THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AND IS SUBJECT TO THE QUALIFICATIONS SET FORTH HEREIN IN ALL RESPECTS.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11
	)	
GSC GROUP, INC., et al.,[1]	)	Case No. 10-14653 (AJG)
	)	
Debtor.	)	Jointly Administered

DISCLOSURE STATEMENT FOR THE JOINT CHAPTER 11 PLAN FOR GSC GROUP, INC. AND ITS AFFILIATED DEBTORS PROPOSED BY THE NON-CONTROLLING LENDER GROUP

WHITE & CASE LLP
1155 Avenue of the Americas
New York, New York 10036-2787
Tel: (212) 819-8200
Fax: (212) 354-8113
Attorneys for the Non-Controlling Lender Group

Dated: New York, New York
April 25, 2011

[1] The Debtors, along with the last four digits of each Debtor's federal tax identification number, are: GSC Group, Inc. (6382), GSCP, LLC (6520), GSC Active Partners, Inc. (4896), GSCP (NJ), Inc. (3944), GSCP (NJ) Holdings, L.P. (0940), GSCP (NJ), L.P. (0785), and GSC Secondary Interest Fund, LLC (6477).

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Exhibits

A Joint Chapter 11 Plan for GSC Group, Inc. and its Affiliated Debtors Proposed by the Non-Controlling Lender Group, dated April 22, 2011

B Entered Order Granting Non-Controlling Lender Group's Motion for Entry of an Order (I) Approving Disclosure Statement; (II) Approving Solicitation and Notice Materials; (III) Approving Form of Ballot; (IV) Establishing Solicitation and Voting Procedures; (V) Allowing and Estimating Certain Claims for Voting Purposes; (VI) Approving Third Party Consent Materials; (VII) Scheduling a Confirmation Hearing; and (VIII) Establishing Notice and Objection Procedures

C Superpriority Senior Secured Post-Petition Credit Agreement, between the Trustee, as borrower, and the Postpetition Lenders from time to time party thereto, and Crédit Agricole Corporate and Investment Bank, as Administrative Agent

D Consolidated Balance Sheet of the Debtors, dated as of September 30, 2008

E GSC Group, Inc. Budget Variance Report, dated April 21, 2011

F Presentation of Sankaty Advisors, LLC, dated as of April 2011

G Capstone's Liquidation Analysis of the Non-Core Assets, as of February 3, 2011

ARTICLE I.
INTRODUCTION

UNLESS OTHERWISE DEFINED HEREIN, ALL CAPITALIZED TERMS CONTAINED HEREIN HAVE THE MEANINGS ASCRIBED TO SUCH TERMS IN THE PLAN ATTACHED HERETO.

The Non-Controlling Lender Group, as Plan Proponents, submit this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to Holders of Claims against and Equity Interests in GSC Group, Inc. ("GSC Group" or the "Company") and certain of its direct and indirect subsidiaries and GSC Active Partners, Inc. ("AP Inc.") as debtors (each a "Debtor," and collectively, the "Debtors") for (i) the solicitation of acceptances of the Joint Chapter 11 Plan for GSC Group, Inc. and its Affiliated Debtors Proposed by the Non-Controlling Lender Group, dated April 25, 2011, as the same may be amended or modified (the "Plan", attached hereto as Exhibit A), filed by the Plan Proponents with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) the hearing to consider confirmation of the Plan ("Confirmation Hearing"). Except as otherwise indicated in the Plan, the Plan applies to each of the Debtors.

The Non-Controlling Lender Group consists of all of the Prepetition Lenders under the Debtors' Prepetition Credit Agreement (defined below) except for Black Diamond Lender (each such Prepetition Lender, a "Non-Controlling Lender"). The substantial majority of the Non-Controlling Lenders are long-term Holders of Prepetition Lender Secured Claims and nearly all of them acquired their Claims at par. Today, the Non-Controlling Lenders hold approximately 40% of the Prepetition Lender Secured Claims.

A. General

The Non-Controlling Lender Group believes that the Plan represents a fair and responsible economic resolution for all of the Debtors' creditors and that the Plan will expedite the administration of the Debtors' Chapter 11 Cases and maximize recoveries. The Plan is the most equitable and economic mechanism for resolving these Chapter 11 Cases, as it will avoid the disenfranchisement of creditors and the significant tax liabilities that would result from a sale of the Debtors' Core Assets under section 363(b) of the Bankruptcy Code.

The Prepetition Lenders hold Secured Claims against each of GSC Group, AP Inc., GSCP, LLC ("GSCP LLC"), GSCP (NJ), Inc. ("NJ Inc."), GSCP (NJ) Holdings, L.P. ("Holdings LP"), and GSCP (NJ), L.P. ("NJLP", and together with GSC Group, GSCP LLC, AP Inc., NJ Inc., and Holdings LP, the "Consolidated Debtors"). The Claims of the Prepetition Lenders are secured by a lien on and security interest in substantially all of the assets of the Consolidated Debtors. Because the aggregate value of the Collateral securing the Claims of the Prepetition Lenders is less than the amount of such Claims, the Prepetition Lenders' Claims are undersecured, and because the Consolidated Debtors own virtually no property other than that which is pledged as Collateral to secure the Prepetition Lender Secured Claims, no General Unsecured Creditor has any realizable economic interest in the estates of the Consolidated Debtors. Accordingly, the denial of the substantive consolidation of the Consolidated Debtors

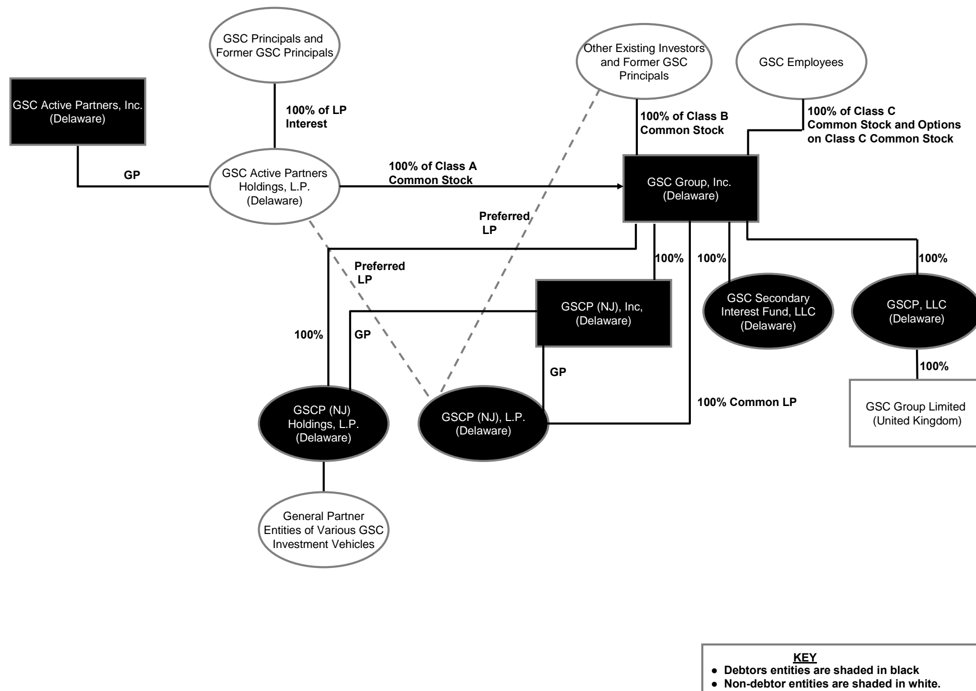
would serve no legitimate interest and would result in an unnecessarily costly and time consuming administrative burden.

The Plan Proponents believe that the substantive consolidation of the Consolidated Debtors' estates solely for voting and distribution purposes is appropriate in these circumstances. Substantive consolidation is an equitable remedy designed to carry out the chief purpose of the Bankruptcy Code – the equitable treatment of all creditors. Where substantive consolidation will benefit all of the creditors of several affiliated debtor estates, substantive consolidation is appropriate. See Union Sav. Bank v. Augie/Restivo Baking Co. (In re Augie/Restivo Baking Co.), 860 F.2d 515, 518 (2d Cir. 1988). Here, substantive consolidation would benefit the creditors of the Consolidated Debtors through (i) "potential savings in costs and time by eliminating the need to disentangle the records and accounts of the debtors"; (ii) "elimination of duplicate claims and the need to adjudicate which debtor is liable"; (iii) "financial benefit from consolidating the operations of the debtors"; and (iv) "whether consolidation would enhance debtor rehabilitation and thereby produce a reorganized enterprise with greater profit potential." In re Drexel Burnham Lambert Group, Inc., 138 B.R. 723, 765 (Bankr. S.D.N.Y. 1992). Additionally, no creditor of any of the Consolidated Debtors would be harmed by their substantive consolidation since only the Prepetition Lenders would ever be entitled to distributions from the estates of any of the Consolidated Debtors.

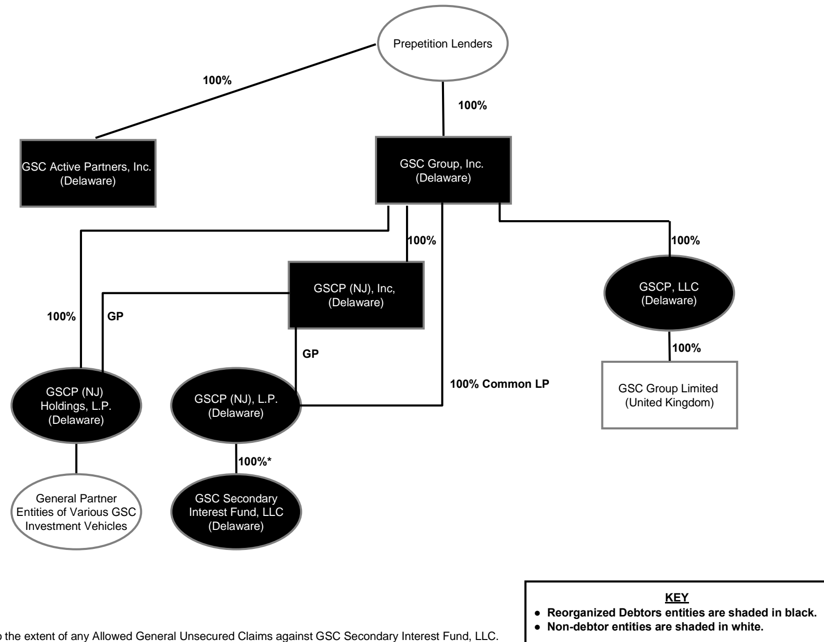
Moreover, substantive consolidation of the Consolidated Debtors' estates is appropriate in light of the substantial entanglement of their affairs. As examples, (1) GSC Group incurred, and all of the other Consolidated Debtors guaranteed the repayment of, the Prepetition Lender Secured Claims, (2) there is in excess of $150 million of Intercompany Claims amongst the Consolidated Debtors, (3) few of the Consolidated Debtors have liquid assets, (4) the Consolidated Debtors shared the costs of overhead, management, accounting, and other related expenses, (5) GSC Group, directly or indirectly, owns 100% of the Equity Interests in each of the other Consolidated Debtors, (6) the Boards of all of the Consolidated Debtors are effectively controlled by the same Person – Alfred C. Eckert III, and (7) the Consolidated Debtors act from the same business location. See In re Drexel Burnham Lambert Group, Inc., 138 B.R. 723, 764 (Bankr. S.D.N.Y. 1992) (identifying factors that favor substantive consolidation).

The only Debtor not so entangled is GSC Secondary Interest Fund, LLC ("SIF"), which happens to be the only Debtor not obligated under the Prepetition Credit Agreement. However, according to the schedule of assets and liabilities filed by SIF with the Bankruptcy Court, SIF's only obligation is in respect of an approximately $50 million Intercompany Claim held by NJLP, which Claim NJLP has pledged to the Prepetition Lenders as part of the assets securing the Prepetition Lender Secured Claims. To avoid any prejudice that would otherwise result to SIF's other creditors, if any, the Plan does not substantively consolidate SIF's estate with the estate of any other Debtor. Instead, the Plan contemplates the conversion of the NJLP Intercompany Claim against SIF, as well as any other Allowed General Unsecured Claims against SIF, into Equity Interests in the Reorganized SIF.

The reorganization proposed by the Plan will recapitalize the Debtors and will transform their corporate structure. The chart immediately below illustrates the corporate structure of GSC Group and its Affiliates as of the date of this Disclosure Statement.



The Plan contemplates (1) the conversion of the Prepetition Lender Secured Claims against the Consolidated Debtors into Reorganized NJLP New Senior Notes, Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock, (2) the conversion of NJLP's Intercompany Claim against SIF and any other Allowed General Unsecured Claims against SIF, if any, into Reorganized SIF Interests, (3) the cancellation of all Equity Interests of non-Debtors in any of the Debtors, and (4) the reinstatement of Equity Interests of any of the Consolidated Debtors in one another. As a result of the transactions contemplated by the Plan, the corporate structure of GSC Group and its Affiliates immediately after giving effect to the transactions contemplated on the Effective Date will be as follows:



B. **Approval of the Disclosure Statement**

On [_____], 2011, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical investor in the relevant classes to make an informed judgment whether to accept or reject the Plan (the "Disclosure Statement Order", attached hereto as Exhibit B). APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. Instead, approval indicates that the Bankruptcy Court found that the Disclosure Statement contains information of a kind, in sufficient detail, and adequate to enable a hypothetical, reasonable investor typical of the Holders of Claims in the solicited Classes to make informed judgments with respect to the acceptance or rejection of the Plan.

The Disclosure Statement Order sets forth in detail, among other things, the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating ballots. In addition, detailed voting instructions accompany each Ballot.

C. **Voting Procedures**

If you are entitled to vote to accept or reject the Plan, a ballot (a "Ballot") for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement mailed to you 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 ballots enabling you to vote each separate Class of Claims. After carefully reviewing this Disclosure Statement, including the

attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot and return the same to:

Epiq Bankruptcy Solutions, LLC
Attn: GSC Group Ballot Processing Center
757 Third Avenue, 3rd Floor
New York, New York 10017

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE **RECEIVED** BY NO LATER THAN **4:00 P.M. (PREVAILING EASTERN TIME) ON _________ __, 2011**. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN SHALL NOT BE COUNTED.

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set _________ __, 2011 as the record date for holders of Claims and Equity Interests entitled to vote on the Plan (the "Voting Record Date"). Accordingly, only Holders of record as of the Voting Record Date that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

If you are a Holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Epiq Bankruptcy Solutions, LLC at (877) 797-6086.

D. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on __, 2011 at __:__ __.m. (prevailing Eastern Time) before the Honorable Arthur J. Gonzalez in Room [___], United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton House, One Bowling Green, New York, New York 10004. The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan must be served and filed so that they are actually filed and received on or before _______ __, 2011 at __:__ __.m. (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

E. Notice to Holders of Claims Entitled to Vote

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is Impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN AND, BECAUSE THE PLAN PROPONENTS DO NOT HAVE ACCESS TO THE DEBTORS' AND TRUSTEE'S BOOKS AND RECORDS, MANY OF SUCH STATEMENTS RELY UPON INFORMATION PROVIDED TO THE PLAN PROPONENTS OR THE BANKRUPTCY COURT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF REGARDLESS OF THE DATE OF ACTUAL DELIVERY OF THE DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE EXHIBITS, PRIOR TO VOTING ON THE PLAN.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING ANY OF THE PLAN PROPONENTS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE PLAN PROPONENTS OR HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM OR EQUITY INTEREST IS, OR IS NOT, IDENTIFIED IN THIS DISCLOSURE STATEMENT. THE REORGANIZED DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND INTERESTS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT, OR THE EXHIBITS OR THE STATEMENTS CONTAINED HEREIN, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THIS DISCLOSURE STATEMENT IS NOT LEGAL ADVICE TO YOU. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS

LEGAL, BUSINESS OR TAX ADVICE. EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST SHOULD CONSULT HIS OR HER OWN LEGAL COUNSEL AND ACCOUNTANT WITH REGARD TO ANY LEGAL, TAX AND OTHER MATTERS CONCERNING HIS OR HER CLAIM OR INTEREST. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN OR OBJECT TO CONFIRMATION OF THE PLAN.

ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN SECTION IX – “RISK FACTORS” OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENTS, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENTS.

CAUTIONARY STATEMENTS CONCERNING PROJECTIONS, VALUATION OF ASSETS, ESTIMATION OF CLAIMS AND FINANCIAL STATEMENTS; FORWARD-LOOKING STATEMENTS:

CERTAIN INFORMATION CONTAINED HEREIN, INCLUDING PROJECTIONS, VALUATION OF ASSETS, ESTIMATION OF CLAIMS AND FINANCIAL STATEMENTS WERE PROVIDED TO THE PLAN PROPONENTS BY THE TRUSTEE OR THE DEBTORS, PUBLICLY DISCLOSED BY THE TRUSTEE OR DEBTORS OR WERE OBTAINED FROM OTHER SOURCES. ALTHOUGH THE PLAN PROPONENTS AND THEIR ADVISORS AND REPRESENTATIVES CONDUCTED A REVIEW AND ANALYSIS OF THE DEBTORS’ BUSINESS, ASSETS AND LIABILITIES, THEY RELIED UPON THE ACCURACY AND COMPLETENESS OF ALL SUCH INFORMATION AND ASSUMED THAT SUCH INFORMATION WAS REASONABLY PREPARED IN GOOD FAITH AND ON A BASIS REFLECTING THE TRUSTEE’S AND DEBTORS’ MOST ACCURATE CURRENTLY AVAILABLE INFORMATION.

THE INCLUSION OF SUCH INFORMATION HEREIN SHOULD NOT BE REGARDED AS AN INDICATION THAT THE PLAN PROPONENTS OR ANY OF THEIR ADVISORS OR REPRESENTATIVES CONSIDER SUCH INFORMATION TO BE AN ACCURATE PREDICTION OF FUTURE EVENTS OR A COMPLETE AND ACCURATE REFLECTION OF THE DEBTORS’ CURRENT FINANCIAL CONDITION AND SUCH INFORMATION SHOULD NOT BE RELIED ON AS SUCH. NEITHER THE PLAN PROPONENTS NOR ANY OF THEIR ADVISORS OR REPRESENTATIVES ASSUMES ANY RESPONSIBILITY FOR THE REASONABLENESS, COMPLETENESS, ACCURACY OR RELIABILITY OF SUCH INFORMATION AND NONE OF THEM INTENDS TO UPDATE OR OTHERWISE REVISE SUCH INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS ARE SHOWN TO BE IN ERROR.

CERTAIN MATTERS DISCUSSED HEREIN (INCLUDING, BUT NOT LIMITED TO, THE PROJECTIONS) ARE FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE STATEMENTS INCLUDED HEREIN (INCLUDING PROJECTIONS AND ANALYSES) AND SHOULD BE READ WITH CAUTION. THESE STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS AS TO: ESTIMATED PROCEEDS OF PROPOSED ASSET SALES, THE DEBTORS' EXPECTED FUTURE FINANCIAL POSITION, LIQUIDITY, RESULTS OF OPERATIONS AND CASH FLOWS, ESTIMATES AS TO RISK THE DEBTORS ARE UNABLE TO COLLECT UPON THEIR OUTSTANDING RECEIVABLES/ASSETS, FUTURE POTENTIAL EFFECTS OF THE CHAPTER 11 CASES, LIQUIDATION VALUATIONS OF ASSETS AND ESTIMATED AMOUNTS OF CLAIMS. THESE STATEMENTS REFLECT VIEWS AND ASSUMPTIONS THAT MAY BE AFFECTED BY VARIOUS FACTORS, INCLUDING THE PLAN PROPONENTS' ABILITY TO CONFIRM AND CONSUMMATE THE PLAN AND DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES, THE REORGANIZED DEBTORS' ABILITY TO COMPLETE ASSET SALES AND REALIZE EXPECTED RECOVERIES, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE PLAN PROPONENTS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THESE STATEMENTS WILL PROVE ACCURATE, AND ACTUAL RESULTS MAY BE MATERIALLY DIFFERENT THAN THOSE CONTAINED HEREIN.

ARTICLE II.
GENERAL INFORMATION

A. Business of the Debtors

GSC Group (initially established as Greenwich Street Capital Partners, Inc.) was founded in 1994 as a subsidiary of Travelers Group Inc. to invest in private equity transactions. In 1998, following the merger of Travelers Group Inc. and Citicorp, GSC Group became independent from Citigroup and became a diversified alternative asset manager. GSC Group provides debt-focused investment management of alternative assets with a full spectrum of complementary investment product offerings. At its peak, GSC Group had $28 billion of assets under management. As of March 31, 2010, GSC Group had approximately $8.4 billion of assets under management in approximately 28 separately managed investment funds.

The Debtors offer investment management and advisory services through their principal subsidiary, NJLP. NJLP has been a registered investment advisor with the Securities and Exchange Commission (the "SEC") since March 2001. The Debtors, through Holdings LP and SIF, hold investments in certain affiliated investment funds. NJ Inc. serves as the general partner of NJLP and Holdings LP. GSCP LLC is a subsidiary of GSC Group that provided investment advisory services to NJLP and monitoring and management services to certain portfolio companies of the funds. GSC Active Partners Holdings, L.P. ("AP Holdings"), which is not a Debtor, holds one hundred percent of the Class A common stock of GSC Group. AP Holdings was created in 2006 as part of a restructuring transaction pursuant to which some of the former

owners of GSC Group contributed their partnership ownership interests in GSC Group in exchange for limited partnership interests in AP Holdings. Debtor AP Inc. was created as part of the same restructuring transaction and acts as the general partner of AP Holdings.

