IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
THE IT GROUP, INC., et al.,	:	Case No. 02-10118 (MFW)
	:	Jointly Administered
Debtors.		

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH RESPECT TO THE JOINT CHAPTER 11 PLAN FOR THE IT GROUP, INC. AND ITS AFFILIATED DEBTORS PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

Dated: December __, 2003

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INTRODUCTION

The IT Group, Inc. ("IT Group") and its affiliated debtors, as debtors and debtors-in-possession (collectively, the "Debtors") and the Official Committee of Unsecured Creditors (the "Committee" and collectively with the Debtors, the "Plan Proponents") appointed in the Debtors' above-captioned chapter 11 cases (collectively, the "Chapter 11 Cases") before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), hereby collectively and jointly submit this proposed disclosure statement dated as of December __, 2003 (the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101-330, as amended (the "Bankruptcy Code") with respect to the Joint Chapter 11 Plan for The IT Group, Inc. and its Affiliated Debtors Proposed by the Debtors and the Official Committee of Unsecured Creditors, dated as of December __, 2003 (the "Plan"). This Disclosure Statement is to be used in connection with the solicitation of acceptances of the Plan by the Plan Proponents. A copy of the Plan is attached hereto as **Exhibit A.** UNLESS OTHERWISE DEFINED HEREIN, TERMS USED HEREIN HAVE THE MEANING ASCRIBED THERETO IN THE PLAN (*SEE* ARTICLE I OF THE PLAN ENTITLED "DEFINITIONS AND INTERPRETATION").

Attached as Exhibits to this Disclosure Statement are the following documents:

- The Plan (**Exhibit A**).
- Order of the Bankruptcy Court, dated December ___, 2003 (the "Approval Order") pursuant to section 1125 of the Bankruptcy Code, (i) Approving the Disclosure Statement, (ii) Approving the Form of Ballot and Proposed Solicitation and Tabulation Procedures, (iii) Fixing the Date, Time and Place for Voting on Chapter 11 Plan, (iv) Prescribing the Forms and Manner of Notice thereof, (v) Fixing the Last Date for Filing Objections to Chapter 11 Plan, and (vi) Scheduling a Hearing to Consider Confirmation of Chapter 11 Plan (**Exhibit B**).
- Ballot Tabulation and Solicitation Procedures, as approved by the Approval Order (the "Voting Procedures") (**Exhibit C**).
- The Liquidation Analysis (**Exhibit D**).
- List of Affiliated Debtors (**Exhibit E**).
- List of Acquisitions (**Exhibit F**).

In addition, if you are entitled to vote to accept or reject the Plan, the ballot (the "Ballot") for acceptance or rejection of the Plan is enclosed with this Disclosure Statement.

NOTICE TO HOLDERS OF CLAIMS

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 vote to accept or reject the Plan submitted by the Plan Proponents. *See* Section VII.A. — "Confirmation and Consummation Procedure — Solicitation of Votes."

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

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

On December ___, 2003, after notice and a hearing, the Bankruptcy Court entered the Approval Order, which, among other things, approved this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code as containing adequate information of a kind, and in sufficient detail, to enable a hypothetical, reasonable investor typical of the solicited classes of Claims against the Debtors to make an informed judgment with respect to the acceptance or rejection of the Plan. A true and correct copy of the Approval Order is attached hereto as **Exhibit B**.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entireties before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtors, the Committee and their respective professionals, no person has been authorized to use or promulgate any information concerning the Debtors, their business or the Plan, other than the information contained in this Disclosure Statement. You should not rely on any information relating to the Debtors, their business or the Plan other than that contained in this Disclosure Statement, the Plan and the exhibits hereto and thereto.

HOLDERS OF LENDER CLAIMS AND UNSECURED CLAIMS SHOULD CAREFULLY READ AND CONSIDER THE PLAN AND THIS DISCLOSURE STATEMENT. THE PLAN PROPONENTS URGE UNSECURED CREDITORS TO VOTE TO ACCEPT THE PLAN. SIMILARLY, THE AGENT URGES ALL HOLDERS OF LENDER CLAIMS TO VOTE TO ACCEPT 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 and returning the same to the address set forth on the Ballot, in the enclosed return envelope so that it will be actually received by the Voting and Tabulation Agent, **[AlixPartners, LLC, at: The IT Group, Inc., et al., c/o AlixPartners LLC, 2100 McKinney Avenue, Suite 800, Dallas, Texas 75201]** no later than 4:00 p.m., Prevailing Eastern Time, on _____ ___, 2004 (the "Voting Deadline").

You may be bound by the Plan if it is accepted by the requisite holders of Claims, even if you do not vote to accept the Plan. *See* Sections VII — "Confirmation and Consummation Procedure."

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED NO LATER THAN 4:00 P.M., PREVAILING EASTERN TIME ON _____ ___, 2004. For a general description of the voting instructions and the name, address and phone number of the person you may contact if you have questions regarding the voting procedures, *see* Section VII.A. — "Confirmation and Consummation Procedures — Solicitation of Votes."

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing") on ____ ___, 2004 at _: _.m., Prevailing Eastern Time, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 6th Floor, Wilmington, Delaware. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____ __, 2004 at 4:00 p.m., Prevailing Eastern Time, in the manner described under the caption, Section VII.B. — "Confirmation and Consummation Procedure — The Confirmation Hearing."

THE PLAN PROPONENTS BELIEVE THAT THE PLAN MAXIMIZES CREDITOR RECOVERIES AND URGE ALL HOLDERS OF IMPAIRED CLAIMS TO VOTE TO ACCEPT THE PLAN.

I. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, a debtor-in-possession attempts to reorganize its business for the benefit of the debtor, its creditors and other parties in interest. These Chapter 11 Cases were filed on January 16, 2002 (the "Petition Date") and are being jointly administered under the caption In re: The IT Group, Inc. et al., case no. 02-10118 (MFW), in accordance with the Bankruptcy Court's order dated January 17, 2002 pursuant to 11 U.S.C. § 341 and Fed. R. Bankr. P. 1005, 1015(b), and 2002 (I) Directing Joint Administration of Cases and (II) Approving Caption for Jointly-Administered Cases. Attached as **Exhibit E** is a list of each of the affiliated debtors. *See* Section V.A. — "The Chapter 11 Cases – Commencement of the Chapter 11 Cases."

The commencement of a chapter 11 case creates an estate comprised of all the legal and equitable interests of the debtor as of the date the petition is filed. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present Chapter 11 Cases, the Debtors have remained in possession of their property as debtors in possession. *See* Section V.B. — "The Chapter 11 Cases — Continuation of Business After the Petition Date."

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts to collect or recover prepetition claims from the debtor or to otherwise interfere with, or exercise control over, the debtor's property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed chapter 11 plan. In the present Chapter 11 Cases, the automatic stay remains effective as of the date of this Disclosure Statement. *See* Section V.F. — "The Chapter 11 Cases — Significant Claims and Litigation."

The formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in the debtor. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Filing Period"). Section 1121(d) of the Bankruptcy Code, however, permits the court to extend or reduce the Exclusive Filing Period upon a showing of "cause." After the Exclusive Filing Period has expired, a creditor or other party in interest may file a plan, unless the debtor has filed a plan within the Exclusive Filing Period, in which case, the debtor is given sixty (60) additional days pursuant to section 1121(d) of the Bankruptcy Code (the "Exclusive Solicitation Period" and, collectively, with the Exclusive Filing Period, the "Exclusive Periods") during which it may solicit acceptances of its plan. The Exclusive Periods may also be extended or reduced by the court upon a showing of "cause." In the present Chapter 11 Cases, the Debtors' Exclusive Filing Period and Exclusive Solicitation Period were scheduled to expire on May 16, 2002 and July 16, 2002, respectively. In May 2002, the Committee objected to the Debtors' initial extension of the Exclusive Periods. After a hearing held in May 2002, the Bankruptcy Court granted the Committee co-exclusivity with the Debtors to file, and solicit votes for acceptances of, a chapter 11 plan. Accordingly, the Debtors, with the Committee's support, filed a series of motions requesting several further extensions of the Exclusive Periods. As of the date of this Disclosure Statement, the Committee and the Debtors maintain the co-exclusive right to file a chapter 11 plan and to solicit votes for acceptances of a chapter 11 plan through January 8, 2004 and February 5, 2004, respectively.

B. Chapter 11 Plan.

A chapter 11 plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. In either event, upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and equity holders, and the obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. In Debtors' Chapter 11 Cases, substantially all of the assets of the Debtors were sold to The Shaw Group, Inc. or its designee (collectively, "Shaw") in May 2002 pursuant to sections 363 and 365 of the Bankruptcy Code and the Bankruptcy Court's order dated as of April 25, 2002 (the "Shaw Transaction"), as more fully described herein. The Plan incorporates a global settlement reached between the Debtors, the Committee and the Prepetition Lenders, which the Plan Proponents

believe provides a fair and equitable allocation of the Debtors' remaining assets (including the proceeds from the Shaw Transaction) to be distributed to holders of allowed Claims against the Debtors consistent with the Plan and the Bankruptcy Code.

After a chapter 11 plan has been filed, the holders of impaired claims against and interests in a debtor are permitted to vote to accept or reject the plan, provided such holders are to receive distributions under the plan. Before soliciting acceptances to the proposed plan, section 1125 of the Bankruptcy Code requires the proponent to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Plan Proponents' solicitation of votes on the Plan.**

If all classes of claims and interests accept a chapter 11 plan, the bankruptcy court may confirm the plan if the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. *See* Section VII — "Confirmation and Consummation Procedure." Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" of creditors test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims or equity interests under a plan is not less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization. **With the exception of acceptance of the Plan by all impaired classes, the Plan Proponents believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the best interests of creditors test and the feasibility requirement.**

Chapter 11 does not require that each holder of a claim or interest in a particular class vote in favor of a chapter 11 plan in order for the bankruptcy court to determine that the class has accepted the plan. *See* Section VII.A. — "Confirmation and Consummation Procedure — Solicitation of Votes." Rather, a class of claims will be determined to have accepted the plan if the court determines that the plan has been accepted by more than a majority in number and at least two-thirds in amount of those claims actually voting in such class. **Only the holders of Claims who actually vote will be counted as either accepting or rejecting the Plan.**

In addition, classes of claims or equity interests that are not "impaired" under a chapter 11 plan are conclusively presumed to have accepted the plan and thus are not entitled to vote. *See* Section VII.A. — "Confirmation and Consummation Procedure — Solicitation of Votes." Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights associated with the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash on the effective date of the plan. **Under the Plan, the holders of Priority Claims in Class 1 are unimpaired and are deemed to have accepted the Plan. The holders of Non-Lender Secured Claims in Class 2, Lender Claims in Class 3, Unsecured Claims in Class 4A, and Litigation Unsecured Claims in Class 4B, will receive a distribution, are impaired, and shall be entitled to vote to accept or reject the Plan. Securities Litigation Claims in Class 4C, Subordinated Claims in Class 4D and holders of Equity Interests in Class 5 will receive no distribution under the Plan, and thus, are deemed to have rejected the Plan.**

The bankruptcy court may also confirm a chapter 11 plan even though fewer than all classes of impaired claims and equity interests accept the Plan. For a chapter 11 plan to be confirmed despite its rejection by a class of impaired claims or equity interests, the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or equity interests that has not accepted the plan. *See* Section VII — "Confirmation and Consummation Procedure."

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a rejecting class of claims or equity interests if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, in an amount equal to the allowed amount of such claim or such other treatment as accepted by the holder of

such claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims or equity interests if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims or equity interests, and (b) no senior class of claims or equity interests is to receive more than 100% of the amount of the claims or equity interests in such class. **The Plan Proponents believe that the Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting class of Claims or Equity Interests, and can therefore be confirmed despite a rejection by holders of Non-Lender Secured Claims in Class 2, Unsecured Claims in Class 4A, Litigation Unsecured Claims in Class 4B, Securities Litigation Claims in 4C, Subordinated Claims in 4D or Equity Interests in Class 5.**

II. OVERVIEW OF THE PLAN

A. Means for Implementing the Plan.

The central component of the Plan is the compromise and settlement of any and all claims and causes of action as of the Effective Date by and among the Prepetition Lenders and the Agent, on the one hand, and the Debtors, the Subsidiaries that are not Debtors and the Committee (and all of its members), on the other hand (the "Plan Settlement"), subject to the occurrence of the Effective Date. Additionally, the Plan contemplates the liquidation of all remaining Assets of the Debtors for the benefit of holders of allowed Claims against the Debtors in accordance with the Plan including, without limitation, the prosecution of Avoidance Actions and Estate Causes of Action.

The Plan is the product of extensive arms' length negotiations between the Plan Proponents and the Agent (on behalf of the Prepetition Lenders) to maximize recoveries to the Debtors' creditors and provides for a fair allocation of the Debtors' remaining Assets as a consequence of the Shaw Transaction. The Plan effectuates this goal by substantively consolidating the numerous Debtor entities and implementing the Plan Settlement, which embodies the global settlement negotiated by and among the Committee, the Debtors and the Agent (on behalf of Prepetition Lenders). The Plan provides for full payment of all Administrative Claims and Priority Claims in accordance with the provisions of the Bankruptcy Code, as well as for the cancellation of all of the existing Equity Interests in, and the discharge of all Claims against, the Debtors.

1. Substantive Consolidation.

On or as of the Effective Date, all assets and liabilities of the Debtors shall be substantively consolidated for voting and distribution purposes under the Plan. Accordingly, (i) all intercompany claims by and among the Debtors shall be eliminated, (ii) all assets and liabilities of the Debtors other than IT Group shall be merged or treated as though they were merged into and with the assets and liabilities of IT Group, (iii) all guarantees of the Debtors of the obligations of any other Debtor and any joint or several liability of any of the Debtors will be deemed to be one obligation of the consolidated Debtors, (iv) all Equity Interests owned by any of the Debtors in any other Debtor shall be treated as though they were extinguished, and (v) each and every Claim filed or to be filed in these Chapter 11 Cases against any of the Debtors shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against the consolidated Debtors. Moreover, all claims based upon guarantees of collection, payment or performance of any obligation of the Debtors made by any Subsidiary which is not a Debtor and all claims against any such Subsidiary for which any of the Debtors are jointly and severally liable, in each case which arise prior to the Effective Date, shall be discharged, released, extinguished and of no further force and effect.

a. General Description

Generally, substantive consolidation of the estates of multiple debtors in a bankruptcy case effectively combines the assets and liabilities of the multiple debtors for certain purposes under a plan. The effect of consolidation is the pooling of the assets of, and claims against, the consolidated debtors; satisfying liabilities from a common fund; and combining the creditors of the debtors for purposes of voting on chapter 11 plans. There is no

statutory authority specifically authorizing substantive consolidation. The authority of a bankruptcy court to order substantive consolidation is derived from its general equitable powers under Bankruptcy Code section 105(a), which provides that the court may issue orders necessary to carry out the provisions of the Bankruptcy Code. Nor are there statutorily prescribed standards for substantive consolidation. Instead, judicially developed standards control whether substantive consolidation should be granted in any given case.

b. Legal Standards for Substantive Consolidation

The propriety of substantive consolidation must be evaluated on a case by case basis. In deciding whether to consolidate, in the past courts relied on the presence or absence of certain "elements" that are similar to factors relevant to piercing the corporate veil under applicable state law. More recent cases, however, while not ignoring these elements, have applied a less mechanical approach. Thus, the extensive list of elements and factors frequently cited and relied upon by some courts in determining the propriety of substantive consolidation are variations of two critical factors, namely (1) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit, or (2) whether the affairs of the debtors are so entangled that consolidation will benefit all creditors. Under the so called Eastgroup test, which is an equitable test, a proponent of substantive consolidation must show that (1) there is substantial identity between the entities sought to be consolidated and (2) that consolidation is necessary to avoid some harm or realize some benefit. Once the proponent of substantive consolidation makes this showing, a presumption arises that creditors have not relied solely on the credit of one of the entities involved, and the burden shifts to an objecting creditor to show that (1) it has relied on the separate credit of one of the entities to be consolidated and (2) it will be prejudiced by substantive consolidation.

Regardless of which of the two similar but not identical tests are utilized for determining the propriety of substantive consolidation, the "elements" enumerated in earlier cases remain relevant, but not necessarily dispositive, as to whether substantive consolidation should be granted. These elements include:

(i) the degree of difficulty in segregating and ascertaining the individual assets and liabilities of the entities to be consolidated;

(ii) the presence or absence of consolidated financial statements among the entities to be consolidated;

(iii) the commingling of assets and business functions among the entities to be consolidated;

(iv) the unity of interests and ownership among the various entities;

(v) the existence of parent and intercorporate guarantees on loans to the various entities; and

(vi) the transfer of assets to and from the various entities without formal observance of corporate formalities.

c. Substantive Consolidation is Warranted

The Plan recognizes that substantive consolidation in some form is warranted in light of the criteria established by the courts in ruling on the propriety of substantive consolidation in other cases. The Plan Proponents believe that the Plan's proposed substantive consolidation is fair and equitable and appropriate under the circumstances because, among other things:

(i) The operations, business functions and financial records of the Debtors were substantially commingled, such that the assets and liabilities of the Debtors' Estates are intertwined;

(ii) A separate winding down of the Debtors' Estates would entail the segregation of the commingled assets and liabilities. The exercise of disentangling the prior transactions of the individual Debtor entities, even if it could be accomplished, would be an unproductive and inequitable task that would be harmful to creditors due to the prohibitive costs and resultant delays associated with such a task;

(iii) Substantive consolidation will maximize the overall return to holders of Allowed Claims because it will avoid and eliminate the significant administrative costs and expenses that otherwise would be associated with the difficult and potentially infeasible task of liquidating each of the Debtors' Estates separately.

Accordingly, on or as of the Effective Date, any or all of the Debtors (other than IT Group) and Subsidiaries of the Debtors may, at the sole option of the Plan Proponents, be (a) merged into one or more of the Debtors or (b) dissolved. Upon the occurrence of any such merger, all assets of the merged entities shall be transferred to and become the assets of the surviving entity, and all liabilities of the merged entities, except to the extent discharged, released or extinguished pursuant to the Plan and the Confirmation Order, shall be assumed by and shall become the liabilities of the surviving entity. All mergers and dissolutions shall be effective as of the Effective Date pursuant to the Confirmation Order without any further action by the stockholders or directors of any of the Debtors.

2. Plan Settlement.

The Plan provides for a global compromise and settlement, pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019 and subject to the occurrence of the Effective Date, of all Causes of Action as of the Effective Date by and between the Agent and the Prepetition Lenders, on the one hand, and the Debtors, the Subsidiaries that are not Debtors, and the Committee (and all of its members), on the other hand. The Plan Settlement provides that, upon the occurrence of the Effective Date, (a) the Lender Claims shall be deemed Allowed in full as provided in Section 4.1(c) of the Plan, (b) the Committee Lawsuit shall be dismissed with prejudice, (c) any and all Claims and Causes of Action of the Debtors (and their Estates), the Subsidiaries that are not Debtors, and the Committee (and all of its members) against the Agent and the Prepetition Lenders as of the Effective Date shall be forever waived, discharged, released and enjoined, (d) the holders of Allowed Lender Claims shall receive the treatment accorded such Claims under the Plan in complete satisfaction of any and all rights, claims and Causes of Action that comprise or arise under the Lender Claims, including without limitation, any subordination or other provisions in respect of the Old Notes, the holders thereof or the Indenture Trustee, and (e) any right to a Distribution on account of any deficiency Claim, Unsecured Claim or Administrative Claim (other than any claims for the reimbursement of all fees and expenses of the Agent which shall remain in effect which shall be treated and paid as an Administrative Claim in accordance with the Plan) by the holders of the Lender Claims shall be forever waived, discharged, released and enjoined, which Claims shall be deemed satisfied in full by the treatment accorded the Lender Claims under the Plan. Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of the Plan Settlement and authorize the parties to take all actions that are necessary or appropriate to implement and give effect to the Plan Settlement.

Pursuant to the Plan Settlement and subject to the occurrence of the Effective Date, holders of an Allowed Lender Claim shall receive under the Plan in full and complete satisfaction of such Claim, its Pro Rata Share of (i) 87.5% of the Available Proceeds, (ii) 90% of the Shaw Stock, (iii) 20% of Avoidance Action Recoveries, and (iv) 75% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter. Pursuant to the Plan Settlement and subject to the occurrence of the Effective Date, each holder of an Allowed General Unsecured Claim against a Debtor shall receive on the Distribution Dates on account of its Allowed General Unsecured Claim, its Pro Rata Share of (i) 12.5% of the Available Proceeds, (ii) the proceeds from the sale or other disposition of 10% of the Shaw Stock in accordance with Section 7.9, (iii) 80% of Avoidance Action Recoveries, and (iv) 25% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter. With respect to holders of Litigation Unsecured Claims, each Litigation Unsecured Claim shall be liquidated and satisfied pursuant to the Plan ADR and to the extent any such Claim becomes an Allowed Litigation Unsecured Claim as provided in the Plan ADR in excess of available insurance proceeds (net of any deductible or self-insured retention payments) to pay such Claim, if applicable, the holder of such Claim shall receive on the Distribution Dates on account of its Allowed Litigation Unsecured Claim, its Pro

Rata Share of the Distributions to holders of Allowed General Unsecured Claims under the Plan. With respect to holders of Allowed Securities Litigation Claims and Allowed Subordinated Claims, each holder of an Allowed Securities Litigation Claim or an Allowed Subordinated Claim shall not receive or retain any Distribution on account of such Allowed Securities Litigation Claim or Allowed Subordinated Claim in accordance with sections 510(b) and 510(c) of the Bankruptcy Code, respectively. With respect to holders of Equity Interests in the Debtors, all Equity Interests in each of the Debtors shall be cancelled, annulled and extinguished on the Effective Date, and the Holders of such Equity Interests shall not receive or retain any property under the Plan.

3. Reorganized IT Group.

Upon the Effective Date, the Plan calls for the merger of any or all of the Debtor entities into one surviving entity, Reorganized IT Group, which will receive the Debtors' remaining Assets. Accordingly, all Assets of the Debtors, including the Estate Causes of Action and Avoidance Actions, will vest in Reorganized IT Group to be liquidated and distributed to holders of Allowed Claims in accordance with the Plan. Reorganized IT Group will issue New Common Stock, which will be held in trust for the benefit of holders of Allowed Claims against the Debtors.

Management of Reorganized IT Group will be directed by the Plan Administrator, subject to the supervision of the Oversight Committee. The Plan contemplates that AlixPartners (or such other Person as selected by the Committee and the Agent) will serve as the Plan Administrator. The Plan Administrator will be responsible for (i) implementing and administering the Plan, (ii) making Distributions in accordance with the Plan, (iii) managing the post-Effective Date affairs of Reorganized IT Group, and (iv) prosecuting the Estate Causes of Action in accordance with the Plan and subject to the supervision of the Oversight Committee. The Plan also contemplates that AlixPartners will serve as the Chief Litigation Officer of Reorganized IT Group and will be responsible for prosecuting the Avoidance Actions in accordance with the Plan and subject to the supervision of the Committee Designees. To fund the reasonable costs and expenses of administration and implementation of the Plan, including prosecution of Estate Causes of Action and Avoidance Actions, the Plan establishes an Administrative Reserve in the amount of $1,500,000 from Cash on hand in the Estates as of the Effective Date. To the extent the Administrative Reserve is insufficient to cover the reasonable costs and expenses of administration and implementation of the Plan post-Effective Date, the Bankruptcy Court may impose an Administrative Surcharge on Estate Cause of Action Recoveries and Avoidance Action Recoveries in accordance with the Plan to pay such costs and expenses.

