

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:	)	Chapter 11
	)	
MORTGAGE LENDERS	)	
NETWORK USA, INC., <sup>1</sup>	)	Case No. 07-10146 (PJW)
	)	
Debtor.	)	
_____	)	

**PLAN OF LIQUIDATION OF MORTGAGE LENDERS NETWORK USA, INC.  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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<sup>1</sup> Debtor's EIN: XX-XXX7394

Debtor's Address: Middlesex Corporate Center, 213 Court Street, 7<sup>th</sup> Floor, Middletown, CT 06457

## Table of Contents

	Page
PRELIMINARY STATEMENT .....	1
ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW .....	2
A. Rules of Interpretation, Computation of Time and Governing Law.....	2
B. Defined Terms .....	3
ARTICLE II ADMINISTRATIVE CLAIMS, PROFESSIONAL FEES AND PRIORITY TAX CLAIMS .....	19
A. Introduction.....	19
B. Administrative Claims .....	19
C. Professional Fee Claims.....	20
D. Priority Tax Claims.....	21
ARTICLE III CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS.....	21
A. Summary .....	21
B. Classification and Treatment of Claims against the Debtor .....	22
ARTICLE IV ACCEPTANCE OR REJECTION OF THE PLAN .....	24
A. Voting Classes .....	24
B. Acceptance by Impaired Classes .....	25
C. Presumed Acceptance/Rejection of Plan .....	25
D. Nonconsensual Confirmation.....	25
E. How to Vote.....	25
ARTICLE V MEANS FOR IMPLEMENTATION OF THE PLAN.....	26
A. Available Cash. ....	27
B. Handling of Plan Assets and Collection of Net Plan Proceeds.....	27
C. Litigation.....	28
D. Payment of Plan Expenses. ....	28
E. Distribution of Plan Proceeds. ....	28
F. Post-Confirmation Operations of the Liquidating Debtor. ....	29
G. Power and Authority of Responsible Officer.....	29

H.	Liquidation and Dissolution of the Liquidating Debtor.....	30
I.	Full and Final Satisfaction. ....	31
J.	Distribution Procedures. ....	31
K.	Disbursing Agent. ....	32
L.	Claims Reserve Account.....	33
M.	Resolution of Disputed Claims. ....	33
N.	Reserve Provisions for Disputed Claims. ....	34
O.	Allocation of Distributions. ....	35
P.	Rounding.....	36
Q.	No Interim Cash Payments of \$50 or Less on Account of Allowed Claims. ....	36
R.	Disputed Payments.....	36
S.	Unclaimed Property. ....	36
T.	Setoffs. ....	37
U.	No Distributions on Late-Filed Claims.....	37
V.	Withholding Taxes.....	37
W.	De Minimis Distributions; Charitable Donation.....	37
X.	Issuance of New Common Stock.....	38
Y.	United States Trustee Fees.....	38
ARTICLE VI TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES		38
A.	Rejection of Executory Contracts and Unexpired Leases.....	38
B.	Claims Based on Rejection of Executory Contracts or Unexpired Leases.....	39
ARTICLE VII CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND TO THE EFFECTIVE DATE.....		39
A.	Conditions to Confirmation of the Plan.....	39
B.	Effect of Failure of Conditions to Confirmation.....	40
C.	Effective Date. ....	40
ARTICLE VIII EFFECTS OF CONFIRMATION .....		40
A.	Binding Effect of Plan. ....	40
B.	Revesting of Property of Debtor. ....	40
C.	Property Free and Clear. ....	41
D.	Limitation of Liability.....	41
E.	Releases.....	41

F.	Injunction. ....	44
G.	Post-Confirmation Liability of Responsible Officer and Disbursing Agent. ....	45
H.	Insurance. ....	46
ARTICLE IX RETENTION OF JURISDICTION.....		46
ARTICLE X MISCELLANEOUS .....		47
A.	Revocation of Plan of Reorganization. ....	47
B.	Severability of Plan Provisions. ....	48
C.	Governing Law. ....	48
D.	Exhibits. ....	48
E.	Notices. ....	49
F.	Reservation of Rights.....	49
G.	Computation of Time Periods. ....	49
H.	Defects, Omissions and Amendments. ....	50
I.	Filing of Additional Documents. ....	50
J.	Successors and Assigns.....	51
K.	Setoffs and Recoupments.....	51
L.	Securities Exemption. ....	51
M.	Plan Interest Rate. ....	51
N.	Implementation. ....	51
O.	Record Date. ....	52
P.	Certain Actions. ....	52
Q.	Dissolution of Committee. ....	53
R.	Waiver of Ten (10) Day Stay.....	53
S.	Substantial Consummation. ....	53