The Debtors focus their business and funds along certain product lines: Distressed Debt, U.S. Corporate Debt, European Corporate Debt and European Mezzanine Lending, and U.S. ABS CDOs.

- Distressed Debt. The Debtors' recovery funds employ a control distressed debt investment strategy that targets companies which the funds believe are operationally sound but overburdened with high levels of debt. The Debtors focus on securities that are either the most senior in the capital structure or have only a moderate level of debt senior to them. The acquired debt securities often are converted into new "restructured" equity at a cost basis that the Debtors believe represents attractive acquisition valuations. Post-restructuring, the funds seek to further enhance value as an active owner through various strategic and financial initiatives.

- U.S. Corporate Debt. The Debtors are experienced U.S. loan managers with eight CLOs and CDOs under management.

- European Corporate Debt. The Debtors have a strong presence as a manager of European CLOs with three such CLOs under management. The portfolios consist of loans and some mezzanine securities. The Debtors have expertise in credit analysis, diverse industries, and all parts of capital structure in many legal jurisdictions in Europe.

- European Mezzanine Lending. The Debtors' corporate mezzanine lending team provides mezzanine lending in the form of subordinated debt and preferred equity to support financial sponsors, corporations and others seeking to finance leveraged buyouts, strategic acquisitions, growth strategies or recapitalizations in Europe.

- U.S. ABS CDOs. The Debtors are experienced ABS CDO managers with approximately eleven ABS CDO Funds under management. On November 7, 2008, the Debtors entered into an agreement with Institutional Credit Partners, LLC ("ICP") for ICP to act as sub-advisor on the ABS CDO Funds. That relationship was terminated before the Petition Date.

The Debtors generate revenue through management fees, transaction and portfolio monitoring fees, incentive fees and returns on investments. The Debtors, through NJLP, earn fees for the management of funds. The nature and amount of the management fees earned are governed by the applicable management or advisory agreement and vary widely across the funds. The transaction fees are earned by GSC Group for structuring and negotiating transactions with portfolio companies in which the Debtors' funds invest. Portfolio monitoring fees are earned by the Debtors for providing management advisory services to portfolio companies owned by GSC Group-managed funds. Incentive fees are generally earned if the performance of an investment exceeds a threshold set forth in the applicable management contract. The Debtors also co-invest in their funds. As investors, the Debtors are entitled to returns on such investments in accordance with the provisions of the applicable fund documents.

B. Prepetition Management of the Debtors

Before the Petition Date, the Debtors' executive management and GSC Group's Board consisted of only two individuals – Mr. Eckert and Peter Frank. Mr. Eckert served as the chairman, chief executive officer and a director of GSC Group and an officer and director of all or most of GSC Group's direct and indirect Affiliates. Mr. Eckert owns or controls, directly or indirectly, a substantial number of the shares in several series of common stock issued by GSC Group. Mr. Frank was the president and senior managing director of GSC Group.

On GSC Group's Board, the votes of Messrs. Eckert and Frank were not weighted. Accordingly, there was the possibility of a tie in the event of a vote of the Board. While there was no legal mechanism to address tie votes in corporate governance, Mr. Eckert testified that he would "break the tie" in such circumstances. Mr. Eckert claimed to have "control" under the relevant corporate documents in such circumstances because he could not be fired by the Board and nobody could serve on the GSC Group's Board that Mr. Eckert did not want on the Board. As a result, the Debtors were effectively only able to act through Mr. Eckert.

C. Prepetition Secured Debt

1. Prepetition Credit Agreement and the Swap

NJLP, as borrower, and all of the Consolidated Debtors and certain non-Debtor Affiliates, as guarantors, are parties to that certain Fourth Amended and Restated Credit Agreement dated as of February 28, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Prepetition Credit Agreement,"), with Black Diamond Commercial Finance, L.L.C. (as Administrative Agent thereto and Collateral Agent under the Security Agreement (as defined below), "Black Diamond Agent"), and the lenders from time to time party thereto. Pursuant to the Prepetition Credit Agreement, NJLP borrowed $193.5 million in term loans (comprised of $73.5 million in new term loans and $119.1 million in continuing and refinanced existing term loans) and gained access to up to $56.5 million (subsequently reduced to $38 million) in revolving credit commitments.

In accordance with the terms of the Prepetition Credit Agreement, NJLP entered into a $97 million notional principle interest rate hedge contract (the "Swap") with Calyon New York Branch ("CALNY", now Crédit Agricole Corporate and Investment Bank) that matures February 15, 2012. Under the Swap, the Debtors were obligated to pay a fixed rate of interest and were entitled to receive from CALNY a three-month LIBOR flat rate. On April 7, 2009, CALNY presented NJLP with a Notice of Early Termination, indicating a termination date of April 14, 2009. The termination payment due from NJLP on that date was $10,192,828, which remains unpaid.

As of the Petition Date, on account of the obligations under the Prepetition Credit Agreement and the Swap (together, the "Prepetition Lender Secured Claims"), the Prepetition Lenders were owed (1) outstanding principal indebtedness totaling $219,512,322.92, (2) accrued interest totaling $19,630,388.99, and (3) and any unpaid costs and expenses incurred by Black Diamond Agent and the Prepetition Lenders.

2. Security Agreement

Pursuant to that Second Amended and Restated Pledge and Security Agreement, dated as of February 15, 2006 (as amended and supplemented, the "Security Agreement"), the Prepetition Lender Secured Claims are secured by liens and security interests in substantially all of the Debtors' assets. Also pursuant to the Security Agreement, the Debtors executed in favor of the Black Diamond Agent control agreements for each of their bank accounts. No party has contested the Prepetition Lender Secured Claims or the liens and security interests which are currently allowed.

D. Events Precipitating the Bankruptcy Cases

1. Initial Distress

As a financial advisory firm, GSC Group is materially impacted by both the financial markets and worldwide economic conditions. During 2008 and continuing through the first half of 2009, GSC Group operated in an extremely unfavorable global business environment, which included, among other things, a lack of liquidity in the credit markets and declining asset values. These factors resulted in a substantial decline in the Debtors' revenues.

Specifically, GSC Group suffered a significant loss of asset value based on the significant decline of the investments held in the funds they managed. Based on the overall market conditions and the performance of certain funds, GSC Group resigned as manager to certain funds while other funds opted for early termination. GSC Group also experienced significant losses in certain of its CDO funds that were invested in securities impacted by the subprime crisis. Each of these factors impacted GSC Group's asset values and revenues. Due to economic conditions beyond its control, GSC Group was unable to monetize certain investments requiring it to maintain positions in illiquid assets. Decreasing asset values and liquidity constraints significantly strained investor relations.

2. Negotiations with Guggenheim and the Steering Committee

Hoping to address these financial concerns and liquidity issues, in early 2009 GSC Group called a meeting of all its Prepetition Lenders and revealed that it would be unable to repay its debts. The Prepetition Lenders, led by Guggenheim Corporate Funding, LLC ("Guggenheim"), then their administrative agent and collateral agent, and a steering committee (the "Steering Committee") consisting of a sub-group of Prepetition Lenders, began to negotiate a restructuring with the Debtors pursuant to which the Prepetition Lenders would have cancelled their Claims against the Debtors in exchange for approximately 35% of the Debtors' future fee revenue, ownership of certain fund interests, and a less than 35% share in revenue from new management contracts. The balance of the Debtors' fee revenue would have been retained by the Debtors (the "Revenue Share Proposal"). Ultimately, a deal was not reached on the Revenue Share Proposal, and the Prepetition Lenders and the Debtors continued to search for a consensual restructuring transaction.

In early 2010, Black Diamond purchased a small portion of the loans under the Prepetition Credit Agreement and proposed a transaction that would restructure the Debtors in a manner similar to that contemplated in the Revenue Share Proposal but which would allow Black

Diamond to receive the revenues that would have otherwise been retained by the Debtors under the Revenue Share Proposal. Black Diamond's proposal was ultimately rejected due to, among other things, concerns that the proposed transaction would not comply with the Investment Advisers Act of 1940.

3. Black Diamond Acquires Majority Control of the Prepetition Credit Agreement

In the spring of 2010, Guggenheim, the Steering Committee, and the Debtors were in discussions about the Debtors' filing bankruptcy cases under chapter 11 of the Bankruptcy Code and thereafter selling the Debtors' assets in a section 363(b) sale. The contemplated sale was to follow an open sale process that would be designed to maximize value for the benefit of all of the Debtors' Prepetition Lenders. There was no plan to sell any of the Debtors' assets to any individual Prepetition Lender. This proposal was nearing completion in July 2010 when Black Diamond bought a controlling stake in the Prepetition Credit Agreement and terminated these discussions.

Black Diamond, by and through Black Diamond Lender, acquired its controlling interest under the Prepetition Credit Agreement at a significant discount to par (less than $0.22/1.00). Moreover, most of the funds utilized to acquire its position were funds that Black Diamond was managing for others, not from Black Diamond's own proprietary coffers. Black Diamond did not purchase its controlling interest under the Prepetition Credit Agreement in order to advance its interests as a secured creditor under the Prepetition Credit Agreement, but rather in order to: (1) control the Debtors' restructuring process, including by having control over the timing of any bankruptcy filing and the terms of any bankruptcy sale process; (2) threaten to or actually credit bid the Prepetition Lender Secured Claims, so as to chill third-party interest in the Debtors' assets; and (3) disable the Non-Controlling Lenders from exercising their foreclosure/credit bid rights to protect against a predatory bid for the Debtors' assets by a Black Diamond affiliate.

Black Diamond Lender used its control position under the Prepetition Credit Agreement to appoint a related entity, Black Diamond Agent, as Administrative and Collateral Agent. Black Diamond Lender also took steps to control the Debtors and directed Black Diamond Agent to refrain from exercising lender remedies while Black Diamond Lender attempted to coerce the Debtors into accepting a stalking horse bid that could sell substantially all of the Debtors' assets to Black Diamond for a mere $5 million.

4. Black Diamond's Domination and Control of the Debtors

Utilizing its control position under the Prepetition Credit Agreement, Black Diamond took numerous steps to destabilize the Debtors in order to force a sale to a Black Diamond Lender Affiliate at a fire sale price. These actions include the following:

- controlling the Debtors' trade payable function;
- directing the Debtors to terminate their long standing relationships with their outside counsel;

- forcing the Debtors to terminate the employment of their sole in-house attorney;
- providing the Debtors with a list of specific employees to terminate and directing the Debtors not to honor their standard severance policies;
- forcing the Debtors to fire the head of their CLO group, notwithstanding that the Debtors' and their professionals believed that the employee's departure would have a detrimental effect on the Debtors' business;
- poaching key employees, including a senior fund manager, notwithstanding that the Debtors' and their professionals believed that these employees' departures would have a detrimental effect on the Debtors' business;
- placing a family member of a Black Diamond senior employee in a key financial position at GSC Group; and
- replacing the Debtors' head of fund accounting with Black Diamond's own chief accounting officer.

5. Black Diamond Compromises the Debtors' Management

Recognizing that the Debtors' senior management stood to receive nothing from the disposition of the Debtors, Black Diamond saw an opportunity to purchase Messrs. Eckert and Frank's cooperation in its scheme to acquire the Debtors' at assets for its own account at fire sale prices. Mr. Eckert was not coy about letting it be known that his cooperation could be bought. In a June 20, 2010 email to Steve Deckoff, the principal of Black Diamond, Mr. Eckert stated that "[t]his letter may be too blunt, but I doubt it because I believe that you and I think in very similar ways. Bottom line, **I need $5 million now** . . . " (emphasis added). Mr. Deckoff jumped on the opportunity to create compensation packages for Messrs. Frank and Eckert that were largely contingent on Black Diamond acquiring the Debtors' assets. These agreements served a dual function: to compromise the objectivity of the Debtors' senior management; and to send a message to other potentially interested parties not to invest resources in investigating a potential bid for the Debtors' assets as Black Diamond already had the transaction sewn-up.

a. **GSC Group Contracts**

Even though each of the Debtors' directors was already party to a valid employment contract with GSC Group, with the approval of Black Diamond, Messrs. Eckert and Frank executed new, lucrative employment contracts. Mr. Eckert executed a new employment agreement with GSC Group on or about July 29, 2010 (the "Eckert-GSC Employment Agreement"). The Eckert-GSC Employment Agreement provided Mr. Eckert with: (1) a $750,000 per annum salary through to the completion of the sale of the Debtors, which amount represented a $250,000 per annum increase over his prior salary; (2) the Debtors' payment of premiums for several of Mr. Eckert's director and officer insurance policies, including a tail policy that would extend for six years; (3) the transfer of beneficiary status in respect of a $65 million in term life insurance policies taken on his life, for which Debtor NJ Inc. had been the initial beneficiary; (4) an "incentive" bonus of $3 million – 50% paid on July 29, 2010 and the

other 50% to be paid upon "the completion of the 363 Sale"; (5) future employment by the Debtors for three years following the bankruptcy sale with annual compensation to be not "less than $50,000 or more than $1,000,000, which adjustment shall take into account the number and size of the investment funds for which the Company or its affiliates remain as investment adviser/collateral manager following the 363 Sale"; and (6) permission to become a consultant to Black Diamond.

Mr. Frank also received a new, short-term employment agreement with GSC Group (the "Frank-GSC Employment Agreement"). The term of the Frank-GSC Employment Agreement ran from July 2010 and ends "on the closing of the 363 Sale." It provided Mr. Frank with an annual salary of $350,000 and an "incentive bonus" of $500,000 (apparently paid simultaneously with Mr. Eckert's $1.5 million bonus on August 6, 2010) and another $500,000 to be paid "upon the closing of the 363 Sale . . . ." The most important part of the Frank-GSC Employment Agreement in Mr. Frank's view was the agreement to purchase a tail insurance policy providing Mr. Frank with liability insurance coverage for a period of six years from the date that he stepped down as an officer and director of the Debtors.

b. **Black Diamond Contracts**

At about the same time as they executed new employment contracts with GSC Group, Messrs. Eckert and Frank were offered and executed lucrative contracts with Black Diamond. Mr. Eckert entered into the Consulting Agreement (the "Original BD-Eckert Consulting Agreement") with Black Diamond dated as of July 30, 2010 that would pay him $3 million to "render such consulting services . . . as may be reasonably requested by Stephen Deckoff," less salary received in respect of any employment of him by GSC Group. The term of the agreement commences "upon completion, following Bankruptcy Court approval, of a Section 363 sale of the assets of the GSC Group, Inc. in which the company (i.e., BDCM), or its affiliates, . . . is the winning bidder of a Substantial portion of the assets of GSC . . . ." Although structured as a consulting agreement, the understanding was that Mr. Eckert would not be required to perform any services thereunder. As Mr. Eckert, "[Mr. Deckoff] said, 'Well, I'll pay you $3 million and you can sit in New Jersey and play cards with your buddies.' . . . [that] is exactly what he said, so I don't have to do anything."

On August 24, 2010, Mr. Frank entered into a Confidential Employment Agreement with Black Diamond that would make him a senior managing director of Black Diamond, guarantee him payment of a minimum of $1.2 million annually for two years and provide him a $1 million forgivable loan. Afterward Mr. Frank would receive an annual base salary of $350,000 and a discretionary bonus. The term of employment commences "upon the completion of the proposed acquisition by Black Diamond or one or more of its affiliates of the general partnership interests and investment management agreements with respect to GSC Recovery II, L.P., GSC Recovery IIA, L.P., GSC Recovery III, L.P. and GSC Recovery III Parallel Fund, L.P. in a Section 363 sale in a bankruptcy proceeding commenced by or on behalf of GSC Group, Inc. and/or its affiliated entities . . . ."

ARTICLE III.
THE BANKRUPTCY CASES

On August 31, 2010 (the "Petition Date"), the Debtors filed these Chapter 11 Cases. The Chapter 11 Cases are being jointly administered for procedural purposes only. No committee of unsecured creditors has been appointed in the Chapter 11 Cases. Initially, the Debtors operated their business as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code, but since January 7, 2011, the Debtors have been operated by James L. Garrity Jr., as chapter 11 trustee for the Debtors (the "Trustee").

A. Black Diamond Attempts to Force a Quick Sale of the Debtors to Black Diamond Lender Through Its Control of the Prepetition Credit Agreement

On the Petition Date, the Debtors filed a motion for authorization to utilize cash collateral, to grant adequate protection to the Prepetition Lenders, and to schedule a final hearing on the motion (the "Cash Collateral Motion"). The agreement with respect to the Debtors' authorization to use Cash Collateral was negotiated by Black Diamond and the Debtors' senior management without any input from the Non-Controlling Lenders. As initially filed, the Cash Collateral Motion required the Debtors to sell their assets on a lightning fast time-table over a truncated period that included the Jewish High Holidays. The stated justification for the quick sale was the fragility of the Debtors' assets. However, time has shown that the assets are not so fragile, thereby revealing that the true motivation for the accelerated timetable was to insure that no party other than Black Diamond, who was by then intimately familiar with the Debtors' assets and operations, would be in a position to analyze the Company and make a bid.

As filed, the Cash Collateral Motion required the Debtors to: (1) file a sale motion by September 3, 2010; (2) obtain an order approving bid procedures by September 14, 2010; (3) set a bid deadline of October 6, 2010; (4) conduct an auction by October 7, 2010; (5) obtain a sale order by October 22, 2010; and (6) close a sale by October 25, 2010. On September 2, 2010, the Debtors filed an emergency motion to establish bidding procedures and to sell its assets pursuant to section 363(b) (the "Initial Sale Motion"). On September 3, 2010, the Bankruptcy Court held a first day hearing and entered an interim order granting the Cash Collateral Motion.

Shortly after the September 3, 2010 first day hearing, the Non-Controlling Lender Group filed limited objections to the Cash Collateral Motion and the Initial Sale Motion. The Non-Controlling Lender Group objected to the Debtors' motions noting, among other things, that the sale milestones were far too short and would chill interest in the proposed auction. On September 23, 2010, the Bankruptcy Court entered an order approving a modified version of the bidding procedures (the "Bidding Procedures Order"), which set October 22, 2010 as the bidding deadline and October 26, 2010 as the auction date. On October 8, 2010, the Bankruptcy Court entered a final order granting the Cash Collateral Motion (the "Cash Collateral Order"). The Cash Collateral Order modified the sale milestones included in the Cash Collateral Motion so that continued use of Cash Collateral required, among other things: (1) conducting an auction that would begin on or before October 26, 2010; (4) obtaining entry of an order approving the sale on or before December 7, 2010; and (5) closing the sale on or before December 10, 2010.

Additionally, the Cash Collateral Order incorporated stipulations by the Debtors as to the legal, valid, and binding nature of the Prepetition Credit Agreement, the Prepetition Lender' Claims arising thereunder, and the continuing, first-priority security interests in and liens on the Collateral held for the benefit of the Prepetition Lenders. The Cash Collateral Order provided that these stipulations would be binding upon all other parties in interests (including any subsequently appointed chapter 11 trustee), unless (a) a party in interest filed an adversary proceeding or contested matter "challenging the validity, enforceability, priority or extent of the Prepetition Debt or the Prepetition Securities Interests on the Prepetition Collateral" or "asserting or prosecuting any action for preferences, fraudulent conveyances, other avoidance power claims or any other claims, counterclaims, or causes of action, objections, contests or defenses" by no later than the later of (i) October 19, 2010, (ii) such later date as has been agreed to, in writing, by the Agent in its sole discretion, or (iii) such later date as ordered by the Bankruptcy Court prior to the expiration of the period set forth in (i) or (ii), above, and (b) a final order in favor of the plaintiff sustaining any such challenge or claim is entered. No such adversary proceeding or contested matter has been filed, and it is believed that Black Diamond Agent has not agreed to an extension of the October 19, 2010 deadline.

B. **The Debtors Are Authorized to Implement the Prepetition Employee Compensation Program Once Messrs. Eckert and Frank Have Been Removed from the Program**

Promptly after the commencement of these Chapter 11 Cases, the Debtors' filed a motion for authorization to implement an employee compensation program they established in July 2010 (the "KEIP Motion"). Under this program, in anticipation of the commencement of the Chapter 11 Cases and the initiation of a sale process, the Debtors (i) fixed the bonus component of the compensation to be paid to eligible employees for the last six months of 2010, (ii) paid approximately 50% of this bonus to eligible employees, and (iii) committed to pay the remaining balance of this bonus (the "Unpaid 2010 Bonus") upon the satisfaction of the earliest of (a) the closing of the sale of substantially all of Debtors' assets to one or more buyers, (b) the Debtors' successful emergence from chapter 11, or (c) December 31, 2010.

Ultimately, the compensation program presented for Bankruptcy Court approval differed in three significant ways from the program established in July 2010. First, the KEIP Motion did not cover all the employees who received bonus payments in July. Messrs. Eckert and Frank were excluded from the coverage under the KEIP Motion at the insistence of the Non-Controlling Lender Group and the Office of the United States Trustee. Second, the Unpaid 2010 Bonuses were not payable unless the sale hearing had commenced by the scheduled date of December 6, 2010. Third, the Debtors' financial advisor, Capstone Advisory Group, LLC ("Capstone"), was to have discretion to determine if eligible employees should be paid an amount less than their Unpaid 2010 Bonuses in light of their contributions to the sale process. On December 3, 2010, the Bankruptcy Court granted the KEIP Motion and authorized the Debtors to implement the compensation program, as modified.