4. IT Environmental Liquidating Trust.

Prior to the Petition Date, the Debtors, specifically IT Corporation, IT Lake Herman Road LLC and IT Vine Hill, LLC, operated four hazardous waste Landfills in northern California known as the Panoche Facility, the Vine Hill Complex, the Montezuma Hills Facility, and the Benson Ridge Facility (the "Landfills"). These Landfills were used for the disposal of organic and inorganic wastes including wastes from the production or manufacturing of petroleum products, electronics equipment/components, pharmaceuticals, paints, metal finishing, food processing, contaminated soil remediation projects, and gas and geothermal power exploration. All four of the Landfills have received closure certification from the California Department of Toxic Substances Control ("DTSC"), and none of the Landfills have accepted waste in the past 15 years. The California Hazardous Waste Control Act ("CHWCA") imposes, among other things, closure and post-closure care requirements ("Environmental Operations"), including financial assurances (funding guarantees) which were the subject of a consent order between IT Corporation and the State of California in California v. International Technology Corp., No. 509105 (Super. Ct., June 27, 1989), as amended by stipulation, Sept. 30, 1999.

As outlined in Consent Order No. 509105, the Debtors obtained claims made and reported policies covering hazardous waste facilities to fund performance of the Environmental Operations. Specifically, IT Corporation is the named insured on two post-closure policies, AIG Post-Closure Policy 4762403 and AIG Post-Closure Excess Policy 4760892 (the "Post-Closure Policies"), totaling $34,999,999, which have paid out approximately $5,500,000 to date. The coverage period under the Post-Closure Policies expires in 2029. The Bankruptcy Court approved construction of a groundwater collection trench at the Panoche Facility in 2002; the trench has since been certified as complete. Additionally, the Bankruptcy Court authorized a one-year master services agreement (the "Agreement"), that has since been extended until the end of 2003 for engineering and

technical support to assist Environmental Operations not exceeding a total amount of $1,000,000. Shaw was retained to perform the engineering and technical support and is being compensated with funds from the Post-Closure Policies. While limits of liability for each facility under the Post-Closure Policies can be transferred from one policy to another, liability limits cannot be aggregated into only one facility. The insurance premiums for the policies were paid in full by the Debtors, prior to the Chapter 11 filing.

The remediation strategy for the Environmental Operations at the four landfills is based on containment of waste. Waste at each facility were consolidated and placed in a single location, or cell, on each property. In general, containment measures at each site consist of: 1) an engineered cap/cover and liner system to isolate the wastes, 2) a leachate collection and removal system, 3) a surface water control system, 4) a groundwater extraction or recovery system (i.e., wells, pumps, and pipelines leading to evaporation basins or ponds, 5) evaporation basins, and 6) slurry walls (except for Benson Ridge) to encircle waste cells and impede groundwater flow. All sites have restricted access with fencing with warning signs. The Vine Hill Complex has a water treatment plant (oil/water separator) to help remove contaminants from groundwater prior to discharge to the evaporation basins. The Vine Hill Complex and the Panoche Facility also have landfill gas collection systems consisting of carbon canisters that absorb volital organic compounds, and other contaminants from all or portions of the waste containment cells. Finally, groundwater pumping systems are designed to keep groundwater levels within the slurry walls and landfill properties lower than the surrounding area, thereby inducing groundwater to flow toward the landfill rather than off-site properties.

Because the obligation to perform the Environmental Operations extends far into the future, the Debtors have agreed to establish the IT Environmental Liquidating Trust, in accordance with Treasury Regulation §301.7701-4(d) and Revenue Procedure 94-45, 1994-2 C.B. 684, I.R.B. 124. The purposes of the IT Environmental Liquidating Trust are to perform the Environmental Operations, and to liquidate and distribute the proceeds from the IT Environmental Liquidating Trust Assets.

Pursuant to the IT Environmental Liquidating Trust Agreement to be filed as a Plan Document, the Debtors will establish the IT Environmental Liquidating Trust by transferring, among other things, (i) $1,000,000 of the Debtors' Cash on hand as of the Effective Date, and (ii) the IT Environmental Liquidating Trust Assets, which consist of, among other things, the Debtors' interest in the Post-Closure Policies and all of Debtors' membership interests in certain limited liability companies that own the real property containing two of the Landfills.

The Committee and the Agent intend to appoint Brian Fournier (or such other Person as selected by the Committee and the Agent, provided that the DTSC does not object) to serve as the IT Environmental Liquidating Trustee. The IT Environmental Liquidating Trustee shall administer the IT Environmental Liquidating Trust in accordance with the terms and conditions of the IT Environmental Liquidating Trust Agreement, the Plan, and the Confirmation Order, and shall have those duties and powers set forth in the IT Environmental Liquidating Trust Agreement. Among such duties and powers are included, but not limited to, using funds derived from the insurance policies to provide for post-closure management of the Landfills. The IT Environmental Liquidating Trustee may also coordinate development, lease and/or marketing of the Landfills to produce revenue for the purpose of ensuring that the IT Environmental Liquidating Trust is sufficiently funded, and to pursue contribution or cost-recovery efforts or prosecute claims against third parties liable or potentially liable for closure at the Landfills.

The IT Environmental Liquidating Trustee is authorized to retain the services of attorneys, accountants, consultants, and other agents, in the business judgment of the IT Environmental Liquidating Trustee, to assist and advise the IT Environmental Liquidating Trustee in the performance of his/her duties under the Plan and the IT Environmental Liquidating Trust Agreement. In addition to reimbursement of reasonable, actual and necessary out-of-pocket expenses incurred, the IT Environmental Liquidating Trustee is entitled to reasonable compensation and benefits that shall be payable in the ordinary course of business and not subject to Bankruptcy Court approval. The IT Environmental Liquidating Trust Agreement shall set forth the amounts of reasonable compensation and benefits that shall be paid to the IT Environmental Liquidating Trustee.

By agreeing to establish the IT Environmental Liquidating Trust, the Debtors avoid incurring potential fines and penalties for alleged violations of state and federal environmental laws and regulations, as well as requirements for significant additional financial assurances.

5. **Oversight Committee.**

On the Effective Date, the Oversight Committee shall be formed, which committee shall consist of four (4) members, two selected by the Committee and two selected by the Prepetition Lenders. The Oversight Committee shall oversee the administration and implementation of the Plan and the liquidation of the Debtors' Assets in accordance with the Plan. Oversight Committee decisions shall be made with the approval of at least three (3) members. The Oversight Committee shall have the following rights, obligations and duties:

(a) Approve the Plan Administrator's selection of, as well as the terms governing the engagement of, professionals to be engaged by the Plan Administrator on behalf of IT Group, who may have been previously engaged by the Debtors, the Committee and/or the Prepetition Lenders and establish retainer terms, conditions and budgets;

(b) Decide whether, when, and in what amounts, to direct IT Group to make a Distribution;

(c) Oversee the Plan Administrator's administration and implementation of the Plan and the liquidation of the Assets in accordance with the Plan;

(d) Oversee, review and guide the Plan Administrator on performance of its duties, and its activities proposed and underway, as often as is necessary and appropriate to implement the Plan;

(e) Appear in Bankruptcy Court;

(f) Seek an order terminating an Oversight Committee member and approving a replacement in the event the other member of the Oversight Committee determines there is cause to do so;

(g) Articulate the Oversight Committee's position in the event the Plan Administrator, the Disbursing Agent or the Chief Litigation Officer brings a dispute with the Oversight Committee to the Bankruptcy Court for resolution, or the Oversight Committee concludes it should bring a dispute with the Plan Administrator, Disbursing Agent or the Chief Litigation Officer to the Bankruptcy Court for resolution; and

(h) Direct the pursuit and settlement of Estate Causes of Action.

Each Oversight Committee member shall be paid in accordance with the Oversight Committee Compensation, as disclosed at or prior to the Confirmation Hearing and agreed to by the Committee and the Agent. Any disputes between and among the Oversight Committee, its members, Reorganized IT Group, the Plan Administrator, and/or the Chief Litigation Officer shall be resolved by the Bankruptcy Court, and the Plan Administrator shall bring any such dispute to the Bankruptcy Court for resolution if so requested in writing by any of such parties.

Subject to any applicable law, the members of the Oversight Committee will not be liable for any act done or omitted by any member in such capacity, while acting in good faith and in the exercise of business judgment. Members of the Oversight Committee will not be liable in any event except for gross negligence or willful misconduct in the performance of their duties.

Except as otherwise set forth in the Plan and to the extent permitted by applicable law, the members of the Oversight Committee in the performance of their duties (the "Indemnified OC Parties") shall be defended, held harmless and indemnified from time to time by the Reorganized IT Group (and not any other Person) against any and all losses, Claims, costs, expenses and liabilities to which such Indemnified OC Parties may be subject by reason of such Indemnified OC Party's execution of duties pursuant to the discretion, power and authority conferred on such Indemnified OC Party by the Plan or the Confirmation Order; provided, however, that the indemnification

obligations arising pursuant to Section 7.6 of the Plan shall not indemnify the Indemnified OC Parties for any actions taken by such Indemnified OC Parties which constitute fraud, gross negligence or intentional breach of the Plan, or the Confirmation Order. Satisfaction of any obligation of the Reorganized IT Group arising pursuant to the terms of Section 7.6 of the Plan shall be payable only from the assets of the Reorganized IT Group, including, if available, any insurance maintained by the Reorganized IT Group. The indemnification provisions described herein shall remain available to and be binding upon any future members of the Oversight Committee or the estate of any decedent and shall survive dissolution of the Reorganized IT Group.

6. Plan Administrator.

Upon the occurrence of the Effective Date, the management, control, and operation of Reorganized IT Group shall be the general responsibility of the Plan Administrator, subject to the supervision and direction of the Oversight Committee as provided under the Plan.

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date all Avoidance Actions may be compromised and settled by the Plan Administrator according to the following procedures:

a. Subject to Section 7.9 of the Plan, the following settlements or compromises of Estate Causes of Action do not require the review or approval of the Bankruptcy Court:

(i) The settlement or compromise of an Estate Causes of Action where the amount of recovery sought in any demand or adversary proceeding is $250,000 or less; and

(ii) The settlement or compromise of an Estate Causes of Action where the difference between the amount of the recovery sought in any demand or adversary proceeding and the amount of the proposed settlement is $250,000 or less; and

b. The following settlements or compromises shall be submitted to the Bankruptcy Court for approval:

(iii) Any settlement or compromise not described in subsection 7.9(a) of the Plan; and

(iv) Any settlement or compromise of an Estate Causes of Action that involves an "insider," as defined in section 101(31) of the Bankruptcy Code.

With the consent of the Oversight Committee, the Plan Administrator may prosecute or decline to prosecute any Estate Causes of Action, in the exercise of the Plan Administrator's business judgment, subject to the provisions of the Plan. With the consent of the Oversight Committee, the Plan Administrator may settle, release, sell, assign, or otherwise transfer or compromise any Estate Causes of Action, in the exercise of the Plan Administrator's business judgment, subject to the provisions of the Plan, including subsection (a) of Section 7.9 of the Plan.

With the consent of the Oversight Committee, the Plan Administrator may retain the services of attorneys, accountants, consultants, and other agents, in the business judgment of the Plan Administrator, to assist and advise the Plan Administrator in the performance of its duties under the Plan.

In the satisfaction of its duties under the Plan, the Plan Administrator may bring any dispute concerning the performance of its duties for resolution by the Bankruptcy Court and its reasonable fees and expenses (including attorneys' fees) in connection therewith shall be paid by Reorganized IT Group. Any agreement on compensation for the Plan Administrator shall be agreed to by the Committee and the Agent and disclosed at or prior to the Confirmation Hearing, and is subject to approval by the Bankruptcy Court.

Subject to any applicable law, the Plan Administrator will not be liable for any act done or omitted by the Plan Administrator in the performance of its duties while acting in good faith and in the exercise of business judgment. The Plan Administrator will not be liable in any event except for gross negligence or willful misconduct in the performance of its duties.

Except as otherwise set forth in the Plan and to the extent permitted by applicable law, the Plan Administrator and any attorneys, accountants, consultants, and other agents retained by the Plan Administrator in the performance of its duties (the "Indemnified PA Parties") shall be defended, held harmless and indemnified from time to time by the Reorganized IT Group (and not any other Person) against any and all losses, Claims, costs, expenses and liabilities to which such Indemnified PA Parties may be subject by reason of such Indemnified PA Party's execution of duties pursuant to the discretion, power and authority conferred on such Indemnified PA Party by the Plan or the Confirmation Order; provided, however, that the indemnification obligations arising pursuant to Section 7.10 of the Plan shall not indemnify the Indemnified PA Parties for any actions taken by such Indemnified PA Parties which constitute fraud, gross negligence or intentional breach of the Plan, or the Confirmation Order. Satisfaction of any obligation of the Reorganized IT Group arising pursuant to the terms of Section 7.10 of the Plan shall be payable only from the assets of the Reorganized IT Group, including, if available, any insurance maintained by the Reorganized IT Group. The indemnification provisions described herein shall remain available to and be binding upon any future Plan Administrator or the estate of any decedent and shall survive dissolution of the Reorganized IT Group.

7. **Chief Litigation Officer.**

As of the Effective Date, the Chief Litigation Officer shall be appointed to prosecute the Avoidance Actions. With the consent of the Committee Designees, the Chief Litigation Officer may prosecute or decline to prosecute the Avoidance Actions, in the exercise of the Chief Litigation Officer's business judgment, subject to the provisions of the Plan. With the consent of the Committee Designees, the Chief Litigation Officer may settle, release, sell, assign, or otherwise transfer or compromise the Avoidance Actions, in the exercise of the Chief Litigation Officer's business judgment, subject to the provisions of the Plan, including subsection (a) of Section 7.10 of the Plan.

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date all Avoidance Actions may be compromised and settled by the Chief Litigation Officer according to the following procedures:

c. Subject to Section 7.10 of the Plan, the following settlements or compromises of Avoidance Actions do not require the review or approval of the Bankruptcy Court:

(i) The settlement or compromise of an Avoidance Action where the amount of recovery sought in any demand or adversary proceeding is $250,000 or less; and

(ii) The settlement or compromise of an Avoidance Action where the difference between the amount of the recovery sought in any demand or adversary proceeding and the amount of the proposed settlement is $250,000 or less; and

d. The following settlements or compromises shall be submitted to the Bankruptcy Court for approval:

(iii) Any settlement or compromise not described in subsection 7.10(a) of the Plan; and

(iv) Any settlement or compromise of an Avoidance Action that involves an "insider," as defined in section 101(31) of the Bankruptcy Code.

With the consent of the Committee Designees, the Chief Litigation Officer may retain the services of attorneys, accountants, consultants, and other agents, in the business judgment of the Chief Litigation Officer, to assist and advise the Chief Litigation Officer in the performance of its duties under the Plan.

In the satisfaction of its duties under the Plan, the Chief Litigation Officer may bring any dispute concerning the performance of its duties for resolution by the Bankruptcy Court and its reasonable fees and expenses (including attorneys' fees) in connection therewith shall be paid by Reorganized IT Group. Any agreement on compensation for the Chief Litigation Officer shall be agreed to by the Committee (in consultation with the Agent) and disclosed at or prior to the Confirmation Hearing, and is subject to approval by the Bankruptcy Court.

Subject to any applicable law, the Chief Litigation Officer will not be liable for any act done or omitted by the Chief Litigation Officer in the performance of its duties while acting in good faith and in the exercise of business judgment. The Chief Litigation Officer will not be liable in any event except for gross negligence or willful misconduct in the performance of its duties.

Except as otherwise set forth in the Plan and to the extent permitted by applicable law, the Chief Litigation Officer and any attorneys, accountants, consultants, and other agents retained by the Chief Litigation Officer in the performance of its duties (the "Indemnified CLO Parties") shall be defended, held harmless and indemnified from time to time by the Reorganized IT Group (and not any other Person) against any and all losses, Claims, costs, expenses and liabilities to which such Indemnified CLO Parties may be subject by reason of such Indemnified CLO Party's execution of duties pursuant to the discretion, power and authority conferred on such Indemnified CLO Party by the Plan or the Confirmation Order; provided, however, that the indemnification obligations arising pursuant to Section 7.11 of the Plan shall not indemnify the Indemnified CLO Parties for any actions taken by such Indemnified CLO Parties which constitute fraud, gross negligence or intentional breach of the Plan, or the Confirmation Order. Satisfaction of any obligation of the Reorganized IT Group arising pursuant to the terms of Section 7.11 of the Plan shall be payable only from the assets of the Reorganized IT Group, including, if available, any insurance maintained by the Reorganized IT Group. The indemnification provisions described herein shall remain available to and be binding upon any future Chief Litigation Officer or the estate of any decedent and shall survive dissolution of the Reorganized IT Group.

8. Treatment of Claims and Equity Interests.

The Plan designates eight (8) classes of Claims against and Equity Interests in the Debtors as follows: Priority Claims, Non-Lender Secured Claims, Lender Claims, General Unsecured Claims, Litigation Unsecured Claims, Securities Litigation Claims, Subordinated Claims and Equity Interests.

The Plan places the Non-Lender Secured Claims (Class 2) and the Lender Claims (Class 3) each into a separate class for purposes of voting and receiving distributions under the Plan. The Non-Lender Secured Claims are impaired and shall be paid in accordance with the requirements of section 1129(b) of the Bankruptcy Code. The Lender Claims are impaired and shall be paid in accordance with the terms of the Plan Settlement. The Plan separates unsecured Claims against the Debtors, placing General Unsecured Claims (Class 4A), Litigation Unsecured Claims (Class 4B), Securities Litigation Claims (Class 4C) and Subordinated Claims (Class 4D) each into a separate class for purposes of voting and receiving Distributions under the Plan. The General Unsecured Claims are impaired and shall be paid in accordance with the Plan Settlement. The Litigation Unsecured Claims are impaired and will be liquidated and satisfied pursuant to the Plan ADR (as defined below). The Securities Litigation Claims and Subordinated Claims are impaired and shall be subordinated to all senior classes. Accordingly, holders of Securities Litigation Claims and Subordinated Claims shall not receive or retain any Distribution on account of such Claims. All Equity Interests in the Debtors shall be cancelled, annulled and extinguished, and the holders of such Equity Interests shall receive no Distributions under the Plan.

Litigation Unsecured Claims include the holders of any Environmental Unsecured Claims, Tort Unsecured Claims and any other Unsecured Claim, except Securities Litigation Claims and Subordinated Claims, against any Debtor asserted in any court, tribunal or proceeding pending as of the Petition Date. Because such Claims are generally not liquidated in amount, and because the Bankruptcy Court may not have jurisdiction to liquidate certain of these Claims, the Plan employs an alternative dispute resolution procedure (the "Plan ADR," to be filed as a Plan Document) for the liquidation and payment of Litigation Unsecured Claims. Under the Plan ADR, each Litigation

Unsecured Claim will be channeled into a three-step process designed to produce a settlement with respect to such Claim. If the Litigation Unsecured Claim is not liquidated at the end of this process, the holder of such Claim may then obtain relief from the Bankruptcy Court to pursue the Claim in an appropriate non-bankruptcy forum. *See* Section VII – "Summary of the Plan – Classified Claims," below.

Under the Plan, the holders of all Claims that become Allowed on or before the Effective Date will receive their Distributions as called for under the Plan on the Effective Date, or as soon thereafter as practicable, subject to any reserves that may be held on account of Contested Claims, as determined by the Bankruptcy Court. In this regard, it should be noted that the Effective Date will occur as soon as practicable, as determined by the Plan Proponents (in consultation with the Agent), but that is no later than thirty (30) days after all conditions specified in Section 9.2 of the Plan have been satisfied or waived, unless the Confirmation Order is otherwise stayed. *See* Section VII.C. – "Summary of Plan – Conditions Precedent to the Occurrence of the Effective Date," below. The Plan Proponents believe that each Debtor's respective creditors, to the extent impaired, will receive greater and earlier recoveries under the Plan than under any other available alternative.

B. Summary of Classification and Treatment Under the Plan.

The following table provides a summary of the classification and treatment under the Plan of all Claims and Equity Interests and is intended only to highlight information contained elsewhere in this Disclosure Statement. The summary is qualified in its entirety by the more detailed information in the Plan, the Exhibits hereto and thereto, and the other documents referenced herein. The Administrative Claims and Tax Claims shown below constitute the Committee's estimate of the amount of such Claims to be paid in cash on the Effective Date, based upon a substantively consolidated estate and taking into account amounts paid or projected to be paid prior to that date. The total amount of Allowed Non-Lender Secured Claims, Allowed Lender Claims, Allowed General Unsecured Claims, Allowed Litigation Unsecured Claims, Allowed Securities Litigation Claims and Allowed Subordinated Claims shown below reflects the Committee's current estimate, based upon the Debtors' schedules, books and records, and the informed opinion of the Committee's financial advisors and other professionals, of the likely amount of such Claims, after the resolution by settlement or litigation of Claims that the Committee believes are subject to disallowance or reduction. However, because no assurances can be provided regarding the amount of Claims that will ultimately be disallowed or reduced, distributions under the Plan to certain classes of claims may differ substantially from the projected ultimate recoveries reflected below. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims.

1. Classified Claims and Interests Against the Debtors.[1]

Class 1. Priority Claims	Unimpaired. Each holder of an Allowed Priority Claim shall be unimpaired under the Plan and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable and contractual rights of each holder of an Allowed Priority Claim in respect of such Allowed Priority Claim shall be fully reinstated and retained as though the Chapter 11 Case had not been filed, except as provided in section 1124(2)(A)-(C) of the Bankruptcy Code, and the holders of such Allowed Priority Claims shall be paid in full in accordance with such reinstated rights.
Total Estimated Claims:	$[____][2] Estimated Recovery: [____] % of Allowed Claim

[1] This table is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of such classification and treatment.

[2] Subject to estimation by AlixPartners.

Class 2. Non-Lender Secured Claims	Impaired. Each holder of an Allowed Non-Lender Secured Claim against a Debtor shall be impaired under the Plan and, pursuant to section 1129(b) of the Bankruptcy Code, either (i) each Allowed Non-Lender Secured Claim retains its liens securing its Allowed Non-Lender Secured Claim and receives on account of its Allowed Non-Lender Secured Claim deferred cash payments having a present value on the Effective Date equal to the amount of its Allowed Non-Lender Secured Claim, (ii) each Allowed Non-Lender Secured Claim realizes the "indubitable equivalent" of its Allowed Non-Lender Secured Claim, or (iii) the property securing the Allowed Non-Lender Secured Claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds as provided in clause (i) or (ii) of this subparagraph.
Total Estimated Claims:	$[____][3] Estimated Recovery: [____] % of Allowed Claim
Class 3. Lender Claims	Impaired. In accordance with the Plan Settlement, the Lender Claims shall be Allowed in full under the Plan and each holder of an Allowed Lender Claim against a Debtor shall receive in full and complete satisfaction of such Claims, its Pro Rata Share of (i) 87.5% of the Available Proceeds, (ii) 90% of the Shaw Stock, (iii) 20% of Avoidance Action Recoveries, and (iv) 75% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter.
Total Estimated Claims:	$[____][4] Estimated Recovery: [____] % of Allowed Claim
Class 4A. General Unsecured Claims	Impaired. Each holder of an Allowed General Unsecured Claim against a Debtor shall receive on account of its Allowed General Unsecured Claim, its Pro Rata Share of (i) 12.5% of the Available Proceeds, (ii) the proceeds from the sale or other disposition of 10% of the Shaw Stock in accordance with Section 7.5 of the Plan, (iii) 80% of Avoidance Action Recoveries, and (iv) 25% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter.
Total Estimated Claims:	$[____][5] Estimated Recovery: [____] % of Allowed Claim

[3] Subject to estimation by AlixPartners.

[4] Subject to estimation by AlixPartners.

[5] Subject to estimation by AlixPartners.

