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Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

In re

FRONTLINE CAPITAL GROUP,

Debtor.

-----X

Chapter 11

Case No.: 02-12909 (RDD)

FRONTLINE CAPITAL GROUP'S PLAN OF LIQUIDATION

DATED JUNE 4, 2008, AS MODIFIED

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INTRODUCTION

FrontLine Capital Group (the “Debtor”), the debtor and debtor-in-possession in the above-captioned case, hereby proposes the following Plan of Liquidation (the “Plan”) for the resolution of outstanding Claims and Interests. Reference is made to the Debtor’s Disclosure Statement dated June 4, 2008, as modified (the “Disclosure Statement”). The Disclosure Statement should be reviewed in connection with voting on the Plan.

ARTICLE I

Definitions, Rules of Interpretation Computation of Time and Governing Law

A. Scope Of Definitions; Rules Of Construction

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them in the Introduction, Article I or elsewhere in this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine.

B. Definitions

1.1. "Administrative Expense Claim" means an Allowed Claim against the Debtor entitled to priority in accordance with section 503(b), 507(a)(1) or 1114(e)(2) of the Bankruptcy Code, including without limitation (a) every cost or expense of administration of the Chapter 11 Case, including any actual and necessary costs and expenses incurred after the Filing Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries or commissions for services); and (b) compensation for legal, financial, advisory, accounting and other services and reimbursement of expenses awarded or allowed under sections 330(a) or 331 of the Bankruptcy Code.

1.2. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

1.3. “Allowed Amount” shall mean the amount of an Allowed Claim.

1.4. "Allowed Claim" or “Allowed Interest” means

(a) With respect to pre-Filing Date Claims and Interests, (i) any Claim or Interest, proof of which is timely filed, or (ii) any Claim or Interest that has been or is hereafter listed in the Schedules as neither disputed, contingent or unliquidated; *provided, however*, that

with respect to any Claim or Interest described in clauses (i) or (ii) above, such Claim or Interest shall be allowed only if (x) no objection to the allowance thereof is interposed by the Debtor or the Liquidating Trustee or any other party-in-interest within any applicable time period fixed under the Plan, the Bankruptcy Code, the Bankruptcy Rules or by the Bankruptcy Court, or (y) such an objection is interposed but the Claim or Interest has been allowed (or to the extent it has been allowed) by a Final Order (but only if such allowance was not solely for the purpose of voting to accept or reject the Plan); and

(b) With respect to Administrative Expense Claims, “Allowed” means any holder of an Administrative Expense Claim that is determined to hold a claim entitled to treatment as an Allowed Administrative Expense Claim; *provided, however*, that with respect to any Claimant seeking allowance of an Administrative Expense Claim for an Administrative Expense Claim incurred outside the ordinary course of the Debtor’s business operations the amount of which is not agreed to in writing by the Debtor or the Liquidating Trustee or otherwise allowed by a Final Order, such Claimant will hold an “Allowed” Administrative Expense Claim only if such Claimant duly and timely files proof of its Administrative Expense Claim with the Bankruptcy Court and serves a copy thereof upon (i) the Debtor’s counsel, Westerman Ball, Attention Thomas A. Draghi, Esq., (ii) the Liquidating Trustee, and (iii) the United States Trustee no later than thirty (30) days following the Confirmation Date; *provided, however*, that with respect to any such timely filed Administrative Expense Claim, such Claim shall be Allowed only if (x) the amount is agreed to in writing by the Debtor or the Liquidating Trustee and such Claimant, (y) no objection to the allowance thereof is interposed by the Debtor or the Liquidating Trustee on or before ninety (90) days after the Effective Date, or such other date as may be established by the Bankruptcy Court, or (z) if an objection is interposed, (aa) such Administrative Expense Claim has been allowed (or to the extent it has been allowed) by a Final Order, or (bb) such objection is withdrawn. With respect to Claimants seeking allowance of Professional Fees as Administrative Expense Claims, all applications for final compensation of Professionals for services rendered and for reimbursement of expenses incurred for any period prior to the Confirmation Date must be filed no later than thirty (30) days following the Confirmation Date, and shall be Allowed following entry by the Bankruptcy Court of any order or orders allowing same (or to the extent it has been allowed). The Confirmation Order shall specifically provide that each Administrative Expense Claim Claimant who seeks allowance of an Administrative Expense Claim (i) incurred outside the ordinary course of Debtor’s business operations that is not agreed to in writing by the Debtor or the Liquidating Trustee or otherwise allowed by a Final Order, and that fails to timely and duly file a proof of its Administrative Expense Claim, or (ii) for Professional Fees that fails to timely and duly institute a request for a hearing thereon, as provided for in this Plan, shall have its Claim expunged and shall thereafter be forever barred from asserting any such Administrative Expense Claim. Except as otherwise specified in the Plan or a Final Order of the Bankruptcy Court, the Allowed Amount of an Administrative Expense Claim shall not include interest on such Claim from and after the Filing Date.

1.5. "Ballot" means the voting form distributed to Holders of Claims or Interests in Classes that are Impaired and entitled to vote on this Plan for the purpose of indicating acceptance or rejection of this Plan.

1.6. "Ballot Date" means the date set by the Bankruptcy Court for receipt of Ballots indicating acceptance or rejection of this Plan.

1.7. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. § 101 *et seq.*, and all amendments thereto.

1.8. "Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York, located at Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, having jurisdiction over the Chapter 11 Case, or any such other court as may hereafter exercise primary jurisdiction over the Chapter 11 Case.

1.9. "Bankruptcy Rules" means, collectively (a) the Federal Rules of Bankruptcy Procedure recommended by the Judicial Conference of the United States and prescribed by the Supreme Court of the United States, effective August 1, 1983, in accordance with the provisions of section 2075 of title 28 of the United States Code, and all amendments thereto, and (b) the local Bankruptcy Rules for the Southern District of New York, as now in effect or hereafter amended.

1.10. "Bar Date" means September 30, 2002, the final date established by the Bankruptcy Court pursuant to Bankruptcy Rule 3003(c), for filing timely proofs of Claim or Interests.

1.11. "Business Day" means any day other than a Saturday, Sunday or "legal holiday" as defined in Bankruptcy Rule 9006(a).

1.12. "Cash" means United States currency, a certified check, a cashier's check, a wire transfer of good funds from any source or final credits to the account of the Debtor or Liquidating Trustee.

1.13. "Causes of Action" means any and all actions, causes of action, suits, debts, rights to payment and claims under any insurance policies, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise.

1.14. "Chapter 11 Case" means the case under Chapter 11 of the Bankruptcy Code commenced by the Debtor on the Filing Date, styled *In re FrontLine Capital Group*, Chapter 11 Case No. 02 -12909 (RDD), currently pending before the Bankruptcy Court.

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

1.16. "Claimant" means the holder of a Claim or Interest.

1.17. "Class" means a group of Claims or Interests which are substantially similar in nature and are grouped together for similar treatment pursuant to this Plan.

1.18. "Conditions Precedent to the Effective Date" means all of the conditions set forth in Article XIII of this Plan which must be satisfied by Debtor prior to the Effective Date.

1.19. "Confirmation Date" means the date upon which the Confirmation Order is entered on the docket maintained by the Clerk of the Bankruptcy Court with respect to the Chapter 11 Case.

1.20. "Confirmation Order" means the order entered by the Bankruptcy Court confirming this Plan under section 1129 of the Bankruptcy Code.

1.21. "Consummation" means the accomplishment of all the Conditions Precedent to the Effective Date identified at Article XIII of this Plan.

1.22. "Creditor" means any Entity that is the Holder of a Claim arising on or before the Filing Date or under sections 502(g), 502(h) or 502(i) of the Bankruptcy Code.

1.23. "Debtor" means FrontLine Capital Group, a Delaware corporation, formerly known as Reckson Services Industries, Inc.

1.24. "Disclosure Statement" means the document filed with the Bankruptcy Court by the Debtor in connection with this Plan and the Chapter 11 Case pursuant to section 1125 of the Bankruptcy Code and approved by order of the Bankruptcy Court as containing "adequate information" as that term is defined at section 1125(a)(1) of the Bankruptcy Code, and any exhibits annexed thereto and any documents delivered or filed in connection therewith, as the same may be amended or modified from time to time by any duly authorized or allowed amendment or modification.

1.25. "Disputed Claim" or "Disputed Interest" means any Claim or Interest designated as disputed, contingent or unliquidated on the Schedules and/or any Claim or Interest against which an objection to the allowance thereof has been interposed, which objection has not been determined by a Final Order.

