THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THUS, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS AN AUTHORIZED SOLICITATION OF VOTES ON THE FIRST AMENDED LIQUIDATING PLAN PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE FILED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS UNDER 11 U.S.C. § 1125 OR OTHERWISE.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
	:	
WERNER HOLDING CO. (DE), INC., *et al.*,	:	Case No. 06-10578 (KJC)
	:	
Debtors.	:	Jointly Administered
	:	
	:	

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH RESPECT TO THE FIRST AMENDED LIQUIDATING PLAN PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE FILED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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Counsel for the Official Committee of Unsecured Creditors

Dated: ~~June 19,~~September 10, 2007

[THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE UNDER SECTION 1125 OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE.]

DISCLAIMER[1]

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE **FIRST AMENDED** LIQUIDATING PLAN PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE FILED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND 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 ENTIRETIES BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT WITH RESPECT TO THE PLAN ARE QUALIFIED IN THEIR ENTIRETIES 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 WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY

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[1] Capitalized terms used in this Disclaimer that are not otherwise defined, shall have the meanings ascribed to such terms elsewhere in the Disclosure Statement.

THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND THE SEC HAS NOT 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 THE DEBTORS 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 NONBANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS IT RELATES TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

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I. INTRODUCTION

The Official Committee of Unsecured Creditors (the "Committee" or "Proponent") appointed in the chapter 11 cases of Werner Holding Co. (DE), Inc. and its affiliated debtors and debtors in possession (collectively, the "Debtors") has filed the **First Amended** Liquidating Plan Pursuant to Chapter 11 of the United States Bankruptcy Code Filed by the Official Committee of Unsecured Creditors (as such plan may be amended from time to time, the "Plan"), with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). A copy of the Plan is annexed hereto as Exhibit I. The Plan is based on ~~and~~**, and except as otherwise described herein, is** consistent with the terms of the Stipulation Regarding Settlement of Certain Disputes and Objections, Creation of Litigation Trust and Funding, Management and Distributions With Respect to the Litigation Trust; Order Thereon (the "Stipulation") by and between (i) the Committee; (ii) BDCM Opportunity Fund II, L.P. and BDC Finance, L.L.C. (together with their respective successors and assigns, "Black Diamond"); (iii) Brencourt BD, LLC (together with its successors and assigns, "Brencourt"); (iv) Levine Leichtman Capital Partners III, L.P. (together with its successors and assigns, "LLCP") and Milk Street Investors LLC (together with its successors and assigns, "Milk Street," and together with LLCP, the "LLCP Entities"); (v) TCW Shared Opportunity Fund V, L.P., TCW Shared Opportunity Fund IV, L.P., TCW Shared Opportunity Fund IVB, L.P., TCW/Drum Special Situation Partners, LLC, and TCW Shared Opportunity Fund III, L.P. (together with their respective successors and assigns, "TCW"); and (vi) Schultze Master Fund, Ltd., Schultze Offshore Fund, Ltd., Schultze Partners, L.P. and Schultze Asset Management, LLC (together with their respective successors and assigns, "Schultze," together with Black Diamond, Brencourt, the LLCP Entities, and TCW, the "Bid Sponsors"). The Stipulation provides for, subject to the terms thereof, the Committee's consent to approval of the sale of substantially all the Debtors' assets (the "Sale Transaction") to New Werner Holding Co. (DE), LLC (the "Buyer"). A copy of the Stipulation, which has been approved by the Bankruptcy Court as part of the Sale Order, is annexed hereto as Exhibit II. The Sale Order is annexed hereto as Exhibit ~~IV~~**V.**

In addition, the Debtors, the Committee and the LLCP Entities have entered into a Stipulation Regarding Additional Wind-Down Funding; Order Thereon (the "Additional Funding Stipulation"). The purpose of the Additional Funding Stipulation is to provide the Debtors with funding to pay Allowed Wind-Down Administrative Claims to the extent such Claims are not satisfied by the Wind-Down Amount (each as defined in the Plan). Specifically, Milk Street (or its designee) will fund up to $350,000 to pay Allowed Wind-Down Administrative Claims that are not satisfied from the Wind-Down Amount, subject to the aggregate budget allowances for such Claims as set forth in the Budget attached to the Additional Funding Stipulation (the "Milk Street Additional Funding"). The amount of Milk Street Additional Funding actually funded by Milk Street or its designee will reduce dollar-for-dollar the $1.9 million portion of the Trust Funding that is allocated solely for the fees, costs and expenses relating to the prosecution, settlement and liquidation of the Causes of Action, including the payment to third-party counsel or advisors of out-of-pocket litigation expenses incurred in connection therewith. The Milk Street Additional Funding will not reduce any other portion of the Trust Funding. Further, the Milk Street Additional Funding, along with the attorneys' fees and expenses of the LLCP Entities incurred from August 1, 2007 and until the Effective Date (but not to exceed $250,000), will be added to the principal amount of the Trust Funding and will be treated the same as the

Trust Funding, including, without limitation, (i) earning interest at a rate of 15% per annum, compounded and paid-in-kind quarterly, (ii) being secured by a first priority lien against the Causes of Action, and (iii) being otherwise treated and repaid in like fashion with the rest of the Trust Funding on a pari passu basis, regardless of whether the Effective Date occurs or the Chapter 11 Cases are dismissed or converted to Chapter 7. A copy of the Additional Funding Stipulation is annexed hereto as Exhibit III.

The Proponent hereby submits this disclosure statement (the "Disclosure Statement") pursuant to the Bankruptcy Code[2] in connection with the solicitation of acceptances or rejections of the Plan from certain holders of Claims against the Debtors.

Following a hearing held on ~~[●],~~ **September 12,** 2007, this Disclosure Statement was approved by the Bankruptcy Court as containing "adequate information" in accordance with section 1125 of the Bankruptcy Code. Pursuant to section 1125(a)(1) of the Bankruptcy Code, "adequate information" is defined as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests in the relevant class to make an informed judgment about the plan." NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT INDICATE THAT THE BANKRUPTCY COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN NOR DOES SUCH APPROVAL CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. EACH HOLDER OF A CLAIM OR INTEREST SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, INCLUDING THE CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVE DATE OF THE PLAN CONTAINED IN ARTICLE X OF THE PLAN. AFTER CAREFULLY

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2 Capitalized terms used herein that are not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

REVIEWING THESE DOCUMENTS, IF YOU ARE A HOLDER OF A CLAIM OR INTEREST ENTITLED TO VOTE, PLEASE INDICATE YOUR VOTE WITH RESPECT TO THE PLAN ON THE ENCLOSED BALLOT AND RETURN IT IN THE ENVELOPE PROVIDED.

A. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are:

- A copy of the Plan (Exhibit I);
- A copy of the Stipulation (Exhibit II);
- A copy of the **Additional Funding Stipulation (Exhibit III);**
- **A copy of the** Order approving the Disclosure Statement (Exhibit ~~III~~**IV**);
- A copy of the Sale Order (Exhibit ~~IV~~**V**);
- A ballot for acceptance or rejection of the Plan for holders of impaired Claims entitled to vote to accept or reject the Plan (the "Ballot"); and
- A notice setting forth: (i) the deadline for casting ballots either accepting or rejecting the Plan; (ii) the deadline for filing objections to confirmation of the Plan; and (iii) the date, time and location of the Confirmation Hearing (the "Notice").

B. Only Impaired Classes Vote

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests that are "impaired" under a plan may vote to accept or reject such plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under a plan on account of such claims or interests, such impaired class is deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and therefore, such holders do not need to vote on the Plan.

Under the Plan, holders of Claims in **Class 1,** Class 3 and Class 4 are impaired and are entitled to vote on the Plan. Holders of Equity Interests in Class 5, will not receive or retain any property under the Plan with respect to such Equity Interests and, accordingly, such holders are deemed to reject the Plan. Votes from holders of Administrative Claims and Priority Tax Claims which are unclassified, and the holders of Claims in Class ~~1 and Class~~ 2 are not being solicited.

ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASS 1, CLASS 3 AND CLASS 4.

For a summary of the treatment of each Class of Claims and Equity Interests, see "Overview of the Plan" below.

C. Voting Procedures

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots that must be used to vote in each separate Class. Please vote and return your Ballot(s) in the pre-addressed return envelope provided to you or to the address set forth below by ~~August 16,~~October 15, **2007 at 4:00 p.m.** (prevailing Pacific Time):

Werner Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

DO NOT RETURN YOUR NOTES OR SECURITIES WITH YOUR BALLOT.

TO BE COUNTED, YOUR BALLOT WITH ORIGINAL SIGNATURE INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 4:00 P.M. (PREVAILING PACIFIC TIME) ON ~~AUGUST 16,~~OCTOBER 15, 2007 (THE "VOTING DEADLINE").

If you are a holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, you received a damaged Ballot or you lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please contact Kurtzman Carson Consultants LLC at (866) 381-9100.

D. Confirmation Hearing

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for ~~August 23,~~October 25, **2007 at ~~2~~10:00 ~~p~~a.m. (ET)** in the United States Bankruptcy Court, 5th Floor, 824 Market Street, Wilmington, Delaware 19801 (the "Confirmation Hearing"). The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed on or before ~~August 20,~~October 15, **2007 at 4:00 p.m. (prevailing Eastern Time)** in the manner described in the Notice accompanying this Disclosure Statement. The date of the Confirmation Hearing may be adjourned from time to time without further notice except for an in-court announcement at the Confirmation Hearing of the date and time as to which the Confirmation Hearing has been adjourned or an appropriate filing on the Bankruptcy Court's docket.

THE PLAN IS PROPOSED BY THE COMMITTEE, AND IS SUPPORTED BY THE PARTIES TO THE STIPULATION. THE COMMITTEE URGES ALL HOLDERS OF CLAIMS IN CLASSES 1, 3 AND 4 TO VOTE IN FAVOR OF THE PLAN. Voting Instructions are described in Article V.

E. Overview of the Plan

THE FOLLOWING IS A BRIEF SUMMARY OF THE TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. PARTIES IN INTEREST ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF, WHICH IS ANNEXED AS EXHIBIT I TO THIS DISCLOSURE STATEMENT.

On April 26, 2007, the Bankruptcy Court entered the Sale Order authorizing and approving the Sale Transaction with the Buyer pursuant to the terms of the Asset Purchase Agreement (a copy of the Asset Purchase Agreement is attached to the Sale Order as Exhibit A). The Debtors realized value from the Sale Transaction to, among other things, (i) satisfy the Debtors' obligations to the DIP Lenders under the DIP Credit Agreement and the Final DIP Order, and to the First Lien Lenders under the First Lien Documents and the Final DIP Order, **and** (ii) ~~**fund the administrative expense and priority claims under the Plan, and (iii)**~~ create a fund of $750,000 to wind down the Debtors' estates and confirm the Plan. ~~**Specifically, the**~~**The** DIP Facility Claims and First Lien Claims were paid and credit bid, respectively, in full in connection with the closing of the Sale Transaction. ~~**Allowed Administrative Claims,**~~**However, the $750,000 wind-down fund will not be sufficient to pay the wind-down expenses of the Debtors' estates, and the shortfall, up to $350,000, will be provided by Milk Street or its designee pursuant to the terms of the Additional Funding Stipulation. Thus, Allowed Wind-Down Administrative Claims will be paid in full in Cash, up to the aggregate amount set forth in the Budget, first from the Wind-Down Amount, and second, to the extent there are insufficient funds in the Wind-Down Amount, Cash from the Milk Street Additional Funding (but only as set forth in the Additional Funding Stipulation) until such Allowed Wind-Down Administrative Claim, up to the aggregate amount set forth in the Budget for such Wind-Down Administrative Claim, is paid in full. Allowed Non-Wind-Down Administrative Claims will be paid Cash from the Liquidation Trust Assets ahead of the LLCP Second Lien Claim but after payment of any obligations relating to the Trust Funding, or as otherwise agreed. Assuming that Class 1 votes to accept the Plan, Allowed Other Priority Claims will be paid Cash (in accordance with their priority) from the Liquidation Trust ahead of the LLCP Second Lien Claim but after payment of any Allowed Non-Wind-Down Administrative Claims and any obligations relating to the Trust Funding from proceeds of the Liquidation Trust Assets. Equity Interests will be extinguished. The Proponent has investigated the Non-Wind-Down Administrative Claims and Other Priority Claims filed to date and believes that no such Claims will be Allowed under the Plan.** Allowed Priority Tax Claims ~~**and Allowed Other Priority Claims (other than those that are Assumed Liabilities) will be paid in full in Cash on the Effective Date, unless otherwise agreed by the Holders of such claims. Further,**~~ **will be treated under the Liquidation Trust in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code.** Holders of Allowed Other Secured Claims will (i) receive the proceeds from the sale or disposition of their respective collateral; or (ii) receive all of their respective collateral securing such Claim. Holders of Allowed Second Lien Claims received a distribution of $5 million in connection with the closing of the Sale Transaction.

Consent and support for approval of the Sale Transaction from the Committee was premised on the Bankruptcy Court's approval of the Stipulation between the Committee and the Bid Sponsors. Under the Stipulation, the LLCP Entities (which are Bid Sponsors) were granted an Allowed unsecured super-priority claim in the principal amount of $96,910,583.88 pursuant to section 507(b) of the Bankruptcy Code, plus all accrued interest thereon accruing until the date of payment, plus all other Allowed amounts entitled to priority under section 507(b) under the Final DIP Order which may be assigned to either or both of the LLCP Entities (the "LLCP Second Lien Claim"). The LLCP Second Lien Claim arises from the direct and assigned rights of the LLCP Entities under the Second Lien Documents and Final DIP Order. Under the Plan, the LLCP Second Lien Claim, along with the Allowed General Unsecured Claims, **also** will be transferred to the Liquidation Trust and receive distributions from the proceeds of the Liquidation Trust Assets based on a sharing mechanism contained in the Stipulation. Specifically, after paying expenses of the Liquidation Trust ~~as described more below, in the Plan and as set forth in the Liquidation Trust Agreement~~**and any Allowed Non-Wind-Down Administrative Claims, Priority Tax Claims and Other Priority Claims**, the Holders of the LLCP Second Lien Claim have agreed to share recoveries from the proceeds of the Liquidation Trust Assets with the Holders of Allowed General Unsecured Claims as follows: (x) the first $50 million in distributions payable to the LLCP Entities on account of the LLCP Second Lien Claim will be divided 80% to the LLCP Entities and 20% to the Liquidation Trustee for distribution to the Holders of Allowed General Unsecured Claims (excluding all general unsecured or other claims of the LLCP Entities) without regard to any contractual subordination provisions in the Indenture; (y) the next $10 million in distributions payable to the LLCP Entities on account of the LLCP Second Lien Claim will be divided 90% to the LLCP Entities and 10% to the Liquidation Trustee for distribution to the Holders of Allowed General Unsecured Claims (excluding all general unsecured or other claims of the LLCP Entities) without regard to any contractual subordination provisions in the Indenture; and (z) any further distributions payable to the LLCP Entities on account of the LLCP Second Lien Claim in excess of $60 million will be divided 98% to the LLCP Entities and 2% to the Liquidation Trustee for distribution to the Holders of Allowed General Unsecured Claims (excluding all general unsecured or other claims of the LLCP Entities) without regard to any contractual subordination provisions in the Indenture. The LLCP Entities shall not be entitled to accrue or receive any distribution on account of the LLCP Unsecured Claim until the LLCP Second Lien Claim is satisfied in full in cash. Once the LLCP Second Lien Claim is satisfied in full in cash, then the LLCP Entities shall be entitled to receive its pro rata portion of distributions from the Liquidation Trust on account of the LLCP Unsecured Claim. The Committee believes that the Stipulation provides the Holders of Allowed General Unsecured Claims with the greatest likelihood of receiving any recovery on such claims in the Chapter 11 Cases.

As further provided in the Stipulation, and in order to facilitate the liquidation of the Causes of Action and other Liquidation Trust Assets, the LLCP Entities will advance up to $1.9 million **less the amount of the Milk Street Additional Funding actually funded** (or such greater amount as may be agreed upon by the LLCP Entities, subject to approval of the Liquidation Trustee) for the purpose of funding the expenses associated with the pursuit of Causes of Action (as set forth more thoroughly in the Plan), together with up to $250,000 to be provided to the Liquidation Trustee on and after the Effective Date to be used solely for the fees, costs and expenses of the Liquidation Trustee, the Creditor Representative and the Liquidation

Trust for administering the Liquidation Trust and the Liquidation Trust Assets other than the Causes of Action, including the payment of trust expenses and professionals, advisors and employees retained by the Liquidation Trustee, as approved by the Creditor Representative (~~collectively,~~**defined below as part of** the ~~"~~Trust Funding~~"~~). **The Trust Funding also will include the amount of the Milk Street Additional Funding actually funded plus LLCP's advances for their own attorneys' fees and expenses from and after August 1, 2007 and until the Effective Date, but not to exceed $250,000, provided, however, that any such Milk Street Additional Funding shall only reduce, dollar for dollar, LLCP's obligation to fund up to $1.9 million for the purpose of funding the expenses associated with the pursuit of Causes of Action**. The Trust Funding is a critical component of the Plan, as it will help ensure that the Liquidation Trustee and Litigation Designee may properly perform their duties under the Liquidation Trust, and therefore, maximize the likelihood of recoveries for the Beneficiaries.

Notwithstanding the sharing of recoveries on account of the LLCP Second Lien Claim set forth above, the proceeds from the Causes of Action shall be distributed by the Litigation Designee to first pay the following expenses **and Allowed Claims**: (i) repayment in full with interest of the Trust Funding **(including any Milk Street Additional Funding)**, (ii) payment of any other third-party expenses incurred in connection with the pursuit of the Causes of Action to the extent not satisfied by the Trust Funding, ~~and~~ (iii) provision of an adequate reserve for future expenses in connection with the pursuit of the Causes of Action to be determined by the Litigation Designee in its sole discretion**, and (iv) payment of any Allowed Non-Wind-Down Administrative Claims, Other Priority Claims and Priority Tax Claims**.

The classification and treatment of Claims and Equity Interests under the Plan are described in detail below. The Plan provides for the creation of the Liquidation Trust, the appointment of a Liquidation Trustee to administer the Liquidation Trust and the Liquidation Trust Assets other than the Causes of Action, and the appointment of a Litigation Designee to prosecute the Causes of Action on behalf of the Liquidation Trust. Because the Plan provides the greatest likelihood of recovery to the Holders of Allowed General Unsecured Claims in the Chapter 11 Cases, the Proponent strongly encourages all creditors entitled to vote on the Plan to vote to accept the Plan.

II. BACKGROUND

A. Sale of Substantially All the Debtors' Assets

1. The Unsolicited Offers and Approval of Sale Procedures

On January 18, 2007, an investor group consisting of certain Second Lien Lenders (the "Second Lien Investor Group") submitted an unsolicited offer to purchase substantially all of the Debtors' assets for approximately $175 million. While the Debtors were in negotiations with the Second Lien Investor Group regarding the terms of its proposal, the Debtors received a $255.75 million unsolicited offer from BDCM Opportunity Fund II, L.P., BDC Finance, L.L.C. and Brencourt BD, LLC (collectively, the "Black Diamond Group"). After negotiations with both the Second Lien Investor Group and the Black Diamond Group, on February 1, 2007, the

Debtors entered into a non-binding term sheet with the Black Diamond Group for the sale of substantially all of the Debtors' assets.