Class 4B. Litigation Unsecured Claims	Impaired. Each Litigation Unsecured Claim shall be liquidated and satisfied pursuant to the Plan ADR and to the extent any such Claim becomes an Allowed Litigation Unsecured Claim as provided in the Plan ADR in excess of available insurance proceeds (not of any deductible or self-insured retention payments) to pay such Claim, if applicable, the holder of such Claim shall receive on the Distribution Dates on account of its Allowed Litigation Unsecured Claim, its Pro Rata Share of the Distributions to holders of Allowed General Unsecured Claims as provided in Section 4.1(d) of the Plan.
Total Estimated Claims:	$[_____][6] Estimated Recovery: [_____] % of Allowed Claim
Class 4C. Securities Litigation Claims	Impaired. In accordance with section 510(b) of the Bankruptcy Code, an Allowed Securities Litigation Claim shall be subordinated to all senior classes; accordingly, each holder of an Allowed Securities Litigation Claim shall not receive or retain any Distribution on account of such Allowed Securities Litigation Claim.
Total Estimated Claims:	$[_____][7] Estimated Recovery: [_____] % of Allowed Claim
Class 4D. Subordinated Claims	Impaired. Each holder of an Allowed Subordinated Claim shall not receive or retain any Distribution on account of such Allowed Subordinated Claim.
Total Estimated Claims:	$[_____][8] Estimated Recovery: [_____] % of Allowed Claim
Class 5. Equity Interests	Impaired. All Equity Interests in the Debtors shall be cancelled, annulled and extinguished on the Effective Date, and the holders of such Equity Interests shall not receive or retain any property under the Plan.
Total Estimated Holders:	Recovery: 0%

2. Unclassified Claims Against the Debtors.

Administrative Claims[9]

On the Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim

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[6] Subject to estimation by AlixPartners.

[7] Subject to estimation by AlixPartners.

[8] Subject to estimation by AlixPartners.

[9] The Administrative Claims category includes the estimated amount of those Claims which will be paid as of the Effective Date.

	in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by the Debtors and such holder; provided, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid at the Debtors' election in the ordinary course of business. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Tax Claims shall not be classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims shall be treated separately as unclassified Claims on the terms set forth in Article V of the Plan.
Total Estimated Claims:	$[_____] Estimated Recovery: 100% of Allowed Claim
Tax Claims	
	At the election of the Debtors, each holder of an Allowed Tax Claim shall receive in full satisfaction of such holder's Allowed Tax Claim, (a) the amount of such holder's Allowed Tax Claim, with Post-Confirmation Interest thereon, in equal annual Cash payments on each anniversary of the Effective Date, until the sixth anniversary of the date of assessment of such Tax Claim (provided that the Disbursing Agent may prepay the balance of any such Allowed Tax Claim at any time without penalty); (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder.
Total Estimated Claims:	$[_____] Estimated Recovery: 100% of Allowed Claim

3. Distributions to Classes of Creditors Pursuant to the Plan.

Pursuant to the Plan, Reorganized IT Group will be acting as the Disbursing Agent with respect to Distributions to holders of Allowed Claims. The Plan provides that the Disbursing Agent shall make all Distributions required under the Plan including costs, expenses, and professional fees that are permitted to be deducted from the amounts that would otherwise be available for Distribution. Any Distribution to be made pursuant to the Plan shall be deemed to have been timely made if made within ten (10) days after the time specified in the Plan. Whenever any Distribution to be made under the Plan shall be due on a day other than a Business Day, such Distribution shall instead be made, without interest, on the immediately succeeding Business Day, but shall be deemed to have been made on the date due. For federal income tax purposes, a Distribution will be allocated to the principal amount of a Claim first and then, to the extent the Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

Pursuant to the Plan, all Cash necessary for the Disbursing Agent to make payments and Distributions shall be obtained from existing Cash balances, and the disposition of and realization on the Assets pursuant to the Plan. Furthermore, checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim with respect to which such check originally was issued. All Claims in respect of void checks shall be discharged and forever barred and such unclaimed Distributions shall revert to Reorganized IT Group.

Following confirmation of the Plan, the Plan will become effective (as such term is used in section 1129 of the Bankruptcy Code) on a date selected by the Plan Proponents (in consultation with the Agent) which is not later than thirty (30) days after the conditions precedent to the effectiveness of the Plan specified in Section 9.2 of the Plan have been satisfied or waived. For purposes of this Disclosure Statement, the Plan Proponents have assumed

that the Effective Date will be on or before March ____, 2004. Of course, there can be no certainty that the Effective Date will occur by such date, and the satisfaction of many of the conditions to the occurrence of the Effective Date is beyond the control of the Plan Proponents.

4. Powers and Duties of the Disbursing Agent

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall be empowered and directed to (a) take all steps and execute all instruments and documents necessary to make Distributions to holders of Allowed Claims; (b) make distributions contemplated by the Plan; (c) comply with the Plan and the obligations thereunder; (d) employ, retain, or replace professionals to represent it with respect to its responsibilities; (e) object to Claims as specified in Article VIII of the Plan and prosecute such objections; (f) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment, or Allowance of any Claim as provided in Article VIII of the Plan; (g) make such periodic reports regarding the status of distributions under the Plan to the holders of Allowed Claims as requested by the Oversight Committee; and (h) exercise such other powers as may be vested in the Disbursing Agent pursuant to the Plan.

Pursuant to the terms and provisions of the Plan, the Disbursing Agent shall on each Distribution Date, make the required Distributions specified under the Plan. To the extent all or a portion of a Contested Claim becomes an Allowed Claim subsequent to the Effective Date, the Disbursing Agent shall distribute to the holder of such Contested Claim the applicable Distribution on the Distribution Date immediately following the date such Contested Claim becomes an Allowed Claim.

Except as otherwise provided below, the Disbursing Agent, together with its officers, directors, employees, agents, and representatives, are exculpated by all Persons, holders of Claims and Equity Interests, and all other parties in interest, from any and all Causes of Action, and other assertions of liability (including breach of fiduciary duty) arising out of the discharge of the powers and duties conferred upon the Disbursing Agent by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence. No holder of a Claim or an Equity Interest, or representative thereof, shall have or pursue any Claim or Cause of Action (a) against the Disbursing Agent or its officers, directors, employees, agents, and representatives for making payments or Distributions in accordance with the Plan, or (b) against any holder of a Claim for receiving or retaining payments or transfers of assets as provided for by the Plan. Nothing contained in Section 10.3 of the Plan shall preclude or impair any holder of an Allowed Claim from bringing an action in the Bankruptcy Court against the Debtors to compel the making of Distributions contemplated by the Plan on account of such Claim.

III. HISTORY OF THE DEBTORS AND COMMENCEMENT OF THE CHAPTER 11 CASES

The discussion below briefly describes the Debtors and their businesses as they existed on the Petition Date.

A. Description of the Company's Business Operations.

Formerly International Technology Corporation, IT Group and its affiliates (collectively, the "Company")[10] based in Monroeville, Pennsylvania, provided engineering, construction, and facilities management, including property and equipment decontamination and decommissioning, as well as bioremediation and remedial design, construction of containment systems, recovery and treatment systems and soil washing. Contracts from the U.S. government generated 50% of the Company's sales.

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8 The term "Company" as used herein includes approximately 92 direct and indirect subsidiaries of IT Group as well as approximately 43 limited liability companies and joint ventures in which the Debtors hold an interest. Many of these entities (the "Non-filing Entities"), including all joint ventures and all but one of the foreign entities, have not commenced chapter 11 cases and, thus, are not Debtors in these Chapter 11 Cases.

As of September 28, 2001, the Company reported total assets of approximately $1.3 billion, including goodwill of $0.5 billion and total liabilities of approximately $1.1 billion. As of the Petition Date, the Company had over 80 domestic offices and over 10 international offices.

1. **Operations.**

As of the Petition Date, the Company's operations were comprised of six divisions or business lines:

Government Services. The Government Services business line provided engineering and construction services to U.S. federal government agencies such as the Department of Defense, Department of Energy, Environmental Protection Agency and the National Aeronautics and Space Administration. Services were provided in three market areas: (1) Hazardous, Toxic and Radiological Waste, which focused on the cleanup of environmental "legacy" sites in order to restore them to productive use; (2) Outsourced Services, which managed large, mission-essential military and aerospace facilities and offered design, building and renovation services; and (3) Civil Works, which executed major infrastructure projects focused largely on the restoration of U.S. water-sheds, such as the Florida Everglades.

Commercial Services. The Commercial Services business line provided turnkey engineering and construction services to private-sector clients and state and local government agencies. The Company's Consulting and Technology business line provided specialized consulting services in environmental health and safety compliance, risk and cost allocation determination, chemical management planning, product registration, due diligence support and strategic environmental planning.

Solid Waste. The Solid Waste business line provided turnkey services, which comprised complete life cycle management of solid waste, employing capabilities that ranged from site investigation through landfill design and construction to post-closure operations and maintenance or redevelopment.

Transportation and Telecommunication. The Transportation and Telecommunication business line provided consulting, engineering and design, serving the infrastructure development needs of the transportation, land development, energy and telecommunications industries through the Company's W&H Pacific subsidiary.

Real Estate Restoration. The Real Estate Restoration business line provided integrated solutions for environmentally impaired property assets using the Company's real estate, environmental, legal, financial and insurance expertise. The Company also acquired and redeveloped environmentally impaired properties to achieve their highest values, while mitigating risks through the use of innovative risk management programs.

International. The International business line provided comprehensive environmental and infrastructure services to multinational and foreign-based clients, to bring together the development, engineering-procurement- construction and operation capabilities.

2. **Competition.**

As of the Petition Date, the Debtors competed with a diverse array of small and large organizations, including national or regional environmental management firms, national, regional and local architectural, engineering and construction firms, environmental management divisions or subsidiaries of international engineering, construction and systems companies, as well as waste generators that had developed in-house capabilities. Increased competition, combined with changes in client procurement procedures, resulted in, among other things lower contract margins, more fixed-price or unit-price contracts, and contract terms that increasingly required the indemnification of clients against damages or injuries to third parties and property, and environmental fines and penalties. Further, the entry of large systems contractors and international engineering and construction

firms into the environmental services industry had increased competition for major federal government contracts and programs, which had been the Debtors' primary source of revenue in recent years.

3. Employees.

As of the Petition Date, the Debtors' workforce consisted of approximately 6,400 full-time employees and approximately 390 part-time employees. Following consummation of the Shaw Transaction, the Debtors had sixteen full and part time employees.

The Debtors' current Chief Operating Officer is Harry J. Soose, Jr., who has held the position of the Chief Operating Officer of IT Group since May 2002. Mr. Soose also served as the Chief Financial Officer, a position held since August 1999. Mr. Soose started with IT Group in 1991 holding various operational finance and accounting positions. Prior to joining IT Group, Mr. Soose was employed with a real estate and home building company and before that with an international conglomerate with interests in transportation, manufacturing and the engineering and construction industries. Mr. Soose has a Bachelor of Science majoring in accounting and an MBA from Duquesne University and is a Certified Management Accountant and a Certified Public Accountant.

4. Board of Directors of IT Group.

As of the Petition Date, the Debtors' board of directors was comprised of the following directors:

Francis J. Harvey
James C. Mcgill
Richard W. Pogue
Charles W. Schmidt
Daniel A. D'Aniello
Philip B. Dolan
E. Martin Gibson
Robert F. Pugliese
James David Watkins

5. Properties.

Prior to the Petition Date, the Debtors owned or leased property domestically at 154 sites in 38 states and the District of Columbia, and internationally at 18 principal sites located primarily in Canada and Australia. Excluding discontinued operations, the Debtors owned approximately 73 acres and leased approximately 2.1 million square feet of property for various uses, including regional and project offices, technology and process development laboratories, field remediation support service facilities, and corporate offices.

Additionally, the Debtors owned approximately 2,800 acres related to discontinued operations, principally in Northern California, of which approximately 900 acres were used for hazardous waste disposal facilities and approximately 1,900 were adjacent to those facilities, but were never used for waste disposal.

6. The Prepetition Credit Facility and Subordinated Notes.

As of the Petition Date, IT Group and certain of its subsidiaries were parties to that certain Credit Agreement dated as of February 25, 1998, as amended and restated as of June 11, 1998 and further amended and restated as of March 7, 2000 (together with the other documentation executed in connection therewith and amendments thereto, the "Prepetition Credit Facility") with the lender parties thereto (the "Prepetition Lenders") and Citicorp USA, Inc. (the "Agent"), as administrative agent, Fleet National Bank ("Fleet") as documentation agent, and the institutions listed therein as Co-Agents. The obligations under the Prepetition Credit Facility are guaranteed by various subsidiaries of IT Group (such subsidiaries, collectively, the "Subsidiary Guarantors").

Under the Prepetition Credit Facility, the Prepetition Lenders provided the Debtors with revolving and term loan credit facilities and other financial accommodations. The aggregate obligations to the Prepetition Lenders outstanding as of the Petition Date were approximately $502 million in principal amount, plus interest thereon and

fees and expenses incurred in connection therewith as provided in the Prepetition Credit Facility. Under the Prepetition Credit Facility, IT Group and certain of the other Debtors party thereto granted security interests in certain assets of the Debtors.

In addition to the Company's secured obligations pursuant to the Prepetition Credit Facility, IT Group also had issued $225 million of 11¼ % senior subordinated notes due 2009 (the "Old 11¼% Notes"). The Old 11¼% Notes are unsecured and IT Group's obligations thereunder are guaranteed on a joint and several basis by substantially all of the Company's wholly-owned domestic subsidiaries. Separately, IT Group has outstanding $32 million of 8% subordinated notes (the Old 8% Notes" and collectively with the Old 11¼% Notes, the "Old Notes"). The Old 8% Notes are obligations that IT Group acquired as part of the merger with OHM Corporation in 1998. The Old Notes are pari passu with each other and subordinated to all obligations with respect to the Prepetition Credit Facility and subordinated to the Prepetition Credit Facility.

B. Events Preceding the Commencement of the Chapter 11 Cases.

Commencing in 1997, the Company embarked on an aggressive acquisition and diversification strategy pursuant to which the Company acquired eleven firms representing aggregate annual revenues of more than $1 billion. The Company undertook this strategy with the expectation that they would be able to take advantage of economies of scale with these new but related businesses and by integrating them into one shared services firm, reducing overhead, and simultaneously maximizing revenues. To fund the cash needs directly related to these acquisitions, IT Group entered into the Prepetition Credit Facility issued the Old 11¼% Notes in 1999 and increased availability under the Prepetition Credit Facility by $100 million in March 2000. The Company expected that this growth strategy would create short-term negative cash flow following each acquisition, but also expected that once the acquired business was assimilated into the Company, the newly assimilated business line would become cash-flow positive.

The assimilation of the acquired businesses did not result in significant economies of scale or in a significant increase in revenues, as expected. Among other things, this, combined with declines in the construction business, and a recessionary economy, which led many commercial clients to slow spending in non-core operating areas, caused the Company to begin experiencing negative revenue growth and liquidity problems in the second quarter of 2001. Consequently, in the third quarter of 2001, the Company had fully drawn the cash available under the Prepetition Credit Facility.

The Company's financial situation was further complicated by the terrorism attacks of September 11, 2001, which distracted the Company's largest client, the federal government, slowing project progress. Additionally, in early October 2001, the Company announced sharply reduced earnings, which in turn raised concerns regarding the Company's financial health. The effect of this announcement slowed the Company's ability to book new business and further exacerbated the Company's cash flow problems. Thus, by the end of November and early December 2001, the Company was unable to timely pay all of their trade payables when due. As a consequence, many of the Company's vendors and subcontractors delayed and even stopped work on certain of the Company's projects.

To address these problems, in the fourth quarter of 2001, the Company expanded efforts to reduce debt and expense levels, and offered for sale certain assets and businesses. Despite these efforts, the Company continued to experience severe liquidity problems and in late December, the Company embarked on an aggressive strategy under which they sought alternative financing, strategic mergers and a sale of substantially all of the Company. In that regard, the Company solicited traditional and nontraditional lenders regarding possible interim and long-term financing and entered into substantive discussions with possible strategic partners and buyers regarding potential transactions involving the sale of all or part of the Company's assets.

These efforts resulted in the Company negotiating and entering into a letter of intent with Shaw regarding a transaction pursuant to which Shaw would acquire substantially all of Company's assets, as set forth more fully in Section III.E of this Disclosure Statement. Accordingly, the Company commenced these Chapter 11 Cases to, among other things, effect through Bankruptcy Code section 363, a sale of substantially all of their assets to Shaw or an alternative bidder.

IV. THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases.

On January 16, 2002, the Debtors commenced their Chapter 11 Cases by each filing voluntary petitions for protection under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, the Honorable Mary Walrath, United States Bankruptcy Judge, presiding. The Chapter 11 Cases are being jointly administered under Case No. 02-10118 (MFW).

B. Continuation of Business After the Petition Date.

Since the Petition Date, the Debtors have continued in the possession of their assets as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors have sought Bankruptcy Court approval for all transactions that were outside the ordinary course of the Debtors' businesses, such as the employment of attorneys and accountants, and the sale of substantially all of their assets through the Shaw Transaction.

1. Employee Matters.

Of particular importance to the Debtors' efforts to facilitate the Shaw Transaction, was their ability to maintain business relationships and the continued support and cooperation of their employees. Accordingly, the Debtors sought and, by orders dated January 17, 2002, January 28, 2002, and February 13, 2002 obtained, Bankruptcy Court authority to: (a) meet all prepetition employee obligations, including payment of: (i) unpaid prepetition wages, fees, salaries, bonuses (including without limitation, performance and other incentive bonuses), commissions and royalties, (ii) earned, but unpaid, paid time off,[11] such as paid vacation and sick days, (iii) workers' compensation claims arising before the Petition Date; (iv) reimbursable business expenses incurred before the Petition Date; and (v) employee benefit claims arising before the Petition Date (including, without limitation, medical, executive medical, dental, vision, prescription drug, COBRA, life insurance, accidental death and dismemberment, supplemental life insurance, business travel accident insurance, long and short term disability, disability salary continuance, employee assistance plan, educational reimbursement, flexible spending plans, candidate referral program, scholarship plan, employee 401(k) plan withholdings and payments pursuant to garnishment orders and miscellaneous other benefits; (b) pay any and all local, state and federal withholding and payroll-related taxes relating to prepetition and postpetition periods, including but not limited to, all withholding taxes, Social Security taxes and Medicare taxes; and (c) continue postpetition certain of the employee benefit plans and programs in effect immediately prior to the filing of these Chapter 11 Cases. In addition, the Bankruptcy Court authorized and directed each of the banks in which the Debtors maintained a bank account to honor all prepetition and postpetition checks related to such prepetition obligations to employees provided that sufficient funds were on deposit in the applicable banks to cover such payments.

2. Maintenance of Utility Services.

The Debtors sought and obtained an order dated March 8, 2002 from the Bankruptcy Court, determining that the Debtors' past history of prompt payments and demonstrated ability to pay future utility bills in connection with their utility services would constitute adequate assurance of future performance pursuant to section 366(b) of the Bankruptcy Code. The Bankruptcy Court, in its order, prohibited utility companies from altering, refusing or discontinuing service on the basis of the commencement of these Chapter 11 Cases or on account of any unpaid invoice provided prior to the Petition Date. The order was without prejudice to the right of a utility company to request from the Debtors additional adequate assurance within 45 days of the service of the order. The Bankruptcy Court also authorized the Debtors to pay their utilities in accordance with their prepetition practices and to pay any prepetition amounts owed in the ordinary course of business.

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[11] The Bankruptcy Court Order specifically excluded any "cash payout" of paid time off, but authorized the Debtors to honor paid time off to pay employees for days on which they did not work.

3. Relationships with Critical Trade Vendors and Suppliers.

As with any service-oriented enterprise, it was essential to the Debtors' success, as well as the consummation of the Shaw Transaction, that its operations be provided with equipment and support services, and that it maintain certain appropriate levels of inventory and supplies. Accordingly, in order to maintain an amicable relationship with the Debtors' most critical vendors and suppliers during these Chapter 11 Cases and maximize the value of assets in connection with the Shaw Transaction, the Debtors sought approval to pay the prepetition claims of certain critical trade vendors, suppliers, service providers and others providing goods and support services (each a "Critical Trade Creditor"). The payment of these prepetition claims was deemed necessary to preserve the value of the Debtors' business, the underlying projects and their ongoing business, and to ease the administrative burden on the Debtors' estates.

The Bankruptcy Court, by order dated March 15, 2002, authorized the Debtors to pay the prepetition claims of certain Critical Trade Creditors, with the consent of the Committee, and the DIP Lender, in an amount not exceeding $41,000,000. Pursuant to the Bankruptcy Court's order, if any Critical Trade Creditor who accepted such payment failed to continue to provide trade credit through either the consummation of the Shaw Transaction or a plan of reorganization, the payment would be deemed to be an improper postpetition transfer and, therefore, would be recoverable by the Debtors in cash upon written request. Furthermore, upon recovery by the Debtors or the Committee, any such prepetition claims would be reinstated as if the payment had not been made.

4. Authorization to Continue the Use of Existing Bank Accounts, Business Forms and Cash Management System.

As of the Petition Date, the Debtors maintained, in the ordinary course of business more than 250 domestic bank accounts located in various states through which the Company managed cash receipts and disbursements for the Debtors' entire corporate enterprise (collectively, the "Domestic Bank Accounts"). Additionally, certain Debtors and certain non-debtor affiliates of the Debtors had accounts in banks in twelve foreign countries (collectively, the "Foreign Bank Accounts" and together with the Domestic Bank Accounts, the "Bank Accounts"). Prior to the Petition Date, the Debtors routinely deposited, withdrew and otherwise transferred funds to, from and among the Bank Accounts by various methods, including check, wire transfer, automated clearing house transfer and electronic funds transfer. The Debtors completed thousands of transactions per month through the Bank Accounts maintained at financially stable banking institutions with FDIC or FSLIC insurance, or other appropriate deposit insurance. Such transactions are part of an established cash management system that the Debtors needed to maintain in order to ensure smooth collections and disbursements in the ordinary course. Adopting new, segmented cash management systems would be expensive, would create unnecessary administrative burdens, and would be disruptive to the Debtors' business operations. Because, the United States Trustee guidelines mandate that the Debtors change their business forms including, but not limited to letterheads, purchase orders, and invoices the Debtors sought and obtained an order dated March 26, 2002 permitting the Debtors to maintain their existing Bank Accounts, Cash Management System, and Business Forms. Further, the Court authorized and directed the Debtors' banks to honor all checks, drafts, wires and automated clearinghouse transfers to the extent sufficient funds were available.

5. Waiver of Investment and Deposit Requirements.

As of the Petition Date, the Debtors maintained seven investment accounts (the "Investment Accounts") that receive excess funds from various of the Domestic Bank Accounts. The remainder of the Bank Accounts contains zero or minimal operating balances and are not invested overnight. The Debtors believed that their use of the overwhelming majority of the Investment Accounts conformed with approved investment practices identified in section 345 of the Bankruptcy Code, and that all deposits and investment into the Investment Accounts and other Bank Accounts were safe, prudent and designed to yield the maximum reasonable net return on the funds invested, while preserving the principal. However, out of an abundance of caution, the Debtors sought and obtained an order dated March 26, 2002 authorizing the Debtors to deviate from the approved investment practices established under section 345 of the Bankruptcy Code to the extent that such deposits do not conform with such approved investment practices.

6. **Authorization to Pay Certain Prepetition Sales, Use and Other Taxes.**

As of the Petition Date, the Debtors, in the ordinary course of their businesses, incurred various tax liabilities, including, among others, sales and use taxes. The Debtors sought and obtained orders dated January 28, 2002 and February 13, 2002 authorizing the Debtors to pay certain taxing authorities such sales and use taxes and other taxes in the ordinary course.