1.26. "Effective Date" means the date that is ten (10) days after the Confirmation Date, or, if such date is not a Business Day, the next succeeding Business Day; *provided, however*, that if all Conditions Precedent to the Effective Date have not been satisfied on or prior to such date, then the Effective Date shall be the next succeeding date on which all such Conditions Precedent to the Effective Date have been satisfied or waived, if subject to waiver.

1.27. "Entity" means any Person, individual, corporation, limited or general partnership, limited liability company, joint venture, association, joint stock company, estate, trust, trustee, United States trustee, unincorporated organization, government, governmental unit (as defined in section 101(27) of the Bankruptcy Code), agency or political subdivision thereof.

1.28. "Estate" means the collective estate created in Debtor's Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

1.29. "Filing Date" means June 2, 2002, the date Debtor filed its voluntary petition for bankruptcy relief and commenced its Chapter 11 Case.

1.30. "Final Decree" means the order to be entered by the Bankruptcy Court closing the Chapter 11 Case in accordance with section 350(a) of the Bankruptcy Code and Bankruptcy Rule 3022.

1.31. "Final Order" means an order, ruling or judgment of the Bankruptcy Court or any other court of competent jurisdiction (i) as to which the time to appeal, petition for *certiorari*, or move for reargument or rehearing has expired and as to which no order, ruling or judgment no appeal, petition for *certiorari*, or other proceedings for reargument or rehearing shall then be pending, or (ii) as to which any right to appeal, petition for *certiorari*, reargue, or rehear shall have been waived in writing satisfactory to Debtor or, on or after the Effective Date, the Liquidating Trustee, or (iii) as to which, in the event that an appeal, writ of *certiorari*, or reargument or rehearing thereof there shall have been a determination denying any relief by the highest court to which such order was appealed, or *certiorari*, reargument or rehearing granted, and the time to further appeal, petition for *certiorari* or move for reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not render such order a non-Final Order.

1.32. "Holder" means any Entity that holds a Claim or Interest.

1.33. "Impaired", when used with respect to any Claim, Interest or Class, has the same meaning as that contained in section 1124 of the Bankruptcy Code.

1.34. "Interest" means any equity interest in Debtor, including, but not limited to, shares of common stock, any stock rights, options, warrants, calls, subscriptions, or other similar rights, agreements, or commitments or other outstanding agreements obligating Debtor to issue, transfer, or sell any shares of any type of stock of Debtor.

1.35. "Lien" means with respect to an asset or interest of the Debtor, any mortgage, lien, pledge, charge, encumbrance or other security interest of any kind affecting such asset.

1.36. "Liquidating Trust" shall mean the grantor trust established pursuant to this Plan and the Liquidating Trust Agreement.

1.37. "Liquidating Trustee" shall mean Frank Adipietro or such other Entity as may be selected by the Debtor and appointed and approved by the Bankruptcy Court as the trustee under the Liquidating Trust Agreement effective as of the Effective Date, and any successor trustee appointed as provided in the Liquidating Trust Agreement.

1.38. "Liquidating Trust Agreement" shall mean the agreement that will establish, evidence and govern the Liquidating Trust, which will be entered into as of the Effective Date by the Debtor and the Liquidating Trustee pursuant to this Plan, substantially in the form attached as an exhibit to the Disclosure Statement, and approved by the Bankruptcy Court pursuant to the Confirmation Order.

1.39. "Liquidating Trust Assets" shall mean each and every item of Property and interest of the Debtor or the Estate as of the Effective Date, whether tangible or intangible, legal or equitable, liquidated or unliquidated, and includes, without limitation: (a) all Cash; (b) all Causes of Action; (c) any other rights, deferred taxes, refunds, claims, causes of action or defenses, whether arising by statute or common law, and whether arising under the laws of the United States, other countries, or applicable state or local law; and (d) all of the Debtor's books and records, subject to any applicable privilege.

1.40. "Liquidating Trust Estate" shall mean (a) the Liquidating Trust Assets, (b) such additional or different corpus, assets or investments, if any, as the Liquidating Trustee may from time to time acquire and/or hold in trust under the provisions of the Liquidating Trust Agreement and the Plan, and (c) any and all dividends, rents, royalties, income, proceeds and other receipts of, from or attributable to the foregoing, less any assets distributed or expenses incurred by the Liquidating Trustee in accordance with the terms and provisions of the Liquidating Trust Agreement.

1.41. "Oversight Committee" shall mean the committee of three (3) Entities who shall have the rights, powers and duties as set forth in the Liquidating Trust Agreement.

1.42. "Person" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

1.43. "Plan" means this plan of liquidation, and any exhibits annexed hereto and any documents delivered in connection herewith, as the same may be amended or modified from time to time as and to the extent permitted herein or by the Bankruptcy Court and/or the Bankruptcy Code.

1.44. "Priority Claim" means any Claim, other than a Priority Tax Claim or an Administrative Expense Claim, which is entitled to priority treatment under section 507(a) of the Bankruptcy Code.

1.45. "Priority Tax Claim" means any Claim which is entitled to priority treatment under section 507(a)(8) of the Bankruptcy Code.

1.46. "Professional Fees" means any claim for compensation and/or reimbursement of expenses under sections 330, 331 or 503(b) of the Bankruptcy Code by any Professionals which must be applied for in accordance with the Bankruptcy Code and this Plan and must be allowed by the Bankruptcy Court before payment thereof may be made.

1.47. "Professionals" means any attorneys, accountants, appraisers, consultants, and other professionals retained or to be compensated pursuant to an order of the Bankruptcy Court

pursuant to, *inter alia*, sections 327, 328, 330, 503(b) or 1103 of the Bankruptcy Code in this Chapter 11 Case.

1.48. "Property" means all of Debtor's assets, including without limitation, any and all of Debtor's accounts receivable, inventory, machinery and equipment, vehicles, contracts, tax refunds, interests, Cash, Causes of Action, products, general intangibles, real property, books and records, and other assets and personal property of any kind or description, including, but not limited to, any direct or indirect ownership or other interests Debtor may have or be entitled to assert in connection with any of its Affiliates.

1.49. "Pro Rata" means proportionally, so that the ratio of the amount of consideration distributed on account of a particular Allowed Claim to the Allowed Amount of the Claim is the same as the ratio of the amount of consideration distributed on account of all Allowed Claims of the Class in which the particular Claim is included to the aggregate amount of the Allowed Claims of the Class.

1.50. "Rejection Damage Claim" means any Claim arising from the rejection of any executory contract or unexpired lease in accordance with Article VIII of this Plan.

1.51. "Rejection Damages Bar Date" means the date established under Article VIII of this Plan for filing timely proofs of Claim for any Rejection Damage Claim.

1.52. "Related Documents" means this Plan and any documents necessary to consummate the transactions contemplated by this Plan.

1.53. "Schedules" means the schedules of assets and liabilities in accordance with Bankruptcy Rule 1007(b), filed by Debtor with the Bankruptcy Court (as same may have been or may be amended from time to time in accordance with Bankruptcy Rule 1009).

1.54. "Unimpaired" means any Class of Claims or Interests that is not Impaired.

1.55. "United States Trustee" means any and all representatives of the Office of the United States Trustee for the Southern District of New York, the entity empowered to administer this Chapter 11 Case.

1.56. "Unsecured Claim" means any Claim which does not qualify as an Administrative Expense Claim, Priority Claim, Priority Tax Claim, or WARN Act Claim and which is not an Interest.

1.57. "WARN Act Claim" means any non priority general unsecured Allowed Claim pursuant to that certain stipulation and order dated July 2, 2004 (the "WARN Act Stipulation") (*Docket No. 227*) in the aggregate amount of \$60,858, which resolved the claims asserted by certain Entities for alleged violations of the Worker Adjustment and Retraining Notification Act of 1988, as amended (the "WARN Act"). For the avoidance of doubt, WARN Act Claims do not include the \$225,000 Allowed Priority Claim component of the WARN Act Stipulation.

1.58. "Westerman Ball" means Westerman Ball Ederer Miller & Sharfstein, LLP, duly retained bankruptcy attorneys for the Debtor, with offices located at 170 Old Country Road, Suite 400, Mineola, New York 11501.

C. Rules Of Interpretation

For purposes of this Plan (i) any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (ii) any reference in the Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented, (iii) unless otherwise specified, all references in the Plan to Sections, Articles, Schedules and Exhibits are references to Sections, Articles, Schedules and Exhibits of or to the Plan, (iv) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan, (v) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan, and (vi) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

D. Computation Of Time

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

E. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with the laws of, the State of New York, without giving effect to its conflicts of law provisions or choice of law rules.