On February 6, 2007, the Second Lien Investor Group increased its initial offer to $261.75 million and filed a proposed asset purchase agreement with the Bankruptcy Court. Shortly thereafter, the Debtors negotiated extensively forms of asset purchase agreements with both the Second Lien Investor Group and the Black Diamond Group (collectively the "Preliminary Bidders"). The offers that were initially delivered to the Debtors by the Preliminary Bidders (collectively, the "Preliminary Bids") were conditioned on additional due diligence, receipt of requisite financing and other significant contingencies. On February 15, 2007, the Debtors filed a motion seeking approval of (i) bidding procedures in connection with the sale of substantially all of the Debtors' assets, including a break-up fee and expense reimbursement; and (ii) establishing procedures to determine cure amounts and deadlines for objections for certain contracts and leases to be assumed and assigned by the Debtors (the "Sale Procedures Motion").

During the course of their negotiations with the Preliminary Bidders, the Debtors requested that each Preliminary Bidder "go firm" by March 19, 2007, and each of the Preliminary Bidders indicated their willingness to meet this deadline. By March 20, 2007, the Black Diamond Group had improved the economics of its Preliminary Bid and removed all financing and diligence conditions. Prior to the hearing to approve the Sale Procedures Motion, the Debtors, with approval from their Boards of Directors, entered into an asset purchase agreement with the Black Diamond Group and selected the Black Diamond Group to serve as the "Stalking Horse."

By Order dated March 23, 2007, the Bankruptcy Court approved the Sale Procedures Motion, with the exception of proposed break-up fee (the "Sale Procedures Order"). The Sale Procedures Order, among other things, established the deadline to submit bids for April 20, 2007 and April 23, 2007 as the date for the auction.

2. The Second Amendment to the Asset Purchase Agreement and Stipulation[3]

Final bids were due on April 20, 2007 pursuant to the Sale Procedures Order. However, at the request of the Black Diamond Group and certain other interested parties, the Debtors extended the bid deadline for those parties to April 23, 2007. By the extended bid deadline, the Debtors received no additional bids, but instead were informed by the Black Diamond Group that the objections to the Sale Transaction filed by the Committee, the Second Lien Investor Group and the Second Lien Lenders were resolved through an amendment to the Asset Purchase Agreement (the "Second Amendment to the Asset Purchase Agreement") and the Stipulation.

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[3] The summary of the ~~Sale~~ Stipulation is qualified in its entirety by the ~~Sale~~**actual text of the** Stipulation. If there are any inconsistencies between the summary contained herein and the ~~Sale~~ Stipulation, the terms of the Stipulation shall control.

The Second Amendment to the Asset Purchase Agreement, among other things, added the Second Lien Investor Group to the Asset Purchase Agreement (together with the Black Diamond Group, the "Bid Sponsors") and increased the Purchase Price by $5 million.

As explained above, the Stipulation, among other things, provides the framework for possible distributions to be made to Holders of General Unsecured Claims under the Plan. Specifically, under the Stipulation and as provided in the Plan, all Causes of Action of the Debtors and their Estates, plus all other Excluded Assets under the Asset Purchase Agreement, will automatically vest in, and be transferred to, the Liquidation Trust on the Effective Date of the Plan. The Litigation Designee will have exclusive control over the Causes of Action and will prosecute those claims on behalf of the Liquidation Trust. The Liquidation Trustee will control the other Liquidation Trust Assets, have sole responsibility for prosecuting objections to General Unsecured Claims, and be responsible for making distributions to the Holders of General Unsecured Claims. In addition, consistent with the Stipulation, the Plan provides that the LLCP Entities will provide the Trust Funding for, among other things, the prosecution, settlement and liquidation of the Causes of Action and paying other expenses of the Liquidation Trust.

As noted above, the Stipulation also grants the LLCP Entities the LLCP Second Lien Claim, the distributions of which will be shared with the Holders of Allowed General Unsecured Claims, as set forth in the Stipulation, Plan and Liquidation Trust Agreement. The LLCP Second Lien Claim is an allowed section 507(b) unsecured super-priority claim in the amount of $96,910,583.88, plus all accrued interest thereon accruing until the date of payment, plus all other Allowed amounts entitled to priority under section 507(b) under the Final DIP Order which may be assigned to either or both of the LLCP Entities.

Finally, the Stipulation contains certain acknowledgments and releases of various causes of action and obligations, including the following: (i) the First Lien Claims constitute the legal valid and binding obligations of the Debtors and their estates; (ii) no portion of the First Lien Claims shall be subject to avoidance, recharacterization, subordination or recovery pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (iii) the Prepetition Secured Obligations (as defined in the Stipulation) constitute the legal valid and binding obligations of the Debtors and their estates; (iv) no portion of the Prepetition Secured Obligations (as defined in the Stipulation) shall be subject to avoidance, recharacterization, subordination or recovery pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (v) the Debtors and their Estates forever release any claims, counterclaims, causes of action, defenses, set-offs and challenges to the validity, enforceability, priority or amount of the claims, liens and security interests granted for the benefit of the First Lien Lenders and Second Lien Lenders whether arising under the Bankruptcy Code or otherwise, against the Agents (as defined in both the First Lien Documents and Second Lien Documents), the Lenders with respect to First Lien Documents or the Prepetition Secured Obligations, provided that, except with respect to the LLCP Second Lien Claim and as otherwise set forth in paragraph 7 of the Stipulation, all rights are reserved with respect to the allowance or disallowance of any section 507(b) claims; (vi) the First Lien Claims are satisfied in full, and all liens and claims relating thereto, including liens and claims under the Final DIP Order are extinguished; and (vii) the LLCP Entities and the Committee, the Committee members and the Committee's attorneys, advisors mutually released claims against

each other relating to actions and omissions taken at or prior to the closing of the Sale Transaction.

3. Approval and Closing of the Sale Transaction and Application of Proceeds

No auction of the Debtors' assets occurred because no other bids were submitted to the Debtors. Accordingly, the Sale Transaction and the Stipulation were approved by an Order dated April 25, 2007. The Sale Transaction closed on June 8, 2007 (the "Closing Date"). As authorized and directed in the Sale Order, from the proceeds from the Sale Transaction, the Debtors on the Closing Date paid all outstanding DIP Facility Claims. Upon the DIP Facility Claims (other than those arising after the Closing Date) having been paid in full in cash, all Liens (as defined in the DIP Credit Agreement and the Final DIP Order) on property of the Debtors with respect to the DIP Facility Claims automatically were deemed released. Additionally, upon the Closing Date, all claims arising under the First Lien Documents were deemed to be satisfied in full and all Liens (as defined in the First Lien Documents) on property of the Debtors with respect to such claims automatically were deemed released. Also in connection with the closing of the Sale Transaction, $5 million of the proceeds from the Sale Transaction was distributed by the Debtors pro rata to the Second Lien Lenders.

B. General Background of the Debtors

Werner Co., the principal operating Debtor, is a wholly owned subsidiary of Werner Holding Co. (DE), Inc. ("Werner DE"), a Delaware corporation, which, in turn, is a wholly owned subsidiary of Werner Holding Co. (PA), Inc. ("Werner PA"), a Pennsylvania corporation. Neither Werner DE nor Werner PA has substantial operations, nor do they own assets other than their investments in Werner DE and Werner Co., respectively. Werner Co. is the Debtors' operating subsidiary. WIP Technologies, Inc., a wholly owned subsidiary of Werner Co., holds the intellectual property for the Debtors. Werner Funding Corporation ("Werner Funding"), a wholly owned special purpose subsidiary of Werner Co., which is not a Debtor, prior to the Petition Date, purchased Werner Co.'s receivables, in exchange for cash and interest bearing notes pursuant to a Purchase and Sale Agreement. Such agreement was terminated on the Petition Date and Werner Funding was liquidated during 2006 as required by the DIP Credit Agreement.

The Debtors, prior to the consummation of the Sale Transaction, were the nation's largest manufacturer and marketer of ladders and other climbing products, producing five principal categories of climbing equipment: (i) single and twin stepladders; (ii) extension, fixed and multipurpose ladders; (iii) attic ladders; (iv) stages, planks, work platforms, and scaffolds; and (v) assorted climbing product accessories. The majority of the Debtors' climbing product sales were either aluminum or fiberglass ladders.

C. The 1997 and 2003 Recapitalizations of the Debtors' Equity

Werner PA was incorporated in 1945 and Werner DE was incorporated in 1988. Werner Co., a Pennsylvania Corporation, was founded by the R.D. Werner family in 1922, and was wholly-owned and operated by the Werner and related Solot families until 1997.

In 1997, the Werner and Solot families liquidated part of their holdings through a recapitalization which garnered them $330.7 million (the "1997 Recapitalization"). As part of that recapitalization, on October 8, 1997, Werner PA entered into a Recapitalization Agreement with affiliates of Investcorp, S.A. and other international investors organized by Investcorp (collectively "Investcorp"), a private investment firm. Pursuant to the 1997 Recapitalization, Investcorp obtained 67% of the supervoting Series D common stock; the balance of the voting shares were retained by the Werner and Solot families. Investcorp was entitled to designate a majority of Werner Co.'s Board of Directors and as a result became a controlling shareholder of Werner Co. Werner DE generated capital for the transaction in part by incurring $186.5 million in debt under a $320 million secured senior credit facility which included two term loans, a revolving credit loan and a receivables line of credit (collectively, the "1997 Credit Facility"). The 1997 Recapitalization was also funded by the issuance of $135 million in Subordinated Notes, governed by the Indenture dated November 24, 1997.

Pursuant to the terms of the Indenture, the Subordinated Notes are subordinated in right of payment to all existing and future senior indebtedness, including the 1997 Credit Facility, and rank *pari passu* with certain other indebtedness. As a general matter, amendments to the Indenture may be made only upon the written consent of the holders of at least a majority in principal amount of the Subordinated Notes. However, amendments to the Indenture that impair the rights of the Subordinated Noteholders, such as further subordinating the Subordinated Noteholders' unsecured claims, may not be made absent consent of each Subordinated Noteholder affected by the proposed amendment.

In or around early 2003, Investcorp and the Werner/Solot family board members initiated a plan to recapitalize Werner Co. a second time so as to further partially liquidate their Werner Co. equity holdings (the "2003 Recapitalization"). The 2003 Recapitalization consisted of an additional equity investment of $65 million and secured loans of $230 million. Approximately $150 million of the total proceeds was distributed to Investcorp and the Werner and Solot family stockholders. Green Equity Investors III, L.P., an affiliate of Leonard Green & Co., Inc. ("Leonard Green"), provided the equity portion of the 2003 Recapitalization. On May 7, 2003, Werner Co. and Leonard Green entered into a Recapitalization and Stock Purchase Agreement (the "Recapitalization Agreement"). Under the Recapitalization Agreement, Leonard Green invested $65 million in Werner PA in exchange for the Series A Preferred Stock that upon issuance would be convertible into shares of Class F Common Stock representing approximately 22.2% of the common equity of Werner PA, with Leonard Green's ownership percentage potentially increasing to approximately 30% over time.

To raise the balance of the funds required to complete the 2003 Recapitalization, Werner DE also refinanced and replaced Werner DE's existing credit facilities with a new senior secured credit facility with aggregate commitments of $230.0 million. The 2003 credit facility (i.e., the "First Lien Credit Facility," as defined below) that was entered into by Werner DE was comprised of (1) a $50.0 million revolving credit facility, and (2) a $180.0 million term loan, with JP Morgan Chase Bank, as Administrative Agent, and Citibank Global Markets Inc., as Syndication Agent. While Werner DE is the borrower under the First Lien Documents, the obligations are guaranteed by Werner PA, Werner Co. and certain of Werner DE's direct and indirect domestic subsidiaries. The First Lien Credit Facility is secured by (i) substantially all

assets of Werner DE and certain of its domestic subsidiaries, and (ii) 100% of the capital stock of those domestic subsidiaries.

At the June 11, 2003 closing of the 2003 Recapitalization, approximately $150 million was paid out to, among others, Investcorp and the officers and directors of Werner Co., including Werner and Solot family members. In addition, proceeds from the 2003 Recapitalization were used to pay various transaction fees, including (a) $1.0 million to Investcorp for credit refinance advisory services, (b) $2.5 million as an equity commitment fee to Leonard Green, (c) $1.725 million to officers and employees of Werner DE and Werner Co., and (d) $13.2 million in other fees primarily related to investment banking, legal and accounting services and other associated costs.

Following the 2003 Recapitalization, the outstanding shares of voting capital stock of Werner PA were owned 50.6% by Investcorp, 24.0% by the Werner and Solot family shareholders and 22.2% by Leonard Green and its affiliates. Investcorp and Leonard Green obtained control over the operation of Werner Co., as certain actions could not be taken by the board of directors without the approval of at least one Investcorp board designee and one Leonard Green board designee. The board of Werner Co. also was reconstituted to include four Investcorp designees, two Werner/Solot family shareholder designees and two Leonard Green designees, with the ninth member being Werner PA's chief executive officer. In addition, Leonard Green entered into a management agreement with Werner PA that provided for an annual management fee of $1.0 million and for the reimbursement of reasonable out-of-pocket expenses. The then-existing management agreement with Investcorp was amended to reduce its annual management fee also to $1.0 million. Prior to the June 11, 2003 closing on the 2003 Recapitalization, Werner Co. obtained the requisite consents from the Subordinated Noteholders to close the transaction.

D. Sale of the Anniston Facility

In February 2004, Werner announced that it planned to gradually phase-out production at its Anniston, Alabama manufacturing and distribution facility (the "Anniston Facility"). Manufacturing operations ceased at this facility effective November 1, 2004 and distribution operations substantially ceased during the first quarter of 2006. Werner commenced an active program to locate a buyer for the Anniston Facility during the first quarter of 2005. The Anniston Facility was sold to B.R. Williams Trucking Company for approximately $5 million on or about December 23, 2005.

E. ~~D.~~ Sale of Extruded Products Segment

Prior to December 29, 2005, the Debtors manufactured and sold aluminum extruded products and more complex fabricated components to a number of industries, including the automotive, electronic, and architectural and construction industries. On December 29, 2005, the Debtors sold the assets related to the extruded products segment pursuant to an agreement dated December 14, 2005 (the "Extruded Products Sale Agreement") between the Debtors and WXP, Inc. ("WXP"). Pursuant to the Extruded Products Sale Agreement, the Debtors sold inventory, accounts receivable, certain land, buildings and equipment, and other assets primarily related to

the Debtors' extruded products segment to WXP. The purchase price of $20,348,000 was subject to adjustment based on the final closing balance sheet and also based on the final closing working capital adjustment. The Extruded Products Sale Agreement additionally required WXP to assume certain liabilities existing as of December 29, 2005, including all liabilities relating to the extruded products segment other than debt, taxes and certain other defined liabilities.

The net proceeds of $9,179,000 were used to reduce the amount outstanding under the First Lien Documents and the remaining net proceeds were used to reduce the amount outstanding under the Debtors' Accounts Receivable Financing Facility.

F. ~~E.~~ Prepetition Financial Structure

1. First Lien Credit Facility

On June 11, 2003, Werner DE entered into the First Lien Documents providing an aggregate credit facility of $230 million (as amended, supplemented or otherwise modified, the "First Lien Credit Facility"). The First Lien Credit Facility (which also is discussed above in connection with the 2003 Recapitalization) was initially comprised of a "First Lien Term Loan" of $180 million and a "First Lien Revolving Credit Facility" of $50 million. The available borrowings under the First Lien Revolving Credit Facility are reduced by the aggregate face amount of letters of credit issued and outstanding pursuant to a $35 million letter of credit sub-facility (the "LC Sub-Facility"). JPMorgan Chase Bank, N.A. serves as the administrative agent under the First Lien Credit Facility (the "Senior Pre-Petition Agent"). As discussed above, the First Lien Credit Facility was secured by substantially all of the assets of Werner DE and its subsidiaries as well as Werner PA's stock interest in Werner DE, and further, was guaranteed by each of Werner DE's subsidiaries (except for Werner Funding) and Werner PA.

Effective as of May 10, 2005, the First Lien Credit Facility was amended in conjunction with the execution of the Second Lien Documents (discussed below). Of the $94.6 million in net realized proceeds from the Second Lien Credit Facility, approximately $91.7 million was used to repay amounts outstanding under the First Lien Credit Facility. Specifically, the Debtors repaid $65 million of the existing First Lien Term Loan (reducing the then outstanding balance to $90 million) and repaid the total amount outstanding of $26.7 million under the First Lien Revolving Credit Facility (which remained available for re-borrowing and, as discussed below, was subsequently re-borrowed in full).

The financial covenants of the First Lien Credit Facility required the Debtors to meet minimum EBITDA, maximum first lien and total secured leverage, and capital expenditure requirements. The Debtors, however, did not satisfy these requirements as of December 31, 2005 and March 31, 2006. In March 2006, the Debtors obtained waivers from the First Lien Lenders that, among other things, waived until May 10, 2006 the requirement that the Debtors comply with the December 31, 2005 and March 31, 2006 financial covenants, and eliminated the requirement that the audit opinion relating to the December 31, 2005 financial statements be unqualified and not contain a "going-concern" qualification or other qualifications. Effective May 10, 2006, the First Lien Lenders agreed to extend the waiver period until the earliest to occur of: (i) any Event of Default (as defined in the First Lien Documents), other than those

already waived; (ii) delivery of a required five-day advance notice that the Debtors intend to pay the semi-annual interest on the Subordinated Notes, due May 15, 2006; and (iii) 5:00 p.m. on June 14, 2006.

Between March 31, 2006 and the Petition Date, the Debtors borrowed approximately $22 million under the First Lien Revolving Credit Facility and as of the Petition Date, approximately $28 million of letters of credit were outstanding. As of the closing of the Sale Transaction and through the credit bid of the First Lien Lenders, the First Lien Claims were satisfied in full and will receive no distributions under the Plan.

2. Second Lien Credit Facility

On May 10, 2005, Werner DE entered into the Second Lien Documents providing an aggregate credit facility of $100 million (as amended, supplemented or otherwise modified, the "Second Lien Credit Facility" and together with the First Lien Credit Facility, the "Pre-Petition Credit Facilities"). Credit Suisse First Boston serves as the administrative agent (the "Junior Pre-Petition Agent") under the Second Lien Credit Facility. As discussed above, the net proceeds realized under the Second Lien Credit Facility was $94.6 million, of which $91.7 million was used to repay amounts outstanding under the First Lien Credit Facility. The remaining cash was retained for general corporate purposes.