7. **Authorization to Pay Prepetition Insurance and Surety Bond Premium Financing Obligations.**

As of the Petition Date, as part of their integrated cash management system, the Debtors financed the payment of premiums on certain insurance policies. The financed insurance policies included both property liability insurance and pollution liability insurance. If the Debtors did not pay installments on the premium finance agreements, the amount of the unearned premium would decline, eventually leaving the finance company unsecured. Absent such authority to make payments, the Debtors believed that the finance companies would seek modification of the automatic stay to cancel the policies which would be expensive and disastrous for the Debtors as they were obligated to maintain insurance coverage. Accordingly, the Debtors sought and obtained authority by orders dated January 28, 2002 and February 13, 2002 to continue making payments to finance the premiums of certain insurance policies and surety bonds in the ordinary course.

8. **Authorization to Pay Certain Prepetition Shipping Charges.**

As of the Petition Date, the Debtors paid certain commercial common carriers (the "Shippers") to transport goods and equipment to the Debtors' various job sites throughout the United States and the world (the "Shipping Charges"). These Shipping Charges were generally not paid in advance, but rather were paid by invoice for shipping services previously rendered. The Debtors believed that should the Shipping Charges not be paid on a timely basis, the Shippers may refuse to perform additional services. Because locating replacement Shippers would be difficult, if not impossible, and cost prohibitive, the Debtors sought and obtained orders dated January 28, 2002, and February 13, 2002 authorizing the Debtors to pay the Shipping Charges as were deemed necessary or appropriate in the ordinary course in order to obtain and/or ensure the transport, delivery or release of the Debtors' goods and equipment held by such Shippers and to satisfy any liens held by such Shippers in respect of such goods. In return, the Shippers were required to continue to provide services to the Debtors during the pendency of these Chapter 11 Cases on the same terms as existed prior to the Petition Date.

9. **Authorization to Pay Certain Contractors in Satisfaction of Perfected or Potential Mechanic's or Similar Liens or Interests in the Ordinary Course of Business.**

As of the Petition Date, in the ordinary course of the Debtors' business, the Debtors employed a number of mechanics, tradespersons and subcontractors (the "Subcontractors") to perform a variety of services that would give rise to a right to payment that might be secured by a mechanics', materialmen's or other similar liens. The Debtors called upon these Subcontractors on a daily basis to render their services at many job sites throughout the United States. The services provided by these Subcontractors were necessary to the Debtors' ability to perform the services for which the Debtors were engaged and, therefore, these services were deemed critical to the going-forward operation of the Debtors' businesses and the consummation of the Shaw Transaction. If the Debtors continued in non-payment of amounts owed to Subcontractors, certain Subcontractors would have refused to perform ongoing services for the Debtors with the potential result that the Debtors might be unable to complete their obligations under contract, adversely impacting the Debtors' businesses and the enterprise value of the Debtors' estates. Accordingly, the Debtors sought and obtained an order dated March 13, 2002 authorizing the Debtors to pay and discharge the prepetition claims (the "Subcontractor Claims") of the Subcontractors to the extent that such Subcontractor Claims have given or could give rise to liens or other interests against the Debtors' property or the property of the Debtors' clients, regardless of whether such Subcontractors had already perfected their interests. Such payments were restricted to Subcontractor Claims for which the Subcontractor had perfected one or more liens or interests in respect of such claim or, in the Debtors' judgment, was either presently capable of perfection or capable of perfection in the future. Despite the payment of such claims, the Debtors' rights regarding the extent, validity, perfection or possible avoidance of any liens or interests were fully reserved.

10. Authorization to Pay Prepetition Claims Owed to Certain Foreign Entities.

As of the Petition Date, the Debtors were parties to numerous service contracts with various governments (including the U.S. government) and multi-national corporations throughout the world. When services were required on U.S. military bases on foreign soil, a non-debtor affiliate of the Debtors would perform the services on the Debtors' behalf. The Debtors, however, directly paid the foreign non-debtor affiliate's vendors, suppliers, and subcontractors (the "Foreign Vendors"). Accordingly, in the ordinary course of the Debtors' business the Debtors called upon Foreign Vendors to perform services and provide materials and equipment for the Debtors' use at foreign sites. Additionally, as a result of conducting business worldwide, the Debtors paid taxes and other administrative fees to foreign government entities (the "Foreign Government Entities"). Such taxes included value added, sales and gross receipt taxes.

Absent prompt and full payment, the Foreign Vendors were likely to discontinue or delay providing the goods, services, materials and equipment the Debtors require to transact business abroad. Additionally, absent payment of the prepetition claims to the Foreign Government Entities, the Debtors could lose their right to conduct business in certain foreign jurisdictions. Such actions would seriously impair the value of the Debtors' foreign assets, would erode the Debtors' relationships with certain foreign affiliates and jeopardize consummation of the Shaw Transactions as originally contemplated, potentially diminishing the recoveries of all creditors. Further, the Debtors were unsure that they could rely on the automatic stay to protect themselves or their foreign assets from collection actions in foreign jurisdictions.

Accordingly, the Debtors sought and obtained an order dated February 13, 2002 authorizing the Debtors to pay such prepetition claims owed to Foreign Governmental Entities and Foreign Vendors as they were critical to the Debtors' continued worldwide operations.

11. Prohibitions of Certain Project Owners from Withholding and Offsetting Payments Due to Debtors or Paying Subcontractors Directly on Account of Prepetition Claims.

As of the Petition Date, the Debtors provided site supervision, general contracting and engineering services under contracts entered into with certain project owners pursuant to which the Debtors were typically required to directly pay the subcontractors for services rendered. Under some of the contracts between the project owners and the Debtors, in the event the Debtors were late in paying the subcontractors, the project owners could withhold monthly payments owed to the Debtors and pay the subcontractors directly. Prior to the Petition Date, several project owners withheld amounts owed the Debtors and/or paid the subcontractors directly. Such actions could, in certain circumstances, have an immediate and adverse impact on the Debtors' cash flow. Accordingly, the Debtors sought an order authorizing the Debtors to implement a program pursuant to which the Debtors could pay prepetition claims of the subcontractors as the Debtors believed their services were integral to the success of the Debtors' reorganization efforts. The motion, however, was not granted due to several objections filed by various parties. As of the date of this Disclosure Statement, consideration of the motion remains pending in the Bankruptcy Court.

12. Retention of Professionals.

The Debtors obtained approval from the Bankruptcy Court for the retention of professionals pursuant to section 327 of the Bankruptcy Code. The Debtors retained, among others, the following professionals: the law firm of Skadden, Arps, Slate, Meagher & Flom LLP as counsel representing the Debtors in these Chapter 11 Cases. The Debtors also retained (i) Logan & Company, Inc. as claims, noticing and balloting agent; (ii) Kroll Zolfo Cooper, LLC as bankruptcy consultant and special financial advisor; (iii) UBS Warburg, LLC as financial advisor; (iv) Lehman Brothers as Financial Advisors; (v) Jefferson Wells as special tax advisors; (vi) Greenvest, LLC, as advisor and consultant; and (vii) other professionals for matters in the ordinary course. The Bankruptcy Court's approval of the Debtors' retention of UBS Warburg, LLC ("UBS") and Lehman Brothers ("Lehman") is subject to certain indemnification and waiver provisions as set forth in the orders dated June 6, 2002 and July 29, 2002 respectively. By order dated December __, 2002, the Bankruptcy Court approved the final applications of UBS and Lehman as financial advisors to the Debtors, subject to the terms set forth therein. In accordance with the Shaw Transaction, Shaw agreed to pay allowed fees and expenses of professional persons retained in the Chapter 11 Cases and incurred through the date of the Closing. To the extent, such allowed fees and expenses are less than $10,600,000, the Debtors are entitled to receive the expense savings up to

$600,000 to be paid by Shaw (the "Estate Savings"). The Plan Proponents believe the Debtors will be entitled to the Estate Savings in accordance with the Shaw Transaction, which will be distributed in accordance with the Plan.

13. Extensions of Time to Assume or Reject Leases.

As of the Petition Date, the Debtors were lessees under a number of unexpired leases of nonresidential real property located throughout the United States (the "Unexpired Leases"). The majority of the Unexpired Leases were leases used by the Debtors to operate corporate offices, field offices and warehouse space. All of the Unexpired Leases were assets of the Debtors' estates. Accordingly, the Unexpired Leases were an essential element to the Shaw Transaction or to any plan of reorganization proposed by the Debtors.

In order to preserve the value of the Unexpired Leases for the benefit of the Debtors' estates and creditors, on or about March 11, 2002, the Debtors sought an order extending the sixty-day period within which they must assume or reject the Unexpired Leases (the "Assumption/Rejection Period") to, and including, the date on which the Bankruptcy Court confirms the Debtors' chapter 11 plan of reorganization. Pursuant to section 365 of the Bankruptcy Code, all unexpired leases of nonresidential real property that are not otherwise assumed prior to the end of a sixty-day period following the commencement of the case are deemed rejected by operation of law, unless the court extends such time for cause. By order dated April 12, 2002, the Bankruptcy Court granted the Debtors' request for an extension of the Assumption/Rejection period through and including the earlier of June 17, 2002 or the date of confirmation of the Debtors' plan of reorganization or liquidation. Such order was without prejudice to the Debtors' right to seek an additional extension of the Assumption/Rejection Period.

14. Extension of Time to Remove.

As of the Petition Date, the Debtors were parties to numerous civil actions. Pursuant to 28 U.S.C. § 1452 and Bankruptcy Rule 9027, the period during which the Debtors may remove actions expires is the earlier of (a) April 16, 2002 or (b) 30 days after the entry of an order terminating the automatic stay with respect to any particular action sought to be removed (the "Removal Period." Upon the Debtors' request, the Bankruptcy Court on May 8, 2002 approved the extension of the Removal Period with respect to any actions pending on the Petition Date through July 15, 2002. The Bankruptcy Court subsequently entered a series of orders extending the Removal Period through the earlier of (a) January 8, 2004 or (b) 30 days after entry of an order terminating the automatic stay with respect to any particular action sought to be removed.

15. DIP Credit Facility.

Prior to the Petition Date, the Debtors determined that they would require substantial debtor-in-possession financing to obtain necessary goods and services in connection with their operations, to pay their employees, to restore confidence and support from their vendors, suppliers, customers, and employees, and to facilitate their ability to operate their businesses in the event they commenced cases under chapter 11 of the Bankruptcy Code.

In that regard, in conjunction with the Shaw Transaction, the Debtors negotiated with Sugar Acquisition (NVDIP), Inc. (the "Postpetition Lender") to provide postpetition financing to the Debtors in an amount not to exceed $75 million in the aggregate, with $25 million being fully committed and the remaining $50 million to be made available at the Postpetition Lender's sole discretion. The commitment of the Postpetition Lender to provide such financing was conditioned upon, among other things, obtaining valid first and senior liens with superpriority status pursuant to section 364(c) of the Bankruptcy Code on substantially all of the Debtors' assets.

After significant negotiation, by order dated January 30, 2002, the Bankruptcy Court approved the Debtors borrowing in the maximum aggregate outstanding principal amount of $55 million (the "DIP Indebtedness"), provided that the Debtors were authorized to borrow an additional $25 million to pay critical vendors prepetition claims in accordance with Bankruptcy Court's orders approving such payments.

By order dated February 13, 2002, the Bankruptcy Court entered the second interim order which provided that the first $25 million advanced under the DIP Credit Agreement was required to be in the form of cash. The

Debtors were authorized to request that advances in excess of $25 million take the form of Cash or Surety Bonds. The second interim order did not contain a restriction on amounts to be advanced under the DIP Credit Agreement.

By order dated May 3, 2002, the Bankruptcy Court entered the third interim order which approved an amendment of the DIP Credit Agreement which increased the lending commitment thereunder from $55 million to $60 million.

In connection with the consummation of the Shaw Transaction, Shaw assumed amounts owing to the Postpetition Lender under the DIP Credit Agreement as of the Closing Date.

16. Cash Collateral.

As previously discussed, as of the Petition Date, the Debtors were indebted to the Prepetition Lenders in an amount equal to approximately $502 million. Although the extent of the Prepetition Lenders' security interests is currently in dispute, the Debtors believe that substantially all of the Debtors' cash and future cash receipts were the cash collateral of the Prepetition Lenders. As of the Petition Date, the Debtors required the use of the cash collateral pursuant to section 363(a) of the Bankruptcy Code in order to preserve, operate and administer assets of the Debtors' estates.

Pursuant to stipulations entered into between the Prepetition Lenders and the Debtors as approved by the Bankruptcy Court by the Cash Collateral Orders, the Prepetition Lenders agreed to permit the use of their "cash collateral" to pay postpetition operating expenses and expenses of administration of the Debtors' Chapter 11 Cases. In return, the Prepetition Lenders were provided, as adequate protection, the payment on a current basis of the fees and disbursements incurred by the Agent in connection with the Prepetition Credit Facility and continuation of the payment to the Agent under the Prepetition Credit Facility on a current basis of the administrative and collateral agent fees and letter of credit fees that are provided for thereunder. Further, the Prepetition Lenders were provided, as adequate protection, pursuant to section 364(c) of the Bankruptcy Code, a superpriority allowed claim pursuant to section 364(c)(1) of the Bankruptcy Code and a superpriority allowed claim pursuant to section 507(b) of the Bankruptcy Code for any diminution in the cash collateral of the Prepetition Lenders in accordance with the Cash Collateral orders. As of the date of this Disclosure Statement, a Final Order concerning cash collateral is pending in the Court.

17. Motion for Authorization to Pay Prepetition Payment under Paid Time Off Benefit Program (the "PTO Program Motion").

On or around June 6, 2002 the Debtors sought authority to make prepetition payments of accrued and unpaid vacation ("PTO") to certain employees in accordance with the Debtors' prepetition PTO Program, as modified in the PTO Program Motion and the Asset Purchase Agreement. Under the PTO Program, employees accrued PTO consisting of time accrued each pay period to be used (subject to supervisory approval) for vacation, illness or injury, religious observances and certain other purposes and were entitled to cash out all but forty hours of their existing PTO accruals once annually. Pursuant to the Asset Purchase Agreement, Shaw agreed to pay the Debtors, among other things, PTO, less an amount equal to one weeks' vacation pay for the Debtors' employees. In turn, the Debtors agreed, subject to approval of the Court, to pay these employees the PTO as part of a retention plan. In addition, the parties agreed that as part of a retention plan, employees who were terminated prior to Closing due to the Debtors' reduction in force efforts (collectively, the "RIF Employees"), would be compensated for their accrued and unpaid vacation as well. The Debtors estimated that, as of the Petition Date, the total accrued unpaid prepetition PTO aggregated approximately $8 million, amounting to an average of approximately $1,400 per eligible employee. Pursuant to the PTO Program Motion (i) approximately $7.4 million was attributable to the eligible employees who accepted an offer of employment from Shaw; (ii) approximately $100,000 was attributable to current employees of the Debtors; and (iii) approximately $500,000 for those eligible employees who are RIF Employees. As of the date of the PTO Program Motion, the Debtors employed only sixteen of the eligible employees.

The Committee objected to the payment of the PTO arguing that (i) if granted the Debtors would have virtually unfettered authority to pay the PTO without demonstrating the need or benefit to the estate of such payment

and (ii) the Debtors' creditors have a substantial interest in verifying and reducing employee claims filed in these Chapter 11 Cases.

At a hearing held on June 24, 2002, the Court approved the PTO Program Motion in part and denied the PTO Program Motion in part. In particular, the Court determined that under the "doctrine of necessity," the Court was only authorized to allow payment of PTO as to employees who were currently employed by the Debtors, which accounted for only sixteen employees. Subsequently, Shaw filed a motion seeking a return of certain cash reserves established by the Shaw Transaction and held by the Debtors with respect to the PTO Program. After a hearing before the Bankruptcy Court in November 2002, the Bankruptcy Court entered an agreed order whereby the Debtors agreed to make payments to employees entitled to PTO payments under the PTO Program in accordance with the Shaw Transaction, provided such recipients executed releases in favor of the Debtors.

C. Formation and Representation of the Official Unsecured Creditors' Committee.

On or about January 25, 2002, the United States Trustee appointed the official committee of unsecured creditors (the "Committee"). The Committee retained the law firms of White & Case LLP, 200 South Biscayne Boulevard, Miami, Florida 33131 and The Bayard Firm, 222 Delaware Avenue, Wilmington, Delaware 19899 as co-counsel.

The Committee is currently comprised of the following members:

CMI Investors, LLC
565 Fifth Avenue
New York, NY 100117
(212) 792-2170

Severn Trent Laboratories, Inc.
4857 61st Road
Udall, KS 67146
(620) 986-5524

Murray Hunter Hutchison
P.O. Box 2231
Rancho Santa Fe, CA 92067
(858) 756-9777

Onsight Companies
7301 Parkway Drive
Hanover, MD 21076
(410) 694-5146

Bank of New York
Indenture Trustee
5 Penn Plaza
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Daniel Arbess of CMI Investors, LLC and Murray Hunter Hutchison serve as co-Chairpersons of the Committee. Contaminant Control, Inc., an initial Committee member, resigned from the Committee on or about December 16, 2002. In the Chapter 11 Cases with the approval of the Bankruptcy Court, the Committee retained (i) White & Case LLP as its lead counsel, (ii) The Bayard Firm as its Delaware counsel, (iii) Chanin Partners as its financial advisor, (iv) Charles Brewer and Raymond Pompe as its consultants (v) Friedman Kaplan Seiler & Adelman LLP as its special counsel, and (v) AlixPartners LLC as its bankruptcy claims specialist.

D. Appointment of an Examiner.

On March 11, 2002, upon motion by the Committee, the Bankruptcy Court ordered the appointment of a chapter 11 examiner with expanded emergency powers. Accordingly, by Order dated March 19, 2002, the Bankruptcy Court appointed Todd Neilson as Examiner.

Pursuant to the Bankruptcy Court's Order, the Examiner's expanded powers included among other things:

- Exploration of the prospects for a stand-alone plan of reorganization for the Debtors in comparison to the proposed Shaw Transaction;

- Investigation of the acts, conduct, assets, liabilities and financial condition of the Debtors, the operation of the Debtors' business and the desirability of the continuance of such business, and other matters relevant to the Chapter 11 Cases or to the formulation of a plan;

- Development of one or more detailed plans for the ongoing operation of the Debtors' business (which may be interim or long term or both);

- Development and making of recommendations regarding cost-cutting and revenue enhancement measures for the Debtors;

- Investigation and full exploration with potential lenders the possible terms of a new debtor-in-possession facility and potential exit financing for the Debtors;

- Investigation and analysis regarding selling any or all of the Debtors' assets or businesses and, to the extent necessary to conduct such investigation and analysis, meet and discuss matters with potential purchasers;

- Assessment of the economics of the Debtors' rights and interests under the various agreements that are the subject of the Motion of Northrop Grumman Technical Services, Inc., and Wackenhut Services, Inc., for an Order Granting Relief from the Automatic Stay.

- Assessment of the potential separate administration and/or sale of Landbank Wetlands, LLC and U.S. Wetlands, LLC.

- File a report setting forth the Examiner's findings as to the matters set forth above.

As part of the Examiner's task, the Examiner prepared a report and a supplemental report (collectively, the "Report") detailing various findings which it filed with the Court on or around April 9, 2002 and April 18, 2002, respectively.

1. Examiner's Assessment of Viability of a Reorganization of the Debtors.

Pursuant to the Report, the Examiner concluded that an internal reorganization of the Debtors was not viable. The Examiner determined that any responsible plan would require an immediate cash infusion of at least $158 million with concomitant access to $50 million working capital. According to the Examiner, such financing did not appear to be presently available to the Debtors in the marketplace. Further, in the Examiner's opinion, even if the necessary financing were available to the Debtors, the reorganized Debtors' debt level would be unreasonably high in comparison to other similarly situated companies.

The Report concluded that assuming that no other higher or better qualified bids for some or all of the Debtors' assets were received, that the proposed sale of assets to Shaw should be allowed to proceed. The consideration to be provided to the Debtors by Shaw approximated the potential reorganization value of the Debtors. Further, the Examiner concluded that under the circumstances the Debtors' professionals adequately and reasonably marketed to third parties the sale of some or all of the Debtors' assets, and thus Shaw's offer reflected the best indicator of the Debtors' value.

2. Examiner's Assessment of the Potential Separate Administration and/or Sale of Landbank Wetlands and U.S. Wetlands.

As part of the Bankruptcy Court's directive, the Examiner conducted an assessment of the potential separate administration and/or sale of Landbank Wetlands, LLC ("Landbank Wetlands") and U.S. Wetlands, LLC ("U.S. Wetlands") as a stand-alone business separate and apart from the proposed sale of substantially all of the

Debtors' assets to Shaw. The Examiner concluded that Landbank Wetlands, the parent company of U.S. Wetlands, could, from an economic and functional standpoint, be administered as a separate business. Landbank Wetlands could, from an economic and functional standpoint, conduct an asset sale separate and apart from the proposed sale of substantially all of the Debtors' assets to Shaw. Finally, the Examiner concluded that given the lack of information regarding Landbank Wetlands' liabilities, it was unclear whether, from an economic and functional standpoint, there could be a sale of the equity of Landbank Wetlands separate and apart from the proposed sale of substantially all of the Debtors' assets to Shaw. The Debtors' estates ultimately retained the Landbank Wetlands.

3. Examiner's Assessment of the Economics of the Debtors' rights and interests in Space Gateway.

As part of the Bankruptcy Court's directive, the Examiner conducted an assessment of the economics of the Debtors' rights and interest in the agreements that were subject to the relief from stay motion filed by Northrop Grumman Technical Services, Inc. and Wackenhut Services, Inc. (collectively, "Northrop"). In his Report, the Examiner concluded that the methodology that the other members used to calculate the buy-out amount (in the event of default) for the Debtors' interests under the operating agreement of Space Gateway LLC ("Space Gateway") was mathematically correct.

However, the Examiner stated that because the measure of the capital account was unclear from the operating agreement of Space Gateway, and because there was no date certain for a sale of the Debtors' interests, the Examiner could not accurately determine the economic value of the Debtors' rights and interests in Space Gateway. As a general approximation of value, the Examiner concluded that the economic value of the Debtors' rights and interests in Space Gateway was approximately $2.8 and $3.2 million (plus the value of the Debtors' Space Gateway capital account) if that certain Conformed NASA Contract concluded on September 30, 2003 and was not extended for five years pursuant to the relevant contractual provisions (the "Extension"), and approximately $7.4 - $8.3 million (plus the present value of the Debtors' Space Gateway capital account) if there was an Extension to September 30, 2008.

The Examiner concluded that the value of the Debtors' interest in Space Gateway was essentially the present value of the Debtors' Space Gateway capital account plus the Debtors' portion of the present value of cash flow to be generated under performance of the Conformed NASA Contract. The other members' proposed buyout amount of the Debtors' interest in Space Gateway represented only the value of the Debtors' interest in the capital account, and omits the value of future cash flows. Accordingly, the Examiner concluded that the other members' proposed buyout amount was less than the market value of the Debtors' interest in Space Gateway.

Northrop later filed an objection to the sale of the Debtors' membership interests in Space Gateway to Shaw, as well as an objection to Shaw's assumption of those interests. The Bankruptcy Court denied in part and granted in part the motion for relief from stay and overruled the objection to Shaw's assumption of the Space Gateway contracts. The Bankruptcy Court found that the Space Gateway Support LLC contract was an executory contract, and that the Debtors were entitled to assume and assign to Shaw only the Debtors' economic interests in the contract, but not its membership interests therein. The Bankruptcy Court further determined that Shaw's assumption of the economic interests was subject to the right of first refusal contained in the contract, which permits the other members to exercise that right upon an event of default. Moreover, the Bankruptcy Court found that the filing of the bankruptcy did not trigger exercise of the right of refusal. This decision was affirmed by the United States District Court for the District of Delaware.