ARTICLE II

Treatment of Administrative Expense Claims

Administrative Expense Claims. Administrative Expense Claims are not classified under this Plan in accordance with section 1123(a)(1) of the Bankruptcy Code. Each Allowed Administrative Expense Claim shall be paid in full in Cash on the later of (a) the Effective Date, or (b) in the event such Administrative Expense Claim is not Allowed as of the Effective Date, the date on which the Bankruptcy Court enters an order allowing such Administrative Expense Claim, or (c) such later date as Debtor (or, if it is after the Effective Date, the Liquidating Trustee) and the Holder of such Allowed Administrative Expense Claim otherwise agree in writing, or as soon thereafter as is practicable; *provided, however,* Allowed Administrative Expense Claims representing obligations incurred by the Debtor in the ordinary course of business consistent with past practice, shall be paid in full or performed by the Liquidating Trustee in the ordinary course of business, consistent with past practice; *provided further, however,* that Allowed Administrative Expense Claims incurred by the Debtor or the Liquidating

Trustee after the Confirmation Date, including, without limitation, claims for Professionals' Fees, shall not be subject to application and may be paid by Debtor or the Liquidating Trustee, as the case may be, in the ordinary course of business and without further Bankruptcy Court approval.

Any Claimant seeking allowance of an Administrative Expense Claim for an Administrative Expense Claim incurred outside the ordinary course of the Debtor's business operations the amount of which is not agreed to in writing by the Debtor or the Liquidating Trustee or otherwise Allowed by a Final Order, must file proof of its Administrative Expense Claim with the Bankruptcy Court and serve a copy thereof upon (a) the Debtor's counsel, Westerman Ball, Attention Thomas A. Draghi, Esq., (b) the Liquidating Trustee, and (c) the United States Trustee no later than thirty (30) days following the Confirmation Date; *provided, however*, that with respect to any such timely filed Administrative Expense Claim, such Claim shall be Allowed only if (i) the amount is agreed to in writing by the Debtor or the Liquidating Trustee and such Claimant, (ii) no objection to the allowance thereof is interposed by the Debtor or the Liquidating Trustee on or before ninety (90) days after the Effective Date, or such other date as may be established by the Bankruptcy Court, or (iii) if an objection is interposed, (x) such Administrative Expense Claim has been allowed by a Final Order, or (y) such objection is withdrawn. With respect to Claimants seeking allowance of Professional Fees as Administrative Expense Claims, all applications for final compensation of Professionals for services rendered and for reimbursement of expenses incurred for any period prior to the Confirmation Date must be filed no later than thirty (30) days following the Confirmation Date, and shall be deemed Allowed following entry by the Bankruptcy Court of any final order or orders allowing same.

Each Administrative Expense Claim Claimant who seeks allowance of an Administrative Expense Claim (a) incurred outside the ordinary course of Debtor's business operations that is not agreed to in writing by the Debtor or the Liquidating Trustee or otherwise allowed by a Final Order, and that fails to timely and duly file a proof of its Administrative Expense Claim, or (b) for Professional Fees that fails to timely and duly institute a request for a hearing thereon, as provided for in this Plan, shall have its Claim expunged and shall thereafter be forever barred from asserting any such Administrative Expense Claim. Except as otherwise specified in the Plan or a Final Order of the Bankruptcy Court, the Allowed Amount of an Allowed Administrative Expense Claim shall not include interest on such Claim from and after the Filing Date.

ARTICLE III

Treatment of Priority Tax Claims

Priority Tax Claims. Priority Tax Claims are not classified under this Plan in accordance with section 1123(a)(1) of the Bankruptcy Code. Each Holder of an Allowed Priority Tax Claim that has not been paid prior to the Effective Date shall be paid in full in Cash on the later of (i) the Effective Date, or (ii) in the event such Priority Tax Claim is not Allowed as of the Effective Date, the date on which the Bankruptcy Court enters an order allowing such Priority Tax Claim, or as soon thereafter as is practicable. The Holder of an Allowed Priority Tax Claim shall not be entitled to receive any payment on account of interest, or on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim, except to the extent allowed as

a part of an Allowed Priority Tax Claim pursuant to section 507(a)(8) of the Bankruptcy Code.

ARTICLE IV

Classification of Claims and Interest

4.1 Designation of Classes Pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. Set forth at paragraph 4.3 below is the designation of Classes of Claims and Interests. Administrative Expense Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code (set forth in Articles II and III above) have not been classified and are excluded from classification in accordance with section 1123(a)(1) of the Bankruptcy Code.

4.2 Allowed Amount in a Particular Class. An Allowed Claim or Allowed Interest is part of a particular Class only to the extent of the amount that the Allowed Claim or Allowed Interest qualifies for treatment within that Class and is in a different Class to the extent that the remaining amount of the Allowed Claim or Allowed Interest qualifies for treatment within that different Class.

4.3 Classes. All Allowed Claims and Allowed Interests shall be divided into the following Classes, which Classes shall be mutually exclusive:

- (a) Class 1. Class 1 consists of all Priority Claims.
- (b) Class 2. Class 2 consists of all Unsecured Claims.
- (c) Class 3. Class 3 consists of all WARN Act Claims.
- (d) Class 4. Class 4 consists of all Interests.

ARTICLE V

Treatment of Claims and Interests

5.1 Class 1: Priority Claims

(a) Treatment. Class 1 consists of all Allowed Priority Claims. On the later of (i) the Effective Date, or (ii) the date on which such Priority Claim becomes an Allowed Priority Claim, or as soon thereafter as practicable, each Holder of an Allowed Priority Claim shall receive Cash in an amount sufficient to render such Allowed Priority Claim Unimpaired under section 1124 of the Bankruptcy Code.

(b) Full Settlement. The treatment and consideration to be received by Holders of Allowed Claims in Class 1 shall be in full settlement and final satisfaction of their respective Claims.

- (c) Class 1 is Unimpaired under the Plan.

5.2 Class 2: Unsecured Claims.

(a) Treatment. Class 2 consists of all Allowed Unsecured Claims. Each Entity holding an Allowed Claim in Class 2 shall be entitled to receive its *pro rata* share of the proceeds deposited into the Liquidating Trust and the earnings thereon and proceeds thereof, subordinate to all payments required to be made to Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority Claims. Subject to the terms of the Liquidating Trust Agreement, including the establishment of the reserves provided for therein, the initial distribution to Holders of Allowed Unsecured Claims in Class 2 shall be made as soon as reasonably practicable after the Effective Date. Thereafter, in the discretion of the Oversight Committee, but not less frequently than quarterly, the Liquidating Trustee on behalf of the Liquidating Trust shall make additional distributions to the Holders of Allowed Unsecured Claims in Class 2 in accordance with the provisions of the Liquidating Trust Agreement. The Debtor does not believe that Class 2 Allowed Unsecured Claims will be paid in full from the Liquidating Trust.

(b) Full Settlement. The treatment and consideration to be received by Holders of Allowed Class 2 Claims shall be in full settlement and final satisfaction of their respective Claims.

(c) Class 2 is Impaired under the Plan.

5.3 Class 3: WARN Act Claims

(a) Treatment. Class 3 consists of all Allowed WARN Act Claims against the Debtor. Each Entity holding an Allowed Claim in Class 3 shall be eligible to receive a *pro-rata* share of the proceeds deposited into the Liquidating Trust and the earnings thereon and proceeds thereof only after all Allowed Class 2 Claim Holders receive payment of 78.71% of their respective Allowed Claims. Subject only to such realization by Allowed Class 2 Claim Holders, each Entity holding an Allowed WARN Act Claim in Class 3 shall be entitled to receive its *pro rata* share of the proceeds deposited into the Liquidating Trust and the earnings thereon and proceeds thereof, subordinate to all payments required to be made to Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority Claims. Subject to the terms of the Liquidating Trust Agreement, including the establishment of the reserves provided for therein, the initial distribution to Holders of Allowed WARN Act Claims in Class 3 shall be made as soon as reasonably practicable after the requisite payments of proceeds to Class 2 Claim Holders have concluded. Thereafter, in the discretion of the Oversight Committee, but not less frequently than quarterly, the Liquidating Trustee on behalf of the Liquidating Trust shall make additional distributions to the Holders of Allowed WARN Act Claims in Class 3 in accordance with the provisions of the Liquidating Trust Agreement. The Debtor does not believe that Class 3 Allowed WARN Act Claims will be paid in full from the Liquidating Trust.

(b) Full Settlement. The treatment and consideration to be received by Holders of Allowed Class 3 Claims shall be in full settlement and final satisfaction of their respective Claims.

(c) Class 3 is Impaired under the Plan

5.4 Class 4: Interests.

(a) Treatment. Class 4 consists of Interests in the Debtor, including, without limitation, any Holders of options, warrants and other rights to acquire equity interests in the Debtor. Holders of Class 4 Interests will neither receive nor retain any interest in the Debtor nor receive any distribution from the Debtor's Estate or the Liquidating Trust on account of their Interests.