## **PRELIMINARY STATEMENT**

Pursuant to Chapter 11, title 11 of the United States Code, 11 U.S.C. §§ 101-1330, Mortgage Lenders Network USA, Inc., debtor and debtor-in-possession in the above-captioned Chapter 11 Case (the “Debtor”), hereby respectfully proposes the following Plan of Liquidation.<sup>2</sup> Reference is made to the Disclosure Statement accompanying the Plan, including the exhibits thereto, for a discussion of the Debtor’s history, business, results of operations and properties, the post-petition liquidation of substantially all of the Debtor’s assets and for a summary and analysis of the Plan. All Holders of Claims and Equity Interests should read the Disclosure Statement and the Plan carefully -- and consult with their counsel and other applicable professionals -- before voting to accept or reject the Plan.

The Plan sets forth a proposal for the satisfaction of all Claims against the Debtor. With the Plan, Creditors will receive a Ballot for voting on the Plan, and a Disclosure Statement that provides information concerning the Debtor and the Plan. The Disclosure Statement includes a summary of the assets and liabilities of the Debtor, a summary of what Creditors and Interest Holders will receive under the Plan, a summary of the procedures and voting requirements necessary for confirmation of the Plan, and a discussion of certain alternatives to the Plan in the event that the Plan is not confirmed. You should thoroughly review both the Plan and Disclosure Statement before deciding whether you will vote to accept or reject the Plan.

As more fully described in the Disclosure Statement, the Plan must be approved by the requisite number of Creditors and the Bankruptcy Court must find that the Plan meets the applicable legal standards before it can be confirmed.<sup>3</sup> If the Plan is not confirmed, the

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in Article 1 of this Plan.

<sup>3</sup> Interest Holders will receive nothing under the Plan, and therefore, the Class of Interests is deemed to have rejected the Plan. Accordingly, acceptances are not being solicited from the Holders of Interests.

Bankruptcy Court may order the case dismissed, or converted to a liquidating case under Chapter 7 of the Bankruptcy Code, or the Debtor or other parties in interest may propose a different plan.

## **ARTICLE I**

### **DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION**

#### **OF TIME AND GOVERNING LAW**

##### **A. Rules of Interpretation, Computation of Time and Governing Law**

1. For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and each pronoun, whether stated in the masculine, feminine or neuter gender, shall include the masculine, feminine and the neuter gender; (b) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit Filed, or to be Filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified, all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the Plan; (e) the words “herein,” “hereof,” “hereunder,” and “hereto” and similar terms refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) references to part includes the whole, except where the context clearly requires otherwise; (g) “or” has the inclusive meaning represented by the phrase “and/or”; (h) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (i) the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply; and (j) any term used in capitalized form in the Plan that is not defined herein

but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

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

3. Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

**B. Defined Terms**

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form in the Plan:

1. “Administrative Claim” means a Claim for costs and expenses of administration under Section 503(b), 507(b), 503(b)(9) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate; (b) the value of any goods received by the debtor within 20 days before the Petition Date in which the goods were sold to the Debtor in the ordinary course of the Debtor’s business; (c) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under Section 330(a) or 331 of the Bankruptcy Code; (d) all fees and charges assessed against the Estate under 28 U.S.C. §§ 1911-1930; (e) all obligations designated as Allowed Administrative Claims pursuant to an order of the Bankruptcy Court; (f) administrative claims that were timely filed prior to the Administrative Claims Bar

Date; and (g) any Tax Claims incurred by the Debtor after the Petition Date or relating to a tax year or period which occurs after the Petition Date.

2. “Administrative Claims Bar Date” means the last date set by the Bankruptcy Court pursuant to the Administrative Claims Bar Date Order for a Claimants to file a request for payment of any Administrative Claim that arose between the Petition Date and the Effective Date.

3. “Administrative Claims Bar Date Order” means the order or orders setting any Administrative Claims Bar Date, which order could be the Confirmation Order.

