UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE CHAPTER 11 TRUSTEE'S AMENDED JOINT CHAPTER 11 PLAN FOR GSC GROUP, INC. AND ITS AFFILIATED DEBTORS OTHER THAN GSC SECONDARY INTEREST FUND, LLC

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 COURT.[2]

Andrew V. Tenzer
Susan A. Fennessey
Randall L. Martin
SHEARMAN & STERLING LLP
599 Lexington Avenue
New York, New York 10022
(212) 848-4000

~~1~~ ~~The Filing Debtors along with the last four digits of each Filing 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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2 This statement is inserted in accordance with Local Bankruptcy Rule 3017-1 and will be removed once the Disclosure Statement is approved by the Bankruptcy Court.

ATTORNEYS FOR THE CHAPTER 11 TRUSTEE

Dated: ~~August 23,~~October 4, 2011

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EXHIBITS

I. INTRODUCTION

UNLESS OTHERWISE DEFINED HEREIN, CAPITALIZED TERMS HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN ATTACHED HERETO.[3]

The Chapter 11 Trustee submits this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Equity Interests in the Debtors in connection with the solicitation of votes for the Chapter 11 Trustee's Amended Joint Chapter 11 Plan for GSC Group, Inc. and its Affiliated Debtors Other Than GSC Secondary Interest Fund, LLC, dated ~~August 23,~~October 4, 2011, as the same may be amended or modified (the "**Plan**," attached hereto as **Exhibit A**), filed by the Chapter 11 Trustee with the Bankruptcy Court.

The purpose of this Disclosure Statement is to set forth information: (i) regarding the history of the Filing Debtors, their businesses and the Chapter 11 Cases; (ii) concerning the Plan and alternatives to the Plan; (iii) advising the Holders of Claims and Equity Interests of their rights under the Plan; and (iv) assisting the Holders of Claims entitled to vote in making an informed judgment regarding whether they should vote to accept or reject the Plan.

A. 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 a voting class to make an informed judgment whether to accept or reject the Plan (the "**Disclosure Statement Order**"). APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN OR AS TO THE ACCURACY OF ANY INFORMATION SET FORTH HEREIN OR AS TO THE LEGITIMACY OF ANY STATEMENT OR ALLEGATION CONTAINED HEREIN. Instead, approval indicates that the Bankruptcy Court found only that the Disclosure Statement contains adequate information of a kind, and in sufficient detail, 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.

B. Voting Procedures

If you are entitled to vote to accept or reject the Plan, 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

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[3] The Plan does not provide for the reorganization or dissolution of GSC Secondary Interest Fund, LLC. Accordingly, the term "Debtors" as used in this Disclosure Statement does not include GSC Secondary Interest Fund, LLC. When the Chapter 11 Trustee wishes to refer to the Debtors and GSC Secondary Interest Fund, LLC, the term "Filing Debtors" is used.

the Plan. 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(s) and return the same to:

VIA FIRST CLASS MAIL

GSC Group, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC[4]
FDR Station, P.O. Box 5014
New York, New York 10150-5014

VIA OVERNIGHT MAIL or HAND DELIVERY

GSC Group, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions LLC
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 NOVEMBER 8, 2011**.[35] 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 October 5, 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.

C. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on **November 18, 2011 at 10:00 a.m. (prevailing Eastern Time)** before the Honorable Arthur J.

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[4] The Chapter 11 Trustee plans to file, in the near future, an application to retain Epiq Bankruptcy Solutions LLC ("**Epiq**") pursuant to section 327(a) of the Bankruptcy Code in order to enable Epiq to act as solicitation and balloting agent for the Chapter 11 Trustee.

[35] The dates related to the confirmation and solicitation process in this Disclosure Statement are proposed dates that have not been set or approved by the Court. The Trustee reserves the right to request the Court to amend any ordered deadlines so that the process contemplated herein would comply with the Bankruptcy Rules and Local Bankruptcy Rules.

Gonzalez in Room 523, 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 **November 9, 2011 at 4:00 p.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.

The U.S. Trustee has raised informally with the Chapter 11 Trustee certain objections to the various provisions in the Disclosure Statement and Plan, including without limitation, those provisions providing for releases, injunctions, exculpation and limitations of liability. The Chapter 11 Trustee and the U.S. Trustee have agreed that consideration of the U.S. Trustee's informal objections to these provisions shall be deferred to confirmation of the Plan rather than adjudicated in terms of the adequacy of information in the Disclosure Statement. Notwithstanding anything to the contrary, the U.S. Trustee's rights to object to any and all provisions of the Plan under the Bankruptcy Code, Bankruptcy Rules, applicable non-bankruptcy law and case law are preserved regardless of whether the U.S. Trustee previously raised the objection to the Disclosure Statement.

D. 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. 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 CONTROL.

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 THE CHAPTER 11 TRUSTEE OR ANY OTHER PARTY,~~ OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS 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 REFLECT ACTUAL OUTCOMES.

NO PERSON SHOULD RELY 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 CHAPTER 11 TRUSTEE OR LIQUIDATING TRUSTEE MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND INTERESTS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN REGARDLESS 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 ARTICLE IX – "CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS"-- 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. THE INCLUSION IN THIS DISCLOSURE STATEMENT OF PROJECTIONS, ASSETS VALUATIONS, ESTIMATES OF CLAIMS AND

FINANCIAL STATEMENTS SHOULD NOT BE REGARDED AS AN INDICATION THAT THE CHAPTER 11 TRUSTEE OR ANY OF HIS 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 CHAPTER 11 TRUSTEE NOR ANY OF HIS 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 EITHER CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR THE OCCURRENCE OF FUTURE EVENTS, EVEN IF ANY OR ALL OF SUCH INFORMATION IS 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 MATTERS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS AS TO: ESTIMATED PROCEEDS OF PROPOSED ASSET SALES, THE DEBTORS' EXPECTED FUTURE FINANCIAL POSITION, LIQUIDITY, 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 ABILITY OF THE CHAPTER 11 TRUSTEE AND/OR THE LIQUIDATING TRUSTEE TO CONFIRM AND CONSUMMATE THE PLAN AND DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES, THE LIQUIDATING TRUSTEE'S 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 CHAPTER 11 TRUSTEE AND THE LIQUIDATING TRUSTEE. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THESE STATEMENTS WILL PROVE ACCURATE, AND ACTUAL RESULTS MAY BE MATERIALLY DIFFERENT THAN THOSE CONTAINED HEREIN.

II. OVERVIEW OF THE PLAN

The Plan does not provide for the reorganization or dissolution of SIF. The Designated Purchaser acquired GSC Group's equity interests in SIF in connection with the sale process outlined below. Further, the Chapter 11 Trustee does not believe that there are any pending prepetition Claims against SIF. Accordingly, the Chapter 11 Trustee intends to file a motion seeking the dismissal of SIF's Chapter 11 Case. The Plan does not provide for the reorganization or dissolution of GSC Secondary Interest Fund, LLC. Accordingly, the term "Debtors" as used in this Disclosure Statement does not include GSC Secondary Interest Fund, LLC. When the Chapter

11 Trustee wishes to refer to the Debtors and GSC Secondary Interest Fund, LLC, the term "Filing Debtors" is used.

The Plan has four principal components: (i) distributions to Claim Holders and the cancellation of Equity Interests; (ii) formation and capitalization of the Liquidating Trust as successor to the Debtors and the Chapter 11 Trustee; (iii) winddown of the Debtors other than GSC Group and the formation of Reorganized GSC Group; and (iv) substantive consolidation of the Debtors for the purposes of voting, confirmation and making distributions to Holders of Allowed Claims as described below.

A. Summary of Classification and Treatment of Claims and Equity Interests Under the Plan

The Plan contemplates the payment in full in Cash of all Administrative Claims and Priority Tax Claims. The Plan also provides for the treatment of Allowed Claims and Equity Interests as follows:

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery	Status
Class 1	Secured Claims	Each Holder of an Allowed Secured Claim shall receive either (i) payment in full in Plan Cash on the latest of: (A) the Effective Date; (B) the date on which such Secured Claim becomes Allowed; (C) the date on which such Secured Claim otherwise is due and payable; or (D) such other date as mutually may be agreed to by and between such Holder and the Chapter 11 Trustee or the Liquidating Trustee or (ii) its collateral.	100%	Unimpaired, Not Entitled to Vote
Class 2	Other Priority Claims	Each Holder of an Allowed Other Priority Claim shall receive Plan Cash in an amount sufficient to pay the Claim in full or otherwise leave unaltered the legal, equitable and contractual rights to which such Claim entitles such Holder on or as soon as practicable after (but in any event not later than five Business Days after), the latest of: (i) the Effective Date; (ii) the date on which such Other Priority Claim becomes Allowed; (iii) the date on which such Other Priority Claim otherwise is due and payable; and (iv) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee or the Liquidating Trustee.	100%	Unimpaired, Not Entitled to Vote

Class	Type of Claim or Equity Interest	Treatment	Estimated Recovery	Status
Class 3	General Unsecured Claims	Each Holder of an Allowed General Unsecured Claim shall receive (i) its Pro-Rata Share of Remaining Plan Cash and (ii) its Pro-Rata Share of Trust Units, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of: (A) the Effective Date; (B) the date on which such General Unsecured Claim becomes Allowed; (C) the date on which such General Unsecured Claim otherwise is due and payable; and (D) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee or the Liquidating Trustee.	42-84%	Impaired, Entitled to Vote
Class 4	Equity Interests	Holders of Equity Interests shall not receive or retain any property or interest in property on account of such Equity Interests. On the Effective Date, all Equity Interests shall be cancelled and extinguished.	0%	Impaired, Not Entitled to Vote

The estimated recovery for Holders of General Unsecured Claims is based on a number of assumptions and estimates. Although the Chapter 11 Trustee believes these assumptions and estimates are reasonable, there can be no assurance that recoveries will not be higher or lower than the estimated recovery of between 42-84%.

Among the more important assumptions and estimates relevant to the actual recovery that will be received by Holders of General Unsecured Claims are the following:

1. The total size of the claims pool is not yet certain. The Chapter 11 Trustee believes that many claims that have been asserted against the estates are not meritorious, or that the size of otherwise valid claims have been overstated. If, however, some or all of the larger claims which the Chapter 11 Trustee expects will not be Allowed are in fact Allowed, the recovery on General Unsecured Claims could be lower than expected.

2. The Chapter 11 Trustees' estimated recovery range for Holders of General Unsecured Claims assumes that the value of the Life Insurance Policies is approximately $3-10 million. If this estimate is inaccurate, recoveries could be significantly higher or lower than projected.

3. The recovery for Holders of General Unsecured Claims could be enhanced if the estates do not require the entire $7 million reserve for the purpose of

winding down the estates. To the extent such funds are not expended, they may be available for distribution to Holders of Unsecured Claims.

4. The Chapter 11 Trustee and his advisors are continuing to explore the estates' tax exposure, if any, for the 2011 year. In the event that the estates are determined to owe taxes for the 2011 year, only a portion of such liabilities likely will be indemnified under the terms of the Tax Indemnification Agreement. If the estates are obligated to make significant payments with respect to 2011 taxes, the recoveries to Holders of General Unsecured Claims will be significantly reduced.

For a better understanding of the risks and assumptions upon which the estimated recovery is based, Holders of General Unsecured Claims are encouraged to review this entire Disclosure Statement.

B. Formation of the Liquidating Trust

The Plan is a liquidating plan. On the Effective Date, the Chapter 11 Trustee will transfer all of the Estate Assets and the Reorganized GSC Group Stock (described below) to the Liquidating Trust. The Liquidating Trust is the successor in interest to the Debtors and the Chapter 11 Trustee, and as such all rights and obligations of the Debtors and the Chapter 11 Trustee under post-petition contracts, including, but not limited to, the Purchase Agreements and the Transition Services Agreement, but excluding the Tax Indemnification Agreement, shall vest in the Liquidating Trust on the Effective Date.

The Liquidating Trust will be administered by the Liquidating Trustee. Among other things, the Liquidating Trustee will review and potentially object to Claims and will from time to time make interim and final distributions to Holders of Trust Units distributed to Claim Holders on account of their Claims. The Chapter 11 Trustee and the Liquidating Trustee will take all steps and execute all instruments and documents necessary to effectuate the Plan, including executing the Liquidating Trust Agreement and winding up the residual affairs of the Debtors. The Chapter 11 Trustee presently anticipates appointing Robert Manzo of Capstone as Liquidating Trustee. In order to ensure proper impartiality, notwithstanding the Plan's discharge of the Chapter 11 Trustee from his responsibilities and duties to the Debtors, if any Professional retained in these Chapter 11 Cases (or any person affiliated with any Professional retained in these Chapter 11 Cases) is appointed as the Liquidating Trustee, the Chapter 11 Trustee will continue to review such Professional's application for fees incurred on or before the Effective Date. In the event that Mr. Manzo is unable to unwilling to serve as Liquidating Trustee, the Chapter 11 Trustee will identify an alternate Liquidating Trustee not later than ten days prior to the first date on which the Confirmation Hearing is scheduled to be held in accordance with the Plan.

The Liquidating Trust will terminate five years from the Effective Date. If warranted by the facts and circumstances and subject to the approval of the Bankruptcy Court upon a finding that an early termination of the Liquidating Trust is appropriate or that an extension of the term of the Liquidating Trust is necessary to the liquidating purpose of the Liquidating Trust, the term of the Liquidating Trust may be terminated early or may be extended for a finite term based on the

particular facts and circumstances. For any extension, Bankruptcy Court approval must be obtained within six months of the beginning of the extended term.

The Liquidating Trustee will be vested with significant discretion to take actions to maximize the total value that can be distributed to Holders of Trust Units. The Chapter 11 Trustee anticipates that a significant amount of cash will be made available to the Liquidating Trust on the Effective Date. The Liquidating Trustee will make a determination whether value would likely be maximized by distributing most or all of such cash at the earliest available opportunity (subject to any limitations imposed by the Tax Indemnification Agreement), or whether the value of the Liquidating Trust would be enhanced by using some or all of these funds to finance the investigation and litigation of potential causes of action transferred by the estates to the Liquidating Trust. Furthermore, the Liquidating Trustee may determine that it would be beneficial to retain some or all of the Life Insurance Policies rather than selling such policies at the earliest available opportunity. In the event that the Liquidating Trustee determines that a portion of the Life Insurance Policies should be retained, there can be no assurance regarding the value that will be realized with respect to the policies.

C. Reorganized GSC Group and Dissolution of Remaining Debtors

On the Effective Date, all Equity Interests in the Debtors will be cancelled and thereafter the Debtors other than GSC Group will be wound down and dissolved. GSC Group will be reorganized pursuant to the Plan to form Reorganized GSC Group. In connection with this reorganization, the organizational documents of GSC Group will be amended to provide that the sole purpose of Reorganized GSC Group is to hold the Tax Indemnification Agreement. As of the Effective Date, the Debtors' rights and obligations under the Tax Indemnification Agreement will vest in Reorganized GSC Group. Additionally, Reorganized GSC Group will issue Reorganized GSC Group Stock, which will be issued to the Liquidating Trust on the Effective Date. ~~The~~After the Effective Date, the Liquidating Trustee will ~~control the administration of~~be the beneficiary of all rights under the Tax Indemnification Agreement ~~after the Effective Date~~ by virtue of its ownership of ~~the Reorganized GSC Group Stock~~Reorganized GSC Group, and shall guarantee, pursuant to written documentation to be included in the Plan Supplement, the performance of all obligations of the Debtors under the Tax Indemnification Agreement and the Liquidating Trust shall be jointly and severally liable with Reorganized GSC Group for all such obligations, including, without limitation, the obligation to reimburse the Designated Purchaser from Residual Cash. For purposes of all calculations of Residual Cash required by the Tax Indemnification Agreement, such calculations shall treat the Liquidating Trust and Reorganized Group as a consolidated entity.

D. Substantive Consolidation

Substantive consolidation is an equitable remedy that a bankruptcy court may be asked to apply in chapter 11 cases of affiliated debtors. Substantive consolidation involves the pooling of the assets and liabilities of the affected debtors and distributions on Allowed Claims are made from a common fund. All of the debtors in the substantively consolidated group are treated as if they were a single corporate and economic entity and Intercompany Claims, subsidiary equity or ownership interests, joint and several liability Claims and Claims based on the guarantee obligations of one debtor for another debtor are disregarded. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group

of debtors, and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored.