(b) Class 4 is an Impaired Class deemed to have rejected the Plan pursuant to section 1126(f) of the Bankruptcy Code.

ARTICLE VI

Identification of Classes of Claims and Interests Impaired and Unimpaired Under This Plan

6.1 Classes of Claims Impaired by this Plan and Entitled to Vote. Holders of Allowed Unsecured Claims (Class 2) and Allowed WARN Act Claims (Class 3) are Impaired and the Holders of Allowed Claims in such Classes are entitled to vote to accept or reject this Plan.

6.2 Acceptance by an Impaired Class of Claims. Consistent with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Plan if this Plan is accepted by Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject this Plan.

6.3 Class of Claims Unimpaired by this Plan are Conclusively Presumed to Accept this Plan. Holders of Priority Claims (Class 1) are Unimpaired by this Plan. Under section 1126(f) of the Bankruptcy Code, the Holders of Allowed Priority Claims are conclusively presumed to accept this Plan, and the acceptances of Holders of such Allowed Claims will not be solicited.

6.4 Class of Interests Deemed Not to Have Accepted this Plan. Allowed Interests (Class 4) are Impaired by this Plan and do not receive or retain any Property under this Plan or the Liquidating Trust Agreement. Under section 1126(g) of the Bankruptcy Code, the Holders of Interests are deemed not to have accepted (*i.e.*, to have rejected) this Plan, and the acceptance of such Holders will not be solicited.

6.5 Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code ("Cram Down"). With respect to Class 4 and any Impaired Class that does not accept this Plan, the Debtor intends to request that the Bankruptcy Court "cram down" such Classes and confirm this Plan in accordance with section 1129(b) of the Bankruptcy Code.

ARTICLE VII

Controversy With Respect to Impairment

In the event of a controversy as to whether a Class of Claims or Interests is Impaired, the Court shall, after notice and a hearing, determine such controversy.

ARTICLE VIII

Unexpired Leases and Executory Contracts

8.1 Assumption and Rejection of Executory Contracts and Unexpired Leases. As of the Confirmation Date, any executory contract or unexpired lease that has not been expressly assumed or rejected with approval by order of the Bankruptcy Court shall be deemed to have been rejected unless (a) there is then pending before the Bankruptcy Court a motion to assume such unexpired lease or executory contract, or (b) the Bankruptcy Court has entered an order extending the period during which a motion may be made to assume such unexpired lease or executory contract, and such a motion is filed with the Bankruptcy Court before the expiration of such period. The Disclosure Statement and this Plan shall constitute due and sufficient notice of the intention of Debtor to reject all executory contracts and unexpired leases that are not otherwise assumed. The Confirmation Order shall be deemed an order under section 365(a) of the Bankruptcy Code rejecting any such executory contracts and unexpired leases that are not otherwise assumed.

8.2 Bar Date for Rejection Damage Claims. Unless otherwise provided by an order of the Bankruptcy Court entered on or prior to the Confirmation Date, any Rejection Damage Claim must be filed with the Bankruptcy Court within thirty (30) days of the Confirmation Date. Any Entity that fails to file its Rejection Damage Claim within the period set forth above shall be forever barred from asserting a Claim against the Debtor, the Liquidating Trust, the Liquidating Trust Estate, the Liquidating Trustee or any Property or interests in Property of the Debtor or the Liquidating Trust. All Allowed Rejection Damage Claims shall be classified as Unsecured Claims (Class 2) under this Plan.

ARTICLE IX

Means for Effectuating this Plan

9.1 Vesting of Property. Except as otherwise provided in this Plan, on the Effective Date, title to all Property of Debtor's Estate shall pass to and vest in the Liquidating Trust, free and clear of all Claims, Interests, Liens, security interests, charges and other encumbrances.

9.2 Transactions on Business Days. If the Effective Date or any other date on which a transaction may occur under this Plan shall occur on a day that is not a Business Day, the transactions contemplated by this Plan to occur on such day shall instead occur on the next succeeding Business Day.

9.3 Implementation. Pursuant to the Confirmation Order and upon confirmation of this Plan, the Debtor and the Liquidating Trustee shall be authorized to take all necessary steps, and perform all necessary acts, to consummate the terms and provisions of this Plan. On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate or further evidence the terms and provisions of this Plan and the other agreements referred to herein. The Debtor and the Liquidating Trustee, as the case may be, are hereby authorized, and shall, execute such documents and take such other actions as are necessary to effectuate the transactions provided for in this Plan, without the need for any additional approvals, authorizations or consents. Upon the completion of all acts required to be performed by the post-confirmation Debtor under this Plan and/or the filing by or on behalf of the post-confirmation Debtor of a certification to that effect with the Bankruptcy Court (which may be included in the application for entry of the final decree), the post-confirmation Debtor shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of the post-confirmation Debtor or payments to be made in connection therewith. From and after the Effective Date, the post-confirmation Debtor shall not be required to file any document, or take any action, to withdraw its business operation from any States where the Debtor previously conducted business operations.

9.4. Initial Funding for the Plan. The initial funding of the Plan will be from the Liquidating Trust Assets and the earnings thereon and proceeds thereof. On the Effective Date, the Debtor shall turn over to the Liquidating Trust all of the Liquidating Trust Assets, including without limitation, all Cash in Debtor's possession, custody or control. The Liquidating Trustee, on behalf of the Liquidating Trust, shall distribute such Cash in accordance with the provisions of this Plan and the Liquidating Trust Agreement as follows: (a) first, to the Holders of Allowed Administrative Expense Claims and Allowed Priority Tax Claims; (b) second, to Holders of Allowed Priority Claims; and (c) after the establishment of the reserves provided for in the Liquidating Trust Agreement, to the Holders of Allowed Unsecured Claims.

9.5. Liquidating Trust.

(a) Creation of Trust. On the Effective Date, the Debtor shall create the Liquidating Trust from which payment in connection with all remaining Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Priority Claims, Allowed Unsecured Claims, and if applicable and subject to the provisions of Section 5.3 of this Plan, WARN Act Claims, together with the Operating Expenses (as that term is defined in the Liquidating Trust Agreement) shall be paid. The Debtor shall relinquish any and all rights in and to the Liquidating Trust in accordance with the provisions of the Liquidating Trust Agreement.

(b) Appointment of Liquidating Trustee. On the Confirmation Date, the Liquidating Trustee will be designated pursuant to Court order. The retention of the Liquidating Trustee will be pursuant to the Liquidating Trust Agreement and Confirmation Order and she/he will have the powers and responsibilities of a disbursing agent and trustee as set forth therein.

(c) Transfer of Liquidating Trust Assets. On the Effective Date, and in accordance with the Confirmation Order, the Liquidating Trust Assets will be irrevocably transferred and assigned to the Liquidating Trust, and will be held in trust for the benefit of all

Holders of Allowed Claims pursuant to the terms of this Plan and the Liquidating Trust Agreement. The Debtor's and the Estate's title to the Liquidating Trust Assets will pass to the Liquidating Trust on the Effective Date free and clear of all Claims, Liens, Interests, and interests of Creditors, Interest Holders and other parties in interest in accordance with section 1141 of the Bankruptcy Code (other than as provided in Article V hereof). Without limiting the generality of the foregoing, on the Effective Date, all Causes of Action will be transferred and assigned to the Liquidating Trust. The Liquidating Trustee will pay, or otherwise make distributions on account of, all Allowed Claims against the Debtor in accordance with the terms of this Plan and the Liquidating Trust Agreement.

(d) Effect of Transfer. For federal and applicable state income tax purposes, the transfer of the Liquidating Trust Assets to the Liquidating Trust will be a disposition of the Liquidating Trust Assets directly to and for the benefit of the Beneficiaries (as that term is defined in the Liquidating Trust Agreement) in partial satisfaction of their Claims, immediately followed by a deemed contribution of the Liquidating Trust Assets by the Beneficiaries to the Liquidating Trust. The Beneficiaries will be treated as the grantors and deemed owners of the Liquidating Trust.