C. **The Debtors' Compromised Senior Management Selects Black Diamond as the Winning Bidder at the Auction**

From October 26 through October 29, 2010, the Debtors held an auction (the "Auction") for substantially all of their assets pursuant to the Bidding Procedures Order. Following several preliminary rounds of bids, the Debtors' senior financial advisor approached representatives of the Non-Controlling Lenders and their counsel and advised that it was his belief that certain of the third party qualified bidders at the Auction would be able to provide more competitive bids if they were permitted to partner together and submit joint bids. The Debtors' senior financial advisor also advised that the Debtors refused to make such value enhancing procedural modifications to the bidding procedures unless the Non-Controlling Lender Group specifically agreed to permit Black Diamond Capital Management, L.L.C. ("BDCM") to submit joint bids with Black Diamond Agent. The Non-Controlling Lenders objected to the Debtors' senior financial advisor's proposal and requested that no party be permitted to partner with Black Diamond Agent, but the Debtors' senior financial advisor rejected this request. Ultimately, based on the Debtors' senior financial advisor's assertions that the joint bid procedure would enable certain third party bidders to more effectively compete for the Debtors' assets, the Non-Controlling Lenders consented but expressed grave concern regarding the propriety of a joint bid by BDCM and Black Diamond Agent. The Non-Controlling Lenders reserved all claims and causes of action against Black Diamond Agent and BDCM for any improper use of the credit bid.

Almost immediately after the Debtors announced that joint bidding would be permitted, Black Diamond submitted its first of several joint bids that linked low-ball bids by BDCM for the Debtors' most valuable assets (the "BDCM Bid Assets") with grossly excessive credit bids by Black Diamond Agent on behalf of all Prepetition Lenders for assets of negligible value (the "Credit Bid Assets"). Black Diamond Lender refused to allow Black Diamond Agent to partner with any of the third party bidders, even though the combined bids of the third parties were offering to purchase the BDCM Bid Assets for a vastly greater amount than the amount BDCM bid and the combination of these other bids with Black Diamond Agent's bid would have yielded substantially greater recoveries to the estates than the joint bids of BDCM and Black Diamond Agent.

Eventually, the Debtors asked for final bids. Saratoga Partners, L.P. placed a bid that the Debtors then valued as worth $175.8 million. Sankaty placed a bid that the Debtors then valued as worth $193.7 million. Black Diamond placed (1) a joint bid (the "BD Joint Bid") of $11 million from BDCM for the BDCM Bid Assets and a $224 million credit bid by Black Diamond Agent for the Credit Bid Assets and also (2) a bid for all of the Debtors' assets, including the assets that were not up for auction, pursuant to which BDCM bid $11 million and caused Black Diamond Agent to credit bid $239 million. The Debtors did not value or consider the $250 million joint bid on the basis that it did not conform to the bidding procedures. After consulting with their advisors, Messrs. Eckert and Frank selected the BD Joint Bid as the successful bid.[2] After the Auction, the Debtors' senior financial advisor acknowledged that the BDCM Bid

[2] Actually, Mr. Eckert had so little doubt as to the eventual outcome of the Auction that he left the Auction several hours before its conclusion. Mr. Frank was the only employee of the Debtors to remain at the Auction through to its conclusion, and he selected Black Diamond as the successful bidder. The next day, Mr. Eckert was told of how the Auction finished, and Mr. Eckert then ratified the BD Joint Bid as the successful bid.

Assets to be acquired by BDCM on account of its $11 million bid were worth in excess of $126 million and that the Credit Bid Assets to be acquired by Black Diamond Agent on behalf of the Prepetition Lenders with the $224 million credit bid were only worth approximately $5.1 million. Accordingly, the BD Joint Bid was not unfair just to the Non-Controlling Lenders; it was also unfair to all Prepetition Lenders, including Black Diamond CLO 2006-1 (Cayman), Ltd. (a CLO managed by Black Diamond for the benefit of third-party investors). Indeed, Mr. Frank himself admitted at a hearing before the Bankruptcy Court that the BD Joint Bid was not fair to the Prepetition Lenders.

D. Certain Non-Controlling Lenders Sue Black Diamond

On November 13, 2010, certain of the Non-Controlling Lenders (the "Plaintiffs") filed a state court action (the "State Court Litigation") in the New York Supreme Court against Black Diamond Agent, BDCM, Black Diamond CLO 2006-1 (Cayman), Ltd. and certain John Does (collectively, the "Defendants"). On that date, the Plaintiffs filed a summons with notice which states that "Plaintiffs are seeking monetary damages and associated declaratory relief against Defendants under various legal and equitable theories including breach of contract, breach of duty and tort" for conduct undertaken by the defendants related to the Prepetition Credit Agreement and Security Agreement.

E. The Debtors and Black Diamond Execute the Asset Purchase Agreement

On November 18, 2010, the Debtors filed with the Bankruptcy Court an executed copy of the Asset Purchase Agreement ("APA") dated as of October 31, 2010 between GSC Acquisition Partners, LLC, a vehicle established by Black Diamond, and the Debtors. The Debtors also filed a proposed sale order. The hearing to consider approval of the sale was scheduled for December 6, 2010.

F. Black Diamond Realizes It Overbid

Mr. Deckoff acknowledged that Black Diamond Agent's credit bid bore no relation to the intrinsic value of the Credit Bid Assets. Rather Black Diamond Lender had directed Black Diamond Agent to bid the maximum amount of the Prepetition Lender Secured Claims possible to leave a residual claim behind sufficient to fully encumber the remaining assets of the Debtors' estates that were not sold at the auction (the "Residual Assets"). The purpose of directing Black Diamond Agent to bid the entire balance of the Prepetition Lender Secured Claims in excess of the projected value of the Residual Assets was not to insure that the Prepetition Lenders would obtain the Credit Bid Assets, but rather was to insure that BDCM would obtain BDCM Bid Assets for a nominal sum. Sometime after the Auction, Black Diamond realized that it had directed Black Diamond Agent to credit bid too much of the Prepetition Lender Secured Claims as the remaining claim under the Prepetition Credit Agreement was far less than the expected value of the Residual Assets.

According to the Debtors' senior financial advisor, the value of the Residual Assets so greatly exceeded the balance of the Prepetition Lender's Claims remaining after deduction of the $224 million credit bid that, after repayment of the balance of the Prepetition Lenders' Claims, there would be sufficient value to pay the Holders of General Unsecured Claims in full

(including Mr. Eckert's $2 million claim and Mr. Frank's $1 million claim, both in respect of unpaid 2008 bonuses) and to provide Mr. Eckert with a recovery of between $5 million and $24 million on account of certain preferred equity interests that he held. Mr. Deckoff was shocked by the gross miscalculation by his team and outraged by the prospect of Mr. Eckert's windfall. Mr. Deckoff insisted that Black Diamond not suffer along with the other Prepetition Lenders as a result of Black Diamond's bungled credit bid and threatened to terminate the transaction if certain concessions were not made.

1. The Debtors and Black Diamond Amend the APA

On December 3, 2010, the Debtors filed the Notice of Amendment, attaching an amendment to the APA which recited that its purpose was to resolve a purported dispute that had arisen between the Debtors and Black Diamond in relation to the APA. The amendment modified the APA (as amended, the "Amended APA") to sell additional assets to Black Diamond that were not subject to the Auction and to settle a purported dispute over whether BDCM was entitled to earnings from the Debtors' Management Contracts generated prior to the time that Black Diamond would actually take over management control. Although the Debtors' legal and financial advisors had previously advised the Non-Controlling Lenders that Black Diamond's argument had no merit, the Amended APA resolved the dispute by awarding $5.2 million of the $6 million in controversy to BDCM. Interestingly, $5.2 million represented 100% of the amounts earned during the two month period from the Auction date to the projected closing date of the APA under the Management Contracts that were to be purchased by BDCM with its $11 million bid. The $0.8 million that Black Diamond let the Debtors keep under the "settlement" represented 100% of the earnings during the same two month period that were attributable to the Credit Bid Assets that were to be acquired with the $224 million credit bid. The Amended APA also purported to release Black Diamond of all liability on claims and rights that the Debtors might have against it.

2. Mr. Eckert Enters Into a Settlement with the Debtors

Also on December 3, 2010, the Debtors filed an amended motion for approval of an amended settlement with Mr. Eckert (the "Eckert Settlement Motion"). The Eckert Settlement Motion sought approval of a settlement pursuant to which Mr. Eckert agreed to retain control of his common stock in GSC Group until the Debtors' assets are sold and provide his medical records to potential bidders interested in bidding on corporate life insurance polices on Mr. Eckert's life. In return, a non-recourse loan the Debtors made to Mr. Eckert, which, as of October 31, 2010, had a balance of $168,917 consisting of principal and accrued interest, would be deemed satisfied, and Mr. Eckert would receive $1 million from the Debtors.

3. Mr. Eckert and Black Diamond Amend the Original BD-Eckert Consulting Agreement

Also on December 3, 2010, Mr. Eckert and Black Diamond executed an amendment to the Original BD-Eckert Consulting Agreement (as amended, the "Amended Consulting Agreement"). The amendment expanded the amounts deductable from Mr. Eckert's consulting fee to include not only his salary from the Debtors but also any pre-tax amounts Mr. Eckert would receive "from GSC . . . directly or indirectly, in the form of salary or bonus pursuant to

[Mr. Eckert's] employment agreement with GSC . . ., dividends from GSC or any of its affiliated entities or other distributions from GSC or any of its affiliated entities." The Amended Consulting Agreement carved out from these expanded deductions amounts Mr. Eckert would receive from the Debtors pursuant to the Eckert Settlement Motion, any amount he would receive in respect of an unsecured claim against the Debtors, and the first $1.5 million "bonus" he received from the Debtors shortly before the Petition Date. The amendment also required Mr. Eckert to use his "best efforts to cause GSC to pay him an annual salary of $1,000,000," thus lessening Black Diamond's obligations to pay him.

4. Mr. Eckert and Black Diamond Enter into the Option Agreement

At the same time they were negotiating the Amended APA, Mr. Eckert and Black Diamond were negotiating a private securities transaction (the "Option Agreement"), pursuant to which Black Diamond would pay Mr. Eckert $500,000 for an option to purchase for $1.5 million (1) 49% of Mr. Eckert's shares of common stock of AP Inc. and (2) his $2 million claim against GSC Group in respect of his unpaid 2008 bonus. Although the Debtors' legal and financial advisors knew that Mr. Eckert was negotiating the Option Agreement, they did not disclose this to the Court or to any other parties. They instead advised Mr. Eckert to defer execution of any such agreement until after the scheduled date of the sale hearing on December 6, 2010. Mr. Eckert did not heed this advice and on December 4, 2010, Black Diamond's legal advisors distributed fully executed copies of the Option Agreement to the Debtors' legal and financial advisors.

G. The December 6, 2010 Sale Hearing Never Commences

On December 6, 2010, the Debtors and Black Diamond appeared before the Bankruptcy Court, made no mention of the Option Agreement, and sought to proceed with the sale hearing. The Non-Controlling Lenders objected and requested an adjournment on the grounds that: the Non-Controlling Lenders had not had an opportunity to conduct discovery of the recent amendment to the APA; the Debtors had produced thousands of pages of documents the evening before the hearing; and Mr. Deckoff evaded service of a trial subpoena for the hearing. The Bankruptcy Court agreed to adjourn the sale hearing. Only after the sale hearing was adjourned did the Non-Controlling Lenders learn of the existence of the Option Agreement.

H. The Trustee Is Appointed

On December 20, 2010, after information concerning the details of the Amended APA and the existence of the Option Agreement were disclosed, the Non-Controlling Lender Group filed a motion for the appointment of a chapter 11 trustee (the "Trustee Motion"). On December 22, 2010, the Bankruptcy Court conducted an evidentiary hearing on the Trustee Motion, following which the Bankruptcy Court took the matter under advisement. After the hearing, the Debtors withdrew their request for approval of their pending sale to Black Diamond and terminated the Amended APA. On or about December 27, 2010, Black Diamond Agent offered to purchase all of the Collateral securing the obligations in respect of the Prepetition Credit Agreement (including the Residual Assets) other than $1 million for a credit bid of the full amount of the Prepetition Lender Secured Claims.

On December 30, 2010, the Debtors filed a motion for an order authorizing the appointment of Marc Kirschner as the Debtors' chief restructuring office (the "CRO Motion"). If the CRO Motion were granted, Messrs. Eckert and Frank would have recused themselves from any future discussions or decisions of the Debtors regarding any sale or other transaction relating to all or any part of the Debtors' business or assets and as to the investigation of potential avoidance actions and deferred such matters to Mr. Kirschner. The Debtors claimed that the appointment of a CRO would satisfy the issues raised in the Trustee Motion while avoiding the allegedly substantial risk that the appointment of a trustee would result in the non-Debtor counterparties to the Management Contracts seeking to terminate those contracts. Based on these representations, the Non-Controlling Lender Group filed a pleading expressing general support for the CRO Motion. However, Black Diamond and the Office of the United States Trustee objected to the CRO Motion.

On January 5, 2011, the Bankruptcy Court issued a bench ruling on the Trustee Motion in which, among other things, it found cause under section 1104(a)(2) of the Bankruptcy Code for the immediate appointment of a chapter 11 trustee and directed the Office of the United States Trustee to appoint a chapter 11 trustee. The Bankruptcy Court explained that "[t]he pre and postpetition actions of debtors controlling management, Mr. Eckert, regarding the sale process, including his relationship with Black Diamond, raises numerous concerns about the process and a fulfillment of his fiduciary duties regarding that process." Thereafter, the Bankruptcy Court entered a minute order granting the Trustee Motion. On January 7, 2011, the Office of the United States Trustee filed a notice of appointment of Mr. Garrity as the chapter 11 trustee, and the Bankruptcy Court entered an order approving Mr. Garrity's appointment.

I. The State Court Litigation Continues

On January 28, 2011, the Defendants in the State Court Litigation demanded service of a complaint. Because the precise nature of their state court claims depended significantly on the Trustee's decision regarding the disposition of the Debtors' assets, and because the Trustee had not at that point reached a decision, the Plaintiffs timely requested that the Defendants agree to a short extension of time to file a complaint. When the Defendants refused, the Plaintiffs timely moved on February 15, 2011 for a court order granting a thirty-day extension. On March 2, 2011, the Defendants filed their opposition to the Plaintiffs' motion for extension and cross-motioned to dismiss the action. The case is currently pending before the Honorable Paul G. Feinman, and a decision remains pending.

J. Cessna Finance Corporation Successfully Moves to Lift the Stay

On January 31, 2007, Cessna Finance Corporation ("CFC") made a secured loan to GSC Group to finance GSC Group's purchase of a 6.25% undivided property interest in a 2007 Bombardier BD-100-1A10 Challenger 300 aircraft, Serial No. 20128, FAA Reg. No. N529FX. GSC Group defaulted on its obligations to make the monthly payment that fell due on June 30, 2010 and each month thereafter. On December 17, 2010, CFC filed a motion for relief from the automatic stay, requesting that the Bankruptcy Court vacate the automatic stay of 11 U.S.C. §362(a) to allow CFC to exercise its contractual and state law remedies. On March 2, 2011, the Bankruptcy Court entered an order granting CFC's motion for relief from the automatic stay.

K. <u>**The Bankruptcy Court Grants the Trustee's Retention Bonus Motion**</u>

On March 9, 2011, the Trustee filed a motion for an order approving a retention bonus program for certain employees (the "<u>Retention Bonus Motion</u>"). The Trustee claimed that the retention bonus program was needed because: (1) additional payments were necessary to maintain competitive and historically consistent compensation packages; (2) the continued retention of the covered employees was essential to the operation of the Debtors and preservation of value of the estates; and (3) payment of the Unpaid 2010 Bonuses and additional bonuses for 2011 service was fair and equitable. Under the Retention Bonus Motion, the Trustee proposed that eligible employees be paid: (1) upon entry of the order granting the motion, his/her Unpaid 2010 Bonus; (2) on April 30, 2011, a payment equal to one-third of the amount which the Trustee believes is an appropriate 2011 bonus (the "<u>2011 Reference Bonus Amount</u>") for each such employee; and (3) on the closing date of any transaction involving the sale or reorganization of all or substantially all of the Debtors' assets, and solely at the discretion of the Trustee, an additional bonus not to be greater than the product of (a) the number of months that each such employee worked from May 1, 2011 through to the closing date and (b) one-twelfth the each such employee's 2011 Reference Bonus Amount. On March 25, 2011, the Bankruptcy Court entered an order granting the Retention Bonus Motion.

L. <u>**The Bankruptcy Court Enters the Bar Date Order**</u>

On March 11, 2011, the Trustee filed an application for an order establishing a deadline for filing of proofs of claim (the "<u>Bar Date Application</u>"). On March 18, 2011, the Bankruptcy Court entered the Bar Date Order which set April 25, 2011 at 5:00 p.m. (prevailing Eastern Time) as the deadline for certain creditors to file Claims against any of the Debtors.

M. <u>**Black Diamond Agent Agrees to Extend the Debtors' Authorization to Use Cash Collateral**</u>

On March 25, 2011, the Bankruptcy Court entered an agreed upon order amending the Cash Collateral Order (the "<u>Amended Collateral Order</u>"). The Amended Cash Collateral Order provided that the Trustee's continued use of Cash Collateral was conditioned upon, among other things: filing a pleading seeking approval of a sale transaction for substantially all of the Debtors' assets in form and substance satisfactory to Black Diamond Agent on or before April 5, 2011 (the "<u>Pleading Milestone</u>"); obtaining an order approving a sale transaction in form and substance satisfactory to Black Diamond Agent on or before April 28, 2011 (the "<u>Order Milestone</u>"); and closing the sale on or before April 30, 2011. Black Diamond Agent agreed to extend the Pleading Milestone deadline on several occasions, and, on April 18, 2011, Black Diamond Agent agreed to waive the Pleading Milestone and the Order Milestone.

N. <u>**Postpetition Financing**</u>

A sub-group of Non-Controlling Lenders remain willing to provide financing to the Debtors in accordance with a postpetition credit agreement (the "<u>Postpetition Credit Agreement</u>") substantially in the form set in <u>Exhibit C</u> hereto.

ARTICLE IV.
SELECTED FINANCIAL INFORMATION

A. Financial Information for the Debtors

Attached hereto as Exhibit D is a true copy of the Consolidated Financial Statements of the Debtors as of and for the period ended September 30, 2008. The Plan Proponents do not have access to and are not aware of any more recent financial statements of the Debtors.

Attached hereto as Exhibit E is a true copy of a budget variance report (the "Budget Variance Report") for the Debtors dated as of April 21, 2011, which describes the Debtors' actual financial performance from August 31, 2010 through to April 17, 2011.

B. Significant Assets of the Debtors

Some of the Debtors' most significant assets include (but are not limited to):

1. Partnership Contracts and Management Contracts

By and through, among other things, the Partnership Contracts and Management Contracts, the Consolidated Debtors own equity interests in and/or provide management services to a number of private equity funds, collateralized loan obligations, and mezzanine debt funds. The bid placed by Sankaty at the Auction for these assets was valued by Capstone at $193.7 million and by Blackstone Advisory Partners L.P., financial advisor for BDCM, at $154 million; however, these valuations assumed a closing by December 31, 2010. Because the closing will occur later than that, and the Management Contracts are of limited duration, the value of the Management Contracts may have declined. However, any such decline would be offset by (i) Cash earned and paid on the Management Contracts since January 1, 2010, and (ii) any increase in the value of the assets under management.

a. Private Equity Funds

The Debtors own equity in and manage two private equity portfolios, Recovery II and Recovery III. Each fund group contains two funds, Recovery II and Recovery IIA and Recovery III and Recovery IIIP, respectively. If successful, the private equity funds can potentially generate future cash flows from several different streams: (1) senior management fees; (2) return of capital investments in the fund; (3) profits on capital investments (otherwise known as return on capital); and (4) carried interest fees.

b. Collateralized Loan Obligations

The Debtors owns equity in and/or manage about thirteen (13) U.S. and European CLOs, each of which consists of multiple loans owed by a variety of corporations. The CLOs can potentially generate future cash flows through a variety of means: (1) management fees, which include senior fees, subordinated fees, incentive fees, and deferred fees; and (2) equity interests in the CLO funds.

c. **Mezzanine Debt**

The Debtors own equity in two funds that initially owned mezzanine debt obligations from a variety of corporations and special purpose vehicles.

2. Life Insurance Policies

Debtor NJLP is the beneficial owner of several whole life insurance policies covering the life of Mr. Eckert. These insurance policies have a cumulative death benefit of $50 million. In February 2011, Capstone valued these assets at approximately $5 million to $10 million.

3. Stock and Options of Safety-Kleen

The Debtors own 91,687.5 shares of common stock in Safety-Kleen and 44,010 options each with an exercise price of $4 per share. If the Debtors sell the Safety-Kleen securities, the Debtors must pay a $400,000 monitoring fee to Safety-Kleen. In February 2011, Capstone valued these assets at $900,000 to $1.35 million.

4. Cash

The Debtors have accumulated a substantial amount of Cash during the pendency of these Chapter 11 Cases. As of April 17, 2011, the Trustee held on behalf of the Debtors approximately $35.4 million in Cash.