E. The Shaw Transaction

1. Background

On or about January 25, 2002, the Debtors filed their motion (the "Sale Motion") for entry of an order under 11 U.S.C. §§ 105(a), 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002, 6004, 6006 and 9014 authorizing, among other things, the Debtors' sale of all or substantially all of their assets to Shaw, free and clear of all mortgages, security interests, conditional sale or other title retention agreements, pledges, liens, claims, judgments, demands, easements, charges, encumbrances, defects, options, rights of first refusal and restrictions of all kind (the "Shaw Transaction"). The terms and conditions of the Shaw Transaction were set forth in that certain Asset

Purchase Agreement dated as of January 23, 2002, as amended (the "Asset Purchase Agreement"), among the Debtors and Shaw.

On or about February 8, 2002, the Committee vehemently objected to the Shaw Transaction arguing, among other things, that the purchase price offered by Shaw was far below the true value of the Debtors' assets. Noting that in the third quarter of 2001, the Debtors reported EBITDA of $27.6 million, a trailing twelve month EBITDA of approximately $128 million. In this regard, the Committee undertook an investigation of the circumstances surrounding the Shaw Transaction by, among other things, conducting extensive discovery. Also in this connection, the Committee moved for an order authorizing the appointment of an examiner and the Debtors did not object to the request.

On March 11, 2002, upon motion by the Committee, the Bankruptcy Court ordered the appointment of a chapter 11 examiner (the "Examiner") with expanded emergency powers. Among other things, the Examiner concluded that, assuming no other higher or better qualified bids for some or all of the Debtors' assets were received, the Shaw Transaction should be allowed to proceed as the consideration to be provided to the Debtors by Shaw approximated the potential reorganization value of the Debtors. Further, the Examiner concluded that under the circumstances, the Debtors' professionals adequately and reasonably marketed to third parties the sale of the Debtors' assets, and thus, Shaw's offer reflected the best indicator of the Debtors' value. For more information concerning the Examiner's report, see Section ___ of this Disclosure Statement.

Accordingly, on April 18, 2002, the Debtors conducted an auction in Wilmington, Delaware for the sale of the Debtors' assets pursuant to bidding procedures approved by the Bankruptcy Court (the "Auction"). Only six bidders (other than Shaw) submitted bids for certain of the Debtors' assets in an aggregate amount of less than $6 million and only four bidders actually attended the Auction. At the conclusion of the Auction, the Debtors determined that the Shaw Transaction represented the highest and best offer. By order dated April 25, 2002, the Bankruptcy Court approved the Shaw Transaction. The Shaw Transaction thereafter closed on May 3, 2002 (the "Closing Date").

Since the Closing Date, the cash proceeds of the Shaw Transaction have been held in escrow to be distributed pursuant to a confirmed chapter 11 plan. During the year following the Closing Date, the Committee has been engaged in negotiations with the Debtors' Prepetition Lenders to attain a resolution as to how the Debtors' assets should be distributed pursuant to a plan of reorganization. These negotiations culminated in the settlement that was ultimately agreed upon by the parties and incorporated into the Plan.

2. Purchase Consideration

Pursuant to the Shaw Transaction, the purchase price was comprised of the following components:

- ***Cash/Shaw Stock.*** On the Closing Date, Shaw transferred to the Debtors aggregate purchase consideration of $105 million (collectively, the "Sale Proceeds") and, as more fully described below, assumed certain liabilities amounting to approximately $147 million as of the date of this Disclosure Statement, in addition to the assumption of approximately $50.0 million of debtor-in-possession financing. Fifty percent of the Sale Proceeds (i.e., $52.5 million) was paid in cash (the "Cash Proceeds") and the remaining Sale Proceeds was paid through the issuance of 1,671,336 shares of the common stock of Shaw (valued at approximately $52.5 million at the Closing Date (the "Shaw Stock").12 The Asset Purchase Agreement also contained an adjustment to the Cash Proceeds for overruns above $500,000

[12] The common stock of Shaw is listed for quotation on the New York Stock Exchange under the symbol "SGR." On the Petition Date, the trading price of Shaw's common stock (NYSE: SGR) closed at $20.35 per share. When the Bankruptcy Court approved the Shaw Transaction on April 25, 2002, the trading price of Shaw's common stock closed at $32.39 per share. On May 3, 2002, the Closing Date of the Shaw Transaction, the trading price of Shaw's common stock closed at $32.02 per share. As of December __, 2003, the trading price of Shaw's common stock closed at $____ per share.

reflected in the debtor-in-possession budgets (the "Budgets") approved by Shaw and the Debtors' Prepetition Lenders. Further, in connection with the closing of the Shaw Transaction, the Debtors and Shaw entered into a Registration Rights Agreement providing the Debtors with certain registration rights with respect to the shares of Shaw Stock issued in connection with the Shaw Transaction.

- ***Assumed Liabilities*** On the Closing Date, Shaw assumed (i) amounts owing under the existing debtor-in-possession financing facility provided by an affiliate of Shaw of up to $50.0 million, (ii) amounts in respect of cure obligations under executory contracts and unexpired leases assumed and assigned to Shaw pursuant to the Shaw Transaction, (iii) fifty percent of any liabilities under the Workers Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. of the Debtors to terminated employees of affiliate Beneco Enterprises, Inc. ("Beneco"), provided that Shaw acquired the assets of Beneco,[13] and (iv) other liabilities expressly set forth in the Asset Purchase Agreement. Further, Shaw assumed and agreed to pay accrued and unpaid postpetition administrative expenses of the Debtors through the Closing Date up to an aggregate amount of $27.6 million in accordance with an approved budget (the "Budget") and also employee fringe benefits of $7.9 million and accrued and unpaid vacation ("PTO") of 10.9 million.

F. Case Administration.

1. The Debtors' Schedules; Establishing a Bar Date and Claims Objection Procedures.

On or about April 3, 2002 the Debtors each filed their schedules of assets and liabilities (the "Schedules"). In the aggregate, the Debtors scheduled unsecured claims totaling $526,269,572.96 and secured claims totaling $498,828,960.61. On July 12, 2003, IT Group filed an amended Schedule F to reflect the paid-time-off balances owed to former employees. On November 7, 2002, certain of the Debtors filed an Amended Schedule F and/or E (the "Amended Schedules"), which amendments reconciled the Debtors' books and records after the Shaw Transaction. Thereafter, on April 23, 2003, IT Group filed a further amended Schedule F to reflect the paid-time off balances paid to former employees.

On May 3, 2002, the Debtors filed a motion to fix a deadline to file all proofs of claim against the Debtors (the "Bar Date"). The Bankruptcy Court signed an Order (the "Bar Date Order") establishing a Bar Date of July 15, 2002. The Bar Date Order approved the form of the proof of claim to be served on all known creditors and the form of publication notice. The Bar Date was later extended to August 14, 2002 to permit then current directors of the Company to file certain proofs of claim. As of _____ 2003, a total of nearly ____ proofs of claim have been filed against the Debtors asserting claims in the approximate amount of $ _____.

The Debtors have filed two (2) omnibus objections to proofs of claim. In Debtors' omnibus objections, the Debtors objected to certain duplicative claims, amended and superseded claims and equity ownership and beneficial noteholder claims. In addition, the Debtors have filed objections to certain individual claims and have also settled various claims in reduced allowed amounts. As of December 1, 2003, the Court had entered orders disallowing approximately _____ proofs of claim, thereby eliminating asserted liabilities aggregating approximately $612 million.

The Committee has filed two (2) omnibus objections to proofs of claim. In the Committee's first omnibus objection, the Committee objected to certain incorrectly classified claims, as well as claims where the underlying liability was assumed by Shaw pursuant to the Asset Purchase Agreement, and claims where the amount is

[13] Prior to the Petition Date Beneco was an indirect wholly-owned subsidiary of the Debtors. On January 14, 2002, an involuntary chapter 11 case was filed against Beneco in the United States Bankruptcy Court for the District of Utah (the "Beneco Case"). In the Beneco Case, Beneco filed a motion seeking to sell substantially all of its assets to Shaw; that sale was approved by order dated June 6, 2002. On March 26, 2003, Beneco filed its Second Amended Liquidating Plan of Reorganization, which was confirmed by order dated May 7, 2003.

inconsistent with the Debtors' books and records. In the Committee's second omnibus objection, the Committee objected to certain duplicative claims, amended and superseded claims, late filed claims, and claims that failed to provide documentation to support the underlying claim. The Committee's omnibus objections remain pending. The Plan Proponents anticipate that additional omnibus and individual Claims objections will be filed in the near future, including in advance of the deadline for holders of Claims to return Ballots accepting or rejecting the Plan, and that the effect of certain objections could be to prohibit certain Claim holders from voting absent the Court's temporary allowance of such Claims for voting purposes.

On November 24, 2003, the Court entered an order (the "Administrative Bar Date Order") fixing January 15, 2004 as the last day to file administrative expense claims against the Debtors that arose, accrued, or otherwise became due and payable on and between January 16, 2002 and November 15, 2003 in the Chapter 11 Cases. As of _____ 2003, a total of ____ administrative expense claims have been filed against the Debtors pursuant to the Administrative Bar Date Order asserting administrative expense claims in the approximate amount of $ _____.

G. Significant Claims and Litigation.

1. Priority and Secured Claims Filed by Taxing Authorities.

Certain taxing authorities have filed alleged priority and secured claims against the Debtors totaling approximately $409 million. This amount assumes a substantively consolidated estate. The Committee believes that it is likely that many of the taxing authorities have filed claims in estimated amounts, and that upon completing their reconciliation, the Debtors' total liability to all taxing authorities (secured and priority) will be a substantially lower amount.

2. Unsecured Claims.

Unsecured Claims filed against the Debtors totaled approximately $15.6 billion as of June 2003.[14] By contrast, the Debtors scheduled unsecured claims totaling approximately $526 million as of the same date.[15] The Committee is currently reviewing all of the Unsecured Filed Claims as well as the Schedules to determine when objections or amendments should be filed. The Debtors have filed their First and Second Omnibus Objections to claims, which have resulted in an aggregate disallowance of approximately $562 million in Unsecured Claims. In addition, the Committee retained a bankruptcy claims specialist for the purpose of aiding in the evaluation of Unsecured Claims and in the prosecution of objections to certain of such claims.

3. Automatic Stay Relief.

During the pendency of these Chapter 11 Cases, approximately 35 motions for relief from stay have been considered by the Bankruptcy Court. Many such motions have been consensually granted as a result of negotiations among the Debtors, the claimants and the Committee.

4. Litigation Commenced By The Committee Against The Prepetition Lenders

By order of the Court dated August 14, 2002, the Committee was granted leave, standing and authority to assert on behalf of the Debtors and their estates any and all claims and causes of action of the Debtors against the Prepetition Lenders including, without limitation, challenges to the claims, liens and security interests of the Prepetition Lenders under the Prepetition Credit Facility. The Cash Collateral Orders established July 24, 2002 as the deadline for the assertion of any such claims and causes of action by the Committee. On July 24, 2002, the Committee commenced an adversary proceeding (the "Committee Lawsuit") in the Bankruptcy Court against the Prepetition Lenders, in which the Committee sought, among other things, (i) a determination of the validity, priority

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[14] This amount does not discount the number of duplicative and redundant claims filed against the Debtors, which is a significant amount.

[15] Such amount includes disputed claims, unliquidated claims and contingent claims.

and extent of liens and security interests asserted by the Prepetition Lenders with respect to the assets of the Debtors, (ii) a determination that the liens of the Prepetition Lenders should be avoided under section 544 of the Bankruptcy Code to the extent that they are not valid and perfected priority liens, (iii) avoidance under section 547 of the Bankruptcy Code of certain preferential transfers for the benefit of the Prepetition Lenders, (iv) avoidance under section 544(b) of the Bankruptcy Code of certain liens, security interests and fees conveyed to the Prepetition Lenders as fraudulent transfers and (v) equitable subordination of the claims of the Prepetition Lenders, or, in the alternative, invalidation of their liens.

While both the Debtors and the Prepetition Lenders have contended throughout these Chapter 11 Cases that the Prepetition Lenders hold valid and perfected security interests in the assets comprising substantially all of the value of the Debtors' Estates, the Committee alleged in the Committee Lawsuit based upon its investigation, that the Prepetition Lenders did not and do not have valid and perfected first priority liens on substantially all of the assets of the Debtors' estates and that certain proceeds from the sale of these unencumbered assets should be available for distribution to the Debtors' unsecured creditors. The Committee also alleged that approximately $15.9 million in payments made by the Company to the Prepetition Lenders during the period of October 23, 2001 to December 13, 2001 are subject to avoidance by the Bankruptcy Court as preferential payments pursuant to section 547 of the Bankruptcy Code. Moreover, the Committee alleged that at the time the Debtors conveyed security interests to the Prepetition Lenders in connection with certain acquisitions, the Debtors were insolvent or rendered insolvent as a result of the consummation of such transactions and accordingly, such transfers should be avoided as fraudulent under section 544(b) of the Bankruptcy Code.

Based upon (i) the complexity of the issues in the Committee Lawsuit, (ii) the evidentiary and litigation risks attendant with establishing the merits of such claims and causes of action asserted therein, (iii) the anticipated substantial costs and delays associated with the prosecution of the Committee Lawsuit, (iv) the substantial amount of the Prepetition Lenders' deficiency claims and claims under the Cash Collateral Orders (which will be waived in accordance with the Plan Settlement), and (v) the possibility that the Bankruptcy Court may determine that the Prepetition Lenders hold valid and perfected first priority liens on substantially all of the assets of the Debtors' estates (which could result in virtually no recoveries to unsecured creditors of the Debtors), the Committee determined that the Plan Settlement (and the proposed recoveries to holders of Allowed General Unsecured Claims contained therein) negotiated extensively with the Agent (on behalf of the Prepetition Lenders) is fair and equitable and in the best interest of the Debtors, their Estates and creditors.

5. Retained Litigation Rights

Pursuant to the Asset Purchase Agreement, the Debtors retained the following causes of action: (i) causes of action arising under chapter 5 of the Bankruptcy Code (the "Avoidance Actions"), (ii) causes of action against the Debtors' officers and directors (except in the case of those employees hired by Shaw as part of the Shaw Transaction, solely to the extent of available insurance proceeds) (collectively, the "D&O Claims"), and (iii) causes of action of the Debtors with respect to any excluded assets (the "Other Claims").

- **Avoidance Actions**. The Debtors' Avoidance Actions are those claims and causes of action arising under chapter 5 of the Bankruptcy Code and include claims of the Debtors to recover, among other things: (i) preferential payments made to creditors within 90 days of the Petition Date or insiders within one year of the Petition Date (collectively, the "Preference Claims") (11 U.S.C. § 547), and (ii) fraudulent transfers and conveyances made by the Debtors to transferees within one year preceding the Petition Date (or longer depending on state statute of limitations) (collectively, the "Fraudulent Transfer Claims") (11 U.S.C. §§ 544, and 550). By order dated November 6, 2003 and with the consent of the Debtors, the Bankruptcy Court granted the Committee's motion for leave, standing and authority to prosecute the Avoidance Actions on behalf of the Debtors' estates.

- **Preference Claims.** In general, Preference Claims target recipients of payments made by the Debtors in the 90 days prior to the Petition Date (or one year prior to the Petition Date for insiders) (the "Preference Period"). As set forth on the Debtors' schedules and statement of affairs filed in these Chapter 11 Cases by each of the Debtors, the Debtors made payments during the Preference Period (i) to non-insiders in an

aggregate amount in excess of $129 million, and (ii) to insiders (excluding intercompany payments) in an aggregate amount in excess of $47 million.

- **Fraudulent Transfer Claims.** Fraudulent Transfer Claims generally target recipients of transfers made by the Debtors with actual intent to hinder, delay or defraud creditors or at a time when the Debtors were insolvent and the Debtors received less than "reasonably equivalent value" in exchange for the transfer. In particular, the Committee believes that certain acquisitions (the "Acquisitions") by the Debtors in the years prior to the Chapter 11 Cases may give rise to Fraudulent Transfer Claims. Attached as **Exhibit F** is summary of the Acquisitions.

- **D&O Claims**. The Debtors have a directors and officers' insurance policy issued by Chubb (the "D&O Policy") with a policy limit of $25 million for each loss and $25 million for each policy period which covers any past, present or future director and officer of The IT Group, Inc. The Debtors also have excess liability coverage above the initial $25 million for an additional $15 million by CNA Insurance Companies and $10 million by Hartford Insurance Company. The D&O Policy is a "claims made" policy covering claims against insured directors and officers first made during the policy period. The policy period for the D&O Policy expired on May 15, 2002 (the "Policy Expiration Date"). However, there is tail coverage available to satisfy claims made after the Policy Expiration Date relating to acts and events prior to such date. With respect to employees hired by Shaw as part of the Shaw Transaction, the Debtors will retain causes of action against such employees to the extent of available insurance coverage. The Committee believes claims exist against certain present and former officers and directors of the Debtors (the "D&O Claims") including, without limitation, various breaches of fiduciary duties owed to the Debtors and their creditors under applicable law.

- **Other Claims.** The Asset Purchase Agreement also excluded all claims and causes of action related to the "Excluded Assets" and all claims for breach of duty against the Debtors' professionals and advisors.

6. **Securities Litigation.**

a. Initiated by owners of IT Group Stock

In this action, which is pending in the United States District Court for The Western District of Pennsylvania (Civil Action No. 02-1927), Thomas L. Payne, Sid Archinal, Gary H. Karesh, Jo Ann Karesh, Belca D. Swanson and Merle K. Swanson, individually and behalf of all others similarly situated, as Plaintiffs, filed a securities class action against Anthony J. Deluca, Harry J. Soose, Francis J. Harvey, James C. McGill, Richard W. Pogue, Daniel A. D'Aniello, Philip B. Dolan, E. Martin Gibson, Robert F. Pugliese, James David Watkins, and The Carlyle Group, on behalf of public investors who purchased the common stock of The IT Group during the period from February 24, 2000 through January 15, 2002.

In this action, which is pending in the United States District Court for The Western District of Pennsylvania (Civil Action No. 03-0288), Howard G. Clair, Ralph S. Weaver and Carol S. Pintek, individually and on behalf of all others similarly situated, as Plaintiffs, filed a securities class action complaint against Anthony J. DeLuca, Harry J. Soose, Francis J. Harvey, James C. McGill, Richard W. Pogue, Daniel A. D'Aniello, Philip B. Dolan, E. Martin Gibson, Robert F. Pugliese, James David Watkins and The Carlyle Group, on behalf of public investors who purchased the common stock of IT Group during the period from October 21, 1998 through February 23, 2000.

b. Initiated by owners of IT Group Debt

In this action, which is pending in the District Court of Dallas County, Texas (Case No. 03-04530), Highland Capital Management, L.P., KZH Highland-LLC, Highland Loan Funding V LTD., Emerald Orchard Limited, KZH Pamco LLC, and Pamco Cayman, LTD., as Plaintiffs, filed suit against Ernst & Young, LLP and The Carlyle Group, LP alleging that Ernst & Young, LLP and the Carlyle Group, LP conspired to misrepresent the IT Group's financial statements and seeking to recover damages of at least $35 million. The Carlyle Group made a preferred stock investment in IT Group in November 1996. Ernst & Young were IT Group's auditors.

In this action, pending in the District Court for the Western District of Pennsylvania (Civil Action No. 02-0886), Staro Asset Management, LLC, as Plaintiff, filed a securities fraud action against Anthony J. DeLuca, Harry J. Soose, James J. Pierson, seeking to recover losses related to Plaintiff's purchase of IT Group debt in December 2001.

7. Other Material Litigation

As of the Petition Date, the Debtors were subject to a number of different types of claims arising in the ordinary course of business, including contractual disputes with clients, subcontractors and suppliers, claims for professional negligence, environmental claims, governmental audits and investigations and claims for personal injuries and property damage. In addition, the Debtors have been subject to a number of different types of claims arising out of discontinued operations, including environmental claims for recovery of the cleanup costs at waste disposal sites previously owned, operated or utilized, including claims for personal injuries and property damage.

a. *Occidental Chemical Corporation v. International Technology Corporation, U.S.D.C., W.D.N.Y., Case No. 97-CV-0053*

The Debtors are currently involved in litigation stemming from an agreement with Occidental Chemical Corp. ("OxyChem"), pursuant to which IT Corporation ("ITC") agreed to install drainage a collection system in connection with OxyChem's remediation project relating to a landfill in Niagara Falls, New York. Alleging that ITC delayed performance and caused OxyChem to incur additional costs, OxyChem filed an action, Occidental Chemical Corporation v. International Technology Corporation, U.S.D.C., W.D.N.Y., Case No. 97-CV-0053 in the United States District Court for the Western District of New York. ITC denied the allegations and filed a counterclaim for damages in excess of $1.6 million. OxyChem later amended its complaint to allege that the collection system was not functioning as designed and to claim damages in excess of $5 million. As of the Petition Date, this lawsuit has been stayed in accordance with the automatic stay provided under section 362 of the Bankruptcy Code. By motion dated June 14, 2002, OxyChem sought relief from the Bankruptcy Court to lift the stay to enable it to continue prosecution of the suit. Both the Committee and the Debtors objected to the lift stay motion, and as of the date of this Disclosure Statement, consideration of the lift stay motion remains pending in the Bankruptcy Court.

Further, the Debtors are subject to other claims and lawsuits in the ordinary course of their business. Pursuing and defending claims and litigation is inherently risky and uncertain, thus, adverse future results in litigation or other proceedings may have a material adverse effect upon the Debtors' Estates. For a more detailed listing of the various litigation that the Debtors are involved in, reference should be made to each of the Debtors' respective Statement of Financial Affairs as filed with the Bankruptcy Court on April 3, 2002.

b. *Woodbury Creek Administrative Order*

Prior to the Petition Date, the Debtors constructed and operated a wetland mitigation bank in Gloucester County, New Jersey, known as the Woodbury Creek Wetland Mitigation Bank, under the authority of the New Jersey Freshwater Wetlands Act ("Wetlands Act") and resolutions by the New Jersey Freshwater Wetlands Mitigation Council. On July 22, 2002, the New Jersey Department of Environmental Protection ("NJDEP"), which is charged with enforcement of the Wetlands Act, issued Debtors an Administrative Order and Notice of Civil Administrative Penalty Assessment relating to the Woodbury Creek project. In that order, NJDEP asserted that Debtors had violated the Wetlands Act, inter alia, by impermissibly draining approximately 19 acres of wetlands on the site and failing to maintain required financial assurances. The NJDEP demanded off-site mitigation with respect to the acreage allegedly drained at a ratio of three acres of wetlands created for each acre disturbed, as well as payment of a civil administrative penalties. The cost of the off-site mitigation demanded by the NJDEP would be very substantial. Debtors have contested the NJDEP's order and are attempting to resolve the matter through settlement.

8. **Adversary Proceedings.**

During the pendency of the Chapter 11 Cases, the Debtors have been involved in a number of lawsuits. A brief summary of each material litigation is set forth below.

a. *Fleet Bank v. Whippany Venture I, LLC* (02-03599-MFW)

On May 23, 2002, Fleet National Bank ("Fleet Bank") commenced an adversary proceeding against Whippany Venture I, LLC ("Whippany"), seeking a determination that it has a secured claim in the amount of $2,388,433.27 against Whippany, as well as seeking payment thereon.

By order dated August 26, 2003 (the "Order"), the Bankruptcy Court dismissed the adversary proceeding finding that Fleet Bank's claim was unsecured and that the amount of the claim, if any, would be determined as part of the claims reconciliation process. Fleet Bank appealed the Order and the appeal is pending in the United States District Court for the District of Delaware.

b. *The IT Group, Inc., et al., v. Bookspan.* (02-04756-MFW)

In July of 2002, the Debtors commenced this adversary proceeding seeking a declaration from the Bankruptcy Court that the Debtors did not have to maintain $500,000 of the Sale Proceeds in a separate segregated account (the "Bookspan Account") on behalf of Rochelle Bookspan ("Bookspan"), a former employee of a subsidiary of The IT Group. The Bookspan Account was created pending resolution of a dispute related to a request by Bookspan for the return of income that Bookspan had deferred into the unfunded IT Corporation Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan is a "rabbi trust," which is an irrevocable grantor trust whose assets are subject to the claims of general creditors upon the settlor's insolvency. Bookspan counterclaimed asserting all of the claims asserted by 25 former employees of the Debtors in the adversary proceeding styled Accardi, et al., v. IT Corporation, et al., (02-05486-MFW) in which they seek to recover benefits allegedly due under the Deferred Compensation Plan, including deferred salary, bonuses and interest owing.

