Lauren Settlement Agreement. On the Effective Date, all liens on assets of the Debtor</p>

Type of Claim or Interest and Description Thereof	Treatment Under Sale Option	Treatment Under Reorganization Option
<p>Debtors, including, but not limited to, (i) Claims of Lauren against BPC arising from the arbitration award issued in favor of Lauren on February 23, 2010 by the American Arbitration Association Construction Industry Arbitration Tribunal, in Case No. 71 110 Y 00387 09; (ii) Claims of Lauren relating to the obligation of any Debtor to hold certain funds for the benefit of Lauren as construction trust funds; (iii) Claims of Lauren relating to the obligation of any Debtor to hold certain funds in retainage for the benefit of Lauren; (iv) Claims of Lauren with respect to any asserted mechanic's or materialmen's liens; (v) any other Claims of Lauren against any of the Debtors arising prior to the Petition Date; and (vi) any Claims of Lauren relating to or arising from any action or inaction taken by any Debtor with respect to clauses (i) through (v) above.</p>	<p>appealable order determines that Class 3 Prepetition Senior Secured Claims are entitled to priority over the Lauren Claim, payment of the available proceeds of the Sale (up to the Allowed amount of the Lauren Claim) after payment in full of all Allowed Administrative Claims and Allowed Class 3 Prepetition Senior Secured Claims.</p>	<p>held by Lauren (other than those created by this Plan) shall be satisfied, discharged and extinguished.</p>
<p>Class 5 — Prepetition Senior Deficiency Claims Estimated Aggregate Allowed Amount: Approximately \$133,597,016</p> <p>Class 5 consists of Claims of the Prepetition Senior Lenders arising under the Prepetition Credit Agreement, together with the CS Secured Hedge Claims, excluding the Prepetition Senior Secured Claims.</p>	<p>Under the Plan, Class 5 Prepetition Senior Deficiency Claims are Impaired. Holders of Class 5 Claims shall not receive or retain any property under the Plan on account of such Claims.</p> <p>Estimated Percentage Recovery: 0%</p>	<p>Under the Plan, Class 5 Prepetition Senior Deficiency Claims are Impaired. Holders of Class 5 Claims shall not receive or retain any property under the Plan on account of such Claims.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Class 6 — General Unsecured Claims Estimated Aggregate Allowed Amount: Approximately \$726,500</p> <p>Class 6 consists of General Unsecured Claims which are all Claims that are not Administrative Claims, Priority Tax Claims, Professional Fee Claims, Miscellaneous Secured Claims, Miscellaneous Priority Claims, Prepetition Senior Secured Claims, Prepetition Senior Deficiency Claims, Insider Claims, or the Lauren Claim.</p>	<p>Under the Plan, Class 6 General Unsecured Claims are Impaired. Holders of Class 6 Claims shall not receive or retain any property under the Plan on account of such Claims.</p> <p>Estimated Percentage Recovery: 0%</p>	<p>Under the Plan, Class 6 General Unsecured Claims are Impaired. Holders of Class 6 Claims shall not receive or retain any property under the Plan on account of such Claims.</p> <p>Estimated Percentage Recovery: 0%</p>

Type of Claim or Interest and Description Thereof	Treatment Under Sale Option	Treatment Under Reorganization Option
<p>Class 7 — Interests</p> <p>Class 7 consists of Interests. Such Interests include any and all equity interests, ownership interests or shares in the Debtors issued by the Debtors prior to the Petition Date (including, without limitation, all capital stock, stock certificates, common stock, preferred stock, partnership interests, membership and other interests in a limited liability company, rights, options, warrants, contingent warrants, convertible or exchangeable securities, investment securities, subscriptions or other agreements and contractual rights to acquire or obtain such an interest or share in the Debtors, partnership interests in the Debtors' stock appreciation rights, conversion rights, repurchase rights, redemption rights, dividend rights, preemptive rights and liquidation preferences, puts, calls or commitments of any character whatsoever relating to any such equity, ownership interests or shares of capital stock of the Debtors or obligating the Debtors to issue, transfer or sell any shares of capital stock) whether or not certificated, transferable, voting or denominated "stock" or a similar security, and any Claim or Cause of Action related to or arising from any of the foregoing.</p>	<p>Under the Plan, Class 7 Interests are Impaired. Holders of Class 7 Interests shall not receive or retain any property under the Plan on account of such Interests. On the Effective Date, all Interests shall be cancelled.</p> <p>Estimated Percentage Recovery: 0%</p>	<p>Under the Plan, Class 7 Interests are Impaired. Holders of Class 7 Interests shall not receive or retain any property under the Plan on account of such Interests. On the Effective Date, all Interests shall be cancelled.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Class 8 — Insider Claims</p> <p>Estimated Aggregate Allowed Amount: Approximately \$0</p> <p>Class 8 consists of Insider Claims, which are any Claim of an Insider against any of the Debtors, other than any Claim of an Insider that is a Claim for indemnification under the Debtors' organizational documents, employment agreements, internal policies or otherwise.</p>	<p>Under the Plan, Class 8 Insider Claims are Impaired. Holders of Class 8 Insider Claims shall not receive or retain any property under the Plan on account of such Insider Claims. On the Effective Date, all Insider Claims shall be extinguished.</p> <p>Estimated Percentage Recovery: 0%</p>	<p>Under the Plan, Class 8 Insider Claims are Impaired. Holders of Class 8 Insider Claims shall not receive or retain any property under the Plan on account of such Insider Claims. On the Effective Date, all Insider Claims shall be extinguished.</p> <p>Estimated Percentage Recovery: 0%</p>

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

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable Holders of Claims to make an informed judgment whether to accept or reject the Plan.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN.

No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein. No such information will be relied upon in making a determination to vote to accept or reject the Plan.

B. Voting Rights

Pursuant to the provisions of the Bankruptcy Code, only holders of claims in classes that are (a) treated as "impaired" by the plan and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. In these Chapter 11 Cases, under the Plan, only Holders of Claims in Classes 3 and 4 are entitled to vote on the Plan. Claims and Interests in other Classes are either (i) Unimpaired and their Holders are deemed to have accepted the Plan, or (ii) receiving no distributions under the Plan and their Holders are deemed to have rejected the Plan.

Only Holders of Allowed Claims in the voting Classes are entitled to vote on the Plan. A Claim that is unliquidated, contingent or disputed is not an Allowed Claim, and is thus not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement with the Debtors. However, the Bankruptcy Court may deem a contingent, unliquidated or disputed Claim to be Allowed on a provisional basis, for purposes only of voting on the Plan.

Holders of Allowed Claims in the voting Classes may vote on the Plan only if they are Holders as of the record date (the "Voting Record Date"), which Voting Record Date is [____], 2010.

C. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtors, through their voting agent Kurtzman Carson Consultants LLC (the "Voting Agent" or "KCC"), will send to Holders of Claims who are entitled to vote copies of (a) the Disclosure Statement and Plan, (b) the notice of, among other things, (i) the date, time and place of the hearing to consider confirmation of the Plan and related matters and (ii) the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"), (c) one or more ballots (and return envelopes) to be used in voting to accept or to reject the Plan and (d) other materials as authorized by the Bankruptcy Court.

If you are the Holder of a Claim that is entitled to vote, but you did not receive a ballot, or if your ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the following:

If by regular mail or hand delivery:

BOSQUE POWER CLAIMS PROCESSING CENTER
c/o KURTZMAN CARSON CONSULTANTS LLC
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

If by telephone:

KURTZMAN CARSON CONSULTANTS LLC
(877) 499-4517

D. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan and, if voting in favor of the Plan, indicating your acceptance of the Plan Sale option, the Plan Reorganization option or both on the accompanying ballot. You should complete and sign your original ballot (neither copies nor ballots received via electronic means will be accepted) and return it in the envelope provided.

Each ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded ballot or ballots sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN [____], 2010, AT 5:00 P.M. PACIFIC TIME (THE “VOTING DEADLINE”) BY THE FOLLOWING:

If by regular mail or hand delivery:

BOSQUE POWER CLAIMS PROCESSING CENTER
c/o KURTZMAN CARSON CONSULTANTS LLC
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BALLOTS, FAXED BALLOTS AND BALLOTS RECEIVED BY ELECTRONIC MAIL WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BALLOTS THAT ARE SIGNED BUT DO NOT SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL BE NULL AND VOID AND BALLOTS VOTING TO ACCEPT THE PLAN WHICH DO NOT INDICATE A PREFERENCE FOR THE PLAN SALE OPTION OR THE PLAN REORGANIZATION OPTION SHALL BE DEEMED TO AUTHORIZE EITHER A SALE OR A REORGANIZATION. DO NOT RETURN ANY STOCK CERTIFICATES, DEBT INSTRUMENTS OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

Copies of this Disclosure Statement, the Plan and any appendices and exhibits to such documents are available to be downloaded free of charge on the Debtors’ case website: www.kccllc.net/bosquepower. If you have any questions about (a) the procedure for voting your Claim, (b) the packet of materials that you have received, or (c) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

If by regular mail or hand delivery:

BOSQUE POWER CLAIMS PROCESSING CENTER,
c/o KURTZMAN CARSON CONSULTANTS LLC
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

If by telephone:

KURTZMAN CARSON CONSULTANTS LLC

(877) 499-4517

For further information and general instruction on voting to accept or reject the Plan, see Article XII of this Disclosure Statement and the instructions accompanying your ballot.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO EXERCISE THEIR RIGHT BY VOTING IN FAVOR OF THE PLAN AND OTHERWISE COMPLETING THEIR BALLOTS AND RETURNING THEM BY THE VOTING DEADLINE.

E. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for [_____], 2010, at [_____] (prevailing Central time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must (i) be in writing, (ii) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party, (iv) state with particularity the basis and nature of any objection to the Plan and (v) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Western District of Texas, 800 Franklin Avenue #140, Waco, Texas 76701, www.txwb.uscourts.gov, and served on the parties listed in the Confirmation Hearing notice, in each case so as to be actually received on or before 5:00 p.m. (prevailing Central time) on [_____], 2010. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

IV. GENERAL INFORMATION CONCERNING THE DEBTORS

A. Overview of Business Operations

The Debtors own and operate a natural gas-fired power plant (the “Plant” or the “Facility”) located in Laguna Park, Texas, which, since commencing operations in 2000, sells its energy and ancillary services into the North Zone of the Electric Reliability Council of Texas (“ERCOT”), part of the Texas power market. The Debtors acquired the Facility in January 2008 from affiliates of LS Power Group, who, in turn, had acquired the Facility from Mirant Corporation in May 2007.

Debtor BPC is currently registered as a Power Generation Company with the Texas Public Utilities Commission and has been granted Exempt Wholesale Generator status from the Federal Energy Regulatory Commission.

The Debtors’ Facility is comprised of three combustion turbines and two steam turbines. One combustion turbine and one steam turbine have run in combined-cycle operation since 2001. The Debtors are in the process of completing a conversion (the “Conversion”) of their other two combustion turbines to run in combined cycle with the newly-constructed second steam turbine. Upon completion of the Conversion, the Facility will have a total production capacity of approximately 802 megawatts. Although the Debtors have encountered significant construction delays, they anticipate that the Conversion will be complete sometime in the first half of 2011.

The Plant generates revenue irrespective of whether or not it is operating, but generates more revenue when the Plant is operating than when it is not. During peak periods (primarily during the summer months when air conditioning use reaches an annual high), the Plant may run non-stop, during which it continually provides a supply of power to the ERCOT grid. During non-peak periods (during the non-summer seasons), the Plant may shut down for certain periods of time, during which ERCOT pays the Facility a premium not to operate, but rather to remain on standby so to be able to restart the turbines, thus providing a power supply to the grid, on extremely short notice.

B. Pre-Confirmation Management and Employees

The Debtors are managed and operated pursuant to contractual relationships with three service providers: PurEnergy Management Services, LLC (“PurEnergy”), EDF Trading North America, LLC (“EDF”) and Wood Group Power Operations (West), Inc. (“Wood Group”).

Pursuant to the terms of that certain Management Services Agreement dated January 4, 2010 among Debtor BosPower Partners, LLC, Debtor Bosque Power Company, LLC, and PurEnergy, PurEnergy provides project management, construction management, operations management and administrative services for the plant. PurEnergy currently manages and/or operates a portfolio of seventeen power generation plants, totaling over 2,300 megawatts throughout the United States.

EDF is the Debtors’ qualified scheduling entity (QSE) and the commercial interface between sellers of gas, buyers of electricity and ERCOT. ERCOT, as the independent system operator, buys ancillary services and real-time energy from EDF and, in turn, EDF buys it from the Debtors. EDF is a leader in the international wholesale energy markets, engaging in both wholesale gas and wholesale power trading and supply.

Wood Group operates and maintains the Debtors’ Facility through the deployment of twenty-seven employees (the “Wood Group Employees”), some of whom are part-time hourly employees and some of whom are full-time salaried employees. Specifically, the Wood Group Employees, upon their receipt of dispatch orders from EDF, turn on the Debtors’ Facility to burn natural gas and generate electricity at the electric interconnection point.

C. Pre-Confirmation Capital Structure of the Company

1. Corporate Structure

Non-Debtor GSS (BosPower Development) Inc. owns 100% of the membership interests in BosPower Development LLC, which, in turn, owns 100% of the common stock of Debtors BosPower Development Blocker I Inc. and BosPower Development Blocker II Inc. and 58.82% of the Class A units (common), 100% of the Class B units (preferred) and 97.85% of the Class C units (preferred) in Debtor BosPower Partners LLC. Debtor BosPower Development Blocker I Inc. owns 18.19% of the Class A units (common), and BosPower Development Blocker II Inc. owns 20.84% of the Class A units (common), of Debtor BosPower Partners LLC. BosPower Partners LLC owns 100% of the membership interests in Debtor Bosque Power Company LLC and Debtor Fulcrum Marketing and Trade LLC.