5. Causes of Action

The Trustee could bring various causes of action, including, among others: breach of contract, breach of fiduciary duties, aiding and abetting breach of fiduciary duties, equitable subordination, fraudulent transfer, fraud, and conspiracy to commit fraud against Messrs. Eckert and Frank; and breach of contract, fraudulent transfer, equitable subordination, breach of fiduciary duties, aiding and abetting breach of fiduciary duties, tortious interference with a contract, tortious interference with a business relationship, fraud, and conspiracy to commit fraud against Black Diamond and Mr. Deckoff and their Affiliates. The Trustee can also bring various chapter 5 avoidance actions against the beneficiaries of fraudulent transfers and preferences.

ARTICLE V.
EXPLANATION OF CHAPTER 11

A. **Overview**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor-in-possession or bankruptcy trustee may reorganize a debtor's business for the benefit of its creditors, equity holders, and other parties in interest. The formulation and confirmation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the holders of claims against and interests in a debtor's estate.

A plan of reorganization may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. In either

event, upon confirmation of a plan, it becomes binding on such debtor and all of its creditors and equity holders and the obligations owed by such debtor to such parties are compromised and exchanged for the obligations specified in such plan.

If all classes of claims and equity interests accept a plan of reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. Section 1129(a) of the Bankruptcy Code sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests of creditors" test and be "feasible." The "best interests of creditors" test generally requires that the value of the consideration to be distributed to the holders of claims or equity interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under Chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the bankruptcy court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization. **The Plan Proponents believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code (other than section 1129(a)(8) of the Bankruptcy Code), including, in particular, the best interests of creditors test and the feasibility requirement.**

The Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan of reorganization for the bankruptcy court to determine that the class has accepted the plan. Rather, a class of creditors will be determined to have accepted the plan if the bankruptcy court determines that the plan has been accepted by a majority in number and two-thirds in amount of those claims actually voting in such class. Similarly, a class of equity security holders will have accepted the plan if the bankruptcy court determines that the plan has been accepted by holders of two-thirds of the number of shares actually voting in such class.

In addition, classes of claims or equity interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable or contractual rights associated with the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity on the effective date of the plan. Classes 1-A and 1-B – Priority Non-Tax Claims, Class 2A – Black Diamond Agent Secured Claims, and Classes 2C-A and 2C-B – Other Secured Claims are unimpaired and are therefore deemed to have accepted the Plan. Classes 3A-A – General Unsecured Claims against the Consolidated Debtors, Classes 3B-A – Intercompany Claims against the Consolidated Debtors, Classes 3C-A and 3C-B – Section 510(b) Claims, and Class 4 – Equity Interests are not entitled to a distribution under the Plan and are therefore deemed to have rejected the Plan. Accordingly, the Plan Proponents are soliciting acceptances of the Plan only from the Holders of Claims in Class 2B – Prepetition Lender Secured Claims, Class 3A-B – General Unsecured Claims against SIF, and Class 3B-B – Intercompany Claims against SIF.

A bankruptcy court also may confirm a plan of reorganization even though fewer than all the classes of impaired claims and equity interests accept such plan. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or equity interests, the plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or equity interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a rejecting class of claims or equity interests if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property from the estate, unless the senior class receives property having a value equal to the full amount of its allowed claim.

A plan does not "discriminate unfairly" against a rejecting class of claims or equity interests if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims or equity interests and (b) no senior class of claims or equity interests is to receive more than 100% of the amount of the claims or equity interest in such class.

The Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting Class of Claims or Equity Interests, and can therefore be confirmed, if necessary, over the objection of any Class of Claims or Equity Interests, provided Class 2B – Prepetition Lender Secured Claims, Class 3A-B – General Unsecured Claims against SIF, or Class 3B-B – Intercompany Claims against SIF votes to accept the Plan.

B. Confirmation of the Plan

1. Elements of Section 1129 of the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under section 1129 of the Bankruptcy Code are satisfied.

Such conditions include the following:

- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Plan has been proposed in good faith and not by any means proscribed by law;
- any payment contemplated under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable;

- the Plan Proponents have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director of the Debtor or a successor the Debtor under the Plan and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy;

- with respect to each impaired Class of Claims or Equity Interests, each Holder of an impaired Claim or impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Equity Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtor was liquidated on such date under chapter 7 of the Bankruptcy Code;

- in the event that the Plan Proponents do not move to confirm the Plan non-consensually, each Class of Claims or Equity Interests entitled to vote has either accepted the Plan or is not impaired under the Plan;

- except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expense Claims and Priority Tax Claims will be paid in full, in Cash, on the Effective Date;

- at least one Impaired Class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class;

- confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any other successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan; and

- all fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

The Plan Proponents believe that the Plan will satisfy all the statutory provisions of Chapter 11 of the Bankruptcy Code, that they have complied or will have complied with all of the provisions of the Bankruptcy Code and that the Plan is being proposed and submitted to the Bankruptcy Court in good faith.

2. Acceptance

A Class of Claims will have accepted the Plan if the Plan is accepted, with reference to a Class of Claims, by at least two-thirds in amount and more than one-half in number of the Allowed Claims of each such Class of Claims.

3. Best Interests of Creditors Test

With respect to each Impaired Class of Holders of Claims and Equity Interests, confirmation of the Plan requires that each such Holder either (a) accept the Plan or (b) receive

or retain under the Plan property of a value, as of the applicable consummation date under the Plan, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

To determine what Holders of Claims and Equity Interests of each Impaired Class would receive if the Debtors were liquidated, the Bankruptcy Court must determine the proceeds that would be generated from the liquidation of the properties and interests in property of the Debtors in a chapter 7 liquidation case. The proceeds that would be available for satisfaction of unsecured Claims against and Equity Interests in the Debtors would consist of the proceeds generated by disposition of the equity in the properties and interests in property of the Debtor and the Cash held by the Debtor at the time of the commencement of the liquidation case. Such proceeds would be reduced by the costs and expenses of the liquidation and by such additional administration and priority claims that may result from the termination of the business of the Debtors and the use of chapter 7 for the purposes of liquidation.

The costs of liquidation under chapter 7 of the Bankruptcy Code would include the fees payable to the Trustee in bankruptcy, and the fees that would be payable to additional attorneys and other professionals that such a trustee may engage, plus any Allowed unpaid expenses incurred by the Debtors or the Trustee during the Chapter 11 Cases, such as compensation for attorneys, financial advisors, accountants and costs that are allowed in the chapter 7 cases. In addition, Claims could arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of Claims and such other Claims which may arise in the liquidation cases or result from the pending Chapter 11 Case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay unsecured Claims arising on or before the Petition Date.

To determine if the Plan is in the best interests of each Impaired Class, the present value of the distributions from the proceeds of the liquidation of the properties and interests in property of the Debtors (net of the amounts attributable to the aforesaid claims) is then compared with the present value offered to such Classes of Claims and Equity Interests under the Plan.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to the Trustee and his professional advisors; (b) increased costs and expenses of a liquidation under chapter 7 arising from administrative expenses payable as a result of the sale of certain of the Debtors' assets; and (c) the erosion in value of assets in the context of the expeditious liquidation required under chapter 7 and the "forced sale" environment in which such a liquidation would likely occur, the Plan Proponents have determined that confirmation of the Plan will provide each Holder of a Claim or Equity Interest with a greater or equal recovery than it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

The liquidation analysis is further described in Article XII herein.

4. Feasibility

The Bankruptcy Code conditions confirmation of a plan of reorganization on, among other things, a finding that it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. For purposes of determining whether the Plan satisfies this condition, the Plan Proponents have analyzed the capacity of the Debtors to service its obligations under the Plan. The Plan Proponents believe that the Debtors will be able to service its obligations under the Plan and confirmation of the Plan will not likely be followed by the need for further financial reorganization of the Debtors.

C. **Cramdown**

Because certain Classes are deemed to have rejected the Plan, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Classes and any other Classes of Claims that vote to reject the Plan.

1. No Unfair Discrimination

A plan of reorganization does not discriminate unfairly if (a) the legal rights of a nonaccepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are similar to those of the nonaccepting class and (b) no class receives payments in excess of that which it is legally entitled to receive for its claims or equity interests. The Plan Proponents believe that under the Plan all Impaired Classes of Claims and Equity Interests are treated in a manner that is consistent with the treatment of other Classes of Claims and Equity Interests that are similarly situated, if any, and no Class of Claims or Equity Interests will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims and Equity Interests in such class. Accordingly, the Plan Proponents believe the Plan does not discriminate unfairly as to any Impaired Class of Claims or Equity Interests.

2. Fair and Equitable Test

The Bankruptcy Code establishes different "fair and equitable" tests for classes of secured claims, unsecured claims and equity interests as follows:

a. **Secured Claims**

Either (i) each holder of a claim in an impaired class of secured claims retains its liens securing its secured claim and it receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each holder of a claim in an impaired class of secured claims realizes the indubitable equivalent of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens, with such liens to attach to the proceeds and the treatment of such liens on proceeds as provided in clause (i) or (ii) of this subparagraph.

b. **Unsecured Claims**

Either (i) each holder of a claim in an impaired class of unsecured claims receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the

holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan of reorganization, subject to the applicability of the judicial doctrine of contributing new value.

c. **Equity Interests**

Either (i) each holder of an equity interest in an impaired class of interests will receive or retain under the plan of reorganization property of a value equal to the greater of (A) the fixed liquidation preference or redemption price, if any, of such stock or (B) the value of the stock or (ii) the holders of interests that are junior to the stock will not receive any property under the plan of reorganization, subject to the applicability of the judicial doctrine of contributing new value.

THE PLAN MAY BE CONFIRMED IF THE REQUISITE AMOUNT OF HOLDERS OF CLAIMS IN CLASS 2B – PREPETITION LENDER SECURED CLAIMS, CLASS 3A-B – GENERAL UNSECURED CLAIMS AGAINST SIF, OR CLASS 3B-B – INTERCOMPANY CLAIMS AGAINST SIF VOTE TO ACCEPT THE PLAN.

D. **Effect of Confirmation**

Under section 1141 of the Bankruptcy Code, the provisions of a confirmed plan bind the debtor, any entity issuing securities under the plan, any entity acquiring property under the plan and any creditor or equity security holder, whether or not the claim or interest of such creditor or equity security holder is impaired under the plan and whether or not such creditor or equity security holder voted to accept the plan. Further, after confirmation of a plan, the property dealt with by the plan is free and clear of all claims and interests of creditors and equity security holders, except as otherwise provided in the plan or the confirmation order.

ARTICLE VI.
THE CHAPTER 11 PLAN

A. **Classification**

The classified Claims against, and Equity Interests in, the Debtors are classified as follows:

1. Class 1 Claims – Priority Non-Tax Claims.

Class 1-A Claims: Class 1-A Claims consist of all Priority Non-Tax Claims against the Consolidated Debtors.

Class 1-B Claims: Class 1-B Claims consist of all Priority Non-Tax Claims against SIF.

2. Class 2A Claims – Black Diamond Agent Secured Claims.

Class 2A Claims: Class 2A Claims consist of the Black Diamond Agent Secured Claim against the Consolidated Debtors.

3. Class 2B Claims – Prepetition Lender Secured Claims.

Class 2B Claims: Class 2B Claims consist of all Prepetition Lender Secured Claims of any of the Prepetition Lenders against the Consolidated Debtors.

4. Class 2C Claims – Other Secured Claims.

Class 2C-A Claims: Class 2C-A Claims consist of all Other Secured Claims against the Consolidated Debtors.

Class 2C-B Claims: Class 2C-B Claims consist of all Other Secured Claims against SIF.

5. Class 3A – General Unsecured Claims.

Class 3A-A Claims: Class 3A-A Claims consist of all General Unsecured Claims against the Consolidated Debtors.

Class 3A-B Claims: Class 3A-B Claims consist of all General Unsecured Claims against SIF.

6. Class 3B – Intercompany Claims.

Class 3B-A Claims: Class 3B-A Claims consist of all Intercompany Claims against the Consolidated Debtors.

Class 3B-B Claims: Class 3B-B Claims consist of all Intercompany Claims against SIF.

7. Class 3C – Section 510(b) Claims.

Class 3C-A Claims: Class 3C-A Claims consist of all Section 510(b) Claims against the Consolidated Debtors.

Class 3C-B Claims: Class 3C-B Claims consist of all Section 510(b) Claims against SIF.

8. Class 4 – Equity Interests.

Class 4 Claims: Class 4 Claims consist of all Equity Interests in any of the Debtors.

B. Summary of Distributions Under the Plan

The following tables designate the Claims against and Equity Interests in the Debtors and specifies which are (i) impaired or unimpaired by the Plan, (ii) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (iii) deemed to reject the Plan. The estimates of recovery are based on information provided to the Plan Proponents, by the Debtors or Trustee, or publicly disclosed during the Chapter 11 Cases. The estimates of recovery may differ from that which Holders of Claims may realize.

UNCLASSIFIED CLAIMS

Designation	Treatment	Entitled to Vote	Estimated Recovery
Administrative Expense Claims	Unimpaired	No (deemed to accept)	100%
Postpetition Lender Secured Claims	Unimpaired	No (deemed to accept)	100%
Priority Tax Claims	Unimpaired	No (deemed to accept)	100%

CLASSIFIED CLAIMS AND INTERESTS

Class	Designation	Treatment	Entitled to Vote	Estimated Recovery
1-A	Priority Non-Tax Claims against Consolidated Debtors	Unimpaired	No (deemed to accept)	100%
1-B	Priority Non-Tax Claims against SIF	Unimpaired	No (deemed to accept)	100%
2A	Black Diamond Agent Secured Claims against Consolidated Debtors	Unimpaired	No (deemed to accept)	100%
2B	Prepetition Lender Secured Claims Against Consolidated Debtors	Impaired	Yes	Less than 100%
2C-A	Other Secured Claims against Consolidated Debtors	Unimpaired	No (deemed to accept)	100%
2C-B	Other Secured Claims against SIF	Unimpaired	No (deemed to accept)	100%
3A-A	General Unsecured Claims against Consolidated Debtors	Impaired	No (deemed to reject)	No recovery
3A-B	General Unsecured Claims against SIF	Impaired	Yes	Less than 100%
3B-A	Intercompany Claims against Consolidated Debtors	Impaired	No (deemed to reject)	No recovery

3B-B	Intercompany Claims against SIF	Impaired	Yes	Less than 100%
3C-A	Section 510(b) Claims against Consolidated Debtors	Impaired	No (deemed to reject)	No recovery
3C-B	Section 510(b) Claims against Consolidated Debtors	Impaired	No (deemed to reject)	No recovery
4	Equity Interests	Impaired	No (deemed to reject)	Cancelled

C. **Description and Treatment of Claims Against and Equity Interests in the Debtors**

1. Unclassified Claims Against the Debtors

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Postpetition Lender Secured Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims set forth in Article II of the Plan.

a. **Administrative Expense Claims**

Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment, on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, the Holder of such an Allowed Administrative Expense Claim shall receive payment in Cash in full satisfaction of any unsatisfied portion of such Claim, *first*, from Available Cash (to the extent available for payment of such Claim) and, *second*, from the proceeds of borrowings under the Exit Facility Agreement (to the extent of the availability under the Exit Facility Agreement) in an amount equal to any remaining Allowed amount of such Claim; *provided*, *however*, that (i) the Tranche A Commitment shall be available to pay only Postpetition Lender Secured Claims and the Tranche B Commitment shall not be available to pay Postpetition Lender Secured Claims; (ii) Allowed Administrative Expense Claims representing liabilities or other obligations incurred in the ordinary course of business by the Trustee shall be paid in full and performed by the Trustee in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions; and (iii) no Professional Fee Claim shall be Allowed unless (a) the Holder of such Professional Fee Claim files and serves on counsel for the Trustee, the Debtors, Black Diamond Agent, the Plan Proponents, and the Office of the United States Trustee a final fee application with the Bankruptcy Court requesting allowance of such Claim no later than 45 days after the Effective Date; and (b) the Bankruptcy Court enters a Final Order allowing such Professional Fee Claim; any Holder of a Professional Fee Claim that fails to timely file and serve such an application for final allowance of compensation and reimbursement of expenses in respect of such Claims shall be forever barred from asserting such Claims against the Debtors or Reorganized Debtors or their property, and the Debtors and Reorganized Debtors shall be discharged from such Claims and shall not be obligated to satisfy such Claims.

b. **Postpetition Lender Secured Claims**

Except to the extent that the Holder of an Allowed Postpetition Lender Secured Claim agrees to less favorable treatment, each Holder of an Allowed Postpetition Lender Secured Claim shall be paid in full on the Effective Date from, *first*, any unencumbered Available Cash, *second*, Available Cash designated to be applied for payment of Allowed Postpetition Lender Secured Claims under Section 4.3(c) of the Plan and, *third*, the proceeds of a borrowing under the Tranche A Commitment.

c. **Priority Tax Claims**

Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by or on behalf of a Debtor prior to the Effective Date or agrees to less favorable treatment, each Holder of an Allowed Priority Tax Claim shall receive Cash in an amount equal to the Allowed amount of such Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, from the proceeds of a drawing on the Exit Facility Agreement.

2. Classified Claims Against and Equity Interests in the Debtors

a. **Priority Non-Tax Claims (Classes 1-A and 1-B)**

Except to the extent that the Holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment or has been paid by or on behalf of the applicable Debtor on account of such Priority Non-Tax Claim prior to the Effective Date, each Holder of an Allowed Priority Non-Tax Claim in either of Class 1-A or 1-B shall be paid in Cash in each case on the later of the Effective Date and the date (if ever) each respective Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable, in an amount equal to the Allowed amount of such Priority Non-Tax Claim, from the proceeds of a borrowing under the Exit Facility Agreement Tranche B Commitment.

b. **Black Diamond Agent Secured Claim (Class 2A)**

Except to the extent that the Holder of an Allowed Black Diamond Agent Secured Claim agrees to less favorable treatment, on the Effective Date, or as soon thereafter as is reasonably practicable, the Holder of an Allowed Black Diamond Agent Secured Claim in Class 2A shall receive on account of such Claim payment of the Allowed amount of such Claim in full in Cash from Available Cash, or if Available Cash is insufficient to pay such Allowed Claim in full, from the proceeds of a borrowing under the Exit Facility Tranche B Commitment.

c. **Prepetition Lender Secured Claims (Class 2B)**

Except to the extent that the Holder of an Allowed Prepetition Lender Secured Claim agrees to less favorable treatment, on the Effective Date, or as soon thereafter as is practicable, each Holder of an Allowed Prepetition Lender Secured Claim in Class 2B shall be satisfied with its pro rata share of (i) the Available Cash remaining after payment of the Allowed Black Diamond Agent Secured Claim, if any, on such date, (ii) the Reorganized GSC Group New Common Stock, (iii) the Reorganized NJLP New Senior Notes, and (iv) the Reorganized AP Inc.

New Common Stock. However, any Cash Distributions that would otherwise be allocable to the Non-Controlling Lenders on account of their Allowed Prepetition Lender Secured Claims shall be applied *first*, to the payment of Allowed Postpetition Lender Secured Claims until the Holders of Allowed Postpetition Lender Secured Claims are paid in full in Cash and, *second*, the balance, if any, to the Non-Controlling Lenders based on each Non-Controlling Lenders' pro rata share of the Non-Controlling Lenders' Pro Rata Share of the Allowed Prepetition Lender Secured Claims.

d. **Other Secured Claims (Classes 2C-A and 2C-B)**

Except to the extent that the Holder of an Allowed Other Secured Claim agrees to less favorable treatment, each Holder of an Allowed Other Secured Claim in either of Class 2C-A or 2C-B shall receive, at the option of the Majority Plan Proponents, one of the following: (i) payment in Cash in an amount equal to the Allowed amount of such Other Secured Claim on the later of the Effective Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim; (ii) the sale or disposition proceeds of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the Holder's interest in the Collateral securing such Allowed Other Secured Claim; (iii) surrender to the Holder of such Allowed Other Secured Claim of the Collateral securing such Allowed Other Secured Claim; or (iv) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of the Allowed Secured Claim is entitled. In the event an Allowed Other Secured Claim is treated under clause (i) or (ii) above, the Liens securing such Claim shall be deemed released and extinguished without further order of the Bankruptcy Court.

e. **General Unsecured Claims (Classes 3A-A and 3A-B)**

(i) *Class 3A-A*

The Holders of Allowed General Unsecured Claims in Class 3A-A shall receive no Distribution on account of such Claims, and such Claims shall be extinguished as against the applicable Debtor.

(ii) *Class 3A-B*

Except to the extent that the Holder of an Allowed General Unsecured Claim in Class 3A-B agrees to less favorable treatment, on the Effective Date, or as soon thereafter as is practicable, each Holder of an Allowed General Unsecured Claim in Class 3A-B shall be satisfied by its pro rata share of the SIF General Unsecured Creditors' Pro Rata Share of the Reorganized SIF Interests to be issued pursuant to and in a manner consistent with the provisions of the Plan.

f. **Intercompany Claims (Classes 3B-A and 3B-B)**

(i) *Class 3B-A*

All Allowed Intercompany Claims in Class 3B-A shall be cancelled as of the Effective Date, and the Holders of such Allowed Intercompany Claims in Class 3B-A shall receive no Distribution on account of such Claims.