The Plan provides for the substantive consolidation of the Debtors solely for purposes of voting on the Plan, confirmation of the Plan and treatment ~~of~~and distribution with respect to Claims against the Debtors under the Plan. Accordingly, all assets and liabilities of the Debtors will be treated as if they are assets and liabilities of a single legal entity for purposes of the Plan. Consequently, any Holder of a Claim against a Debtor and a guaranty claim against another Debtor in respect of such Claim shall only receive a single recovery in respect of such Claims. Intercompany Subrogation Claims will be offset as provided in the Plan and then cancelled as a result of the substantive consolidation of the Debtors.

In considering whether substantive consolidation was appropriate for the Plan, the Chapter 11 Trustee considered the manner in which the Debtors operated and interacted with each other and their affiliates prior to the Petition Date and during the course of the Chapter 11 Cases, the financial book-keeping for each Debtor and creditor reliance on the credit of a particular Debtor as opposed to the GSC group as a whole, among other relevant factors. Substantive consolidation is dependent upon mixed questions of fact and law. There are facts relating to the manner in which the Debtors operated their businesses and the way in which creditors interacted with the Debtors that support the Debtors being substantively consolidated. Moreover, the specific circumstances and terms of the chapter 11 sale process in these cases support the requested substantive consolidation. Courts may approve substantive consolidation in factual circumstances where the accurate identification and allocation of assets and liabilities is not possible. In these cases, the fact that each of the Debtors was either a direct obligor or a guarantor under the Prepetition Loan Documents, coupled with the fact that none of the Debtors had assets sufficient to satisfy their secured debts, suggest that it would be extremely difficult if not impossible to arrive at an appropriate inter-Debtor allocation of the assets that were excluded from the sale. As a result, the Chapter 11 Trustee has elected, at this time, to propose substantive consolidation for the limited purposes set forth above in the Plan and believes that such a result is supported by applicable law.

III. DESCRIPTION AND HISTORY OF THE FILING DEBTORS' BUSINESS

A. The Investment Management Business of GSC

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 and its Filing Debtor affiliates grew into a debt-focused investment manager of alternative assets with a full spectrum of complementary investment product offerings. At its peak, the Filing Debtors had $28 billion of assets under management. As of March 31, 2010, the Filing Debtors had approximately $8.4 billion of assets under management in approximately 28 separately managed investment funds.

The Filing Debtors offered investment management and advisory services through their principal subsidiary, NJLP. NJLP has been a registered investment advisor with the SEC since March 2001. The Filing Debtors, through Holdings LP and SIF, held investments in certain affiliated investment funds. NJ Inc. served as the general partner of NJLP and Holdings LP.

GSCP LLC provided investment advisory services to NJLP and monitoring and management services to certain portfolio companies of the affiliated investment funds. AP Holdings, which holds one hundred percent of the Class A common stock of GSC Group, 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. AP Inc. was created as part of the same restructuring transaction, and it has acted as the general partner of AP Holdings.

The Filing Debtors focused their businesses and funds along the following five product lines: (i) distressed debt; (ii) U.S. corporate debt; (iii) European corporate debt; (iv) European mezzanine lending; and (v) U.S. ABS CDOs.

1. *Distressed Debt.*

The Filing Debtors' recovery funds employed a controlled distressed debt investment strategy that targeted companies that the funds believed were operationally sound but overburdened with high levels of debt. The Filing Debtors focused on securities that were either the most senior in the capital structure or had only a moderate level of debt senior to them. The acquired debt securities often were converted into new "restructured" equity at a cost basis that the Filing Debtors believed represented attractive acquisition valuations. Post-restructuring, the funds sought to further enhance value as an active owner through various strategic and financial initiatives.

2. *U.S. Corporate Debt.*

The Filing Debtors were experienced U.S. loan managers with eight CLOs and CDOs under management.

3. *European Corporate Debt.*

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

4. *European Mezzanine Lending.*

The Filing Debtors' corporate mezzanine lending team provided 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.

5. *U.S. ABS CDOs.*

The Filing Debtors were experienced ABS CDO managers with approximately eleven ABS CDO Funds under management.

The Filing Debtors generated revenue through management fees, transaction and portfolio monitoring fees, incentive fees, and returns on investments. Through NJLP, the Filing Debtors earned fees for managing investment funds. The nature and amount of the management fees earned were governed by the applicable management or advisory agreement and varied widely across the funds. GSC Group earned transaction fees for structuring and negotiating transactions with portfolio companies in which the Filing Debtors' funds had invested. The Filing Debtors earned portfolio monitoring fees for providing management advisory services to portfolio companies owned by GSC-managed funds. They also usually earned incentive fees if the performance of an investment exceeded a threshold set forth in the applicable management contract. The Filing Debtors also co-invested in their funds. As investors, the Filing Debtors were entitled to returns on such investments in accordance with the provisions of the applicable fund documents.

B. Prepetition Funding of the Debtors' Operations

NJLP, as borrower, and all of the Debtors, and certain non-Debtor Affiliates, as guarantors, were parties to the Prepetition Credit Agreement, pursuant to which NJLP borrowed $193.5 million in term loans (comprising $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. SIF was not party to the Prepetition Credit Agreement.

In accordance with the terms of the Prepetition Credit Agreement, NJLP entered into the Swap, a $97 million notional principal interest rate hedge contract with CALNY 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 remained unpaid as of the Petition Date.

IV. EVENTS LEADING TO CHAPTER 11 FILING

A. Economic Crisis

The Filing Debtors' businesses were materially impacted by both the financial markets and worldwide economic conditions of 2008 that continued through the first half of 2009. During that time period, the Filing Debtors and their affiliates operated in a very unfavorable global business environment and were forced to cope with the lack of liquidity in the credit markets and declining asset values. These economic circumstances caused a substantial decline in their revenues.

Specifically, the Filing Debtors 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, the Filing Debtors resigned as manager to certain funds and other funds opted for early termination. The Filing Debtors also experienced significant losses in certain of their CDO funds that were invested in securities impacted by the subprime crisis. Each of these factors impacted the Filing Debtors' asset values and revenues. Due to economic conditions beyond their control, the Filing Debtors were unable to monetize certain

investments requiring them to maintain positions in illiquid assets. Decreasing asset values and liquidity constraints significantly strained investor relations.

B. Negotiations with Prepetition Lenders

In February 2009, in response to these financial difficulties, the Filing Debtors engaged Capstone as their financial advisor. Capstone was hired to assist in negotiations with the Agent and the Prepetition Lenders and to analyze various strategic alternatives. When negotiations commenced, in March 2009, Guggenheim Corporate Funding, LLC ("**Guggenheim**") was acting as Agent.

In January 2010, while negotiations were ongoing, BDCM, a Prepetition Lender that, prior to January 2010, held a minority debt position under the Prepetition Credit Agreement, increased its holdings to control, for voting purposes, more than 50% percent of the debt under the Prepetition Credit Agreement. In July 2010, BDCF, an affiliate of BDCM, replaced Guggenheim as Agent.

The Debtors and Capstone continued to engage the Agent and Prepetition Lenders in negotiations over a potential restructuring. Ultimately, however, the parties were not able to reach an agreement outside of bankruptcy.

As of the Petition Date, the Debtors were in default under the Prepetition Credit Agreement, and according to the Agent, as of the Petition Date, on account of the obligations under the Prepetition Credit Agreement and the Swap, 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 the Agent and the Prepetition Lenders. As of July 26, 2011, the accrued interest totaled approximately $38.8 million.

V. HISTORY OF THESE BANKRUPTCY CASES

A. Entry of the Bidding Procedures Order

On the Petition Date, the Filing Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code. 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 Filing Debtors operated their business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. Kaye Scholer LLP ("**Kaye Scholer**") acted as the Filing Debtors' counsel pursuant to an order authorizing its retention.

On September 2, 2010, the Filing Debtors filed a motion seeking entry of orders approving bidding procedures and authorizing the sale of substantially all of the Filing Debtors' assets to a successful bidder (the "**Initial Sale Motion**").

Among the assets that the Filing Debtors sought to transfer under the Initial Sale Motion were collateral management contracts, some of which contained certain consent requirements for their assignment. The Filing Debtors proposed procedures under the Initial Sale Motion that provided for soliciting the required consents from investors and other related parties. The proposed procedures would, however, deem consent of any solicited party that did not

affirmatively accept or reject assignment. On September 13 and 14, 2010, several parties filed objections to the Initial Sale Motion, challenging, among other things, the validity of the Filing Debtors' deemed consent procedure.

Also, on September 14, 2010, the Non-Controlling Lender Group[46] filed an objection to the Initial Sale Motion. In their objection, the Non-Controlling Lender Group argued that the expedited sale timeline proposed in the bidding procedures improperly favored the Agent, BDCF, and would chill bidding at the Auction. Additionally, arguing that the ability of the Agent to credit bid would also chill bidding, the Non-Controlling Lender Group asked the Bankruptcy Court to allow the Agent to credit bid at the Auction only at the direction of a majority of the Non-Controlling Lender Group. BDCM filed a response to the Non-Controlling Lender Group's objection, stating that it possessed sole authority, as majority lender, to direct the Agent to credit bid at the Auction pursuant to the Prepetition Credit Agreement.

Ultimately, the Filing Debtors were able to reach a consensus among the objecting parties that deferred or resolved the objections to the proposed bidding procedures. The parties who had challenged the validity of the deemed consent process agreed to defer consideration of the validity of that process to a later date. The Non-Controlling Lenders and Filing Debtors agreed to certain modifications to the originally proposed timetable. As a result, on September 23, 2010, the Bankruptcy Court entered the Bidding Procedures Order, which, among other things, set the Bidding Procedures for the sale, set October 22, 2010 as the bidding deadline, and October 26, 2010 as the Auction date.

B. The Initial Bonus Motion

Promptly after the commencement of these Chapter 11 Cases, the Filing Debtors filed a motion ("**Initial Compensation Motion**") for authorization to implement an employee compensation program they established in July 2010 ("**2010 Compensation Program**"). Prior to the Petition Date, the Filing Debtors and Capstone recognized that the Filing Debtors and GSC U.K. would face difficulties retaining their employees once the Filing Debtors filed for bankruptcy because a successful bankruptcy sale would leave the Filing Debtors without any assets to operate in the U.S. or the U.K. and, accordingly, no need to retain their workforce. Moreover, the Filing Debtors were already significantly understaffed, meaning employees would be asked to work longer and harder, but with fewer resources, only to face a potential loss of employment when a sale was completed.

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[46] The "**Non-Controlling Lender Group**" is the group of lenders under the Debtors' Prepetition Credit Agreement consisting of: Apidos CDO II Ltd.; Apidos CDO IV Ltd.; Apidos CDO V Ltd.; Archimedes Funding IV (Cayman) Ltd.; Copper River CLO Ltd.; Crédit Agricole Corporate and Investment Bank (fka Calyon); Endurance CLO I, Ltd.; General Electric Capital Corporation; Greenlane CLO Ltd.; Gulf Stream-Compass CLO 2002-I LTD; Gulf Stream-Compass CLO 2003-I LTD; Gulf Stream-Compass CLO 2005-I LTD; Gulf Stream-Compass CLO 2005-II LTD; Jefferies High Yield Trading, LLC; Kennecott Funding Ltd.; Landmark II CDO Limited; Landmark III CDO Limited; Landmark IV CDO Limited; Landmark V CDO Limited; Landmark VI CDO Limited; Landmark VII CDO Limited; Landmark VIII CDO Limited; Latitude CLO I, Ltd.; McDonnell Loan Opportunity Ltd.; Ocean Trails CLO I; Permal Stone Lion Fund Ltd.; Premium Loan Trust I, Ltd.; Sands Point Funding Ltd.; Stone Lion Portfolio L.P.; UBS Loan Finance LLC; UBS AG, Stamford Branch; WG Horizons CLO I, Whitehorse I, Ltd holds; and Whitehorse V, Ltd Holds.

The Filing Debtors operated in an industry in which non-executive employees commonly are paid a significant component of their annual compensation in a year-end bonus. Historically, the compensation paid to most of the Filing Debtors' and GSC U.K.'s employees consisted of base salary and a bonus equal to 10% - 240% of the base salary. The Filing Debtors' senior management, Capstone and the Prepetition Lenders recognized that the Filing Debtors and GSC U.K. would not retain their respective workforces through the completion of the chapter 11 sale process unless eligible employees were assured that they would earn the bonus component of their 2010 compensation if they remained employed through the completion of the sale.

Accordingly, in anticipation of the commencement of these cases and the initiation of a sale process, in July 2010 the Filing Debtors instituted the 2010 Compensation Program which (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 Filing Debtors' assets to one or more buyers, (b) the Filing Debtors' successful emergence from chapter 11, or (c) December 31, 2010.

The Filing Debtors sought Bankruptcy Court approval to implement the 2010 Compensation Program, in a modified fashion, in the Initial Compensation Motion. ~~The modifications~~In response to an objection to the Initial Compensation Motion filed by the U.S. Trustee by and through her counsel, the Filing Debtors excluded two executives, Mr. Alfred Eckert and Mr. Peter Frank, from the program. In addition, two conditions precedent to the payment of the Unpaid 2010 Bonuses were changed: the bonuses were not payable unless the Sale Hearing commenced, and an eligible employee could not be paid the bonus unless a representative of Capstone determined that the employee made an appropriate contribution to the sale process and to the preservation of the Filing Debtors' business.

Pursuant to an order dated December 3, 2010 (the "**December Order**") the Bankruptcy Court approved and authorized the Filing Debtors to implement the 2010 Compensation Program, as modified.

C. Marketing Process

Prior to and following the Petition Date, Capstone contacted potential bidders and engaged in an extensive marketing campaign to bring parties into the bidding process. In targeting potential bidders, Capstone focused on parties that could make: (i) a bulk bid for all or substantially all of GSC's assets; (ii) a combination bid for some portion of the lots for sale; (iii) a bid on one category of funds managed by GSC (recovery funds, European mezzanine funds, U.S. CLOs, Euro CLOs and ABS CLOs); and (iv) a bid on one or more of the lots or assets. Capstone determined that if each of the Filing Debtors' major groups of assets had multiple bidders, there would be a robust auction maximizing value for the Filing Debtors and their estates. In addition, Capstone's marketing plan was designed to allow the Filing Debtors to utilize lot or combination bids to make "bulk" bids that would facilitate an open and robust auction.

On October 22, 2010, the bid deadline under the Bidding Procedures Order, the Filing Debtors received bids from eleven bidders. After receipt of the bids, Kaye Scholer and Capstone

reviewed each bid and determined that all of the bids complied with the Bidding Procedures. In the days leading up to the auction, Capstone and the Filing Debtors attempted to value the assets preliminarily. They also analyzed each bid based on the modifications made to the form asset purchase agreement and other related documents. In Capstone's preliminary valuation and analysis of the bids, it considered, among other things, the market pricing for the secured debt under the Prepetition Credit Agreement and the projected cash flow for each asset being sold. Based on its initial calculations, Capstone estimated that the value of substantially all of the Filing Debtors' assets could reach approximately $140 million.

D. The Auction

Beginning on October 26, 2010, and concluding in the early morning of October 29, 2010, the Filing Debtors held the Auction for the sale of substantially all of their assets in accordance with the court-approved Bidding Procedures.

Twelve bidders attended at the commencement of the Auction. Representatives of the Non-Controlling Lender Group attended as observers. The Auction was to be conducted in three phases: Phase 1 – bulk bids for all or substantially all of the assets; Phase 2 – bids for combinations of lots or assets; and Phase 3 – individual bids for specific lots or assets.

The first phase of the Auction ended on October 26, 2010, with only one bulk bid for substantially all of GSC's assets, from BDCM, for $5 million in cash. The Filing Debtors' professionals then commenced the combination phase of the Auction, which included several bidders and various combinations of lots or assets. The combination phase lasted into the evening on October 26, 2010, and continued on October 27, 2010.

During the second day of the Auction, Capstone determined that the best way to increase overall bids was to allow bidding consortiums. Because this would require bidders to combine their bids, Capstone approached the representatives of the Non-Controlling Lender Group and explained to them that, while this change in the bidding process could increase the overall bids, it would also permit BDCM and the Agent to develop a joint bid (and that there could be risks to the Non-Controlling Lender Group arising from such a joint bid). After several hours of discussions with the representatives of the Non-Controlling Lender Group, including their counsel and financial advisors, the Non-Controlling Lender Group agreed, in a writing drafted primarily by the Non-Controlling Lender Group's advisors, to permit joint bidding, including by BDCM and the Agent, and provided written consent to these modifications to the auction process.