2. *Prepetition Secured Debt*

Debtor Bosque Power Company, LLC is party to a Credit Agreement dated as of January 16, 2008 (the “Prepetition Credit Agreement”) with Credit Suisse, Cayman Islands Branch, as administrative agent (the “Prepetition Agent”), and certain lender parties (collectively, the “Prepetition Senior Lenders”), pursuant to which the Prepetition Senior Lenders extended to the Debtors: (a) a senior secured term loan in the original principal amount of \$387,500,000 (the “Prepetition Term Loan”), of which up to \$203,000,000 was to be available for construction-related expenses (the “Prepetition Construction Sub-Amount”) and up to \$65,000,000 was to be available to cash collateralize letters of credit through related letter of credit facilities (the “Prepetition Deposit L/C Sub-Amount”); and (b) a senior secured revolving credit facility (the “Prepetition Revolver”) in the original committed amount of \$25,000,000 (where applicable, the Prepetition Term Loan and Prepetition Revolver are hereinafter collectively referred to as the “Prepetition Credit Facility”), of which an aggregate principal amount of approximately \$408,302,500 remains outstanding as of the Petition Date.

Debtor Bosque Power Company, LLC is party to that certain 1992 ISDA Master Agreement, dated as of January 16, 2008, between Credit Suisse International as counterparty (“CSIN”), and Debtor Bosque Power Company, LLC (the “Secured Hedge Agreement”), pursuant to which Debtor Bosque Power Company, LLC and CSIN entered into one or more interest rate hedging transactions (the “Secured Hedges”). As of the Petition Date, Debtor BPC is indebted to CSIN pursuant to the Secured Hedge Agreement in the amount of \$6,720,351.

Pursuant to a Security Agreement (the “Prepetition Security Agreement”), Debtors Bosque Power Company, LLC and BosPower Partners LLC granted to the Prepetition Agent, as collateral agent (the “Prepetition Collateral Agent”), for the benefit of the Petition Senior Lenders, security interests in and liens upon substantially all of the Debtors’ assets (the “Prepetition Collateral”), including the Debtors’ cash and cash equivalents (the “Cash Collateral”).

Debtors Bosque Power Company, LLC and BosPower Partners LLC are grantors under a Collateral Agency and Intercreditor Agreement dated as of January 16, 2008 (the “Prepetition Intercreditor Agreement”) with the Prepetition Collateral Agent for the Secured Parties (as defined in the Prepetition Intercreditor Agreement) and as Prepetition Agent under the Prepetition Credit Agreement, and the debt representatives from time to time party to the Prepetition Intercreditor Agreement. Under the terms of the Prepetition Intercreditor Agreement, the Prepetition Collateral secures the Debtors’ obligations under both the Prepetition Credit Agreement (described above) and certain secured hedge agreements.

D. Summary of Assets

The Debtors filed Schedules with the Bankruptcy Court that detail the assets owned by each of the Debtors. Such assets include cash on hand, bank accounts and investments, security deposits, insurance policies, stock interests, accounts receivable, intellectual property, vehicles, office equipment, furnishings and supplies, machinery, fixtures, equipment and supplies used in business, inventory, and other items of personal property. Unless otherwise indicated therein, the Schedules provide asset values on a net book basis, which may not be reflective of actual values. The Schedules may be reviewed on the Bankruptcy Court electronic case filing system, on the Debtors’ case website at www.kccllc.net/bosquepower or

during business hours in the offices of the Clerk of the Bankruptcy Court. Information regarding the Debtors' assets is also available in the Liquidation Analysis attached hereto as Appendix C.

E. Historical Financial Information

Attached as Appendix D is selected financial data for the Debtors for fiscal years 2008 and 2009 and for the first and second quarters of 2010. The financial data for 2009 and 2010 has not been audited.

F. Events Leading to Commencement of the Chapter 11 Cases

In 2009, the Debtors generated approximately \$6 million in earnings before interest, taxes, depreciation and amortization (“EBITDA”). The Debtors' financial performance was adversely impacted by the ongoing Conversion completion delays, exacerbated by depressed energy prices in the ERCOT region. The Debtors construction efforts are currently focused on completing the Conversion. In the meantime, the Debtors continue to operate their one combined cycle unit and two simple-cycle combustion turbines, keeping the product supplied by the Debtors in the energy marketplace and remaining “online” and ready to provide electricity. Pending completion of the Conversion, revenues currently being generated by the Debtors are primarily from ancillary services and operation of the one combined cycle unit and two simple-cycle combustion turbines.

Although the Debtors project that gross margin will increase moderately over the next several years, given the current market outlook and cash flow forecast, the Debtors cannot support their existing capital structure. Thus, these Chapter 11 Cases principally are balance sheet, and not operational, restructuring cases. The Debtors have generated and expect to continue to generate positive EBITDA.

The Debtors are currently in covenant default under the Prepetition Credit Facility.

G. The Debtors' Significant Leverage

As the Debtors experienced decreasing revenues, they continued to maintain significant leverage and, as such, attendant high debt costs. As of the Petition Date, the Debtors' books reflected approximately \$419,853,000 of funded debt obligations.

H. Prepetition Negotiations with the Senior Lenders

Leading up to the Petition Date, the Debtors attempted to reach agreement on a consensual out-of-court restructuring with the Prepetition Senior Lenders, and presented to the Prepetition Senior Lenders a proposal for such a restructuring, but despite the Debtors' good faith efforts, were not able to do so. The Debtors filed the Chapter 11 Cases in order to preserve the value of the Debtors' business and their ability to pursue various reorganization and restructuring options and to forestall potential detrimental enforcement actions by the Debtors' Prepetition Senior Lenders.

V. THE CHAPTER 11 CASES

A. Continuation of Business; Stay of Litigation

As described above, on March 24, 2010, the Debtors filed petitions for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtors have continued to operate as debtors in possession subject to the supervision of the Bankruptcy Court and in

accordance with the Bankruptcy Code. The Debtors are authorized to operate their business and manage their properties in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. The relief provides the Debtors with the "breathing room" necessary to assess their business and prevents creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are pending.

B. First Day Motions

On the first day of the Chapter 11 Cases, the Debtors filed several applications and motions seeking certain relief by virtue of so-called "first day orders." First day motions and orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The first day motions filed in the Chapter 11 Cases are typical of motions filed in large Chapter 11 cases across the country. Such motions sought, among other things, the following relief:

- joint administration of the Debtors' bankruptcy cases;
- interim and final use of cash collateral (as further discussed below);
- the maintenance of the Debtors' bank accounts and operation of their cash management systems substantially as such systems existed prior to the Petition Date;
- approval of entry into trade agreements with critical vendors and payment of certain prepetition claims to such critical vendors in the ordinary course of business;
- an extension of the deadline for the Debtors to file their Schedules of Assets and Liabilities and Statements of Financial Affairs; and
- an order prohibiting utility companies from altering, refusing or discontinuing services and establishing procedures to provide utilities with adequate assurance of future payment.

C. Retention of Professionals

The Debtors are represented in the Chapter 11 Cases by Proskauer Rose LLP ("Proskauer"), as lead bankruptcy counsel, King & Spalding LLP ("K&S"), as special finance counsel and local counsel, and Morgan, Lewis & Bockius LLP ("MLB"), as special corporate counsel. The Debtors obtained the financial advisory and investment banking services of Greenhill & Co., LLC ("Greenhill"). KCC was authorized to provide claims, noticing and balloting services to the Debtors.

D. Authorization to Use Cash Collateral of Existing Lenders

As of the Petition Date, the Debtors held proceeds of assets on which the Prepetition Senior Lenders assert first priority liens and security interests (the “Cash Collateral”).² Cash collateral is defined in section 363 of the Bankruptcy Code and includes, but is not limited to, “cash, negotiable instruments, documents of title, securities, deposit accounts, . . . other cash equivalents. . . and . . . proceeds, products, offspring, rents or profits of property subject to a security interest. . .” 11 U.S.C. § 363(a). Under the Bankruptcy Code, the Debtors are prohibited from using, selling or leasing cash collateral unless either the appropriate creditors consent or the Bankruptcy Court, after notice and a hearing, authorizes such action.

On the Petition Date, the Debtors filed the *Debtors’ Emergency Motion for Interim and Final Orders (a) Authorizing the Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use and (b) Prescribing Form and Manner of Notice and Setting the Time for the Final Hearing [Docket No. 7]* (the “Cash Collateral Motion”).

By the Cash Collateral Motion, the Debtors sought (i) authority on an interim basis to use cash collateral in accordance with a proposed budget, (ii) authority on an interim basis to provide adequate protection to the Prepetition Senior Lenders, (iii) a final hearing on the Cash Collateral Motion, (iv) authority on a final basis to use cash collateral in accordance with a proposed budget, and (v) authority on a final basis to provide adequate protection to the Prepetition Senior Lenders.

On March 26, 2010, the Court entered the *Interim Order (a) Authorizing the Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use and (b) Prescribing the Form and Manner of Notice and Setting the Time for the Final Hearing [Docket No. 35]* (the “Interim Cash Collateral Order”). By the Interim Cash Collateral Order, the Court authorized the Debtors, among other things, to use cash collateral in accordance with a proposed budget pending a final hearing.

On April 12, 2010, the Court entered the *Second Interim Order (a) Authorizing the Debtors to Use Cash Collateral of Existing Secured Lenders and Granting Adequate Protection for Use and (b) Prescribing the Form and Manner of Notice and Setting the Time for the Final Hearing [Docket No. 120]* (the “Second Interim Cash Collateral Order”). By the Second Interim Cash Collateral Order, the Court authorized the Debtors, among other things, to use cash collateral in accordance with a proposed budget pending a final hearing.

On April 26, 2010, the Court entered the *Consensual Third Interim Order (a) Authorizing the Debtors to Use Cash Collateral of Existing Secured Lenders; (b) Granting Adequate Protection for Use; and (c) Granting Related Relief [Docket No. 152]* (the “Third Interim Cash Collateral Order”). By the Third Interim Cash Collateral Order, the Court authorized the Debtors, among other things, to use cash collateral in accordance with a proposed budget pending a final hearing.

² Lauren has also asserted an interest in the Debtors’ Cash Collateral.

On June 7, 2010, following a contested hearing on the Debtors' proposed use of Cash Collateral, the Court entered the *Final Order: (a) Authorizing the Debtors to Use Cash Collateral of Existing Secured Lenders; (b) Granting Adequate Protection for Us; and (c) Granting Related Relief* [Docket No. 272] (the "Final Cash Collateral Order"). By the Final Cash Collateral Order, the Court authorized the Debtors, among other things, to use cash collateral in accordance with a proposed budget through September 26, 2010.

Throughout the four months during which these Chapter 11 Cases have been pending, the Debtors have been able to fund their operations using only Cash Collateral, without the need for a debtor-in-possession loan.

VI. SUMMARY OF THE PLAN

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

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

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

A. Overall Structure of the Plan

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and other stakeholders. Upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor of or equity security holder in the debtor, whether or not

such creditor or equity security holder (a) is impaired under or has accepted the plan or (b) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

The Plan provides creditors with the opportunity to vote in favor of two alternative means of satisfying Claims against and Interests in the Debtors. The first option (the “Sale”) provides for the sale of all or substantially all of the Debtors’ assets as a going concern. Alternatively, the second option (the “Reorganization”) provides for a reorganization of the Debtors.

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

If the Plan is confirmed by the Bankruptcy Court and consummated, (a) the Claims in certain Classes will be Reinstated or modified and receive distributions equal to the full amount of such Claims, (b) the Claims of certain other Classes will be modified and receive distributions constituting a partial recovery on such Claims and (c) the Claims and Interests in certain other Classes will receive no recovery on such Claims or Interests. On the Effective Date and at certain times thereafter, the Reorganized Debtors, the Purchaser or the Disbursing Agent will distribute Cash, securities and other property in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan and the securities and other property to be distributed under the Plan are described below.

B. Substantive Consolidation

The Plan does not provide for the substantive consolidation of the Debtors’ assets and liabilities. The Debtors, however, reserve the right to seek substantive consolidation by motion if they conclude that substantive consolidation is necessary or appropriate for effectuation of the Plan.

C. Reorganized Capital Structure Created by Plan

In the event that a Reorganization is consummated, the Plan sets forth the following capital structure for the Reorganized Debtors upon their emergence from chapter 11:

New Senior Secured Cash Notes. The New Senior Secured Cash Notes in the aggregate principal amount of \$300,000,000 will be issued by the Reorganized Debtors to Holders of Class 3 Prepetition Senior Secured Claims. The New Senior Secured Cash Notes will be secured by first-priority liens on and security interests in all Property of the Reorganized Debtors other than the Secured Note Interest Reserve and the Lauren Note Reserve. The New Senior Secured Cash Notes will have a forty-eight month maturity and will bear interest rate of six and one-half percent (6.5%) per annum. The Plan Supplement will include a form of the New Senior Secured Cash Notes in substantially the form to be implemented on the Effective Date.

New Senior Secured Bullet Notes. The New Senior Secured Bullet Notes in the aggregate principal amount of \$27,500,000 will be issued by the Reorganized Debtors to Holders of Class 3 Prepetition Senior Secured Claims only in the event that the Holders of the Class 3 Prepetition Senior Secured Claims make the 1111(b) Election. The New Senior Secured Bullet Notes will be secured by first-priority liens on and security interests in all Property of the Reorganized Debtors other than the Secured Note Interest Reserve and the Lauren Note Reserve. The New Senior Secured Bullet Notes will have a forty-eight month maturity and will not bear interest. The Plan Supplement will include a form of the New Senior Secured Bullet Notes in substantially the form to be implemented on the Effective Date.