(ii) *Class 3B-B*

Except to the extent that the Holder of an Allowed Intercompany Claim in Class 3B-B agrees to less favorable treatment, on the Effective Date, or as soon thereafter as is practicable, each Holder of an Allowed Intercompany Claim in Class 3B-B shall receive its pro rata share of the SIF Intercompany Creditors' Pro Rata Share of the Reorganized SIF Interests to be issued pursuant to and in a manner consistent with the provisions of the Plan.

g. **Section 510(b) Claims (Classes 3C-A and 3C-B)**

The Holders of Allowed Section 510(b) Claims in either of Class 3C-A or 3C-B shall receive no Distribution on account of such Claims, and those Claims shall be extinguished as against the Debtors.

h. **Equity Interests (Class 4)**

The Holders of Equity Interests in Class 4 shall receive no Distribution on account of such Equity Interests.

ARTICLE VII.

TRANSACTIONS TO BE CONSUMMATED UNDER THE PLAN

A. Means for Implementation of the Plan

1. Partial Substantive Consolidation

The Plan contemplates the substantive consolidation of the estates of the Consolidated Debtors into a single Entity solely for purposes of Plan voting, confirmation, implementation, Distribution and consummation. The Plan Proponents request substantive consolidation of the Consolidated Debtors on the grounds that the amount of the Prepetition Lender Secured Claims are far in excess of the value of the Consolidated Debtors' estates, and no Holder of a General Unsecured Claim would be entitled to receive any distribution under the Plan absent the consent of the Prepetition Lenders, and therefore, the denial of substantive consolidation would result in an unnecessarily costly, time-consuming administrative burden. Accordingly, on the Effective Date: (i) all Intercompany Claims held by a Consolidated Debtor against a Consolidated Debtor shall be cancelled; (ii) all assets and any proceeds thereof and all liabilities of any and all of the Consolidated Debtors, will be merged or treated as though they were the assets or liabilities jointly of all such Debtors; (iii) any obligation of a Consolidated Debtor upon which any one or more other Consolidated Debtors are primarily or secondarily liable will be deemed to be a

single obligation of the Consolidated Debtors in the amount of the primary obligation; (iv) any Claims Allowed in connection with any such obligations will be deemed one Claim against the Consolidated Debtors in the amount of the primary obligation entitled to (at most) a single Distribution; (v) every Claim for which proof is filed or to be filed as against any one of the Consolidated Debtors shall be deemed one Claim filed against such Debtors; and (vi) Claims of a single creditor against more than one of the Consolidated Debtors in respect of single, discrete transactions shall be treated as a single Claim against the Consolidated Debtors in the aggregate amount of such all such Claims.

Notwithstanding the foregoing, (i) the estate of SIF will not be deemed consolidated with the estates of the Consolidated Debtors for any purposes; (ii) the Consolidated Debtors will not be deemed consolidated for any purpose after the Effective Date; (iii) the Debtors', Reorganized Debtors' and Trustee's rights of recovery against any Entity other than a Debtor with respect to any assets and the rights of any party with a security interest in any of the property of any of the Debtors shall not be prejudiced by such consolidation; and (iv) mutuality for purposes of setoff under section 553 of the Bankruptcy Code will not be affected by such consolidation.

2. Plan Transactions

a. **Reorganized NJLP New Senior Notes**

On the Effective Date, Reorganized NJLP shall execute and deliver the Reorganized NJLP New Senior Notes Indenture to govern the Reorganized NJLP New Senior Notes.

b. **Exit Facility**

On the Effective Date, the Participating Lenders, or a subgroup thereof (the "Exit Lenders"), shall establish the Exit Facility, which shall consist of (i) a secured term credit facility in an amount equal to the DIP Facility Deficiency (the "Tranche A Commitment"), and (ii) a multiple draw secured term loan facility in the amount of $7,000,000 (the "Tranche B Commitment"). The Reorganized Debtors shall enter into the Exit Facility Agreement to (a) refinance amounts outstanding on the Effective Date under the Postpetition Credit Agreement, (b) make other payments required to be made on the Effective Date or a Distribution Date (after giving effect to the payments made with Available Cash on the Effective Date), and (c) provide additional borrowing capacity required by the Reorganized Debtors following the Effective Date to maintain their operations.

The Exit Facility shall mature on the date that is 18 months after the Effective Date. Drawings under the Exit Facility shall be made in accordance with a budget reasonably acceptable to the Exit Lenders, to the extent the Reorganized Debtors do not have sufficient cash on hand to fund a budgeted item. The terms of the Exit Facility (including interest and commitment fees) shall be reasonably acceptable to the Majority Plan Proponents and the Exit Lenders, who shall be secured by a first priority lien on all assets of the Reorganized Debtors.

c. **Sankaty Sub-Advisory Agreement**

On the Effective Date, the Reorganized Debtors shall enter into the Sub-Advisory Agreement pursuant to which Sankaty will provide the Reorganized Debtors certain investment advisory services. A presentation about Sankaty is attached hereto as Exhibit F.

d. **Cancellation of Old Securities**

On the Effective Date, except as otherwise provided for herein, (i) any agreement, note, bond (with the exception of surety bonds outstanding), indenture or other instrument or document evidencing or creating any indebtedness or obligation of a Debtor, except such notes or other instruments evidencing indebtedness or obligations of a Debtor that are Reinstated, and all Equity Interests in the Debtors, other than Equity Interests of a Debtor in a Consolidated Debtor (which are Reinstated except as modified pursuant to Sections 6.6, 6.9 and/or Article VII of the Plan), and any instrument or document evidencing or creating such Equity Interests (other than Equity Interests of a Debtor in a Consolidated Debtor), shall be cancelled, (ii) the obligations of the Debtors under any agreement, note, bond (with the exception of surety bonds outstanding), indenture or other instrument or document evidencing or creating any indebtedness or obligation of a Debtor, except such notes or other instruments evidencing indebtedness or obligations of a Debtor that are Reinstated or assumed as provided in the Plan, shall be discharged. As of the Effective Date, all Equity Interests that have been authorized to be issued but that have not been issued shall be deemed cancelled and extinguished without any further action of any party.

3. Provisions for Distributions of Plan Securities

a. **Creation and Distribution of New Securities**

On, or as soon as reasonably practicable after, the Effective Date, each of the Reorganized GSC Group, Reorganized AP Inc. and Reorganized SIF are authorized to and shall distribute, or cause to be distributed, its Reorganized GSC Group New Common Stock, Reorganized AP Inc. New Common Stock and Reorganized SIF Interests, as applicable, and they and the other Reorganized Debtors are authorized to issue any and all other new securities required to be issued, executed or delivered pursuant to the Plan, in each case without further (i) notice to or order of the Bankruptcy Court, (ii) act or action under applicable law, regulation, order or rule or (iii) the vote, consent, authorization or approval of any Entity. All documents, agreements and instruments entered into and delivered on or as of the Effective Date contemplated by or in furtherance of the Plan, and any other agreement or document related to or entered into in connection with same, shall become, and shall remain, effective and binding in accordance with their respective terms and conditions upon the parties thereto, in each case without further (i) notice to or order of the Bankruptcy Court, (ii) act or action under applicable law, regulation, order or rule or (iii) the vote, consent, authorization or approval of any Entity (other than as expressly required by such applicable agreement).

b. **Sale of Non-Core Assets and Distribution of Reorganized Debtors' Cash**

Any Non-Core Assets of a Debtor that have not been sold prior to the Effective Date shall vest in such Debtor as a Reorganized Debtor. After the Effective Date, the Reorganized Debtors will use their reasonable best efforts to sell the Non-Core Assets.

c. **Reorganized Debtors' Use of Cash**

Any Cash generated by the Reorganized Debtors after the Effective Date, excluding the Sankaty Fees, shall be deposited with the Exit Administrative Agent and applied as follows: *first*, to repay amounts outstanding under the Tranche A Commitment; *second*, an amount equal to the budgeted expenditures payable within the subsequent 30 days shall be retained by the Exit Administrative Agent to be released in accordance with the budget developed in accordance with the Exit Facility Agreement; *third*, to pay any amounts outstanding under the Tranche B Commitment; and *fourth*, to pay other amounts outstanding under the Exit Credit Agreement. No dividends or other distributions by the Reorganized Debtors will be permitted so long as the Exit Facility Agreement is in effect or any commitment thereunder is outstanding. Once the Exit Facility Agreement is no longer in effect and no commitments thereunder are outstanding, the Reorganized Debtors may make dividends and other distributions to the extent that cash on hand exceeds $7 million less the sum of all expenditures by the Reorganized Debtors since the Effective Date.

d. **Disposition of Management Contracts**

All Management Contracts shall be assumed by the Debtors and performed by the Reorganized Debtors who shall be sub-advised by Sankaty pursuant to the Sankaty Sub-Advisory Agreement. Notwithstanding the above, if Consent Parties to a particular Management Contract do not Consent to Sankaty serving as sub-advisor to the Reorganized Debtors for such Management Contract, the Debtors or the Reorganized Debtors, as the case may be, may, among other things: (a) reject such Management Contract in accordance with the provisions of the Plan; or (b) assume the Management Contract in accordance with the provisions of the Plan and either (i) perform under the Management Contract without the assistance of Sankaty or any other sub-advisor, (ii) appoint a sub-advisor (if any) acceptable to the relevant Consent Parties to assist in performing under such Management Contract, (iii) assign such Management Contract to an Entity acceptable to the relevant Consent Parties in accordance with the provisions of the Plan, or (iv) employ Sankaty to serve as a sub-advisor to the Reorganized Debtors in respect of such Management Contract (but only to the extent a Final Order is entered authorizing the same).

e. **Deemed Consent**

If a Consent Party has failed to object to the assignment of the Debtors' rights under the Management Contract for which it is a Consent Party or to the appointment of Sankaty as a sub-advisor for the Debtors in respect of such Management Contract on or before the earlier of (i) fifteen (15) days following service of notice or (ii) two (2) Business Days prior to the Confirmation Hearing, notwithstanding any terms in the operating Management Contract requiring Consent from the Consent Party, such Consent shall be deemed to have been given by such Consent Party.

f. **Distributions of Plan Consideration**

On the Effective Date, or as soon thereafter as practicable, the Reorganized Debtors shall make the Distributions of their Plan Consideration in accordance with the provisions of the Plan.

g. **Distributions Free and Clear**

Except as otherwise provided herein, any Distributions under the Plan shall be free and clear of any Liens, Claims, interests and encumbrances, and no other Entity, including the Debtors shall have any interest, legal, beneficial or otherwise, in assets transferred pursuant to the Plan.

h. **Delivery of Distributions and Undeliverable Distributions**

Distributions to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the proof of claim filed in respect of such Holder's Allowed Claim or on the Schedules filed with the Bankruptcy Court, unless the address on such Schedules is superseded by a new address as set forth (a) on a proof of claim filed by a Holder of an Allowed Claim or (b) in another writing notifying the Reorganized Debtors (at the addresses set forth in the Plan Supplement) of a change of address. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the Reorganized Debtor is notified of such Holder's then-current address, at which time all returned Distributions on such Claim shall be made to such Holder at its then-current address, without interest. All demands for undeliverable Distributions shall be made on or before six (6) months after the date such undeliverable Distribution was initially made. Thereafter, the amount represented by such undeliverable Distribution shall irrevocably revert to the applicable Reorganized Debtor, and any Claim in respect of such undeliverable Distribution shall be discharged and forever barred from assertion against any Debtor, Reorganized Debtor or their property.

i. **Withholding and Reporting Requirements**

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the Reorganized Debtors shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all Distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income, withholding and other tax obligations, on account of such Distribution. Each of the Reorganized Debtors has the right, but not the obligation, to withhold a Distribution until such Holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations. Each of the Reorganized Debtors may require, as a condition to receipt of a Distribution, that the Holder of an Allowed Claim complete and return a Form W-8 or W-9, as applicable, to each such Reorganized Debtor. If a Reorganized Debtor makes such a request and the Holder fails to comply before the date that is 180 days after the request is made, the amount of such Distribution shall irrevocably revert to the Reorganized Debtor and any Claim in respect of such Distribution

shall be discharged and forever barred from assertion against the Reorganized Debtors or their respective property.

j. **Setoffs and Recoupment**

The Reorganized Debtors may, but shall not be required to, set off against or recoup from any Claim and the payments to be made pursuant to the Plan in respect of such Claim any Claims of any nature whatsoever that any Debtors may have against the Holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtors of any such Claim any Reorganized Debtors may have against such Holder.

k. **Allocation of Distributions**

Distributions to any Holder of an Allowed Claim shall be allocated first to the principal portion of any such Allowed Claim (as determined for federal income tax purposes), and, only after the principal portion of any such Allowed Claim is satisfied in full, to any portion of such Allowed Claim comprising interest (but solely to the extent that interest is an allowable portion of such Allowed Claim).

l. **Maximum Distribution**

In no event shall any Holder of any Allowed Claim receive Distributions under the Plan in excess of the Allowed amount of such Claim, including after taking into account amounts received from sources other than the Debtors, the Trustee or Reorganized Debtors on account of such Allowed Claim.

B. **Conditions Precedent to the Effective Date of the Plan**

The following are conditions precedent to the Effective Date of the Plan with respect to each Debtor:

- the Confirmation Order, in form and substance acceptable to the Majority Plan Proponents, shall have been entered;

- the Sankaty Sub-Advisory Agreement shall have been executed by all parties thereto and all conditions to the effectiveness thereof shall have been satisfied or waived;

- the Exit Facility Agreement shall have been executed by all parties thereto and all conditions to the initial borrowing thereunder shall have been satisfied or waived;

- the sum of (i) the Non-Controlling Lenders' Pro Rata Share of Available Cash to be turned over pursuant to Section 4.3(c) of the Plan plus (ii) the proceeds of borrowings under the Tranche A Commitment shall be sufficient to pay all amounts owing under the Postpetition Credit Agreement;

- the assets of the Debtors have been assumed or have revested in the Reorganized Debtors in a manner satisfactory to the Majority Plan Proponents;

- all actions and all agreements, instruments or other documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the Majority Plan Proponents;

- all authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan are obtained and not revoked; and

- the certificates of incorporation and by-laws and/or other relevant constitutive documents of the Debtors shall have been amended to the extent necessary to effectuate the Plan.

Notwithstanding the foregoing, the Majority Plan Proponents reserve the right to waive the occurrence of the conditions precedent to the Effective Date set forth in Section 11.1 of the Plan other than those set forth in Section 11.1(b) and (c) of the Plan. Any such waiver must be in writing and may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action. If the Majority Plan Proponents decide that one of the conditions precedent to the Effective Date of the Plan cannot be satisfied and the occurrence of such condition is not waived or cannot be waived, then the Plan Proponents shall file a notice of the inability to satisfy such condition precedent with the Bankruptcy Court.

C. **Corporate Existence**

Except as otherwise set forth in the New Certificates, after the Effective Date, the Reorganized Debtors may decide to (i) maintain each Reorganized Debtor as a corporation, limited liability company or partnership in good standing until such time as all aspects of the Plan pertaining to such Debtor have been completed, or (ii) at such time as the Reorganized Debtors consider appropriate and consistent with the implementation of the Plan pertaining to such Debtor, dissolve such Debtor or merge such Debtor with another Debtor and complete the winding up of such Debtor without the necessity for any other or further actions to be taken by or on behalf of such dissolving Debtor or its shareholder or any payments to be made in connection therewith subject to the filing of a certificate of dissolution with the appropriate governmental authorities (including, without limitation, the transfer of all or part of the assets of such Debtor to a liquidating trust).

On the Effective Date, the certificate of incorporation of each of Reorganized AP Inc. and Reorganized GSC Group shall be amended in its entirety to read substantially as set forth in Schedules 2A and 2B of the Plan, respectively.

D. **Board of Directors**

As of the Effective Date, the existing Board of GSC Group and the Board of each of the Debtors shall be terminated and new Boards shall be appointed by the Majority Plan Proponents. From and after the Effective Date, each of the Reorganized Debtors shall be managed by its new Board. Thereafter, the directors of the Reorganized Debtors shall be selected and determined in accordance with the provisions of the organizational documents of the Reorganized Debtors and

applicable law. The initial directors of the new Boards shall be as identified in the Plan Supplement.

The new Board of each Reorganized Debtor shall have full discretion with respect to the continued retention or termination of any existing managers or advisors to the Debtors except as set forth in the New Certificates, provided that the appointment of Sankaty as sub-advisor for the Reorganized Debtors pursuant to the Sankaty Sub-Advisory Agreement may not be terminated except pursuant to the Sankaty Sub-Advisory Agreement.

E. Restructuring Transactions

Except as otherwise provided in this Plan, pursuant to section 1123(a)(5) of the Bankruptcy Code, on or after the Effective Date, the applicable Reorganized Debtors may enter into such transactions and may take such actions as may be appropriate to effect a restructuring of their respective businesses, to simplify otherwise the overall corporate structure of the Reorganized Debtors, or to reincorporate certain of the Reorganized Debtors under the laws of jurisdictions other than the laws of which the applicable Reorganized Debtors are presently incorporated. Such restructuring is contemplated to include one or more mergers, consolidations, restructures, dispositions, liquidations, or dissolutions, as may be determined by the Debtors or Reorganized Debtors to be necessary or appropriate (collectively, the "Restructuring Transactions"). The actions to effect the Restructuring Transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and such other terms to which the applicable Entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable Entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation or dissolution pursuant to applicable state law; and (iv) all other actions that the applicable entities determine to be appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions. The Restructuring Transactions may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of certain of the Reorganized Debtors vesting in one or more surviving, resulting, or acquiring corporations. In each case in which the surviving, resulting or acquiring corporation will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in any contract, instrument or other agreement or document effecting a disposition to such surviving, resulting or acquiring corporation, which may provide that another Reorganized Debtor will perform such obligations.

F. Certificates of Incorporation and By-Laws

As of the Effective Date, each New Certificate shall, among other things, prohibit the issuance of nonvoting equity securities, but only to the extent required by section 1123(a)(6) of

the Bankruptcy Code. Except for the GSC Group Certificate of Incorporation, the New Certificates of each of the Reorganized Debtors shall be included in the Plan Supplement.

ARTICLE VIII.
OTHER ASPECTS OF PLAN

A. Plan Supplement

The New Certificates (other than the New GSC Group Certificate of Incorporation), the Reorganized NJLP New Senior Note Indenture, a list of any contracts or leases, other than Management Contracts and Partnership Contracts, to be assumed or assumed and assigned, a list of the Management Contracts and Partnership Contracts to be rejected by the Debtors in accordance with Section 10.1 of the Plan, the cure amounts of any executory contracts to be assumed by the Debtors, the Sankaty Sub-Advisory Agreement, and the Exit Facility Agreement shall be contained in the Plan Supplement that is filed with the Clerk of the Bankruptcy Court at least five (5) days prior to the last day upon which holders of Claims may vote to accept or reject the Plan.

B. Procedures for Treating Disputed Claims

1. Objections

As of the Effective Date, objections to, and requests for estimation of, all Claims against the Debtors may be interposed and prosecuted only by the Reorganized Debtors. Objections to and requests for estimation of Claims shall be filed with the Court and served on the claimant on or before the later of (a) the date that is six (6) months after the Effective Date and (b) such later date as may be determined by the Bankruptcy Court for cause shown.

2. Restrictions on Distributions

Notwithstanding any other provision hereof, if any portion of a Claim on account of which the Holder of such Claim is to receive a Distribution by and through the Plan (i.e., Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Postpetition Lender Secured Claims, Black Diamond Agent Secured Claims, Prepetition Lender Secured Claims, Other Secured Claims, General Unsecured Claims against SIF, and Intercompany Claims against SIF) is a Disputed Claim, no Distribution shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim, whether or not an undisputed or Allowed portion of such Claim exists.

3. Estimation of Claims

An order of the Bankruptcy Court may be sought and used to calculate and to establish the amount of the Disputed Claims Estimated Amount. The Reorganized Debtors or the Holder of a Disputed Claim may, at any time, request that the Bankruptcy Court estimate any Disputed Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Disputed Claim at any time during litigation concerning any objection to any Disputed Claim, including during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may, as determined by the Bankruptcy

Court, constitute (a) the Allowed amount of such Disputed Claim, (b) a maximum limitation on such Disputed Claim, or (c) in the event such Disputed Claim is estimated in connection with the estimation of other Claims within the same Class, a maximum limitation on the aggregate amount of Allowed Claims on account of such Disputed Claims so estimated; *provided*, *however*, that if the estimate constitutes the maximum limitation on a Claim, or on more than one such Claim within a Class of Claims, as applicable, the Reorganized Debtors may elect to pursue supplemental proceedings to object to any ultimate allowance of any such Disputed Claim. All of the objection, estimation, settlement and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Disputed Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

4. Reserve for Disputed Claims

The Reorganized Debtors shall hold for the benefit of each Holder of a Disputed Claim the Cash or the Reorganized GSC New Securities that would have been distributed to the Holder of such Disputed Claim if it were an Allowed Claim in an amount equal to the lesser of (i) the amount listed in the Schedules with respect to such Claim, or (ii) the amount set forth in a proof of claim filed by or on behalf of the Holder of such Claim; *provided, however*, that if an order of the Bankruptcy Court provides an estimation of the amount of such Disputed Claim for the purpose of reserving for Distribution thereon, then the amount so estimated shall be the amount reserved in respect of such Claim. Such amount so reserved shall constitute the maximum amount of Distribution to which such a Holder of a Disputed Claim may ultimately be entitled; *provided, however*, that nothing herein shall be interpreted as requiring the Reorganized Debtors to reserve Distributions for the benefit Holders of Claims which, even if Allowed, are not to receive a Distribution under the Plan.