4. “Allowed” means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that has been scheduled by Debtor in its Schedules as other than disputed, contingent or unliquidated and as to which Debtor or other party in interest has not Filed an objection on or before the 365th day after the Effective Date; (b) a Claim that is set forth in a timely filed Proof of Claim as to which no objection has been Filed; (c) a Claim that has been allowed by a Final Order; (d) a Claim that is allowed: (i) in any stipulation of amount and nature of Claim executed by the Debtor prior to the Effective Date and approved by the Bankruptcy Court; (ii) in any stipulation of amount and nature of Claim executed by the Liquidating Debtor on or after the Effective Date; (iii) in any stipulation of amount and nature of any Administrative Claim, Priority Claim or Priority Tax Claim executed by (x) the Debtor and approved by the Bankruptcy Court, or (y) the Liquidating Debtor; or (iv) in any contract, instrument, indenture or other agreement entered into or assumed by Debtor in connection with and in accordance with the Plan; (e) a Claim relating to a rejected executory contract or unexpired lease that either (i) is not a Disputed Claim or (ii) has been allowed by a Final Order, in either case only if a Proof of Claim has been timely Filed by the Claimant before the



applicable Rejection Bar Date for such claim or has otherwise been deemed timely Filed under applicable law; or (f) a Claim that is Allowed pursuant to the terms of this Plan.

5. “Allowed Claim” means a Claim that has been Allowed.

6. “Available Cash” means the aggregate amount of all Cash held by the Debtor on the Effective Date, including the Cash from any Litigation Recovery or any Liquidation Proceeds collected by the Debtor prior to the Effective Date.

7. “Avoidance Actions” mean all claims and causes of action which the Debtor has or had the power to assert pursuant to any or all of Sections 510, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code.

8. “Ballot Date” means the date stated in the Voting Instructions by which all Ballots must be received, which date shall be \_\_\_\_\_, \_\_\_\_\_.

9. “Ballots” mean the ballots upon which Holders of Impaired Claims shall indicate their acceptance or rejection of the Plan in accordance with the Plan and the Voting Instructions.

10. “Bankruptcy Code” means title I of the Bankruptcy Reform Act of 1978, as amended from time to time, as set forth in sections 101 *et seq.* of title 11 of the United States Code, and applicable portions of titles 18 and 28 of the United States Code.

11. “Bankruptcy Court” means the United States District Court for the District of Delaware having jurisdiction over this Chapter 11 Case and, to the extent of any reference made pursuant to section 157 of title 28 of the United States Code and/or the General Order of such District Court pursuant to Section 151 of title 28 of the United States Code, the bankruptcy unit of such District Court.

12. “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Case, promulgated under 28 U.S.C. § 2075 and the General, and Local Rules of the Bankruptcy Court.

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

14. “Cash” means cash and cash equivalents, including, but not limited to, bank deposits, wire transfers, checks, and readily marketable securities, instruments and legal tender of the United States of America or instrumentalities thereof.

15. “Chapter 11 Case” means the case commenced under Chapter 11 of the Bankruptcy Code by the Debtor on the Petition Date, styled In re Mortgage Lenders Network, Inc., Case No. 07-10146 (PJW), currently pending before the Bankruptcy Court.

16. “Claim” means a claim (as defined in Section 101(5) of the Bankruptcy Code) against Debtor, including, but not limited to: (a) any right to payment from Debtor whether or not such right is reduced to judgment, liquidated, unliquidated, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance if such performance gives rise to a right of payment from Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

17. “Claims Agent” means The Trumbull Group, LLC, dba Wells Fargo Trumbull, which was appointed as the Debtor’s claims, notice and balloting agent.

18. “Claimant” means the Holder of a Claim.

19. “Claims Reserve Account” means an interest bearing bank account or money market account to be established and held in trust by the Disbursing Agent on or after the

Effective Date for the purpose of holding the Plan Proceeds to be distributed under the Plan and any interest, dividends or other income earned upon the investment of such Claims Reserve Account. The Claims Reserve Account will be funded by the Debtor or Liquidating Debtor on or immediately after the Effective Date with the Available Cash and, following the Effective Date, from time to time, by the Liquidating Debtor, with (i) any Liquidation Proceeds realized after the Effective Date, plus (ii) any Litigation Recovery realized after the Effective Date, minus (iii) any amounts necessary to pay Plan Expenses.