Lauren Notes. The Lauren Notes in the aggregate principal amount of \$3,393,198 will be issued by the Reorganized Debtors to the Holder of the Class 4 Lauren Claim. The Lauren Notes will be secured by first-priority liens on and security interests in the Lauren Note Reserve. The Lauren Notes will have a forty-eight month maturity and will bear interest at the rate of six and one-half percent (6.5%) per annum. The Plan Supplement will include a form of the Lauren Notes in substantially the form to be implemented on the Effective Date.

New Equity Securities. The New Equity Securities, with respect to each Reorganized Debtor, will be issued to the Equity Sponsor in exchange for the Equity Infusion and the Holders of Class 3 Prepetition Senior Secured Claims in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do not make the 1111(b) Election.

Issuance and Distribution of New Equity Securities. To the fullest extent permitted under section 1145 of the Bankruptcy Code, the issuance of any interests in the Disbursing Agent on or around the Effective Date shall be exempt from the registration requirements of Section 5 of the Securities Act and any and all federal, state and local laws requiring the registration or licensing of an issuer, underwriter, broker or dealer in such securities.

In the event that a Sale is consummated, the capital structure of the Purchaser will be determined according to the winning bid at Auction. The proposed capital structure of the Purchaser will be set forth in the Plan Supplement.

D. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), do not need to be classified). The Debtors also are required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtors into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Interest may challenge the Debtors' classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, to make such reasonable

modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

Except as to Claims specifically Allowed in the Plan, the amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and accordingly the total Claims ultimately Allowed by the Bankruptcy Court with respect to each Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority (including applicable contractual and statutory subordination) of such Claims and Interests and the fair value of the Debtors' assets. In the event any Class rejects the Plan, the Debtors will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code as to any dissenting Class. Section 1129(b) of the Bankruptcy Code permits confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all Impaired classes of Claims and Interests. Although the Debtors believe that the Plan can be confirmed under section 1129(b) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will find that the requirements to do so have been satisfied.

1. *Treatment of Unclassified Claims under the Plan*

(a) *Administrative Claims*

An Administrative Claim is defined in the Plan as a Claim for: (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to, (i) any actual and necessary post Petition Date cost or expense of preserving the Debtors' respective Estates or operating the business of the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their business, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors' respective Estates under section 1930 of title 28 of the United States Code; and (c) any Allowed Administrative Claims or superpriority Claims granted pursuant to the Cash Collateral Order.

Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive in full

satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed or (iii) a date agreed to in writing by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Cases will be paid by the Reorganized Debtors or the Purchaser, as applicable.

Under the Plan, applications for compensation for services rendered and reimbursement of expenses incurred by Professionals (a) from the Petition Date through the Effective Date or (b) at any time during the Chapter 11 Cases when such compensation is sought pursuant to sections 503(b)(2) through (b)(5) of the Bankruptcy Code, must be Filed no later than ninety (90) days after the Effective Date or such later date as the Bankruptcy Court approves, and must be served on (a) the Debtors, Bosque Power Company, LLC, c/o Arcapita Inc., 75 Fourteenth Street, 23rd Floor, Atlanta, Georgia 30309, Attn: Layton Grisette; (b) counsel for the Debtors, Proskauer Rose LLP, Three First National Plaza, 70 West Madison, Suite 3800, Chicago, Illinois 60602-4342, Attn: Jeff J. Marwil; (c) co-counsel for the Debtors, King & Spalding LLP, 1100 Louisiana Street, Suite 4000, Houston, Texas 77002, Attn: Henry J. Kaim; (d) counsel for the Prepetition Agent, Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, Attn: Mitchell Seider, and Haynes and Boone LLP, 112 East Pecan Street, Suite 1200, San Antonio, Texas 78205, Attn: W. Abigail Ottmers; (e) counsel for certain of the Prepetition Senior Lenders holding in the aggregate the majority of the loans provided to the Debtors under the Prepetition Credit Agreement, Milbank, Tweed, Hadley & McCloy LLP, Attn: Dennis F. Dunne, Andrew M. Leblanc and Steven Z. Szanzer; and (f) the Office of the United States Trustee, 903 San Jacinto Blvd, Room 230, Austin, Texas 78701, Attn: Henry Hobbs. Applications that are not timely Filed will not be considered by the Court. The Disbursing Agent may pay any Professional fees and expenses incurred after the Effective Date without any application to the Bankruptcy Court.

(b) *Priority Tax Claims*

The Plan defines Priority Tax Claims as any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtors that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code.

Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.

Priority Tax Claims are Unimpaired. Under the Plan, each Holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Tax Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtors or the Disbursing Agent, as the case may be, or as the Bankruptcy Court may order. Prior to the Effective Date, the Debtors shall have the right, in their sole discretion, to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.

2. *Treatment of Classified Claims and Interests under the Plan*

(a) *Class 1: Miscellaneous Secured Claims*

Class 1 Miscellaneous Secured Claims are Unimpaired under the Plan. Each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive, in the sole discretion of the Debtors or the Disbursing Agent, as the case may be, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) Cash equal to the amount of such Allowed Miscellaneous Secured Claim on or as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Miscellaneous Secured Claim becomes Allowed or (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 1 Miscellaneous Secured Claim; (b) Reinstatement of such Allowed Miscellaneous Secured Claim; (c) the Property securing such Miscellaneous Secured Claim; or (d) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Secured Claim and the Debtors or the Disbursing Agent, as the case may be.

(b) *Class 2: Miscellaneous Priority Claims*

Class 2 Miscellaneous Priority Claims are Unimpaired under the Plan. Each Holder of an Allowed Class 2 Miscellaneous Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 2 Claim becomes Allowed and (iii) a date agreed to by the Debtors or the Disbursing Agent, as the case may be, and the Holder of such Class 2 Miscellaneous Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Miscellaneous Priority Claim and the Debtors or the Disbursing Agent, as the case may be.

(c) *Class 3: Prepetition Senior Secured Claims*

Class 3 Prepetition Senior Secured Claims are Impaired under the Plan. On the Effective Date, each Holder of an Allowed Prepetition Senior Secured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, (i) in the event a Reorganization is consummated, its Pro Rata Share of (a) the Plan Cash, (b) the New Senior

Secured Cash Notes and (c) in the event that the Holders of the Class 3 Prepetition Senior Secured Claims do not make the 1111(b) Election, fifteen percent (15%) of the New Equity Securities, or in the event that the Holders of the Class 3 Prepetition Senior Secured Claims make the 1111(b) Election, the New Senior Secured Bullet Notes or (ii) in the event a Sale is consummated, its Pro Rata Share of the Plan Cash (following a determination pursuant to a final, non-appealable order of the priority of claims vis-à-vis Class 3 Prepetition Senior Secured Claims and the Allowed Lauren Claim).

(d) *Class 4: Lauren Claims*

Class 4 Lauren Claims are Impaired under the Plan. The Holder of an Allowed Class 4 Lauren Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of the Lauren Claim (i) in the event a Reorganization is consummated (a) \$5,000,000 in Cash on or as soon as reasonably practical after the Effective Date and (b) the Lauren Notes or (ii) in the event a Sale is consummated, either (a) in the event that a final, non-appealable order determines that the Lauren Claim is entitled to priority over Class 3 Prepetition Senior Secured Claims, payment in Cash of the Allowed amount of the Lauren Claim on the latter of the Effective Date or sixty (60) days after the entry of such final order or (b) in the event that a final, non-appealable order determines that the Class 3 Prepetition Senior Secured Claims are entitled to priority over the Lauren Claim, payment of the available proceeds of the Sale (up to the Allowed amount of the Lauren Claim) after payment in full of all Allowed Administrative Claims and Allowed Class 3 Prepetition Senior Secured Claims. On the Effective Date, all liens on assets of the Debtor held by Lauren (other than those created by this Plan) shall be satisfied and extinguished.

(e) *Class 5: Prepetition Senior Deficiency Claims*

Class 5 Prepetition Senior Deficiency Claims are Impaired under the Plan. Holders of Class 5 Claims shall not receive or retain any property under the Plan on account of such Claims.

(f) *Class 6: General Unsecured Claims*

Class 6 General Unsecured Claims are Impaired under the Plan. Holders of Class 6 Claims shall not receive or retain any property under the Plan on account of such Claims.

(g) *Class 7: Interests*

Class 7 Interests are Impaired under the Plan. Holders of Class 7 Interests shall not receive or retain any property under the Plan on account of such Interests. On the Effective Date, all Interests shall be cancelled.

(h) *Class 8: Insider Claims*

Class 8 Insider Claims are Impaired under the Plan. Holders of Class 8 Insider Claims shall not receive or retain any property under the Plan on account of such Insider Claims. On the Effective Date, all Insider Claims shall be extinguished.

E. Reservation of Rights Regarding Claims

Except to the extent that any Claim is Allowed during the Chapter 11 Cases or expressly by the Plan, the Asset Purchase Agreement (if applicable) or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) to object to a Claim or Interest for any reason during the pendency of the Chapter 11 Cases, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) with respect to any Claim or Interest, including, but not limited to, all rights of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) to contest or defend themselves against such Claims or Interests in any lawful manner or forum when and if such Claim or Interest is sought to be enforced by the Holder thereof.

F. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to the Debtors' liability, or that has become Allowed by failure to object pursuant to Section 9.04 of the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtors have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated claim or (y) interest or attorneys' fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

2. Date of Distribution

Except as specifically set forth in the Plan, distributions of Property will be made to Holders of Allowed Claims in accordance with Article III of the Plan. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim is Allowed, and then in accordance the Plan. Distributions to be made as of the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter.

3. Making of Distributions

Except for distributions to Holders of Allowed Class 3 Prepetition Senior Secured Claims, which shall be made to the Prepetition Agent for the benefit of such Holders, distributions to Holders of Allowed Claims shall be made by the Disbursing Agent: (a) at the last

known addresses of such Holders or (b) at the addresses set forth in any written notices of address changes delivered to the Debtors or the Disbursing Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Disbursing Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

All Property distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.05 of the Plan. All Unclaimed Property will be retained by and will vest in the Purchaser or Reorganized Debtors, as applicable. All full or partial payments made by the Debtors and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtors or the Disbursing Agent pursuant to the Plan. Nothing contained in the Plan shall require the Debtors, the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable) to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtors and any Claims filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed in accordance with this Section 5.06 will be forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the Debtors or their respective assets, the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable).

4. *Objection Procedures*

Unless otherwise ordered by the Court after notice and a hearing, the Purchaser or the Reorganized Debtors (as applicable) shall have the right, on and after the Effective Date, to File objections to Claims (except those specifically Allowed by this Plan) and shall serve a copy of each such objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the applicable Claims Objection Deadline. The foregoing deadlines may be extended by order of the Court. An objection to any Claim shall be deemed properly served on the Holder thereof if the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable) effects service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004; (b) by first class mail, postage prepaid, on the signatory on the proof of claim or other representative identified in the proof of claim or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases.

G. Disposition of Executory Contracts and Unexpired Leases

1. *Treatment of Executory Contracts and Unexpired Leases*

In the event that a Reorganization is consummated, the Plan provides for the deemed assumption of all executory contracts or unexpired leases that have not been otherwise disposed of. Specifically, each Debtor will be deemed to have assumed, as of the Effective Date, each executory contract and unexpired lease to which it is a party unless such contract or lease (i) has previously been assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date, (ii) is the subject of a pending motion to assume and assign or reject as of the Confirmation Date or (iii) is listed on the Schedule of Rejected

Contracts, provided, however, that the Debtors shall have the right, at any time prior to the Confirmation Date, to amend the Schedule of Assumed Contracts and the Schedule of Rejected Contracts by filing an amended version of such schedules to provide for the assumption and assignment or rejection of an executory contract.

In the event that a Sale is consummated, the Plan provides for the deemed rejection of all executory contracts or unexpired leases that have not been otherwise disposed of. Specifically, each Debtor will be deemed to have rejected, as of the Effective Date, each executory contract and unexpired lease to which it is a party unless such contract or lease (i) has previously been assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date, (ii) is the subject of a pending motion to assume and assign, or reject as of the Confirmation Date or (iii) is listed on the Schedule of Assumed Contracts, provided, however, that the Debtors and the Purchaser shall have the right, at any time prior to the Confirmation Date, to amend the Schedule of Assumed Contracts in any manner set forth in the Asset Purchase Agreement, the Sale and Bid Procedures Order, or by any other means approved by the Court to delete any executory contract or unexpired lease listed therein, thus providing for its rejection or to add any executory contract or unexpired lease thereto, thus providing for its assumption and assignment.

The Confirmation Order (except as otherwise provided therein) shall constitute an order of the Court pursuant to section 365 of the Bankruptcy Code, effective as of the Effective Date, approving the assumptions and rejections hereunder. Each contract and lease assumed pursuant to the Plan shall be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Assumption of a contract or lease pursuant to the Plan, or the inclusion of any contract or lease on a schedule, shall not constitute an admission by the Debtors, the Purchaser or the Reorganized Debtors (as applicable) that such contract or lease is an executory contract or unexpired lease or that the Debtors, the Purchaser or the Reorganized Debtors have any liability thereunder. All executory contracts and unexpired leases that are assumed will be assumed under their present terms or upon such terms as are agreed to in writing between the applicable Debtor and the counterparty to such contract or lease.