5. Resolution of Disputed Claims

On and after the Effective Date, the Reorganized Debtors shall have the authority to settle or otherwise resolve or withdraw any objections to Claims and to compromise, settle or otherwise resolve any Disputed Claims. Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Reorganized Debtors shall have the authority to settle or compromise all Claims and Disputed Claims without further review or approval of the Bankruptcy Court.

6. Disallowance of Claims or Equity Interests

EXCEPT AS OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE APPLICABLE DEADLINE FOR FILING SUCH PROOFS OF CLAIM SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT ON OR BEFORE THE LATER OF

(1) THE CONFIRMATION HEARING AND (2) 45 DAYS AFTER THE APPLICABLE DEADLINE FOR FILING SUCH PROOFS OF CLAIM.

All Claims of any Entity from which property is sought by the Trustee or the Reorganized Debtors under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Trustee or the Reorganized Debtors allege is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be Disallowed if (a) the Entity, on the one hand, and the Trustee or the Reorganized Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turn over any property or monies under any of the aforementioned sections of the Bankruptcy Code and (b) such Entity or transferee has failed to turn over such property by the date set forth in such agreement or Final Order.

7. No Interest

Holders of Disputed Claims shall not be entitled to postpetition interest if such Disputed Claim becomes an Allowed Claim unless the holder of such Allowed Claim is entitled to postpetition interest on such Claim under the Bankruptcy Code and the Plan.

C. **Treatment of Executory Claims**

1. Executory Contracts and Unexpired Leases

Except as provided in respect of Management Contracts and Partnership Contracts below, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between a Debtor and any Entity, except Management Contracts and Partnership Contracts, shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease (i) that has been assumed pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) as to which a motion for approval of the assumption or rejection of such executory contract or unexpired lease has been filed prior to the Confirmation Date, or (iii) that is specifically designated in the Plan Supplement as a contract or lease to be assumed; *provided*, *however*, that the Majority Plan Proponents reserve the right, on or prior to the Confirmation Date, to amend the Plan Supplement to remove any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, rejected or assumed. All Management Contracts and Partnership Contracts between any Debtor and any Entity shall be deemed assumed as of the Effective Date, except for any Management Contract or Partnership Contract (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) as to which a motion for rejection of such Management Contract or Partnership Contract has been filed prior to the Confirmation Date, or (iii) that is specifically designated in the Plan Supplement as an executory contract or unexpired lease to be rejected; *provided*, *however*, that if the Bankruptcy Court determines by a Final Order that (i) a particular Management Contract or Partnership Contract cannot be assumed, without the consent of a relevant Consent Party, such Management Contract or Partnership Contract shall not be assumed unless the requisite consent of such Consent Party is obtained or (ii) Sankaty cannot be appointed as a sub-advisor with respect to such Management Contract, Sankaty shall not be so appointed and the Reorganized Debtors (or Trustee, if not yet discharged) may at their (his) option reject or assume and/or assign such

Management Contract after such determination becomes a Final Order. The Plan Proponents shall provide notice of any amendments to the Plan Supplement to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document in the Plan Supplement shall not constitute an admission by the Plan Proponents, Trustee or Reorganized Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder.

2. Approval of Assumption and Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed or assumed and assigned pursuant to the Plan and (ii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan. To the extent any provision of an executory contract or unexpired lease to be assumed under the Plan limits a Debtor's ability to assign such executory contract or unexpired lease, the effectiveness of such provision shall be limited or nullified to the full extent provided in section 365(f) of the Bankruptcy Code.

3. Cure of Defaults

Except as may otherwise be agreed by the Reorganized Debtor and other Entities party thereto, within thirty (30) days after the Effective Date, the Reorganized Debtors shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed pursuant to the Plan in accordance with section 365(b) of the Bankruptcy Code. All disputed defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a Final Order determining the amount, if any, of the Reorganized Debtor's liability with respect thereto, or as may otherwise be agreed to by the parties. The cure amounts, if any, for the executory contracts shall be specified in the Plan Supplement, and such cure amounts shall be deemed consented to by the non-Debtor counterparties thereto unless such Entity objects to the stated cure amount in respect of its contract within [fourteen (14)] days after the filing of the Plan Supplement and mailing notice thereof to the affected non-Debtor counterparties.

4. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the Reorganized Debtors no later thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Effective Date, and (iii) notice of an amendment to the Plan Supplement relating to such executory contract or unexpired lease. **Except as set forth in the preceding sentence, all such Claims must otherwise comply with the provisions of the Bar Date Order. All such Claims not filed in accordance with the Bar Date Order or outside time limits set forth above will be forever barred from assertion against the Debtors and their estates and the Reorganized Debtors and their property.** Any

Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan shall be classified pursuant to Article III of the Plan.

5. Insurance Policies

All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, to the extent they constitute executory contracts, shall be deemed assumed under the Plan. Nothing contained herein shall constitute or be deemed a waiver of any Litigation Claims that the Debtors may hold against any Entity, including, without limitation, the insurer, under any of the Debtors' policies of insurance.

D. **Effect of Confirmation**

1. Vesting of Assets

Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' estates and any property acquired by a Debtor or Reorganized Debtor under the Plan shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges and other interests, except as provided herein. On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

2. Binding Effect

On and after the Effective Date, the provisions of the Plan shall bind any Holder of a Claim against, or an Equity Interest in, the Debtors and their respective successors and assigns, whether or not the Claim or Equity Interest of such Holder is part of a Class Impaired under the Plan and whether or not such Holder has accepted the Plan.

3. Discharge

Except for Distributions under the Plan, and as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date, the Confirmation Order shall operate as a discharge under section 1141(d)(1) of the Bankruptcy Code, and release any of any and all Debts of, and Claims against, one or more of the Debtors that arose at any time before the Confirmation Date, including, but not limited to, all principal and interest, whether accrued before, on or after the Petition Date, regardless of whether (i) a proof of claim in respect of such Claim has been filed or deemed filed, (ii) such Claim has been Allowed, or (iii) the Holder of such Claim has voted on the Plan or has voted to reject the Plan. Without limiting the generality of the foregoing, on the Effective Date, the Debtors shall be discharged from any Debt that arose before the Confirmation Date and any Debt of a kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code and shall have all of the benefits and protections set forth in section 1141(d)(1) of the Bankruptcy Code. Except as otherwise specifically provided herein, nothing in the Plan shall be deemed to waive, limit or restrict in any manner the discharge granted upon Confirmation of the Plan pursuant to section 1141 of the Bankruptcy Code.

4. Release and Exculpation

On and after the Effective Date, the Reorganized Debtors, the Released Parties, and all parties in interest, including, without limitation, Entities who have held, hold or may hold Claims against or Equity Interests in any or all of the Debtors, along with such Holders' respective present or former employees, agents, officers, directors and principals, shall be deemed to have released the Released Parties from, and none of the Released Parties shall have or incur any liability for, any Claim, Cause of Action or other assertion of liability for any act taken or omitted to be taken during the Chapter 11 Cases in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, consummation or administration of the Plan, property to be distributed under the Plan or any other act or omission in connection with the Chapter 11 Cases, the Plan, the Disclosure Statement or any contract, instrument, document or other agreement related thereto; *provided*, *however*, that (i) in no event shall any Litigation Claim, Cause of Action or other Claim or assertion of liability against any Released Party for any act taken or omitted to be taken prior to the Petition Date be released by the Plan, and (ii) nothing herein shall affect the liability of any Entity that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross negligence; *provided*, *further*, that nothing in the Plan shall limit the liability of the professionals of the Debtors and the Trustee to their respective clients pursuant to DR 6-102 of the Model Code of Professional Responsibility.

5. Injunction

Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all parties in interest, including Entities who have held, hold or may hold Claims against or Equity Interests in any or all of the Debtors (whether proof of such Claims or Equity Interests has been filed or not), along with such Holders' respective present or former employees, agents, officers, directors and principals, are permanently enjoined, on and after the Effective Date, with respect to any Claims and Causes of Action which are extinguished or released pursuant to the Plan from (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Released Parties or the property of any of the Released Parties, (ii) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Released Parties or the property of any of the Released Parties, (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Released Parties or the property of any of the Released Parties, (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Released Parties or the property of any of the Released Parties, except as contemplated or allowed by the Plan, (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan, and (vi) taking any actions to interfere with the implementation or consummation of the Plan.

6. Terms of Injunctions or Stays

Unless otherwise provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

7. Retention of Litigation Claims and Reservation of Rights

Except as expressly provided in the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Litigation Claims that the Reorganized Debtors may have or choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law. Except as expressly provided in the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Litigation Claim, right of setoff, or other legal or equitable defense which a Debtor or the Trustee had immediately prior to the Confirmation Date, against or with respect to any Claim. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Litigation Claims, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Petition Date fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any Claim may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

Except as expressly provided in the Plan, each of the Reorganized Debtors shall, after the Effective Date, retain the rights of each Debtor and the Trustee to prosecute any Litigation Claims that could have been brought by such Debtor and the Trustee at any time.

ARTICLE IX.
RISK FACTORS

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF MATERIAL RISKS, INCLUDING THOSE ENUMERATED BELOW. ADDITIONALLY, THE DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTY. THE REORGANIZED DEBTORS' ACTUAL PERFORMANCE MAY DIFFER MATERIALLY FROM THAT ANTICIPATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF A VARIETY OF FACTORS, INCLUDING THOSE SET FORTH IN THIS SECTION OF THE DISCLOSURE STATEMENT AND ELSEWHERE HEREIN.

The Holder of a Claim against a Debtor that is entitled to vote on the Plan should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein or in the Plan) before deciding whether to vote to accept or reject the Plan.

THESE RISK FACTORS IDENTIFIED HEREIN SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS EXISTING IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. **Certain Bankruptcy Law Considerations**

1. The Plan May Not Be Confirmed or Consummated

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan and requires, among other things, a finding by a bankruptcy court that: (a) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (b) the value of distributions to non-accepting holders of claims and equity interests in the debtor within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. If the Bankruptcy Court cannot make findings, or the required findings identified above in Section VII in respect of the Plan, it will not confirm the Plan.

2. Parties in Interest May Object to Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims against and Equity Interests in the Debtors under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Equity Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

3. Nonconsensual Confirmation

In the event that any Impaired Class of Claims against or Equity Interests in does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Majority Plan Proponents' request if at least one Impaired Class has accepted the Plan (with such acceptance being determined without including the vote of any Insider in such Class) and, as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the rejecting Impaired Classes. In the event that any Impaired Class of Claims or Equity Interests does not accept the Plan, the Majority Plan Proponents may request such nonconsensual confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will find the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

4. Risk of Non-Occurrence of the Effective Date

Although the Plan Proponents believe that the Effective Date may occur shortly after the Confirmation Date, there can be no assurance as to such timing, or as to whether the Effective Date will, in fact, ever occur. If the Effective Date does not occur within a reasonable period of time, the Plan may be withdrawn, in which case a new Plan may be proposed, or one or more of the Chapter 11 Cases may be dismissed or converted to cases under chapter 7 of the Bankruptcy Code.

B. **Risk Factors That May Affect the Value of the Securities to Be Issued Under the Plan**

1. Plan Proponents Cannot State with Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

No less than three unknowns make absolute certainty in predicting the recoveries in each Class under the Plan impossible: (a) the indeterminate amount of Cash that will remain after paying all senior Allowed Claims; (b) the number and amount of Claims that will ultimately be Allowed; and (c) the number and amount of senior Claims that will ultimately be Allowed.

2. A Liquid Trading Market for the Reorganized GSC New Securities May Not Develop

There can be no assurances that liquid trading markets for the Reorganized GSC New Securities will develop. The liquidity of any market for the Reorganized GSC New Securities will depend, among other things, upon the number of Holders of Reorganized GSC New Securities, the Reorganized Debtors' financial performance and the market for similar securities, none of which can be determined or predicted with certainty. Therefore, the Plan Proponents cannot provide assurances that an active trading market in respect of the Reorganized GSC New Securities will develop, or if a market develops, what the liquidity or pricing characteristics of that market will be.

3. The Reorganized Debtors May Not Achieve Projected Financial Results or Meet Post-Reorganization Debt Obligations and Finance All Operating Expenses, Working Capital Needs, and Capital Expenditures

The Reorganized Debtors may not be able to meet their projected financial results. To the extent the Reorganized Debtors do not meet their projected financial results or achieve projected revenues and cash flows, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service their debt obligations as they come due or may not be able to fund their operational needs. A failure of the Reorganized Debtors to meet their projected financial results or achieve their projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Reorganized Debtors to seek additional working capital beyond even that for which the Exit Facility Agreement provides. The Reorganized Debtors may not be able to obtain such working capital when it is required. Further, even if the Reorganized Debtors were able to obtain additional working capital, it may be available only on unreasonable terms. For example, the Reorganized Debtors may be required to take on additional debt, the interest costs of which could adversely affect their ability to fund operations and negatively impact financial condition of the Reorganized Debtors. If any such required capital is raised by issuing new shares of equity, the preexisting Equity Interests in the Reorganized Debtors could be diluted. There is no certainty that the financial projections will be met.

4. Estimated Valuation of the Reorganized Debtors and the Reorganized GSC New Securities and the Estimated Recoveries to Holders of Allowed Claims

Are Not Intended to Represent the Private Sale Values of the Reorganized GSC New Securities

The Plan Proponents' estimates of recoveries to Holders of Allowed Claims are not intended to represent the private sale values of the Reorganized GSC New Securities. Rather, the estimated recoveries are based on numerous assumptions regarding future events (the occurrence of many of which is beyond the control of the Reorganized Debtors), including, without limitation: (a) the successful reorganization of the Debtors; (b) the date of the occurrence of the Effective Date; (c) the achievement of the operating and financial results included in the financial projections; (d) the maintenance of adequate liquidity to fund operations; and (e) the continuation of current capital and equity market conditions.

5. Proceeds from the Sale of Certain of the Debtors' Assets May Fall Short of Estimates

The Plan Proponents' estimated recoveries to Holders of Allowed Claims depend in part upon the sale and conditions of sale of certain of the Debtors' assets, which are, in term, only partially within the control of the Reorganized Debtors. Such estimate may, therefore, exceed actual recoveries.

6. The Reorganized Debtors Will Be Controlled By a Small Number of Holders

Consummation of the Plan will be result in a small number of Holders owning a significant percentage of the outstanding Equity Interests in the Reorganized Debtors. While the governance provisions set forth in the New Certificates seek to mitigate such risk, some of these Holders may, among other things, exercise a controlling influence over the business and affairs of the Reorganized Debtors. The Plan Proponents can make no assurances regarding the future actions of the Holders of the Equity Interests in the Reorganized Debtors and the impact their actions may have on the value of the Equity Interests in the Reorganized Debtors.

7. Impact of Interest Rates

Changes in interest rates and foreign exchange rates may affect the fair market value of the Debtors' assets.

8. Consents to the Assignment of the Management Contracts or the Appointment of Sankaty as a Sub-Advisor for the Debtors

Only out of an abundance of caution do the Plan Proponents contemplate seeking consents from Consent Parties to the assignment of the Debtors' rights under the Management Contract or to the appointment of Sankaty as a sub-advisor for the Debtors in respect of such Management Contract. In that regard, the Plan Proponents (1) hope to obtain express consent from all Consent Parties, and, (2) if consent is not expressly granted or rejected by any Consent Party, have such Consent Party be deemed to have consented. However, it is possible that the Bankruptcy Court will rule (1) only express consent is acceptable and/or (2) that certain of the Management Contracts are subject to termination because Mr. Eckert, who is believed to be identified as a "key person" under some such Management Contracts, is not contemplated to have a role with the Reorganized Debtors.

C. **Risk Factors That Could Negatively Impact the Debtors' Business**

1. The Debtors Are Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases

For the duration of the Chapter 11 Cases, the Trustee's ability to manage the Debtors' operations will be subject to the risks and uncertainties associated with bankruptcy. These risks include:

- the Trustee's ability to obtain approval of the Bankruptcy Court with respect to motions filed in the Chapter 11 Cases from time to time;
- the Trustee's ability to maintain contracts, including the Management Contracts, that are critical to the Debtors' operations;
- the Trustee's ability to motivate and retain key employees; and
- the Trustee's ability to fund and execute the Debtors' business plan.

The Debtors' estates will also be subject to risks and uncertainties with respect to the actions and decisions of the creditors and other parties who have interests in the Chapter 11 Cases that may be inconsistent with the restructuring and business goals reflected in the Plan. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Plan Proponents cannot predict or quantify the ultimate impact that events occurring during the reorganization process will have on the Debtors' business, financial condition, and results of operations. As a result of the Chapter 11 Cases, the value and distribution of the Debtors' estates and satisfaction of Claims against the Debtors are subject to uncertainty.

2. The Debtors' Substantial International Operations Make Them Vulnerable to Risks Associated with Doing Business in Foreign Countries

A significant portion of the Debtors' revenues and expenses are denominated in currencies other than the U.S. dollar. International operations are subject to certain risks inherent in doing business abroad, including: exposure to local economic conditions, expropriation and nationalization, foreign exchange rate fluctuations and currency controls, and withholding and other taxes on remittances and other payments by the Debtors and their subsidiaries.

3. Unforeseen Events

Future performance of the Reorganized Debtors is subject to performance of the underlying investments from which the Debtors' fee revenue is generated. Other factors that may effect the Reorganized Debtors' future performance include general economic, financial, competitive, legislative, and regulatory conditions that are beyond the Reorganized Debtors' control. While no assurance can be provided, based upon the current level of operations and anticipated increases in revenues and cash flows described in the Projections, the Plan Proponents believe that cash flow from operations and available cash will be adequate to fund the Plan and meet the Reorganized Debtors' future liquidity needs.

4. Dependence Upon Sankaty and/or Other Sub-Advisors

Future performance of the Reorganized Debtors is, to a certain extent, largely dependent upon the performance of Sankaty or any other Person that serves as a sub-advisor to the Reorganized Debtors with respect to the services the Debtors are to provide under the Management Contracts.

ARTICLE X.
SECURITIES LAW MATTERS

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under section 5 of the Securities Act of 1933 (as amended, the "Securities Act") and state securities laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold prepetition or administrative expense claims against the debtor or interests in the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claim or interest and partly for cash or property. The Plan Proponents believe that the issuance of the Reorganized GSC New Securities satisfies the requirements of section 1145(a)(1) of the Bankruptcy Code and are, therefore, exempt from registration under the Securities Act and state securities laws.

ARTICLE XI.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to Holders of Allowed Claims against the Debtors or Equity Interests. This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), the U.S. Treasury Regulations (the "Tax Regulations") promulgated thereunder, judicial authorities, published administrative positions of the IRS and other applicable authorities, all as available and in effect on the date of this Disclosure Statement. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan.

For purposes of the following discussion, a "United States Person" is any individual who is a citizen or resident of the United States, or any entity (i) that is a corporation (or entity treated as a corporation) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia, (ii) that is an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iii) that is a trust (a) the administration

over which a United States court can exercise primary supervision and all of the substantial decisions of which one or more United States persons have the authority to control or (b) that has elected to continue to be treated as a United States Person for U.S. federal income tax purposes. In the case of a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes), the U.S. federal income tax treatment of its partners will depend on the status of the partner and the activities of the partnership. A "Non-United States Person" is any person or entity (other than a partnership) that is not a United States Person. For purposes of the following discussion and unless otherwise noted below, the term "U.S. Holder" means a beneficial owner of an Allowed Claim against the Debtors or an Equity Interest that is a United States Person. A "Non-U.S. Holder" means a beneficial owner of an Allowed Claim against the Debtors or an Equity Interest that is a Non-United States Person.

Generally, this discussion does not apply to Holders of Allowed Claims and Equity Interests that are not United States Persons, but a brief discussion of the general consequences to Non-U.S. Holders is included in this discussion. This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or to such Holders in light of their individual circumstances. This discussion does not address tax issues with respect to such Holders subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, dealers and traders in securities or currencies, including those that mark to market, insurance companies, financial institutions, grantor trusts, tax-exempt organizations, small business investment companies, real estate investment trusts, regulated investment companies, persons that have a functional currency other than the U.S. dollar, certain former citizens and long term residents of the United States, and persons that will hold an equity interest or a security in a Debtor as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes). In addition, this summary does not address estate, gift, alternative minimum tax, foreign, state, or local tax consequences of the Plan. This discussion does not address tax issues with respect to the Swap.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF AN ALLOWED CLAIM. ALL HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE IRC. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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A. **Federal Income Tax Consequences to the Debtors**

1. Cancellation of Debt and Reduction of Tax Attributes

As a result of the Plan, the Debtors' aggregate outstanding indebtedness will be substantially reduced. In general, absent an exception, a debtor will recognize cancellation of debt ("COD") income upon discharge of its outstanding indebtedness for an amount less than its adjusted issue price. The amount of COD income, in general, is the excess of (i) the adjusted issue price of the indebtedness discharged, over (ii) the sum of the issue price of any new indebtedness of the taxpayer issued, the amount of Cash paid and the fair market value of any other consideration, including the Reorganized GSC New Securities, given in exchange for such indebtedness at the time of the exchange.