The Bankruptcy Court denied the Debtors' initial motion to dismiss but is currently considering the Debtors' renewed motion to dismiss the counterclaims asserted by Bookspan.

c. *The IT Group, Inc., et al., v. Sovereign Consulting, Inc.* (02-05108-MFW)

On July 12, 2002, Sovereign Consulting, Inc. ("Sovereign") filed proofs of claim against Whippany, LandBank, Inc. ("LandBank"), LandBank Environmental Properties, LLC ("LandBank Environmental"), each in the amount of $485,228.89 (collectively, the "Sovereign Claims"). On July 25, 2002, Sovereign filed a motion (the "Sovereign Motion") directing the Debtors to release the escrowed sale proceeds to Sovereign on the ground that the Debtors had not challenged the extent or validity of Sovereign's alleged lien within sixty days of the Sale Order. On August 7, 2002, IT Group, LandBank and LandBank Environmental (i) objected to the Motion, (ii) objected to the Sovereign Claims and commenced an adversary proceeding (the "Adversary Proceeding") in these Chapter 11 Cases by filing a complaint against Sovereign (the "Sovereign Complaint") alleging, among other things, breach of contract, unjust enrichment and recovery of fraudulent transfers pursuant to section 550 of the Bankruptcy Code.

The Complaint and the Sovereign Claims arise from a construction services agreement (the "Construction Agreement") entered into between Whippany and Sovereign on or about August 17, 1999. Under the Construction Agreement, Sovereign was contractually obligated to perform certain demolition and environmental remediation services on 34 acres of property owned by Whippany at 45 Troy Hills Road in Whippany, Morris County, New Jersey (the "Whippany Property"). IT Group, LandBank and LandBank Environmental allege in the Sovereign Complaint that Sovereign breached its obligations under the Construction Agreement by failing to perform its contractual obligation to reduce contamination at the Whippany Property. The Sovereign Claims seek payment of a construction lien claim in the amount of $485,228.89, of which Sovereign alleges $372,485.45 represents a secured claim.

On September 17, 2002, the Bankruptcy Court entered an order (the "Sovereign Order") denying the Sovereign Motion and indicating that the Debtors have acknowledged that Sovereign has a valid lien in the amount of $372,485.85 secured by the funds held in escrow, provided that such acknowledgment by the Debtors does not constitute a determination by the Bankruptcy Court as to the rights of the parties in interest (other than the Debtors) to challenge the validity of Sovereign's alleged lien. In the United States District Court for the District of Delaware, the Debtors were prosecuting an appeal of the Sovereign Order. On September 19, 2002, the Bankruptcy Court entered an order staying the Adversary Proceeding. The Bankruptcy Court approved a settlement between the Debtors and Sovereign that provides, among other things, that the Debtors will pay Sovereign $180,000 out of the segregated proceeds held by the Debtors pursuant to the Sale Order. In return, Sovereign agreed to withdrawal with prejudice any and all proofs of claim it filed against any of the Debtors. As part of the settlement, the appeal was dismissed and the Adversary Proceeding was dismissed.

d. *Official Committee of Unsecured Creditors v. Citicorp USA, Inc.* (02-04761-MFW)

By this adversary proceeding, the Committee sought, among other things, a determination that the liens and security interests of the Prepetition Lenders should be avoided. See Article III "Litigation Commenced by the Committee" against the Prepetition Lenders for a detailed description of the Committee Lawsuit.

Pursuant to the terms of the Plan Settlement, the Committee has agreed to dismiss this adversary proceeding upon the Effective Date of the Plan.

e. *Accardi, et al., v. IT Corporation, et al.* (02-05486-MFW)

As previously noted, 25 former employees (the "Plaintiffs") of the Debtors commenced this adversary proceeding against IT Corporation, The IT Group, Inc. ("ITG"), the Carlyle Partners II, LP, Anthony DeLuca, Francis J. Harvey, and Harry J. Soose, Jr. (the "Accardi Defendants") , seeking to recover benefits allegedly due under the Deferred Compensation Plan, including deferred salary, bonuses and interest owing thereon.

By order dated March 28, 2003, the Bankruptcy Court denied the Accardi Defendants' motion to dismiss, and directed the Plaintiffs to amend the complaint to make more specific allegations regarding certain alleged oral promises, concerning the assertion that the Deferred Compensation Plan was offered to more than just the highly compensated employees in order to determine whether the Deferred Compensation Plan is governed by ERISA. Although the Bankruptcy Court denied the Debtors' initial motion to dismiss, it is currently considering the Accardi Defendants' renewed motion to dismiss.

f. *City of Chula Vista et al., v. Otay Mesa Ventures, I, LLC, et al.* (03-51542-MFW)

The City of Chula Vista, California, and the Redevelopment Agency of the City of Chula Vista (collectively, the "Plaintiffs") commenced this adversary proceeding against Debtors Otay Mesa Ventures I, LLC, IT Corporation, and IT Group (the "Debtor Defendants") and Shaw, seeking declaratory relief to determine the validity, priority and amount of the Plaintiffs' purported lien, or in the alternative to invalidate the Shaw Transaction as to its claims and liens against certain property in the amount of $440,087 plus 10% annual interest accrued from April 1, 2002 to the date of payment, plus reasonable attorney's fees.

After acquiring the property in 1999, the Debtors entered into a first amendment to the Agreement (the "First Amendment") with the Plaintiffs in January 2000, pursuant to which the Debtors' repayment obligation was deferred until January 1, 2001. To secure the First Amendment, the Debtors gave a contractual lien against the property. In March 2001, the parties entered into a second amendment to the Agreement (the "Second Amendment"), which deferred repayment until January 1, 2002. The Plaintiffs alleged to have recorded both the First and Second Amendments with the County of San Diego.

The Plaintiffs agreed to dismiss Shaw from the adversary proceeding. The Debtor Defendants negotiated a settlement (the "Settlement"), that provides, among other things, that the Debtors shall pay the Redevelopment Agency of the City of Chula Vista $370,000 and the Plaintiffs shall withdraw all proofs of claims

filed against the Debtors and dismiss the pending adversary proceeding. The Debtors filed a motion seeking approval of the Settlement that is scheduled for hearing on December 22, 2003.

g. *Envirocraft Corporation, et al. v. PPG Industries, Inc., et al. (03-CV-455-JJF)*

[TO BE INSERTED]

h. *River Park Business Center, Inc., v. IT Corporation and The IT Group, Inc., et al.* (02-07181-MFW)

On or about December 23, 2002, River Park Business Center, Inc. ("River Park") filed a complaint (the "River Park Complaint") in these Chapter 11 Cases against IT Corporation and IT Group alleging breach of contract causing damages of not less than $3,342,051.11, seeking a declaratory judgment that IT Corporation must take all steps to discharge all outstanding liens on the Property (defined below) and indemnity on the basis that IT Group is liable for damages to River Park based upon a guaranty. On or about January 22, 2003, IT Corporation and IT Group filed an answer asserting various counterclaims and affirmative defenses including violations of the automatic stay, turnover of the Withheld Funds (defined below), and breach of contract causing damages in an amount not less than $1,883,076.54 (collectively, the IT Counterclaims").

The River Park Complaint and the IT Counterclaims arise from a services agreement (the "Services Agreement") entered into between IT Corporation and River Park on or about September 18, 2001. Under the Services Agreement, IT Corporation agreed to perform certain services on property owned by River Park at 143 Parsippany Road in Whippany, New Jersey (the "Property"). In return for the services pursuant to the Services Agreement, River Park agreed to pay IT Corporation $2,571,082.98, which was increased by agreement to $3,616,852.97. On February 21, 2002, IT Corporation invoiced (the "February Invoice") River Park for $1,883,076.54 for work previously invoiced and for work not previously invoiced. To date, River Park has not paid the February Invoice (the "Withheld Funds"). On April 22, 2002, IT Corporation filed a construction lien against the Property, in the Morris County Court in the amount of $1,742,638.25. On January 24, 2003, IT Corporation filed a complaint against River Park in the Superior Court of New Jersey, Morris County.

On or about July 15, 2002, River Park filed a proof of claim against IT Corporation in the amount of $3,767,051.11 (the "River Park Claim"). On or about April 4, 2003, the Debtors filed an objection to the River Park Claim seeking to bar River Park form setting off its claim against any claim of IT Corporation or IT Group.

River Park and the Debtors negotiated a settlement (the "Settlement") providing, among other things, that River Park shall pay IT Corporation $10,000.00 and the parties shall dismiss all actions, withdraw all claims and release, cancel or withdraw all liens or notices of lis pendens related to the Property. The Bankruptcy Court approved the Settlement by order entered on October 6, 2003.

V. SUMMARY OF THE PLAN

The Plan Proponents expect that as a result of the chapter 11 process and through the Plan, creditors will obtain a substantially greater recovery from the Debtors' estates than the recovery that would be available if the Assets had been liquidated under chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as **Exhibit A** and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

A. Classification and Treatment of Claims and Equity Interests.

If the Plan is confirmed by the Bankruptcy Court, each holder of an Allowed Claim or Equity Interest in a particular class will receive the same treatment as the other holders in the same class of Claims or Equity Interests, whether or not such holder voted to accept the Plan. Moreover, upon confirmation, the Plan will be binding on all of the Debtors' creditors and holders of Equity Interests whether or not such creditors or holders of Equity Interests voted to accept the Plan. Such treatment will be in full satisfaction, release and discharge of and in exchange for such holder's respective Claims or Equity Interests, except as otherwise provided in the Plan.

1. **Unclassified Claims.**

The Bankruptcy Code does not require classification of certain priority claims against a debtor. In these Chapter 11 Cases, these unclassified claims include Administrative Claims and Tax Claims.

a. Administrative Claims. An Administrative Claim is (i) a Claim incurred by a Debtor (or its Estate) on or after the Petition Date and before the Effective Date for a cost or expense of administration in the Chapter 11 Cases entitled to priority under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, Cure Claims, Fee Claims and Statutory Fees, if any, (ii) reasonable pre-Committee fees and expenses of White & Case LLP up to $53,000 and Bayard Firm up to $11,000 as counsel to the ad hoc committee of holders of the Old 11 ¼% Notes in connection with these Chapter 11 Cases, (iii) reasonable fees and expenses of Raymond Pompe and Charles Brewer up to $60,000 in the aggregate as consultants to the Committee, and (iv) reasonable fees and expenses of counsel to the Agent incurred through the Effective Date.

Under the Plan, each holder of an Allowed Administrative Claim shall receive on the Distribution Date, (i) the amount of such holder's Allowed Claim in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by Reorganized IT Group and such holder; provided, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid at Reorganized IT Group's election in the ordinary course of business.

Each Professional Person shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. **The failure to file timely and serve such Fee Application shall result in the Fee Claim being forever barred and discharged under the Plan.**

b. Tax Claims. A Tax Claim is that portion of any Claim against the Debtors for unpaid taxes which is entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code. The Plan Proponents believe that the Debtors were substantially current on their tax obligations at the time of commencement of these Chapter 11 Cases and that the Debtors' total liability to taxing authorities is less than $_____. The Plan Proponents, however, have not yet determined to what extent such amounts are properly characterized as secured claims, versus tax claims entitled to priority under section 507(a)(8) of the Bankruptcy Code.

Pursuant to the Plan, each holder of an Allowed Tax Claim shall receive, at the election of the Debtors, in full satisfaction of such holder's Allowed Tax Claim, (a) the amount of such holder's Allowed Tax Claim, with Post-Confirmation Interest thereon, in equal annual Cash payments on each anniversary of the Effective Date, until the sixth anniversary of the date of assessment of such Tax Claim (provided that the Disbursing Agent may prepay the balance of any such Allowed Tax Claim at any time without penalty); (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder. The Confirmation Order shall constitute and provide for an injunction by the Bankruptcy Court as of the Effective Date against any holder of a Tax Claim from commencing or continuing any action or proceeding against any responsible person or officer or director of the Debtors that otherwise would be liable to such holder for payment of a Tax Claim so long as no default has occurred with respect to such Tax Claim under Section 5.2 of the Plan.

2. **Substantial Contribution Claims**

In addition to the foregoing, section 503(b) of the Bankruptcy Code provides for payment of compensation to creditors, indenture trustees, and certain other persons making a "substantial contribution" to a reorganization case and to attorneys for and other professional advisers to such persons. The amounts, if any, that may be sought by entities for such compensation are not known by the Debtors at this time. Requests for compensation must be approved by the Bankruptcy Court after a hearing on notice at which the Debtors and other parties in interest may participate and, if appropriate, object to the allowance of any compensation and reimbursement of expenses.

3. **Classified Claims.**

The following describes the Plan's classification of the Claims and Equity Interests that are required to be classified under the Bankruptcy Code and the treatment that the holders of Allowed Claims or Equity Interests will receive for such Claims or Equity Interests:

a. Class 1: Priority Claims. The "Priority Claims" consist of any Claim to the extent such Claim is entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than the Lender Claims, Non-Lender Secured Claims, Administrative Claims, and Tax Claims.

The Committee anticipates that the total amount of Allowed Priority Claims will be approximately $_____. Pursuant to the Plan, the holder of an Allowed Priority Claim shall have its Allowed Priority Claim fully reinstated as though the Debtors had not filed these Chapter 11 Cases.

The Priority Claims are unimpaired under the Plan. Pursuant to section 1124 of the Bankruptcy Code, a claim is "unimpaired" if it is treated in one of the following two ways:

(i) The legal, equitable, and contractual rights to which such claim entitles the holder of such claim are unaltered.

or

(ii) Notwithstanding any contractual provision or applicable law that entitles the holder of such claim to demand or receive payment of such claim prior to the stated maturity of such claim from and after the occurrence of a default under the agreements governing or instruments evidencing such claim, such claim is reinstated, and (i) all defaults that occurred before or from and after the Petition Date (other than defaults of a kind specified in section 365(b)(2) of the Bankruptcy Code) are cured, (ii) the maturity of such claim as such maturity existed prior to the occurrence of such default is reinstated, (iii) the holder of such claim is compensated for any damages incurred as a consequence of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) the legal, equitable, or contractual rights to which the holder of such claim is entitled are not otherwise altered.

Because the Priority Claims are unimpaired under the Plan, the holders of Priority Claims are deemed to have accepted the Plan.

b. Class 2: Non-Lender Secured Claims. A "Non-Lender Secured Claim" is, excluding Lender Claims, (i) a Claim secured by a Lien on any Assets, which lien is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, and which is duly established in the Chapter 11 Cases, but only to the extent of the value of the holder's interest in the collateral that secures payment of the Claim; (ii) a Claim against the Debtors that is subject to a valid right of recoupment or setoff under section 553 of the Bankruptcy Code, but only to the extent of the Allowed amount subject to recoupment or setoff as provided in section 506(a) of the Bankruptcy Code; and (iii) a Claim allowed under the Plan as a Non-Lender Secured Claim. The class of Non-Lender Secured Claims may include certain secured Claims of governmental taxing authorities for real and personal property taxes. The Committee estimates that the Allowed Non-Lender Secured Claims will total at least $[_____] as of the Effective Date.

The Plan provides that, on the Distribution Date, each holder of an Allowed Non-Lender Secured Claim, shall receive one of the following treatment options, pursuant to section 1129(b) of the Bankruptcy Code: (i) each Allowed Non-Lender Secured Claim retains its liens securing its Allowed Non-Lender Secured Claim and receives on account of its Allowed Non-Lender Secured Claim deferred cash payments having a present value equal to the amount of its Allowed Non-Lender Secured Claim, (ii) each Allowed Non-Lender Secured Claim realizes the "indubitable equivalent" of its Allowed Non-Lender Secured Claim, or (iii) the property securing the Allowed Non-

Lender Secured Claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds as provided in clause (i) or (ii) of this subparagraph.

The Non-Lender Secured Claims are impaired under the Plan, and the holders of the Non-Lender Secured Claims are entitled to vote to accept or reject the Plan in the manner and to the extent provided for in the Voting Procedures Order.

c. Class 3: Lender Claims. Lender Claims are all Claims of the Prepetition Lenders under the Prepetition Credit Facility and Cash Collateral Orders. The Committee estimates that the Allowed Lender Claims will total $502,291,319 as of the Effective Date. In accordance with the Plan Settlement, the Lender Claims shall be Allowed in full under the Plan and each holder of an Allowed Lender Claim against a Debtor shall receive, in full and complete satisfaction of such Claims, its Pro Rata Share of (i) 87.5% of the Available Proceeds, (ii) 90% of the Shaw Stock, (iii) 20% of Avoidance Action Recoveries, and (iv) 75% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter.

For purposes of the Plan, pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019 and subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of a compromise and settlement of all Causes of Action as of the Effective Date by and between the Agent and the Prepetition Lenders, on the one hand, and the Debtors, the Subsidiaries that are not Debtors, and the Committee (and all of its members), on the other hand, pursuant to which, and upon the occurrence of the Effective Date, (a) the Lender Claims shall be deemed Allowed in full as provided in Section 4.1(c) of the Plan, (b) the Committee Lawsuit shall be dismissed with prejudice, (c) any and all Claims and Causes of Action of the Debtors (and their Estates), the Subsidiaries that are not Debtors, and the Committee (and all of its members) against the Agent and the Prepetition Lenders as of the Effective Date shall be forever waived, discharged, released and enjoined, (d) the holders of Allowed Lender Claims shall receive the treatment accorded such Claims under the Plan in complete satisfaction of any and all rights, claims and Causes of Action that comprise or arise under the Lender Claims, including without limitation, any subordination or other provisions in respect of the Old Notes, the holders thereof or the Indenture Trustee, and (e) any right to a Distribution on account of any deficiency Claim, Unsecured Claim or Administrative Claim by the holders of the Lender Claims (other than any claim for the reimbursement of all fees and expenses of the Agent which shall remain in effect which shall be treated and paid as an Administrative Claim in accordance with the Plan) shall be forever waived, discharged, released and enjoined, which Claims shall be deemed satisfied in full by the treatment accorded the Lender Claims under the Plan. Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of the Plan Settlement and authorize the parties to take all actions that are necessary or appropriate to implement and give effect to the Plan Settlement.

The Lender Claims are impaired under the Plan, and the holders of the Lender Claims are entitled to vote to accept or reject the Plan in the manner and to the extent provided for in the Voting Procedures Order.

d. Class 4A: General Unsecured Claims. "General Unsecured Claims" means any Unsecured Claim that does not constitute a Lender Claim, a Tort Unsecured Claim, or a Litigation Unsecured Claim. Class 4A consists of all General Unsecured Claims. Excluding duplicate and superseded claims, there currently exist scheduled and filed General Unsecured Claims against the Debtors totaling approximately [$_____]. The Committee is currently analyzing such claims, but cannot at this time state with specificity which claims will ultimately become Allowed General Unsecured Claims.

Pursuant to the Plan, each holder of an Allowed General Unsecured Claim against a Debtor shall receive on the Distribution Date on account of its Allowed General Unsecured Claim, its Pro Rata Share of (i) 12.5% of the Available Proceeds, (ii) proceeds from the sale or other disposition of 10% of the Shaw Stock in accordance with Section 7.5 of the Plan, (iii) 80% of Avoidance Action Recoveries, and (iv) 25% of the first $10,000,000 of Estate Cause of Action Recoveries and 50% of Estate Cause of Action Recoveries thereafter.

The General Unsecured Claims are impaired under the Plan, and the holders of General Unsecured Claims are entitled to vote to accept or reject the Plan in the manner and to the extent provided for in the Voting Procedures Order.

e. Class 4B: Litigation Unsecured Claims. "Litigation Unsecured Claims" means an Environmental Unsecured Claim, a Tort Unsecured Claim and any other Unsecured Claim against any Debtor asserted in any court, tribunal or proceeding pending as of the Petition Date. Class 4B consists of all Litigation Unsecured Claims. Excluding duplicate and superseded claims, there currently exists scheduled and filed Litigation Unsecured Claims against the Debtors totaling approximately [$_____]. The Committee is currently analyzing such claims, but cannot at this time state with specificity which claims will ultimately become Allowed Litigation Unsecured Claims. The Plan provides that each Litigation Unsecured Claim shall be liquidated and satisfied pursuant to the Plan ADR and to the extent any such Claim becomes an Allowed Claim as provided in the Plan ADR in excess of available insurance proceeds to pay such Claim, if applicable, the holder of such Claim shall receive a Pro Rata Share of the Distributions to holders of Allowed General Unsecured Claims in Section 4.1(d) of the Plan.

The Litigation Unsecured Claims are impaired under the Plan, and the holders of Litigation Unsecured Claims are entitled to vote to accept or reject the Plan in the manner and to the extent provided for in the Voting Procedures Order.

f. Class 4C: Securities Litigation Claims: "Securities Litigation Claims" means any claim or Cause of Action against the Debtors, their predecessors, successors, or their present or former officers, directors or employees arising from rescission of a purchase or sale of the Old Notes or Equity Interests of any Debtor, or for damages arising from the purchase or sale of the Old Notes or Equity Interests of any Debtor in accordance with section 510(b) of the Bankruptcy Code, including without limitation, a claim arising from the Securities Litigation, but excluding any Avoidance Actions and Estate Causes of Action. The Securities Litigation means the following securities-related actions: (i) Civil Action No. 02-1927 pending in the United States District Court for The Western District of Pennsylvania, styled Thomas L. Payne, et al., v. Anthony J. Deluca, et al.; (ii) Civil Action No. 03-0288 pending in the United States District Court for The Western District of Pennsylvania, styled Howard G. Clair, et al., v. Anthony J. DeLuca, et al.; (iii) Case No. 03-04530 pending in the District Court of Dallas County, Texas, styled Highland Capital Management, L.P., et al., v. Ernst & Young, LLP and The Carlyle Group; and (iv) Civil Action No. 02-0886 pending in the District Court for the Western District of Pennsylvania, styled Staro Asset Management, LLC, v. Anthony J. DeLuca, et al.

Excluding duplicate and superseded claims, there currently exists scheduled and filed Securities Litigation Claims against the Debtors totaling approximately [$_____]. The Committee is currently analyzing such claims, but cannot at this time state with specificity which claims will ultimately become Allowed Securities Litigation Claims. In accordance with section 510(b) of the Bankruptcy Code, an Allowed Securities Litigation Claim shall be subordinated to all senior classes; accordingly, each holder of an Allowed Securities Litigation Claim shall not receive or retain any Distribution on account of such Allowed Securities Litigation Claim.

Because the Securities Litigation Claims are impaired under the Plan and shall not receive a Distribution or retain any property under the Plan, the holders of such Securities Litigation Claims are not entitled to vote and are deemed not to have accepted the Plan.

g. Class 4D – Subordinated Claims. "Subordinated Claims" means any Claim subordinated pursuant to a Final Order under section 510(c) of the Bankruptcy Code.

Excluding duplicate and superseded claims, there currently exists scheduled and filed Subordinated Claims against the Debtors totaling approximately [$_____]. The Committee is currently analyzing such claims, but cannot at this time state with specificity which claims will ultimately become Allowed Subordinated Claims. Each holder of an Allowed Subordinated Claim shall not receive or retain any Distribution on account of such Allowed Subordinated Claim.

Because the Subordinated Claims are impaired under the Plan and shall not receive a Distribution or retain any property under the Plan, the holders of such Subordinated Claims are not entitled to vote and are deemed not to have accepted the Plan.