The Second Lien Credit Facility was secured by substantially all of the assets of Werner DE and its subsidiaries consistent with the collateral securing the First Lien Credit Facility, and is guaranteed by each guarantor under the First Lien Credit Facility. The liens securing the Second Lien Credit Facility were second in priority to the liens securing the First Lien Credit Facility. As with the First Lien Credit Facility, the financial covenants of the Second Lien Credit Facility required the Debtors to meet maximum secured leverage and capital expenditure requirements. The Debtors, however, did not satisfy those requirements as of December 31, 2005 and March 31, 2006. In March 2006, the Debtors obtained waivers from the Second Lien Lenders (together with the First Lien Lenders, the "Prepetition Lenders") that, among other things, waived until May 10, 2006 the requirement that the Debtors comply with the December 31, 2005 and March 31, 2006 financial covenants and eliminated the requirement that the audit opinion relating to the December 31, 2005 financial statements be unqualified and not contain a "going-concern" qualification or other qualifications. Effective May 10, 2006, the Second Lien Lenders agreed to extend the waiver period until the earliest to occur of: (i) any Event of Default (as defined in the Second Lien Documents), other than those already waived; (ii) delivery of a required five-day advance notice that the Company intends to pay the semi-annual interest on the Subordinated Notes, due May 15, 2006; and (iii) 5:00 p.m. on June 14, 2006.

In connection with the closing of the Sale Transaction, $5 million of proceeds was distributed by the Debtors pro rata to the Second Lien Lenders. In addition, pursuant to the Stipulation, the LLCP Entities, individually and as assignee of the Second Lien Claims of various Second Lien Lenders, were granted the LLCP Second Lien Claim in the amount of $96,910,583.88, plus all accrued interest thereon accruing until the date of payment, plus all other Allowed amounts entitled to priority under section 507(b) under the Final DIP Order which may be assigned to either or both of the LLCP Entities.

3. Intercreditor Agreement

The First Lien Lenders, the Second Lien Lenders and the Debtors entered into an intercreditor agreement, dated as of May 10, 2005 (the "Intercreditor Agreement"), which, among other things, governed the respective rights of the Prepetition Lenders to the collateral securing the First Lien Credit Facility and Second Lien Credit Facility. The Intercreditor Agreement restricted the Second Lien Lenders' ability to contest the Debtors' request for authority to enter into the DIP Credit Agreement, and to seek adequate protection that is different than that provided to the Senior Pre-Petition Agent on behalf of the First Lien Lenders.

4. Industrial Revenue Bonds

Variable Rate Demand Industrial Building Revenue Bonds totaling $5 million (the "Bonds") were issued in 1990 in order to finance the Debtors' acquisition of land and equipment and the subsequent construction of a climbing products manufacturing facility located in Carrollton, Kentucky (the "Carrollton Facility"). During 2004, the Debtors ceased production of wood stepladders at the Carrollton Facility and outsourced such production to a third party. Wood attic ladder production was discontinued during the first quarter of 2006 at the Carrollton Facility and production was then outsourced to a third party. The Bonds were secured by a stand-by letter of credit issued under the First Lien Credit Facility. The commencement of the Chapter 11 Cases was an event of default under the Bonds permitting the trustee to draw under the letter of credit. The Bonds were redeemed in July 2006 as a result of a draw on the First Lien Credit Facility letter of credit. The Carrollton Facility was sold to the Buyer pursuant to the Asset Purchase Agreement. No distributions will be made on account of the Bonds under the Plan.

5. 10% Senior Subordinated Notes Due November 15, 2007

Werner DE is a party to the prepetition Indenture dated as of November 24, 1997 pursuant to which Werner DE issued unsecured 10% Senior Subordinated Notes due November 15, 2007 (the "Subordinated Notes") and as to which The Bank of New York is the successor Indenture Trustee. Werner PA is a guarantor of the Subordinated Notes. The principal amount of the Subordinated Notes is $135,000,000. Interest at 10% on the Subordinated Notes is payable semi-annually in arrears on May 15th and November 15th. Effective with the payment due May 15, 2006, semi-annual interest payments have not been made. The Subordinated Notes are general unsecured obligations of the Werner DE and Werner PA subordinate to the Pre-Petition Credit Facilities and rank *pari passu* with all other indebtedness that is subordinate to the indebtedness under the Pre-Petition Credit Facilities. The Allowed Claims of Subordinated Noteholders are classified and treated in Class 4 of the Plan with other General Unsecured Claims.

6. Sale of Accounts Receivable and the Accounts Receivable Financing Facility

On May 10, 2005, Werner Co. entered into a Purchase and Sale Agreement with Werner Funding pursuant to which Werner Co. agreed to sell to Werner Funding, on a continuous basis, accounts receivable in exchange for cash and interest bearing notes. Also on May 10, 2005, Werner Funding entered into an Accounts Receivable Financing Facility (the "A/R

Securitization") with The CIT Group/Business Credit Inc. ("CIT Group") that provided a maximum $50 million revolving line of credit based on a borrowing base calculation. The amount available under the A/R Securitization was determined weekly, and was based on 82% of Werner Funding's "eligible accounts receivable" (as defined in the A/R Securitization) reduced by certain amounts that primarily reflect the risk profile of Werner Co.'s customers.

As of the Petition Date, the Debtors had discontinued the selling of accounts receivable to Werner Funding. The Debtors, pursuant to the authority granted by the Bankruptcy Court's Order dated June 13, 2006, used a portion of the proceeds from the DIP Credit Agreement to re-purchase accounts receivable sold pursuant to the A/R Securitization and satisfy all obligations, including a 1% prepayment fee, owed to CIT Group under the A/R Securitization.

G. ~~F.~~ Summary of Events Leading to Chapter 11

Prior to the Petition Date, and in part related to the 1997 Recapitalization and 2003 Recapitalization discussed above, the Debtors were highly-leveraged and faced the maturity of significant portions of debt in their capital structure. At the same time, the Debtors were in the process of undergoing a significant operational restructuring, which included transferring operations to a new facility in Juarez, Mexico and sourcing more products from China. Moreover, the market price for aluminum, of which the Debtors are major consumers, increased dramatically resulting in significant constraints on profit margins and liquidity.

Further, in 2003, Werner Co. lost its largest customer, Home Depot. In January 2003, annual sales to Home Depot exceeded $160 million and represented roughly 35% of Werner Co.'s annual revenue. On or about January 2, 2003, Home Depot informed Werner Co. that in March 2003 it would be replacing four models of Werner's top-selling aluminum stepladders with Chinese-made Tricam stepladders nationwide. The loss of these four SKUs equaled $11.85 million in planned 2003 revenue, or 461,860 total units sold in 2002. In October 2003, Werner Co. disclosed in its 8-K filing with the Securities and Exchange Commission ("SEC") that Home Depot had discontinued sales of another ten of Werner's fiberglass stepladder SKUs with offshore imports and that Home Depot was conducting a line review of additional Werner products with projected sales of some $67 million.

On or about December 11, 2003, Werner Co. entered into a Letter of Understanding with its second largest customer, Lowe's, in which Lowe's agreed to be Werner's exclusive ~~supplier~~**distributor** in the retail market for a period of five years. On December 19, 2003, Werner Co. filed a Form 8-K with the SEC disclosing its decision to cease supplying Home Depot in favor of an exclusive arrangement with Lowe's. That disclosure revealed that the loss of Home Depot's business would cost the Debtors approximately $161.3 million.

Among the steps announced by the Debtors to address the loss of the Home Depot business were the hiring of Steven Richman as chief executive officer, plans to close Werner's domestic manufacturing facilities, the transfer of Werner's manufacturing operations to a new facility in Juarez, Mexico, and the hedging of aluminum purchases to control fluctuations in the price of raw materials. But by late 2004, Werner Co. was in default, or soon would be in default, of certain of the loan covenants in the First Lien Documents. As a result, in March of 2005, the

Debtors retained Willkie Farr & Gallagher LLP to serve as bankruptcy and restructuring counsel. The Debtors obtained a 40-day covenant waiver from the First Lien Lenders on or about March 31, 2005, which permitted the Debtors to raise funds under the Second Lien Credit Facility and also engage in contingency planning for both in-court and out-of-court restructuring opportunities.

As discussed above, on May 5, 2005, the Debtors obtained approval from the First Lien Lenders to amend the First Lien Documents to provide the Debtors with covenant relief for two years. Subsequently, on May 10, 2005, Werner DE entered into the Second Lien Documents with Credit Suisse First Boston as Administrative Agent, for an aggregate senior secured second lien credit facility of $100.0 million. After deducting fees and expenses, the net proceeds realized under the Second Lien Credit Facility were $94.6 million, of which $91.7 million was used to repay obligations under the First Lien Credit Facility.

In connection with the Second Lien Credit Facility, Credit Suisse and Morgan Stanley received over $3.5 million in fees. The cost of the Second Lien Credit Facility to the Debtors included interest rates at the alternative base rate (defined as the higher of the prime rate or the Federal Funds Rate plus 0.50%) plus an interest margin of 9.00% or LIBOR plus an interest margin of 10%. In either case, 1.5% of the interest payable is capitalized as additional loans under the Second Lien Credit Facility instead of being paid in cash. Under the Second Lien Documents, Werner Co. was required to meet maximum secured leverage and capital expenditure requirements.

By the spring of 2005, Werner Co. ceased filing its mandated SEC disclosures with the SEC. By the end of 2005, Werner Co. was either in default, or soon would be in default, under the Second Lien Documents. In November of 2005 and January 2006, Werner Co. paid Investcorp and Leonard Green respectively their management fees of $1 million each.

To assist the Debtors in identifying and considering options relating to refinancing, raising new capital and restructuring existing debt, the Debtors retained Rothschild Inc. ("Rothschild") as their financial advisors and investment bankers and Loughlin Meghi & Company ("LM+Co") as their restructuring consultants. Rothschild and LM+Co explored out-of-court restructuring options and entered into discussions with the Prepetition Lenders to pursue a consensual restructuring of their debt. The Debtors additionally pursued other alternatives to improve their liquidity position, including the sale of certain business segments and other assets. However, due to their liquidity constraints, the Debtors were forced to seek to reorganize utilizing the protections available to them under chapter 11 of the Bankruptcy Code.

III. THE CHAPTER 11 CASE

A. Commencement of Case

On June 12, 2006 (the "Petition Date"), the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code and thereafter continued in the management and possession of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed.

B. "First Day" Motions and Related Applications

On the Petition Date, the Debtors filed a number of "First Day" Motions designed to ease the Debtors' transition into chapter 11, maximize the value of the Debtors' assets and minimize the effects of the commencement of the Chapter 11 Cases. By Orders dated June 13, 2003, the Bankruptcy Court authorized the Debtors to, among other things, (i) maintain their existing bank accounts and consolidated cash management system, and (ii) make payments on account of certain prepetition obligations, including employee wages and benefits, sales and use taxes, goods supplied to the Debtors within twenty days of the Petition Date, customer programs and practices, freight carriers, warehousemen, and amounts owing to certain critical vendors and service providers.

C. Retention of Professionals and Appointment of the Committee

1. Debtors' Professionals

By Orders dated July 13, 2006, the Debtors retained Willkie Farr & Gallagher LLP and Young Conaway Stargatt & Taylor, LLP to serve as their bankruptcy co-counsel in the Chapter 11 Cases. By Order dated August 11, 2006, the Debtors were authorized to retain Rothschild as their financial advisors and investment bankers. The retention of LM+Co to serve as the Debtors' restructuring consultants was approved by the Bankruptcy Court pursuant to an Order dated July 13, 2006. PricewaterhouseCoopers LLP was retained by the Debtors pursuant by Orders dated September 21, 2006 and November 21, 2006, to act as tax advisors and auditors. The Debtors additionally retained certain ordinary course professionals utilized by the Debtors prior to the Petition Date pursuant to the authority granted by the Bankruptcy Court through Order dated July 13, 2006.

On November 20, 2006, the Debtors announced that Steven Richman, the Debtors' Chief Executive Officer, was resigning. Additionally, as a condition to the Prepetition Lenders' consent to the extension of the Debtors' exclusivity periods under section 1121(d) of the Bankruptcy Code, the Prepetition Lenders required the designation and employment of Mr. James Loughlin with LM+Co as the Debtors' Chief Restructuring Officer. To fill the vacancy caused by Mr. Richman's resignation and satisfy the Prepetition Lenders' request, the Debtors sought the authority to (a) terminate the employment of LM+Co as the Debtors' restructuring consultants and (b) authorize and approve: (i) a letter agreement between LM+Co and the Debtors (the "LM+Co Agreement"), pursuant to which LM+Co would agree to provide: (X) Mr. Loughlin to serve as the Debtors' Interim CEO/CRO; and (Y) additional temporary staff; and (ii) the employment of Mr. Loughlin as the Debtors Interim CEO/CRO and certain of the temporary staff to serve as executive officers and employees of the Debtors. By Order dated December 27, 2006, the Bankruptcy Court terminated LM+Co's retention as restructuring consultants and simultaneously authorized the Debtors' engagement of LM+Co to provide Mr. Loughlin to act as Interim CEO/CRO and other LM+Co personnel to act as temporary officers and employees of the Debtors pursuant to LM+Co Agreement.

2. Appointment of the Committee and Retention of Professionals

On June 22, 2006, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee"). When appointed initially, the Committee consisted of the following members: The Bank of New York as Indenture Trustee, Levine Leichtman Capital Partners, III, L.P., Saint-Gobain Corporation, Venture Plastics, Inc., and WXP. On June 27, 2006, ReCap International (BVI) Ltd., c/o Murray Capital Management, Inc., and Claren Road Asset Management filed a motion to reconstitute the Committee to ensure that the interests of the Subordinated Noteholders were adequately represented on the Committee. On July 12, 2006, an agreement was reached with the Office of the United States Trustee resulting in the reconstitution of the Committee and the addition of three new members: ReCap International (BVI) Ltd., c/o Murray Capital Management, Inc., Pension Benefit Guaranty Corporation and Claren Road Asset Management. Effective as of January 9, 2007, Levine Leichtman Capital Partners, III, L.P. resigned from the Committee.

By Orders dated August 8, 2006, the Committee was authorized to retain Greenberg Traurig, LLP and Winston & Strawn LLP ("Winston") to serve as Committee co-counsel. By Order dated August 22, 2006, the Committee retained Jefferies & Company, Inc. to serve as financial advisors. Winston, through Order dated August 17, 2006, withdrew as counsel for the Committee. The Bankruptcy Court subsequently authorized the Committee to retain Saul Ewing LLP to serve as conflicts counsel to the Committee through an Order dated December 6, 2006. The Bankruptcy Court also approved the Committee's retention of: (i) Jefferies & Company, Inc., to serve as the financial advisors to the Committee, and (ii) Neil J. Minihane, so serve as the Committee's operations consultant. Among other things, Mr. Minihane investigated and reported to the Committee on the Debtors' transition of operations from Chicago, Illinois to Juarez, Mexico.

3. Interim Compensation Procedures and Appointment of the Fee Auditor

By Order dated July 13, 2006, as corrected by Order dated October 18, 2006, the Bankruptcy Court approved compensation procedures which require counsel and other professionals retained by the Debtors and the Committee to file monthly invoices with the Bankruptcy Court. The Debtors are authorized under such order to pay on an interim basis 80% of the fees and 100% of the expenses requested in the monthly invoice of each professional provided that no party has filed an objection with the Bankruptcy Court to the fees or expenses.

In addition, the Bankruptcy Court, by Order dated December 11, 2006, appointed Warren H. Smith & Associates, P.C. (the "Fee Auditor") as a special consultant to the Bankruptcy Court for the purpose of reviewing and analyzing the monthly and quarterly fee and expense reports filed by professionals retained in the Chapter 11 Cases. The fees and expenses of the Fee Auditor are to be paid, upon approval of the Bankruptcy Court, from the Debtors' estates as an administrative expense under section 503(b)(2) of the Bankruptcy Code.

D. DIP Facility/Cash Collateral And Forbearances

By Interim Order dated June 13, 2006 and the Final DIP Order (collectively the "DIP Orders"), the Bankruptcy Court authorized the Debtors to enter into the DIP Credit Agreement

between and among the Debtors (as borrowers and/or guarantors) and the DIP Lenders (including, without limitation, Black Diamond Commercial Finance, L.L.C., The CIT Group/Business Credit, Inc., and Morgan Stanley Senior Funding). The DIP Credit Agreement provides for, among other things: (i) a $24,000,000 revolving credit facility (the "Revolving DIP Facility"); and (ii) a $75,000,000 term loan facility (the "Term Loan DIP Facility" and, together with the Revolving DIP Facility, the "DIP Facility"). The DIP Orders also authorized the Debtors to utilize cash collateral of the Prepetition Lenders.

Pursuant to the Interim Order, the Debtors were authorized to, among other things, borrow up to $75,000,000 of the $99,000,000 DIP Facility to be used for all purposes permitted under the DIP Credit Agreement. Upon entry of the Final DIP Order, the Debtors were authorized to borrow the remaining $24,000,000 of availability under the DIP Facility.

As part of the process by which the Debtors obtained the DIP Facility, in the spring of 2006, the Debtors, with the assistance of Rothschild, prepared a budget for 2006 and 2007 (the "DIP Budget"), which was based on actual performance results for the first quarter of 2006 and a budgeting process for the balance of 2006 and 2007. Among other things, the DIP Budget served as the basis for negotiating and setting of certain financial covenants and other provisions of the DIP Facility. Ultimately, the Debtors were not able to meet the DIP Budget. As a result, the Debtors were in default under the DIP Facility because of the failure to meet two financial covenants in the DIP Facility (the "Financial Covenants").

Prior to January 1, 2007, the Debtors required the issuance of a letter of credit in connection with their self-insured products liability program (the "Insurance LOC"), which the DIP Lenders refused to issue without a forbearance agreement in connection with certain defaults under the DIP Facility. To avoid a potential liquidity crisis and disruption to the Debtors' business operations, the Debtors, with the assistance of Rothschild, and the DIP Lenders negotiated the Conditional Waiver and Forbearance Agreement (the "First Forbearance Agreement"). The First Forbearance Agreement, which was approved by Order dated February 13, 2007, allowed the Debtors to obtain the Insurance LOC and provided that the DIP Lenders would agree to forbear from exercising their rights and remedies and conditionally waive any breaches, violations and defaults arising from the failure of the Debtors to comply with the Financial Covenants through January 15, 2007. Since the First Forbearance Agreement, by its terms, only provided waivers only through January 15, 2007, the Debtors required either an additional forbearance or alternative financing.

As a result, shortly after seeking authority to enter into the First Forbearance Agreement, the Debtors and their advisors engaged in negotiations to obtain a further forbearance and waiver in order to provide the Debtors with the opportunity to complete their long term business plan and continue negotiations and efforts to exit chapter 11. By Order dated February 16, 2007, the Bankruptcy Court authorized the Debtors to enter into the Second Forbearance Agreement. The Second Forbearance Agreement was subsequently amended, which amendment was approved by the Bankruptcy Court by Order dated March 23, 2007. The Second Forbearance Agreement provided that the DIP Lenders would conditionally waive any breaches, violations and defaults arising from the failure of the Debtors to comply with the financial covenants in the DIP Credit Agreement through May 7, 2007. However, the Second Forbearance Agreement was

conditioned upon the Debtors' ability to meet certain milestone events, including the sale of substantially all of the Debtors' assets by May 7, 2007 (subject to certain extensions). The Second Forbearance Agreement was further amended by the Second Amendment to the Second Forbearance Agreement dated May 7, 2007, which amended, among other things, the deadline to consummate the Sale Transaction to May 31, 2007 (subject to certain exceptions).