Thereafter, the Auction procedures were modified as follows: (i) all bidders would receive information on the highest bids received on every lot and combination, in sealed envelopes; (ii) all bidders would be allowed to speak to other bidders and combine bids to maximize value; (iii) all bidders would be allowed in the auction room; and (iv) Capstone and Kaye Scholer would suggest bid configurations to assist bidder teams to maximize value.

In the first round of bidding under the modified procedures, the Filing Debtors received eight bids from a total of nine bidders. Thereafter, four additional rounds of bidding were conducted. A fifth and final round was conducted with sealed bids. Under the sealed bid procedures, all bids would be submitted in closed envelopes and the highest qualified bid at the

end of the round would be declared the winner. This would require bidders to make their best offer, and it was intended to drive the price even higher.

In the final round, Saratoga Partners, L.P. placed a bid that the Filing Debtors valued at $175.8 million. Sankaty placed a bid that the Filing Debtors valued at $193.7 million. BDCM and the Agent submitted a joint bid that the Filing Debtors determined was the highest and best bid for the assets in the amount of $235 million, composed of $5 million cash, a $6 million note, and a credit bid of $224 million (the "**Initial Winning Bid**"). As such, the Initial Winning Bid was at least $40 million higher than the second highest bid received in the final round. On October 31, 2010, the Debtors executed the Initial APA with BDCM's affiliate, GSC Acquisition Partners, LLC (the "**Initial Purchaser**").

E. The Consent Process

After the conclusion of the Auction and entry into the Initial APA, the Filing Debtors commenced the Consent Solicitation Process. On November 2, 2010, the Filing Debtors filed and served notices to each counterparty to an executory contract which the Debtors proposed to assume and assign to the Initial Purchaser. These notices set forth, among other things, the "cure" payments to which the Filing Debtors believed such counterparties were entitled under section 365 of the Bankruptcy Code. From November 3, 2010 through November 17, 2010, the Filing Debtors solicited the consent of relevant noteholders, preferred shareholders, investors, issuers, trustees, paying agents, insurers, listing agents, corporate administrative service provides, and other parties in interest known to the Filing Debtors by delivering to them a "Notice of Consent Solicitation."

F. The Initial Proposed Sale

The Filing Debtors filed a copy of the Initial APA and the Initial Sale Order on November 18, 2010. The hearing to consider approval of the sale was scheduled for December 6, 2010.

On November 23, 2010, the Non-Controlling Lender Group filed its objection to the Initial Sale Order, arguing, among other things, that Black Diamond's successful joint bid improperly diverted the Prepetition Lenders' recoveries to BDCM, and that the joint bid constituted collusive bidding. In particular, the Non-Controlling Lender Group contested the allocation of assets between the Agent and BDCM included as part of the Initial Winning Bid.

BDCM filed a response on November 29, 2010, in which it argued, among other things, that the Non-Controlling Lender Group was improperly attempting to litigate an intercreditor dispute before the Bankruptcy Court.

Other objections to the entry of the Initial Sale Order were filed on November 30, 2010 by UBS A.G., London Branch; Barclays Bank PLC; Royal Bank of Scotland PLC; Unicredit Bank AG; Landesbank Baden-Wurtemberg; London Branch, CapitalSource Finance LLC and CapitalSource CF LLC; and Credit Agricole Corporate and Investment Bank (collectively, the "**Objecting Investors**"). The Objecting Investors argued against the proposed non-consensual assumption and assignment to the Initial Purchaser of certain collateral management contracts for funds in which they held interests.

G. Amendment to the Initial APA

On December 3, 2010, the Debtors entered into an amendment to the Initial APA with the Initial Purchaser ("**Amendment No. 1**"). Amendment No. 1, among other things, (i) increased the amount of the note consideration from $6 million to $6.7 million, (ii) added the Debtors' interest in GSC U.K. to the list of assets to be acquired in connection with the sale, and (iii) clarified BDCM's entitlement to $5.2 million of the $6 million in cash distributions received by the Debtors in connection with certain transferred contracts between the date of entry into the Initial APA and November 30, 2010.

H. The Option Agreement

The day following the filing of Amendment No. 1, on December 4, 2010, BDCM and Alfred Eckert, the Chairman and Chief Executive Officer of the Debtors, entered into an option agreement (the "**Option Agreement**") pursuant to which, for $500,000, BDCM purchased an option, with an exercise price of $1.5 million, to acquire from Mr. Eckert: (i) a potential $2 million unsecured claim held by Mr. Eckert against the Filing Debtors; and (ii) certain of Mr. Eckert's equity interests in the Debtors.

I. Hearing on the Initial Sale Order

The hearing on the Initial Sale Order (the "**Sale Hearing**") was scheduled to take place on December 6, 2010. On that day, the Non-Controlling Lender Group argued that the Sale Hearing should not go forward due to recent developments, including the disclosure of Amendment No. 1 and the Option Agreement and the limited time available to review documents that had been produced in response to certain discovery requests. After listening to arguments from the Filing Debtors, Black Diamond and the Non-Controlling Lender Group, the Bankruptcy Court agreed to adjourn the Sale Hearing for one week.

During the December 6 hearing, the Bankruptcy Court entertained discussion of the objections that had been filed by the Objecting Investors. The parties stated on the record that the Objecting Investors' objections had been resolved because the Filing Debtors agreed not to assign the Objecting Investors' collateral management contracts in connection with the Initial APA.

On December 12, 2010, the Non-Controlling Lender Group filed a supplemental objection to the Initial Sale Order, which asserted that Amendment No. 1 was essentially a $700,000 private sale of the U.K. business to Black Diamond and a $5.2 million settlement of a $6 million dispute entered into as consideration for the Option Agreement.

On December 13, 2010, the Sale Hearing was again scheduled to take place before the Bankruptcy Court. Prior to the commencement of the hearing, Kaye Scholer provided the Bankruptcy Court with a status report regarding recent discovery and settlement discussions and stated that the Debtors were not prepared to go forward with the hearing at that time. At the conclusion of the proceeding, the parties were scheduled to appear again before the Bankruptcy Court on December 21, 2010.

J. Appointment of the Chapter 11 Trustee

On December 20, 2010, the Non-Controlling Lender Group filed a motion for the appointment of a chapter 11 trustee (the "**Trustee Motion**"), arguing, among other things, that appointment of a trustee was warranted based on alleged fiduciary conflicts arising from dealings between Black Diamond and the Filing Debtors' senior management (*i.e.*, Alfred Eckert and Peter Frank). The Filing Debtors and BDCM each filed an objection to the Trustee Motion, on December 21, 2010, disputing the allegations in the Trustee Motion. On December 22, 2010, the Bankruptcy Court conducted an evidentiary hearing on the Trustee Motion. At the conclusion of the hearing, the Bankruptcy Court took the matter under advisement. Following the hearing, the Debtors stated that they no longer intended to support the proposed sale transaction and sent a notice of termination of the Initial APA to Black Diamond.

The Bankruptcy Court held a hearing on the Trustee Motion on January 5, 2011, and issued a bench ruling in which it found cause under section 1104(a)(2) of the Bankruptcy Code for the immediate appointment of a chapter 11 trustee, and directed the appointment of a chapter 11 trustee. Thereafter, on January 7, 2011, the U.S. Trustee, by and through her counsel, filed ~~its~~a Notice of Appointment of James L. Garrity, Jr. On the same day, the Bankruptcy Court entered an order approving the appointment of Mr. Garrity as Chapter 11 Trustee.

After his appointment, the Chapter 11 Trustee assumed control of the Debtors' businesses (which he continued to manage and operate in the ordinary course). The Chapter 11 Trustee also began a comprehensive review and analysis of the events leading up to his appointment.

K. Cessna Finance 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.

L. The Bar Date Order

On March 11, 2011, the Chapter 11 Trustee filed an application for an order establishing a deadline for filing of proofs of claim. 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 Filing Debtors.

M. Employee Bonus Program

Shortly after his appointment, the Chapter 11 Trustee recognized that there was an immediate need to pay retention bonuses, but he determined that he was not authorized to pay the Unpaid 2010 Bonus under the terms of the December Order. Specifically, the December Order required the commencement of the Sale Hearing as one of the conditions precedent to the payment

of the Unpaid 2010 Bonuses. The Chapter 11 Trustee, however, reviewed the record and formed the belief that the Sale Hearing did not commence on December 6, 2010 or at any subsequent time.

Accordingly, On March 8, 2011, based on his belief that it was necessary to seek authority to pay the Unpaid 2010 Bonus and make other retention payments to GSC's employees, the Chapter 11 Trustee filed a motion (the "**Retention Bonus Motion**") to approve a retention bonus program for certain of GSC's employees. The motion argued that the retention bonus program was needed because: (i) additional payments were necessary to maintain competitive and historically consistent compensation packages; (ii) the continued retention of the covered employees was essential to the operation of the Filing Debtors and preservation of value of the estates; and (iii) payment of the Unpaid 2010 Bonuses and additional bonuses for 2011 service was fair and equitable. The Chapter 11 Trustee, therefore, requested that he be authorized to pay to certain employees (a) their Unpaid 2010 Bonus immediately; (b) a discretionary bonus payment on April 30, 2011 (the "**April Bonus Payment**"); and (c) a discretionary final bonus payment on the date of the closing of any transaction involving the sale or reorganization of all or substantially all of the Filing Debtors' assets (the "**Final Bonus Payment**"). Payment of the April and Final Bonus Payments was subject to the Estates having funds sufficient to make payment, and the Chapter 11 Trustee's determination that an eligible employee had made an appropriate contribution to the Filing Debtors' sale process and was employed and in good standing on the relevant payment date. Mr. Eckert and Mr. Frank were excluded from this the Retention Bonus Motion.

On March 25, 2011, the Bankruptcy Court entered an order granting the Retention Bonus Motion. On March 3, 2011, The Filing Debtors paid the Unpaid 2010 Bonus in an aggregate amount of $802,500. Of that amount, $252,500 was for the benefit of employees of GSC U.K. On May 13, 2011, the Filing Debtors paid the April Bonus Payment in an aggregate amount of $1,106,667.00. Of that amount, $416,667.00 was for the benefit of employees of GSC U.K. Final Bonus Payments for U.S. employees totaling $1,464,602.00 were made on August 17, 2011. Final Bonus Payments for employees of GSC U.K. in an amount of $295,699.00 are expected to be paid on August 25, 2011.

N. The Frank Bonus Motion

Although Peter Frank had been excluded from the Retention Bonus Motion, the Chapter 11 Trustee believed that it was in the best interest of the Estates to establish an incentive bonus program for Mr. Frank, so that he would continue to work toward a successful resolution of the Chapter 11 Cases. Accordingly, on May 17, 2011, The Chapter 11 Trustee filed a motion seeking to pay Mr. Frank a bonus subject to (i) consummation of a sale or reorganization of substantially all of the Filing Debtors' assets, and (ii) the Chapter 11 Trustee's determination in his reasonable discretion that Mr. Frank substantially contributed to any such favorable outcome. The United States Trustee objected to the motion, but, following negotiations with the Chapter 11 Trustee, agreed to a proposed form of order that satisfied her concerns ~~based primarily on the Chapter 11 Trustee's withdrawal of his request for approval of the Frank Bonus as an ordinary course of business payment or an incentive bonus~~. On July 7, 2011, the Bankruptcy Court entered the order authorizing the implementation of the bonus program as a retention bonus for Mr. Frank's benefit.

O. Non-Controlling Lender Group's Plan of Reorganization

On April 25, 2011, the Non-Controlling Lender Group filed a joint chapter 11 plan for the Debtors (the "**NCLG Plan**"); a related disclosure statement (the "**NCLG Disclosure Statement**"); and a motion seeking, among other things, approval of the NCLG Disclosure Statement, approval of solicitation materials and procedures, and the scheduling of a confirmation hearing (the "**Disclosure Statement Motion**"). The NCLG Plan was self-styled as an "equitable and economic mechanism for resolving" the Chapter 11 Cases as it would "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 NCLG Plan was structured to transfer virtually all of the Debtors' value to the Prepetition Lenders and leave no recovery for unsecured creditors. Indeed, it was premised on the assumptions that (i) "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" and (ii) 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." A hearing on the approval of the Disclosure Statement Motion was scheduled for May 25, 2011.

On May 23, 2011, the Chapter 11 Trustee, the Agent, and BDCM each filed an objection to the Disclosure Statement Motion. The Chapter 11 Trustee's objection requested, in part, that the hearing be adjourned due to his role as an independent fiduciary and recent developments in the case. In particular, he argued that he was appointed after all three major players in these cases — the Filing Debtors, the Minority Lenders, and BDCM asked that an independent third party assume responsibility for the Filing Debtors' strategic decisions. To that end, the Chapter 11 Trustee advised the Bankruptcy Court that he had negotiated the terms of transactions (discussed further below) that would provide for the sale of substantially all of the assets of the Debtors to BDCM and the other lenders under the Prepetition Credit Agreement. The Bankruptcy Court agreed to adjourn the hearing on the Disclosure Statement Motion and directed the Chapter 11 Trustee to file his sale motion. The Bankruptcy Court advised the parties that prior to any hearing on a motion put forth by the Chapter 11 Trustee seeking approval of a sale, an interim hearing would need to be held to determine whether such a sale was in the proper exercise of the Chapter 11 Trustee's business judgment and if consideration of such a sale should proceed in lieu of the Bankruptcy Court's consideration of the NCLG Plan.

P. The Chapter 11 Trustee's Investigations

Following his appointment, the Chapter 11 Trustee and his counsel conducted a detailed examination of the events and circumstances leading to the Trustee Motion. This process involved extensive discussions with Capstone, ~~Kaye Scholer,~~ the Filing Debtors' senior management, Black Diamond, the Non-Controlling Lender Group, and several other parties in interest, as well as certain bidders from the Auction. As necessary and appropriate, the Chapter 11 Trustee's counsel also worked with Kaye Scholer to obtain information about the case. The Chapter 11 Trustee also actively investigated all of the assertions and allegations raised by the Non-Controlling Lender Group.

As a result of these extensive discussions, negotiations, and investigations, the Chapter 11 Trustee negotiated an amendment to APA 1 and reaffirmed that agreement for the sale of substantially all of the Debtors' assets to an affiliate of the Initial Purchaser, GSC Acquisition Holdings, LLC (the "**Designated Purchaser**") on May 23, 2011. The Chapter 11 Trustee also entered into APA 2 with the Designated Purchaser for the sale of certain of the Debtors' remaining assets in exchange for a credit bid by the Agent for the remaining amount of the secured claims of the Prepetition Lenders. In entering into these transactions, the Chapter 11 Trustee believed that they would result in a greater benefit to the Filing Debtors' estates and stakeholders than any available alternative.

Q. The Purchase Agreements and the Chapter 11 Trustee's Sale Motion

On June 8, 2011, the Chapter 11 Trustee filed a motion for the authority to sell substantially all of the Debtors' assets to the Designated Purchaser pursuant to the Purchase Agreements, APA 1 and APA 2 and their related documents (the "**Sale Motion**"). The Purchase Agreements provided for the sale of the Acquired Assets (as defined in the Purchase Agreements), which consisted, primarily, of the management contracts from which the Debtors derived most of their revenue, as well as certain other assets owned, held, or used in the Debtors' investment management business, including debt and equity interests in partnerships, limited liability companies and investment vehicles to which the Debtors (or their non-debtor affiliates) provided investment management services or in which they served as general partner, limited partner, member or other similar roles.

APA 1 covered substantially all of the Debtors' investment and investment management assets, including GSC Group's 100% equity ownership of SIF, and reflected the results of the auction process conducted pursuant to the Bidding Procedures Order. At the conclusion of the auction, the Debtors had entered into the Initial APA. The Initial APA was subsequently amended by Amendment No. 1. During his appointment, the Chapter 11 Trustee negotiated further favorable amendments by a supplemental letter dated May 23, 2011 (the "**Side Letter**"). The consideration provided to the Debtors under APA 1 included: (i) a $224 million credit bid by the Agent; (ii) a $6.7 million promissory note; (iii) $5 million cash; and (iv) the assumption of certain liabilities.