9.6. Preservation and Vesting of Claims, Rights, Demands and Causes of Action. Pursuant to section 1123 of the Bankruptcy Code, the Liquidating Trustee, on behalf of and for the benefit of the Liquidating Trust, shall be vested with, shall retain, and shall have the authority to prosecute and enforce any and all claims, controversies, agreements, promises, accounts, rights to legal remedies, rights to equitable remedies, rights, demands and Causes of Action of any kind or nature whatsoever held by, through, or on behalf of the Debtor and/or the Estate, including, without limitation, all Causes of Action of a trustee and debtor-in-possession under the Bankruptcy Code, including, without limitation, under sections 544, 545, 547, 548, and 549 of the Bankruptcy Code, against any other Entity arising before or after the Effective Date that have not been fully resolved or disposed of prior to the Effective Date, whether or not such Claims or Causes of Action are specifically identified in the Disclosure Statement accompanying the Plan and whether or not litigation with respect to same has been commenced prior to the Effective Date. The Liquidating Trustee will also be authorized to challenge, object to and/or settle disputed Claims, without first having to seek approval from the Bankruptcy Court, in accordance with the terms and provisions of the Liquidating Trust Agreement. The Liquidating Trustee will be authorized and empowered to bind the Liquidating Trust thereto. Any settlement by the Liquidating Trustee pursuant to and in accordance with the terms of the Liquidating Trust Agreement shall be conclusively deemed to be in the best interests of the Estate and the Liquidating Trust.

9.7. Recoveries. All Cash, proceeds and/or recoveries from the Causes of Action and all other proceeds derived from the Liquidating Trustee's liquidation of Liquidating Trust Assets will be deposited into the Liquidating Trust to be administered and disbursed in accordance with the provisions of the Liquidating Trust Agreement.

9.8. The Liquidating Trustee.

(a) Appointment. In the Confirmation Order, the Liquidating Trustee will be appointed and will be bound to perform as required by the Plan and Liquidating Trust

Agreement.

(b) Duties and Powers. (i) On the Effective Date, the Liquidating Trustee will be the representative of the Estate and successor to the Debtor and the Estate as that term is used in section 1123(b)(3)(B) of the Bankruptcy Code, and will have the rights and powers provided in the Bankruptcy Code, in addition to any rights and powers granted herein and in the Liquidating Trust Agreement. In the Liquidating Trustee's capacity as the representative of the Estate and successor to the Debtor and the Estate, the Liquidating Trustee will be the successor-in-interest to the Debtor with respect to all Causes of Action and other interests constituting Liquidating Trust Assets and with respect to the claims of Creditors. The Liquidating Trustee will hold all right, title and interest in and to the Liquidating Trust Estate of the Liquidating Trust for and on behalf of the Beneficiaries thereof, and will pay from the Liquidating Trust all ordinary and necessary costs of protecting, preserving, disposing, liquidating and realizing upon the Liquidating Trust Estate. The Liquidating Trustee will administer the Liquidating Trust, will liquidate the Liquidating Trust Estate of the Liquidating Trust, will object to/challenge/settle all Claims, and will make distributions from the Liquidating Trust, all in accordance with the terms of the Plan and the Liquidating Trust Agreement. Unless otherwise excused or exempted from doing so by the Bankruptcy Code, the Liquidating Trustee will abide by all laws, including tax laws and regulations, and will prepare or cause to be prepared all local, state, or federal tax returns, filings, and/or reports that are necessary or appropriate. The Liquidating Trustee (subject to the terms and provisions of the Liquidating Trust Agreement) shall have sole and exclusive authority for the retention of professionals to assist in any manner on and after the Effective Date.

(ii) The Liquidating Trustee will have the power to take any and all actions which, in the business judgment of the Liquidating Trustee (subject to the terms and provisions of the Liquidating Trust Agreement), are necessary or appropriate to fulfill his/her obligations under the Plan and the Liquidating Trust Agreement, including, but not limited to, each of the powers set forth in the Liquidating Trust Agreement.

(c) Reporting Requirements. Approximately one hundred twenty (120) days following the Effective Date, the Liquidating Trustee shall file with the Bankruptcy Court and serve on the Oversight Committee, the United States Trustee and those parties who have requested special notice post-confirmation, a status report and a summary financial update explaining what progress has been made toward entry of the Final Decree. Until entry of the Final Decree, further status reports shall be filed periodically approximately every one hundred twenty (120) days and served on the same entities. Each status report shall generally include a description of Liquidating Trust Assets sold or otherwise realized upon during the relevant period, gross and net proceeds received, distributions and payments made, expenses incurred and paid, and cash on hand. A standard Post-Confirmation Operating Report as required by the Office of the United States Trustee shall meet the requirements of this status report.

(d) Compensation. The Liquidating Trust shall pay reasonable compensation for the services provided by the Liquidating Trustee and any other professionals or other Entities retained by the Liquidating Trustee, the Liquidating Trust and the members of the Oversight Committee as permitted under this Trust Agreement. The Liquidating Trustee shall be entitled to

receive from the Liquidating Trust compensation for his/her services hereunder based on a rate of \$250 per hour for actual time spent, plus reasonable out of pocket expenses, or such other compensation as may from time to time be agreed to in writing between the Liquidating Trustee and the Oversight Committee, which compensation shall not be limited by any provision of law in regard to compensation of a trustee of an express trust, subject to the terms and provisions of the Liquidating Trust Agreement.

The Liquidating Trustee shall have the right to employ or retain and pay such counsel, accountants and other professionals as the Liquidating Trustee may select to assist the Liquidating Trustee in his/her duties, on such terms, including contingency-fee arrangements, as the Liquidating Trustee reasonably deems appropriate, without Bankruptcy Court approval, subject to the terms and provisions of the Liquidating Trust Agreement. All reasonable fees and expenses incurred in connection with the performance of his/her duties and obligations as Liquidating Trustee on behalf of the Liquidating Trust including, without limitation, the fees and expenses of the Liquidating Trustee, any accountants, attorneys and other professionals engaged by the Liquidating Trustee, shall be paid out of Liquidating Trust, subject to the terms and provisions of the Liquidating Trust Agreement.

9.9. Oversight Committee.

(a) Appointment of Oversight Committee. An Oversight Committee shall be created at the same time as the Liquidating Trust is created. The Oversight Committee shall consist of three (3) members and shall in no event include any professional employed by the Liquidating Trustee. The initial members of the Oversight Committee shall be: (1) BT Holdings (NY), Inc., (2) Front RAP, LLC (or its designee), and (3) Scott Rechler. The Oversight Committee shall have general oversight powers for the activities of the Liquidating Trustee as well as those specific rights and powers set forth in the Liquidating Trust Agreement. The Liquidating Trustee shall report to the Oversight Committee on the affairs of the Liquidating Trust. The Liquidating Trustee's rights, powers and authority to act and administer the Liquidating Trust shall be subject to consultation with the Oversight Committee to the extent and as set forth in the Liquidating Trust Agreement.

Each member of the Oversight Committee shall hold office until the termination of the Liquidating Trust or the earlier resignation, removal, death or disability of such member. Any member of the Oversight Committee may resign upon thirty (30) days' prior written notice to the Liquidating Trustee and the other members of the Oversight Committee. Any member of the Oversight Committee may be removed for cause by order of the Bankruptcy Court. Any vacancy on the Oversight Committee, caused by the death (in the case of a member that is a natural person), dissolution (in the case of a member that is a corporation or other entity), resignation, incompetency or removal of any member of the Oversight Committee, shall be filled by an alternate member who shall be appointed within thirty (30) days by the remaining members or, if no agreement is reached, then upon application to the Bankruptcy Court by the Liquidating Trustee or remaining members of the Oversight Committee. Such appointment shall specify the date on which such appointment shall be effective. The Bankruptcy Court will retain jurisdiction over matters relating to appointments of members to the Oversight Committee.

(b) Duties of the Oversight Committee. The Oversight Committee shall meet

and/or consult regularly with the Liquidating Trustee to keep itself apprised of the status and progress of the Liquidating Trustee's liquidation of all Liquidating Trust Estate, and shall have those rights, powers and duties as set forth in the Liquidating Trust Agreement.

(c) Compensation. Members of the Oversight Committee shall serve in such capacity without compensation; *provided, however*, that such members shall be entitled to reimbursement of reasonable and necessary expenses incurred in carrying out their duties as members of the Oversight Committee, all of which shall be payable from the Liquidating Trust in accordance with the terms and provisions of the Liquidating Trust Agreement.