E. Claims Bar Date

1. General Prepetition Claims Bar Date

In accordance with Bankruptcy Rule 3003(c)(3), by Order dated October 10, 2006, the Bankruptcy Court established December 12, 2006 (the "Bar Date") as the last date by which creditors, including government units, were permitted to file proofs of claim in the Chapter 11 Cases. Pursuant to Bankruptcy Rule 3003(c)(2), any creditor whose Claim was not scheduled by the Debtors or was scheduled as disputed, contingent, or unliquidated, and who failed to file a proof of claim on or before the Bar Date may not be treated as a creditor with respect to that Claim for purposes of voting on the Plan or receiving a distribution thereunder. The holder of any Claim who failed to file a proof of claim on or before the Bar Date or any other date fixed by order of the Bankruptcy Court, as applicable, is forever barred, estopped and enjoined from (i) asserting any and all Claims that such holder possesses against the Debtors and (ii) voting upon, or receiving distributions under, the Plan. Any proof of claim filed after the Bar Date shall be disallowed unless otherwise provided in the Plan or ordered by the Bankruptcy Court.

2. Administrative Claims Bar Dates

Pursuant to the Administrative Claim Bar Date Order, the Bankruptcy Court established July 9, 2007 at 4:00 p.m. (Pacific time) as the deadline by which all persons and entities holding or wishing to assert a claim (as defined in section 101(5) of the Bankruptcy Code) against the Debtors' estates, subject to certain identified exceptions, that: (a) may have arisen, accrued or otherwise become due and payable during the period from the Petition Date through June 8, 2007; (b) is allowable as an administrative expense claim under section 503(b) of the Bankruptcy Code; and (c) is entitled to first priority under section 507(a)(~~1~~2) of the Bankruptcy Code, must file a request for the allowance of such Administrative Claim or be forever barred from filing or asserting such Administrative Claim against the Debtors (or any successor thereto) or their respective properties. **Any request for allowance of any other Administrative Claim, including, without limitation, Professional Fee Claims, and Administrative Claims accruing between June 9, 2007 and the Effective Date, must be filed no later than thirty (30) days after the Effective Date of the Plan.**

Any holder of an Administrative Claim who fails to file a timely request for the allowance of an Administrative Claim: (i) shall be forever barred, estopped and enjoined from asserting such Administrative Claim against the Debtors **or the Liquidation Trust Assets** (or filing a request for the allowance thereof), and the Debtors ~~and~~, their property **and the Liquidation Trust Assets** shall be forever discharged from any and all indebtedness or liability with respect to such Administrative Claim; and (ii) such holder shall not be permitted to participate in any distribution under the Plan on account of such Administrative Claim.

F. ADR Procedures

By Order dated October 11, 2006, the Bankruptcy Court approved certain alternative dispute resolution procedures (the "Pre-Petition ADR Procedures") to assist the Debtors in the expeditious and cost-effective resolution of product liability or similar tort claims asserted, or that may be asserted in the future, against the Debtors and certain of the Debtors' customers and their affiliates (collectively, the "Protected Defendants"). Pursuant to the Pre-Petition ADR Procedures (i) claimants were stayed, prohibited and enjoined from commencing or pursuing product liability, personal injury or similar actions in any court or other forum against the Debtors and/or any parties in the chain of distribution of the Debtors' products, including the Protected Defendants; (ii) the Debtors were permitted to honor contractual indemnity obligations to the Protected Defendants; and (iii) the Debtors were authorized to settle certain prepetition litigation claims, subject to Committee or Bankruptcy Court approval, if required.

G. BOB Plan, Non-Insider Employee, Executive Incentive and Pension Plans

1. The BOB Plan

By Order dated July 20, 2006, the Bankruptcy Court approved the Debtors' prepetition Business Optimization Bonus Plan (the "BOB Plan") and authorized the Debtors to make the BOB Plan payment due in July 2006 (the "July Payment") to eligible non-insider employees (collectively, the "Non-Insider Employees") who were not part of the Debtors' executive leadership team or "insiders" (as defined in the Bankruptcy Code) of the Debtors (collectively, the "ELT"). By Order dated August 22, 2006 (the "Final BOB Order"), and over the Committee's objection, the Bankruptcy Court further authorized the Debtors, with advance notice to the Committee, to make the July Payment to members of the ELT, other than the Chief Executive Officer. The Committee appealed the Final BOB Order (the "BOB Plan Appeal") but, pursuant to a stipulation dated February 21, 2007, the Committee and the Debtors stipulated to the withdrawal of the BOB Plan Appeal with prejudice. Amounts due under the BOB Plan have been paid by the Debtors.

2. The Non-Insider Employee Incentive Plan

By Order dated December 20, 2006, the Bankruptcy Court approved the Non-Insider Employee Incentive Plan, pursuant to which Non-Insider Employees were eligible to earn incentive payments (each, a "Non- ELT Incentive Payment" and, collectively, the "Non-ELT Incentive Payments") in the same amounts for which they were eligible to earn incentive payments pursuant to the terms of the BOB Plan. The Debtors' obligations under the Non-Insider Employee Incentive Plan have been assumed by the Buyer to the extent the Non-Insider Employee is a Transferred Employee (as defined in the Asset Purchase Agreement).

3. The Executive Incentive Plan

The Executive Incentive Plan has two components: (i) the incentive payments (the "ELT Incentive Payments") tied to operating-performance-based EBITDA; and (ii) the option to execute a twelve-month non-compete agreement and receive a lump payment of either $100,000 or $150,000 depending on the executive's level (the "Non-Compete Payments"). The fourth

quarter 2006 ELT Incentive Payments and the Non-Compete Payments under the Executive Incentive Plan were approved by Order of the Bankruptcy Court dated December 27, 2006. The authority to make the 2007 ELT Incentive Payments was approved by Order dated January 23, 2007. The Debtors' obligations under the Executive Incentive Plan have been assumed by the Buyer, subject to the modification provided in section 2.3(h) of the Asset Purchase Agreement and to the extent the participating executive is a Transferred Employee (as defined in the Asset Purchase Agreement).

4. Pension Plan

Werner Co. is currently the plan sponsor of the Retirement Plan for Employees of Werner Holding Co (the "Pension Plan"), which is a defined benefit pension plan subject to Title IV of the Employee Retirement Income Security Act ("ERISA"). The Pension Plan currently has approximately $37.9 million in assets (the "Pension Plan Assets"). The liabilities of the Pension Plan exceed the Pension Plan Assets. In the event that the Pension Plan is terminated, the benefits owed to participants in the Pension Plan would be guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC") to the extent permitted under Title IV of ERISA.

The PBGC is a wholly-owned U.S. government corporation created under Title IV of ERISA, 29 U.S.C. §§ 1301-1461 (2000 & Supp. IV 2004). Title IV of ERISA provides the exclusive means for termination of single-employer pension plans. The employer may initiate termination of a pension plan under 29 U.S.C. § 1341 in one of two ways: (i) in a standard termination if the plan has sufficient assets to pay all benefits owed to the plan's participants, or (ii) through a distress termination if the plan does not have sufficient assets to cover all of its benefit liabilities, if certain requirements are met. PBGC may also initiate termination of a pension plan under certain circumstances as provided in 29 U.S.C. § 1342.

The PBGC has filed claims against the Debtors in the estimated amount of $27 million for unfunded benefit liabilities of the Pension Plan. The Liquidation Trustee reserves the Debtors' rights to object to PBGC's claims; provided, however that the Liquidation Trustee agrees that, even if the Pension Plan is terminated after the Effective Date, any resulting Claims held by the PBGC that otherwise constitute Allowed Claims will not be deemed to have been discharged due to the confirmation of the Plan.

It is a condition precedent to the confirmation of the Plan that (1) the unpaid administrative priority claims of the PBGC are either (a) resolved with the consent of LLCP or (b) withdrawn, disallowed or reclassified to non-administrative and non-priority claims in their entirety, (2) the Bankruptcy Court enters an order that authorizes and directs the Debtors to cease funding any retiree benefit plans of the Debtors that are subject to Bankruptcy Code section 1114 (if any) or otherwise resolves such claims in a manner satisfactory to LLCP, and (3) the Bankruptcy Court enters an order that authorizes and directs the Debtors to cease funding the Directors' Insurance (as defined in the Committee's motion regarding same). No distributions will be made on claims to the extent they are disallowed.

H. Operational Restructuring and the Transition to Juarez Mexico

Prior to the Petition Date, the Debtors were in the process of undergoing a significant operational restructuring, which included, among other things, transferring operations to a new facility in Juarez, Mexico, closing their manufacturing facility in Chicago, Illinois, revamping their distribution network and sourcing product from China from their newly established purchasing office. The operational restructuring, however, was longer and more costly than originally projected. By the end of the first quarter of 2007, the Debtors completed the operational restructuring, including closing their manufacturing facility in Chicago, Illinois and transitioning their manufacturing operations to Juarez, Mexico.

I. Committee's Investigation of Certain Pre-Petition Transactions

In furtherance of its statutory duties to investigate the Debtors' assets and liabilities, the Committee dedicated considerable time during the Chapter 11 Cases to examining various pre-petition transactions to which the Debtors were party and other potential Causes of Actions of the Estates. These investigations will be continued by the Litigation Designee, on behalf of the Liquidation Trust, after the Effective Date and the Litigation Designee will have the sole and exclusive authority to prosecute and administer the Causes of Action, on behalf of the Liquidation Trust, as described more fully herein and in the Plan. All Causes of Action of the Debtors and their Estates will be transferred to and vest in the Liquidation Trust on the Effective Date, and will be pursued solely by the Litigation Designee on behalf of the Liquidation Trust. While all Causes of Action will be preserved and may be pursued by the Litigation Designee on and after the Effective Date, a non-exhaustive list of potential Causes of Action is provided in the Schedule of Causes of Action that will be included in the Plan Supplement. For a further discussion of the Causes of Action, please see the "Causes of Action" section below, and the discussion on the "Retention and Transfer of Causes of Action" contained in Section IV(J) of the Disclosure Statement.

J. Directors and Officers

1. Directors

Prior to the closing of the Sale Transaction, the Debtors' directors were James Christopoulos, James Egan, Kris Galashan, Peter J. Nolan, Thomas J. Sullivan, Dana R. Snyder, Donald M. Werner, Eric J. Werner, and Michael Wong. Shortly after the Closing Date, those directors resigned and Charles A. Stanziale, Jr. was appointed as the Director of the Debtors. On the Effective Date, the Director will serve as Liquidation Trustee of the Liquidation Trust.

2. Officers

Prior to the closing of the Sale Transaction, the Debtors' officers were James J. Loughlin, Jr., Larry Friend, Eric J. Werner and certain other individuals. Shortly after the Closing Date, those officers resigned from the Debtors.

K. Avoidance Actions and Other Causes of Action

Under sections 547 and 550 of the Bankruptcy Code, the Estates may seek, and reserve all rights on behalf of the Liquidation Trust, to avoid and recover all transfers made by a Debtor to or for the benefit of a creditor, in the ninety days prior to the Petition Date, in respect of an antecedent debt if such transfer was made when the Debtor was insolvent. Transfers made to a creditor that was an "insider" of a Debtor are subject to these provisions if the payment was made within one year of the Petition Date. A preliminary list of the transfers made by the Debtors within the 90-days (and one-year for "insiders") prior to the Petition Date is included in each of the Debtors' Statement of Financial Affairs filed in the Chapter 11 Cases. All Causes of Action arising under sections 547 and 550 of the Bankruptcy Code, regardless of whether the transfer is included in a Debtor's Statement of Financial Affairs, are preserved under the Plan and shall vest in, and be transferred to, the Liquidation Trust on the Effective Date, to be pursued by the Litigation Designee, in its sole discretion, for the benefit of the Liquidation Trust.

Under section 548 of the Bankruptcy Code, the Estates may seek, and reserve all rights on behalf of the Liquidation Trust, to avoid and recover all transfers (x) made with either the actual intent to hinder, delay or defraud any entity to which a Debtor was or became, on or after the date that such transfer was made, indebted, or (y) to the extent that the Debtor received less than a reasonably equivalent value in exchange for such transfer and the Debtor either (i) was insolvent or became insolvent, (ii) was engaged or was about to be engaged in business with an unreasonably small capital, (iii) intended to incur, or believed it would incur, debts that would be beyond the Debtor's ability to pay as they matured, or (iv) made such transfer to or for the benefit of an insider, or incurred an obligation to or for the benefit of an insider, under an employment contract and not in the ordinary course of business. ~~Section~~**In addition, section** 544 of the Bankruptcy Code ~~further~~ enables the Estates to avail themselves of state laws addressing fraudulent conveyances and other types of transfers, ~~while section 548 of the Bankruptcy Code creates a federal cause of action to set aside fraudulent conveyances~~**including, without limitation, the Uniform Fraudulent Transfer Act and the Uniform Fraudulent Conveyance Act**. All Causes of Action arising under sections 544 and 548 of the Bankruptcy Code are preserved under the Plan and shall vest in, and be transferred to, the Liquidation Trust on the Effective Date, to be pursued by the Litigation Designee, in its sole discretion, for the benefit of the Liquidation Trust.

IN ADDITION TO THESE CLAIMS, THE PLAN PROVIDES THAT ALL CAUSES OF ACTION, INCLUDING AVOIDANCE ACTIONS, WILL BE PRESERVED AND PROSECUTED, AS APPROPRIATE, BY THE LITIGATION DESIGNEE, ON BEHALF OF THE LIQUIDATION TRUST. A NON-EXHAUSTIVE LIST OF POTENTIAL CAUSES OF ACTION THAT HAVE BEEN INVESTIGATED, AND MAY BE PURSUED AFTER THE EFFECTIVE DATE BY THE LITIGATION DESIGNEE, ARE SET FORTH ON THE SCHEDULE OF CAUSES OF ACTION IN THE PLAN SUPPLEMENT. THE DEBTORS AND THE LITIGATION DESIGNEE, ON BEHALF OF THE LIQUIDATION TRUST, RESERVE ALL RIGHTS WITH RESPECT TO ALL CAUSES OF ACTION, NOT ONLY THOSE LISTED IN THE PLAN SUPPLEMENT.

IV. SUMMARY OF THE PLAN

A. General

The Plan is a plan of liquidation that contemplates the complete liquidation of the assets of the Debtors and distribution of all proceeds. ~~Holders of Allowed Administrative Claims,~~Allowed Wind-Down Administrative Claims will be paid in full in Cash, up to the aggregate amount set forth in the Budget, first from the Wind-Down Amount, and second, to the extent there are insufficient funds in the Wind-Down Amount, Cash from the Milk Street Additional Funding (but only as set forth in the Additional Funding Stipulation) until such Allowed Wind-Down Administrative Claim, up to the aggregate amount set forth in the Budget for such Wind-Down Administrative Claim, is paid in full. Allowed Non-Wind-Down Administrative Claims will be paid Cash from the Liquidation Trust Assets ahead of the LLCP Second Lien Claim but after payment of any obligations relating to the Trust Funding, or as otherwise agreed. Assuming that Class 1 votes to accept the Plan, Allowed Other Priority Claims will be paid Cash (in accordance with their priority) from the Liquidation Trust ahead of the LLCP Second Lien Claim but after payment of any Allowed Non-Wind-Down Administrative Claims and any obligations relating to the Trust Funding from proceeds of the Liquidation Trust Assets. Equity Interests will be extinguished. The Proponent has investigated the Non-Wind-Down Administrative Claims and Other Priority Claims filed to date and believes that no such Claims will be Allowed under the Plan. Allowed Priority Tax Claims~~, and Allowed Other Priority Claims will be paid in full on account of such claims, on the Effective Date of the Plan, unless the Holder thereof agrees to alternative treatment~~ will be treated under the Liquidation Trust in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. Holders of Allowed Other Secured Claims will receive a treatment so as to render their claims Unimpaired under the Plan. ~~Equity Interests will be extinguished.~~ The LLCP Second Lien Claim and the General Unsecured Claims also will be transferred to and treated under the Liquidation Trust in accordance with the Stipulation. The Causes of Action are the primary assets of the Estates, which will automatically vest in and be transferred to the Liquidation Trust on the Effective Date of the Plan. The Litigation Designee will prosecute and liquidate the Causes of Action, on behalf of the Liquidation Trust, and the Liquidation Trustee will liquidate any other Liquidation Trust Assets on behalf of the Liquidation Trust, for distributions to the Beneficiaries as provided in the Liquidation Trust Agreement.

The following is a summary of the significant elements of the Plan. This Disclosure Statement is qualified in its entirety by reference to the more detailed information set forth in the Plan.

B. Substantive Consolidation and Cancellation of Intercompany Claims

1. Substantive Consolidation

Pursuant to the Substantive Consolidation Order, upon the Effective Date, the Debtors' Estates and all of the debts and assets of all of the Debtors will be substantively consolidated for purposes of treating the Claims pursuant to Article IV of the Plan, including for voting,

confirmation and distribution purposes. The entry of the Substantive Consolidation Order shall not be interpreted or enforced in any way so as to enhance any right, claim, lien, mortgage or security interest of any Holder of a Secured Claim.

The Proponent believes that substantive consolidation is appropriate in this case because, among other reasons, since the Petition Date, and pursuant to the Stipulation, the assets and liabilities of the Debtors have become so intertwined that separating them is prohibitive and hurts all creditors. Specifically, with respect to Holders of Allowed **Wind-Down** Administrative ~~**Expense Claims, Allowed Priority Tax Claims and Allowed Other Priority**~~ Claims, the Wind-Down Amount ~~**to be**~~ funded by the Buyer ~~**upon the Effective Date is a**~~**and the Milk Street Additional Funding under the Additional Funding Stipulation each are** consolidated ~~**amount**~~**amounts**, with no allocation between or among the various Estates. Accordingly, the funds in the Wind-Down Amount **and the Milk Street Additional Funding** will be received, and distributed, on a consolidated basis to the benefit of all such creditors. Further, with respect to the Holders of Allowed General Unsecured Claims, substantive consolidation is warranted because these claims are to receive distributions under the Liquidation Trust derivatively from the distributions made on account of the LLCP Second Lien Claim (which, as explained above, is a "super-priority" claim under Section 507(b) of the Bankruptcy Code). The LLCP Second Lien Claim is a claim under the Final DIP Order that is Allowed under the Stipulation against all of the Estates. Therefore, the distributions to be made to the Liquidation Trustee from the Litigation Designee, on account of recoveries by the LLCP Entities on the LLCP Second Lien Claim, cannot be separated or otherwise allocated on an estate-by-estate basis, and therefore, should be paid to all unsecured creditors on a pro rata basis. Further, the Stipulation contains ~~**to**~~**no** mechanism for, or requirement that, recoveries on the LLCP Second Lien Claim be allocated on an estate-by-estate basis. Based on the circumstances relating to the Wind-Down Amount**, the Milk Street Additional Funding** and the derivative nature of the distributions to the Holders of Allowed General Unsecured Claims, through the LLCP Second Lien Claim which is a claim against all Estates, the Proponent believes that substantive consolidation of the Debtors' Estates, both for voting and distribution purposes, is equitable and otherwise appropriate under the principles established by the Third Circuit Court of Appeals in *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005).