Among the more important improvements obtained by the Chapter 11 Trustee was the obligation of the Designated Purchaser to execute and deliver ~~a~~the Tax Indemnification Agreement at closing. The Tax Indemnification Agreement protects the Debtors' estates from certain taxes that may be assessed in connection with the consummation of the Purchase Agreements. The Tax Indemnification Agreement also effectively backstops a significant recovery for unsecured creditors by shielding certain of the Estates' assets from potential tax liabilities.

The Side Letter also provided protections for the Non-Controlling Lender Group. Specifically, it memorialized that in any resulting sale order the rights of the Non-Controlling Lender Group would be fully and unconditionally reserved with respect to any future state court litigation concerning the propriety of the Agent's actions in connection with the Auction, the transaction contemplated by the Purchase Agreements, and any allocation of the Acquired Assets as between BDCM and the lenders under the Prepetition Credit Agreement

The consideration received under APA 1 would not satisfy all of the Debtors' obligations to the Prepetition Lenders. Accordingly, the Chapter 11 Trustee proposed to enter into APA 2 to satisfy the Debtors' remaining obligations under the Prepetition Loan Documents. Under APA 2, the Chapter 11 Trustee would sell those remaining assets not sold under APA 1, other than: (i) approximately $18.6 million of cash, (ii) certain causes of action, (iii) certain key-man life insurance policies, and (iv) certain miscellaneous assets (collectively, the "**Estate Assets**") in exchange for a credit bid by the Agent in the amount of the Debtors' remaining obligations to the Prepetition Lenders. The retention of the Estate Assets would ensure that the estates retained amounts to fund the administrative expenses of the estates through the conclusion of these chapter 11 cases and certain assets to be liquidated in order to fund additional potential distributions to unsecured creditors.

On July 1, 2011, the Non-Controlling Lender Group filed an objection to the Sale Motion, arguing, among other things, that the allocation that would result from consummating the transactions contemplated by the Purchase Agreements would significantly harm the Prepetition Lenders. The Bankruptcy Court held evidentiary hearings on July 6 and July 7, 2011 to determine whether the Chapter 11 Trustee exercised the proper business judgment in putting forth the Sale Motion, and to consider the Sale Motion itself. Following the conclusion of the July 6, 2011 hearing, the Bankruptcy Court ruled that the Chapter 11 Trustee had demonstrated the requisite business judgment and the following day issued a Minutes Order [Docket No. 659] stating that the Chapter 11 Trustee could go forward with a hearing on the Sale Motion in lieu of consideration of the NCLG Plan and the NCLG Disclosure Statement. The Bankruptcy Court conducted a hearing on the Sale Motion on July 7, 2011 and on July 11, 2011, entered an order approving the Sale Motion (the "**Sale Order**"). The Bankruptcy Court also filed an opinion in support of its decision with respect to the Sale Order on July 18, 2011 [Docket No. 648]. On July 13, 2011, the Non-Controlling Lender Group filed a notice of appeal of the Sale Order~~. The Non-Controlling Lender Group's appeal of the Sale Order is pending in~~ to the United States District Court for the Southern District of New York (the "**District Court**")~~ as of the date of this Disclosure Statement~~(as discussed below, the appeal has been withdrawn).

On July 19, 2011, the Non-Controlling Lender Group filed a motion with the District Court seeking to expedite the timeline for the group's appeal of the Sale Order. In addition to this motion for an expedited appeal, on July 20, 2011, the Non-Controlling Lender Group filed an amended complaint in the state court action styled as Crédit Agricole Corporate and Investment Bank New York Branch, *et al.* v. Black Diamond Commercial Finance, L.L.C., *et al.*, captioned as Index No. 651989/2010 (Sup. Ct. N.Y. Co.), which was pending before the Supreme Court for the State of New York (the "**State Court**"). The amended complaint included a new cause of action that sought to enjoin Black Diamond from consummating the transactions approved by the Bankruptcy Court's Sale Order. The Trustee objected to the Non-Controlling Lender Group's motion for an expedited appeal and Black Diamond, along with the other state court defendants, sought to remove the new cause of action in the amended State Court complaint to federal court.

Pursuant to Black Diamond's request, the State Court removed the amended complaint to the District Court, which then automatically referred the proceeding to the Bankruptcy Court. On July 22, 2011, the Bankruptcy Court held a hearing on the amended complaint and remanded it back to the State Court, while stating that any relief being sought by the Non-Controlling Lender Group that would be in violation of the protections afforded to the Filing Debtors pursuant to the

Bankruptcy Code's automatic stay would be void *ab initio*. Also on July 22, 2011, the District court conducted a hearing on the Non-Controlling Lender Group's motion for an expedited appeal, after which the District Court denied the motion and held that the appeal would proceed on a non-expedited basis.

Upon the Bankruptcy Court's ruling that the amended complaint should be remanded to the State Court, the Non-Controlling Lender Group sought emergency relief from the State Court to temporarily prohibit Black Diamond from consummating a transaction with the Debtors. At the conclusion of a July 25, 2011 hearing on the matter, the State Court denied the Non-Controlling Lender Group's request for emergency relief, and scheduled the matter for a full hearing on August 12, 2011 at which the State Court again denied the relief sought by the Non-Controlling Lender Group.

On July 26, 2011, the Debtors consummated the transactions contemplated by the Purchase Agreements. In conjunction with the closing, the Agent delivered a payoff letter memorializing the full and complete satisfaction of all of the Debtors' obligations under the Prepetition Credit Documents, as contemplated by the Purchase Agreements.

On September 12, 2011, the Chapter 11 Trustee and the Non-Controlling Lender Group entered into a stipulation whereby the Non-Controlling Lender Group agreed to withdraw its appeal of the Sale Order with prejudice. The stipulation was so ordered by the District Court on September 13, 2011, and a copy of the stipulation was filed with the District Court on September 14, 2011.

R. Litigation Against the Debtors

1. *SEC Settlement*

On January 13, 2011, the SEC staff informed the Chapter 11 Trustee and his counsel that it was considering bringing charges against NJLP for material misstatements and omissions in connection with the marketing of the Squared CDO 2007-1 CDO ("**Squared**"). The Chapter 11 Trustee and his counsel engaged in extensive arms-length negotiations with the SEC staff regarding the resolution of the SEC's claims and agreed to resolve the matter consensually, subject to approval by the Bankruptcy Court.

The SEC and NJLP entered into a settlement, which was approved by the Bankruptcy Court on August 10, 2011, by which the SEC will enter an administrative Cease-and-Desist Order that resolves all of its claims and fully satisfies the relief it is seeking against NJLP. The Order finds the following: while acting as the collateral manager to Squared, NJLP failed to ensure that investors were adequately informed that Magnetar Capital, LLC ("**Magnetar**"), a hedge fund with economic interests adverse to investors in Squared, played a significant role in the portfolio selection process. The marketing materials for Squared represented that the investment portfolio of CDO securities was selected by NJLP, without disclosing the role played by Magnetar. Squared, which priced on April 19, 2007 and closed on May 11, 2007, declared an event of default on January 18, 2008. As a result, its investors lost most, if not all, of their principal.

The Cease-and-Desist Order finds that a result of the negligent conduct described in the Cease-and-Desist Order, NJLP violated Section 206(2) of the Investment Advisers Act, Sections 17(a)(2) and (3) of the Securities Act, Section 204(a) of the Advisers Act and Rule 204-2(a)(7) thereunder, and orders that NJLP cease-and-desist from "committing or causing violations and any future violations of Section 17(a)(2) and (3) of the Securities Act and Sections 204 and 206(2) of the Advisers Act and Rule 204-2 promulgated thereunder." The Cease-and-Desist Order does not impose any monetary sanctions on NJLP.

2. *FINRA Arbitration*

On April 4, 2008, the Detroit Police and Firemen's Retirement Fund (the "**Detroit Fund**"), filed a complaint alleging, among other things, that the named defendants, which including NJLP, made certain misrepresentations in connection with the Detroit Fund's investments in certain CDO funds previously affiliated with or managed by the Filing Debtors (the "**CDO Funds**"). By court order dated August 22, 2008, affirmed by the Michigan Court of Appeals in May 2010, separate motions of all defendants to dismiss the action were granted on the grounds that the issues raised in the Detroit Fund's complaint are subject to arbitration under a pre-existing agreement between the Detroit Fund and co-defendant Citigroup Global Markets, Inc. (as successor to Smith Barney). In May 2010, the Detroit Fund commenced a FINRA arbitration against certain of the defendants named in the state court action, including NJLP. The arbitration, similar to the state court action, is based on allegations that certain misrepresentations were made to the Detroit Fund in connection with its investments in the CDO Funds. The Detroit Fund's investments in the CDO Funds totaled approximately $40 million.

NJLP may be insured against losses incurred in connection with the litigation under a Private Equity Fund and Management Liability Policy ("**Policy**") issued by AIG to named fund managers "Greenwich Street Capital Partners", debtor NJ Inc., and NJLP as well as certain named funds and general partners of funds managed by NJLP. The Policy provides $10 million in coverage, and NJLP may also be insured by four excess carriers, for a total of $50 million of coverage. To the best of the Chapter 11 Trustee's knowledge, AIG and the excess carriers were notified of the Detroit Fund's potential claims, and no other claims potentially covered by the Policy or excess policies have been filed or noticed.

3. *Action by Cobalt Management*

In September, 2007, Cobalt Management, Inc. and certain affiliates (collectively, "**Cobalt**"), investors in GSC Capital Corp., predecessor of 2008 Asset Holding Corp. ("**GSCCC**"), a real estate investment trust managed by NJLP, commenced an action against GSCCC, NJLP and GSC Group in New York Supreme Court, New York County. The twice-amended complaint charges that all three defendants are liable for breach of a registration rights agreement entered into by GSCCC in connection with its June 2005 private placement of equity interests, a portion of which was purchased by Cobalt. In January 2009, the New York Supreme Court, New York County granted a motion to dismiss with regard to NJLP and GSC Group. Following the dismissal, Cobalt appealed to the New York Supreme Court Appellate Division, First Department. The appeal was argued in December 2009. The ruling on the appeal is stayed while NJLP and GSC Group remain in chapter 11.

S. ~~Dismissal of SIF's Chapter 11 Case~~General Partner Claims Against the Debtors

~~In light of, among other things, the Designated Purchaser's acquisition of GSC Group's equity interests in SIF and the fact that the Chapter 11 Trustee does not believe that there are any pending prepetition Claims against SIF, the Chapter 11 Trustee intends to file a motion seeking the dismissal of SIF's Chapter 11 Case.~~

On September 30, 2011, GSC Recovery IIA GP, L.P. ("**GPIIA**"), GSC Recovery III GP, L.P. ("**GPIII**"), GSC RIIA, LLC and GSC RIII, LLC, together with certain other general partners of investment management funds formerly managed by the Debtors (collectively, the "**GPs**"), filed a motion seeking authority to file proofs of claim against the Debtors after the Bar Date (and for such claims to be deemed timely filed), and to file a single proof of claim against all of the Debtors [Docket No. 797] (the "**GP Claims Motion**"). All of the GPs are now controlled by the Designated Purchaser, which is, upon information and belief, controlled by Black Diamond or its affiliates.

The GP Claims Motion states that prior to the closing of the sale of substantially all of the Debtors' assets to the Designated Purchaser, the GPs were directly or indirectly owned and under the exclusive control of the Debtors and that "[t]he Debtors, as the controlling entities of the GPs, were the only entities in a position to cause the GPs to file proofs of claim by the Bar Date." The GP Claims Motion further states that the "Debtors' failure to cause the GPs to file proofs of claim by the Bar Date, the filing and allowance of which would have been against the Debtors' economic interest, should not prejudice the rights of the GPs to have their claims against the Debtors fully considered for voting purposes, evaluation and allowance."

The GP Claims Motion indicates that, if granted:

- GPIIA would assert a claim arising from, among other things, a distribution made to GPIIA by the fund for which it served as general partner (GSC Recovery IIA, L.P.), a purported flawed calculation regarding the amount of such distribution, GPIIA's purported payment of the distribution to one or more of the Debtors and the GPs purported right to "clawback" all or part of the distribution;

- GPIII would assert a claim arising from, among other things, a tax distribution made to GPIII by the fund for which it served as general partner (GSC Recovery III Parrallel Fund, L.P.) that purportedly exceeded the fund's tax liability, and GPIII's purported payment of such amounts to one or more of the Debtors; and

- Other GPs would file "protective" proofs of claim against the Debtors for breach of contract, breach of fiduciary duty, indemnification, reimbursement or other recoveries arising out of agreements between such a GP and one of the Debtors. The GP Claims Motion states that these potential claims are under investigation, and as such are contingent and unliquidated.

[The earliest the Chapter 11 Trustee would have to file an objection to the GP Claims Motion is October 11, 2011. The Trustee has not yet taken a position with respect to the GP

Claims Motion, but it is likely that the Trustee will file an objection.] **While the allowed amount (if any) of the claims described in the GP Claims Motion cannot be forecast at this time, such claims, if allowed as described in the GP Claims Motion, could be significant and could, among other things, reduce the percentage recovery to other holders of General Unsecured Claims as described herein. The Holders of such Claims also could be given the opportunity to vote to accept or reject the Plan, which could influence whether the Plan ultimately is accepted.**

VI. SUMMARY OF THE CHAPTER 11 TRUSTEE'S AMENDED JOINT CHAPTER 11 PLAN

CLASSES 1 AND 2 ARE UNIMPAIRED UNDER THE PLAN AND HOLDERS OF CLAIMS IN CLASS 1 AND CLASS 2 ARE CONCLUSIVELY PRESUMED TO HAVE ACCEPTED THE PLAN PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE. THEREFORE, HOLDERS OF CLAIMS IN CLASS 1 AND CLASS 2 ARE NOT ENTITLED TO VOTE ON THE PLAN.

A Chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against or interest in a debtor. Such classes are deemed to reject the plan, and need not be solicited to vote on the plan. **HOLDERS OF EQUITY INTERESTS IN CLASS 4 WILL RECEIVE NO DISTRIBUTION NOR RETAIN ANY PROPERTY UNDER THE PLAN AND ARE CONCLUSIVELY PRESUMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE. THEREFORE, NO BALLOT IS ENCLOSED FOR HOLDERS OF EQUITY INTERESTS IN CLASS 4.**

Under section 1124 of the Bankruptcy Code, a class of claims is "impaired" if under a plan unless the plan (a) leaves unaltered the legal, equitable and contractual rights of each holder of a claim in such class; or (b) provides, among other things, for cure of existing defaults and reinstatement of the maturity of claims in such class. **CLASS 3 IS IMPAIRED UNDER THE PLAN AND HOLDERS OF CLAIMS IN CLASS 3 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, SUBJECT TO APPLICABLE LIMITATIONS AS MAY BE ORDERED BY THE BANKRUPTCY COURT. BALLOTS ARE BEING FURNISHED HEREWITH TO HOLDERS OF CLAIMS IN CLASS 3.**

A. Classification and Treatment of Claims and Equity Interests

Under the Plan, Claims are classified and/or treated as discussed below.

1. *Administrative Claims (Unclassified)*

Description. Administrative Claims are post-petition claims that were incurred as actual and necessary costs or expenses of preserving the Debtors' Estates during the Chapter 11 Cases. All Administrative Claims are subject to review, reconciliation, and possibly, objection. The Chapter 11 Trustee estimates that, upon information and belief, following the claims reconciliation and objection process, Allowed Administrative Claims will total between $4 million and $6 million in the aggregate.

Treatment. Each Holder of an Allowed Administrative Claim will receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Administrative Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after (but in any event not later than five Business Days after), the latest of (a) the Effective Date; (b) the date on which such Administrative Claim becomes Allowed; (c) the date on which such Administrative Claim becomes due and payable; and (d) such other date as mutually may be agreed to by such Holder and the Chapter 11 Trustee or the Liquidating Trustee, as the case may be. Notwithstanding the foregoing, any Allowed Administrative Claim based on a liability incurred by a Filing Debtor in the ordinary course of business during the Chapter 11 Cases may be paid in the ordinary course of business in accordance with the terms and conditions of any agreement relating thereto. ~~If any Administrative Claim is not billed or a request for payment is not made within 90 days after the Effective Date, such Administrative Claim shall be barred.~~

Except for (a) professionals requesting compensation or reimbursement for Professional Fees; (b) UST Fees; and (c) Holders of Administrative Claims who were required to file proofs of such Administrative Claims incurred on or before August 31, 2011 in accordance with the Initial Administrative Claims Bar Date Order, requests for payment of Administrative Claims must be made and billed no later than 90 days after the Effective Date. **Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the Plan Administrative Claims Bar Date shall be forever barred from asserting such Claims against the Debtors, the Liquidating Trust or their property, and the Holder thereof shall be enjoined from commencing or continuing any action to collect, offset or otherwise recover such Administrative Claim.**

2. *Priority Tax Claims (Unclassified)*

Description. A Priority Tax Claim is an unsecured claim by a taxing authority to the extent entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. The Trustee estimates that aggregate Priority Tax Claims will total between $1.5 million and $2 million.