2. *Cure with Respect to Assumed Contracts and Leases*

The Schedule of Assumed Contracts will identify, with respect to each executory contract and unexpired lease to be assumed and assigned, the relevant Cure Amount for each executory contract or unexpired lease. The Debtors will serve the Schedule of Assumed Contracts on the nondebtor counterparties to each such executory contract or unexpired lease prior to the Confirmation Hearing. Each such counterparty shall have until the later of (i) the date that is five (5) Business Days prior to the Confirmation Hearing or (ii) thirty (30) days from the date of service of the Schedule of Assumed Contracts to file an objection to the assumption and assignment of their executory contract or unexpired lease (whether the objection relates to the Cure Amount or otherwise). If any objections are filed, and cannot be resolved by agreement, the Court shall hold a hearing to determine the Cure Amount with respect to such executory contract or unexpired lease or to otherwise resolve the objection. Any party failing to object to the assumption of their executory contract or unexpired lease as set forth above shall be forever barred from asserting, collecting or seeking to collect from the Purchaser or Reorganized Debtors (as applicable) any amounts in excess of the Cure Amount or from otherwise objecting to the assumption or assignment of such executory contract or unexpired lease. Notwithstanding the foregoing, with respect to any executory contract or unexpired lease which is the subject of

an objection, the Debtors, the Purchaser or the Reorganized Debtors (as applicable) shall retain the right, until five (5) Business Days following any order resolving such objection having become a Final Order, to reject such executory contract or unexpired lease. Within fifteen (15) days of the Effective Date, or as otherwise agreed with the counterparty to each executory contract or unexpired lease, the Debtors, the Purchaser or the Reorganized Debtors (as applicable) shall pay the Cure Amounts to the nondebtor parties to such executory contracts and unexpired leases being assumed.

3. *Rejection Damages*

Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VI of the Plan must be filed with the Bankruptcy Court no later than the later of (a) twenty (20) days after the Effective Date, or (b) thirty (30) days after the entry of an order rejecting such executory contract or unexpired lease. Any Claim not filed within such time period shall be forever barred. The Debtors and the Disbursing Agent shall have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 8.04 of the Plan.

H. Revesting of Assets; Release of Liens

In the event that a Reorganization is consummated and except as otherwise expressly provided in the Plan, pursuant to sections 1123(a)(5), 1123(b)(3) and 1141(b) of the Bankruptcy Code, all Property comprising the Estates of each Debtor, including, but not limited to, all Avoidance Actions and all Causes of Action shall automatically be retained and revest in the relevant Reorganized Debtor or its respective successor, free and clear of all Claims, Liens, contractually-imposed restrictions, charges, encumbrances and Interests of Creditors and equity security Holders on the Effective Date with all such Claims, Liens, contractually-imposed restrictions, charges, encumbrances and Interests, being extinguished except as otherwise provided in the Plan or in connection with the New Senior Secured Notes. As of the Effective Date, each Reorganized Debtor may operate its business and use, acquire and dispose of Property and settle and compromise Claims or Interests without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges it incurs for professional fees, disbursements, expenses, or related support services incurred after the Effective Date without any application to the Bankruptcy Court.

I. Post-Consummation Corporate Structure, Management and Operation

1. *Continued Corporate Existence*

In the event that a Reorganization is consummated, the Plan provides that the Reorganized Debtors will continue to exist after the Effective Date as separate corporate entities, in accordance with the applicable laws in the respective jurisdictions in which they are incorporated and pursuant to their respective certificates or articles of incorporation, and by-laws, in effect prior to the Effective Date, except to the extent such certificates or articles of incorporation, and by-laws are amended pursuant to the Plan. The Plan contemplates that New Debtor Certificates of Incorporation and By-laws, including amendments to the certificates of incorporation, articles of organization, by-laws partnership agreements or other governing charter documents, as appropriate, of the Debtors will be included in the Plan Supplement.

2. *Cancellation of Interests*

On the Effective Date, except as otherwise provided for in the Plan, (a) all of the Interests, and any other note, bond, or indenture evidencing or creating any indebtedness or obligation of any Debtor will be cancelled, and (b) the obligations of the Debtors under any agreements, indentures, or certificates of designations governing the Interests and any other note, bond, or indenture evidencing or creating any indebtedness or obligation of any Debtor will be discharged.

3. *Officers and Directors/Managing Member(s) of Purchaser or Reorganized Debtors*

The names of the officers and directors or managing member(s) of the Purchaser or the Reorganized Debtors (as applicable) will be set forth in the Plan Supplement.

4. *Funding of Reorganized Debtors*

In the event a Reorganization is consummated the Reorganized Debtors expect to be able to fund their operations, pay administrative and priority claims as provided in the Plan, and service the debt instruments contemplated by the Plan, through cash receipts. It is not presently expected that exit financing or other new financing will be required, however, the Debtors are still evaluating the possibility of the need for additional financing.

5. *Exemption from Certain Transfer Taxes*

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers from a Debtor to a Purchaser, Reorganized Debtor or any other Person pursuant to the Plan, including any Liens granted by the Debtors to secure the New Senior Secured Notes will not be taxed under any law imposing a stamp tax or other similar tax. Such exemption specifically applies, without limitation, to all documents necessary to evidence and implement distributions under the Plan, including the documents contained in the Plan Supplement.

6. *Corporate Action*

The entry of the Confirmation Order shall constitute authorization for the Debtors to take or cause to be taken all corporate actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court, including, without limitation, (i) in the event a Sale is consummated, the execution and delivery of the Asset Purchase Agreement and (ii) in the event a Reorganization is consummated, (a) the cancellation of the Old Equity, (b) the issuance of the New Equity Securities to the Equity Sponsor, (c) the election of directors, managers and officers in accordance with the Plan, (d) the adoption of the Reorganized Debtors Certificates of Incorporation and By-laws, (e) the issuance and delivery of the New Senior Secured Notes, (f) the establishment of the Secured Note Interest Reserve and (g) the establishment of the Lauren Note Reserve, all without the need for any further Bankruptcy Court order. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the members, stockholders, directors or managers of the Debtors or the Reorganized Debtors. On the Effective Date, the appropriate officers and directors of the Debtors and the Reorganized Debtors are authorized and directed to execute and deliver the agreements, documents and instruments

contemplated by the Plan in the name and on behalf of the Debtors and the Reorganized Debtors, as applicable.

J. Confirmation and/or Consummation

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

1. Requirements for Confirmation of the Plan

Before the Plan can be confirmed, the Bankruptcy Court must determine at the Confirmation Hearing that the following requirements for confirmation, set forth in section 1129 of the Bankruptcy Code, have been satisfied:

The Plan complies with the applicable provisions of the Bankruptcy Code.

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

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

Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

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

With respect to each Class of Claims or Interests, each Impaired Claim and Impaired Interest Holder either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such Holder, property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code. See Section X.D.

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

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

Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See Section X.A.

The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to section 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

The Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

Further, even if all of the foregoing are satisfied, if any Class of Claims is Impaired and votes to reject the Plan, the Debtors must satisfy the applicable “cramdown” standard with respect to that Class. Section 1129(b) of the Bankruptcy Code requires that the plan “not discriminate unfairly” and be “fair and equitable” with respect to such class. In the event any Class votes to reject the Plan, the Debtors believe they will satisfy the cramdown standards in section 1129(b) with respect to any such rejecting class.

2. *Conditions to Confirmation Date and Effective Date*

The Plan specifies conditions precedent to the Confirmation Date and the Effective Date. Each of the specified conditions must be satisfied or waived in whole or in part by the Debtors, without any notice to parties in interest or the Bankruptcy Court and without a hearing.

The conditions precedent to the occurrence of the Confirmation Date, which is 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, are that: (a) the form and substance of the Confirmation Order, as well as any amendments to the Plan, shall have been approved by the Debtors; (b) the Confirmation Order shall authorize the transactions contemplated by the Plan; (c) the Confirmation Order shall provide that the provisions of the Confirmation Order are non-severable and mutually dependent; and (d) either (i) a Sale has been approved and all conditions to entry of the Confirmation Order set forth in the Asset Purchase Agreement have been met, or (ii) a Reorganization has been approved.

The conditions that must be satisfied on or prior to the Effective Date, which is the first Business Day upon which all conditions to the consummation of the Plan have been satisfied or waived, and is the date on which the Plan becomes effective, are that: (a) the Bankruptcy Court shall have approved the information contained in the Disclosure Statement as adequate; (b) the Confirmation Order shall have been entered and shall not be stayed by order of a court of competent jurisdiction; (c) in the event that the Debtors pursue a Sale, all conditions precedent to the obligations of the Debtors and the Purchaser under the Asset Purchase Agreement have occurred; (d) in the event that the Debtors pursue a Sale, the transactions contemplated in the Asset Purchase Agreement have been consummated; (e) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) authorizing and directing the Debtors to take all actions necessary or appropriate to enter into, implement, and consummate the documents created, amended, supplemented, modified or

adopted in connection with the Plan; (f) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness shall have been obtained; and (g) no order of a court shall have been entered and shall remain in effect restraining the Debtors from consummating the Plan.

K. Releases, Discharge, Injunctions, Exculpation and Indemnification

1. Releases by Debtors in Favor of Third Parties

The Plan provides for certain releases to be granted by the Debtors on and as of the Effective Date. Specifically, effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, will be deemed to have forever released, waived and discharged the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or the Disbursing Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan; provided, however, that no Releasee shall be released or discharged from any Claims, obligations, suits, judgments, debts or Causes of Action arising out of or in connection with indebtedness for money borrowed by any such person from any of the Debtors.

The Debtors do not believe that there are any valid claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities that they hold against any of the persons to be released pursuant to this provision.

As to the Debtors' directors, officers and employees, the consideration for such release is the service rendered by such individuals during the pendency of the Chapter 11 Cases and the need for their continued dedication after the Effective Date to fully consummate a successful Sale or Reorganization. The Debtors will be hampered in their consummation efforts if their directors, officers and employees are subject to claims and potential litigation that will distract their attention from operational and other business matters. None of such individuals are currently the target of any claim or litigation, and the Debtors are not aware of any credible theory on which an entity might pursue claims and litigation against such individuals.

2. Releases by Creditors of Claims Against Releasees

In furtherance of the release provisions of the Plan, effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash, securities, contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim or Interest who votes in favor of the Plan, and any Affiliate of any such Holder (as well as any trustee or agent on behalf of each such Holder) shall be deemed to have forever waived, released

and discharged (i) the Debtors, (ii) the Disbursing Agent and (iii) the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or Disbursing Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan.

3. *Discharge and Discharge Injunction*

Confirmation of the Plan effects a discharge of all Claims against the Debtors. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), and except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtors or any of their assets or properties, regardless of whether any Property shall have been distributed or retained pursuant to the Plan on account of such Claims. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), upon the Effective Date, and except as expressly contemplated in this Plan, the Debtors, and each of them, shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, debts (as such term is defined in section 101(12) of the Bankruptcy Code), Liens, security interests, and encumbrances of and against all Property of the respective Estates or the Debtors that arose prior to the Effective Date, including without limitation, all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) such Claim has been Allowed pursuant to section 502 of the Bankruptcy Code, or (ii) the Holder of such Claim has voted to accept the Plan. Further, to the fullest extent under applicable law (including, without limitation, section 105 of the Bankruptcy Code), as of the Effective Date, all entities, including, without limitation, all Holders of Claims or Interests, shall be barred and enjoined from asserting against the Debtors, the Disbursing Agent, the Purchaser or Reorganized Debtors (as applicable), their property or their successors or assigns any other or further Claims, debts, rights, Causes of Action, liabilities or Interests relating to the Debtors based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date, except for those obligations expressly created by, or reserved in, this Plan. In accordance with the foregoing, to the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtors and termination of all Interests, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge and termination shall void any judgment obtained against the Debtors, the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable) at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

In furtherance of the discharge of Claims and the termination of Interests, the Plan provides that, except as provided in the Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including sections 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is Impaired or terminated pursuant to the terms of the Plan from taking any of the following actions against the Debtors, the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable), or the Property of any of the foregoing on account of any such discharged Claims, debts or liabilities or such terminated Interests or rights: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (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; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind; (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; 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.

4. *Exculpation Relating to Chapter 11 Cases*

The Plan contains standard exculpation provisions applicable to the key parties in interest with respect to their conduct in the Chapter 11 Cases. Specifically, the Plan provides that, none of the Debtors, the Disbursing Agent, the Purchaser or the Reorganized Debtors (as applicable) or any Exculpated Person shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates or any of their successors or assigns, for any act taken or omission made in connection with, relating to, or arising out of, the Chapter 11 Cases, Filing, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating this Plan, or the Property to be distributed under this Plan, including all activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement 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 the Plan or the administration of the Debtors or these Chapter 11 Cases, provided, however, that the foregoing exculpation shall not apply to any act of gross negligence or willful misconduct. Nothing in the Plan or the Confirmation Order releases or precludes any Person, other than the Debtors, from any environmental liability towards a Federal Governmental Unit incurred as a result of said Person's ownership or operation of real property after Confirmation.

5. *Post-Effective Date Indemnifications*

To the extent not inconsistent with the Plan, any obligations of the Debtors, pursuant to their respective articles of incorporation or by-laws, applicable state law or their specific agreement, to indemnify a Person with respect to all present and future actions, suits and proceedings against the Debtors or such indemnified Person, based upon any act or omission related to service with, or for or on behalf of, the Debtors, shall terminate as of the Effective Date.

L. Preservation of Rights of Action

Except to the extent that any Claim is Allowed during the Chapter 11 Cases or expressly by this Plan, the Asset Purchase Agreement (if applicable) or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) to object to a Claim or Interest for any reason during the pendency of the Chapter 11 Cases, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) with respect to any Claim or Interest, including, but not limited to, all rights of the Debtors, the Purchaser or the Reorganized Debtors (as applicable) to contest or defend themselves against such Claims or Interests in any lawful manner or forum when and if such Claim or Interest is sought to be enforced by the Holder thereof.

All Causes of Action, including Avoidance Actions, other than those expressly released or compromised as part of or pursuant to the Plan, shall be retained and assigned to the Reorganized Debtors or the Purchaser under the Asset Purchase Agreement, as applicable.