In the event that the Substantive Consolidation Order is not entered, then the Liquidation Trustee will use his or her best efforts to allocate distributions received on account of the LLCP Second Lien Claim among the various Estates, and then make pro rata distributions to the Holders of Allowed General Unsecured Claims of those Estates. In the event the Liquidation Trustee determines, in his or her discretion, that it is impossible or impractical to allocate distributions received on account of the LLCP Second Lien Claim among the various Estates on an estate-by-estate basis, then any such distributions shall be distributed pro rata to all Holders of Allowed General Unsecured Claims, following ten (10) days' notice to the Creditor Representative, LLCP Entities and the United States Trustee.

2. Cancellation of Intercompany Claims

In the event that the Estates are substantively consolidated, all Intercompany Claims and Intercompany Interests will be extinguished except as necessary to preserve the Causes of Action

and the other Liquidation Trust Assets. Further, all Claims which lie or could lie against more than one Debtor will be Allowed, if at all, solely against the primary obligor, and any guarantee or cross-guarantee Claims against other Debtors are hereby extinguished.

C. Classification and Treatment of Claims and Equity Interests

1. Unclassified Claims

The Bankruptcy Code does not require administrative and certain priority claims to be classified under a chapter 11 plan. Accordingly, Administrative Claims and Priority Tax Claims have not been classified in the Plan.

(a) Wind-Down Administrative Claims

Except as otherwise set forth in the Plan, subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each Holder of an Allowed Wind-Down Administrative Claim shall be paid ~~by~~, up to the aggregate amount set forth in the Budget for such Claim: (a) first, Cash from the Buyer, on behalf of the Debtors, from the Wind-Down Amount ~~the full unpaid amount of such Allowed Administrative Claim in Cash (i) on the Effective Date or as soon thereafter as is practicable, (ii) if such Administrative Claim is Allowed~~, and (b) second, to the extent there are insufficient funds in the Wind-Down Amount to pay such Claim in full, Cash from the Milk Street Additional Funding until such Claim, up to the aggregate amount set forth in the Budget for such Claim, is paid in full, subject to the provisions of the Additional Funding Stipulation.

The Wind-Down Amount shall be paid by the Buyer to such Holder and, notwithstanding any provision contained in the Plan, payment of the Allowed Wind-Down Administrative Claims, up to the Wind-Down Amount, is and shall remain an Assumed Liability. Unless otherwise directed by the Proponent, the Buyer shall pay the Holders of Allowed Wind-Down Administrative Claims, as provided in the Plan, as soon as is practicable following the deadline to file any such claims with the Bankruptcy Court and the time when the total amount of Allowed Wind-Down Administrative Claims can be determined. The Milk Street Additional Funding shall be paid by Milk Street or its designee, to such Holder, subject to the provisions of the Additional Funding Stipulation. Pursuant to the Additional Funding Stipulation, fees and expenses in excess of the aggregate amounts shown on the Budget shall be automatically disallowed and in no event shall be a liability of the Debtors, their estates, or the Liquidation Trust, unless those excess fees are authorized by LLCP.

(b) Non-Wind-Down Administrative Claims and the Jefferies and Rothschild Transaction Fees

Except as otherwise set forth in the Plan and the Liquidation Trust Agreement, subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each Holder of an Allowed Non-Wind-Down Administrative Claim shall be paid Cash, as soon as is practicable after the Effective Date, ~~on the date such Administrative Claim is Allowed, or as soon thereafter as is practicable, or (iii) upon such other terms as may be agreed upon~~

~~by such Holder and the Proponent or otherwise upon a Final Order of the Bankruptcy Court, provided, however, that~~from the proceeds of the Liquidation Trust Assets, prior to any distribution of such proceeds on account of the Allowed Class 3 Claim, Priority Tax Claims and Other Priority Claims, but subject to (i) payment of the Liquidation Trust expenses, (ii) reserves for future Liquidation Trust expenses, and (iii) repayment obligations of the Liquidation Trust for Trust Funding.

Any Allowed Claim based on the Jefferies Transaction Fees shall either (i) receive Cash from the Liquidation Trust Assets on a first priority basis from the sharing distributions made to the Holders of Allowed Class 4 Claims from the Cash distributions made on account of the Allowed LLCP Second Lien Claim, or (ii) be treated as otherwise agreed by the Holder of such Claim, the Proponent and the LLCP Entities.

Any Allowed Claim based on the Rothschild Transaction Fees shall either: (i) be released and discharged against the Debtors, their property, the Wind-Down Amount and the Liquidation Trust Assets in exchange for a release from the Debtors, the Liquidation Trust and the LLCP Entities, from any and all claims, Causes of Action and liabilities, for any act or omission relating to the Debtors or the Chapter 11 Cases, or (ii) be treated as otherwise agreed by the Holder of such Claim, the Proponent and the LLCP Entities.

(c) Assumed and Other Administrative Claims

Notwithstanding the foregoing provisions, any Administrative Claim, including a Professional Fee Claim, that is an Assumed Liability under Section 2.3 of the Asset Purchase Agreement shall be paid solely by the Buyer in accordance with the Asset Purchase Agreement and Sale Order without any reduction of the Wind-Down Amount and the Estates shall have no liability therefor; and further provided, that notwithstanding the foregoing provision, (a) any Allowed Administrative Claim of the Second Lien Lenders (but not including the LLCP Second Lien Claim) shall ~~be~~have been paid by the Debtors solely from the Second Lien Payment component of the Cash Consideration without any reduction of the Wind-Down Amount, and (b) any Allowed Administrative Claim arising from the collateralization of any outstanding letters of credit shall ~~be~~have been paid by the Debtors solely from the Letter of Credit Amount component of the Cash Consideration without any reduction of the Wind-Down Amount~~, and (c) any and all Allowed Administrative Claims based on Jefferies Transaction Fees or Rothschild Transaction Fees shall be paid and satisfied solely from the proceeds of the Liquidation Trust Assets as set forth in the Liquidation Trust Agreement~~.

~~If the Holder of an Allowed Administrative Claim agrees, as part of the treatment of its Claim under the Plan, to have all or part of such Claim paid under the Liquidation Trust, then such Claim shall be paid senior to any direct distributions made to the Holders of Allowed General Unsecured Claims (which do not include distributions to the Holders of Allowed General Unsecured Claims as part of the LLCP Second Lien Claim), and shall be paid junior to any and all distributions made on account of the LLCP Second Lien Claim. No such agreement, and nothing under the Plan, impairs the right of the Liquidation Trustee and the Holders of Allowed General Unsecured Claims to receive the share of~~

~~distributions made to the LLCP Entities on account of the LLCP Second Lien Claim, as set forth in the Stipulation and the Liquidation Trust Agreement, and as described herein.~~

(d) ~~(b)~~ Priority Tax Claims

~~On the Effective Date or as soon as practicable thereafter~~**Except as otherwise set forth in the Plan and the Liquidation Trust Agreement**, each Holder of an Allowed Priority Tax Claim shall ~~be paid by the Buyer, on behalf of the Debtors, from the Wind-Down Amount the full unpaid~~**receive Cash payments, from the proceeds of the Liquidation Trust Assets, in regular installments after payment of Allowed Non-Wind-Down Administrative Claims and Allowed Other Priority Claims and ending no later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the** amount of such Allowed Priority Tax Claim ~~in Cash (i) on the Effective Date or as soon thereafter as is practicable, (ii) if such Priority Tax Claim is Allowed after the Effective Date, on the date such Priority Tax Claim is Allowed, or as soon thereafter as is practicable, or (iii) upon such other terms as may be agreed upon by such Holder and the Proponent or otherwise upon a Final Order of the Bankruptcy Court, provided, however, that~~**. Notwithstanding the foregoing,** any Priority Tax Claim that is an Assumed Liability under Section 2.3 or 8.1(b) of the Asset Purchase Agreement shall be paid solely by the Buyer in accordance with the Asset Purchase Agreement and Sale Order without any reduction of the Wind-Down Amount and the Estates shall have no liability therefor~~. If the Holder of an Allowed Priority Tax Claim agrees, as part of the treatment of its Claim under the Plan, to have all or part of such Claim paid under the Liquidation Trust, then such Claim shall be paid senior to any direct distributions made to the Holders of Allowed General Unsecured Claims (which do not include distributions to the Holders of Allowed General Unsecured Claims as part of the LLCP Second Lien Claim), and shall be paid junior to any and all distributions made on account of the LLCP Second Lien Claim. No such agreement, and nothing under the Plan, impairs the right of the Liquidation Trustee and the Holders of Allowed General Unsecured Claims to receive the share of distributions made to the LLCP Entities on account of the LLCP Second Lien Claim, as set forth in the Stipulation and the Liquidation Trust Agreement, and as described herein~~.

2. Classification and Treatment of Claims and Equity Interests

The Plan classifies and treats other Claims and Equity Interests as follows:

(a) Treatment of Class 1 Claims – Other Priority Claims

~~On the Effective Date or as soon as practicable thereafter~~**Except as otherwise set forth in the Plan and the Liquidation Trust Agreement**, each Holder of an Allowed Other Priority Claim shall ~~be paid by the Buyer, on behalf of the Debtors, from the Wind-Down Amount the full unpaid amount of such Allowed Other Priority Claim in Cash (i) on the Effective Date or as soon thereafter as is practicable, (ii) if such Other Priority Claim is Allowed after the Effective Date, on the date such Other Priority Claim is Allowed, or as soon thereafter as is practicable, or (iii) upon such other terms as may be agreed upon by such Holder and the Proponent or otherwise upon a Final Order of the Bankruptcy Court,~~

~~provided, however, that any Other Priority Claim that is an Assumed Liability under Section 2.3 of the Asset Purchase Agreement shall be paid solely by the Buyer in accordance with the Asset Purchase Agreement and Sale Order without any reduction of the Wind-Down Amount~~receive (a) if Class 1 has accepted the Plan, deferred Cash payments from the proceeds of the Liquidation Trust Assets, after payment of Allowed Non-Wind-Down Administrative Claims, of a value, as of the Effective Date, equal to the Allowed amount of such Claim, or (b) if Class 1 has rejected the Plan, Cash equal to the Allowed amount of such Claim, either on the Effective Date or as soon as practicable following the date on which such Claim becomes an Allowed Claim under the Plan.

~~If the Holder of an Allowed Other Priority Claim agrees, as part of the treatment of its Claim under the Plan, to have all or part of such Claim paid under the Liquidation Trust, then such Claim shall be paid senior to any direct distributions made to the Holders of Allowed General Unsecured Claims (which do not include distributions to the Holders of Allowed General Unsecured Claims as part of the LLCP Second Lien Claim), and shall be paid junior to any and all distributions made on account of the LLCP Second Lien Claim. No such agreement, and nothing under the Plan, impairs the right of the Liquidation Trustee and the Holders of Allowed General Unsecured Claims to receive the share of distributions made to the LLCP Entities on account of the LLCP Second Lien Claim, as set forth in the Stipulation and the Liquidation Trust Agreement, and as described herein.~~

Holders of Other Priority Claims are ~~unimpaired~~impaired and ~~therefore,~~ are ~~not~~ entitled to vote to accept or reject the Plan.

(b) Treatment of Class 2 Claims – Other Secured Claims

The Plan will not alter any of the legal, equitable and contractual rights of the Holders of Class 2 Claims. Unless otherwise agreed to by the Holder of an Allowed Class 2 Claim and the Proponent, each Holder of an Allowed Class 2 Claim shall receive, in full and final satisfaction of such Allowed Class 2 Claim, one of the following treatments, in the sole discretion of the Proponent: (i) the payment of the sale or disposition proceeds of the collateral securing each such Allowed Class 2 Claim to the extent of the value of the Holder's interest in such property; (ii) the surrender to each Holder of all collateral securing each such Allowed Class 2 Claim without representation or warranty by or further recourse against the relevant Debtor or the Liquidation Trust; or (iii) treatment in any other manner so as to render the Allowed Class 2 Claim otherwise Unimpaired.

Holders of Other Secured Claims are unimpaired and therefore, are not entitled to vote to accept or reject the Plan.

(c) Treatment of Class 3 Claims – LLCP Second Lien Claim

In accordance with the Stipulation, the LLCP Second Lien Claim is comprised of the Second Lien Claims of the LLCP Entities, both in their individual capacity and as assignee of the Second Lien Claims of Arrow Distressed Securities Fund, BDCM Opportunity Fund II, L.P., Brencourt Distressed Securities Master, Ltd., Distressed Securities and Special Situations Fund, LLCP, Man Mac Schreckhorn 14B Ltd., Schultze Master Fund Ltd., TCW, and TCW Shared

Opportunity Fund V, L.P. The LLCP Second Lien Claim is Allowed under the Plan as an unsecured super-priority claim pursuant to section 507(b) of the Bankruptcy Code in the amount of $96,910,583.88, plus all accrued interest thereon accruing until the date of payment, plus all other Allowed amounts entitled to priority under section 507(b) under the Final DIP Order which may be assigned to either or both of the LLCP Entities.

The Holders of the Allowed Class 3 Claim shall receive, in full and final satisfaction of such Allowed Class 3 Claim, distributions from the proceeds of the Liquidation Trust Assets **after payment of the Allowed Non-Wind-Down Administrative Claims, Class 1 Claims and Priority Tax Claims**, to be shared with the Holders of Allowed General Unsecured Claims other than the LLCP Unsecured Claim, as set forth in the Liquidation Trust Agreement.

Holders of the LLCP Second Lien Claim are impaired and therefore, are entitled to vote to accept or reject the Plan.

(d) Treatment of Class 4 Claims – General Unsecured Claims

Holders of Allowed Class 4 Claims shall receive, in full and final satisfaction of their Allowed Class 4 Claims, **(i) after payment of the Allowed Jefferies Transaction Fees,** distributions from the proceeds of the Liquidation Trust Assets, to be shared with the Holders of the Allowed Class 3 Claim, as set forth in the Liquidation Trust Agreement, provided, however, that there shall be no distribution accruing or made on account of the LLCP Unsecured Claim until the LLCP Second Lien Claim is paid in full in Cash**, and (ii) all other distributions from the proceeds of the Liquidation Trust Assets after the Allowed Class 3 Claim has been paid in full**.

The Holders of General Unsecured Claims are impaired and therefore, are entitled to vote to accept or reject the Plan.

(e) Treatment of Class 5 Equity Interests

Holders of Equity Interests will not receive a distribution under the Plan.

On the Effective Date, Class 5 Equity Interests will be cancelled and the Holders thereof will receive no distribution on account of their Interests. Accordingly, the Holders of Class 5 Equity Interests are deemed to reject the Plan and therefore, are not entitled to vote to accept or reject the Plan.

D. Provisions for Implementation of the Plan

1. Sale of Purchased Assets; Assumption of Assumed Liabilities; Payment of Cash Consideration

On June 8, 2007, the Debtors consummated the Sale Transaction pursuant to the Asset Purchase Agreement and in accordance with the Sale Order. As consideration for the Purchased Assets, the Buyer has (i) credit bid, on behalf of the Bid Sponsors and all First Lien Lenders, the full amount of the First Lien Claims; (ii) assumed the Assumed Liabilities, including those

Assumed Liabilities under Section 2.3 of the Asset Purchase Agreement and the Assumed Liabilities to be paid from the Wind-Down Amount pursuant to Paragraph 43 of the Sale Order; and (iii) paid the Cash Consideration to the Debtors. The Cash Consideration consists of (i) the DIP Financing Payoff Amount; (ii) the Letter of Credit Amount; and (iii) the Second Lien Payment.

The Debtors have used the DIP Financing Payoff Amount to pay the DIP Facility Claims in full. Moreover, the Debtors have (i) used the Letter of Credit Amount to collateralize and secure any outstanding letters of credit; and (ii) used the Second Lien Payment to make a pro-rata distribution to the Second Lien Lenders as provided in the Asset Purchase Agreement. In addition to paying the Assumed Liabilities under Section 2.3 of the Asset Purchase Agreement, the Buyer, on behalf of the Debtors, shall pay~~,~~ **under the Plan, and** as additional Assumed Liabilities, any and all ~~other~~ Allowed **Wind-Down** Administrative ~~Claims (other than Allowed Administrative Claims (i) of the Second Lien Lenders, (ii) arising from the collateralization of any outstanding letters of credit, or (iii) based on Jefferies Transaction Fees or Rothschild Transaction Fees), Allowed Priority Tax Claims and Allowed Other Priority~~ Claims, up to the Wind-Down Amount, no later than three (3) Business Days of a request by the Debtors to pay any such ~~Claim(s)~~**Claims**.

2. Establishment of the Liquidation Trust

On the Effective Date, the Debtors, the Liquidation Trustee and the Litigation Designee shall execute the Liquidation Trust Agreement and shall take all other steps necessary to establish the Liquidation Trust in accordance with the Plan and the Stipulation. Notwithstanding any prohibition of assignability under applicable non-bankruptcy law, on the Effective Date and periodically thereafter if additional Liquidation Trust Assets become available, the Debtors shall be deemed to have automatically transferred to the Liquidation Trust all of their right, title, and interest in and to all of the Liquidation Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, all such assets shall automatically vest in the Liquidation Trust free and clear of all Claims and Liens, subject only to the Allowed ~~Class 3 Claim, Allowed Class 4 Claims, the Allowed Jefferies Transaction Fees, the Allowed Rothschild Transaction Fees,~~**Claims of the Beneficiaries as set forth in the Plan** and the expenses of the Liquidation Trust as provided in the Liquidation Trust Agreement. On the Effective Date, the Debtors shall have no interest in or with respect to the Liquidation Trust Assets or the Liquidation Trust. In connection with the vesting and transfer of the Liquidation Trust Assets, including rights and Causes of Action, any attorney-client privilege, work-product protection, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Liquidation Trust shall vest in the Liquidation Trust. The Debtors, the Liquidation Trustee and the Litigation Designee are authorized to take all necessary actions to effectuate the transfer of such privileges, protections and immunities.

The Buyer has acquired the Purchased Assets formerly owned by the Debtors, including records and information necessary for the investigation and prosecution of the Causes of Action. The Debtors, the Committee, the Director, the Liquidation Trustee, the Bid Sponsors, and the Buyer, shall and shall cause Buyer: (1) to provide the Liquidation Designee, and its counsel and representatives reasonable access to Buyer's employees,

financial advisors, accountants, attorneys and any other professional persons and shall encourage such persons and parties to meet and confer with Liquidation Designee counsel and representatives as reasonably necessary for the Liquidation Designee's prosecution of the Causes of Action, or as are otherwise necessary to take full advantage of the Liquidation Trust Assets; (2) to assist the Liquidation Designee and its counsel and representatives in contacting former employees of the Debtors and encourage such former employees to meet and confer with the Liquidation Designee counsel and representatives as reasonably necessary for the Liquidation Designee's prosecution of the Causes of Action, including seeking cooperation agreements from such former employees. Such employees, former employees, financial advisors, accountants, attorneys and other professional persons shall owe the same duties, including but not limited to the duty to cooperate fully in all necessary investigations, to the Liquidation Designee and its counsel and representatives as they would to the Debtors and/or the Buyer.