20. “Class” means a category of Holders of Claims or Equity Interests as set forth in Article 3 of the Plan.

21. “Committee” means the Official Committee of Unsecured Creditors appointed by the United States Trustee in this Chapter 11 Case on February 2, 2006.

22. “Confirmation” means the entry of the Confirmation Order, subject to all conditions specified in Article 7 of the Plan having been (a) satisfied or (b) waived pursuant to Article 7.

23. “Confirmation Date” means the date upon which the Confirmation Order is entered by the Bankruptcy Court on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

24. “Confirmation Order” means the order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

25. “Consummation” or “Consummate” means the occurrence of or to achieve the Effective Date.

26. “Contingent Claim” means any Claim for which a Proof of Claim has been filed with the Bankruptcy Court but was not filed in a sum certain and which Claim has not been

estimated, fixed or liquidated by the Bankruptcy Court at a sum certain as of the Effective Date, or a Claim that has accrued but nonetheless remains dependent on the occurrence of a future event that may never occur.

27. “Creditor” means any Holder of a Claim against Debtor that arose on or prior to the Petition Date.

28. “Debt” means liability on a Claim.

29. “Debtor” means Mortgage Lenders Network USA, Inc.

30. “Debtor in Possession” means Mortgage Lenders Network USA, Inc., as debtor in possession in this Chapter 11 Case pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

31. “Disallowed Claim” means (i) a Claim, or any portion thereof, that has been disallowed by a Final Order; (ii) a Claim that has been listed in the Schedules at zero or as contingent, disputed, or unliquidated and as to which no proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, Final Order, or other applicable law; or (iii) a Claim that has not been listed in the Schedules and as to which no proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, Final Order, or other applicable law.

32. “Disbursing Agent” means the Liquidating Debtor, or such other such person or persons designated to act as the disbursing agent for the purpose of making the distributions required under the Plan. The Confirmation Order shall identify the Disbursing Agent and may provide for one or more persons to serve in the capacity of Disbursing Agent.

33. “Disclosure Statement” means Debtor’s Disclosure Statement dated \_\_\_\_\_, 2008, as amended, supplemented, or modified from time to time, describing the

Plan, that was prepared and distributed in accordance with the Bankruptcy Code and Bankruptcy Rules and other applicable law.

34. “Disputed” means, with respect to any Claim or Equity Interest, any Claim or Equity Interest: (a) listed on the Schedules as unliquidated, disputed or contingent; (b) as to which Debtor or any other party in interest has interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules or is otherwise disputed by Debtor in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order; or (c) unless otherwise indicated in the Plan, a Claim as to which the period within which to object to such Claim has not yet expired.

35. “Disputed Claim” means: (i) any Claim or portion of a Claim as to which an objection to the allowance thereof has been interposed as of the Effective Date or any later deadline fixed under the Plan or by order of the Bankruptcy Court, which objection has not been withdrawn or determined by Final Order; (ii) any Claim for which a proof of Claim is required to be filed and no such Proof of Claim is filed or, if filed, is filed after the applicable Bar Date for such Claim; (iii) any Contingent Claim or Unliquidated Claim; (iv) any Claim scheduled by the Debtor in the Schedules as disputed, contingent or unliquidated; (v) a Proof of Claim filed in a greater amount, or of a different nature or priority, than the amount, nature, or priority listed for that Claim in the Schedules; or (vi) a Claim that is not listed in the Schedules. To the extent an objection relates to the allowance of only a part of a Claim, such Claim shall be a Disputed Claim only to the extent of the objection and shall be deemed Allowed as to the portion for which no objection is made.

36. “Disputed Claims Amount” means the aggregate amount of Disputed Claims that are fixed and absolute. For purposes of calculating distributions of Cash under the Plan, the amount of each Disputed Claim shall be based upon either (i) the face amount of such Creditor's Disputed Claim (or the disputed portion thereof) as set forth in the Creditor's filed proof of Claim, (ii) the amount at which the Bankruptcy Court may estimate such Disputed Claim, or (iii) the amount which the Disbursing Agent determines in its reasonable judgment is the appropriate amount to be reserved for such Disputed Claim.