Treatment. Each Holder of an Allowed Priority Tax Claim will receive, in full satisfaction and discharge thereof, Plan Cash equal to the unpaid amount of such Allowed Priority Tax Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after (but in any event not later than five Business Days after), the latest of (a) the Effective Date; (b) the date on which such Priority Tax Claim becomes Allowed; (c) the date on which such Priority Tax Claim becomes due and payable; and (d) such other date as mutually may be agreed to by such Holder and the Chapter 11 Trustee or Liquidating Trustee, as the case may be; *provided*, *however*, that the Chapter 11 Trustee or the Liquidating Trustee, as the case may be, will be authorized, at their option, and in lieu of payment in full of an Allowed Priority Tax Claim, to make deferred Cash payments on account thereof in the manner and to the extent permitted under section 1129(a)(9)(C) of the Bankruptcy Code.

3. *Professional Fees*

Description. Professional Fees are fees and other compensation, including reimbursement of expenses, allowed to (i) the Chapter 11 Trustee; (ii) professionals employed under sections 327,

328, or 1103 of the Bankruptcy Code pursuant to sections 330, 331 or 1103(a) of the Bankruptcy Code; and (~~ii~~iii) any Person or Entity making a claim for compensation or reimbursement of expenses under section 503(b) of the Bankruptcy Code.

Treatment. Each Professional requesting compensation pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Confirmation Date will be required to file an application for allowance of final compensation and reimbursement of expenses on or before the 60th day following the Effective Date.

4. *Class 1 – Secured Claims (Unimpaired)*

Description. A Secured Claim is any Claim that constitutes a secured claim under section 506(a) of the Bankruptcy Code. Class 1 consists of all remaining Secured Claims asserted against the Debtors. The Chapter 11 Trustee believes that there will not be any Allowed Secured Claims.

Voting. Class 1 is not Impaired. Holders of Secured Claims are conclusively presumed to accept the Plan.

Treatment. Each Holder of an Allowed Secured Claim will receive either (A) payment in full in Plan Cash on the latest of (i) the Effective Date; (ii) the date on which such Secured Claim becomes Allowed; (iii) the date on which such Secured Claim otherwise is due and payable; or (iv) such other date as mutually may be agreed to by and between such Holder and the Chapter 11 Trustee or the Liquidating Trustee, as the case may be or (B) its collateral.

5. *Class 2 – Other Priority Claims (Unimpaired)*

Description. An Other Priority Claim is a Claim to the extent entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code other than an Administrative Claim or a Priority Tax Claim. The Chapter 11 Trustee estimates that there will not be any Allowed Other Priority Claims.

Voting. Class 2 is not Impaired. Holders of Other Priority Claims are conclusively presumed to accept the Plan.

Treatment. Each Holder of an Allowed Other Priority Claim will receive Plan Cash in an amount sufficient to leave unaltered the legal, equitable and contractual rights to which such Claim entitles such Holder on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (A) the Effective Date; (B) the date on which such Other Priority Claim becomes Allowed; (C) the date on which such Other Priority Claim otherwise is due and payable; and (D) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee or the Liquidating Trustee, as the case may be.

6. *Class 3 – General Unsecured Claims (Impaired)*

Description. A General Unsecured Claim is any Claim that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Secured Claim or based upon Equity Interests in the

Debtors. The Chapter 11 Trustee estimates that General Unsecured Claims will total between $12 million and $15 million in the aggregate.

Voting. Class 3 is Impaired. Holders of General Unsecured Claims are entitled to vote.

Treatment. Each Holder of an Allowed General Unsecured Claim will receive (A) its Pro-Rata Share of Remaining Plan Cash and (B) its Pro-Rata Share of Trust Units, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee or the Liquidating Trustee, as the case may be.

7. *Class 4 – Equity Interests in the Debtors (Impaired)*

Description. Equity Interests are all outstanding ownership interests, whether or not certificated, in any of the Debtors, including any interest evidenced by common or preferred stock, warrant, membership interest, option or other right to purchase or otherwise receive any ownership interest in any of the Debtors, or any right to payment or compensation based upon any such interest, whether or not such interest is owned by the holder of such right to payment or compensation.

Voting. Class 4 is Impaired. Holders of Equity Interests are conclusively deemed to reject the Plan.

Treatment. Holders of Equity Interests will not receive or retain any property or interest in property on account of such Equity Interests. On the Effective Date, all Equity Interests will be cancelled, extinguished and discharged.

B. Means for Implementation of the Plan

1. *Formation of the Liquidating Trust*

Confirmation of the Plan will constitute the appointment of the Liquidating Trustee as the representative of the Estates, subject to the Liquidating Trust Agreement, for all purposes. On the Effective Date (i) the Liquidating Trust will be deemed created and effective without any further action of the Chapter 11 Trustee, the Debtors or the employees, officers, directors, members, partners or shareholders of the Debtors and (ii) the Liquidating Trustee will sign the Liquidating Trust Agreement and accept the Estate Assets, including the Liquidating Trust Cash, the Disputed Priority Claims Reserve Amount, and the Disputed General Unsecured Claims Reserve Amount, on behalf of the beneficiaries thereof. The beneficiaries of the Liquidating Trust will be bound by the Liquidating Trust Agreement.

The Liquidating Trust will liquidate the Estate Assets and make post-Effective Date distributions under the Plan to Holders of Trust Units, with no objective to continue or engage in the conduct of a trade or business. TheAfter the Effective Date, the Liquidating Trustee will control the administration ofbe the beneficiary of all rights under the Tax Indemnification Agreement after the Effective Date by virtue of its ownership of the Reorganized GSC Group

~~Stock~~Reorganized GSC Group, and shall guarantee the performance of all obligations of the Debtors under the Tax Indemnification Agreement, including, without limitation, the obligation to reimburse the Designated Purchaser from Residual Cash. For purposes of all calculations of Residual Cash required by the Tax Indemnification Agreement, such calculations shall treat the Liquidating Trust and Reorganized GSC Group as a consolidated entity. The Liquidating Trust will terminate five years from the Effective Date. If warranted by the facts and circumstances and subject to the approval of the Bankruptcy Court upon a finding that an early termination of the Liquidating Trust is appropriate or that an extension of the term of the Liquidating Trust is necessary to the liquidating purpose of the Liquidating Trust, the term of the Liquidating Trust may be terminated early or may be extended for a finite term based on the particular facts and circumstances. For any extension, Bankruptcy Court approval must be obtained within six months of the beginning of the extended term.

2. *Management of the Debtors*

On the Effective Date, the Debtors shall cease all operations and the administration of the Plan shall become the general responsibility of the Liquidating Trustee. The Chapter 11 Trustee shall be relieved of his duties and obligations to the estate under the Bankruptcy Code, Bankruptcy Rules and Local Bankruptcy Rules, including, but not limited to, any obligation to file a final report pursuant to Local Bankruptcy Rule 3022-1, or otherwise; *provided*, *however*, that the Chapter 11 Trustee shall not be relieved of his obligation to file a report of his investigations under section 1106 of the Bankruptcy Code, and *provided*, *further*, that the Chapter 11 Trustee's rights under the Plan, in general, and specifically, the right of the Chapter 11 Trustee and the Chapter 11 Trustee's professionals to seek and prosecute claims for compensation in accordance with the Plan, as well as the Chapter 11 Trustee's right to object to the allowance of Professional Fees, shall be fully preserved

3. ~~2.~~ *Reorganized GSC Group and Dissolution of Remaining Debtors*

On the Effective Date, 100% of the Equity Interests in GSC Group will be cancelled and Reorganized GSC Group will distribute, or cause to be distributed, the Reorganized GSC Group Stock to the Liquidating Trust. As holder of the Reorganized GSC Group Stock, the Liquidating Trustee will control the assets of GSC Group which, as of the Effective Date, will consist solely of the rights of the Debtors under the Tax Indemnification Agreement.

On the Effective Date, the certificate of incorporation of Reorganized GSC Group will be amended in its entirety to substantially conform to the form contained in the Plan Supplement to, among other things, prohibit Reorganized GSC Group from issuing nonvoting equity securities. The directors and officers of Reorganized GSC Group will be identified in the Plan Supplement. The Chapter 11 Trustee presently anticipates that Robert Manzo of Capstone will act as Chief Executive Officer and Chairman of the Board of Reorganized GSC Group.

After the Effective Date, the Debtors other than GSC Group will be wound down and dissolved.

Notwithstanding any other provision of the Plan, (i) the Liquidating Trust shall guarantee, pursuant to written documentation to be included in the Plan Supplement, the obligations of the Sellers to the Designated Purchaser under the Tax Indemnification Agreement, and the

Liquidating Trust shall be jointly and severally liable with Reorganized GSC Group for all such obligations, and (ii) for purposes of all calculations of Residual Cash required under the Tax Indemnification Agreement the Liquidating Trust and Reorganized GSC Group shall be considered a consolidated entity.

4. ~~3.~~ *Capitalization of the Liquidating Trust*

On the Effective Date, the Estate Assets, including the Liquidating Trust Cash, the Disputed Priority Claims Reserve Amount and the Disputed General Unsecured Claims Reserve Amount, and the Reorganized GSC Group Stock will be transferred to the Liquidating Trust. All transfers and contributions made to the Liquidating Trust will be made free and clear of all Claims, Liens, and Equity Interests, and all setoff and recoupment rights, except as otherwise specifically provided in the Plan or in the Confirmation Order. Pursuant to the Plan, the Liquidating Trustee, the Liquidating Trustee and Reorganized GSC Group will be appointed as successor trustees to the Chapter 11 Trustee for purposes of the Letter of Credit.

Consistent with the terms of the Purchase Agreements, on the Effective Date, all post-closing obligations of the Sellers under the Purchase Agreements, other than those rights and obligations under the Tax Indemnification Agreement, will be transferred to the Liquidating Trust, provided, however, that the Indemnified Liabilities shall remain with Reorganized GSC Group and be payable from the proceeds of the Letter of Credit and Tax Indemnification Agreement. Without limiting the foregoing, the Liquidating Trustee shall be responsible for the transfer to the Designated Purchaser of any Causes of Action acquired under the Purchase Agreements.

5. ~~4.~~ *Initial Distribution of Trust Units*

On the Effective Date, Holders of Allowed General Unsecured Claims will receive their Pro-Rata Share of an initial distribution of Trust Units. The Reserved Trust Units, will be issued but held in reserve on account of estimated Disputed General Unsecured Claims.

6. ~~5.~~ *Corporate Action*

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including, but not limited to: (i) the adoption of the organizational documents for Reorganized GSC Group; (ii) the issuance of the Reorganized GSC Group Stock; (iii) the winddown and corporate dissolution of the Debtors other than GSC Group; and (iv) all other actions contemplated by the Plan. All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized GSC Group, and any corporate action required by the Debtors or Reorganized GSC Group in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action or notice by the Debtors, the Chapter 11 Trustee, the Liquidating Trustee, Holders of Equity Interests in the Debtors or directors and officers of the Debtors or Reorganized GSC Group. Upon the Effective Date, the appropriate officers and directors of Reorganized GSC Group shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of an on behalf of Reorganized GSC Group and the other Debtors. The

authorizations and approvals contemplated in the Plan shall be effective notwithstanding any requirements under any applicable non-bankruptcy law.

7. ~~6.~~ *Transfer of Post-Petition Agreements*

As of the Effective Date, the Liquidating Trust will be deemed successor in interest to the Debtors and Chapter 11 Trustee and any rights and obligations under any agreements the Debtors entered into post-petition remaining in effect as of the Effective Date, including, without limitation, the Purchase Agreements and the Transition Services Agreement will be transferred to the Liquidating Trust with the exception of the Tax Indemnification Agreement ~~which~~. Pursuant to the Plan, the Tax Indemnification Agreement shall vest as described ~~below.~~in VI.B.8; *provided, however*, that the Liquidating Trust shall guarantee, pursuant to written documentation to be included in the Plan Supplement, the obligations of the Sellers to the Designated Purchaser under the Tax Indemnification Agreement, and the Liquidating Trust shall be jointly and severally liable with Reorganized GSC Group for all such obligations . Notwithstanding the forgoing, to the extent that the Estates or Reorganized GSC Group incur any obligations or liabilities to the counterparties to the Tax Indemnification Agreement pursuant to the terms of that agreement, such obligations and liabilities, to the extent not funded by Reorganized GSC Group, will be guaranteed and satisfied by the Liquidating Trust.

8. ~~7.~~ *Vesting of Tax Indemnification Agreement*

~~As~~Subject to the terms of the Plan described above in VI.B.7, as of the Effective Date, all rights ~~and~~of each of the Debtors under the Tax Indemnification Agreement will vest in Reorganized GSC Group and Reorganized GSC Group shall assume all of the obligations of each of the Debtors under the Tax Indemnification Agreement ~~will vest in Reorganized GSC Group~~.

C. Treatment of Executory Contracts and Unexpired Leases

1. *Rejection of Executory Contracts and Unexpired Leases*

All executory contracts and unexpired leases that have not been assumed, assumed and assigned, or rejected prior to the Effective Date will be deemed rejected as of the Effective Date unless the Chapter 11 Trustee has moved to assume or assume and assign such executory contract or unexpired lease prior to the Effective Date. To the extent that any contract (including any contracts effectuating the novation of any collateral management agreement or any other contract) has not been rejected or assumed by the Debtors and the Chapter 11 Trustee because such contract is no longer executory, the Debtors, the Chapter 11 Trustee, the Liquidating Trust shall have no liability with respect to such contract on and after the Effective Date.

2. *Claims Based on Rejection of Executory Contracts or Unexpired Leases*

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases as of the Effective Date, if any, must be Filed within 30 days after the Effective Date. Any Claim arising from the rejection of an executory contract or unexpired lease for which proof of such Claim is not Filed within such time period will forever be barred from assertion against the Debtors, the Estates and their property, or the Liquidating Trust unless otherwise ordered by the Bankruptcy Court. Any Allowed Claim arising from the rejection of executory

contracts or unexpired leases for which proof of such Claim timely has been Filed shall be, and shall be treated as, an Allowed General Unsecured Claim under the terms of the Plan, subject to any limitation under section 502(b) of the Bankruptcy Code or otherwise.

D. Provisions Governing Distributions Under the Plan

1. *Date of Distributions*

Unless otherwise provided, any distribution to be made under the Plan will be made on the Effective Date, or as soon as practicable thereafter (but in no event later than five Business Days thereafter). Any payment or act required to be made or done hereunder on a day that is not a Business Day shall be made on the next succeeding Business Day.

The Chapter 11 Trustee anticipates that the Plan will be confirmed and go effective before the end of 2011. On the Effective Date, the Holders of General Unsecured Claims will receive some or all of the $4.6 million of cash available to the estates, to the extent such cash is not required to pay Claims senior in priority.

Holders of General Unsecured Claims will also receive Trust Units on the Effective Date. Distributions on account of Trust Units could be significantly delayed, and under some circumstances Holders of General Unsecured Claims may not receive cash distributions with respect to Trust Units for several years. The likelihood of delayed cash payments is difficult to predict at this time but would be most likely to arise if: (i) the Liquidating Trustee determined that it was not possible or advisable to immediately sell some or all of the Life Insurance Policies; (ii) the Liquidating Trustee pursues time consuming investigations or litigation of Claims; or (iii) unresolved tax liabilities trigger limitations in the Tax Indemnification Agreement that would limit the ability of the Liquidating Trust to make distributions above specified levels prior to the resolution of all such outstanding tax liabilities and related obligations.