A debtor is not, however, required to include any amount of COD income in gross income if such debtor is under the jurisdiction of a court in a chapter 11 bankruptcy proceeding and the discharge of debt occurs pursuant to that proceeding (the "Bankruptcy Exclusion"). Instead, as a price for the exclusion of COD income under the foregoing rule, IRC Section 108 requires the debtor to reduce its tax attributes by the amount of COD income which it excluded from gross income. Any reduction in tax attributes in respect of COD incurred does not occur until the end of the taxable year after such attributes have been applied. As a general rule, tax attributes will be reduced in the following order: (i) net operating losses ("NOLs"); (ii) most tax credits; (iii) capital loss carryovers; (iv) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); and (v) foreign tax credits. A debtor with COD income may elect to reduce first the basis of its depreciable assets under IRC Section 108(b)(5).

Under IRC Section 108(d)(6), when an entity that is taxed as a partnership realizes COD income, its partners are treated as receiving their allocable share of such COD income and the Bankruptcy Exception (and related attribute reduction) is applied at the partner level rather than at the entity level. Accordingly, any COD income realized by NJLP upon the discharge of an Allowed Claim shall be allocated to the partners of NJLP.

The Plan Proponents expect that the partners of NJLP will realize COD income as a result of the implementation of the Plan. The precise amount of COD income will depend on, among other things, the fair market value of the Reorganized GSC New Common Stock and the Reorganized AP Inc. New Common Stock, which cannot be known with certainty until after the Effective Date. With respect to the partners of NJLP that are under the jurisdiction of the Bankruptcy Court, pursuant to IRC Section 108, this COD income will not be included in the such partners' taxable income, but such partners will be required to reduce their tax attributes after calculating the tax for the taxable year of discharge. Although the projected COD income may exceed such partners' aggregate tax basis in its assets, such partners will not be required to reduce such basis below their total liabilities after the discharge. Partners of NJLP that are not under the jurisdiction of the Bankruptcy Court, if solvent, will generally be required to recognize their allocable shares of the COD income of NJLP realized as a result of the implementation of the Plan unless another exception to recognizing COD income applies.

2. IRC Section 382 Limitation on Net Operating Losses

Under IRC Section 382, if a corporation or a consolidated group of corporations with NOLs (a "loss corporation") undergoes an "ownership change," the loss corporation's use of its pre-change NOLs (and certain other tax attributes) generally will be subject to an annual limitation in the post-change period. In general, an "ownership change" occurs if the percentage of the value of the loss corporation's stock owned by one or more direct or indirect "five percent shareholders" increases by more than fifty percentage points over the lowest percentage of value owned by the five percent shareholders at any time during the applicable testing period (an "Ownership Change"). The testing period generally is the shorter of (i) the three-year period preceding the testing date or (ii) the period of time since the most recent Ownership Change of the corporation.

Subject to the special bankruptcy rules discussed below, the amount of the annual limitation on a loss corporation's use of its pre-change NOLs (and certain other tax attributes) is generally equal to the product of the applicable long-term tax-exempt rate (as published by the IRS for the month in which the Ownership Change occurs) and the value of the loss corporation's outstanding stock immediately before the Ownership Change (excluding certain capital contributions). If a loss corporation has a net unrealized built-in gain ("NUBIG") immediately prior to the Ownership Change, the annual limitation may be increased as certain gains are recognized during the subsequent five-year period. If a loss corporation has a net unrealized built-in loss ("NUBIL") immediately prior to the Ownership Change, certain losses recognized during the subsequent five-year period also would be subject to the annual limitation and thus would reduce the amount of pre-change NOLs that could be used by the loss corporation during the five-year period.

A NUBIG or NUBIL is generally the difference between the fair market value of a loss corporation's assets and its tax basis in the assets, subject to a statutorily-defined threshold amount. The amount of a loss corporation's NUBIG or NUBIL must be adjusted for built-in items of income or deduction that would be attributable to a pre-change period if recognized during the five-year period beginning on the Ownership Change date (the "Recognition Period"). The NUBIG or NUBIL of a consolidated group generally is calculated on a consolidated basis, subject to special rules. For example, certain corporations that joined the consolidated group within the preceding five years may not be able to be taken into account in determining whether the group has a NUBIL, but would be taken into account in determining whether the group has a NUBIG.

If a loss corporation has a NUBIG immediately prior to an Ownership Change, any recognized built-in-gains ("RBIGs") will increase the annual limitation in the taxable year the RBIG is recognized. An RBIG generally is any gain (and certain income) with respect to an asset held at the time of the Ownership Change that is recognized in any taxable year any portion of which is within the Recognition Period. The amount of an RBIG is limited to the lesser of (i) the excess of the fair market value of the asset over its tax basis immediately prior to the Ownership Change or (ii) the NUBIG less the amount of RBIGs from prior years ending during the Recognition Period. On the other hand, if a loss corporation has a NUBIL immediately prior to an Ownership Change, any recognized built-in-losses ("RBILs") will be subject to the annual limitation in the same manner as pre-change NOLs. An RBIL generally is any loss (and certain

deductions) with respect to an asset held at the time of the Ownership Change that is recognized in any taxable year any portion of which is within the Recognition Period. The amount of an RBIL is limited to the lesser of (i) the excess of the tax basis of the asset over its fair market value immediately prior to the Ownership Change or (ii) the NUBIL less the amount of RBILs from prior years ending during the Recognition Period.

Under the Plan, all existing Equity Interests will be cancelled and the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock will be distributed to the Holders of Allowed Prepetition Lender Secured Claims. Therefore, the Plan Proponents expect that implementation of the Plan will cause an "ownership change" under IRC Section 382. Because the Ownership Change will occur in a case brought under the Bankruptcy Code, one of the following two special rules will apply in determining the Debtors' ability to utilize NOLs (and possibly other tax attributes) attributable to tax periods preceding the Effective Date in post-Effective Date tax periods.

Under IRC Section 382(*l*)(5), an Ownership Change in bankruptcy will not result in any annual limitation on the debtor's pre-change NOLs if the stockholders or qualified creditors of the debtor receive at least 50% of the stock (by vote and value) of the reorganized debtor in the bankruptcy reorganization as a result of being shareholders or creditors of the debtor. Instead, the debtor's pre-change NOLs are reduced by the amount of any interest deductions with respect to debt converted into stock in the bankruptcy reorganization that were allowed in the three taxable years preceding the taxable year in which the Ownership Change occurs and in the part of the taxable year prior to and including the effective date of the bankruptcy reorganization. However, if any pre-change NOLs (and certain other tax attributes) of the debtor already are subject to an annual usage limitation under IRC Section 382 at the time of an Ownership Change subject to IRC Section 382(*l*)(5), those NOLs (and certain other tax attributes) will continue to be subject to such limitation. The Plan Proponents believe that less than 50% of the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock (by vote and value) will be held by stockholders or qualified creditors of the Debtors and that the Reorganized Debtors will therefore not qualify for the exception under IRC Section 382(*l*)(5).

If an Ownership Change pursuant to a bankruptcy plan does not satisfy the requirements of IRC Section 382(*l*)(5), or if a debtor elects not to apply IRC Section 382(*l*)(5), the debtor's use of its pre-change NOLs (and certain other tax attributes) will be subject to an annual limitation as determined under IRC Section 382(*l*)(6). In such case, the amount of the annual limitation generally will be equal to the product of the applicable long-term tax-exempt rate and the value of the debtor's outstanding stock immediately *after* the bankruptcy reorganization, provided such value may not exceed the value of the debtor's gross assets immediately before the Ownership Change, subject to certain adjustments. As described above, depending on whether the debtor has a NUBIG or NUBIL immediately prior to the Ownership Change, the annual limitation would be increased by any RBIGs, or would also apply to any RBILs, during the Recognition Period. However, if any pre-change NOLs (and certain other tax attributes) of the debtor already are subject to an annual limitation at the time of an Ownership Change subject to IRC Section 382(*l*)(6), those NOLs (and certain other tax attributes) will be subject to the lower of the two annual limitations.

3. Accrued Interest

To the extent that there exists accrued but unpaid interest on the indebtedness owing to Holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been deducted previously by a Debtor, portions of payments made in consideration of the indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest should be deductible by such Debtor. Any such interest that is not paid will not be deductible by such Debtor and will not give rise to COD income.

To the extent that a Debtor has previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to such Debtor. If such amounts are not paid, they will give rise to COD income that would be excluded from gross income pursuant to the Bankruptcy Exclusion. As a result, the Debtor would be required to reduce its tax attributes to the extent of such interest previously deducted and not paid.

B. Federal Income Tax Consequences to U.S. Holders of Allowed Claims Against the Debtors and Equity Interests

1. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Claims that are Paid in Cash in Full

A U.S. Holder which receives Cash in exchange for its Allowed Claim pursuant to the Plan will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of Cash received in exchange for its Allowed Claim and (ii) the U.S. Holder's adjusted tax basis in its Allowed Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Allowed Claim in such U.S. Holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Allowed Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any amount received by a U.S. Holder of an Allowed Claim is attributable to accrued interest, such amount should be taxable to the U.S. Holder as interest income. Conversely, a U.S. Holder of an Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed Claim was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point. U.S. Holders of Allowed Claims are urged to consult their own tax advisors regarding the tax consequences of the exchange of their Allowed Claims for Cash.

2. Certain U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Claims that are Paid in Full With Receipt of Collateral

A U.S. Holder which receives Collateral in exchange for its Allowed Claim pursuant to the Plan will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the fair market value of the Collateral received in exchange for its Allowed Claim and (ii) the U.S. Holder's adjusted tax basis in its Allowed

Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Allowed Claim in such U.S. Holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Allowed Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any amount received by a U.S. Holder of an Allowed Claim is attributable to accrued interest, such amount should be taxable to the U.S. Holder as interest income. Conversely, a U.S. Holder of an Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed Claim was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point. U.S. Holders of Allowed Claims are urged to consult their own tax advisors regarding the tax consequences of the exchange of their Allowed Claims for Collateral.

C. **Certain U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Claims that are Reinstated**

Allowed Claims that are reinstated against an obligor organized in the U.S. generally are not treated as exchanged for new claims. Taxable income may be recognized by U.S. Holders if they are considered to receive interest, damages or other income in connection with the reinstatement, or if the reinstatement is considered for tax purposes to involve a significant modification of the Allowed Claim. A reinstatement generally will constitute a significant modification of the Allowed Claim if, based on all of the facts and circumstances, the legal rights and obligations under the reinstated obligation differ from those under the original obligation to a degree that is economically significant. If a reinstatement of the Allowed Claim constitutes a significant modification, such reinstatement will be treated as an exchange for U.S. federal income tax purposes. If such an exchange is not pursuant to a tax-free reorganization, the holder of the Allowed Claim would have to recognize gain or loss in an amount equal to the difference between such U.S. Holder's adjusted tax basis in its Allowed Claim and the issue price of the new claim (to the extent such amounts received are not allocable to accrued interest, in which case such amounts will be taxed as such).

The application of the significance of any debt modification analysis and qualification as a tax-free reorganization is complex. U.S. Holders are urged to consult their tax advisors regarding the tax consequences of the reinstatement of their Allowed Claims.

D. **Certain U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Unsecured Claims that are Paid With Reorganized SIF Interests**

A U.S. Holder of an Allowed Unsecured Claim which receives Cash in exchange for its Allowed Unsecured Claim pursuant to the Plan will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the fair market value of the Reorganized SIF Interests received in exchange for its Allowed Claim and (ii) the U.S. Holder's adjusted tax basis in its Allowed Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Allowed Unsecured Claim in such

U.S. Holder's hands, whether the Allowed Unsecured Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Allowed Unsecured Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Allowed Unsecured Claim. To the extent that any amount received by a U.S. Holder of an Allowed Unsecured Claim is attributable to accrued interest, such amount should be taxable to the U.S. Holder as interest income. Conversely, a U.S. Holder of an Allowed Unsecured Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed Unsecured Claim was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point. U.S. Holders of Allowed Unsecured Claims are urged to consult their own tax advisors regarding the tax consequences of the exchange of their Allowed Unsecured Claims for the Reorganized SIF Interests. A U.S. Holder's initial tax basis in its Reorganized SIF Interests will equal the respective fair market value of such common stock as of the Effective Date. A U.S. Holder's holding period in such assets will commence on the day after the Effective Date.

E. Certain U.S. Federal Income Tax Consequences to Holders of Allowed Claims that are Paid Partly in Cash and Partly With Other Consideration

The U.S. federal income tax consequences to U.S. Holders of Allowed Claims and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for thereby will depend upon, among other things: (i) the manner in which a U.S. Holder acquired an Allowed Claim; (ii) the length of time the Allowed Claim has been held; (iii) whether the Allowed Claim was acquired at a discount; (iv) whether the U.S. Holder has taken a bad debt deduction with respect to the Allowed Claim (or any portion thereof) in the current or prior years; (v) whether the U.S. Holder has previously included in income accrued but unpaid interest with respect to the Allowed Claim; (vi) the method of tax accounting of the U.S. Holder; (vii) whether the Allowed Claim is an installment obligation for U.S. federal income tax purposes; (viii) whether the Allowed Claim is a capital asset in the hands of the U.S. Holder; and (ix) whether a U.S. Holder is required to turn over property pursuant to a subordination provision in a particular note (in which case the U.S. Holder generally will not be treated for U.S. federal income tax purposes as having received the property).

Unless the exchange of a U.S. Holder's Allowed Claim for the various forms of consideration hereunder qualifies as a tax-free "recapitalization" under the federal income tax laws (as described in more detail below), each U.S. Holder of Allowed Claims generally will realize gain or loss equal to the difference between the adjusted tax basis in its surrendered Allowed Claim, determined immediately prior to the Effective Date, and the sum of (i) the fair market value of any Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock received, (ii) any Cash received, (iii) the "issue price" of any share of the Tranche A Commitment received, and (iv) the "issue price" of any Reorganized NJLP New Senior Notes received (in each case (i)-(iv), to the extent such amounts received are not allocable to accrued interest, in which case such amounts will be taxed as such as further described below).

If the exchange does not qualify as a tax-free "recapitalization", a U.S. Holder's initial tax basis in its Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock will equal the respective fair market values of such stock as of the Effective

Date. A U.S. Holder's tax basis in its share of the Tranche A Commitment or Reorganized NJLP New Senior Notes will equal the issue price of such share of the Tranche A Commitment or Reorganized NJLP New Senior Notes on the Effective Date. A U.S. Holder's holding period in such assets will commence on the day after the Effective Date.

If the exchange of a U.S. Holder's Allowed Claim for the various forms of consideration hereunder qualifies as a tax-free "recapitalization" under the federal income tax laws, the taxation of the exchange, the tax basis and the holding period of the property received generally will be different than if the exchange does not qualify as a tax-free "recapitalization." Whether or not the exchange qualifies as a tax-free "recapitalization" with respect to a particular U.S. Holder of an Allowed Claim against the Debtors depends, in whole or in part, on (A) whether (i) the Allowed Claim exchanged and (ii) the share of the Tranche A Commitment or Reorganized NJLP New Senior Notes received each constitute a "security" for U.S. federal income tax purposes and (B) whether the U.S. Holder receives Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock. The U.S. Holders of such Allowed Claims are urged to consult with their own tax advisors as to whether their Allowed Claims, Tranche A Commitment and Reorganized NJLP New Senior Notes should be treated as securities for U.S. federal income tax purposes and the consequences of a tax-free "recapitalization" with respect to the surrender of their Allowed Claims. Notably, the term "security" is not defined in the IRC or in the Tax Regulations. Whether an instrument constitutes a "security" for U.S. federal income tax purposes is determined based on all of the facts and circumstances. Certain authorities have held that one factor to be considered is the length of the initial term of the debt instrument. These authorities have indicated that an initial term of less than five years is evidence that the instrument is generally not a security, whereas an initial term of ten years or more is evidence that it is a security. Treatment of an instrument with an initial term between five and ten years is generally unsettled. Numerous factors other than the term of an instrument could be taken into account in determining whether a debt instrument is a security, including, but not limited to, whether repayment is secured, the level of creditworthiness of the obligor, whether the instrument is subordinated, whether the holders have the right to vote or otherwise participate in the management of the obligor, whether the instrument is convertible into an equity interest, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or are accrued.

If the exchange of the Allowed Claim is a tax-free "recapitalization" and the Tranche A Commitment (or Reorganized NJLP New Senior Notes, if applicable) is a "security" for U.S. federal income tax purposes, a U.S. Holder of such an Allowed Claim which realizes gain on the exchange will be required to recognize such gain equal to the lesser of: (i) the amount of gain realized on the exchange and (ii) the amount of Cash received as part of the exchange. A U.S. Holder's tax basis in its share of the Tranche A Commitment (or its Reorganized NJLP New Senior Notes, if applicable) and the New Common Stock received in exchange for its Allowed Claim will equal its allocable adjusted tax basis in its Allowed Claim, increased by the amount of gain recognized on the exchange, if any, and reduced by the amount of Cash received as part of the exchange. A U.S. Holder's holding period in its portion of the Tranche A Commitment (or the Reorganized NJLP New Senior Notes, if applicable) and the New Common Stock will include the holding period in its surrendered Allowed Claim.

If the exchange of the Allowed Claim is a tax-free "recapitalization" and the Tranche A Commitment (or Reorganized NJLP New Senior Notes, if applicable) is not a "security" for U.S. federal income tax purposes, a U.S. Holder of such an Allowed Claim which realizes gain on the exchange will be required to recognize such gain equal to the lesser of: (i) the amount of gain realized on the exchange and (ii) the sum of (a) the amount of Cash received, and (b) the issue price of the share of the Tranche A Commitment (or Reorganized NJLP New Senior Notes, if applicable) received as part of the exchange. A U.S. Holder's tax basis in the New Common Stock received in exchange for its Allowed Claim will equal its allocable adjusted tax basis in its Allowed Claim, increased by the amount of gain recognized on the exchange, if any, and reduced by the sum of (i) the amount of Cash received. A U.S. Holder's tax basis in its portion of the Tranche A Commitment (or the Reorganized NJLP New Senior Notes, if applicable) will equal the issue price of such portion of the Tranche A Commitment (or such Reorganized NJLP New Senior Notes, if applicable) on the Effective Date. A U.S. Holder's holding period in the New Common Stock will include the holding period in its Allowed Claim surrendered. In this case, however, a U.S. Holder's holding period in its portion of the Tranche A Commitment (or Reorganized NJLP New Senior Notes, if applicable) would begin on the day following the Effective Date.

If the exchange of the Allowed Claim constitutes a tax-free "recapitalization" for U.S. federal income tax purposes, a U.S. Holder of such an Allowed Claim which realizes a loss on the exchange generally will not be permitted to recognize such loss, except to the extent of any loss attributable to accrued but unpaid interest with respect to such Allowed Claim.

It is plausible that a U.S. Holder could treat the exchange of its Allowed Claim as provided under the Plan as an "open" transaction for tax purposes, in which case the recognition of any gain or loss on the transaction might be deferred. The rules surrounding U.S. federal income tax treatment as an open transaction are uncertain and highly complex and a U.S. Holder should consult with its own tax advisor if it believes that open transaction treatment might be appropriate.

1. Consequences to U.S. Holders Whose Interests Are Cancelled

Pursuant to the Plan, all Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3A-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B will be extinguished, and U.S. Holders of Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B will receive nothing in exchange for such Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B. As a result, each U.S. Holder of Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B generally will recognize a loss equal to the U.S. Holder's adjusted tax basis in such Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B extinguished under the Plan, except to the extent that such U.S. Holder previously claimed a loss with respect to such Equity Interests held by non-Debtors,

Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B under its regular method of accounting. However, U.S. Holders of Equity Interests held by non-Debtors, Allowed General Unsecured Claims in Class 3B-A, Allowed Intercompany Claims in Class 3B-A, and Allowed Section 510(b) Claims in Class 3C-A and Class 3C-B are urged to consult with their own tax advisors regarding their own specific situation and tax consequences. Generally, such loss, if any, would be a capital loss (which capital loss would be long-term capital loss to the extent that the U.S. Holder has held the Equity Interest or debt instrument underlying its Allowed Claim for more than one year) if the Allowed Claim is a capital asset in the U.S. Holder's hands.

2. Limitations on Capital Losses

A U.S. Holder of an Allowed Claim which recognizes a capital loss as a result of the distributions under the Plan will be subject to limits on the use of such capital loss. For a non-corporate holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (i) $3,000 ($1,500 for married individuals filing separate returns) or (ii) the excess of the capital losses over the capital gains. Non-corporate holders may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, capital losses may only be used to offset capital gains. A corporate holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three taxable years preceding the capital loss year, and may carry over unused capital losses to the five taxable years following the capital loss year.

F. Additional Considerations

1. Accrued but Unpaid Interest

To the extent that any amount received by a U.S. Holder of a surrendered Allowed Claim under the Plan is attributable to accrued but unpaid interest and such amount has not previously been included in the U.S. Holder's gross income, such amount generally is taxable to the U.S. Holder as ordinary interest income. Conversely, a U.S. Holder of a surrendered Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the debt instruments constituting such Allowed Claim was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

The extent to which the consideration received by a U.S. Holder of a surrendered Allowed Claim will be attributable to accrued interest on the debts constituting the surrendered Allowed Claim is unclear. Certain Tax Regulations generally treat a payment under a debt instrument first as a payment of accrued and untaxed interest and then as a payment of principal. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear.