37. “Distribution Dates” means collectively the Initial Distribution Date, any Subsequent Distribution(s) Date and the Final Distribution Date.

38. “Distribution Record Date” means the close of business on the Business Day immediately preceding the Effective Date.

39. “Effective Date” means the date selected by Debtor which is a Business Day after the Confirmation Date on which: (a) no stay of the Confirmation Order is in effect, and (b) all conditions specified in Article 7 of the Plan have been satisfied, unless waived by the Debtor.

40. “Entity” means an entity as defined in Section 101(15) of the Bankruptcy Code.

41. “Equity Interest” means any equity interest in Debtor, including, but not limited to, all issued, unissued, authorized or outstanding shares or stock, together with any warrants, options or contract rights to purchase or acquire such interests at any time.

42. “Estate” means the estate of the Debtor in this Chapter 11 Case created pursuant to Section 541 of the Bankruptcy Code upon the commencement of this Chapter 11 Case.

43. “File” or “Filed” means file or filed with the Bankruptcy Court or its authorized designee in this Chapter 11 Case.

44. “Final Decree” means the decree contemplated under Bankruptcy Rule 3022.

45. “Final Distribution Date” means the date of the last payment to Holders of Allowed Claims in accordance with the provisions of the Plan.

46. “Final Order” means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction (i) which has not been reversed, stayed, modified or amended, (ii) as to which the time to or the right to appeal or seek reconsideration, review, rehearing, or certiorari has expired or been waived (without regard to whether the time to seek relief from a judgment under Bankruptcy Rule 9024 has expired), and (iii) as to which no appeal or petition for reconsideration, review, rehearing, or certiorari is pending.

47. “Final Resolution Date” means the date on which all Disputed Claims in each and every Class shall have been resolved by Final Order or otherwise finally determined.

48. “General Bar Date” means February 1, 2008, the date set by the Bankruptcy Court as the last day for filing a Claim arising prior to the Petition Date against the Debtor in this Chapter 11 Case.

49. “Governmental Unit” means the United States and any state, commonwealth, district, territory, municipality, department, agency, or instrumentality of the United States (but not a United States trustee while serving as a trustee in a case under this title), or any foreign state.

50. “Holder” means an Entity holding a Claim or Equity Interest.

51. “Impaired” means with respect to a Claim or Class of Claims, a Claim or Class of Claims that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

52. “Initial Distribution Date” means the Effective Date, or as soon as practicable thereafter when the initial distribution shall be made to the Holders of Allowed Unsecured Claims, as determined by the Liquidating Debtor.

53. “Insider” means an insider of any Debtor, as defined in Section 101(31) of the Bankruptcy Code.

54. “Interim Fee Order” means that certain “Administrative Order Under 11 U.S.C. §§ 105(A) and 331 Establishing Procedures for Interim Compensation and Expense Reimbursement of Professionals and Committee Members” [Docket No. 172] entered by the Bankruptcy Court on February 28, 2007.

55. “Lien” means any charge against or interest in property (including, but not limited to, any mortgage, lien, pledge, charge, security interest, encumbrance or other security device of any kind) to secure payment of a debt or performance of an obligation.

56. “Liquidating Debtor” means the Debtor on and after the Effective Date.

57. “Liquidation Proceeds” means any Cash or other consideration paid to or realized by the Debtor or the Liquidating Debtor, as applicable, upon the sale, transfer, assignment or other disposition of the Plan Assets.

58. “Litigation” means the interest of the Estate or the Liquidating Debtor, as applicable, in any and all claims, rights and causes of action which have been or may be commenced by the Debtor or the Liquidating Debtor, as applicable. Litigation includes, without limitation, any action (i) to avoid and recover any transfers of property determined to be preferential, fraudulent, or avoidable pursuant to sections 544, 545, 547, 548, 549(a) and 550 of



the Bankruptcy Code; (ii) for the turnover of property to the Debtor or the Liquidating Debtor, as applicable; (iii) for the recovery of property or payment of money that belongs to or can be asserted by the Debtor or the Liquidating Debtor, as applicable; (iv) for compensation for damages incurred by the Debtor; and (v) equitable subordination actions against Creditors.