2. *Establishment of Disputed General Unsecured Claims Reserve*

On the Effective Date or as soon thereafter as is practicable (but in no event later than five Business Days thereafter), the Liquidating Trustee will separately establish and maintain the Disputed General Unsecured Claims Reserve for any Remaining Plan Cash required to be set aside on account of Disputed General Unsecured Claims in the amount of the Disputed General Unsecured Claims Reserve Amount plus any Cash distributed thereto.

3. *Establishment of Disputed Priority Claims Reserve*

On the Effective Date or as soon thereafter as is practicable, the Liquidating Trustee will separately establish and maintain the Disputed Priority Claims Reserve for any Plan Cash required to be set aside on account of Disputed Priority Tax Claims and Disputed Other Priority Claims in the amount of the Disputed Priority Claims Reserve Amount.

4. *Liquidating Trust, Disputed Unsecured Claims Reserve, and Disputed Priority Claims Reserve Distributions*

Periodically, the Liquidating Trustee shall make ratable distributions of the Liquidating Trust's available Cash to (a) Holders of Trust Units pursuant to the Liquidating Trust Agreement; and (b) the Disputed General Unsecured Claims Reserve for the benefit of Holders of Disputed Claims. If a Disputed General Unsecured Claim becomes Allowed, the Liquidating Trustee shall make a Catch-Up Distribution to the Holder thereof. If a Disputed Priority Tax Claim becomes Allowed, the Liquidating Trustee shall make distributions from the Disputed Priority Claims Reserve to the Holder thereof in accordance with the Section 3.2 of the Plan. If a Disputed Other Priority Claim becomes Allowed, the Liquidating Trustee shall make distributions from the Disputed Priority Claims Reserve to the Holder thereof in accordance with Section 4.2(b) of the Plan. If a General Unsecured Claim resulting from the rejection of an executory contract or unexpired lease pursuant to Section 6.1 of the Plan becomes Allowed, the Liquidating Trustee shall distribute, to the Holder of such Allowed General Unsecured Claim, Reserve Trust Units and Cash such that it receives equivalent distributions to those received by Holders of Allowed General Unsecured Claims that were Allowed as of the Effective Date.

If a Disputed General Unsecured Claim, or portion thereof, is Disallowed, the Liquidating Trustee will either cancel, retain or distribute to or for the benefit of the Disputed General Unsecured Claims Reserve and the Holders of all then Allowed General Unsecured Claims their Pro-Rata Share of the Trust Units and Cash allocable to such Disallowed General Unsecured Claim on such date as the Liquidating Trustee shall deem to be reasonable. If a Disputed Priority Tax Claim or Disputed Other Priority Claim, or portion thereof, is Disallowed, the Liquidating Trustee will either retain or distribute to or for the benefit of the Disputed General Unsecured Claims Reserve and the Holders of all then Allowed General Unsecured Claims their Pro-Rata Share of the Cash allocable to such Disallowed Priority Tax Claim or Disallowed Other Priority Claim on such date as the Liquidating Trustee shall deem to be reasonable.

Notwithstanding the foregoing, the Liquidating Trustee will be prohibited from making distributions to holders of Trust Units or Reserved Trust Units that are not permitted under the Tax Indemnification Agreement, including making distributions to Holders of General Unsecured Claims in excess of $4.6 million until the obligations of the Sellers, the Chapter 11 Trustee and the Designated Purchaser under the Tax Indemnification Agreement have been satisfied.

5. *Setoff and Recoupment*

In the event the Debtors have a claim of any nature whatsoever against a Holder of a Claim, the Liquidating Trustee may, but is not required to, setoff against such Holder's Claim (and any distributions or other rights to receive property arising out of such Claim under the Plan), the

Debtors' claim against such Holder, subject to the provisions of section 553 of the Bankruptcy Code and other applicable law. Neither the failure to setoff nor the allowance of any Claim under the Plan will constitute a waiver or release by the Debtors or the Liquidating Trustee of any Claims that the Debtors or the Liquidating Trustee have against the Holder of such Claim, all of which are preserved. Nothing contained or omitted from the Plan will limit, adversely affect, or otherwise impair any rights of setoff or recoupment the Debtors or the Liquidating Trustee may possess, as against as third parties.

E. Procedures for Resolving Disputed Claims

1. *Prosecution of Objections to Claims*

~~On and after~~Prior to the ~~Confirmation~~Effective Date, the Chapter 11 Trustee ~~or~~and on and after the Effective Date, the Liquidating Trustee, as the case may be, will have the authority to file, settle, compromise, withdraw or litigate to judgment objections to Claims, and will be permitted to settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

2. *Estimation of Claims*

The Chapter 11 Trustee or the Liquidating Trustee, as the case may be, will be permitted, at any time, to request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Chapter 11 Trustee or the Liquidating Trustee, as the case may be, previously had objected to such Claim or whether the Bankruptcy Court had ruled on such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during any litigation concerning any objection to such Claim, including during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If such estimated amount constitutes a maximum limitation on the amount of such Claim, the Chapter 11 Trustee or the Liquidating Trustee, as the case may be, may elect to pursue any supplemental proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

3. Payments and Distributions on Disputed Claims

No payments or distributions will be made under the Plan with respect to all or any portion of any Disputed Claim unless and until all objections to such Disputed Claim have been settled, withdrawn, or determined by Final Order, and such Disputed Claim has become an Allowed Claim. In no event shall a Disputed Claim be Allowed in an amount in excess of its filed amount.

F. Conditions Precedent to Plan's Confirmation and Effective Date

The Effective Date cannot occur unless and until each of the following conditions has occurred or has been waived by the Chapter 11 Trustee:

1. the Confirmation Order has become a Final Order;

2. all other documents and agreements necessary to implement the terms of the Plan, including the Liquidating Trust Agreement have been executed and delivered;

3. there exists sufficient Cash to pay Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Secured Claims, and Allowed Other Priority Claims, other than Claims assumed by the Liquidating Trust, and to fund the Disputed Priority Claims Reserve;

4. the Sellers have either (i) resigned as manger or (ii) assigned all rights in all remaining management contracts that they are party to;

5. all UST Fees payable prior to the Effective Date have been paid; and

6. all other actions necessary to implement the terms of the Plan have been taken.

G. Effect of Confirmation

The Plan shall be binding upon and inure to the benefit of the Debtors, the Chapter 11 Trustee, all current and former Holders of Claims and Equity Interests, and their respective successors and assigns.

1. *Preservation of All Causes of Action*

Except as otherwise provided in the Plan, in a final and non-appealable order of the Bankruptcy Court, or in any contract, instrument, release or agreement entered into in connection with the Plan, in accordance with the provisions of the Bankruptcy Code (including but not limited to section 1123(b) of the Bankruptcy Code), the Liquidating Trustee will be vested with, retain, and may exclusively enforce and prosecute any claims or Causes of Action that the Filing Debtors or the Estates may have against any Person or Entity. The Liquidating Trustee may pursue such retained claims or Causes of Action in accordance with the best interests of the creditors of the Debtors, the Estates, or the Liquidating Trust. Without further order of the Bankruptcy Court, the Liquidating Trustee will be substituted as the party in interest in all adversary proceedings pending on the Effective Date. Notwithstanding anything to the contrary herein, no distribution will be made to the Holder of any Claim, including by way of setoff or recoupment by such claimant, if the Debtors, the Chapter 11 Trustee (prior to the Effective Date) or the Liquidating Trustee (on and after the Effective Date), as applicable, have taken action to recover, or given notice to the applicable party of intent to take such action, on a Cause of Action against the Holder of such Claim (or the direct or indirect transferor of such Holder), until such Cause of Action is resolved.

From and after July 26, 2012, pursuant to the terms of APA 2, all Causes of Action with respect to which the Liquidating Trustee has not commenced an adversary proceeding, lawsuit or similar legal proceeding, settled or released such Cause of Action, or formally asserted a right of set-off, will be transferred to the Designated Purchaser. Without further order of the Bankruptcy Court, the Designated Purchaser, or its designee, will be substituted as the party in interest in any

adversary proceeding with respect to any such transferred Causes of Action and the Designated Purchaser or its designee will have the exclusive right to enforce and prosecute any such Cause of Action.

2. *Discharge of Claims*

Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Confirmation Order will not discharge any of the Claims against the Debtors; *provided*, *however*, that no Holder of any Claim may on account of such Claim seek to receive any payment or other treatment from, or seek recourse against the Debtors or the Liquidating Trustee or their respective property, except as expressly provided herein.

3. *Liquidating Trust as Successor*

The Liquidating Trust will be the successor to the Debtors, the Chapter 11 Trustee and the Estates for the purposes of sections 1123, 1129 and 1145 of the Bankruptcy Code and with respect to all pending Causes of Action and other litigation-related matters. The Liquidating Trust will succeed to the attorney-client privilege of the Debtors, the Chapter 11 Trustee and the Estates with respect to all Causes of Action and other litigation-related matters, and the Liquidating Trustee may waive the attorney-client privilege with respect to any Cause of Action or other litigation-related matters, or portion thereof, in the Liquidating Trustee's discretion. After the Effective Date, the Liquidating Trustee will have the exclusive authority and standing to file, prosecute, withdraw, settle or compromise, without the approval of the Bankruptcy Court, all (a) objections to Claims, (b) estimation proceedings with respect to Claims, and (c) Causes of Action.

4. *Releases*

Releases By the Debtors. **Upon the Effective Date, the Debtors will be deemed forever to release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or Chapter 11 Trustee to enforce the terms of the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtors, the Chapter 11 Trustee or the Estates against any of the Released Parties~~.~~, *provided*, *however*, that the Debtors shall not release the Released Parties for liabilities resulting from their gross negligence, willful misconduct, fraud or criminal conduct as determined by a final order by a court of competent jurisdiction. Nothing in the Plan shall limit the liability of the Professionals of the Debtors or the Chapter 11 Trustee to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility, N.Y. Comp. Codes R. & Regs. tit. 22 section 1200 Rule 1.8(h)(l) (2009), and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject. As to the United States, its agencies, departments or agents, nothing in this Plan shall discharge, extinguish, release or otherwise preclude any valid right**

of setoff or recoupment. Nothing herein shall enjoin the United States from initiating or continuing any criminal, police or regulatory action against the Debtors.

Releases By Holders of Claims. **Upon the Effective Date, each Holder of a Claim or Equity Interest, in consideration for the obligations of the Debtors and Chapter 11 Trustee under the Plan and the Cash and other contracts, instruments, releases, agreements or documents to be delivered in connection with the Plan, will be deemed forever to release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the rights to enforce the obligations of the Debtors and the Chapter 11 Trustee under the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Trustee, the Chapter 11 Cases, the Plan or the Disclosure Statement against any of the Released Parties.**

Standards Applicable to Releases. The Plan provides for releases of certain claims against non-Debtors in consideration of services provided to the estates. The non-Debtor released parties are: (i) James L. Garrity, Jr. in his capacity as Chapter 11 Trustee; (ii) Shearman & Sterling LLP; (iii) Kaye Scholer, LLP; (iv) Capstone Advisory Group, LLC; (v) Epiq Bankruptcy Solutions, LLC; and (vi) Ernst & Young LLP. The releases are given by (i) the Debtors; (ii) all holders of Claims and Interests against the Debtors who vote to accept the Plan (or who are deemed to have accepted the Plan); and (iii) to the greatest extent permitted under applicable law, any holder of a Claim or Interest against the Plan Debtors who does not vote to accept the Plan. The released claims are any and all claims or causes of action, including without limitation those in connection with, related to, or arising out of the Plan and Debtors' Chapter 11 Cases.

The United States Court of Appeals for the Second Circuit has determined that releases of non-debtors may be approved as part of a chapter 11 plan if there are "unusual circumstances" that render the release terms important to the success of the plan. *Deutsche Bank AG, London Branch v. Metromedia Fiber Network, Inc. (In re Metromedia Fiber Network, Inc.)*, 416 F.3d 136, 143 (2d Cir. 2005). Courts have approved releases of non-debtors when: (i) the estate received substantial consideration; (ii) the enjoined claims were channeled to a settlement fund rather than extinguished; (iii) the enjoined claims would indirectly impact the reorganization by way of indemnity or contribution; (iv) the plan otherwise provided for the full payment of the enjoined claims; and (v) the affected creditors consent to the release. *Id.* at 142.

Before a determination can be made as to whether releases are appropriate as warranted by "unusual circumstances," the United States Court of Appeals for the Second Circuit has concluded that there is a threshold jurisdictional inquiry as to whether the Bankruptcy Court has subject matter jurisdiction to grant such releases. *In re Johns-Manville Corp.*, 517 F.3d 52, 65 (2d Cir. 2008), *rev'd on other grounds, Travelers Indemnity Co. v. Bailey*, 129 S. Ct. 2195 (2009); *see also In re Dreier LLP*, 429 B.R. 112, 132

(Bankr. S.D.N.Y. 2010) (stating that *Manville* remains the law of the Second Circuit and that a court must first make a jurisdictional inquiry before considering whether there are "unusual circumstances" justifying releases); *In re Metcalf & Mansfield Alternative Investments*, 421 B.R. 685, 695 (Bankr. S.D.N.Y. 2010) (discussing and approving releases in a case under chapter 15 of the Bankruptcy Code). Courts have jurisdiction over a third party cause of action or claim if it will "directly and adversely impact" a debtor's reorganization. *Dreier*, 429 B.R. at 132.

Here, all of the released claims would "directly and adversely impact" the administration of the Debtors' estates. Each of the Released Parties would have a potential claim for indemnification and contribution against the Debtors for any liabilities incurred on such claims, as well as any expenses incurred to defend against such claims. Because all Holders of Allowed Claims will receive distributions under the Plan, the Debtors similarly would have to at least partially satisfy indemnification and contribution claims. The ultimate effect of doing so would be to reduce the recovery for other Claim Holders. The Debtors' estates therefore would be directly and adversely impacted if the released claims were pursued. Therefore, the Bankruptcy Court has jurisdiction to approve them as part of the Plan.

The circumstances of the Debtors' Chapter 11 Cases are unique and the Chapter 11 Trustee believes they satisfy the *Metromedia* requirements. The Plan allows for the Debtors to satisfy all Secured Claims, Administrative Claims and Priority Claims in full and provides for a substantial recovery for Holders of Allowed General Unsecured Claims. Because the Released Parties have provided substantial consideration to the estates and their claims would potentially reduce the recoveries to other creditors, the releases are appropriate under the *Metromedia* decision and other case law.

5. *Exculpation and Limitation of Liability*

None of the Released Parties will have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to or arising out of, the Chapter 11 Cases, formulation, negotiation or implementation of the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the confirmation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for their gross negligence, willful misconduct, fraud or criminal conduct as determined by a final order entered by a court of competent jurisdiction. Without limiting the generality of the foregoing, the Released Parties will, in all respects, be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. *Injunction*

All Entities who have held, hold or may hold Claims or Equity Interests and all other parties in interest in the Chapter 11 Cases, along with their respective current and former employees, agents, officers, directors, principals and affiliates, permanently are enjoined,

from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors; (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree or order against the Debtors; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors; or (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors or against the property or interests in property of the Debtors, on account of such Claims or Equity Interests; provided, however, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms hereof and the contracts, instruments, releases, indentures and other agreements and documents delivered under or in connection with the Plan. As to the United States, its agencies, departments or agents, nothing in the Plan or the Confirmation Order shall discharge, extinguish, release or otherwise preclude any valid right of setoff or recoupment. Nothing herein shall enjoin the United States its agencies, departments or agents, from initiating or continuing any criminal, police or regulatory action against the Debtors.

Upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals and affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim, by accepting distributions pursuant to this Plan, shall be deemed to have consented to the injunction provisions set forth in the Plan.

7. ~~6.~~ *Term of Bankruptcy Injunction or Stays*

All injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence as of the Confirmation Date, will remain in full force and effect until the Effective Date.

8. *No Waiver of Fee Objections*

Notwithstanding anything to the contrary contained in the Plan, including in the releases, exculpations and injunctions provided for thereunder, any and all claims or objections that may be asserted against any Professionals in connection with their requests for Professional Fees incurred through the Effective Date are expressly reserved under the terms of the Plan.