M. Retention of Jurisdiction

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 to:

- classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;
- grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom
- ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure

Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Disbursing Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;

- determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan and the Plan Supplement) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- hear any application of the Debtors or the Disbursing Agent to modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and Section 13.04 hereof or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;
- issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order, the Asset Purchase Agreement (if applicable), or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement, the Asset Purchase Agreement (if applicable) or the Confirmation Order, except as otherwise provided in the Plan;
- determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;

- hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan or the Asset Purchase Agreement (if applicable);
- enter one or more Final Decrees closing each of the Chapter 11 Cases;
- determine and resolve any and all controversies relating to the rights and obligations of the Disbursing Agent in connection with the Chapter 11 Cases;
- allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- permit the Debtors (and the Purchaser or Reorganized Debtors (as applicable), to the extent provided for in the Plan or the Asset Purchase Agreement) to recover all assets of the Debtors and Property of their respective Estates, wherever located;
- hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtors or the Debtors' respective Estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Purchaser or Reorganized Debtors (as applicable) thereafter, including Avoidance Actions, proceedings with respect to the rights of the Purchaser or Reorganized Debtors (as applicable) to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtors may have had; and
- hear any other matter not inconsistent with the Bankruptcy Code.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtors, including with respect to the matters set forth above, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

N. Amendment, Alteration and Revocation of Plan

The Debtors may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of the Plan, and in

accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtors may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

The Debtors reserve the right, at any time prior to Confirmation of the Plan, to withdraw the Plan. If the Plan is withdrawn, the 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 claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

O. Plan Implementation Documents

The documents necessary to implement the Plan include the following:

In the event a Sale is consummated

- Asset Purchase Agreement

In the event a Restructuring is consummated

- New Debtors Certificates of Incorporation and By-laws
- New Senior Secured Notes
- Lauren Notes

Such documents are either enclosed herewith or will be submitted in substantially the form to be implemented on the Effective Date as part of the Plan Supplement. All documents in the Plan Supplement shall be in form, scope, and substance satisfactory to the Debtors. Upon such filing, all documents included in the Plan Supplement may be viewed and downloaded free of charge from the Debtors' case website at www.kccllc.net/bosquepower, viewed and downloaded from the Bankruptcy Court electronic case filing system or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Interests may obtain a copy of any document included in the Plan Supplement upon written request to the Debtors' Voting Agent at the address set forth in Section III.C or to the Debtors' counsel, Proskauer Rose LLP, 70 West Madison Street, Suite 3800, Chicago, Illinois 60602 (Attn: Grayson T. Walter).

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

The Holders of Claims in Classes 3 and 4 should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against each of the Debtors. Certain Claims and Interests receive no distributions pursuant to the Plan.

Nevertheless, reorganization of the Debtors' business and operations under the proposed Plan avoids the potentially adverse impact of a liquidation on the Debtors' customers, suppliers, employees, communities and other stakeholders.

B. Certain Bankruptcy Considerations

Even if all voting Impaired Classes vote in favor of the Plan, and if with respect to any Impaired Class deemed to have rejected the Plan the requirements for "cramdown" are met, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtors (*see* Section X.A.) and that the value of distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code (*see* Section X.D.). Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Appendix C for a liquidation analysis of the Debtors.

If a liquidation or protracted reorganization were to occur, there is a significant risk that the value of the Debtors' enterprise would be substantially eroded to the detriment of all stakeholders.

The Debtors' future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Debtors' operating results, as the Debtors' relations with their customers and suppliers may be harmed by protracted bankruptcy proceedings. Furthermore, the Debtors cannot predict the ultimate amount of all their liabilities that will be subject to a plan of reorganization. Once a plan of reorganization is approved and implemented, the Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders, customers and suppliers to do business with a company that recently emerged from bankruptcy proceedings.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

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

E. Inherent Uncertainty of Financial Projections

The Projections set forth in Appendix B hereto have been prepared by management of the Debtors in consultation with their financial advisors and cover the projected operations of the successor to the Debtors through fiscal year 2014. These Projections are based on numerous assumptions that are an integral part of the Projections, including confirmation and consummation of the Plan in accordance with its terms, realization of the operating strategy of the Debtors, industry performance, no material adverse changes in applicable legislation or regulations, or the administration thereof, or regulations, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, retention of key management and other key employees, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. Certain additional material assumptions are disclosed on Appendix B, and the projections should be read in conjunction with these assumptions.

To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtors, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only the Debtors' educated, good faith estimates and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may increase over time. The projected financial information contained herein should not be regarded as a guaranty by the Debtors, the Debtors' advisors or any other Person that the Projections can or will be achieved. However, the Debtors believe that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

F. Merchant Exposure

The energy and natural gas market has experienced, and is likely to continue to experience, significant volatility. The Debtors will not have any of their capacity hedged, and will operate as a merchant facility, and, therefore, be 100% exposed to fluctuations in the commodities market. Uncertainty around future energy and natural gas prices makes it difficult for the Debtors to forecast operating results.

G. Generator Step-Up Transformer & Unit 5 Steam Turbine Operational Risk

The Debtors are in the process of replacing a generator step-up transformer necessary to run their 2x1 combined cycle units. If the transformer does not work, the Debtors would not be able to run their 2x1 combined cycle units, and the Debtors' operations would be materially adversely affected. In addition, there will be "shakedown" issues related to running the 2x1 with the new generator step-up transformer, the magnitude of which is currently unknown.

H. Other Construction Completion Risks

The Debtors have certain outstanding construction completion items that they will need to address in the next twelve to eighteen months. Downtime related to completing these items could be longer than expected and costs could be higher than expected, negatively affecting the Debtors' ability to generate revenues. In addition to the identified construction

completion items, there could be other additional construction completion issues yet to be identified.

I. Competition

The high degree of competition in the Debtors' businesses and the potential for new competitors to enter into those businesses could cause actual results to differ from those expected by the Debtors.

J. Cyclicalities

There have been occasional general downward trends in the Debtors' industry. While no such general downward trend is anticipated during the period of the Debtors' projections, there can be no assurance that general market conditions relating to the Debtors' services will not impair the Debtors' future financial performance.

K. Debt Service

The Debtors' business plan projects that, in light of the establishment of the Secured Note Interest Reserve, the Reorganized Debtors should be able to comfortably meet their obligations under the New Senior Secured Notes while growing their business and enhancing their cash position. No guaranty can be made, however, that the performance in the business plan will be achieved. Further, if the Reorganized Debtors fall materially short of their business plan, there is no guaranty that they will be able to meet the debt service obligations under the New Senior Secured Notes.

L. Litigation

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

M. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. An interested party should consult counsel or a tax advisor on any questions or concerns regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtors and to Holders of Claims who are entitled to vote to accept or reject the Plan.

N. Post-Emergence Leverage

While the Debtors believe that they are currently well positioned competitively, and that the Projections contemplate adequate ongoing capital investment to maintain and improve the Reorganized Debtors' competitive position, there can be no assurance that if the Reorganized Debtors materially under-perform their Projections, the leverage represented by any exit facility and the New Senior Secured Notes will not have an adverse effect on their business.

VIII. APPLICABILITY OF FEDERAL AND OTHER SECURITIES LAWS

It is not currently expected that any registration statement will be filed under the Securities Act or any state securities laws with respect to the issuance or distribution of equity interests in the Reorganized Debtors, as applicable, under the Plan, or any subsequent transfer or

resale of any interests therein. The Debtors believe that, subject to certain exceptions described below, various provisions of the Securities Act, the Bankruptcy Code and state securities laws exempt from federal and state securities registration requirements with respect to (a) the offer and the sale of such securities pursuant to the Plan and (b) subsequent transfers of such securities.

A. Offer and Sale of New Securities Pursuant to the Plan: Bankruptcy Code Exemption from Registration Requirements

Holders of certain Allowed Claims may receive a pro rata share of a percentage of equity interests in the Reorganized Debtors. Section 1145(a)(1) of the Bankruptcy Code exempts the offer or sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied: (a) the securities must be issued “under a plan” of reorganization by the debtor or its successor under a plan or by an affiliate participating in a joint plan of reorganization with the debtor; (b) the recipients of the securities must hold a pre-petition or administrative expense claim against the debtor or an interest in the debtor; and (c) the securities must be issued entirely in exchange for the recipient’s claim against or interest in the debtor, or “principally” in such exchange and “partly” for cash or property. In reliance upon this exemption, the Debtors believe that the offer and sale of the equity interests in the Reorganized Debtors under the Plan will be exempt from registration under the Securities Act and state securities laws.

In addition, in the event a Reorganization is consummated, the Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming such exemption. Accordingly, such securities may be resold without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by Section 4(1) of the Securities Act, unless the Holder is an “underwriter” (see discussion below) with respect to such securities, as that term is defined under the Bankruptcy Code. In addition, such securities generally may be resold without registration under state securities or “blue sky” laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

B. Subsequent Transfers of New Securities

Section 1145(b) of the Bankruptcy Code defines the term “underwriter” for purposes of the Securities Act as one who, except with respect to “ordinary trading transactions” of an entity that is not an “issuer,” (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distributing any security received in exchange for such a claim or interest; (b) offers to sell securities offered or sold under a plan for the Holders of such securities; (c) offers to buy securities offered or sold under the plan from the Holders of such securities, if the offer to buy is: (i) with a view to distribution of such securities; and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer” with respect to the securities, as the term “issuer” is defined in Section 2(11) of the Securities Act.

The term “issuer” is defined in Section 2(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to Section 2(11) of the

Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. “Control” (as such term is defined in Rule 405 of Regulation C under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor (or its successor) under a plan of reorganization may be deemed to be a “control person,” particularly if such management position is coupled with the ownership of a significant percentage of the debtor’s (or successor’s) voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns at least 10% of the securities of a reorganized debtor may be presumed to be a “control person.”

To the extent that persons deemed to be “underwriters” receive any equity interests in the Reorganized Debtors pursuant to the Plan, resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such persons would not be permitted to resell such new equity interests unless such securities in the Reorganized Debtors were registered under the Securities Act or an exemption from such registration requirements were available. Entities deemed to be statutory underwriters for purposes of section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act.

Certificates evidencing New Equity Securities in Reorganized Debtors received by a Holder of ten percent (10%) of any class of such securities will bear a legend substantially in the form below:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE, OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

Whether or not any particular person would be deemed to be an “underwriter,” or an “affiliate” of the Debtors would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any such person would be such an “underwriter” or “affiliate.” Persons who receive securities under the Plan are urged to consult their own legal advisor with respect to the restrictions applicable under Rule 144 and the circumstances under which such securities may be sold in reliance upon such Rule.

THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING, AND DO NOT HEREBY PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE NEW SENIOR SECURED NOTES OR THE NEW EQUITY, OR THE BANKRUPTCY MATTERS DESCRIBED HEREIN. IN LIGHT OF THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE RELEVANT

PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS, THE DEBTORS ENCOURAGE EACH CREDITOR AND PARTY-IN-INTEREST TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO ALL SUCH MATTERS. BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATION CONCERNING THE ABILITY OF A PERSON TO DISPOSE OF THE NEW SENIOR SECURED NOTES OR THE NEW EQUITY.

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

There are a number of U.S. federal income tax considerations, risks and uncertainties associated with consummation of the Plan. Furthermore, an interested party's particular circumstances (*e.g.*, non-U.S. taxpayers, banks, financial institutions, broker-dealers, insurance companies, tax-exempt organizations, and those holding Claims through a partnership or other pass-through entity) may subject such party to special tax treatment under the Internal Revenue Code of 1986, as amended. As a result, an interested party should consult its own tax advisor with respect to any questions or concerns regarding the U.S. federal income tax consequences (and any state, local and non-U.S. tax consequences) of the transactions proposed by the Plan to the Debtors and to Holders of Claims who are entitled to vote to accept or reject the Plan.

X. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

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

To support their belief in the feasibility of the Plan, the Debtors have prepared and relied upon the Projections, which are annexed to this Disclosure Statement as Appendix B.

The Plan itself proposes either (i) a Sale of substantially all of the Debtors' assets or (ii) a Reorganization. The Debtors believe that a Sale meets the feasibility test embodied in section 1129(a)(11) of the Bankruptcy Code. In addition, in the event that a Reorganization is consummated, the Debtors believe that the Projections indicate that the Reorganized Debtors should have sufficient cash flow, together with the cash held in the Secured Note Interest Reserve and the Lauren Note Reserve, to pay and service their debt obligations and to fund their operations. Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Projections were developed by Senior Management in consultation with the Debtors' financial advisor. Collectively, Senior Management possesses decades of experience in the Debtors' industry, and the Projections rely, in part, on the judgment developed through that experience. In addition, they are based on Senior Management's knowledge of the Debtors' business, and by reference to publicly available projections for industry revenue growth.

The Projections, however, are based upon numerous assumptions that are an integral part of the Projections, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, industry performance, no material adverse changes in applicable legislation or regulations, or the administration thereof, exchange rates or generally

accepted accounting principles, general business and economic conditions, competition, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and the assumptions on which they are based are considered reasonable by the Debtors, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only an educated, good faith estimate and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may be adverse. The Projections should therefore not be regarded as a guaranty by the Debtors or any other Person that the results set forth in the Projections will be achieved. The Projections were prepared by the Debtors, and not by any of their creditors, and the Debtors' creditors make no representations concerning the reasonableness of the Projections. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The projected financial information contained herein and in the Projections should not be regarded as a representation or warranty by the Debtors, the Debtors' advisors or any other Person that the Projections can or will be achieved. The Projections should be read together with the assumptions set forth in the Projections and information in Article VII of this Disclosure Statement entitled "Certain Risk Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the Projections. The Debtors, however, believe that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

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

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This Disclosure Statement and the financial projections contained herein and in the Projections include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Disclosure Statement are forward-looking statements, including, without limitation, financial projections, the statements, and the underlying assumptions, regarding the timing of, completion of and scope of the current restructuring, the Plan, debt and equity market conditions, the cyclical nature of the Debtors' industry, current and future industry conditions, the potential effects of such matters on the Debtors' business strategy, results of operations or financial position, the adequacy of the Debtors' liquidity and the market sensitivity of the Debtors' financial instruments. The forward-looking statements are based upon current information and expectations. Estimates, forecasts and other statements contained in or implied by the forward-looking statements speak only as of the date on which they are made, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to evaluate and predict. Although the Debtors believe that the expectations reflected in the forward-looking statements are reasonable, parties are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially

from those contemplated by such forward-looking statements. Certain important factors that could cause actual results to differ materially from the Debtors' expectations or what is expressed, implied or forecasted by or in the forward-looking statements include developments in the Chapter 11 Cases, adverse developments in the timing or results of the Debtors' business plan (including the time line to emerge from chapter 11), the timing and extent of changes in economic conditions, industry capacity and operating rates, the supply-demand balance for the Debtors' services, competitive products and pricing pressures, federal and state regulatory developments, the Debtors' financial leverage, motions filed or actions taken in connection with the bankruptcy proceedings, the availability of skilled personnel, the Debtors' ability to attract or retain high quality employees and operating hazards attendant to the industry. Additional factors that could cause actual results to differ materially from the Projections or what is expressed, implied or forecasted by or in the forward-looking statements are stated herein in cautionary statements made in conjunction with the forward-looking statements or are included elsewhere in this Disclosure Statement.