9.10. No Stamp or Similar Taxes. Pursuant to section 1146(c) of the Bankruptcy Code: (a) the creation of any mortgage, deed of trust, lien, pledge, or other security interest; (b) the making or assignment of any lease or sublease; (c) the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including, without limitation, any restructuring, disposition, liquidation, dissolution, deeds, bills of sale, transfers of tangible property or the transfers, sales, and assignments of the Debtor's or Liquidating Trustee's owned and leased real property, or (d) any transfers from or for the benefit of the Debtor to Liquidating Trustee pursuant to this Plan, will not be subject to any document recording tax, stamp tax, conveyance fee, personal property tax, real estate transfer tax, intangibles or similar governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

ARTICLE X

Provisions Effecting Distributions

10.1 Distributions to Liquidating Trust. On the Effective Date, the Debtor shall transfer all of its right, title and interest in and to the Liquidating Trust Assets to the Liquidating Trust. From time to time thereafter, other assets may be transferred to the Liquidating Trust and, upon conversion thereof to Cash, will be distributed to Holders of Allowed Claims in accordance with the terms and provisions of the Plan and the Liquidating Trust Agreement. The Liquidating Trustee may hold or invest the funds in the Liquidating Trust in one or more accounts; provided that all investments shall be made in accordance with section 345 of the Bankruptcy Code, subject to compliance with the terms and provisions of the Liquidating Trust Agreement.

10.2 Timing of Distributions Due Under Plan. (a) All distributions and payments required of the Debtor and/or the Liquidating Trustee under this Plan to Holders of Allowed Claims will be paid from the Liquidating Trust on the dates, and in the manner indicated in this Plan and the Liquidating Trust Agreement. Except as otherwise provided in this Plan and in the Liquidating Trust Agreement, without in any way limiting Sections 11.5 and 11.6 below, and subject to Section 14.2 below, payments and distributions in respect of (i) Allowed Priority Claims in Class 1 of this Plan shall be made by the Liquidating Trustee as set forth in Section 5.1; (ii) Allowed Unsecured Claims in Class 2 of this Plan shall be made by the Liquidating Trustee as set forth in Section 5.2; (iii) Allowed WARN Act Claims in Class 3 of the Plan shall

be made by the Liquidating Trustee as set forth in Section 5.3; and (iv) all other Allowed Claims that are required by this Plan to be made on the Effective Date shall be made by the Liquidating Trustee from the Liquidating Trust on, or as soon as practicable following, the Effective Date or the date such Claims become Allowed Claims.

10.3 Manner of Distributions. At the option of the Liquidating Trustee, distributions from the Liquidating Trust may be made by wire transfer, check, or such other method as the Liquidating Trustee deems appropriate under the circumstances. No distributions shall be required to be made to any Holder of an Allowed Claim in an amount less than fifty (\$50.00) dollars, unless request is made, in writing, to the Liquidating Trustee.

10.4 Cash Payments. Cash payments made pursuant to this Plan will be in U.S. dollars. Cash payments made pursuant to this Plan in the form of checks issued by the Debtor or the Liquidating Trustee shall be void if not cashed within one hundred twenty (120) days of the date of the issuance. Requests for reissuance of any check shall be made directly to Liquidating Trustee or its designee as set forth in Section 10.8 below.

10.5 Payment of Statutory Fees. All fees payable pursuant to 28 U.S.C. § 1930 as determined by the Bankruptcy Court as of the Confirmation Date shall be paid by the Debtor or the Liquidating Trustee on or before the Effective Date.

10.6 No Interest. Except with respect to Holders of Unimpaired Claims entitled to interest under applicable non-bankruptcy law or as otherwise expressly provided herein, no Holder of an Allowed Claim, including, without limitation, Holders of Allowed Unsecured Claims under Class 2 of this Plan and Holders of WARN Act Claim(s) under Class 3 of this Plan, shall receive interest on any distribution to which such Holder is entitled hereunder, regardless of whether such distribution is made on the Effective Date or thereafter.

10.7 Withholding of Taxes. (a) The Liquidating Trustee may withhold from any Property to be distributed under this Plan or the Liquidating Trust Agreement any Property which must be withheld for taxes payable by the Entity entitled to such distribution to the extent required by applicable law. As a condition to making any distribution under this Plan, the Liquidating Trustee may request that the Holder of any Allowed Claim provide such Holder's taxpayer identification number and such other certification as may be deemed necessary to comply with applicable tax reporting and withholding laws.

(b) Notwithstanding any other provision of the Plan, each Entity receiving a distribution of Cash pursuant to the Plan or the Liquidating Trust Agreement will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding and other tax obligations.

10.8 Undeliverable or Unclaimed Distributions. (a) All distributions under this Plan and the Liquidating Trust Agreement to any Holder of an Allowed Claim shall be made at the address of such Holder as set forth on the lists to be provided by the Debtor to the Liquidating Trust pursuant to Article 3 of the Liquidating Trust Agreement unless the Liquidating Trustee has been notified in writing of a change of address, including, without limitation, by the filing of

a proof of claim or request for payment of Administrative Expense Claims by such Holder that contains an address for such Holder different from the address reflected on such lists for such Holder. Any Entity that is entitled to receive a Cash distribution under the Plan or the Liquidating Trust Agreement but that fails to cash a check within one hundred twenty (120) days of its issuance shall be entitled to receive a reissued check from the Liquidating Trustee for the amount of the original check, without any interest, if such Entity (i) requests, in writing, the Liquidating Trustee to reissue such check, and (ii) provides the Liquidating Trustee with such documentation as the Liquidating Trustee requests to verify in his/her sole discretion that such Entity is entitled to such check. If an Entity fails to cash any check within one hundred twenty (120) days of its issuance or fails to request re-issuance of such check within one hundred twenty (120) days of its issuance, such Entity shall be deemed to have forfeited the amount of the distribution or Liquidating Trust Estate provided for in such check. Any such forfeited distributions shall revert to the Liquidating Trust and the Claim of any Holder or successor to such Holder with respect to such forfeited distributions shall be discharged and forever barred, notwithstanding any other provisions in the Plan, the Liquidating Trust Agreement or any federal or state escheat laws to the contrary.

(b) In the event that any distribution to any Holder of an Allowed Claim is returned to the Liquidating Trustee as undeliverable, no further distributions will be made to such Holder unless and until the Liquidating Trustee is notified in writing of such Holder's then-current address. All claims for undeliverable distributions for which no check is issued, must be made within one hundred twenty (120) days of the issuance of the original check. After such date, all unclaimed distributions shall revert to the Liquidating Trust and the claim of any Holder or successor to such Holder with respect to such distribution shall be forfeited, discharged and forever barred, notwithstanding any provisions in the Plan, the Liquidating Trust Agreement or any federal or state escheat laws to the contrary. Upon such forfeiture of Cash or other Liquidating Trust Estate property, including any Beneficial Interests (as that term is defined in the Liquidating Trust Agreement), such Cash or Liquidating Trust Estate property shall be the property of the Liquidating Trust. Upon the forfeiture of any Beneficial Interests, such Beneficial Interest shall be deemed cancelled and of no further force or effect.

10.9 Post Effective Date Services by Professionals. The Professionals retained by the Debtor shall continue to be retained subsequent to the Effective Date for the purpose of rendering services as necessary to consummate the Plan, which services shall be limited to those services related to the establishment of the Liquidating Trust, preparation, execution and delivery of all required documents to effectuate same, transfer of the Liquidating Trust Assets into the Liquidating Trust, and preparation of the Final Fee Applications.

The reasonable fees and expenses of the Debtor's Professionals incurred after the Confirmation Date shall constitute Operating Expenses (as that term is defined in the Liquidating Trust Agreement) of the Liquidating Trust and shall be payable upon presentment of a monthly statement for services rendered and for reimbursement of expenses to the Liquidating Trustee, with a copy sent to the Oversight Committee. The Liquidating Trustee shall have ten (10) days from the receipt of any such fee and expense statements to dispute all or part of such statement. Upon the expiration of said ten (10) days, the Liquidating Trustee shall pay the Professionals the undisputed portion of such fees and expenses. Any disputes shall be submitted to the Bankruptcy Court for determination. A law firm, accountant or other Professional shall not be

disqualified from representing or otherwise serving the Liquidating Trust solely because of its current or prior retention as counsel or professional to the parties in interest in the Chapter 11 Case, including, without limitation, counsel to the Debtor.

ARTICLE XI

Procedures for Resolving Disputed Claims

11.1 **Objections to Claims.** Only the Debtor shall have until the Effective Date and, after the Effective Date, only the Liquidating Trustee shall have the authority to file, settle, compromise, withdraw or litigate to judgment objections to Claims. Subject to an order of the Bankruptcy Court providing otherwise, the Liquidating Trustee may object to a Claim by filing an objection with the Bankruptcy Court and serving such objection upon the Holder of such Claim not later than ninety (90) days after the Effective Date or ninety (90) days after the filing of the proof of such Claim, whichever is later, or such other date fixed by the Bankruptcy Court.

11.2 **Procedure.** Unless otherwise ordered by the Bankruptcy Court or agreed to by written stipulation of the Liquidating Trustee, or until an objection thereto by Liquidating Trustee is withdrawn, the Liquidating Trustee may litigate the merits of each Disputed Claim until a Final Order is entered with respect to such Claim; *provided, however*, that (a) prior to the Effective Date, the Debtor, subject to the approval of the Bankruptcy Court, and (b) after the Effective Date, the Liquidating Trustee, may compromise and settle any objection to any Claim.