H. Administrative Provisions

1. *Retention of Jurisdiction*

The Bankruptcy Court will retain exclusive jurisdiction over all matters related to the Plan, the Confirmation Order, the Liquidating Trust Agreement and the Chapter 11 Cases to the fullest extent permitted by law, including without limitation such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are carried out, including for the following specific purposes:

a. To hear and determine any applications or motions pending on the Effective Date for the rejection, assumption or assumption and assignment of any executory contract and to hear and determine the allowance or disallowance of Claims resulting therefrom;

b. To hear and determine any motion, adversary proceeding, application, contested matter or other litigated matter arising in or related to the Chapter 11 Cases pending on or commenced after the Confirmation Date;

c. To ensure that distributions to Holders of Allowed Claims are accomplished as provided herein;

d. To hear and determine objections to Claims, including ruling on any and all motions to estimate Claims;

e. To allow, disallow, determine, liquidate, classify, estimate or establish the priority, secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Interests;

f. To enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

g. To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court;

h. To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary carry our the purposes and effects thereof;

i. To hear and determine any and all applications for allowances and payment of Professional Fees and the reasonableness of Professional Fees authorized to be paid or reimbursed under the Bankruptcy Code for the Plan for periods ending on or before the Effective Date;

j. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, the Liquidating Trust Agreement, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

k. To take any action and issue such orders as may be necessary to construe, enforce, implement, execute and consummate the Plan or maintain the integrity of the Plan following consummation of the Plan;

l. To hear and determine other matters and for such other purposes as may be provided in the Confirmation Order;

m. To hear and determine all matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all applicable periods);

n. To issue such orders in aid of execution of the Plan as may be authorized by section 1142 of the Bankruptcy Code;

o. To adjudicate all claims or controversies to a security or ownership interest in the Estate Assets or in any proceeds thereof;

p. To resolve any cases, controversies, suits or disputes with respect to the releases, injunctions and other provisions contained in the Plan and to enter such orders as may be necessary or appropriate to implement such release, injunctions or other provisions;

q. To consider and act on the compromise and settlement of any Claim against or Cause of Action by or against a Debtor, the Chapter 11 Trustee or the Liquidating Trustee arising under or in connection with the Plan;

r. To hear and determine any Director and Officer Causes of Action and Avoidance Actions brought by the Chapter 11 Trustee or Liquidating Trustee;

s. To hear and determine any request by the Liquidating Trustee for discovery pursuant to Bankruptcy Rule 2004 or otherwise;

t. To determine such other matters or proceedings as may be provided for under the Bankruptcy Code, the Bankruptcy Rules, other applicable law, the Plan or in any order or orders of the Bankruptcy Court, including but not limited to the Confirmation Order or any order which may arise in connection with the Plan or the Confirmation Order;

u. To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code;

v. To recover all Estate Assets and property of the Debtors' Estates wherever located; and

w. To enter a Final Decree closing the Chapter 11 Cases.

2. *Governing Law*

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law, rule or regulation is applicable, or to the extent that an exhibit or supplement to the Plan provides otherwise, the Plan will be governed by and construed in accordance with the laws of the State of New York, without giving effect to the principles of conflict of laws thereof that would require application of the law of another jurisdiction.

3. *Severability*

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Chapter 11 Trustee, will have the power to alter and interpret such term or provision to render it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as so altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remaining terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following is a discussion of certain significant U.S. federal income tax considerations of the Plan to GSC Group and to Holders of General Unsecured Claims ("**General Unsecured Creditors**") under the Tax Code. This general description does not discuss all aspects of U.S. federal income taxation that may be relevant to a General Unsecured Creditor in light of such Creditor's investment circumstances, or to certain types of General Unsecured Creditors subject to special treatment under the U.S. federal income tax laws (for example, life insurance companies, banks, dealers in securities, tax-exempt organizations, foreign corporations and individuals who are not citizens or residents of the United States for U.S. tax purposes) and does not discuss any aspect of state, local or foreign taxation. This discussion also does not address the U.S. federal income tax consequences to (i) Holders whose Claims are entitled to reinstatement or payment in full in cash or are otherwise unimpaired under the Plan or (ii) Holders whose Claims are extinguished without distribution in exchange therefor. This discussion is limited to General Unsecured Creditors who hold the Claims as "capital assets" (generally property held for investment) within the meaning of section 1221 of the Tax Code. This discussion is based upon laws, regulations, rulings and decisions now in effect and upon proposed regulations all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision. Moreover, substantial uncertainties, resulting from the lack of a definitive judicial or administrative authority and interpretation, apply to various tax aspects of the transactions discussed herein. EACH CREDITOR IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE TAX CONSEQUENCES PARTICULAR TO IT FROM THE IMPLEMENTATION OF THE PLAN.

A. IRS Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, THE DEBTORS INFORM YOU THAT (A) ANY UNITED STATES FEDERAL TAX ADVICE CONTAINED HEREIN (INCLUDING ANY ATTACHMENTS OR DISCLOSURES) WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON OR ENTITY FOR THE PURPOSE OF AVOIDING UNITED STATES FEDERAL TAX PENALTIES, (B) ANY SUCH ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) ANY TAXPAYER TO WHOM THE TRANSACTIONS OR MATTERS ARE BEING PROMOTED, MARKETED OR RECOMMENDED SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. Tax Consequences to GSC Group

References below to the tax consequences to GSC Group include those attributable to the direct operations of GSC Group and those attributable to the partnerships and disregarded entities in which GSC Group holds equity interests.

Pursuant to APA 1 and APA 2, GSC Group and certain of its subsidiaries sold substantially all of its assets to the Designated Purchaser. Under the Tax Indemnification Agreement, GSC Group and certain of its subsidiaries are indemnified against certain taxes that may result from the sale, subject to the conditions and limitations set forth therein. One such limitation is the requirement that, in certain circumstances in which total cash held by GSC Group or the Liquidating Trust exceeds the amount designated in the Tax Indemnification Agreement, GSC Group and its subsidiaries will be responsible for a certain portion of the tax liabilities and such liabilities will not be indemnified.

The transfer of assets from the GSC Group and other Debtors to the Liquidating Trust will be treated for federal income tax purposes as a taxable disposition of such assets, resulting in the recognition by GSC Group of gain or loss.

C. Section 382 Limitation

Under section 382 of the Tax Code, if a loss corporation undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income generally will be subject to an annual limitation. Such limitation may also apply to subsequently recognized "built-in" losses, *i.e.*, losses economically accrued but unrecognized as of the date of the ownership change. In general, the annual limitation for a corporation that undergoes an ownership change would be equal to the product of (i) the value of the loss corporation's outstanding stock immediately prior to the ownership change (with certain adjustments) and (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (which is, for example, 4.17% for August 2011). However, if the loss corporation does not continue its historic business or use a significant portion of its business assets in a new business for two years after the ownership change, the annual limitation would be zero. If the loss corporation has a "net unrealized built-in gain" (a "**NUBIG**"), generally meaning that, immediately before an ownership change, the fair market value of its assets exceeds the aggregate tax basis of its assets, then the limitation described above is generally increased. For the first five years after the change

date, by the amount of recognized built-in gain during a post-change year (but not cumulatively to exceed the NUBIG).

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 5% shareholders (as specially defined for purposes of section 382 of the Tax Code) has increased by more than fifty (50) percentage points over the lowest percentage of that value owned by such 5% shareholders at any time during a three-year testing period. In addition, if a 50%-or-greater shareholder of the loss corporation claims a worthless stock deduction with respect to its stock in the loss corporation for a taxable year, the loss corporation is treated as undergoing an ownership change on the first day of the following taxable year.

The Debtors understand that the greater-than-50% shareholder of GSC Group ~~claimed~~likely intends to claim a worthless stock deduction in respect of its GSC Group stock for its 2010 taxable year. ~~Accordingly~~If such shareholder claims such worthless stock deduction, GSC Group ~~underwent~~would undergo an ownership change on January 1, 2011. At this time, the equity value of the GSC stock was zero. In addition, GSC Group will undergo an ownership change on the Effective Date, at which time the equity value of GSC Group stock is also expected to be zero. Accordingly, GSC Group's section 382 limitation is zero for at least part, and likely all, of 2011 and for subsequent taxable years, increased (to the extent of its NUBIG, if any) by the amount of its recognized built-in gain, if any, for such year.

GSC Group currently expects to have a capital loss carryover to its 2011 taxable year. This capital loss carryover can be utilized by GSC Group only if it has a NUBIG. GSC Group has not yet determined whether it has a NUBIG that would enable it to utilize part or all of its capital loss carryover. GSC Group has also not determined yet (i) whether it has a net operating loss for 2010 or (ii) if it does, whether it would carry back such loss or waive the carryback or (iii) if it elects to waive the carryback, whether it has a NUBIG that would potentially enable it to utilize part or all of any carryover of any such net operating loss.

D. Tax Consequences to General Unsecured Creditors

General Unsecured Creditors will generally recognize gain or loss in an amount equal to the difference between (i) the sum of the amount of cash and the fair market value of the Trust Units received by a General Unsecured Creditor and (ii) the General Unsecured Creditor's adjusted tax basis in its Claims. Subject to the discussion below, any such gain or loss recognized will be a capital gain or loss, assuming that the General Unsecured Creditor has held its Claim as a capital asset. Any such capital gain or loss will be long-term capital gain or loss if the General Unsecured Creditors has held its Claims for more than one year. A General Unsecured Creditor, however, will recognize ordinary income to the extent a portion of the cash or Trust Units is allocable to accrued but unpaid interest on its Claims and, to the extent attributable to accrued market discount, as discussed in the next two paragraphs. A General Unsecured Creditor will have a fair market value tax basis in the Trust Units received by such General Unsecured Creditor.

In the case of a General Unsecured Creditor that acquired its Claims at a market discount (unless the amount of such market discount was a *de minimis* amount, in which case market discount is disregarded), any gain recognized upon the sale of the Claims will be ordinary income to the extent of the market discount that accrued during the period such General Unsecured Creditor held such Claim, unless the General Unsecured Creditor previously had elected to include

such accrued market discount in the General Unsecured Creditor's income on a current basis. In general, a Claim will have accrued market discount if such Claim was acquired after its original issuance at a discount to its adjusted issue price.

Furthermore, to the extent a portion of the cash or Trust Units received by the General Unsecured Creditor is allocable to accrued but unpaid interest on the Claims: if the General Unsecured Creditor had not previously included such accrued interest in income, it will recognize ordinary taxable income with respect to such interest payment; and if the General Unsecured Creditor had previously included such accrued interest in income, it will recognize ordinary income or loss equal to the difference between the General Unsecured Creditor's basis in such interest (*i.e.*, the amount of such accrued interest recognized as income by such General Unsecured Creditor) and the amount of the payment.

E. Receipt of a Beneficial Interest in the Liquidating Trust

1. *Tax Reporting for Assets of the Liquidating Trust*

General Unsecured Creditors will also receive an interest in the Liquidating Trust. The Liquidating Trust is intended to be classified for U.S. federal income tax purposes as a "liquidating trust" within the meaning of U.S. Treasury Regulation section 301.7701-4(d), and the Plan, the Liquidating Trust and the Disclosure Statement are intended to comply with the advance-ruling guidelines contained in Rev. Proc. 94-45, 1994-2 C.B. 684, although no advance ruling will be sought for the Liquidating Trust. The Liquidating Trust will be treated as a grantor trust for U.S. federal income tax purposes, all of the assets of which are deemed owned by the General Unsecured Creditors pursuant to Tax Code sections 671 through 677 (or successor provisions). The Liquidating Trustee will file all returns for the Liquidating Trust as a grantor trust pursuant to U.S. Treasury Regulation section 1.671-4(a) (or successor provisions).

The Liquidating Trust is being created pursuant to the Plan for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to and consistent with the liquidating purpose of the Liquidating Trust. The transfers by GSC Group or its subsidiaries of assets to the Liquidating Trust will be treated for all federal income tax purposes as a transfer of such assets directly to the General Unsecured Creditors at the time of creation of the Liquidating Trust, followed by the immediate transfer by the General Unsecured Creditors of the assets to the Liquidating Trust in exchange for beneficial interests in the Liquidating Trust. General Unsecured Creditors will be treated as the grantors and direct owners of a specified undivided interest in the assets held by the Liquidating Trust for all U.S. federal income tax purposes (such assets will have a tax basis equal to their fair market value on the date transferred to the Liquidating Trust). Pursuant to the Plan, the Liquidating Trustee will determine the valuations of the transferred property, such valuations will be used for all U.S. federal income tax purposes, and all General Unsecured Creditors shall be bound by such valuations.

The Liquidating Trustee will provide to the General Unsecured Creditors an annual statement that will list items of income, deduction and credit applicable to the Liquidating Trust in the taxable year. The statement also will clearly specify the portion of the total items that is attributed to each General Unsecured Creditor. The character of items of income, deduction and credit to any General Unsecured Creditor and the ability of such General Unsecured Creditor to benefit from any deduction or losses will depend on the particular situation of the General

Unsecured Creditor. Each General Unsecured Creditor will pay any tax imposed by any governmental unit on its portion of the income of the Liquidating Trust. The Liquidating Trustee, however, will comply with all withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements.

The U.S. federal income tax reporting obligation of a General Unsecured Creditor with respect to the Liquidating Trust is not dependent upon the Liquidating Trust distributing any cash or other proceeds. Therefore, a General Unsecured Creditor may incur a U.S. federal income tax liability with respect to its allocable share of the income of the Liquidating Trust, whether or not the Liquidating Trust has made any concurrent distribution to such General Unsecured Creditor. In general, a distribution by the Liquidating Trust to a General Unsecured Creditor will not be taxable to such General Unsecured Creditor because the General Unsecured Creditors are already regarded for U.S. federal income tax purposes as owning the underlying assets of the Liquidating Trust. General Unsecured Creditors are urged to consult their tax advisors regarding the appropriate U.S. federal income tax treatment of distributions from the Liquidating Trust.

The Liquidating Trust will terminate five years from the Effective Date. If warranted by the facts and circumstances and subject to the approval of the Bankruptcy Court upon a finding that an early termination of the Liquidating Trust is appropriate or that an extension of the term of the Liquidating Trust is necessary to the liquidating purpose of the Liquidating Trust, the term of the Liquidating Trust may be terminated early or may be extended for a finite term based on the particular facts and circumstances. For any extension, Bankruptcy Court approval must be obtained within six months of the beginning of the extended term.

2. *Tax Reporting for Assets of the Liquidating Trust Allocable to Disputed Claims.*

Until all of the beneficial interests in the Liquidating Trust can be distributed to the holders in accordance with the terms of the Plan, the Disputed General Unsecured Claims Reserve will be treated as owning a portion of the assets in the Liquidating Trust. Distributions from the Disputed General Unsecured Claims Reserve will be made to holders of Disputed Claims when such Claims are subsequently Allowed and will be retained or paid to other beneficiaries when Disputed Claims are subsequently Disallowed. The Liquidating Trust shall file all income tax returns with respect to any income attributable to the Disputed General Unsecured Claims Reserve and shall pay the federal, state and local income taxes attributable to the Disputed General Unsecured Claims Reserve, based on the items of income, deduction, credit or loss allocable thereto.

The tax treatment of the Disputed General Unsecured Claims Reserve is unclear. Holders of Claims should consult their tax advisors as to the tax consequences to them of the establishment of the Disputed General Unsecured Claims Reserve, any income thereon, and any distributions therefrom.

Although the matter is not free from doubt, holders of Disputed Claims should not recognize gain or loss on the date that the Assets of the Plan Debtors are transferred to the Liquidating Trust, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair market value of any other property actually distributed to such holder less (ii) the adjusted tax basis of its Claim, subject to the discussion in Section VII. D., above. However, it is possible that such holders may be required to recognize the fair market value of such holder's

allocable share of the Liquidating Trust's assets, as an amount received for purposes of computing gain or loss, either on the Effective Date or the date such holder's Claim becomes an Allowed Claim.

F. Backup Withholding

Under certain circumstances, a Creditor may be subject to backup withholding at the rate of 28% with respect to "reportable payments." GSC Group (or other payor) will be required to deduct and withhold the prescribed amount if (i) the Creditor fails to furnish a taxpayer identification number ("**TIN**") to GSC Group (or other payor) in the manner required, (ii) the IRS notifies GSC Group or (other payor) that the TIN furnished by the Creditor is incorrect, (iii) there has been a failure of the Creditor to certify under penalty of perjury that the Creditor is not subject to withholding or (iv) the Creditor is notified by the IRS that such Creditor failed to report properly payments of interest and dividends and the IRS has notified GSC Group (or other payor) that such Creditor is subject to backup withholding.