2. Market Discount

Under the "market discount" provisions of IRC Sections 1276 through 1278, some or all of any gain realized by a U.S. Holder exchanging the debt instruments constituting its Allowed

Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt constituting the surrendered Allowed Claim. In general, a debt instrument is considered to have been acquired with "market discount" if its stated redemption price at maturity (or in the case of a debt obligation having original issue discount, its revised issue price) exceeds, by more than a statutory de minimis amount, the tax basis of the debt obligation in the holder's hands immediately after its acquisition (any such excess, "market discount").

Any gain recognized by a U.S. Holder on the taxable disposition (determined as described above) of debts that it acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such debts were considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the surrendered debts that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur in connection with the consummation of the Plan), any market discount that accrued on such debts but was not recognized by the U.S. Holder may be required to be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

G. Consequences of Holding Exchanged Consideration

1. Ownership and Disposition of Reorganized NJLP New Senior Notes

a. Certain Federal Income Tax Consequences Relating to the Reorganized NJLP New Senior Notes

If a substantial amount of the Reorganized NJLP New Senior Notes are publicly traded, their issue price generally is expected to equal their fair market value, determined as of the first date on which a substantial amount of the Reorganized NJLP New Senior Notes are issued. If the Reorganized NJLP New Senior Notes are not publicly traded, their issue price will depend on whether a substantial amount of the Reorganized NJLP New Senior Notes are issued for debt instruments (that give rise to a U.S. Holder's Allowed Claim) that are publicly traded, in which case the issue price of a U.S. Holder's Reorganized NJLP New Senior Notes generally are expected to equal the fair market value, determined as of the issue date, of the debt instruments giving rise to the U.S. Holder's Allowed Claim that are surrendered and allocable to the Reorganized NJLP New Senior Notes. For purposes of the preceding sentence, the issue date generally is the first date on which a substantial amount of the Reorganized NJLP New Senior Notes are issued for the debt instruments that give rise to U.S. Holders' Allowed Claims. Otherwise, assuming that the Reorganized NJLP New Senior Notes have an interest rate that equals or exceeds the applicable federal rate, the issue price of the Reorganized NJLP New Senior Notes generally is expected to equal their stated redemption price at maturity. For these purposes, a debt instrument generally is treated as publicly traded if, at any time during the 60 day period ending 30 days after the issue date, (i) the debt is listed on a national securities exchange, quoted on an interdealer quotation system sponsored by a national securities association or listed on certain foreign exchanges or boards of trade designated by the Tax

Regulations or the Commissioner of the IRS, (ii) it appears on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations (including rates, yields or other pricing information) of one or more identified brokers, dealers or traders or actual prices (including rates, yields or other pricing information) of recent sales transactions or (iii) if, in certain circumstances, price quotations are readily available from dealers, brokers or traders.

A U.S. Holder which receives Reorganized NJLP New Senior Notes generally will be required to include stated interest on the Reorganized NJLP New Senior Notes in income in accordance with the U.S. Holder's regular method of tax accounting. Because interest on the Reorganized NJLP New Senior Notes is not unconditionally payable in cash at least annually, the Reorganized NJLP New Senior Notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes, U.S. Holders of Reorganized NJLP New Senior Notes will be required to include in income their pro rata share of such original issue discount over the term of the Reorganized NJLP New Senior Notes based on the constant yield method. U.S. Holders will be required to include amounts in income before they are received. U.S. Holders' tax basis in their Reorganized NJLP New Senior Notes will be increased by the amount of original issue discount included in income and reduced by the amount of Cash (other than payments of stated interest) received with respect to their Reorganized NJLP New Senior Notes.

b. Sale or Other Disposition of Reorganized NJLP New Senior Notes

Upon the sale, exchange or retirement of a U.S. Holder's Reorganized NJLP New Senior Notes, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between (i) the amount realized on the sale, exchange or retirement (other than accrued but unpaid interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the Reorganized NJLP New Senior Notes. The adjusted tax basis in the Reorganized NJLP New Senior Notes generally initially will equal their issue price on the Effective Date and will be increased by the amount of OID previously included in income and decreased by any payments previously received on such Reorganized NJLP New Senior Notes other than stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Any such gain or loss will be capital gain or loss, except for gain recharacterized as ordinary income to the extent of any accrued market discount or any market discount carried over pursuant to a tax-free or other reorganization for other property. If the U.S. Holder is a noncorporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to the gain generally will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for the Reorganized NJLP New Senior Notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of the Reorganized NJLP New Senior Notes generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations (as discussed above).

2. Ownership and Disposition of a Share of the Tranche A Commitment

a. **Certain Federal Income Tax Consequences Relating to the Tranche A Commitment**

If a substantial amount of the Tranche A Commitment is publicly traded, its issue price generally is expected to equal its fair market value, determined as of the first date on which a substantial amount of the Tranche A Commitment is issued. If the Tranche A Commitment is not publicly traded, its issue price will depend on whether a substantial amount of the Tranche A Commitment is issued for debt instruments (that give rise to a U.S. Holder's Allowed Claim) that are publicly traded, in which case the issue price of a U.S. Holder's share of the Tranche A Commitment generally is expected to equal the fair market value, determined as of the issue date, of the debt instruments giving rise to the U.S. Holder's Allowed Claim that are surrendered and allocable to the share of the Tranche A Commitment. For purposes of the preceding sentence, the issue date generally is the first date on which a substantial amount of the Tranche A Commitment is issued for the debt instruments that give rise to U.S. Holders' Allowed Claims. Otherwise, assuming that the Tranche A Commitment has an interest rate that equals or exceeds the applicable federal rate, the issue price of a share of the Tranche A Commitment generally is expected to equal its stated redemption price at maturity. For these purposes, a debt instrument generally is treated as publicly traded if, at any time during the 60 day period ending 30 days after the issue date, (i) the debt is listed on a national securities exchange, quoted on an interdealer quotation system sponsored by a national securities association or listed on certain foreign exchanges or boards of trade designated by the Tax Regulations or the Commissioner of the IRS, (ii) it appears on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations (including rates, yields or other pricing information) of one or more identified brokers, dealers or traders or actual prices (including rates, yields or other pricing information) of recent sales transactions or (iii) if, in certain circumstances, price quotations are readily available from dealers, brokers or traders.

A U.S. Holder which receives a share of the Tranche A Commitment generally will be required to include stated interest on the Tranche A Commitment in income in accordance with U.S. Holder's regular method of tax accounting. In addition, if the Tranche A Commitment is treated as issued with original issue discount ("OID") for U.S. federal income tax purposes, U.S. Holders of a share of the Tranche A Commitment will be required to include in income their pro rata share of such original issue discount over the term of the Tranche A Commitment based on the constant yield method. In such a case, U.S. Holders will be required to include amounts in income before they are received. U.S. Holders' tax basis in their share of the Tranche A Commitment will be increased by the amount of original issue discount included in income and reduced by the amount of Cash (other than payments of stated interest) received with respect to their share of the Tranche A Commitment.

b. **Sale or Other Disposition of a Share of the Tranche A Commitment**

Upon the sale, exchange or retirement of a U.S. Holder's share of the Tranche A Commitment, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any,

between (i) the amount realized on the sale, exchange or retirement (other than accrued but unpaid interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the share of the Tranche A Commitment. The adjusted tax basis in the share of the Tranche A Commitment generally initially will equal its issue price on the Effective Date. Any such gain or loss will be capital gain or loss, except for gain recharacterized as ordinary income to the extent of any accrued market discount or any market discount carried over pursuant to a tax-free or other reorganization for other property. If the U.S. Holder is a noncorporate U.S. holder, the maximum marginal U.S. federal income tax rate applicable to the gain generally will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for the share of the Tranche A Commitment exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of the share of the Tranche A Commitment generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations (as discussed above).

3. Ownership and Disposition of Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock

a. **Dividends on Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock**

Distributions made with respect to New Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock received under the Plan generally will be treated as dividends to a U.S. Holder to the extent of current and accumulated earnings and profits of the Reorganized Debtor which is the issuer of the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock as determined under U.S. federal income tax principles at the end of the tax year of the distribution. To the extent the distributions exceed such current and accumulated earnings and profits, the excess will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock, and thereafter as capital gain. Corporate holders generally will be entitled to claim the dividends received deduction with respect to dividends paid on Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock, subject to applicable restrictions, including satisfaction of applicable holding period requirements.

b. **Sale or Other Disposition of Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock**

Upon the sale or other disposition of Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock received under the Plan, a U.S. Holder generally will recognize capital gain or loss equal to the difference between (i) the amount of Cash and the fair market value of any property received upon the sale or other disposition and (ii) the U.S. Holder's adjusted tax basis in the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock. Such capital gain or loss will be long-term if the U.S. Holder's holding period in respect of such Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock is more than one year. The deductibility of capital losses is subject to limitations (as discussed above).

4. Ownership and Disposition of Common Stock of Reorganized SIF

If Holders of Allowed Unsecured Claims receive common stock in the Reorganized SIF, the Reorganized SIF will be treated as a partnership for U.S. federal income tax purposes. U.S. holders of common stock of the Reorganized SIF will be required to report on their U.S. federal income tax return their allocable share of the Reorganized SIF's income, gains, losses, deductions and credits for the taxable year of the Reorganized SIF ending within or concurrent with such U.S. holder's taxable year, whether or not cash or other property is distributed to such U.S. holder. If the Reorganized SIF does not make cash distributions on an annual basis to holders of its common stock, such holders may have tax liabilities with respect to such holder's allocable share of the above listed items without receiving cash with which to satisfy such liabilities. Certain limitations may apply with respect to a U.S. holder's ability to deduct expenses incurred by the Reorganized SIF (or the timing of such deductions) or to use credits with respect to foreign taxes paid by the Reorganized SIF. The character and source of items of income and gain derived by a U.S. holder from the Reorganized SIF will be determined as if such U.S. holder had directly recognized such income or gain. The Reorganized SIF may provide each U.S. holder with the information necessary to enable such U.S. holder to include in its U.S. federal income tax return items arising from its interest in the Reorganized SIF. **Because the Reorganized SIF may not be able to provide information to its holders with respect to a fiscal year until after April 15th of the following year, U.S. holders should be prepared to obtain extensions of the filing date for their U.S. federal, state and local income tax returns.**

H. Non-U.S. Holders

1. General Consequences to Non-U.S. Holders

A Holder of an Allowed Claim that is a Non-United States Person generally will not be subject to U.S. federal income tax with respect to property (including money) received in exchange for such Allowed Claim pursuant to the Plan, unless (i) such Non-U.S. Holder is engaged in a trade or business in the United States to which income, gain or loss from the exchange is "effectively connected" for U.S. federal income tax purposes or (ii) such Non-U.S. Holder is an individual and is present in the United States for 183 days or more during the taxable year of the exchange and certain other requirements are met.

a. Non-U.S. Holders of Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock

If a Non-U.S. Holder receives Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock under the Plan, distributions made with respect to the Reorganized AP Inc. New Common Stock and Reorganized GSC Group New Common Stock will be subject to withholding of up to 30% of the income or proceeds allocable to such persons, depending on the circumstances (including whether the type of income is subject to a lower treaty rate).

b. Non-U.S. Holders of Reorganized SIF Interests

Subject to the discussion concerning backup withholding, a non-U.S. holder of Reorganized SIF Interests generally will not be subject to U.S. federal income taxation on

amounts paid by the Reorganized SIF in respect of the common stock or gains recognized on the sale, exchange or redemption of common stock, provided that (i) such income and gains are not considered to be effectively connected with the conduct of a trade or business by the non-U.S. holder in the United States and (ii) in the case of a non-U.S. holder who is an individual, such non-U.S. holder is not present in the United States for 183 days or more during a taxable year in which such gains are realized and certain other conditions are satisfied.

Special rules may apply in the case of non-U.S. persons that (i) conduct a trade or business in the United States or that have an office or fixed place of business in the United States, (ii) have a tax home in the United States, or (iii) are former citizens or long-term residents of the United States. Such persons are urged to consult their own U.S. tax advisors regarding holding Reorganized SIF Interests.

c. **Non-U.S. Holders of a Share of the Tranche A Commitment**

Subject to the discussion below concerning backup withholding, payments of interest on a share of the Tranche A Commitment to a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax, if the Non-U.S. Holder:

- does not own, actually or constructively, for U.S. federal income tax purposes, ten percent (10%) or more of the total combined voting power of all classes of the voting stock of the Reorganized Debtor which is the issuer of the Tranche A Commitment;
- is not, for U.S. federal income tax purposes, a "controlled foreign corporation" related, directly or indirectly, to the Reorganized Debtor which is the issuer of the Tranche A Commitment through stock ownership under applicable rules of the IRC;
- is not a bank receiving interest described in IRC Section 881(c)(3)(A); and
- in each case, the certification requirement, as described below, is fulfilled with respect to the beneficial owner of the share of the Tranche A Commitment.

d. **Non-U.S. Holders of Reorganized NJLP New Senior Notes**

Subject to the discussion below concerning backup withholding, payments of interest on Reorganized NJLP New Senior Notes to a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax, if the Non-U.S. Holder:

- does not own, actually or constructively, for U.S. federal income tax purposes, ten percent (10%) or more of the total combined voting power of all classes of the voting stock of the Reorganized Debtor which is the issuer of the Reorganized NJLP New Senior Notes;
- is not, for U.S. federal income tax purposes, a "controlled foreign corporation" related, directly or indirectly, to the Reorganized Debtor which is the issuer of the Reorganized NJLP New Senior Notes through stock ownership under applicable rules of the IRC;
- is not a bank receiving interest described in IRC Section 881(c)(3)(A); and

- in each case, the certification requirement, as described below, is fulfilled with respect to the beneficial owner of the Reorganized NJLP New Senior Notes.

The certification requirement referred to above generally will be fulfilled if the Non-U.S. Holder provides to the company or its paying agent an IRS Form W-8BEN (or successor form), signed under penalties of perjury, which includes the Non-U.S. Holder's name and address and a certification as to the Non-U.S. Holder's non-U.S. status. Other methods might be available to satisfy the certification requirements described above, depending on a Non-U.S. Holder's particular circumstances.

In general, the gross amount of payments of interest that do not qualify for the exception from withholding described above will be subject to U.S. withholding tax at a rate of 30% unless (i) the Non-U.S. Holder provides a properly completed IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty or (ii) such interest is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business and the Non-U.S. Holder provides a properly completed IRS Form W-8ECI (or successor form).

As indicated above, the foregoing discussion of the U.S. federal income tax consequences of the Plan does not generally address the consequences to Non-U.S. Holders; accordingly, Non-U.S. Holders should consult their tax advisors with respect to the U.S. federal income tax consequences of the Plan.

I. Information Reporting and Backup Withholding

All distributions to Holders of Allowed Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, financial institutions.

A Non-U.S. Holder may also be subject to other adverse consequences in connection with the implementation of the Plan. As discussed above, the foregoing discussion of the U.S. federal income tax consequences of the Plan does not generally address the consequences to Non-U.S. Holders of Allowed Claims.

Under legislation recently enacted into law, certain payments made after December 31, 2012 to certain foreign entities (including foreign accounts or foreign intermediaries) would be subject to a 30% withholding tax unless various U.S. information reporting and due diligence requirements have been satisfied. Payments subject to such requirements generally include

dividends on and the gross proceeds of dispositions of Reorganized GSC New Common Stock or Reorganized AP Inc. New Common Stock. These requirements are different from, and in addition to, the withholding tax requirements described above under "General Consequences to Non-U.S. Holders." Non-U.S. holders should consult their tax advisor concerning the application of this legislation to their particular circumstances.

J. **Importance of Obtaining Professional Tax Assistance**

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON AN ALLOWED CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF ALLOWED CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE AND LOCAL, AND APPLICABLE NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

ARTICLE XII.
LIQUIDATION ANALYSIS

The Bankruptcy Code requires that a creditor with a right to vote either accept the Plan, or, alternately, that the creditor of any of the Debtors receives under the Plan at least as much as it would receive if the Debtors' assets were liquidated and the proceeds distributed under chapter 7 liquidation. This is generally known as the "best interests" test. As set forth below, the Plan Proponents believe that the Plan satisfies the standard.

To determine the value that Holders of Claims and Equity Interests would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtors' assets if the Debtors' Chapter 11 Cases were converted to a chapter 7 liquidation case and the Debtors' assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' assets, augmented by Cash held by the Trustee and reduced by certain increased costs and Claims that arise in a chapter 7 liquidation case that would not arise in the Chapter 11 Cases.

The liquidation itself would trigger certain Claims and would accelerate other priority payments which would otherwise be paid in the ordinary course. These Claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay most other Claims or to make any distribution in respect of Equity Interests. Liquidation would also involve the rejection of additional executory contracts and unexpired leases of the Debtors and substantial additional rejection damage Claims. Additionally, it is likely that conversion of the Chapter 11 Cases to a chapter 7 liquidation would result in non-Debtor counterparties to Management Contracts moving to lift the stay so as to effect the termination of those contracts. If the Management Contracts are terminated, the Debtors would no longer be (1) permitted to provide management and advisory services to their Management Contract counterparties or (2)

entitled to receive future management fees, transaction and portfolio monitoring fees, and incentive fees. This would have a devastating impact upon the Debtors' estates.

1. Capstone's Estimate of Liquidation Value

On or about February 3, 2011, Capstone performed for the Trustee an assessment of the Liquidation Value of the Debtors' Non-Core Assets (attached hereto as Exhibit G). Underlying the liquidation assessment are a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Debtors. Accordingly, there can be no assurance that the values assumed in the assessment would be realized if the Debtors were in fact liquidated.

2. Comparison of Liquidation Values with Recoveries under Plan

It is not possible to predict with certainty the outcome of liquidation of the Debtors' assets or the timing of any distribution to creditors due to, among other things: (i) the numerous uncertainties and time delays associated with liquidation under chapter 7; (ii) the fact that the Management Contracts could be terminated by non-Debtor counterparties; and (iii) the fact that certain of the Debtors' assets are minority investments. However, based on the above factors, the Plan Proponents believe that the expected distributions under chapter 7 of the Bankruptcy Code would result in lower distributions for Holders of Claims and Equity Interests than that provided for in the Plan, and no Holder of a Claim or Equity Interests would obtain a greater recovery on its Claim or Equity Interest in a chapter 7 liquidation case than it would obtain under the Plan.

ARTICLE XIII.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents have evaluated numerous alternatives to the Plan, including, without limitation, the sale of the Debtors as a going concern, either as an entirety or on limited bases, and the liquidation of the Debtors. After studying these alternatives, the Plan Proponents have concluded that the Plan is the best alternative and will maximize recoveries of Holders of Claims. The following discussion provides a summary of the analysis supporting the conclusion that a liquidation of the Debtors or an alternative plan of reorganization for the Debtors will not provide higher value to Holders of Claims.

A. Liquidation under Chapter 7 of the Bankruptcy Code

If no plan of reorganization can be confirmed, the Bankruptcy Cases of the Debtors may be converted to cases under chapter 7, in which event the Trustee would liquidate the properties and interests in property of the Debtors for distribution to their creditors in accordance with the priorities established by the Bankruptcy Code. For the reasons discussed above, the Plan Proponents believe that Confirmation of the Plan will provide each Holder of a Claim entitled to receive a distribution under the Plan with a recovery that is not less (and is expected to be substantially more) than it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

B. **Alternative Plans of Reorganization**

If the Plan is not confirmed, any other party in interest could undertake to formulate a different plan of reorganization. Such a plan of reorganization might involve either (x) a reorganization and continuation of the business of the Debtors, (y) the sale of the Debtors as a going concern or (z) an orderly liquidation of the properties and interests in property of the Debtors. With respect to an alternative plan of reorganization, the Plan Proponents have examined various other alternatives in connection with the process involved in the formulation and development of the Plan. The Plan Proponents believe that the Plan, as described herein, enables Holders of Claims and Equity Interests to realize the best recoveries under the present circumstances. In a liquidation of the Debtors under chapter 11, the properties and interests in property would be sold in a more orderly fashion and over a more extended period of time than in a liquidation under chapter 7, probably resulting in marginally greater recoveries. However, although preferable to a chapter 7 liquidation, the Plan Proponents believe that a liquidation under chapter 11 for the Debtors is a much less attractive alternative to Holders of Claims than the Plan because the recovery realized by Holders of Claims under the Plan is likely to be greater than the recovery under a chapter 11 liquidation.

C. **Sale of the Debtors' Assets**

Contemporaneous with the solicitation of the Plan, the Trustee has moved the Bankruptcy Court for approval of the New Sale Motion. The Non-Controlling Lender Group has objected or will soon object to the New Sale Motion. Though the Plan Proponents believe that the New Sale Motion is legally infirm, it is possible that the Bankruptcy Court will disagree and will grant the New Sale Motion. Alternatively, the Trustee may pursue a sale of any or substantially all of the Debtors' assets on terms different than those in the New Sale Motion. The Plan Proponents believes that this Plan is preferable to a sale of the Debtors' assets because the Plan will immediately resolve all Claims against the Debtors and will maximize recovery realized by Holders of Claims.

ARTICLE XIV.
CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above. Other alternatives would involve substantial additional administrative costs and risks. The Plan Proponents urge Holders of Impaired Claims entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received no later than [_:__ __].m., Eastern Time, on [________, ___].

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WHITE & CASE LLP
1155 Avenue of the Americas
New York, New York 10036-2787
Telephone: (212) 819-8200
Facsimile: (212) 354-8113
Evan C. Hollander
J. Christopher Shore
Abraham L. Zylberberg

By: */s/ Evan C. Hollander*

Attorneys for the Non-Controlling Lender Group