11.3 **Payments and Distributions With Respect to Disputed Claims.** No payments or distributions shall be made in respect of any Disputed Claim until such Disputed Claim becomes an Allowed Claim.

11.4 **Claims Reserve - Estimation.** For purposes of effectuating the reserve provisions of this Plan and the Liquidating Trust Agreement, and the allocations and distributions to Holders of Allowed Claims, the Bankruptcy Court may, on or prior to sixty (60) days after the Effective Date, pursuant to section 502 of the Bankruptcy Code, fix or liquidate the amount of any contingent or unliquidated Unsecured Claim, in which event the amount so fixed will be deemed the Allowed Amount of such Claim for purposes of this Plan and the Liquidating Trust Agreement or, in lieu thereof, the Bankruptcy Court will determine the maximum contingent or unliquidated amount for such Claim, which amount will be the maximum amount in which such Claim ultimately may be Allowed under this Plan and the Liquidating Trust Agreement, if such Claim is Allowed in whole or in part. The Bankruptcy Court's entry of this order may limit the distribution to be made on individual Disputed Claims, regardless of the amount finally Allowed on account of such Disputed Claims, and no Holder shall have recourse against the Debtor, the Liquidating Trust or the Liquidating Trustee or any of their respective Professionals, professional consultants, attorneys, advisors, officers, directors, employees, members or their successors or assigns, or any of their respective property, as such Holder's sole recovery shall be from the distributions to be made to Holders of Allowed Claims.

11.5 **Distributions After Allowance of Disputed Unsecured Claims.** Distributions to each Holder of a Disputed Claim, to the extent that such Claim ultimately becomes an Allowed

Claim, will be made in accordance with the provisions of this Plan and the Liquidating Trust Agreement.

11.6 Distributions After Disallowance of Disputed Unsecured Claims. Holders of Allowed Unsecured Claims in Class 2 of this Plan that receive distributions after Allowance of such Holder's Unsecured Claim, may receive subsequent distributions based on their *pro rata* share of all Allowed Unsecured Claims in Class 2 if and to the extent that other Unsecured Claims are disallowed or expunged or as Liquidating Trust Assets are sold and converted to Cash. Such subsequent distributions will be included with the next distributions due to be paid to Holders of Allowed Unsecured Claims in Class 2 of this Plan pursuant to Section 5.2 of this Plan, subject to the terms and provisions of the Liquidating Trust Agreement. Holders of WARN Act Claims in Class 3 of this Plan will receive distributions pursuant to Section 5.3 of this Plan, subject to the terms and provisions of the Liquidating Trust Agreement.

11.7 Setoffs and Recoupments. Except with respect to Causes of Action of any nature released or allowed pursuant to this Plan or Confirmation Order, the Debtor, the Liquidating Trustee or their designee as instructed by them may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off or recoup against any Allowed Claim, the distributions to be made pursuant to this Plan on account of such Claim, any Causes of Action of any nature that the Debtor, the Liquidating Trust, the Liquidating Trustee or their successors may hold against the Holder of such Allowed Claim; provided that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor, the Liquidating Trust, or the Liquidating Trustee or their successors, of any Causes of Action that the Debtor, the Liquidating Trust, or the Liquidating Trustee or their successors may possess against such Holder.

ARTICLE XII

Injunction, Release and Exculpation

12.1 Injunction. **Except as otherwise provided in or to enforce this Plan, the Liquidating Trust Agreement or Confirmation Order, on or after the Effective Date all Entities that have held, currently hold, or may hold, a Claim, Lien, Interest or other liability against or in the Debtor that would be discharged or satisfied upon Confirmation of this Plan and the Effective Date but for the provisions of Bankruptcy Code § 1141(d)(3) are permanently enjoined from taking any of the following actions on account of such Claim, Lien, Interest or right: (a) commencing or continuing in any manner any action or other proceeding on account of such Claim, Lien, Interest, or right against Property that is to be distributed under this Plan or the Liquidating Trust Agreement or; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against any Property to be distributed to Creditors or Claimants under this Plan or the Liquidating Trust Agreement.**

On and after the Effective Date, each Holder of an Interest in the Debtor is permanently enjoined from taking or participating in any action that would interfere with or otherwise hinder the Debtor or Liquidating Trustee from implementing this Plan, the Liquidating Trust Agreement or the Confirmation Order.

Except as otherwise provided in this Plan, the Liquidating Trust Agreement or the Confirmation Order, on or after the Effective Date all Creditors of, Claimants against, Interest Holders of, and Entities having or claiming an interest of any nature in the Liquidating Trust Estate are hereby permanently enjoined and stayed from pursuing or attempting to pursue any action, commencing or continuing any action, employing any process, or any act against the Liquidating Trust, the Liquidating Trust Estate or the Liquidating Trustee on account of or based upon any right, claim or interest which any such Creditor, Claimant, Interest Holder, or other Entity may have had prior to the entry of the Confirmation Order.

12.2 Release. Except as otherwise specifically provided in or to enforce this Plan and the Liquidating Trust Agreement, the confirmation of this Plan (subject to the occurrence of the Effective Date) shall, as to all Creditors and Interest Holders who vote in favor of the Plan, release the Debtor's officers, directors, employees, and other agents, financial advisors, consultants, attorneys and accountants (in such capacity), and their respective assets and properties from any debt, charge, Causes of Action, liability, encumbrance, Lien, security interest, Claim, Interest, or other cause of action of any kind, nature or description (including, but not limited to, any claim of successor liability), other than a right to pursue a claim based on any gross negligence or willful misconduct, including any breach of fiduciary duty constituting gross negligence or willful misconduct, that arose before the Confirmation Date, and any debt of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not a proof of Claim or Interest is or could have been filed or is deemed filed, and whether or not such Claim or Interest is or could have been Allowed.

12.3 Exculpation. In consideration of the distributions under this Plan, upon the Effective Date, each Holder of a Claim or Interest will be deemed to have released the Debtor and its directors, partners, officers, agents, consultants, attorneys, independent accountants, advisors, Professionals, financial advisors, investment bankers and employees (in such capacity), employed by the Debtor from and after the Filing Date from any and all Causes of Action (other than the right to enforce the obligations under this Plan or the Liquidating Trust Agreement, and the right to pursue a claim based on any gross negligence or willful misconduct, including any breach of fiduciary duty constituting gross negligence or willful misconduct) arising out of actions or omissions during the administration of Debtor's Estate or the distribution of any Property pursuant to this Plan or the Liquidating Trust Agreement.

ARTICLE XIII

Conditions Precedent to the Confirmation Order and the Effective Date of this Plan

13.1 Condition Precedent to Entry of the Confirmation Order. The following condition must be satisfied on or before the Confirmation Date: The Confirmation Order must be in form and substance reasonably acceptable to the Debtor.

13.2 Conditions Precedent to the Effective Date. The following conditions must be fully satisfied or waived, if subject to waiver, on or before the Effective Date for this Plan to become effective, the satisfaction of which shall constitute Consummation of the Plan:

(a) the Confirmation Order must be entered by the Bankruptcy Court and become a Final Order.

(b) the Liquidating Trustee has accepted, in writing, the terms of his service and compensation, and such terms shall have been approved by the Bankruptcy Court in the Confirmation Order; and

(c) the Liquidating Trust has been established.

13.3 Debtor's Right to Waive Conditions Precedent. The Debtor, in its sole discretion, may waive the Final Order condition of the foregoing Section 13.2 at any time from and after the Confirmation Date. In that event, the Debtor will be entitled to render any or all of its performances under the Plan prior to what otherwise would be the Effective Date if the above-referenced conditions were not waived, including, but not limited to, the right to perform under any circumstances which would moot any appeal, review or other challenge of any kind to the Confirmation Order if the Confirmation Order is not stayed pending such appeal, review or other challenge.

ARTICLE XIV

Miscellaneous Provisions

14.1 Bankruptcy Court to Retain Jurisdiction. Notwithstanding entry of the Confirmation Order, or the occurrence of the Effective Date or Consummation of the Plan, the Chapter 11 Case having been closed, or a Final Decree having been entered, the Bankruptcy Court (or the District Court, as the case may be) shall have and retain jurisdiction of matters arising out of, and related to the Chapter 11 Case and the Plan under, and for the purposes of, Bankruptcy Code §§ 105(a), 1127, 1142 and 1144 and for, among other things, the following purposes:

(a) To consider any modification of the Plan under Bankruptcy Code § 1127 and/or modification of the Plan before “substantial consummation” as defined in Bankruptcy Code § 1101(2), and to consider any modification of the Plan to cure any defect or omission, or reconcile any inconsistency in the Plan, the Disclosure Statement or in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

(b) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any, and allowance of Claims resulting therefrom.