B. Acceptance of the Plan

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

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Holders of Claims in each of Classes 3 and 4 will have voted to accept the Plan only if two-thirds ($\frac{2}{3}$) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

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

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and

costs of both the chapter 7 cases and the chapter 11 cases. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtors in their chapter 11 cases that are allowed in the chapter 7 cases, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

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

D. Liquidation Analysis

For purposes of the best interests test, in order to determine the amount of liquidation value available to Creditors, the Debtors, with the assistance of their financial advisors, prepared a liquidation analysis, annexed hereto as Appendix C (the “Liquidation Analysis”), which concludes that, other than the Senior Secured Lenders, no Holders of prepetition Claims would receive any recovery whatsoever. In the event of an orderly liquidation of the Debtors’ assets in chapter 7, the aggregate value to be realized by the Debtors’ estates would be between approximately \$169,900,000 and \$253,800,000 on a present value basis. In either event, all such value would be distributed to Holders of Allowed Class 3 Prepetition Senior Secured Claims, and no other Holder of a Claim, including unpaid Administrative Priority Claims incurred during the administration of the Debtors’ Chapter 11, would receive a distribution. These conclusions are premised upon the assumptions set forth in Appendix C, which the Debtors and their financial advisors believe are reasonable.

The Debtors believe that any liquidation analysis with respect to the Debtors is inherently speculative. The Liquidation Analysis for the Debtors necessarily contains estimates of the net proceeds that would be received from a forced or orderly sale of assets, as well as the amount of Claims that would ultimately become Allowed Claims. Claims estimates are based solely upon the Debtors’ books and records. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected an amount of Allowed Claims that represents their best estimate of what Claims would be Allowed by the Bankruptcy Court. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

E. Application of the “Best Interests” of Creditors Test to the Liquidation Analysis and the Valuation

It is impossible to determine with certainty the value each Holder of a Claim will receive under the Plan as a percentage of any Allowed Claim. Notwithstanding the difficulty in quantifying recoveries with precision, the Debtors believe that the financial disclosures and projections contained herein imply a greater recovery to Holders of Claims in Impaired Classes than the recovery available in a chapter 7 liquidation. Accordingly, the Debtors believe that the “best interests” test of section 1129 of the Bankruptcy Code is satisfied.

F. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

In the event any Class of Impaired Claims rejects the Plan, the Debtors may seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code.

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of a debtor if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. The Debtors believe the Plan does not discriminate unfairly with respect to the Claims and Interests in Classes 3 through 8.

A plan is “fair and equitable” as to holders of unsecured claims that reject the plan if the plan provides either that: (a) each holder of a claim of such class receives or retains on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

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

The Debtors believe that they could, if necessary, meet the “fair and equitable” requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Claims and Interests in Classes 3 through 8.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims in Classes 3 and 4 the potential for the greatest realization on the Debtors’ assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative

plan or plans of reorganization or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors (or, if the Debtors' exclusive periods in which to file and solicit acceptances of a plan of reorganization have expired, any other party in interest) could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of assets.

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

B. Liquidation Under Chapter 7

If no plan is confirmed, the Debtors' cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors. It is, however, possible to predict that the Prepetition Senior Lenders would assert that they held security interests in substantially all assets to be liquidated, likely resulting in nothing to distribute to any other Class of Claims or Interests.

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

XII. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if (a) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (b) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Entitled to Vote to Accept or Reject the Plan

Holders of Claims in Classes 3 and 4 are entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and each Impaired Class of Claims or Interests that will receive nothing under the Plan is deemed to have rejected the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or reject the Plan. Consequently, Classes 1 and 2 are deemed to have accepted the Plan and Classes 5, 6, 7 and 8 are deemed to have rejected the Plan and, therefore, none of the Holders of Claims or Interests in such Classes are entitled to vote to accept or reject the Plan.

C. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system, by downloading the Solicitation Order from the Debtors' case website at www.kccllc.net/bosquepower or by making written request upon the Debtors' counsel or Voting Agent.

D. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to seek rejection of any and all ballots not in proper form. The Debtors further reserve the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular ballot. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

E. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (a) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (b) be signed by the withdrawing party in the same manner as the ballot being withdrawn, (c) contain a certification that the withdrawing party owns

the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (d) be received by the Voting Agent in a timely manner *via* regular mail, overnight courier or hand delivery at Bosque Power Claims Processing Center, c/o Kurtzman Carson Consultants, LLC, 2335 Alaska Avenue, El Segundo, California 90245. The Debtors intend to consult with the Voting Agent to determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed ballot may revoke such ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

F. Voting Rights of Disputed Claimants

Holders of Disputed Claims in Classes 3 and 4 whose Claims are (a) asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date or (b) whose Claims are asserted in Proofs of Claim as to which an objection to the entirety of the Claim is pending as of the Distribution Record Date (collectively, the “Disputed Claimants”) are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”). Any such Rule 3018 Motion must be filed and served upon the Debtors’ counsel and the Voting Agent no later than 5:00 p.m. (Central time) on the fourteenth (14th) day after the later of (i) the Solicitation Date and (ii) the date of service of an objection, if any, to such claim. The ballot of any creditor filing such a motion, will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that the Debtors and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Debtors’ right to object to any Proof of Claim after the Distribution Record Date. With respect to any such objection, the Debtors may request that any vote cast by the Holder of the Claim subject to the objection be disallowed and not counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met.

G. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan or this Disclosure Statement, or any exhibits or

appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact the Voting Agent at:

If by regular mail or hand delivery:

BOSQUE POWER CLAIMS PROCESSING CENTER
c/o KURTZMAN CARSON CONSULTANTS LLC
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

If by telephone:

KURTZMAN CARSON CONSULTANTS LLC
(877) 499-4517

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims in Classes 3 and 4 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before [_____], 2010, at 5:00 p.m. prevailing Pacific time.

Dated: July 19, 2010
Houston, Texas

BosPower Development LLC, BosPower Development Blocker I Inc., BosPower Development Blocker II Inc., BosPower Partners LLC, Bosque Power Company, LLC and Fulcrum Marketing and Trade LLC

/s/ Brian R. McCabe

Brian R. McCabe
President of Debtors BosPower Development LLC, BosPower Development Blocker I Inc., BosPower Development Blocker II Inc. and BosPower Partners LLC and an Authorized Representative of Debtors Bosque Power Company, LLC and Fulcrum Marketing and Trade LLC

Appendix A

[Joint Chapter 11 Plan]

Appendix B

[Financial Projections]

FINANCIAL PROJECTIONS FOR 2010 TO 2014

(Unless Otherwise Noted, Financial figures in \$ 000s)

The financial projections (the “Financial Projections”) present, to the best of the Debtors’ knowledge and belief, results of operations and cash flows for the projection period. The projections for 2010 represent the actual unaudited results of the Debtors (or the “Company”, Bosque Power Company, LLC) for the actual period from January 1, 2010 through June 30, 2010 and projected activity for the 2nd half (Q3 – Q4) of 2010. The assumptions disclosed herein are those that the Debtors believe are significant to the Financial Projections. Because events and circumstances frequently do not occur as expected, there will be differences between the projected and actual results. These differences may be material to the Financial Projections herein.

The Financial Projections have been prepared in good faith based upon assumptions believed to be reasonable. The Financial Projections are based upon the Debtors’ (and its advisors’) estimates and market conditions.

A. PROJECTION ASSUMPTIONS

The Debtors, with the assistance of various professionals, prepared a forecast for the 2010 – 2014 period. The Financial Projections are based on a number of assumptions, and while the Debtors have prepared the Financial Projections in good faith and believe the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will ultimately be realized. The Financial Projections should be read in conjunction with the assumptions, qualifications and notes contained herein, the risk factors described in the Disclosure Statement, and the historical financial statements filed by the Debtors as Monthly Operating Reports. The following summarizes the underlying key assumptions upon which the Financial Projections were based.

B. PROJECTED 2010 TO 2014 CONSOLIDATED STATEMENT OF OPERATIONS

The Financial Projections are based on the assumption that the Plan will be confirmed as stated in the Disclosure Statement and Plan of Reorganization and will become effective January 1, 2011.

ERCOT Market Forecast:

- In Q1 2010, Navigant Consulting, Inc.’s Energy Practice (“NCI Energy”) prepared a forecast of energy revenues and generation costs for the Bosque facility located in the ERCOT market.
- The projections reflected herein are based on the NCI Energy forecast of revenues, cost of sales and, resultant gross margin for the Bosque facility during the Q3 2010 – 2014 projections period.
- The projections were developed using conservative assumptions, based on the current economic outlook, and do not reflect any upside resulting from an expected rebound in economic activity in the 2013-2014 period.

Projected Income Statement

Revenue Forecast:

For 2010 the Company expects \$91.5 million of total revenue (reflecting Actual YTD June 2010 revenues, and July – December 2010 projected revenues). The Company assumes no revenues in the July 2010 – December 2010 period, from heat rate call option agreement with Fulcrum Marketing & Trade, LLC (“FMT”, an affiliated debtor entity which is also in Chapter 11 bankruptcy). In addition, the Company is in the process of replacing the Unit 5 generation step-up transformer, and for purposes of the projections it is assumed that the 2x1 Combined Cycle unit (units 1, 2 and 5) will be fully operational available beginning in September 2010.

For 2011, the Company projects total revenue of \$128.3 million (a year-over-year increase of 40.2%) due to increased energy sales (1,852 GWh) in the ERCOT market, primarily resulting from the 2x1 Combined Cycle unit being available.

For 2012, the Company projects total revenue of \$109.9 million (a year-over-year decrease of 14.3%) primarily due to a decline in energy sales (1,681 GWh) and a decline in realized energy prices (\$62.17/MWh in 2012 vs. \$66.72/MWh in 2011). The decline in projected energy sales is primarily due to the addition of approximately 2,600 MW of more efficient, lower cost generating capacity in the 2011 – 2012 period, partially displacing the less efficient Bosque facility.

For 2013, the Company projects total revenue of \$121.2 million (a year-over-year increase of 10.3%) primarily due to an increase in energy sales (1,838 GWh) with a modest increase in realized energy prices over prior year (\$62.82/MWh). The increase in projected energy sales is primarily due to an increase in overall energy demand in the ERCOT region.

For 2014, the Company projects total revenue of \$117.0 million (a year-over-year decrease of 3.5%) primarily due to a decline in energy sales (1,546 GWh), partially offset by an increase in realized energy prices (\$71.62/MWh in 2014 vs. \$62.17/MWh in 2013). The decline in projected energy sales is primarily due to the addition of approximately 1,500 MW of wind turbine generating capacity in the 2013 – 2014 period, partially displacing the less efficient Bosque facility.

Cost-of-Sales and Gross Margin Forecast:

For 2010 the Company expects total cost of sales \$62.4 million (reflecting Actual YTD June 2010 revenues, and July – December 2010 projected revenues), resulting in \$29.1 million in gross margin for the period.

For 2011, the Company projects total cost of sales and gross margin of \$91.4 million and \$36.9 million, respectively (a year-over-year increase in gross margin of 26.8%) primarily due to increased energy sales (1,852 GWh) in the ERCOT market.

For 2012, the Company projects total cost of sales and gross margin of \$76.5 million and \$33.4 million, respectively (a year-over-year decrease in gross margin of 9.4%) primarily due to a decline in energy sales, partially offset by a reduction in fuel used (12.4 million mmBTU in 2012 vs. 13.6 million mmBTU in 2011).

For 2013, the Company projects total cost of sales and gross margin of \$83.8 million and \$37.4 million, respectively (a year-over-year increase of 11.9%) primarily due to an increase in energy sales partially offset by an increase in fuel used (13.5 million mmBTU in 2013 vs. 12.4 million mmBTU in 2012).

For 2014, the Company projects total cost of sales and gross margin of \$78.4 million and \$38.6 million, respectively (a year-over-year increase in gross margin of 3.3%) primarily due to an increase in realized energy prices (\$71.62/MWh in 2014 vs. \$62.17/MWh in 2013) and a decrease in fuel used (11.5 million mmBTU in 2014 vs. 13.5 million mmBTU in 2012).

Operating Expenses Forecast:

Long Term Services Agreement (“LTSA”) Expenses –The LTSA provides for parts and services for planned maintenance events. Projected LTSA expenses reflect the terms of the existing contract and the projected dispatch profile of the Bosque facility (factored fired run hours & factored fired starts).

- For 2010 the Company expects total LTSA expenses of \$1.9 million.
- For 2011 the Company projects total LTSA expenses of \$2.8 million (a year-over-year increase of 48.9%) primarily due to an increase in run hours and starts of the Bosque facility.
- For 2012 the Company projects total LTSA expenses of \$2.8 million.
- For 2013 the Company projects total LTSA expenses of \$15.7 million, which includes \$2.8 million of base LTSA expenses and an LTSA extension fee of \$12.9 million. The extension fee is triggered under the existing LTSA based on the cumulative run hours and starts of the Bosque facility through 2013.
- For 2014 the Company projects total LTSA expenses of \$11.1 million, which includes \$2.9 million of base LTSA expenses and \$8.2 million of incremental costs related to a major maintenance event.