Backup withholding is not an additional tax. Any amount withheld from a payment to a Creditor under the backup withholding rules is allowable as a credit against such Creditor's U.S. federal income tax liability (and may entitle such holder to a refund), provided that the required information is furnished to the IRS. Certain persons are exempt from backup withholding, including corporations and financial institutions. Creditors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such exemption.

VIII. CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS

A. Failure to Receive Requisite Acceptances of the Plan

Class 3 is the only Class that is entitled to vote to accept or reject the Plan. If Class 3 does not accept the Plan, the Chapter 11 Trustee will not be able to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code because no Impaired Class will have voted in favor of the Plan as required by section 1129(a)(10) of the Bankruptcy Code.

Further, if Class 3 does not accept the Plan, the Chapter 11 Trustee may seek to accomplish a plan under an alternative structure or the Debtors may be required to liquidate their Estates under chapter 7 of the Bankruptcy Code. There can be no assurance that the terms of any alternative chapter 11 plan or liquidation under chapter 7 would be similar to or as favorable to Creditors as those proposed in the Plan.

B. Failure to Confirm the Plan

Even if the Class 3 accepts the Plan, the Plan may not be confirmed by the Bankruptcy Court, which, as a court of equity exercising substantial discretion, may decide not to confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan of reorganization and requires, among other things, (i) that confirmation of the Plan not be followed by liquidation or a need for further financial reorganization of the Debtors, unless the Plan provides for such liquidation or a need for further financial reorganization, (ii) that the value of distributions to dissenting Holders not be less than the value of distributions to such Holders if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, and (iii) the Plan and the

Chapter 11 Trustee as the plan proponent otherwise comply with the applicable provisions of the Bankruptcy Code.

Although the Chapter 11 Trustee believes that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Additionally, the solicitation of votes from impaired creditors to accept the Plan must comply with section 1125 of the Bankruptcy Code and the applicable Bankruptcy Rules with respect to the length of the solicitation period and the adequacy of the information contained in the Disclosure Statement. Although the Chapter 11 Trustee believes that the solicitation of votes from Impaired Creditors to accept the Plan will comply with section 1125 of the Bankruptcy Code and the applicable Bankruptcy Rules, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

C. Failure to Consummate the Plan

Pursuant to section 9.2 of the Plan, the conditions to consummation of the Plan include that the Confirmation Order shall have become a Final Order, as well as consummation of certain transactions to implement the Plan. As of the date of this Disclosure Statement, there can be no assurances that these or the other conditions to consummation of the Plan will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

D. Delays of Confirmation or the Effective Date

Any delays of either Confirmation or the Effective Date of the Plan could result in, among other things, increased administrative costs. Additionally, negative effects of delay of either Confirmation or the Effective Date could endanger the ability of the Chapter 11 Trustee to consummate the Plan and/or creditors' aggregate recoveries.

E. Risk of Successfully Creating Value in the Liquidating Trust

Based on Capstone's present forecasts, the estimated distribution to Holders of General Unsecured Claims is expected to be between 42% and 84% of the Allowed amount of General Unsecured Claims. The potential to have more than a nominal distribution to unsecured creditors, if any distribution at all, is dependent largely on the success of the Liquidating Trustee in controlling the costs of winding down the Debtors' businesses, the Effective Date occurring in the 2011 calendar year so as to avoid potentially adverse tax consequences, the Chapter 11 Trustee and Liquidating Trustee's success in the claims reconciliation process, the value obtained through a sale or other realization of the Insurance Policies, and the Liquidating Trustee's success in pursuing various causes of action and liquidating other assets being transferred to the Liquidating Trust. The Chapter 11 Trustee cannot state with any certainty the likely outcome of the Liquidating Trustee's efforts to create value for the Debtors' creditors.

~~F. Risk of Success of Non-Controlling Lender Group's Appeal~~

~~The Chapter 11 Trustee believes that the Non-Controlling Lender Group's Appeal is statutorily and equitably moot because the transactions pursuant to the Purchase Agreements have been consummated and that the Appeal therefore is likely to be dismissed by the District Court.~~

~~Even if the District Court does not dismiss the Appeal as moot, the Chapter 11 Trustee believes that the Appeal is unlikely to succeed on its merits. In the unlikely event that the Appeal were to succeed prior to the consummation of the Plan, there is some risk that the Bankruptcy Court could direct the parties to the Purchase Agreement to unwind the transactions, in which case the Trustee would not be able to consummate the Plan.~~

F. ~~G.~~ Forward Looking Statements in the Disclosure Statement May Prove to be Inaccurate

Many of the statements included in this Disclosure Statement contain forward-looking statements and information relating to the Debtors. These forward-looking statements are generally identified by the use of terminology such as "may," "will," "could," "should," "potential," "continue," "expect," "intend," "plan," "estimate," "project," "forecast," "anticipate," "believe," or similar phrases or the negatives of such terms. These statements are based on the beliefs of the Chapter 11 Trustee as well as assumptions made using information currently available. Such statements are subject to risks, uncertainties and assumptions, as well as other matters not yet known or not currently considered material by the Chapter 11 Trustee. Should these underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance. You should recognize these statements for what they are and not rely on them as facts. The Chapter 11 Trustee does not undertake any obligation to update or revise any of these forward-looking statements to reflect new events or circumstances after the date of this Disclosure Statement.

IX. CONFIRMATION AND CONSUMMATION OF THE PLAN

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Class 3 of the Plan are Impaired, and the holders of Allowed Claims in each of these Classes are entitled to vote to accept or reject the Plan. Holders of Claims in Class 1 (Secured Claims) and Class 2 (Other Priority Claims) are unimpaired and therefore conclusively presumed to accept the Plan. The Equity Interests in each of the Debtors are fully impaired and therefore conclusively presumed to have rejected the Plan.

As to the classes of Claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims of that class that have timely voted to accept or reject a plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. Any creditor in an impaired Class (i) whose Claim has been listed by the Filing Debtors in the schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated) or (ii) who filed a proof of claim on or before the bar date, as applicable, or any proof of claim filed

within any other applicable period of limitations or with leave of the Bankruptcy Court, which Claim is not the subject of an objection or request for estimation, is entitled to vote on the Plan.

B. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for **November 18, 2011, commencing at 10:00 a.m. Eastern Time**, before the Honorable Arthur J. Gonzalez, Chief United States Bankruptcy Judge, at the United States District Court for the Southern District of New York, Room 523, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or amount and description of the Equity Interest held by the objector. Any such objection must be filed with the Bankruptcy Court and served in accordance with the Case Management Order dated September 3, 2010, on or before **November 9, 2011 at 4:00 p.m. Eastern Time**. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) feasible, (ii) in the "best interests" of creditors and stockholders that are impaired under the plan, and (iii) accepted by all impaired classes of Claims and equity interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class.

1. *Acceptance*

The Claims in Class 1 and Class 2 are Unimpaired and are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code. The Claims in Class 3 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Equity Interests in Class 4 are receiving no distributions under the Plan and, therefore, are conclusively presumed to have voted to reject the Plan. Equity Interests in each Debtor are impaired under the Plan and are conclusively presumed to have voted to reject the Plan.

If Class 3 does not accept the Plan by the requisite statutory majority provided in section 1126(c) of the Bankruptcy Code, the Chapter 11 Trustee reserves the right to amend the Plan in accordance with Section 9.4 of the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. The determination as to whether to seek confirmation of the Plan under such circumstances will be announced before or at the Confirmation Hearing.

2. *Feasibility*

The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by liquidation or the need for further financial reorganization. This is the "feasibility" test that must be determined by the Bankruptcy Court.

Because the Chapter 11 Trustee's Plan contemplates a liquidation, for purposes of determining whether the Plan meets this requirement, the Chapter 11 Trustee has analyzed the ability to meet the obligations under the Plan over the expected period of liquidation. As part of this analysis, Capstone has prepared the feasibility analysis for the Debtors annexed hereto as **Exhibit B** (the "**Feasibility Analysis**").

Based upon the Feasibility Analysis, the Chapter 11 Trustee anticipates that the Debtors will be able to make all payments required pursuant to the Plan and, therefore, after confirmation of the Plan they will be able to liquidate their assets and make distributions as contemplated.

Capstone has prepared the Feasibility Analysis based upon certain reasonable assumptions under the circumstances. The Feasibility Analysis has not been examined or compiled by independent accountants. The Chapter 11 Trustee and Capstone have made no representation as to the accuracy of the Feasibility Analysis or the Debtors' ability to achieve the projected results. All holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Feasibility Analysis is based in connection with their evaluation of the Plan.

3. *Best Interests Test*

Even if the Plan is accepted by all holders of Claims entitled to vote on the Plan, the Bankruptcy Code requires that the Bankruptcy Court, as a condition to confirming the Plan, find that the Plan is in the best interests of all holders of Claims and Equity Interests that are Impaired by the Plan and that have not accepted the Plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an Impaired Class of Claims or Equity Interests have accepted the Plan in the requisite majorities required by section 1126 of the Bankruptcy Code or that the Plan will provide a member who has not accepted the Plan with a recovery of property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

The amount of liquidation value available to each Impaired Class of Claims and Equity Interests if the Debtors were liquidated under chapter 7, the Bankruptcy Court would be reduced by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 cases and the Chapter 11 Cases. Costs of a liquidation of the Debtors under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Chapter 11 Trustee in the Chapter 11 Cases (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the chapter 7 cases, litigation costs and Claims arising during the pendency of the Chapter 11 Cases. The liquidation itself would trigger certain priority payments that otherwise would not be due in the ordinary course of business.

Those priority Claims would be paid in full from the liquidation proceeds before the balance would be made available to pay other Claims or to make any distribution in respect of Equity Interests.

The recoveries that the Estates would receive from the expeditious liquidation of the Debtors' assets is also likely to be substantially less than the recoveries if the Debtors hold such assets and dispose of them over a longer period of time. Accordingly, after consulting with his advisors and considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, the Chapter 11 Trustee believes that holders of Allowed Claims in each Class will receive a recovery as a result of the confirmation of the Plan that is greater than such holder would receive pursuant to the liquidation of the Debtors under chapter 7.

4. *Unfair Discrimination and Fair and Equitable Tests*

To obtain nonconsensual confirmation of the Plan, the Chapter 11 Trustee must demonstrate to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes the following "cram down" test for equity holders:

> Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greater of the fixed liquidation preference to which such holder is entitled, or the fixed redemption price to which such holder is entitled or the value of the interest or (ii) the holder of an interest that is junior to the nonaccepting class will not receive or retain any property under the plan.

A chapter 11 plan does not "discriminate unfairly" with respect to a nonaccepting class if the value of distributions to the nonaccepting class is equal to, or otherwise fair when compared to, the value of the distributions to other classes whose legal rights are the same as those of the nonaccepting class.

D. Consummation

The Plan will be consummated on the Effective Date. The Effective Date of the Plan will occur on the first Business Day on which the conditions precedent to the effectiveness of the Plan, as set forth in Section 9.2 of the Plan, have been satisfied or waived by the Debtors pursuant to Section 9.3 of the Plan. For a more detailed discussion of the conditions precedent to the Plan and the consequences of the failure to meet such conditions, see Article VI.F—"Conditions Precedent to Plan's Confirmation and Effective Date" of this Disclosure Statement.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7 of the Bankruptcy Code

The Debtors could be liquidated under chapter 7 of the Bankruptcy Code. The Chapter 11 Trustee believes that liquidation under chapter 7 of the Bankruptcy Code would result in lower distributions being made to creditors entitled to received a distribution under the Plan because of:

(i) additional administrative expenses attendant to the appointment of a chapter 7 trustee and the trustee's employment of attorneys and other professionals; and (ii) the likelihood that the Debtors' assets would have to be sold or disposed of in a less orderly fashion.

B. Alternative Plan(s) of Reorganization

The Chapter 11 Trustee believes that not only does the Plan fairly adjust the rights of various Classes of Claims, but also that the Plan provides superior recoveries to Holders of Claims in Class 3 over any alternative capable of rational consideration (such as a chapter 7 liquidation), thus enabling many stakeholders to maximize their returns.

There are few, if any, clear alternatives to the type of structure proposed by the Chapter 11 Trustee. Due to the consummation of APA 1 and APA 2, which resulted in the sale of substantially all of the Debtors' assets, the Debtors' reorganization and emergence from bankruptcy as a going concern is no longer a viable possibility. Any alternative will likely result in a liquidation trust structure similar to that proposed in the Plan.

At the very least, rejection of the Plan in favor of some alternative method of reconciling the Claims and Interests will require an extensive and time consuming process (including the possibility of protracted and costly litigation) and will not result in a better recovery for any Class of Claims or Interests in the Debtors.

C. Dismissal of the Chapter 11 Cases

Dismissal of the Chapter 11 Cases would have the effect of restoring (or attempting to restore) the Debtors' remaining creditors to the status quo. Upon dismissal of the Chapter 11 Cases, the Debtors would lose the protection of the Bankruptcy Code, thereby requiring, at the very least, an extensive and time consuming process of negotiation with creditors, and possibly resulting in costly and protracted litigation in various jurisdictions. Dismissal of the Chapter 11 Cases may also permit certain unsecured creditors to obtain and enforce judgments against the Debtors. The Chapter 11 Trustee believes these actions could lead ultimately to the liquidation of the Debtors under chapter 7 of the Bankruptcy Code. Therefore, the Chapter 11 Trustee believes that dismissal of the Chapter 11 Cases is not a viable alternative to the Plan.

XI. CONCLUSION AND RECOMMENDATION

The Chapter 11 Trustee believes that the Plan is in the best interests of all Holders of Claims and urges the Holders of Impaired Claims in Class 3 to vote to accept the Plan and to evidence such acceptance by returning their ballots to the Balloting Agent at the address set forth in Article I.B of this Disclosure Statement so that they will be actually received on or before 4:00 p.m., prevailing Eastern Time, on November 8, 2011.

Dated: New York, New York
~~August 23,~~October 4, 2011

Respectfully submitted,

JAMES L. GARRITY, JR., CHAPTER 11 TRUSTEE

~~_____~~/s/ James L. Garrity, Jr.
James L. Garrity, Jr.

EXHIBIT A

PLAN

EXHIBIT B

FEASIBILITY ANALYSIS

GSC Group, Inc.
Feasibility Analysis

$ in millions	Ranges of Estimated Wind Down Costs		
	Low	**Mid**	**High**
Wind Down Amount[5][7]	$ 7.0	$ 7.0	$ 7.0
Projected Wind Down Costs[6][8]			
Chapter 11 Trustee Fee	$ (1.5)	$ (2.0)	$ (2.5)
Administration Expenses	$ (2.5)	$ (3.0)	$ (3.5)
	$ (4.0)	$ (5.0)	$ (6.0)
Net Remaining Balance[7][9]	**$ 3.0**	**$ 2.0**	**$ 1.0**

[5][7] The $7.0 million wind down amount retained by the Debtors to liquidate the estate excludes the additional cash amounts retained by the Debtors for (i) Administrative Claims arising prior to the July 26, 2011 closing of the transactions contemplated by the Purchase Agreements and (ii) Allowed General Unsecured Claims. The wind down amount of $7.0 million also excludes potential additional proceeds that may be received from other sources, such as from the former CEO's life insurance policies (either by sale of the insurance policies or death benefit) or potential litigation actions that may be brought by the Chapter 11 Trustee or the Liquidating Trustee. It is estimated that the former CEO's life insurance policies have a sale value range of $3.0 million to $10.0 million in total.

[6][8] The ranges of wind down costs, which include the fees of the Chapter 11 Trustee and Administrative Claims, are estimates. Administrative Claims during the wind down include items such as: (i) Professional Fees and UST Fees; (ii) fees paid to consultants to the Debtors; and (iii) other expenses to effectuate the wind down of the Debtors. It is expected that the majority of the wind down will occur during a period of six to twelve months, however, the liquidation period and claims reconciliation may take longer. The projected winddown costs exclude any potential tax payments and assumes potential tax liabilities will be treated per the Tax Indemnification Agreement.

[7][9] The net remaining balance under all ranges of wind down costs (low, mid and high) reflects sufficient cash for the Debtors and the Liquidating Trustee to meet its payment obligations over the liquidation period. As noted above, additional funds may be available as the wind down amount of $7.0 million excludes value that may be received from the former CEO's life insurance policies and other potential litigation actions.

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Moved to	0
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