"Equity Interest" means any ownership or equity interest in any of the Debtors, including without limitation, interests evidenced by common or preferred stock, warrants, options, limited liability company

membership interests or other rights to purchase any ownership or equity interest in any of the Debtors. All Equity Interests in each of the Debtors shall be cancelled, annulled and extinguished on the Effective Date, and the Holders of such Equity Interests shall not receive or retain any property under the Plan.

Because the holders of Equity Interests are impaired under the Plan and shall not receive a Distribution or retain any property under the Plan, the holders of such Equity Interests are not entitled to vote and are deemed not to have accepted the Plan.

B. Alternative Dispute Resolution

The Debtors have been and continue to be parties to legal actions arising in the ordinary course of business. The commencement of the Chapter 11 Cases acted to stay these actions. Currently, the automatic stay imposed by section 362 of the Bankruptcy Code has shielded the Debtors' estates from the enormous expense of litigating claims that are based upon underlying state and federal court lawsuits. Although, to date, over 35 claims have been permitted to proceed to judgment and liquidation, notwithstanding the automatic stay, to the extent of available insurance proceeds, the continued permitting of actions to proceed to judgment and liquidation will require the Debtors to expend significant resources, and lead to the depletion of available insurance proceeds, a vital resource of the Debtors' estates. As such, the Plan Proponents believe that an orderly process for liquidating these claims is a necessary component of the chapter 11 process.

Due to the sheer magnitude of claims filed against the Debtors, resolution of these claims through litigation would be a time-consuming and inefficient process and would represent a substantial drain on the Debtors' resources. The Plan Proponents believe that approving certain alternative dispute resolution procedures (the "ADR Procedures") to assist in the resolution of Litigation Unsecured Claims is in the best interests of the Debtors' estates because they offer all parties concerned, a simpler, less time-consuming and far less expensive alternative to litigation. Notwithstanding the adoption of the ADR Procedures, the parties are encouraged to settle Litigation Unsecured Claims during the ADR Procedures by mutual consent.

Commencing on the date of service of the ADR Notice, holders of Litigation Unsecured Claims shall, absent Bankruptcy Court order, be enjoined from, among other things, commencing or continuing any action or proceeding in any manner or any place to collect or otherwise enforce a claim against the Debtors or their property other than through the ADR Procedures (the "ADR Injunction"). The ADR Injunction will expire with respect to a Litigation Unsecured Claim only when the ADR Procedures have been completed. In addition, Litigation Unsecured Claims will remain subject to the automatic stay under section 362 of the Bankruptcy Code through the date of confirmation of the Plan in the Chapter 11 Cases, unless the stay is or has been earlier terminated by an order of the Bankruptcy Court.

1. *The Offer Exchange Procedures*

The Litigation Unsecured Claims shall be liquidated pursuant to the ADR Procedures. Pursuant to the ADR Procedures, a claim shall become subject to the ADR Procedures upon service of an ADR Notice (as defined below) on a claimant. Holders of claims for which the automatic stay was modified by order of the Bankruptcy Court to allow the litigation underlying such claim to proceed (the "Non-Stayed Claims") will also receive a notice providing them with an opportunity to voluntarily opt-in to, and thereby participate in, the ADR Procedures (an "Opt-In Notice").

The first stage of the ADR Procedures provides the parties with an opportunity to exchange settlement offers and, if possible, resolve a Litigation Unsecured Claim on a consensual basis without any further actions by the parties (the "Offer Exchange Procedures"). After service upon such claimant of a notice of the Offer Exchange Procedures (the "ADR Notice"), the claimant shall verify certain information regarding its Litigation Unsecured Claim, attach relevant documents regarding its Litigation Unsecured Claim and return the ADR Notice to Reorganized IT Group, along with a settlement offer (the "Settlement Offer"), within thirty (30) days. Failure to return the ADR Notice within this time period will result in the disallowance of the applicable claimant's Litigation Unsecured Claim.

The ADR Notice shall also require the claimant to notify Reorganized IT Group if the claimant does not consent to binding arbitration of its Litigation Unsecured Claim if such claim ultimately is not resolved through the Offer Exchange Procedures. If the claimant returns the ADR Notice without having expressly advised Reorganized IT Group of its refusal to consent to binding arbitration, the claimant will be deemed to have consented to binding arbitration.

A Settlement Offer shall not exceed the amount or improve the priority set forth on the claimant's most recent timely filed proof of claim, amended proof of claim or scheduled claim. The amount proposed in the Settlement Offer is presumed to be classified as a Litigation Unsecured Claim, unless the Settlement Offer specifically contains a different claim classification. The claimant may not return the ADR Notice with an unknown, unliquidated, indefinite or similar Settlement Offer. If such a Settlement Offer is received, the claimant's Litigation Unsecured Claim will be deemed disallowed, waived and discharged without further order of the Bankruptcy Court.

Reorganized IT Group must respond in writing within thirty (30) days from the date of its receipt of the Settlement Offer (the "Response Period") by:

- accepting the Settlement Offer;
- denying liability for the applicable Litigation Unsecured Claim;
- making a counteroffer;
- requesting additional documentation so that Reorganized IT Group may in good faith respond to the Settlement Offer; or
- stating that the applicable Litigation Unsecured Claim will proceed to the next step of the ADR Procedures.

The failure of Reorganized IT Group to timely respond to a Settlement Offer will cause the applicable Litigation Unsecured Claim to be allowed in the amount and classification stated in the Settlement Offer (provided that such Settlement Offer complies with the requirements of the ADR Procedures, including not seeking to improve the priority of any Litigation Unsecured Claim). If Reorganized IT Group responds by making a counteroffer, the claimant must respond within fifteen (15) days of the date of the counteroffer (the "Counteroffer Response Period") by either accepting the counteroffer or rejecting the counteroffer (the "Counteroffer Response"). If the claimant fails to respond to the counteroffer within the Counteroffer Response Period, the claimant's Litigation Unsecured Claim will be allowed in the amount and classification set forth in the counteroffer.

Upon mutual written consent, the parties may exchange additional settlement offers after the termination of the Counteroffer Response Period; provided, however, that the underlying Litigation Unsecured Claim will proceed to the next stage of the ADR Procedures if such claim is not resolved by the earlier of (i) thirty (30) days following receipt by Reorganized IT Group of claimant's counteroffer response and (ii) forty five (45) days after Reorganized IT Group relays the counteroffer to the claimant.

2. ***Arbitration***

If following the completion of the Offer Exchange Procedures, a Litigation Unsecured Claim has not been resolved, the applicable claimant will receive an arbitration notice informing the claimant that its Litigation Unsecured Claim has been submitted to either binding or nonbinding arbitration and advising the claimant of the proposed fee structure for the arbitration proceedings. A copy of such notice will also be sent by Reorganized IT Group to the American Arbitration Association (the "AAA"), notifying the AAA of the pending arbitration.

For this purpose, the Litigation Unsecured Claims will be divided into two classes: (i) claims less than $50,000 ("Class A Claims") and (ii) claims equal to or greater than $50,000 ("Class B Claims"). Classification of a Litigation Unsecured Claim as either a Class A Claim or a Class B Claim will be based upon the lesser of (i) the

amount set forth in the claimant's most recent timely proof of claim, amended proof of claim or scheduled Claim and (ii) the amount set forth in claimant's Settlement Offer provided by the claimant during the Offer Exchange Procedures. The Committee reserves the right, on a case-by-case basis, to consent to binding arbitration for certain Class A Claims and Class B Claims. If the claimant also consents, or is deemed to have consented, to binding arbitration, the applicable Litigation Unsecured Claim will proceed to binding arbitration. If the claimant expressly rejects binding arbitration when the claimant returns the ADR Notice to the Committee, the applicable Litigation Unsecured Claim will proceed to nonbinding arbitration. The arbitration procedures for Class A Claims and Class B Claims are set forth in detail in the ADR Procedures.

If a claimant has consented to binding arbitration, the fees and administrative costs of binding arbitration will be borne by the respective parties (unless otherwise ordered by the arbitrator). However, if a claimant does not consent to binding arbitration, the fees and administrative costs of any nonbinding arbitration proceeding will be borne by the claimant (unless otherwise ordered by the arbitrator), and any administrative fees must be paid to the AAA by the parties within ten (10) days after the filing of an Arbitration Notice.

A binding arbitration award will be treated as confidential and shall be appealable to the United States District Court for the District of Delaware only on the terms set forth in section 10 of the Federal Arbitration Act. Any such appeal must be filed within ten (10) days from the date of service of the arbitration award by the arbitrator. A nonbinding arbitration award may be reviewed by the appropriate tribunal only if a party files a notice of intent to litigate within ten (10) days of the date of service of the award by the arbitrator. If the parties do not timely file a notice to litigate, the arbitration award will be become binding without any further action of the parties. If a timely notice to litigate is filed and served, the appropriate tribunal will conduct a de novo review of the applicable Litigation Unsecured Claim upon the expiration of the ADR Injunction. **Unless otherwise noted in an arbitration award, an arbitration award for any Litigation Unsecured Claim will constitute an Allowed Litigation Unsecured Claim.**

The insurance companies with which the Debtors maintain their general liability insurance policies and related agreements shall be liable for any binding arbitration awards as if the award were a final judgment of a court of competent jurisdiction. **The implementation of the ADR Procedures shall not otherwise modify the obligations of the Debtors or their insurance companies under the Debtors' general liability insurance policies and related agreements.**

HOLDERS OF LITIGATION UNSECURED CLAIMS ARE URGED TO READ THE ADR PROCEDURES IN THEIR ENTIRETY. To the extent of any inconsistencies between the terms of the ADR Procedures and the description set forth herein, the ADR Procedures shall control.

The Litigation Unsecured Claims are impaired under the Plan, and the holders of Litigation Unsecured Claims are entitled to vote to accept or reject the Plan in the manner and to the extent provided for in the Voting Procedures Order.

b. Class 5: Equity Interests. Class 5 consists of the Equity Interests in each of the Debtors. Pursuant to the Plan, all Equity Interests in the Debtors shall be cancelled, annulled and extinguished on the Effective Date, and the holders of such Equity Interests shall not receive or retain any property under the Plan. The holders of such Equity Interests are deemed to have rejected the Plan.

C. Conditions Precedent to Confirmation.

The Plan will not be confirmed, and the Confirmation Order will not be entered, until and unless certain specified "Confirmation Conditions" have been satisfied or waived by the Committee and the Agent in writing. These Confirmation Conditions are as follows:

1. The Clerk of the Bankruptcy Court shall have entered an order or orders, which may be the Confirmation Order, approving the Plan Documents, authorizing the Debtors to execute, enter into, and deliver the Plan Documents and to execute, implement, and to take all actions otherwise necessary or appropriate to give effect to, the transactions contemplated by the Plan and the Plan Documents.

2. The Confirmation Order shall be, in form and substance, acceptable to the Plan Proponents and the Agent.

D. Conditions Precedent to the Occurrence of the Effective Date.

The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, will not occur, and the Plan will be of no force and effect, until the Effective Date. The "Effective Date" will occur on a date selected by the Plan Proponents (after consultation with the Agent) after which all of the following conditions (but no later than 30 days after the occurrence thereof) have been satisfied or waived:

1. The Confirmation Order shall have been entered by the Clerk of the Bankruptcy Court, shall be in full force and effect and shall not be subject to any stay or injunction.

2. All necessary consents, authorizations and approvals shall have been given for the transfers of property and the payments provided for or contemplated by the Plan, including, without limitation, satisfaction or waiver of all conditions to the obligations of the Debtors under the Plan and the Plan Documents.

The Committee and the Agent may waive the occurrence of any of these conditions precedent or modify any of such conditions precedent. If the Committee and the Agent decide that one of the foregoing conditions cannot be satisfied, and the occurrence of such condition is not waived by the Committee and the Agent, then the Committee and the Agent will file a notice of failure of Effective Date with the Bankruptcy Court, at which time the Plan and the Confirmation Order will be deemed null and void.

E. Assumption of Executory Contracts and Unexpired Leases.

Section 365 of the Bankruptcy Code gives the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

Exhibit 2 to the Plan sets forth a list of executory contracts and unexpired leases, together with the amount, if any, required to cure any defaults, to be assumed under the Plan by the Debtors. Subject to the occurrence of the Effective Date, any executory contracts or unexpired leases listed on Exhibit 2 to the Plan, as such may be amended prior to the Confirmation Hearing, shall be deemed to have been assumed by the Debtors on the Effective Date. The Plan shall constitute a motion to assume such executory contracts and unexpired leases. Subject to the occurrence of the Effective Date, the Confirmation Order shall constitute approval of such assumptions pursuant to section 365 of the Bankruptcy Code and findings by the Bankruptcy Court that the amounts listed on Exhibit 2 are sufficient to cure any defaults that may exist, that each assumption is in the best interest of the Debtors, their estates, and all parties in interest in the Chapter 11 Cases and that the requirements for assumption of any executory contract or unexpired lease to be assumed under section 365 of the Bankruptcy Code have been satisfied. Except as otherwise provided in the following sentence, all cure payments which may be required by section 365(b)(1) of the Bankruptcy Code under any executory contract or unexpired lease which is assumed under the Plan shall be made by the Debtors on the Effective Date or as soon as practicable thereafter. In the event of a dispute, cure payments required by section 365(b)(1) of the Bankruptcy Code shall be paid upon entry of a Final Order resolving such dispute. Any Cure Claim must be timely filed and served as required by the Plan.

Exhibit 3 to the Plan sets forth a list of executory contracts, together with the amount, if any, required to cure any defaults, to be assumed under the Plan by the Debtors and assigned to Shaw effective as of May 3, 2002. Any executory contacts listed on Exhibit 3 to the Plan, as such may be amended prior to the Confirmation Hearing, shall be deemed to have been assumed by the Debtors and assigned to Shaw effective as of May 3, 2002. The Debtors are relieved of any liability for breach of any of the executory contracts listed on Exhibit 3 to the Plan pursuant to section 365(k) of the Bankruptcy Code. In addition, Shaw shall satisfy all of the Debtors' obligations to

cure defaults and compensate for damages with respect to any of the executory contracts listed on Exhibit 3 to the Plan pursuant to section 365(b) of the Bankruptcy Code.

Exhibit 4 to the Plan sets forth a list of executory contracts and unexpired leases, together with the amount, if any, required to cure any defaults, to be assumed under the Plan by the Debtors and assigned to the IT Environmental Liquidating Trust. Any executory contracts or unexpired leases listed on Exhibit 4 to the Plan, as such may be amended prior to the Confirmation Hearing, shall be deemed to have been assumed by the Debtors and assigned to the IT Environmental Liquidating Trust on the Effective Date. The Debtors are relieved of any liability for breach of any of the executory contracts listed on Exhibit 4 to the Plan pursuant to section 365(k) of the Bankruptcy Code. In addition, the IT Environmental Liquidating Trust shall satisfy all of the Debtors' obligations to cure defaults and compensate for damages with respect to any of the executory contracts listed on Exhibit 4 to the Plan pursuant to section 365(b) of the Bankruptcy Code.

F. Rejection of Executory Contracts and Unexpired Leases.

Any executory contracts or unexpired leases of any of the Debtors that (a) are not listed on Exhibits 2, 3 and 4 to the Plan, (b) have not been approved by the Bankruptcy Court prior to the Confirmation Date for assumption and assignment by any of the Debtors or rejection by any of the Debtors, and (c) are not the subject of pending motions to assume on the Confirmation Date shall be deemed to have been rejected by the Debtors effective as of the Effective Date. The Plan shall constitute a motion to reject such executory contracts and unexpired leases, and the Debtors shall have no liability thereunder except as is specifically provided in the Plan. The Confirmation Order shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of the Debtors, their estates, and all parties in interest in the Chapter 11 Cases.

G. Claims Arising from Rejection or Termination.

Claims created by the rejection of executory contracts or unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtors (a) in the case of an executory contract or unexpired lease rejected by the Debtors prior to the Confirmation Date, in accordance with the Bar Date Order or the later of thirty (30) days after the entry of the Bankruptcy Court authorizing and approving such rejection, whichever is later, or (b) in the case of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to the Confirmation Date, or (ii) is deemed rejected pursuant to Section 11.2 of the Plan, no later than thirty (30) days after the Confirmation Date, or (c) in the case of an executory contract or unexpired lease that is rejected by the Debtors after the Confirmation Date, within thirty (30) days after the entry of an order of the Bankruptcy Court authorizing and approving such rejection. In accordance with the Plan and the Confirmation Order, any Claims for which a proof of claim is not filed and served within such time will be forever barred from assertion and shall not be enforceable against the Debtors, their estates, assets, properties, or interests in property. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as General Unsecured Claims under the Plan subject to objection by the Debtors.

H. Fractional Distributions.

Notwithstanding anything to the contrary contained in the Plan, no Cash payments of fractions of cents and no fractional distributions of shares of the Shaw Stock will be made. Fractional cents shall be rounded to the nearest whole cent. Fractional shares shall be rounded down to the next-lower whole number of shares.

I. Provisions for Treatment of Contested Claims.

The Disbursing Agent, acting on behalf of Reorganized IT Group, may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted shall be litigated to Final Order or compromised and settled in accordance with Section 8.3 of the Plan. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims are required to be served and filed no later than one hundred and eighty (180) days after the Effective Date.

Under Article VIII of the Plan, from and after the Effective Date, all Claims against the Debtors may be compromised and settled according to the following procedures:

1. The following settlements or compromises do not require the review or approval of the Bankruptcy Court or any other party in interest:

a. The settlement or compromise of a Claim pursuant to which such Claim is Allowed in an amount of $250,000 or less; and

b. The settlement or compromise of a Claim where the difference between the amount of the Claim listed on the Debtors' Schedules and the amount of the Claim proposed to be Allowed under the settlement is $250,000 or less; and

2. The following settlements or compromises shall be submitted to the Bankruptcy Court for approval:

a. Any settlement or compromise not described in subsection "1." above; and

b. Any settlement or compromise of a Claim that involves an "insider," as defined in section 101(31) of the Bankruptcy Code.

If a Contested Claim becomes Allowed, whether by a Final Order or by a compromise and settlement, the holder of such Contested Claim will receive the Distributions to which such holder is then entitled under the Plan. No interest will be paid on account of Contested Claims that later become Allowed, except to the extent that payment of interest is required under section 506(b) of the Bankruptcy Code, and no Distribution will be made by the Disbursing Agent with respect to all or any portion of any Contested Claim pending the entire resolution of such Claim.

J. Discharge of the Debtors.

The rights afforded in the Plan and the treatment of all Claims and Equity Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued thereon from and after the Petition Date, against the Debtors and the debtors-in-possession, or any of their Estates, Assets, properties, or interests in property. Except as otherwise provided in the Plan, on the Effective Date, all Claims against and Equity Interests in the Debtors and the debtors-in-possession shall be satisfied, discharged, and released in full. The Debtors shall not be responsible for any obligations of the Debtors or the debtors-in-possession, except those expressly assumed by any of the Debtors in the Plan. Except as otherwise provided in the Plan, all Persons shall be precluded and forever barred from asserting against the Debtors, Reorganized IT Group, their respective successors or assigns, or their Assets, properties, or interests in property any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the facts of or legal bases therefor were known or existed prior to the Effective Date.

K. Modification of the Plan.

As provided in section 1127 of the Bankruptcy Code, modification of the Plan may be proposed in writing by the Plan Proponents (with the consent of the Agent) at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Plan Proponents may modify the Plan at any time after confirmation and before substantial consummation (with the consent of the Agent), provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modifications. A holder of a Claim that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

L. Revocation of the Plan.

The Plan Proponents reserve the right to revoke and withdraw the Plan (with the consent of the Agent) as to any Debtor prior to the occurrence of the Effective Date. If the Plan Proponents so revoke or withdraw the Plan as to any Debtor, or if the Effective Date does not occur as to any Debtor, then, as to such Debtor the Plan and all settlements set forth in the Plan shall be deemed null and void and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims against or Equity Interests in such Debtor or to prejudice in any manner the rights of the Debtors or any Person in any other further proceedings involving such Debtor.

M. Causes of Action.

Except as otherwise provided in the Plan, all Causes of Action assertable by any of the Debtors, including but not limited to Avoidance Actions and Estate Causes of Action, shall be retained by, and vested in, Reorganized IT Group upon the occurrence of the Effective Date. Except as otherwise provided in the Plan, the Debtors' rights to commence such Causes of Action (including Avoidance Actions and Estate Causes of Action) shall be preserved notwithstanding consummation of the Plan. Except as otherwise provided under the Plan, any recovery realized by the Debtors or Reorganized IT Group on account of such Causes of Action shall be the property of Reorganized IT Group to be distributed in accordance with the Plan.

N. Third Party Agreements; Subordination.

The Distributions to the various classes of Claims under the Plan shall be in full satisfaction of the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordination rights or otherwise. Subject to the occurrence of the Effective Date, all of such rights and any agreements relating thereto shall be cancelled and annulled and of no further force or effect. In accordance with section 510(b) of the Bankruptcy Code, a Claim arising from rescission of a purchase or sale of a security of the Debtors or of an Affiliate of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claim, shall be subordinated to all Claims that are senior to or equal the Claim or Equity Interest represented by such security, except that if such security is common stock, such Claim has the same priority and treatment as Class 5 - Equity Interests.

O. Dissolution of Committee.

The appointment of the Committee shall terminate on the later of (a) the Effective Date, and (b) the date the last order of the Bankruptcy Court allowing or disallowing a Fee Claim becomes a Final Order. Upon such termination, the members of the Committee shall thereupon be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the Chapter 11 Cases, and the Committee shall be deemed dissolved, unless prior thereto the Bankruptcy Court shall have entered an order extending the existence of the Committee. The decisions of the Committee through such dissolution date shall be deemed ratified and approved in all respects.

P. Exculpation.

In accordance with Section 13.5 of the Plan, none of the Plan Proponents, the Agent, the Prepetition Lenders, the Disbursing Agent or any of their respective members, officers, directors, employees, attorneys, advisors, professionals, consultants or agents shall have or incur any liability to any Person for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence as determined by Final Order of the Bankruptcy Court, and in all respects shall be entitled to rely upon the advice of counsel and all information provided by other exculpated persons under the Plan without any duty to investigate the veracity or accuracy of such information with respect to their duties and responsibilities under the Plan.

Additionally, except as otherwise provided in Section 10.3 of the Plan, and in addition to Section 13.5 of the Plan, the Disbursing Agent, together with its officers, directors, employees, agents, and representatives, shall be exculpated by all Persons, holders of Claims and Equity Interests, and all other parties in interest, from any and all Causes of Action, and other assertions of liability (including breach of fiduciary duty) arising out of the discharge of the powers and duties conferred upon the Disbursing Agent by the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Disbursing Agent's willful misconduct or gross negligence.

Q. Injunctions.

On the Effective Date, and except as otherwise provided in the Plan all Persons who have been, are, or may be holders of Claims against or Equity Interests in the Debtors shall be enjoined from taking any of the following actions against or affecting the Debtors, their Estates, the Assets, the Disbursing Agent, the Plan Administrator, the Chief Litigation Officer, the Oversight Committee, the Trust, the Trustee, the Committee, the Agent, the Prepetition Lenders, or any of their respective officers, directors, members, employees, agents, representatives, or attorneys or their respective assets and property with respect to such Claims or Equity Interests (other than actions brought to enforce any rights or obligations under the Plan, including the treatment and allowance of Allowed Secured Claims and appeals, if any, from the Confirmation Order):

1. **commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice);**

2. **enforcing, levying, attaching, collecting or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree or order;**

3. **creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance; and**

4. **asserting any setoff, right of subrogation or recoupment of any kind; provided, that any defenses, offsets or counterclaims which the Debtors may have or assert in respect of the above referenced claims are fully preserved in accordance with Section 13.16 of the Plan; provided, that the foregoing injunctions shall not apply to any of the Debtors' present or former officers, directors, members, employees, principals and control persons who do not serve in such capacities after the Effective Date.**

Notwithstanding the foregoing or any other provision in the Plan or Confirmation Order, nothing in the Plan or Confirmation Order (except as set forth in Section 13.5 of the Plan) shall in any way enjoin, release, waive or otherwise exculpate any current or former officer or director of any of the Debtors (other than Harry J. Soose Jr., except to the extent of available director and officer insurance coverage) who served in such capacity prior to the Effective Date from any Claim or Cause of Action by any Person, including, without limitation, the Debtors and their Estates.