Other Operating Expenses – Other operating expenses are comprised of all other expenses necessary for the operation and maintenance of the Bosque facility and include but are not limited to the following: (i) site labor & benefits expenses, (ii) plant consumables, (iii) major maintenance parts and expenses, (iv) gas interconnection expense, and (v) expenses related to outside third parties (i.e. Energy Management, Management Services Agreement, and Operator Agreement).

- For 2010 the Company expects total other operating expenses of \$16.6 million.
- For 2011 the Company projects total other operating expenses of \$20.3 million (a year-over-year increase of 22.3%) primarily due to an increase in direct operating expenses resulting from a significant increase in year-over-year energy sales.
- For 2012 the Company projects total other operating expenses of \$20.4 million (a year-over-year increase of less than 1%).
- For 2013 the Company projects total other operating expenses of \$20.8 million (a year-over-year increase of 1.9%).
- For 2014 the Company projects total other operating expenses of \$21.3 million (a year-over-year increase of 2.1%).

Projected Balance Sheet:

Accounts Receivable – The actual average accounts receivable days sales outstanding (“DSO”) for the month ended June 30, 2010 was approximately 30 days and it is assumed that DSO will be 30 days for the 2010 – 2014 period.

Inventory – Primarily represents various plant consumables and maintenance parts needed for plant operations. The projected inventory balance is assumed to grow modestly for the 2010 – 2014 projections period.

Prepays & Other Current Assets – Primarily represents various prepaid expenses which are expected to remain relatively flat during the 2010 – 2014 projections period.

Property, Plant & Equipment – Primarily represents real estate, the Bosque power plant, and miscellaneous other equipment.

Accounts Payable – The actual average days payable outstanding (“DPO”) for the month ended June 30, 2010 was approximately 30 days and it is assumed that DPO will be 30 days for the 2010 – 2014 period.

Accrued Liabilities – Represents various accrued expenses including property taxes and outside services fees.

Key Capital Structure assumptions – The capital structure presented in the 2011 – 2014 projections reflects the various elements of the Debtor’s Plan of Reorganization, assuming an emergence date of January 1, 2011, which include the following:

- New Equity Infusion – \$42.5 MM (includes \$2.5MM of replacement GSU costs)
- New Senior Secured Notes –\$300MM with 6.5% per year cash pay interest, maturing in 48 months.
- New Senior Secured Zero Coupon Bullet Notes – \$27.5MM maturing in 48 months.
- Lauren Note – \$3.4MM with 6.5% per year cash pay interest, maturing in 48 months. A Lauren Note Reserve will be established and cash collateralized with proceeds from the Equity Infusion.
- Secured Note Interest Reserve – Establishment of a \$42.9MM Secured Note Interest Reserve for the purposes of paying interest obligations under the New Senior Secured Notes and the Lauren Notes. The Company’s projected cash flows from operations, coupled with the Secured Note Interest Reserve will provide sufficient cash flows to fund projected cash interest expense obligations.

Projected Statement of Cash Flows:

Key Statement of Cash Flows assumptions – The statement of cash flows is derived from the projected income statement results and the working capital assumptions with respect to the projected balance sheet assumptions including DSO and DPO.

In addition, the following assumptions have been made with respect to projected capital expenditures during the 2011 – 2014 projections period:

- Approximately \$9MM in remaining construction conversion/completion expenditures will be made during the 1H - 2011.
- Annual maintenance capital expenditures of \$500K per year are assumed during the projection period.

Projected Income Statement					
	2010	2011	2012	2013	2014
\$ in '000s	Pre-Close	Proj.	Proj.	Proj.	Proj.
Summary Operating Statistics					
Capacity Factor	N/A	35.0%	24.3%	26.7%	22.4%
Fundamental Energy Produced (GWh)	N/A	1,852	1,681	1,838	1,546
Avg. Realized Fundamental Energy Price (\$ / MWh)	N/A	\$66.72	\$62.17	\$62.82	\$71.62
Fuel Used (mmBtu)	N/A	13,567,875	12,377,379	13,506,186	11,493,059
Avg. Realized Index Fuel Price (\$ / mmBtu)	N/A	\$6.26	\$5.69	\$5.73	\$6.34
Revenues					
Hedge Counterparty Energy Payment	\$25,567	\$0	\$0	\$0	\$0
Hedge Counterparty Capacity	11,140	-	-	-	-
Ancillary Services	5,926	4,695	5,379	5,707	6,247
Power Sales - ERCOT, bilateral, etc.	48,865	123,572	104,491	115,492	110,733
Total Revenues	\$91,499	\$128,267	\$109,870	\$121,199	\$116,981
Cost of Sales					
Natural Gas Purchases	\$31,553	\$84,992	\$70,450	\$77,323	\$72,858
Power purchases	28,962	-	-	-	-
Other	1,890	6,405	6,013	6,506	5,514
Total Cost of Sales	\$62,405	\$91,397	\$76,463	\$83,829	\$78,372
Gross Margin	\$29,093	\$36,870	\$33,407	\$37,370	\$38,609
<i>Gross Margin %</i>	31.8%	28.7%	30.4%	30.8%	33.0%
LTSA Fees	\$1,898	\$2,827	\$2,840	\$15,659	\$11,092
Other Operating Expenses	16,635	20,303	20,433	20,813	21,270
Total Direct and Indirect OpEx	\$18,532	\$23,130	\$23,272	\$36,473	\$32,361
EBITDA	\$10,561	\$13,740	\$10,134	\$897	\$6,247
<i>EBITDA Margin</i>	11.5%	10.7%	9.2%	0.7%	5.3%

Projected Balance Sheet					
	2010	2011	2012	2013	2014
\$ in '000s	Pre-Close	Proj.	Proj.	Proj.	Proj.
Current Assets					
Total Cash	\$68,392	\$71,685	\$60,313	\$41,394	\$27,889
Accounts Receivables, net	14,936	10,811	17,005	13,928	16,784
Prepays and Other Current Assets	17,477	8,304	8,352	8,400	8,448
Total Current Assets	\$100,805	\$90,800	\$85,670	\$63,722	\$53,121
Total Property, Plant & Equipment (Net)	\$558,295	\$547,663	\$527,883	\$508,087	\$488,274
Non Current Assets					
Goodwill	\$61,007	\$0	\$0	\$0	\$0
Other Non-Current Assets	16,454	11,820	7,908	3,996	84
Total Non Current Assets	\$77,461	\$11,820	\$7,908	\$3,996	\$84
Total Assets	\$736,560	\$650,283	\$621,461	\$575,805	\$541,479
Current Liabilities					
Accounts Payable	\$23,651	\$7,955	\$12,917	\$10,414	\$12,568
Accrued Liabilities	6,619	1,630	1,641	1,652	3,164
Current Portion LT Debt	3,875	-	-	-	-
Interest Payable	27,156	-	-	-	-
Total Current Liabilities	\$61,301	\$9,585	\$14,558	\$12,066	\$15,732
Non-Current Liabilities					
Sr Secured Cash Pay Debt	\$403,459	\$300,000	\$300,000	\$300,000	\$300,000
New Sr Secured Zero Coupon Bullet Note	\$0	\$27,482	\$27,482	\$27,482	\$27,482
LEC Settlement Note	-	3,400	3,400	3,400	3,400
Total Liabilities	\$464,760	\$340,467	\$345,440	\$342,948	\$346,614
Equity contributions - New Common	-	42,500	42,500	42,500	42,500
Equity contributions - Pre-Filing Class A	\$369,945	\$369,945	\$369,945	\$369,945	\$369,945
Retained Earnings	(44,735)	(72,690)	(102,628)	(136,424)	(179,590)
Current Year Earnings	(53,408)	(29,938)	(33,796)	(43,166)	(37,995)
Partners Equity	\$271,802	\$309,817	\$276,021	\$232,855	\$194,860
Total Liabilities & Partners Equity	\$736,560	\$650,283	\$621,461	\$575,805	\$541,479

Projected Statement of Cash Flows					
	2010	2011	2012	2013	2014
\$ in '000s	Pre-Close	Proj.	Proj.	Proj.	Proj.
Cash flows from operating activities:					
Net loss	(\$58,055)	(\$29,938)	(\$33,795)	(\$43,165)	(\$37,993)
<i>Adj. to reconcile net loss to cash provided by operating activities:</i>					
Depreciation	\$18,505	\$20,132	\$20,280	\$20,296	\$20,313
Amortization	3,910	3,912	3,912	3,912	3,912
Other Non-Cash Items	(5,103)	-	-	-	-
<i>Change in assets and liabilities:</i>					
Accounts Receivables, net	\$90	\$4,125	(\$6,194)	\$3,077	(\$2,856)
Other receivables	(545)	-	-	-	-
Inventory	(608)	(49)	(36)	(37)	(37)
Prepaid expenses	797	(11)	(12)	(11)	(11)
Accounts payable	\$9,539	(\$1,025)	\$4,962	(\$2,503)	\$2,154
Accrued liabilities	1,247	11	11	11	1,512
Interest payable	27,076	-	-	-	-
Net cash provided by operating activities	(\$3,148)	(\$2,842)	(\$10,872)	(\$18,419)	(\$13,005)
Cash flows from investing activities:					
Capital expenditures	(\$6,808)	(9,500)	(500)	(500)	(500)
Net cash used in investing activities	(\$6,808)	(\$9,500)	(\$500)	(\$500)	(\$500)
Net cash provided by financing activities	(\$8)	\$0	\$0	\$0	\$0
Increase/(Decrease) in cash	(\$9,965)	(\$12,342)	(\$11,372)	(\$18,919)	(\$13,505)
Cash (including restricted), beginning of period	\$78,357	\$84,028	\$71,685	\$60,313	\$41,394
Cash (including restricted), end of period	\$68,392	\$71,685	\$60,313	\$41,394	\$27,889

Appendix C

[Liquidation Analysis]

LIQUIDATION ANALYSIS

Introduction

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the “Best Interests Test”), Holders of Allowed Claims and Allowed Equity Interests must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan’s assumed Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code (“Chapter 7”).

In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors’ assets under Chapter 7. The Debtors, with the assistance of their restructuring and financial advisors, have prepared this hypothetical liquidation analysis (the “Liquidation Analysis”) in connection with the Disclosure Statement. The Liquidation Analysis reflects the estimated Cash proceeds, net of liquidation-related costs, which would be available to the Debtors’ creditors if the Debtors were to be liquidated pursuant to a Chapter 7 liquidation as an alternative to continued operation of the Debtors’ business under the Plan. Accordingly, asset values discussed herein may be different than amounts referred to in the Plan. The Liquidation Analysis is based upon the assumptions discussed herein and in the Disclosure Statement. All capitalized terms not defined in this Liquidation Analysis have the meanings ascribed to them in the Disclosure Statement.

UNDERLYING THE LIQUIDATION ANALYSIS ARE NUMEROUS ESTIMATES AND ASSUMPTIONS REGARDING LIQUIDATION PROCEEDS THAT, ALTHOUGH DEVELOPED AND CONSIDERED REASONABLE BY THE DEBTORS’ MANAGEMENT AND ITS ADVISORS, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, REGULATORY AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS AND THEIR MANAGEMENT. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD MATERIALLY DIFFER FROM THE RESULTS SET FORTH HEREIN.

Significant Assumptions

Hypothetical recoveries to stakeholders of the Debtors in a Chapter 7 liquidation were determined through multiple steps, as set forth below.

The basis of the Liquidation Analysis is the Debtors’ projected balance sheet as of December 1, 2010 (except as noted otherwise), and assumes that the Debtors would commence a Chapter 7 liquidation on that date (the “Conversion Date”). The Liquidation Analysis assumes that the projected December 1, 2010 balance sheet is a proxy for the Conversion Date balance sheet, unless otherwise stated.

The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of a court-appointed Chapter 7 trustee. The Liquidation Analysis reflects the wind-down and liquidation of substantially all of the Debtors' operations over a six-month period (the "Wind-Down Period"), during which time all of the Debtors' major assets would be sold and the cash proceeds, net of liquidation-related costs, would be distributed to satisfy Claims.

Estimate of Net Proceeds

Estimates were made of the Cash proceeds that might be received from the liquidation of the Debtors' assets listed on balance sheet. After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution, including (i) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and advisors to such trustee (see below) and (ii) the potential erosion in value of assets in a Chapter 7 case in the context of the expedited liquidation required under Chapter 7.

In this Liquidation Analysis, the facility is assumed to be shut down and marketed for sale. For certain assets, estimates of the liquidation proceeds were made for each asset individually. For other assets, liquidation values were assessed for general classes by estimating percentage recoveries of the gross book value of the asset that a Chapter 7 trustee might achieve through the disposition. Proceeds are net of holding costs, including insurance, taxes, utility, security and maintenance, which are assumed to be incurred until a sale is concluded.

The Liquidation Analysis does not reflect any potential recoveries that might be realized by the Chapter 7 trustee's potential pursuit of any avoidance actions, as the Debtors believe that any such potential recoveries are highly speculative in light of, among other things, the various defenses that would likely be asserted. Similarly, the Liquidation Analysis does not reflect any recoveries that might be realized from any current or future potential litigation initiated by the Debtors.

Estimate of Costs

Proceeds from a Chapter 7 liquidation would be reduced by administrative costs incurred during the wind-down of the operations, the disposition of assets and the reconciliation of claims. These costs include professional (including attorneys, financial advisors, appraisers and accountants) and trustee fees, commissions, salaries, severance and retention costs, and the estimated costs of shutting down the plant. Actual administrative costs may exceed the estimate included in this Liquidation Analysis, particularly if the wind-down of operations, disposition of assets and reconciliation of claims takes longer than the Wind-Down Period.