To effectively investigate, defend or pursue the Causes of Action and the Liquidation Trust Assets, the Buyer, the Bid Sponsors, the Debtors, and the Liquidation Trust and Liquidation Designee, and all counsel thereto, must be able to exchange information with each other on a confidential basis and cooperate in common interest efforts without waiving any applicable privilege. Given the common interests of the parties and the Liquidation Trust's position as successor to the Causes of Action, sharing such information between the Buyer, the Bid Sponsors, the Debtors, and the Liquidation Trust and Liquidation Designee or their counsel shall not waive or limit any applicable privilege or exemption from disclosure or discovery related to such information.

3. Treatment of Liquidation Trust for Federal Income Tax Purposes; No Successor-in-Interest

The Liquidation Trust shall be established for the primary purpose of liquidating its assets, in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidation Trust. Accordingly, the Litigation Designee (with respect to the Causes of Action) and the Liquidation Trustee (with respect to the other Liquidation Trust Assets) shall, in an expeditious but orderly manner, liquidate and convert to Cash the Liquidation Trust Assets, make timely distributions to the Beneficiaries and not unduly prolong its duration. The Liquidation Trust shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth herein or in the Liquidation Trust Agreement.

The Liquidation Trust is intended to qualify as a "grantor trust" for federal income tax purposes with the Beneficiaries treated as grantors and owners of the Liquidation Trust. For all federal income tax purposes, all parties (including, without limitation, the Buyer, the Debtors, the Liquidation Trustee, the Litigation Designee, the LLCP Entities and the Beneficiaries) shall treat the transfer of the Liquidation Trust Assets by the Debtors to the Liquidation Trust, as set forth in the Liquidation Trust Agreement, as a transfer of such assets by the Debtors to the Holders of Allowed Claims of Beneficiaries entitled to distributions from the Liquidation Trust Assets,

followed by a transfer by such Holders to the Liquidation Trust. Thus, the Beneficiaries shall be treated as the grantors and owners of a grantor trust for federal income tax purposes.

As soon as practicable after the Effective Date, the Liquidation Trustee (to the extent that the Liquidation Trustee deems it necessary or appropriate in his or her sole discretion), in consultation with the Litigation Designee, shall value the Liquidation Trust Assets based on the good faith determination of the Liquidation Trust and shall apprise the Creditor Representative and Litigation Designee of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Buyer, the Liquidation Trustee, the Litigation Designee, the LLCP Entities and the Beneficiaries) for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding the valuation of the Liquidation Trust Assets.

4. Funding of the Liquidation Trust

The LLCP Entities shall provide ~~Trust Funding~~**Cash funding** to pay the fees, costs and expenses of the **Estates,** Liquidation Trust, Liquidation Trustee, Litigation Designee and Creditor Representative as follows: (i) up to $1,900,000 **less the amount of the Milk Street Additional Funding actually funded** (or such greater amount as may be agreed upon by the LLCP Entities in their sole discretion, but subject to approval of the Liquidation Trustee) to the Litigation Designee to be used solely for the fees, costs and expenses relating to the prosecution, settlement and liquidation of the Causes of Action, including the payment to third-party counsel or advisors of out-of-pocket litigation expenses incurred in connection therewith; (ii) $100,000 to the Liquidation Trustee on the Effective Date to be used solely for the fees, costs and expenses of the Liquidation Trustee, the Creditor Representative and the Liquidation Trust for administering the Liquidation Trust and the Liquidation Trust Assets other than the Causes of Action, including the payment of trust expenses and professionals, advisors and employees retained by the Liquidation Trustee, as approved by the Creditor Representative; (iii) $50,000 to the Liquidation Trustee on each of the first and second anniversaries of the Effective Date to be used solely for the fees, costs and expenses of the Liquidation Trustee, the Creditor Representative and the Liquidation Trust for administering the Liquidation Trust and the Liquidation Trust Assets other than the Causes of Action, including the payment of trust expenses and professionals, advisors and employees retained by the Liquidation Trustee, as approved by the Creditor Representative; ~~and~~ (iv) $25,000 to the Liquidation Trustee on each of the third and fourth anniversaries of the Effective Date to be used solely for the fees, costs and expenses of the Liquidation Trustee, the Creditor Representative and the Liquidation Trust for administering the Liquidation Trust and the Liquidation Trust Assets other than the Causes of Action, including the payment of trust expenses and professionals, advisors and employees retained by the Liquidation Trustee, as approved by the Creditor Representative; ~~provided, however,~~ **(v) the Milk Street Additional Funding; and (vi) LLCP's advances for their own attorneys' fees and expenses from and after August 1, 2007 and until the Effective Date, but not to exceed $250,000 ((i) thru (vi) above, collectively, the "Trust Funding"); provided, however, that the amount of the Trust Funding provided in (i) above shall be reduced by the amount of the Milk Street Additional Funding that is actually funded; and further provided,** that none of the Trust Funding provided in (ii) thru (iv) above shall be used for any payments to, or to pay any fees, costs or expenses of or incurred by, the Litigation Designee, the LLCP Entities or their professionals, employees and advisors; and further, provided, that the Trust Funding provided in (iii) and (iv)

above shall be reduced to the extent that the Liquidation Trustee has received Cash distributions from the proceeds of the Causes of Action. The Trust Funding shall accrue interest at a rate of fifteen percent (15%) per annum, compounded and paid-in-kind quarterly, and shall be secured ~~by~~**first priority security interest (subject to no other security interests or liens) in** the Causes of Action **and their proceeds**. In the event the LLCP Entities or the Litigation Designee exercise any security interest in and to the Causes of Action, the proceeds of the Causes of Action nonetheless shall be distributed in accordance with the general distribution provisions of the Liquidation Trust Agreement. The Trust Funding may be prepaid at any time without penalty or premium out of the proceeds of the Causes of Action, or otherwise upon reasonable approval of the Liquidation Trustee and the Creditor Representative. The Trust Funding shall mature and be due and payable five (5) years from the date the Trust Funding is provided and shall otherwise contain no defaults, covenants or representations.

In the event the LLCP Entities or the Litigation Designee exercise any security interest in and to the Causes of Action, the proceeds of the Causes of Action nonetheless shall be distributed in accordance with the general distribution provisions of the Liquidation Trust Agreement. The Trust Funding may be prepaid at any time without penalty or premium out of the proceeds of the Causes of Action, or otherwise upon reasonable approval of the Liquidation Trustee and the Creditor Representative. The Trust Funding shall mature and be due and payable five (5) years from the date the Trust Funding is provided and shall otherwise contain no defaults, covenants or representations.

5. Appointment of Liquidation Trustee

On the Effective Date, Charles A. Stanziale, Jr. shall serve as the Liquidation Trustee of the Liquidation Trust, and shall have all powers, rights and duties of a trustee, except those powers, rights and duties provided exclusively to the Litigation Designee. Among other things, the Liquidation Trustee shall (i) hold and administer the Liquidation Trust Assets other than the Causes of Action, (ii) have the power and authority to retain, as an expense of the Liquidation Trust, attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Liquidation Trustee under the Plan or in the Liquidation Trust Agreement, (iii) have the right and duty to monitor the actions of the Litigation Designee and to receive monthly status reports from the Litigation Designee as to the status of the litigation, settlement, administration and pursuit of the Causes of Action, (iv) make distributions to the Beneficiaries as provided in the Liquidation Trust Agreement, (v) have the right to receive reasonable compensation for performing services as Liquidation Trustee and to pay the reasonable fees, costs and expenses of any counsel, professionals, advisors or employees as may be necessary to assist the Liquidation Trustee in performing the duties and responsibilities required under the Plan and the Liquidation Trust Agreement, and (vi) provide periodic reports and updates to the Creditor Representative regarding the status of the administration of the Liquidation Trust Assets, other than the Causes of Action, and the assets, liabilities and transfers of the Liquidation Trust. The Liquidation Trustee shall have access to all reports, documents, memoranda and other work product of the Litigation Designee related to the Causes of Action, and, to the extent such items are subject to any privilege or protection against disclosure, the Liquidation Trustee and Litigation Designee shall entered into a common interest and joint privilege agreement containing customary terms and conditions. In the event the Liquidation

Trustee is no longer willing or able to serve as trustee, then the successor shall be appointed by the mutual agreement of the Creditor Representative and LLCP, or as otherwise determined by the Bankruptcy Court.

The compensation of the Liquidation Trustee will be disclosed in the Plan Supplement.

6. Appointment of Litigation Designee

The Causes of Action shall be owned by the Liquidation Trust, however, the Litigation Designee shall have the sole authority and discretion on behalf of the Liquidation Trust to evaluate and determine strategy with respect to the Causes of Action, and to litigate, settle, transfer, release or abandon any and all Causes of Action on behalf of the Liquidation Trust, in each case, on any terms and conditions as it may determine in good faith based on the best interests of the Beneficiaries. The Litigation Designee also shall have the sole and exclusive right to (i) retain legal counsel for the Liquidation Trust to pursue Causes of Action, (ii) pay all reasonable out-of-pocket costs and expenses incurred in connection with the pursuit of the Causes of Action out of the Trust Funding or proceeds of the Causes of Action, but not including any fees, costs, expenses, or other reimbursement of or to the LLCP Entities or any Person retained by the LLCP Entities, (iii) make distributions of proceeds of the Causes of Action as set forth in the Liquidation Trust Agreement, and (iv) borrow funds from the Trust Funding as may be necessary to pursue the Causes of Action. The Litigation Designee shall provide monthly status reports to the Liquidation Trustee and the Creditor Representative as to the status of the litigation, settlement, administration and pursuit of the Causes of Action. The LLCP Entities shall have the sole and exclusive right to replace the Litigation Designee, at which time the LLCP Entities shall promptly provide written notice to the Liquidation Trustee and the Creditor Representative as to the identity of the successor Litigation Designee, including the name, address, telephone number and fax number of the successor Litigation Designee.

The identity and proposed compensation of the Litigation Designee will be disclosed in the Plan Supplement.

7. Appointment of Creditor Representative

No later than the Effective Date, the Committee shall appoint one Committee Member to serve as the Creditor Representative under the Liquidation Trust Agreement. In the event such Committee Member is no longer willing or able to serve as Creditor Representative, then such Committee Member may thereafter appoint any other Committee Member to serve as successor Creditor Representative by providing notice to the Liquidation Trustee and the Litigation Designee. The Creditor Representative shall (i) have access to all reports, documents, memoranda and other work product of the Litigation Designee related to the Causes of Action, and, to the extent such items are subject to any privilege or protection against disclosure, the Creditor Representative and Litigation Designee shall entered into a common interest and joint privilege agreement containing customary terms and conditions, (ii) have the right to monitor the actions of the Litigation Designee and to receive monthly status reports from the Litigation Designee as to the status of the litigation, settlement, administration and pursuit of the Causes of Action, (iii) have the right of reimbursement from the Liquidation Trust Assets of any reasonable

and necessary expenses incurred in connection with serving as Creditor Representative under the Liquidation Trust Agreement, and (iv) have the right to monitor and receive periodic reports and updates from the Liquidation Trustee regarding the status of the administration of the Liquidation Trust Assets, other than the Causes of Action, and the assets, liabilities and transfers of the Liquidation Trust.

8. Termination of Liquidation Trust

The Liquidation Trust will terminate as soon as practicable, but in no event later than the seventh (7th) anniversary of the Effective Date; *provided*, *however*, that, on or prior to the date of such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Liquidation Trust for a finite period, if such an extension is necessary to liquidate the Liquidation Trust Assets or for other good cause. Notwithstanding the foregoing, multiple extensions may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term; *provided*, *however*, that the Liquidation Trustee receives an opinion of counsel or a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Liquidation Trust as a grantor trust for federal income tax purposes.

9. Termination of Liquidation Trustee, Litigation Designee and Creditor Representative

The duties, responsibilities and powers of the Liquidation Trustee, Litigation Designee and Creditor Representative shall terminate in accordance with the terms of the Liquidation Trust Agreement.

10. Exculpation; Indemnification

The Liquidation Trustee, Litigation Designee and Creditor Representative, and their respective professionals, shall be exculpated and indemnified pursuant to the terms of the Liquidation Trust Agreement.

11. Preservation of Records and Documents

The Litigation Designee and Liquidation Trustee shall, and the Bid Sponsors shall cause the Buyer to, (i) take commercially reasonable efforts to preserve all records and documents (including any electronic records or documents) related to the Causes of Action and the Liquidation Trust Assets for a period of five (5) years from the closing of the Sale Transaction or, if actions with respect to the Causes of Action are then pending, until the Litigation Designee notifies the Debtors and the Buyer that such records are no longer required to be preserved; and (ii) provide the Liquidation Trustee and Litigation Designee, and their respective counsel, agents and advisors, with reasonable access to such records and documents.

12. Corporate Action

Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided under the Plan involving the corporate structure of the Debtors shall be deemed authorized and

approved without any requirement of further action by the Debtors, the Debtors' shareholders or the Debtors' boards of directors. To the extent such action has not been completed subsequent to the entry of the Substantive Consolidation Order, the Debtors (and their boards of directors) shall dissolve or otherwise terminate their existence following the Effective Date and are authorized to dissolve or terminate the existence of wholly-owned non-Debtor subsidiaries following the Effective Date as well as any remaining health, welfare or benefit plans.

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

On the Effective Date, except to the extent provided otherwise in the Plan, all notes, instruments, certificates and other documents evidencing Claims and all Equity Interests in any of the Debtors shall be canceled and deemed terminated. However, the provisions of the Indenture which authorize the Indenture Trustee to make distributions to the Subordinated Noteholders and provide for the charging lien of the Indenture Trustee shall remain in full force and effect.

E. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Any executory contracts or unexpired leases that have not expired by their own terms on or prior to the Effective Date, which the Debtors have not assumed and assigned or rejected with the approval of the Bankruptcy Court (whether as part of the Sale Transaction or otherwise), or that are not the subject of a motion to assume the same pending as of the Effective Date, shall be deemed rejected by the Debtors on the Effective Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. The cure costs for any and all executory contracts and unexpired leases that are assumed and assigned to the Buyer as part of the Sale Transaction shall be paid solely by the Buyer, without any reduction of the Wind-Down Amount.

2. Rejection Claims; Cure of Defaults

If the rejection of an executory contract or unexpired lease results in damages to the other party or parties to such contract or lease, any Claim for such damages, if not heretofore evidenced by a Proof of Claim that has been Filed, shall be forever barred and shall not be enforceable against the Debtors, the Liquidation Trust, or their properties, successors or assigns, unless a Proof of Claim is Filed and served upon (i) the Liquidation Trustee, and (ii) any counsel for the Liquidation Trustee, on or before thirty (30) days after the later to occur of (i) the Effective Date; and (ii) the date of entry of an order by the Bankruptcy Court authorizing rejection of a particular executory contract or unexpired lease.

F. Provisions Regarding Distributions

1. Time and Method of Distributions

The Buyer and ~~the Debtors~~**Milk Street or its designee**, as applicable, will make the distributions due under the Plan to the Holders of Allowed **Wind-Down** Administrative ~~Claims,~~

~~**Priority Tax Claims and Other Priority**~~ Claims. The Liquidation Trustee and Litigation Designee, on behalf of the Liquidation Trust, or such other Entity as may be designated in accordance with the Liquidation Trust Agreement, will make the distributions to Beneficiaries required under the Plan in accordance with the Liquidation Trust Agreement. The Liquidation Trustee will make distributions to Holders of Allowed General Unsecured Claims in consultation with the Creditor Representative. All distributions to the Subordinated Noteholders shall be made by the Liquidation Trustee to **the** Indenture Trustee. The Litigation Designee will make distributions of the proceeds from the Causes of Action to the LLCP Entities and to the Liquidation Trustee as provided in the Liquidation Trust Agreement, provided, however, that no such distribution may be made until five (5) Business Days after the LLCP Entities and the Litigation Designee provide the Liquidation Trustee and Creditor Representative with a written accounting with regard to such distributions and only if the Liquidation Trustee or Creditor Representative have not filed an objection to such accounting with the Bankruptcy Court (if closed, the Chapter 11 Cases shall be reopened to consider such objection). Whenever any distribution to be made under the Plan or the Liquidation Trust Agreement is due on a day other than a Business Day, such distribution shall be made, without interest, on the immediately succeeding Business Day, but any such distribution will have been deemed to have been made on the date due.

2. Reserve for Disputed Claims

The Liquidation Trustee shall maintain a reserve for any distributable amounts required to be set aside on account of Disputed Claims and shall distribute such amounts (net of any expenses, including any taxes relating thereto), as provided herein and in the Liquidation Trust Agreement, as such Disputed Claims are resolved by Final Order, and such amounts shall be distributable in respect of such Disputed Claims as such amounts would have been distributable had the Disputed Claims been Allowed Claims as of the Effective Date.

3. Manner of Payment under the Plan and Liquidation Trust

Any payment in Cash to be issued under the Plan shall, at the election of the issuer, be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

4. Delivery of Distributions

Subject to the provisions of Fed. R. Bankr. P. 2002(g), and except as otherwise provided in the Plan, distributions and deliveries to Holders of record of Allowed Claims shall be made at the address of each such Holder set forth on the Debtors' books and records unless superseded by the address set forth on proofs of claim filed by any such Holders. By no later than the Effective Date, the Debtors and Buyer shall provide the Liquidation Trustee with the addresses and other books and records relating to the Beneficiaries, including, without limitation, all taxpayer identification information.

5. Undeliverable Distributions

(a) Holding of Undeliverable Distributions:

If any distribution under the Plan to any Holder is returned as undeliverable, no further distributions shall be made to such Holder unless and until the issuer of the distribution is notified in writing of such Holder's then-current address. All Entities ultimately receiving undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan or Liquidation Trust Agreement shall require the issuer of any distribution to attempt to locate any Holder of an Allowed Claim or an Allowed Interest.

(b) Failure to Claim Undeliverable Distributions:

Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan or Liquidation Trust Agreement to receive a distribution within three (3) months from and after the date such distribution is returned as undeliverable shall have such holder's Claim for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against the Debtors, Liquidation Trust, the Liquidation Trustee and their respective professionals, or the Liquidation Trust Assets. In such case, any consideration held for distribution on account of such Claim or Interest shall belong to the Liquidation Trust for distribution by the Liquidation Trustee to the Beneficiaries in accordance with the terms of the Plan and Liquidation Trust Agreement.

6. Compliance with Tax Requirements/Allocation

The issuer of any distribution under the Plan or Liquidation Trust shall comply with all applicable tax withholding and reporting requirements imposed by any Governmental Unit, and all distributions pursuant to the Plan and Liquidation Trust shall be subject to any such applicable withholding and reporting requirements. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

7. Time Bar to Cash Payments

Checks issued on account of Allowed Claims shall be null and void if not negotiated within forty-five (45) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the issuer of the check by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made within six (6) months from and after the date of issuance of such check. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the Liquidation Trust shall be entitled to retain all monies related thereto for distribution to the Beneficiaries in accordance with the terms of the Plan and the Liquidation Trust Agreement.