R. Supplemental Documents.

All appendices and exhibits to the Plan and the Plan Documents are incorporated into the Plan by reference and are part of the Plan as if set forth in full therein. All Plan Documents shall be in a form reasonably acceptable to the Plan Proponents and the Agent. The Plan Documents shall be filed with the Clerk of the Bankruptcy Court not less than ten (10) days prior to the commencement of the Confirmation Hearing. Holders of Claims and Equity Interests may obtain copies of such documents, once filed, from the Plan Proponents upon written request to the following address:

White & Case LLP
Wachovia Financial Center
200 South Biscayne Boulevard, Suite 4900
Miami, Florida 33131
Attention: Mark B. Fuhr
Telephone: (305) 371-2700
Facsimile: (305) 358-5744

S. **Retention of Jurisdiction.**

Upon the occurrence of the Effective Date, the Plan shall be deemed to be substantially consummated as defined in section 1101 of the Bankruptcy Code and any then-pending appeal shall be deemed to be moot and subject to discharge upon the filing with the court where such appeal is pending of an affidavit by the Debtors stating that the Effective Date has occurred. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases after the Effective Date as legally permissible, including, but not limited to, jurisdiction over any matter (i) arising under the Bankruptcy Code, (ii) arising in or related to the Chapter 11 Cases or the Plan, or (iii) that relates to any of the following:

a. To hear and determine any and all motions or applications pending on the Confirmation Date or thereafter brought in accordance with Article XI of the Plan for the assumption and/or assignment or rejection of executory contracts or unexpired leases to which any of the Debtors is a party or with respect to which any of the Debtors may be liable, and to hear and determine any and all Claims resulting therefrom or from the expiration or termination of any executory contract or unexpired lease;

b. To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted after the Effective Date, including, without express or implied limitation, any Avoidance Action or Estate Cause of Action;

c. To hear and determine any objections to the allowance of Claims, whether filed, asserted, or made before or after the Effective Date, including, without express or implied limitation, to hear and determine any objections to the classification of any Claim and to allow, disallow or estimate any Contested Claim in whole or in part;

d. To issue such orders in aid of execution of the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

e. To consider any modifications of the Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

f. To hear and determine all applications for allowances of compensation and reimbursement of expenses of professionals under sections 330 and 331 of the Bankruptcy Code and any other fees and expenses authorized to be paid or reimbursed under the Plan or the Bankruptcy Code;

g. To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Plan or the Plan Documents or their interpretation, implementation, enforcement, or consummation;

h. To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Confirmation Order (and all exhibits to the Plan) or its interpretation, implementation, enforcement, or consummation;

i. To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with the Plan Settlement or its interpretation, implementation, enforcement, or consummation;

j. To the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or cause of action by or against the Debtors' estates;

k. To determine such other matters that may be set forth in the Plan, or the Confirmation Order, or that may arise in connection with the Plan, or the Confirmation Order;

l. To hear and determine matters concerning state, local, and federal taxes, fines, penalties, or additions to taxes for which the Debtors, Reorganized IT Group or the Disbursing Agent, as applicable, may be liable, directly or indirectly, in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

m. To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with any setoff and/or recoupment rights of the Debtors or any Person;

n. To hear and determine all controversies, suits, and disputes that may relate to, impact upon, or arise in connection with Causes of Action;

o. To enter an order or final decree closing the Chapter 11 Cases;

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

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

r. To hear and determine any other matters related to the Plan and the Disclosure Statement and not inconsistent with chapter 11 of the Bankruptcy Code.

VI. CONFIRMATION AND CONSUMMATION PROCEDURE

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 2 (Non-Lender Secured Claims), Class 3 (Lender Claims), Class 4A (General Unsecured Claims), and Class 4B (Litigation Unsecured Claims) are impaired, and the holders of such Claims are entitled to vote to accept or reject the Plan in the manner and to the extent set forth in the Voting Procedures Order. Pursuant to the Voting Procedures Order, any Creditor holding a Claim in an impaired class under the Plan, other than Class 4C (Securities Litigation Claims) and Class 4D (Subordinated Claims), may vote on the Plan so long as such Claim has not been disallowed and is not the subject of an objection pending as of the Voting Record Date. Nevertheless, if a Claim is the subject of such an objection, the holder thereof may vote if, prior to the Voting Deadline (_____, 2004 at 4:00 p.m. Prevailing Eastern Time), such holder obtains an order of the Bankruptcy Court, or the Bankruptcy Court approves a stipulation between the Plan Proponents and such holder, fully or partially allowing such Claim, whether for all purposes or for voting purposes only.

Claims in Class 1 (Priority Claims) are unimpaired. The holders of Allowed Claims in such class are conclusively presumed to have accepted the Plan, and the solicitation of acceptances with respect to each such Class is not required under section 1126(f) of the Bankruptcy Code.

The Plan provides that the holders of Claims in Class 4C (Securities Litigation Claims) or Class 4D (Subordinated Claims) or Equity Interests in Class 5 will not receive any Distributions of property or retain any interest in property of the Debtors. In accordance with section 1126(g) of the Bankruptcy Code, such class of Claims or Equity Interests are conclusively deemed to reject the Plan.

As to 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. The Voting Procedures Order provide that, with respect to the tabulation of ballots for all Claims, the amount to be used to tabulate acceptance or rejection of the Plan is as follows (in order of priority): (i) if prior to the Voting Deadline, the Bankruptcy Court enters an order or approves a stipulation between the Plan Proponents and the claimant fully or partially allowing a Claim, whether for all purposes or for voting purposes only, the amount allowed thereunder; (ii) the liquidated amount specified in a proof of claim filed on or before the Voting Record Date so long as such proof of claim has not been disallowed by the Bankruptcy Court and is not the subject of an objection pending as of the Voting Record Date; (iii) the Claim amount listed in the Schedules (as amended) as liquidated, undisputed, and not contingent; and (iv) if a proof of claim has been filed on or before the Voting Record Date, and such Claim is wholly contingent or unliquidated, the Claim amount, for voting purposes only, will be $1.00 so long as such proof of claim has not been disallowed by the Bankruptcy Court and is not the subject of an objection pending as of the Voting Record Date, unless, prior to the Voting Deadline, the Bankruptcy Court enters an order or approves a stipulation between the Plan Proponents and the claimant fully or partially allowing a Claim, whether for all purposes or for voting purposes only, the amount allowed thereunder.

A ballot will *not* be counted if a Claim has been disallowed or an objection is pending to the Claim as of the Voting Record Date, and the claimant has not obtained, on or before the Voting Deadline, a Bankruptcy Court order allowing such Claim, either in whole or in part, for all purposes or for voting purposes only. **A BALLOT WILL NOT BE COUNTED IF IT IS NOT *ACTUALLY RECEIVED* BY the Voting and Tabulation Agent, The IT Group, Inc., c/o Alix Partners LLC, 2100 McKinney Avenue, Suite 800, Dallas, Texas 75201 BY THE VOTING DEADLINE — 4:00 P.M., PREVAILING EASTERN TIME, ON _____, 2004. PLEASE FOLLOW THE INSTRUCTIONS ON YOUR BALLOT FOR RETURNING THE BALLOT.** In addition, a vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

If you have any questions about these instructions, please call _____ at (___) ___-____.

B. <u>The Confirmation Hearing</u>.

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 _____, 2004, at _____ a.m., Prevailing Eastern Time, before the Honorable Mary F. Walrath, United States Bankruptcy Judge, 824 Market Street, 6th Floor, Courtroom #1, Wilmington, Delaware. 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 must specify in detail the name and address of the objector, all grounds of the objection, and the amount and class of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court, counsel to the Debtors, counsel to the Committee, counsel to the Agent and all other persons having filed notices of appearance in the Chapter 11 Cases on or before _____, 2004 at 4:00 p.m., Prevailing Eastern Time. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. <u>Confirmation</u>.

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 the Plan are that the Plan is (i) 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, (ii) feasible, and (iii) in the "best interests" of creditors and stockholders that are impaired under the Plan.

1. **Acceptance.**

Class 2 (Non-Lender Secured Claims), Class 3 (Lender Claims), Class 4A (Unsecured Claims), and Class 4B (Litigation Unsecured Claims) are impaired under the Plan and holders of Claims in such Classes are entitled to vote to accept or reject the Plan. Class 1 (Priority Claims) is unimpaired under the Plan, and the holders of such Claims are deemed to have accepted the Plan. Class 5 (Equity Interests) is impaired under the Plan, and the holders of such Equity Interests shall not receive a Distribution or retain any property under the Plan and are deemed to have rejected the Plan. As to such class (and any other class which may reject the Plan), the Plan Proponents intend to seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code.

2. **Cramdown -Unfair Discrimination and Fair and Equitable Tests.**

To obtain nonconsensual confirmation of the Plan, at least one impaired class must vote to accept the Plan (excluding any votes of insiders), and the Plan Proponents 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 the following non-exclusive definition of the phrase "fair and equitable," as it applies to secured creditors, unsecured creditors, and equity holders:

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

b. Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the rejecting class of unsecured creditors will not receive or retain any property under the plan.

c. Equity Interests. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, 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.

The Plan Proponents believe that the Plan and the treatment of all classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan. Specifically, it is expected that holders of Lender Claims will accept the Plan. As set forth in the Plan, holders of Allowed Priority are unimpaired and shall be paid in full. The Plan Proponents and the Agent (on behalf of the Prepetition Lenders) submit that the Plan Settlement is fair and equitable, and that the Plan may be confirmed under section 1129(b) of the Bankruptcy Code provided that at least one impaired Class (i.e., Class 3-Lender Claims) accepts the Plan, notwithstanding the deemed rejection of Class 5 (Equity Interests) or the possible rejection by other Classes.

3. **Feasibility.**

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. Because Distributions will be made only to the extent of existing assets or future recoveries, the Plan Proponents believe the Plan is feasible.

4. **Best Interests of Creditors Test.**

With respect to each impaired class of Claims and Equity Interests, confirmation of the Plan requires that each holder of a Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests test."

To determine what holders of Claims and Equity Interests of each impaired class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of chapter 7 liquidation cases. The cash amount that would be available for satisfaction of Claims (other than secured Claims) and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors, augmented by the unencumbered cash held by the Debtors at the time of the commencement of the liquidation cases. Such cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of the Debtors' businesses and the use of chapter 7 for the purposes of liquidation.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that such a trustee may engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of these Chapter 11 Cases. The foregoing types of claims and other claims that may arise in a liquidation case or result from the pending Chapter 11 Cases, including any unpaid expenses incurred by the Debtors during these Chapter 11 Cases, such as compensation for attorneys, financial advisers, and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Unsecured Claims.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the liquidation of the Debtors' unencumbered assets and properties are compared with the value of the property offered to such classes of Claims and Equity Interests under the Plan.

After considering the effects that chapter 7 liquidations would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including (i) the increased costs and expenses of liquidations under chapter 7 arising from fees payable to trustees in bankruptcy and professional advisers to such trustees, (ii) the erosion in value of assets in chapter 7 cases in the context of the expeditious liquidation required under a chapter 7 case and (iii) the substantial increases in Claims that would be satisfied on a priority basis or on a parity with creditors in these Chapter 11 Cases, the Plan Proponents have determined that confirmation of the Plan will provide each holder of an Allowed Claim or Equity Interest with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

The Liquidation Analysis, prepared by AlixPartners, is attached hereto as **Exhibit D** (the "Liquidation Analysis"). The information set forth in **Exhibit D** provides a summary of the liquidation values of the Debtors' Assets assuming chapter 7 liquidations in which a trustee appointed by the Bankruptcy Court would liquidate the Assets of the Debtors' Estates. Reference should be made to the Liquidation Analysis for a complete discussion and presentation of the expected distributions to parties in interest if the Debtors' Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code.

Underlying the Liquidation Analysis is a number of estimates and assumptions that, although considered reasonable by the Plan Proponents, are inherently subject to significant uncertainties and contingencies beyond the control of the Plan Proponents. The Liquidation Analysis is also based upon assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected may not be realized if the Debtors were, in fact, to undergo such a liquidation.

D. Consummation.

The Plan will be consummated on the Effective Date. For a more detailed discussion of the conditions precedent to the occurrence of the Effective Date and the impact of the failure to meet such conditions, *See* Sections V.B. and V.C. — "Summary of the Plan — Conditions Precedent to Confirmation, and Conditions Precedent to the Occurrence of the Effective Date."

The Plan is to be implemented pursuant to the provisions of the Bankruptcy Code.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Claims.

The following summary is based on the Internal Revenue Code, Treasury Regulations promulgated and proposed thereunder, judicial decisions, and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Consequences to the Debtors.

1. Cancellation of Debt Income

The Debtors will generally realize cancellation of debt ("COD") income to the extent a creditor receives an amount of consideration in respect of its Claim that is less than the amount of such Claim. However, because the COD income would occur in a proceeding under the Bankruptcy Code, each Debtor would be able to exclude such COD income from gross income. As a consequence of this exclusion (the "Bankruptcy Exclusion"), such Debtor would have to reduce certain of its tax attributes up to an amount equal to the amount of the excluded COD income. Pursuant to the Internal Revenue Code, tax attribution reduction occurs on the first day of the taxable year following the taxable year in which such debt discharge occurs. Unless a Debtor elects to first reduce its tax basis in depreciable property, the amount of any COD income realized by such Debtor will first be applied against and reduce the net operating loss and net operating loss carryovers ("NOLs") of such Debtor, on a dollar-for-dollar basis, and then be applied to reduce other specified tax attributes in the order of priority specified in the Internal Revenue Code.

2. Accrued Interest.

To the extent that there exists accrued but unpaid interest on any indebtedness owed to holders of Allowed Claims and to the extent that such accrued but unpaid interest has not previously been deducted by such Debtor, portions of payments made in consideration for the indebtedness underlying such Allowed Claims which are allocable to accrued but unpaid interest should be deductible by such Debtor, if such payments of interest would have been deductible if paid by such Debtor outside of the bankruptcy. Any such accrued but unpaid interest that was not previously deducted and is not paid will not be deductible by a Debtor, but also will not give rise to COD income.

To the extent that a Debtor has previously taken a deduction for accrued but unpaid interest, any amounts so deducted which are paid will not give rise to any tax consequences to such Debtor. Such amounts not paid, however, would give rise to COD income, which would be excluded from gross income pursuant to the Bankruptcy

Exclusion. As a result, such Debtor would be required to further reduce its NOLs to the extent of such interest previously deducted and not paid.

3. Limitations on and Elimination of NOLs and Other Tax Attributes.

Following the implementation of the Plan, the NOLs and certain other favorable tax attributes of the Debtors allocable to periods ending on or prior to the Effective Date will be subject to various limitations imposed by the Internal Revenue Code. The IRS has taken the position that transactions involving a liquidating trust similar to that contemplated by the Plan constitutes an indirect modification of the Debtors' capital structure, resulting in an ownership change and certain limitations on NOLs under Section 382 of the Internal Revenue Code. This position has not been litigated and its application to the Plan may not be supported under current law. The principal limitations are discussed below.

Under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change," the ability of the corporation to utilize its NOLs and other pre-change losses and credits generally is limited on an annual basis to the product of (i) the fair market value of the corporate equity immediately before the ownership change (subject to various adjustments) and (ii) the "long-term tax-exempt rate," which is published monthly by the IRS (such amount, the "382 Annual Limitation"). If the Debtor has a net unrealized built-in loss at the time of the ownership change, any built-in loss recognized during the five-year period beginning on the change date (the "recognition period") also may be subject to the 382 Annual Limitation. The 382 Annual Limitation may be increased by (i) certain built-in gains recognized after, but accruing economically before, the ownership change if the Debtor has a net unrealized built-in gain at the time of the ownership change and (ii) the carryover of unused annual limitations from prior years. The 382 Annual Limitation will automatically be zero if the corporation does not satisfy a continuity of business enterprise test. It is anticipated that the Debtors will undergo an "ownership change" upon the Equity Interests in the Debtors being cancelled, and the New Common Stock of Reorganized IT Group being issued to be held in trust for the benefit of the Debtors' creditors.

Upon the liquidation of all of the Debtors' Assets, the New Common Stock will be cancelled. At such time, any remaining NOLs or any other tax attributes of the Debtors will cease to exist.

4. Sale or Transfer of Assets by the Debtors.

Pursuant to the Plan, certain of the Assets were and certain remaining Assets will be, sold, abandoned or otherwise transferred. Such sales or transfers generally will result in taxable gain or loss to the Debtors. The Debtors recognized and/or will recognize gain or loss on the sale or exchange of any of their respective assets, the character of which will depend upon various factors including (i) whether such assets constitute "trade or business" within the meaning of Section 1231(b) of the Internal Revenue Code (the "1231 Assets") or constitute capital assets within the meaning of Section 1221 of the Internal Revenue Code and (ii) the aggregate amount of gain or losses of the 1231 Assets. The Proponents of the Plan believe that the Debtors will have sufficient available NOLs and/or current year losses to offset such income. However, there can be no assurance that the IRS would not take a contrary position. In particular, due to the lack of authoritative guidance as to the survival and utilization of NOLs in the context of a liquidation of the Debtors' Assets in chapter 11, there is a risk that the Debtors' NOLs and other losses incurred through the end of the taxable year in which the Plan is confirmed would not be available to offset income recognized by the Debtors in future years.

5. Alternative Minimum Tax.

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") if such tax exceeds the corporation's regular federal income tax. In general, a corporation's AMT equals 20% of the amount by which the corporation's AMTI exceeds an exemption amount. For purposes of computing AMTI, the corporation's regular taxable income is the starting point; however, certain tax deductions and other beneficial allowances are modified or eliminated. The Job Creation and Worker Assistance Act of 2002 provides that a corporation will be able to offset 100% of its AMTI by available NOLs (as recomputed for AMT purposes) for the tax years ending in 2001 and 2002. Commencing January 1, 2003, a corporation which otherwise might be able to offset all of its taxable income for regular tax purposes by available NOLs will only be able to offset 90% of a corporation's AMTI by available NOLs (as recomputed for AMT purposes).

In addition, if a corporation undergoes an "ownership change" within the meaning of Section 382 of the Internal Revenue Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

B. Consequences to Holders of Certain Claims or Equity Interests.

The federal income tax consequences of the Plan to a holder of an Allowed Claim depends, in part, on whether such Claim constitutes a "security" for federal income tax purposes. The term "security" is not defined in the Internal Revenue Code or in the Treasury Regulations promulgated thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt constitutes a "security" depends upon an overall evaluation of the nature of the debt. One of the most significant factors considered in determining whether a particular debt is a security is its original term. Debt obligations issued with a weighted average maturity at issuance of five years or less (*e.g.*, trade debt and revolving credit obligations) generally do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of 10 years or more generally constitute securities. Except as specifically set forth otherwise, the following discussion assumes that none of the Claims constitutes a "security" for federal income tax purposes. Each holder of a Claim is urged to consult its tax advisor regarding the status of its Claim.

1. Gain or Loss.

In general, each holder of an Allowed Claim will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by the holder with respect to its Claim (other than any Claim for accrued but unpaid interest, and other than any amounts characterized as imputed interest under the Internal Revenue Code as a result of distributions made after the Effective Date) over (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). The "amount realized" by a holder will equal the amount of cash and the fair market value of any property received by the holder.

The timing and amount of such gain or loss will depend on a number of factors, including whether the holder will receive multiple distributions pursuant to the Plan and whether the Debtors' obligation to make such payments will be treated as a new debt obligation for federal income tax purposes. It is possible that any loss, or any portion of any gain, realized by a Claim holder may have to be deferred until all of the distributions to such holder are received. All holders of Claims are urged to consult their tax advisors regarding the possible application of (or the ability to elect out of) the "installment method" of reporting any gain that may be recognized by such holder in respect of its Claim in the event such holder is entitled to payments that may be received in more than one taxable year to such holder.

Where gain or loss is recognized by a holder of a Claim, the character of such gain or loss as long-term or short-term capital gain or loss, or as ordinary income or loss, will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, whether the holder received any amounts for accrued and unpaid interest, whether the holder received any amounts that are characterized as imputed interest under the Internal Revenue Code as a result of such cash being paid after the Effective Date, and whether and to what extent the holder had previously claimed a bad debt deduction.

2. Distributions in Discharge of Accrued Interest.

Pursuant to the Plan, all distributions in respect of a Claim will be allocated first to the principal amount of the Claim, with any excess allocated to the portion of the Claim representing accrued but unpaid interest. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent any amount received (whether stock, cash or other property) by a holder of a debt is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest

income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

3. Holders of Equity Interests in IT Group.

Holders of Equity Interests in IT Group may be entitled to a worthless stock deduction, depending on, among other things, whether such holder has claimed a prior deduction with respect to such stock and such holder's adjusted tax basis in such stock.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Plan Proponents' alternatives include (i) seeking a liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative chapter 11 plan.

A. Liquidation under Chapter 7.

If no chapter 11 plan can be confirmed, these Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors. A discussion of the effect that a chapter 7 liquidation would have on the recovery of holders of Claims is set forth in ["Confirmation and Consummation Procedure – Confirmation – Best Interests Test,"] as well as in the Liquidation Analysis attached hereto as **Exhibit D**. The Plan Proponents believe that liquidation under chapter 7 would result in (i) smaller distributions being made to Creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee, and (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of unexpired leases and executory contracts in connection with the cessation of the Debtors' operations.

B. Alternative Plan of Reorganization.

If the Plan is not confirmed, the Plan Proponents or any other party in interest could attempt to formulate a different chapter 11 plan. The Plan Proponents believe that the Plan enables creditors to realize the highest recoveries under the circumstances.

IX. CONCLUSION AND RECOMMENDATION

The Plan Proponents urge holders of impaired Claims to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before _____ P.M., Prevailing Eastern Time on _____, 2004.

Dated: December __, 2003

Respectfully submitted,

Official Committee of Unsecured Creditors
of The IT Group, Inc.

By:_____
Daniel Arbess
Title: Co-Chairperson

By:_____
Murray Hutchinson
Title: Co-Chairperson

The IT Group, Inc.,
as Debtors and debtors-in-possession

By:_____
Harry J. Soose, Jr.
Title: Chief Operating Officer

XX. CONCLUSION AND RECOMMENDATION

The Plan Proponents urge holders of impaired Claims to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before _____ P.M., Prevailing Eastern Time on _____, 2004.

Dated: December __, 2003

Respectfully submitted,

Official Committee of Unsecured Creditors
of The IT Group, Inc.

By:_____
Daniel Arbess
Title: Co-Chairperson

By:_____
Murray Hutchison
Title: Co-Chairperson

The IT Group, Inc.,
as Debtors and debtors-in-possession

By:_____
Harry J. Soose, Jr.
Title: Chief Operating Officer

IX. CONCLUSION AND RECOMMENDATION

The Plan Proponents urge holders of impaired Claims to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before _____ P.M., Prevailing Eastern Time on _____, 2004.

Dated: December 17, 2003

Respectfully submitted,

Official Committee of Unsecured Creditors
of The IT Group, Inc.

By:_____
Daniel Arbess
Title: Co-Chairperson

By:_____
Murray Hutchison
Title: Co-Chairperson

The IT Group, Inc.,
as Debtors and debtors-in-possession

By:_____
Harry J. Soose, Jr.
Title: Chief Operating Officer