Distribution of Net Proceeds Under Absolute Priority

The amount of Cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the Cash held by the Debtors at the commencement of their Chapter 7 cases. Under the absolute priority rule, no junior creditor would receive any distribution until all

senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full. As such, prior to delivering any proceeds to Holders of General Unsecured Claims, available Cash and asset liquidation proceeds would first be applied to Secured Claims and amounts necessary to satisfy any Chapter 7 Administrative Expense Claims (including any incremental Administrative Expense Claims that may result from the termination of the Debtors' business and the liquidation of the Debtors' assets) and other Priority Claims under section 507 of the Bankruptcy Code as required under section 726 of the Bankruptcy Code. Any remaining Cash and asset liquidation proceeds after satisfaction of Secured Claims, Administrative Expense Claims and Priority Claims, to the extent they exist, would be available for distribution to Holders of General Unsecured Claims and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

Under Scenario I, the Lauren Claim enjoys first-priority liens on all of the Debtors' assets. Accordingly, the proceeds from the liquidation of the assets would be applied to satisfy the Lauren Claim until such claims are paid in full and any remaining proceeds therefrom would be applied to the Prepetition Senior Secured Claims. After the Prepetition Senior Secured Claims are paid in full, any remaining proceeds would then be applied to the Prepetition Senior Deficiency Claims and the General Unsecured Claims.

Under Scenario II, the Prepetition Senior Secured Claims enjoy first-priority liens on all of the Debtors' assets. Accordingly, the proceeds from the liquidation of the assets would be applied to satisfy the Prepetition Senior Secured Claims until such claims are paid in full and any remaining proceeds therefrom would be applied to the Lauren Claim. After the Lauren Claim is paid in full, any remaining proceeds would then be applied to the General Unsecured Claims.

After considerations of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, the Debtors have determined, as summarized in the charts below and in the "Best Interest of Creditors" section of the Disclosure Statement, that the Debtors' proposed Plan will provide creditors with a recovery that is not less than creditors would receive pursuant to a liquidation of the Debtors' assets under Chapter 7.

The following Liquidation Analysis should be reviewed with the accompanying footnotes.

SCENARIO I
(\$ in millions)

	Note	Estimated Book Value	Hypothetical Percentage Recovery		Estimated Liquidation Value	
			Low	High	Low	High
Cash	A	\$65.3	100.0%	100.0%	\$65.3	\$65.3
Accounts receivable	B	7.3	40.0%	60.0%	2.9	4.4
Inventory	C	3.2	25.0%	35.0%	0.8	1.1
Prepaid expenses	D	6.1	0.0%	0.0%	-	-
Other	E	9.2	0.0%	0.0%	-	-
Property, Plant & Equipment, net	F	564.4	20.0%	35.0%	112.9	197.5
Total Assets		\$655.6			\$181.9	\$268.4
Operating Wind-Down Costs	G				(6.9)	(6.9)
Administrative Expenses - Chapter 7 Trustee	H				(3.6)	(5.4)
Estimated Liquidation Proceeds net of Expenses					\$171.4	\$256.1
Present Value of Estimated Liquidation Proceeds net of Expenses (1)					\$169.9	\$253.8

Hypothetical Liquidation Recovery of Claims Analysis

	Note		
Lauren Claim	I	\$8.3	\$8.3
Recovery Amount		\$8.3	\$8.3
% of Claim		100.0%	100.0%
Prepetition Senior Secured Claims	J	\$419.9	\$419.9
Recovery Amount		\$161.6	\$245.5
% of Claim		38.5%	58.5%
General Unsecured Claims	K	\$0.7	\$0.7
Recovery Amount		\$0.0	\$0.0
% of Claim		0.0%	0.0%

Net Estimated Proceeds for Payment of Common Equity Interests **\$0.0** **\$0.0**

(1) Assumes liquidation period of 0.5 years and discount rate of 1.8%

SCENARIO II
(\$ in millions)

	Note	Estimated Book Value	Hypothetical Percentage Recovery		Estimated Liquidation Value	
			Low	High	Low	High
Cash	A	\$65.3	100.0%	100.0%	\$65.3	\$65.3
Accounts receivable	B	7.3	40.0%	60.0%	2.9	4.4
Inventory	C	3.2	25.0%	35.0%	0.8	1.1
Prepaid expenses	D	6.1	0.0%	0.0%	-	-
Other	E	9.2	0.0%	0.0%	-	-
Property, Plant & Equipment, net	F	564.4	20.0%	35.0%	112.9	197.5
Total Assets		\$655.6			\$181.9	\$268.4
Operating Wind-Down Costs	G				(6.9)	(6.9)
Administrative Expenses - Chapter 7 Trustee	H				(3.6)	(5.4)
Estimated Liquidation Proceeds net of Expenses					\$171.4	\$256.1
Present Value of Estimated Liquidation Proceeds net of Expenses (1)					\$169.9	\$253.8

Hypothetical Liquidation Recovery of Claims Analysis

	Note		
Prepetition Senior Secured Claims	I	\$419.9	\$419.9
Recovery Amount		\$169.9	\$253.8
% of Claim		40.5%	60.5%
Lauren Claim	J	\$8.3	\$8.3
Recovery Amount		\$0.0	\$0.0
% of Claim		0.0%	0.0%
General Unsecured Claims	K	\$0.7	\$0.7
Recovery Amount		\$0.0	\$0.0
% of Claim		0.0%	0.0%

FOOTNOTES TO LIQUIDATION ANALYSIS

Unless stated otherwise, the book values used in this Liquidation Analysis are the projected net book values of the Debtors' assets as of December 1, 2010. Actual results may vary significantly from those projected.

Note A – Cash and Cash Equivalents

The Liquidation Analysis is based on the assumption that operations during the liquidation period would not generate additional cash available for distribution. It is assumed that cash and cash equivalents held in the Debtor's accounts are fully available. The Debtors project that on December 1, 2010, the Debtors will have cash on hand of approximately \$65.3 million.

Note B –Receivables, Net

The Receivables consist of amounts owed by Fulcrum Power Services, pursuant to a deferred payment agreement with the Debtor, as well as a receivable from the Debtors' energy manager for revenue generated in the prior month. The liquidation value of accounts receivable was estimated by applying a recovery factor consistent with the Debtors' experience in collecting accounts receivable and the expectation of additional attempts to setoff. Estimated recoveries are expected to be 100% for the receivable related to revenue generated in the prior month, and between 25% to 50% for the deferred payment amounts owed by Fulcrum Power Services.

Note C – Inventories, Net

Inventories are primarily comprised of mechanical / spare parts and chemicals such as bolts, filters, gaskets, gauges, lube oil, repair kits.

Note D – Prepaid Expenses

Prepaid Expenses include prepaid insurance premiums, licenses, deposits, LTSA expenses, and legal fees. No recovery is expected on Prepaid Expenses.

Note E – Other Assets

Other Assets include the heat rate call option with Fulcrum Marketing & Trade. Expected Recovery is 0%, given the Fulcrum Marketing & Trade is an insolvent entity.

Note F – Property, Plant, and Equipment, net (“PP&E”)

The estimated net book value of fixed assets owned by the Debtors at December 1, 2010 is approximately \$564 million. The Debtors' fixed assets consist primarily of the power plant equipment, surrounding real estate and improvements made to the real estate. The plant equipment includes 3 combustion turbines, 2 steam turbines and 3 heat recovery steam generators. The Debtors believe that it would not be feasible to sell the turbines piecemeal and have assumed that the plant is sold as a whole. The discount to book value of approximately 65 – 80% is based on current trading multiples of similar assets, taking into account known construction completion issues, the fact that the plant will not be operating at the time of the sale, and the limited buyer universe.

Note G - Administrative Expenses – Active Plant/Corporate Wind Down

Administrative expenses include operating costs during a projected six-month wind down period as projected at December 1, 2010, as well as the liquidation costs and expenses of the chapter 7 estates, but exclude chapter 7 trustee compensation and fees to professionals retained in the chapter 7 cases.

Corporate and plant-level payroll and operating costs during the liquidation are based upon the assumption that certain operating and corporate functions would be retained to assist a trustee with the liquidation process. The remaining staff would also be needed to maintain and close the accounting records and to complete certain administrative tasks including the preparation of payroll and tax returns. Certain minimum plant staff would be required at the Debtors' facility to complete the closure and mothballing of the facility.

Note H – Administrative Expenses – Chapter 7 Trustee

Chapter 7 trustee fees include compensation for services rendered by a chapter 7 trustee in accordance with section 326 of the Bankruptcy Code, as well as any legal, investment banking and accounting fees expected to be incurred during the six-month liquidation period and not already deducted from liquidation value. Trustee fees are calculated at 2.0% of the gross liquidation value of the Debtor's assets.

Note I – Lauren Engineers & Constructors arbitration settlement claim

The Debtors' obligations to Lauren Engineers & Constructors, Inc. is estimated to be \$8.3 million and to be paid in full from the liquidation proceeds on a priority basis under Scenario I. Under Scenario II, the Lauren Claim shall receive payment of the available proceeds from the Sale after payment in full of the Prepetition Senior Secured Claims.

Note J – Prepetition Senior Secured Claims

The Prepetition Senior Secured Claims are assumed to be paid from the net liquidation proceeds, after the Lauren Claim is paid in full, on a pro rata basis under Scenario I. Under Scenario II, the Senior Secured Claims are assumed to have priority over the Lauren Claim and will receive payment of the available proceeds of the sale before the Lauren Claim receives any payment.

Note K – General Unsecured Claims

The Liquidation Analysis assumes that General Unsecured Claims will consist of prepetition unpaid, unsecured obligations owed to vendors, employees and litigation parties, as well as claims for damages arising from the rejection of executory contracts and expired leases. The Liquidation Analysis does not attempt to estimate additional General Unsecured Claims that would arise as a result of the rejection of executory contracts and leases that would otherwise be assumed under the Plan, and the failure of the Debtors to perform under existing contracts. General Unsecured Claims are assumed to be paid on a pro rata basis from the net liquidation proceeds available, if any, after the payment of all other Claims. For purposes of this Liquidation Analysis, General Unsecured Claims in the aggregate are estimated to be \$0.7 million.

Appendix D

[Selected Financial Data]

BOSQUE POWER COMPANY
Historical Financial Statements
Transaction Close - June 2010

Income Statement	Audited FY 2008	Unaudited FY 2009	Unaudited Q1 2010	Unaudited Q2 2010
Total Revenues	\$158,811,272	\$115,675,580	\$23,884,582	\$31,521,835
Total Cost of Sales	131,682,523	90,974,612	16,512,436	24,947,215
Gross Margin	27,128,749	24,700,969	7,372,145	6,574,621
Salaries and benefits	1,873,705	2,575,301	791,282	765,578
Other ops and maintenance expense	13,863,236	8,264,177	1,713,778	1,697,580
Total Administrative and Indirect Costs	6,475,176	7,421,270	2,254,624	2,028,386
EBITDA	4,916,632	6,440,221	2,612,461	2,083,077
Other (income)/expense	28,815,013	27,276,764	11,527,220	20,301,582
Net Income	(\$23,898,380)	(\$20,836,544)	(\$8,914,759)	(\$18,218,505)

Balance Sheet	Audited FY 2008	Unaudited FY 2009	Unaudited Q1 2010	Unaudited Q2 2010
Cash	\$119,181,245	\$78,357,249	\$76,385,477	\$71,770,319
Other Current Assets	33,227,150	31,412,445	24,672,660	30,723,348
Property, Plant & Equipment	530,975,525	567,189,805	567,222,340	562,896,525
Other Non Current Assets	89,162,586	81,143,751	80,447,625	79,471,000
Total Assets	\$772,546,506	\$758,103,250	\$748,728,102	\$744,861,192
Current Portion of Long-Term Debt and Accrued Interest	2,875,525	\$3,955,428	\$9,370,491	19,020,868
Other Current Liabilities	24,086,260	22,314,387	18,635,233	23,394,788
Long-Term Debt	407,795,000	404,435,572	404,427,500	404,427,500
Other Non-Current Liabilities	3,243,544	2,188,225	0	0
Equity Contributions	358,444,558	369,944,558	369,944,558	369,944,558
Retained Earnings	(23,898,381)	(44,734,920)	(53,649,680)	(71,926,521)
Total Liability & Partners Equity	\$772,546,506	\$758,103,250	\$748,728,102	\$744,861,193

Statement of Cash Flows	Audited FY 2008	Unaudited FY 2009	Unaudited Q1 2010	Unaudited Q2 2010
Cash flows from operating activities:				
Net loss	\$ (23,898,380)	\$ (20,836,540)	(\$8,914,759)	(\$18,218,505)
Non-Cash Adjustments	6,912,821	15,049,795	(744,217)	5,944,569
Changes in working capital	(17,400,972)	4,426,197	11,303,050	8,702,574
Net cash provided by operating activities	(34,386,530)	(1,360,548)	1,644,074	(3,571,362)
Purchase of Bosque Power Company	(460,160,043)	0	0	0
Capital expenditures	(128,026,230)	(48,619,020)	(3,607,774)	(1,043,796)
Net cash used in investing activities	(588,186,273)	(48,619,020)	(3,607,774)	(1,043,796)
Cash flows from financing activities:				
Equity Contributions	358,444,558	11,500,000	0	0
Proceeds from issuance of long-term debt	383,309,489	(2,344,428)	(8,072)	0
Net cash provided by financing activities	741,754,047	9,155,572	(8,072)	0
Increase/(Decrease) in cash (incl. restricted cash)	119,181,245	(40,823,996)	(1,971,772)	(4,615,158)
Cash (incl. restricted cash), beginning	0	119,181,245	78,357,249	76,385,477
Cash (incl. restricted cash), ending	\$ 119,181,245	\$78,357,249	\$ 76,385,477	\$71,770,319