8. Distributions after Effective Date

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

have been made on the Effective Date. Except with respect to the LLCP Second Lien Claim, and unless otherwise specifically provided in the Plan or the Liquidation Trust Agreement, no interest shall be payable on account of any Claim not paid on the Effective Date.

9. Fractional Dollars; De Minimis Distributions

Notwithstanding anything contained in the Plan to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan or Liquidation Trust would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. No payment shall be made on account of any distribution less than Fifty Dollars ($50) with respect to any Allowed Claim unless a request therefor is made in writing to the issuer of such payment on or before ninety (90) days after the Effective Date.

10. Setoffs

The Liquidation Trustee may, pursuant to sections 502(d) or 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Claim **or Allowed Administrative Claim** and the distributions to be made pursuant to the Liquidation Trust Agreement on account thereof (before any distribution is made on account of such Claim), the Claims, rights and Causes of Action of any nature that it may hold against the Holder of such Allowed Claim **or Allowed Administrative Claim**; provided, however, that neither the failure to effect such a set-off nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claims, rights and Causes of Action that the Liquidation Trust may possess against such Holder.

11. Preservation of Subordination Rights

Except as otherwise provided herein or in the Stipulation, all subordination rights and claims relating to the subordination by the Debtors or the Liquidation Trustee of any Allowed Claim shall remain valid, enforceable and unimpaired in accordance with section 510 of the Bankruptcy Code or otherwise.

12. Waiver by Creditors of All Subordination Rights

Except as otherwise ordered by the Bankruptcy Court, each Holder of a Claim shall be deemed to have waived all contractual, legal and equitable subordination rights that they may have, whether arising under general principles of equitable subordination, section 510(c) of the Bankruptcy Code or otherwise, with respect to any and all distributions to be made under the Plan, and all such contractual, legal or equitable subordination rights that each holder of a Claim has individually and collectively with respect to any such distribution made pursuant to this Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined.

G. Procedures for Resolution of Disputed, Contingent and Unliquidated Claims or Equity Interests

1. Objections to Claims; Prosecution of Disputed Claims

The Debtors, prior to the Effective Date, and thereafter the Liquidation Trustee in accordance with the Liquidation Trust Agreement, shall have the right to object to the allowance of Claims or Equity Interests Filed with the Bankruptcy Court with respect to which they dispute liability or allowance in whole or in part. All objections shall be litigated or settled prior to Final Order; provided, however, that the Liquidation Trustee (within any parameters as may be established by the Liquidation Trust Agreement) shall have the authority to file, settle, compromise or withdraw any objections to Claims, without approval of the Bankruptcy Court.

Notwithstanding the foregoing, the Liquidation Trustee, on behalf of the Liquidation Trust, shall have the ~~exclusive~~ right to object to the allowance of any **Non-Wind-Down Administrative Claims, Priority Tax Claims, and Class 1 and** Class 4 Claims, and any other Claims asserted against the Liquidation Trust or the Liquidation Trust Assets, **by no later than the Claim Objection Deadline. In addition, LLCP shall have the right to object to the allowance of any Non-Wind-Down Administrative Claims, Priority Tax Claims, Class 1 Claims and any other Claims asserted against the Liquidation Trust or the Liquidation Trust Assets (excluding the Class 4 Claims),** by no later than the Claim Objection Deadline.

2. Estimation of Claims

The Debtors, prior to the Effective Date, and thereafter the Liquidation Trustee in accordance with the Liquidation Trust Agreement, may at any time request that the Bankruptcy Court estimate any contingent or ~~Disputed~~**unliquidated** Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Liquidation Trustee previously have objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or ~~Disputed~~**unliquidated** Claim, the amount so estimated shall constitute the maximum allowed amount of such Claim. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or the Liquidation Trustee may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

3. Payments and Distributions on Disputed Claims

Notwithstanding any provision of the Plan to the contrary, any issuer of a distribution under the Plan may, in its discretion, pay the undisputed portion of a Disputed Claim. Notwithstanding the foregoing, the issuer of a distribution under the Plan will set aside for each Holder of a Disputed Claim such portion of Cash as may be necessary to provide required

distributions if that Claim were an Allowed Claim, either based upon the amount of the Claim as filed with the Bankruptcy Court or the amount of the Claim as estimated by the Bankruptcy Court.

At such time as a Disputed Claim becomes, in whole or in part an Allowed Claim, the issuer of a distribution hereunder shall distribute to the Holder thereof the distributions, if any, to which such Holder is then entitled under the Plan or the Liquidation Trust. Such distribution, if any, will be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order. No interest will be paid on Disputed Claims that later become Allowed or with respect to any distribution in satisfaction thereof to a Holder.

4. Tort Claims

All Tort Claims**, as well as any and all Claims against the Debtors arising after the Petition Date asserting damages for personal injuries or property damage,** are Disputed Claims unless and until Allowed by a Final Order. Any Tort Claim ~~as to which a proof of claim was timely filed in the Chapter 11 Cases~~**or any other claim asserting damages for personal injuries or property damage** shall be determined and liquidated ~~in accordance with the ADR Procedures~~**by a court of competent jurisdiction**. Any Tort Claim determined and liquidated ~~in accordance with the ADR Procedures~~ shall be deemed an Allowed Class 4 Claim in such liquidated amount and satisfied by and from the Liquidation Trust in accordance with the Plan. Nothing contained in the Plan shall be deemed a waiver of any Cause of Action that the Debtors or the Liquidation Trust may hold against any entity, including, without limitation, in connection with or arising out of any Tort Claim.

H. Conditions Precedent to Confirmation and Effective Date of the Plan

1. Conditions Precedent to Confirmation

The following are conditions precedent to confirmation of the Plan that must be (i) satisfied or (ii) waived in accordance with Article X.C of the Plan.

(a) The entry of the Confirmation Order and the Substantive Consolidation Orders in form and substance satisfactory to the Proponent **and to LLCP**.

(b) The Plan Supplement and all of the schedules, documents, and exhibits contained therein shall have been filed in form and substance reasonably acceptable to the Proponent **and to LLCP.**

(c) Bankruptcy Court disallowance (by way of motion or claim objection) of any administrative or priority claims in excess of $100,000 not provided for in the Budget.

(d) The unpaid administrative priority claims of the Pension Benefit Guaranty Corporation, the Jefferies Transaction Fees and Rothschild Transaction Fees are either (a) resolved with the consent of LLCP, or (b) withdrawn, disallowed, or reclassified to non-administrative and non-priority claims in their entirety.

(e) The Bankruptcy Court's entry of an order authorizing and directing the Debtors to cease funding any retiree benefit plans of the Debtors that are subject to Bankruptcy Code section 1114 (if any) or otherwise resolves such funding in a manner satisfactory to LLCP.

(f) The Bankruptcy Court's entry of an order authorizing and directing the Debtors to cease funding the Directors' Insurance (as defined in the Committee's motion regarding same) or otherwise resolves such funding in a manner satisfactory to LLCP.

(g) All of the conditions in the Additional Funding Stipulation have been satisfied or waived by LLCP.

2. Conditions Precedent to Effective Date of the Plan

The following are conditions precedent to the Effective Date of the Plan that must be (i) satisfied or (ii) waived in accordance with Article X.C of the Plan:

(a) The Sale Transaction shall have closed and the Cash Consideration shall have been paid by the Buyer to the Debtors in accordance with the Asset Purchase Agreement and the Sale Order.

(b) All other actions and documents necessary to implement the Plan shall have been effected or executed, including the Liquidation Trust Agreement.

(c) There shall be sufficient Cash to permit payment of all amounts required to be paid on the Effective Date.

(d) The ~~**Insurance Policies shall have been purchased, paid in full, and shall be in place.**~~ **Effective Date occurs on or before October 31, 2007.**

~~**(e) The ADR Procedures shall have been approved by the Bankruptcy Court.**~~

3. Waiver of Conditions Precedent

~~**The**~~**Only the** Proponent **together with LLCP**, in ~~**its sole**~~**their joint** discretion, may waive the conditions listed in Article X.A and X.B of the Plan, except that the condition in Article X.B(3) may not be waived.

4. Effect of Non-Occurrence of Consummation

If the Confirmation Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; (2) prejudice in any manner the rights of the Debtors or any other party; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors in any respect.

I. Exculpation, Injunctive and Related Provisions

1. Exculpation

The Exculpated Parties shall neither have, nor incur any liability to any Person or Entity for any post-petition act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other post-petition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, however, that the foregoing shall have no effect on the liability of any Person or Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence, recklessness or willful misconduct, and, provided further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan.

2. Release and Satisfaction of Claims; Termination of Equity Interests; Injunction

Except as otherwise provided in the Plan, and as set forth in the Confirmation Order and except with respect to the Liquidation Trust: (1) the rights afforded herein and the treatment of all Claims and Equity Interests herein, shall be in exchange for and in complete satisfaction and release of, all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtors or any of their assets and properties, (2) on the Effective Date, all such Claims against, and Equity Interests in, the Debtors shall be satisfied and released in full, and (3) all Persons shall be precluded from asserting against the Debtors, the Liquidation Trust, their successors or their assets or properties, any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

3. ~~Stay and Injunction~~**Releases by Holders** of ~~Tort~~ Claims **and Interests.**

~~***From and after the Effective Date of the Plan, all Tort Claims against the Debtors or the Liquidation Trust shall be stayed. Except as provided in the ADR Procedures, all Holders of Tort Claims are enjoined from commencing or continuing any judicial, administrative or other action or proceeding against the Debtors, the Liquidation Trust, the Liquidation Trustee or the Liquidation Trust Assets in connection with any Tort Claim or to recover any Tort Claim.***~~

As of the Effective Date, in consideration for the obligation of the LLCP Entities to fund under the Additional Funding Stipulation and to fund certain litigation expenses of the Liquidation Trust as more particularly set forth herein and in the Stipulation, each Holder (other than a Debtor) shall be deemed to have forever released, waived and discharged all claims, demands, debts, rights, causes of action or liabilities, 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 against any of the LLCP Entities and their respective officers, directors, parties, employees, partners (general and limited), members, managers and agents that are based in whole or in part on any act or

omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to any of the Debtors, the Chapter 11 Cases, this Plan or the Disclosure Statement; provided, nothing herein shall release any of the LLCP Entities from their obligations under the Stipulation, the Additional Funding Stipulation or this Plan; provided, further, that each Holder may elect not to grant the releases set forth in this section by filing with the Bankruptcy Court and serving upon the Debtors, the Committee and the LLCP Entities an "Opt-out Notice" on or before the last day fixed by the Bankruptcy Court for filing objections to the Plan. The Opt-out Notice must expressly state that such Holder is affirmatively electing not to grant the releases set forth in this Section 3. All Holders who do not "opt-out" by timely filing such notice shall be bound by the releases contained herein.

4. Releases by the Debtors.

As of the Effective Date, each of the Debtors shall be deemed to have forever released, waived and discharged all claims, demands, debts, rights, causes of action or liabilities, 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 against any of the LLCP Entities and their respective officers, directors, parties, employees and agents that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to any of the Debtors, the Chapter 11 Cases, this Plan or the Disclosure Statement; provided, that, nothing herein shall release any of the LLCP Entities from their obligations under the Stipulation, the Additional Funding Stipulation, the Plan, or the Liquidation Trust Agreement.

In consideration for withdrawing certain claims that Rothschild may have against the Debtors' estates, the Debtors may provide Rothschild a release, in a form to be negotiated for all claims, demands, debts, rights, causes of action or liabilities, 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 against Rothschild and its officers, directors, parties, employees and agents that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to any of the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement.

5. Fee Shifting

In any action, suit or proceeding by any Holder or other party in interest contesting any action by, or non-action of, the LLCP Entities, or their respective affiliates, officers, directors, shareholders, members, representatives, attorneys, financial advisors, and agents as not being in good faith, the reasonable attorneys' fees and costs of the prevailing party shall be paid to the losing party and as a condition to going forward with such action, suit, or proceeding at the outset thereof, all parties thereto shall be required to provide appropriate proof and assurances of their capacity to make such payments of reasonable attorneys' fees and costs in the event they fail to prevail.

J. Retention and Transfer of Causes of Action

1. Retention of Causes of Action

The retention and preservation of the Causes of Action, and their prosecution and liquidation by the Litigation Designee, on behalf of the Liquidation Trust and Liquidation Trustee, is an integral part of the Plan. Proceeds from the Causes of Action are the primary source of distributions to the Holders of Allowed General Unsecured Claims and the other Beneficiaries, and therefore, any proceeding involving a Cause of Action will directly affect the implementation, consummation, execution and administration of the Plan. All Causes of Action, of any kind or nature whatsoever, whether arising under the Bankruptcy Code or non-bankruptcy law, shall be preserved and shall remain within the jurisdiction of the Bankruptcy Court. **Charlie Stanziale was recommended by the Creditors' Committee to be the Liquidation Trustee and LLCP has consented to that choice.**

Except as otherwise provided in the Plan, all Causes of Action that the respective Debtors and their Estates may hold against any Person or Entity shall automatically vest in the Liquidation Trust. The Liquidation Trust shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such Causes of Action without the consent or approval of any third party and without any further order of the Bankruptcy Court, except as otherwise provided in the Plan or in the Liquidation Trust Agreement. On the Effective Date, the Litigation Designee, in accordance with section 1123(b)(3) of the Bankruptcy Code, and on behalf of the Liquidation Trust, shall serve a representative of the estate and shall retain and possess the sole and exclusive right to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in one or more of the Chapter 11 Cases, including, but not limited to, the actions specified in the Plan Supplement.

2. Preservation of All Causes of Action Not Expressly Settled or Released

The Committee and the LLCP Entities are currently investigating potential Causes of Action against certain Persons or Entities but have not yet completed their investigations. Therefore, on the Effective Date, all Causes of Action shall vest in the Liquidation Trust, which shall hold and possess all rights on behalf of the Debtors, their Estates and the Liquidation Trust to commence and pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in any adversary proceeding Filed in the Chapter 11 Cases). The Litigation Designee, on behalf of the Liquidation Trust, shall pursue such Causes of Action as set forth in the Plan and in the Liquidation Trust Agreement.

The potential Causes of Action currently being investigated by the Committee and the LLCP Entities, which may be pursued by the Litigation Designee, on behalf of the Liquidation Trust, after the Effective Date, include, without limitation, the Causes of Action listed or described on the Schedule of Causes of Action set forth in the Plan Supplement. The Debtors and, after the Effective Date, the Litigation Designee, on behalf of the Liquidation Trust, reserve all rights to pursue any and all Causes of Action, whether or not listed or described on the

Schedule of Causes of Action set forth in the Plan Supplement. In addition to the Causes of Action listed on the Schedule of Causes of Action set forth in the Plan Supplement, the Debtors hereby reserve the rights of the Liquidation Trust and the Litigation Designee, on behalf of the Liquidation Trust, to pursue, administer, settle, litigate, enforce and liquidate:

(a) Any other Causes of Action, whether legal, equitable or statutory in nature;

(b) Any and all actions arising under the Bankruptcy Code, including, without limitation, sections 544, 545, 547, 548, 549, 550, 551, 553(b) and/or 724(a) of the Bankruptcy Code; and

(c) Any other Causes of Action that currently exist or may subsequently arise and which have not been otherwise set forth in the Plan or in the Plan Supplement, because the facts upon which such Causes of Action are based are not currently or fully known by the Debtors, the Committee or the LLCP Entities (collectively, the **"Unknown Causes of Action"**). The failure to list or describe any such Unknown Cause of Action in the Plan or in the Plan Supplement, is not intended to limit the rights of the Litigation Designee, on behalf of the Liquidation Trust, to pursue any Unknown Cause of Action.

Unless Causes of Action against a Person or Entity are expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order, the Debtors (before the Effective Date) and the Litigation Designee, on behalf of the Liquidation Trust (post-Effective Date), expressly reserve all Causes of Action (including the Unknown Causes of Action) for later adjudication and therefore, no preclusion doctrine or other rule of law, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after, or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtors and the Litigation Designee, on behalf of the Liquidation Trust, and any successors-in-interest thereto, expressly reserve the right to pursue or adopt any Claims not so waived, relinquished, released, compromised or settled that are alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any Person or Entity, including, without limitation, the plaintiffs and co-defendants in such lawsuits.

K. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain such jurisdiction over any matter arising under the Bankruptcy Code, or arising in or related to the Chapter 11 Cases or the Plan after Confirmation and after the Effective Date, and any other matter or proceeding that is within the Bankruptcy Court's jurisdiction pursuant to 28 U.S.C. §1334 or 28 U.S.C. §157, including, without limitation, those matters set forth in Article XIII of the Plan.

L. Miscellaneous Provisions

1. Modification of Plan Supplement

Modification of or amendments to the Plan Supplement, may be Filed with the Bankruptcy Court before the Confirmation. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with the Plan. Upon its Filing, the Plan Supplement may be inspected in the office of the clerk of the Bankruptcy Court or its designee during normal business hours. Holders of Claims and Equity Interests may obtain a copy of the Plan Supplement by contacting Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245. The documents contained in the Plan Supplement are an integral part of the Plan and shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

2. Effectuating Documents, Further Transactions and Corporation Action

Each of the Debtors is authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan.

Prior to, on or after the Effective Date (as appropriate), all matters provided for under the Plan that would otherwise require approval of the shareholders or directors of the Debtors shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate) pursuant to the general corporation laws of the applicable States without any requirement of further action by the shareholders or directors of the Debtors.

3. Dissolution of Committee

Upon the Effective Date, the Committee shall dissolve, except with respect to any appeal of an order or other pending matter in the Chapter 11 Cases, and any applications for Professional Fee Claims, and the Committee Members and the Committee's Professionals shall be relieved and discharged of all duties related to the Chapter 11 Cases.

4. Modification of Plan

Subject to the limitations contained in the Plan:

(a) the Proponent reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan**, following consultation with the LLCP Entities,** prior to the entry of the Confirmation Order; and

(b) after the entry of the Confirmation Order, the Proponent may, **following consultation with the LLCP Entities,** upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

5. Revocation of Plan

The Proponent reserves the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent plans of reorganization. If the Proponent revokes or withdraws the Plan, or if Confirmation or the Effective Date does not occur, then (a) the Plan shall be null and void in all respects, (b) except for the Stipulation **and the Additional Funding Stipulation**, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed pursuant hereto, shall be deemed null and void, and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, such Debtor or any other Person, (ii) prejudice in any manner the rights of such Debtor or any other Person, or (iii) constitute an admission of any sort by such Debtor or any other Person.

6. Successors and Assigns

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

7. Reservation of Rights

Except as expressly set forth the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained herein, or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

8. Section 1146 Exemption

Pursuant to section 1146(c) of the Bankruptcy Code, under the Plan, (i) the issuance, distribution, transfer or exchange of any debt, equity security or other interest in the Debtors; (ii) the creation, modification, consolidation or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (iii) the making, assignment or recording of any lease or sublease; or (iv) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan shall not be subject to any document recording tax, mortgage recording tax, stamp tax or similar government assessment, and the appropriate state or local government official or agent shall be directed by the Bankruptcy Court to forego the collection of any such tax or government assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or government assessment.