(c) To (i) hear and determine any Claim or Cause of Action arising in or related to the Chapter 11 Case; and (ii) to adjudicate any Causes of Action or other proceedings currently pending or which may be commenced by the Liquidating Trustee after the Effective

Date or otherwise referenced here or elsewhere in the Plan, including, but not limited to, the adjudication of any Causes of Action and any and all “core proceedings” under 28 U.S.C. § 157(b), which are or may be pertinent to the Chapter 11 Case and which the Liquidating Trustee may deem appropriate to commence and prosecute in support of implementation of the Plan.

(d) To determine any and all adversary proceedings, applications, and contested matters filed or commenced by the Liquidating Trustee after the Effective Date, including, without limitation, any Causes of Action.

(e) To ensure that distributions are accomplished as provided in the Plan.

(f) To hear and determine any objections to Administrative Expense Claims, to Proofs of Claim, or to Claims and Interests filed and/or asserted both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and to allow or disallow any disputed Administrative Expense Claim, Claim or Interest, in whole or in part, and any request for estimation of Claims.

(g) To protect the Liquidating Trust and Liquidating Trust Estate from adverse Claims or interference inconsistent with the Plan, including to hear actions to quiet or otherwise clear title to such property of the Liquidating Trust Estate based upon the terms and provisions of the Plan.

(h) To (i) enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated; (ii) to issue such orders in aid of execution of the Plan as may be necessary and appropriate, to the extent authorized by Bankruptcy Code § 1142; and (iii) to interpret and enforce any Orders previously entered in the Chapter 11 Case to the extent such Orders are not superseded or inconsistent with the Plan.

(i) To hear and determine all applications for compensation and reimbursement of expenses of Professionals under Bankruptcy Code §§ 330, 331, and 503(b) for services rendered and expenses incurred prior or subsequent to the Confirmation Date.

(j) To hear and determine all litigation, Causes of Action and all controversies, suits and disputes that may arise in connection with the interpretation, implementation or enforcement of the Plan or Liquidating Trust Agreement, including but not limited to, any and all litigation and/or Causes of Action brought by the Debtor or Liquidating Trustee, whether such litigation and/or Causes of Action is/are commenced either prior to or after the Effective Date.

(k) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code §§ 345, 505, and 1146.

(l) To enter a Final Decree closing the Chapter 11 Case.

(m) To consider and act on the compromise and settlement of any litigation, Claim against or Cause of Action asserted in connection with the Chapter 11 Case or the Liquidating Trust on behalf of the Estate.

(n) Without limiting the generality of the foregoing and notwithstanding the Effective Date and to the fullest extent permitted by law, the Bankruptcy Court shall retain exclusive jurisdiction over the Liquidating Trust after the Effective Date, including, without limitation, jurisdiction to resolve any and all controversies, suits and issues that may arise in connection herewith or therewith, including, without limitation, the Liquidating Trust Agreement, or any Entities' obligations incurred in connection herewith or therewith, including without limitation, any action against the Liquidating Trustee or any or all of the Liquidating Trustee's professionals or the Liquidating Trust, and any action seeking turn over or recovery of assets included in the Liquidating Trust Estate.

14.2 Binding Effect of this Plan. Nothing contained in this Plan or the Disclosure Statement will limit the effect of confirmation as set forth in Bankruptcy Code §1141. The provisions of this Plan shall be binding upon and inure to the benefit of the Debtor, the Liquidating Trustee, any Holder of a Claim or Interest, or their respective predecessors, successors, assigns, agents, officers, managers, members and directors and any other Entity affected by this Plan.

14.3 Fractional Cents. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent.

14.4 Successors and Assigns. The rights and obligations of any Entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Entity.

14.5 Blank Ballots. Any ballot which is executed by the Holder of an Allowed Claim but which does not indicate an acceptance or rejection of the Plan, shall be deemed to be an acceptance of the Plan. Any ballot not filed in accordance with the filing instructions on the ballot pertaining to the Plan shall not be counted for voting purposes.

14.6 Authorization of Corporate Action. Upon the entry of the Confirmation Order, all actions contemplated by the Plan will be deemed authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the transfer and/or contribution of the Liquidating Trust Assets to the Liquidating Trust. On the Confirmation Date, appropriate officers of the Debtor and the Liquidating Trustee are authorized and directed to execute and to deliver any and all agreements, documents and instruments contemplated by the Plan, the Liquidating Trust and/or necessary for the consummation of the Plan, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without the need for any additional authorizations, approvals or consents.

14.7 Withdrawal of this Plan. The Debtor reserves the right, at any time prior to the entry of the Confirmation Order, to revoke or withdraw this Plan. If the Debtor revokes or withdraws this Plan, or if the Confirmation Date does not occur, or if the Effective Date does not

occur then (a) this Plan will be deemed null and void and (b) this Plan shall be of no effect and shall be deemed vacated, and the Chapter 11 Case shall continue as if this Plan had never been filed and, in such event, the rights of any Holder of a Claim or Interest shall not be affected nor shall such Holder be bound by, for purposes of illustration only, and without limitation, (i) this Plan, (ii) any statement, admission, commitment, valuation or representation contained in this Plan, the Disclosure Statement, or the Related Documents or (iii) the classification and proposed treatment (including any allowance) of any Claim in this Plan.

14.8 Captions. Article and Section captions used in this Plan are for convenience only and will not affect the construction of this Plan.

14.9 Method of Notice. Any notice or other communication hereunder shall be in writing (including by facsimile transmission or by e-mail) and shall be deemed to have been sufficiently given, for all purposes, if deposited, postage prepaid, in a post office or letter box addressed to the person for whom such notice is intended (or, in the case of notice by facsimile transmission or e-mail, when received and telephonically or electronically confirmed), addressed as follows (provided, however, that only one notice or other communication hereunder need be sent to Holders sharing the same address):

If to the Debtor, to:

Mr. Scott Rechler
FrontLine Capital Group
625 RexCorp Plaza
Uniondale, New York 11556
(516) 506-6000
(516) 506-6822 (facsimile)
SRechler@RexcorpRealty.com (e-mail)

With a copy to:

Westerman Ball Ederer Miller & Sharfstein, LLP
170 Old Country Road, Suite 400
Mineola, New York 11501
Attention: Thomas A. Draghi, Esq.
(516) 622-9200
(516) 622-9212 (facsimile)
tdraghi@westermanllp.com (e-mail)

If to the Liquidating Trustee, to:

Frank Adipietro
625 RexCorp Realty
Uniondale, New York 11556
(516) 506-6000
(516) 506-6811 (facsimile)
FAdipietro@RexCorpRealty.com (e-mail)

Any of the above may, from time to time, change its address for future notices and other communications hereunder by filing a notice of the change of address with the Bankruptcy Court.

14.10 Amendments and Modifications to Plan. This Plan may be altered, amended or modified by the Debtor, before or after the Confirmation Date, as provided in section 1127 of the Bankruptcy Code. The Debtor may also seek to modify the Plan at any time after confirmation so long as (a) the Plan has not been substantially consummated and (b) the Bankruptcy Court authorizes the proposed modification after notice and a hearing. The Debtor further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected.

14.11 Section 1125(e) of the Bankruptcy Code. Confirmation of this Plan will constitute a finding that the Debtor (and each of its Affiliates, agents, directors, officers, employees, advisors, Professionals, and attorneys) have proposed and solicited acceptances of this Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

14.12 Entire Agreement. The Plan, as described herein, and the Disclosure Statement and exhibits thereto set forth the entire agreement and understanding of the parties hereto relating to the subject matter hereof and supersede all prior discussions and documents. No party hereto shall be bound by any terms, conditions, definitions, warrants, understandings or representations with respect to the subject matter hereof, other than as is expressly provided for herein or as may hereafter be agreed to by the parties in writing.

14.13 Post-Confirmation Obligations. Under current applicable law, Debtor and, after the Effective Date, the Liquidating Trustee, for and on behalf of the Liquidating Trust, is required to pay fees assessed against Debtor's Estate under 28 U.S.C. § 1930(a)(6) until entry of an order closing the Chapter 11 Case. Subject to a change in applicable law, the Liquidating Trustee shall pay all fees assessed against the Estate under 28 U.S.C. §1930(a)(6) from the Liquidating Trust and shall file post-confirmation reports until entry of an order closing the Chapter 11 Case of Debtor.

Dated: Mineola, New York
June 4, 2008

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