All subsequent issuances, transfers or exchanges of securities, or the making or delivery of any instrument of transfer by the Debtors in the Chapter 11 Cases, whether in connection with

a sale under section 363 of the Bankruptcy Code or otherwise, shall be deemed to be or have been done in furtherance of the Plan.

9. Further Assurances

The Holders of Claims or Equity Interests receiving distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan or the Liquidation Trust Agreement.

10. Post-Effective Date Fees and Expenses

From and after the Effective Date, the Liquidation Trustee, on behalf of the Liquidation Trust, shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable professional fees and expenses incurred by the Liquidation Trust related to the consummation and to the implementation of the Plan, except as otherwise provided in the Liquidation Trust Agreement.

11. Severability

The provisions of the Plan shall not be severable unless such severance is agreed to by the Proponent or, if after the Effective Date, by the Liquidation Trustee, on behalf of the Liquidation Trust, and such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

12. Conflicts

To the extent any provision of the Liquidation Trust Agreement, the Disclosure Statement, or any document executed in connection therewith or any documents executed in connection with the Confirmation Order (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing) conflicts with, or is in any way inconsistent with, the terms of the Plan, the terms and provisions of the Plan shall govern and control, provided however that nothing in the Plan shall be deemed to modify or supersede the Sale Order.

13. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and still extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

14. Entire Agreement

The Plan and the Plan Supplement (as amended) supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

15. Closing of the Chapter 11 Cases

The Liquidation Trustee shall promptly, upon the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by the Bankruptcy Rules and any applicable order of the Bankruptcy Court to close the Chapter 11 cases.

V. VOTING REQUIREMENTS, ACCEPTANCE AND CONFIRMATION OF THE PLAN

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtors, including that (i) the Plan has classified Claims in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Proponent has complied with applicable provisions of the Bankruptcy Code; (iv) the Proponent has proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of creditors or interest holders (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code) (see "Acceptance of Plan" and "Confirmation Without Acceptance of All Impaired Classes" below); (vii) the Plan is feasible and confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors under the Plan unless such liquidation or reorganization is proposed in the Plan; (viii) the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to such holders on account of their Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such Class has accepted the Plan; and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date.

A. Parties in Interest Entitled to Vote

Pursuant to the Bankruptcy Code, only Classes of Claims and Interests that are "impaired" (as defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan. A Class is impaired if the legal, equitable or contractual rights to which the Claims or Interests of that Class entitled the holders of such Claims or Interests are modified, other than by curing defaults and reinstating the Claims or Interest. Classes that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan.

B. Classes Impaired and Entitled to Vote under the Plan

The following Classes are impaired under the Plan and are entitled to vote on the Plan:

Class	Designation	Entitled to Vote
1	**Other Priority Claims**	**Yes**
3	LLCP Second Lien Claim	Yes
4	General Unsecured Claims	Yes

Acceptances of the Plan are being solicited only from holders of Claims that will or may receive consideration under the Plan. The holders of Equity Interests in Class 5 will receive no distribution under the Plan and are deemed to reject the Plan. Holders of Claims in Classes **1,** 3 and 4 are impaired and are entitled to vote to accept or reject the Plan.

C. Voting Procedures and Requirements

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

1. Ballots

The Disclosure Statement Order sets ~~July 24,~~**September 12,** 2007, as the record date for voting on the Plan (the "Record Date"). Accordingly, only holders of record as of the Record Date, that are otherwise entitled to vote under the Plan, will receive a Ballot and may vote on the Plan.

In voting for or against the Plan, please use only the Ballot sent to you with this Disclosure Statement. If you are a member of Class **1,** 3 and/or 4 and did not receive a Ballot, if your Ballot is damaged or lost or if you have any questions concerning voting procedures, please call the Debtors' voting agent, Kurtzman Carson Consultants LLC at (866) 381-9100.

In most cases, each Ballot enclosed with this Disclosure Statement has been encoded for voting purposes with information. **PLEASE FOLLOW THE DIRECTIONS CONTAINED ON THE ENCLOSED BALLOT CAREFULLY.**

2. Returning Ballots

If you are a holder of a Claim, but not a holder of the 10% Senior Notes due November 15, 2007, entitled to vote, you should complete, sign and return your Ballot with original signature in the enclosed envelope to: **Werner Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245**. Votes cannot be transmitted orally. Facsimile Ballots will not be accepted. To be counted, original signed Ballots must be received **on or before ~~August 16,~~October 15, 2007 at 4:00 p.m., prevailing Pacific Time**. If you have any questions concerning your ballot, please call Kurtzman Carson Consultants LLC at (866) 381-9100.

If you are a holder of the 10% Senior Notes due November 15, 2007, you should have received a specialized Ballot from Kurtzman Carson Consultants LLC. You should complete, sign and return your Ballot with original signature as provided in the Voting Instructions included with your Ballot. Votes cannot be transmitted orally. Facsimile Ballots will not be accepted. To be counted, original signed Ballots must be received **on or before ~~August 14,~~October 11, 2007 at 4:00 p.m., prevailing Eastern Time.** If you have any questions concerning your ballot, please call Kurtzman Carson Consultants LLC at (866) 381-9100.

IT IS OF THE UTMOST IMPORTANCE TO THE PROPONENT THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

3. Voting

Pursuant to the Disclosure Statement Order (a copy of which is annexed hereto as Exhibit ~~III~~IV), solely for the purposes of voting to accept or reject the Plan and not for the purpose of allowance of, or distribution on account of, a Claim or Interest and without prejudice to the rights of the Debtors in any other context, each Claim or Interest within a Class of Claims or Interests entitled to vote to accept or reject the Plan will be temporarily Allowed in an amount equal to the amount of such Claim or Interest as set forth in a timely filed proof of claim (provided no objection to such Claim or Interest has been filed), or, if no proof of claim was filed, the amount of such Claim or Interest as set forth in the Schedules (provided that amount of such Claim or Interest is not listed as disputed, contingent or unliquidated). Moreover, each Claim or Interest to which an objection has been filed by **~~July 27,~~September 25, 2007** shall be temporarily Allowed for voting purposes only to the extent and in the manner and amount as may be set forth as the proposed allowed amount or classification in such objection, unless such holder files a motion pursuant to Fed.R.Bankr.P. 3018(a) no later than **~~August 9,~~October 1, 2007** and the Bankruptcy Court approves the motion temporarily allowing the claim for purposes of voting to accept or reject the Plan.

D. Confirmation

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a hearing regarding whether the Proponent has fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for **~~August 23,~~October 25, 2007 at ~~2~~10:00 ~~p~~a.m.** (prevailing Eastern Time) before the Honorable Kevin J. Carey, United States Bankruptcy Judge, United States Bankruptcy Court for the District of Delaware, 5th Floor, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement at the Confirmation Hearing of the date to which the Confirmation Hearing has been adjourned. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if the requirements of section 1129 of the Bankruptcy Code are met.

E. Acceptance of Plan

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired claims or interests vote to accept the Plan, except under certain circumstances. See "Confirmation Without Acceptance of All Impaired Classes" below. A plan is accepted by an

impaired class of claims if holders of at least two-thirds in dollar amount and more than one-half in number of claims of those that vote in such class vote to accept the plan. A plan is accepted by an impaired class of interests if holders of at least two-thirds of the number of shares of those that vote in such class vote to accept the plan. Only those holders of claims or interests who actually vote count in these tabulations. Holders of claims or interests who fail to vote are not counted as either accepting or rejecting a plan.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in such class. See "Best Interests Test" below. In addition, each impaired class must accept the plan for the plan to be confirmed without application of the "fair and equitable" and "unfair discrimination" tests in section 1129(b) of the Bankruptcy Code discussed below. See "Confirmation Without Acceptance of All Impaired Classes" below.

F. Confirmation Without Acceptance of All Impaired Classes

Because holders of Equity Interests Class 5 are deemed to have rejected the Plan, the Proponent is not seeking confirmation of the Plan as to Class 5, and as to any other Class that votes to reject the Plan, pursuant to section 1129(b) of the Bankruptcy Code. The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims or interests has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying all other requirements of section 1129(a) of the Bankruptcy Code, it (i) "does not discriminate unfairly" and (ii) is "fair and equitable," with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting unsecured class of claims or a class of interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property on account of such claims or interests. More specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed under that section if: (i) with respect to a secured class, (a) the holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each holder of a claim of such class receives deferred cash payments totaling, and having a value at least equal to the allowed amount of such claim as of the plan's effective date or (b) such holders realize the indubitable equivalent of such claims; (ii) with respect to an unsecured claim, either (a) the impaired unsecured creditor must receive property of a value equal to the amount of its allowed claim, or (b) the holders of claims that are junior to the claims of the dissenting class may not receive any property under the plan; or (iii) with respect to a class of interests, either (a)

each holder of an interest in such class must receive or retain on account of such interest property of a value, equal to the greater 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) the holder of any interest that is junior to the interest of such class may not receive or retain any property on account of such junior interest.

G. Best Interests Test

In order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

H. Liquidation Analysis

The Debtors have liquidated substantially all of their assets through the Sale Transaction with the Buyer and are in the process of liquidating any remaining assets. The Proponent believes that liquidation under chapter 11 is more beneficial to the Holders of General Unsecured Claims than a liquidation under chapter 7 because the Plan allows the Debtors' remaining assets to be promptly administered in accordance with the Stipulation. To that end, the Plan provides that all Causes of Action of the Debtors or their Estates, plus any other Excluded Assets under the Asset Purchase Agreement, will vest in and be transferred to the Liquidation Trust. The Litigation Designee will pursue the Causes of Action on behalf of the Liquidation ~~Truste~~Trust, and the proceeds therefrom will be distributed to the Holders of Allowed Class 3 and Class 4 Claims pursuant to the Stipulation **(and to the other Beneficiaries in accordance with the priorities set forth in the Plan)**. If the Stipulation had not been approved as part of the sale and plan process, then it is unlikely that the Holders of General Unsecured Claims would have obtained a recovery in these Chapter 11 Cases, at least without costly litigation. Reaching the agreement set forth in the Stipulation with the other interested parties maximizes the likelihood that Holders of General Unsecured Claims will receive distributions in these cases, in that (i) Holders of General Unsecured Claims will receive a percentage distribution, at the same priority level as the Class 3 super-priority claim, as set forth in the Stipulation, without any sharing with or dilution by the LLCP Unsecured Claim, and (ii) the Stipulation provides up to $1.9 million in funding **(less the amount of the funding by Milk Street or its designee under the Additional Funding Stipulation)** for the Litigation Designee to pursue the Causes of Action, plus other Trust Funding.

Additionally, if these cases were to be converted to chapter 7 cases, the Debtors' estates would incur the costs of payment of a statutorily allowed commission to the chapter 7 trustee, as well as the costs of counsel and other professionals retained by the trustee. The Proponent believes such amount would exceed the amount of expenses that will be incurred in implementing the Plan and winding up the affairs of the Debtors. Conversion also would likely

delay the liquidation process and the ultimate distribution, if any, to unsecured creditors. ~~Further, there is no assurance that a chapter 7 trustee would pursue the Causes of Action or be able to obtain funding to pursue the Causes of Action, as is provided in the Stipulation.~~ The Debtors' estates would also be obligated to pay all unpaid expenses incurred by the Debtors during these Chapter 11 Cases (such as compensation for professionals) which are allowed in the chapter 7 cases. Accordingly, the Proponent believes that holders of Allowed Claims would receive less than anticipated under the Plan if the Chapter 11 Cases were converted to chapter 7 cases.

I. Feasibility

Under section 1129(a)(11) of the Bankruptcy Code, the Proponent must show that 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 (unless such liquidation or reorganization is proposed in the Plan). The Plan clearly complies with this requirement because all of the Debtors' remaining assets will be distributed to creditors pursuant to the terms of the Plan and, provided the Plan is confirmed and consummated, the estates will no longer exist to be subject to future reorganization or liquidation.

J. Compliance with the Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Proponent has considered each of these issues in the development of the Plan and believes that the Plan complies with all applicable provisions of the Bankruptcy Code.

VI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Proponent believes the Plan affords Creditors the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of the estates. If the Plan is not confirmed, the only viable alternatives are dismissal of the Chapter 11 Cases or conversion to chapter 7 of the Bankruptcy Code. Neither of these alternatives is preferable to confirmation and consummation of the Plan.

If the Chapter 11 Cases were dismissed, creditors would revert to a "race to the courthouse," the result being that creditors would not receive a fair and equitable distribution of the Debtors' remaining assets. ~~As set forth in the Liquidation Analysis, the~~The Proponent believes the Plan provides a greater recovery to creditors than would be achieved in a chapter 7. Therefore, a chapter 7 case is not an attractive or superior alternative to the Plan. Thus, the Plan represents the best available alternative for maximizing returns to Creditors.

VII. RISK FACTORS

A. Allowed Claims May Receive No Distributions

The Liquidation Trust Assets that will be available for distributions to the ~~Holders of Allowed Class 3 and Class 4 Claims~~Beneficiaries consist primarily of Causes of Action. There is no assurance that the Litigation Designee, on behalf of the Liquidation Trust, will be able to liquidate the Causes of Action, and the Liquidation Trustee will be able to liquidate the other Liquidation Trust Assets, in an amount, after repayment of the Trust Funding and payment of other trust expenses, that will be able to produce a distribution to the Beneficiaries of the Liquidation Trust.

B. Plan May Not Be Accepted or Confirmed

The Proponent cannot provide assurances that the Plan will ultimately be confirmed by the Bankruptcy Court. Among other things, there is no certainty the Plan will be accepted by the requisite Classes entitled to vote under the Plan. ~~In addition, the Wind-Down Amount may be insufficient to pay all Allowed Administrative Claims, Priority Tax Claims and Other Priority Claims in full on the Effective Date.~~ Thus, while the Proponent believes the Plan will be confirmable under the standards set forth in section 1129 of the Bankruptcy Code, there is no guarantee that the Bankruptcy Court will agree.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion addresses certain United States federal income tax consequences of the consummation of the Plan. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed regulations thereunder, current administrative rulings, and judicial decisions as in effect on the date hereof, all of which are subject to change, possibly retroactively. No rulings or determinations by the Internal Revenue Service have been obtained or sought by the Proponent with respect to the Plan. An opinion of counsel has not been obtained with respect to the tax aspects of the Plan. This discussion does not purport to address the federal income tax consequences of the Plan to particular classes of taxpayers (such as foreign persons, S corporations, mutual funds, small business investment companies, regulated investment companies, broker-dealers, insurance companies, tax-exempt organizations and financial institutions) or the state, local or foreign income and other tax consequences of the Plan. **NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.**

A. Federal Income Tax Consequences to Holders of Claims and Interests

A holder of an Allowed Claim or Interest will generally recognize ordinary income to the extent that the amount of Cash or property received (or to be received) under the Plan is attributable to interest that accrued on a Claim or Interest but was not previously paid by the

Debtors or included in income by the holder of the Allowed Claim or Interest. Holders previously required to include in their gross income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan. A holder of an Allowed Claim will generally recognize gain or loss equal to the difference between the holder's adjusted basis in its Claim and the amount realized by the holder upon consummation of the Plan that is not attributable to accrued but unpaid interest. The amount realized will equal the sum of Cash and the fair market value of other consideration received (or to be received).

The character of any gain or loss that is recognized will depend upon a number of factors, including the status of the Creditor, the nature of the Claim or Interest in its hands, whether the Claim or Interest was purchased at a discount, whether and to what extent the Creditor has previously claimed a bad debt deduction with respect to the Claim or Interest, and the creditor's holding period of the Claim or Interest. If the Claim or Interest in the creditor's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. If the Creditor is a non-corporate taxpayer, such gain or loss will constitute long-term capital gain or loss if the creditor held such Claim or Interest for longer than one year or short-term capital gain or loss if the creditor held such Claim or Interest for less than one year.

A holder of an Allowed Claim or Interest who receives, in respect of its Claim or Interest, an amount that is less than its tax basis in such Claim or Interest may be entitled to a bad debt deduction if either: (i) the holder is a corporation or (ii) the Claim or Interest constituted (a) a debt created or acquired (as the case may be) in connection with a trade or business of the holder or (b) a debt the loss from the worthlessness of which is incurred in the holder's trade or business. A holder that has previously recognized a loss or deduction in respect of its Claim or Interest may be required to include in its gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the holder's adjusted basis in such Claim or Interest.

Holders of Claims or Interests who were not previously required to include any accrued but unpaid interest in their gross income with respect to a Claim or Interest may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. Holders previously required to include in their gross income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan.

Holders of a Claim constituting any installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of section 453B of the Tax Code.

The holders of Claims in Classes **1,** 3 and 4 may receive only a partial distribution on their Claims. The holders of Equity Interests in Class 5 will not receive property under the Plan on account of their Interests. Whether the holder of such Claims or Interests will recognize gain or loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the holder and its Claims or Interests.

Accordingly, to determine any tax consequences as a result of consummation of the Plan, holders of Claims and Interests should consult their respective tax advisors.

Under backup withholding rules, a holder of an Allowed Claim may be subject to backup withholding at the rate of thirty percent (30%) with respect to payments made pursuant to the Plan unless such holder (a) is a corporation or is otherwise exempt from backup withholding and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Claims may be required to establish an exemption from backup withholding or to make arrangements with regard to payment thereof.

B. Federal Income Tax Consequences to the Debtors

1. Cancellation of Indebtedness

Under the Tax Code, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD income") realized during the taxable year. Section 108 of the Tax Code provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of the Bankruptcy Court and the cancellation is granted by the Bankruptcy Court or is pursuant to a plan approved by the Bankruptcy Court.

Section 108 of the Tax Code requires the amount of COD income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. It is uncertain how these rules should apply in a liquidating plan which does not provide for a formal cancellation of claims. In any event, however, even if COD income is realized and excluded by the Debtors and the tax attributes of the Debtors are reduced or eliminated, this should have no material affect, however, as following the Effective Date the Debtors will not own non-Cash assets of significant value.

C. Importance of Obtaining Professional Tax Assistance

The foregoing is intended to be only a summary of certain of the United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. Holders of Claims or Interests are strongly urged to consult with their own tax advisors regarding the federal, state, local and foreign income and other tax consequences of the Plan, including, in addition to the issues discussed above, whether a bad debt deduction may be available with respect to their Claims and if so, when such deduction or loss would be available.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, HOLDERS OF CLAIMS OR INTERESTS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

IX. RECOMMENDATION AND CONCLUSION

THE COMMITTEE BELIEVES THAT CONFIRMATION AND CONSUMMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND INTEREST HOLDERS AND THAT THE PLAN SHOULD BE CONFIRMED. THE COMMITTEE STRONGLY RECOMMENDS THAT ALL CREDITORS AND INTEREST HOLDERS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

Dated: ~~June 19,~~September 10, 2007

Respectfully Submitted,

[Signatures on Following Page]

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____
Name: Joseph Galzerano
Title: Co-Chair

By: _____
Name: John Bolduc
Title: Co-Chair

EXHIBIT I

The First Amended Chapter 11 Plan

EXHIBIT II

The Stipulation

EXHIBIT III

The Additional Funding Stipulation

EXHIBIT IV

The Disclosure Statement Order

EXHIBIT ~~IV~~V

The Sale Order

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