59. “Litigation Recovery” means any Cash or other property received by the Debtor or the Liquidating Debtor, as applicable, from all or any portion of the Litigation, including, but not limited to, awards of damages, attorneys' fees and expenses, interest and punitive damages, whether recovered by way of settlement, execution on judgment or otherwise. If any Litigation is pursued on a contingent fee basis, the Litigation Recovery will be net of any contingent fee paid to legal counsel.

60. “Net Plan Proceeds” means all Plan Proceeds after the deduction of amounts to be paid for, or deposited to or withheld in the Claims Reserve Account from any unencumbered Cash on account of, or in anticipation of, payment of Plan Expenses and, as to each Class of Claims other than Secured Claims, after deduction of amounts for payments made or to be made (or for deposits made or to be made into the Claims Reserve Account on account of Disputed Claims) with respect to Claims (including unclassified claims that are Administrative Claims and Priority Tax Claims) that are senior in priority to the Claims of such Class.

61. “New Common Stock” shall mean the new common stock of the Liquidating Debtor to be issued on or as soon as practicable after the Effective Date.

62. “Petition Date” means February 5, 2007, the date on which Debtor filed its petition for relief commencing this Chapter 11 Case.

63. “Plan” means this Chapter 11 Plan of Liquidation, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Plan, the Bankruptcy Code and the Bankruptcy Rules, including, without limitation, any exhibits and schedules hereto, either in its present form or as the same may be amended, modified or supplemented from time to time in accordance with the terms and provisions hereof.

64. “Plan Assets” means any and all real property or personal property assets, rights or interests of Debtor, whether tangible or intangible, and any Liquidation Proceeds realized therefrom, including without limitation, all Cash of the Debtor, all Litigation, any Litigation Recovery, and the New Common Stock.

65. “Plan Expenses” means the expenses incurred by the Liquidating Debtor or the Disbursing Agent following the Effective Date (including the fees and costs of attorneys and other professionals) for the purpose of (i) prosecuting or otherwise attempting to collect or realize upon the Litigation; (ii) selling or collecting upon any of the Plan Assets or otherwise incurred following the Effective Date in connection with generating the Liquidation Proceeds; (iii) resolving Disputed Claims and effectuating distributions to Creditors under the Plan; or (iv) otherwise implementing the Plan and closing the Chapter 11 Case, including, but not limited to post-Effective Date taxes (such as for income in the Disputed Claims Reserve) and wind-down expenses (such as document storage and final tax returns) and the cost of any bond or insurance obtained for the protection of the Responsible Officer.

66. “Plan Interest Rate” means the rate of interest determined by the Bankruptcy Court upon Confirmation, if necessary, for purposes of the application of section 1124 (impairment) or section 1129(b) of the Bankruptcy Code (Present Value), as the case may

be, to the distributions to certain Creditors under the Plan. The Plan Interest Rate may be different for different Classes of Claims.

67. “Plan Objection Deadline” means the deadline established by the Bankruptcy Court for filing and serving objections to Confirmation of the Plan.

68. “Plan Proceeds” means the aggregate amount of Cash or other funds of the Debtor available for payment of post-Effective Date expenses and distribution on the Allowed Claims of Creditors, including, without limitation, Available Cash and any proceeds of Plan Assets.

69. “Plan Supplement” means any pleading or pleadings identified in the Plan or Disclosure Statement for filing with the Bankruptcy Court prior to the Confirmation Hearing.

70. “Present Value” means the present value as of the Effective Date of Cash payments made under the Plan by the Debtor using the Plan Interest Rate.

71. “Preserved Setoff Rights” means, with respect to each Entity released in Section 8(E)(a) of this Plan where this term is used, an exclusion from such release that permits any claim, debt, or cause of action of the Debtor, the Liquidating Debtor or the Estate against such Entity to be asserted defensively, as a setoff, counter-claim or cross-claim, in response to and in reduction of any Claim asserted by such Entity against the Debtor, the Liquidating Debtor, or the Estate, notwithstanding the releases in Section 8(E)(a) hereof.

72. “Priority Claim” means any Claim, other than an Administrative Claim or a Priority Tax Claim, to the extent entitled to priority under section 507(a) of the Bankruptcy Code.

73. “Priority Tax Claim” means a Claim of a governmental unit of the kind specified in Sections 502(i) and 507(a)(8) of the Bankruptcy Code.

74. “Pro Rata” means proportionately so that, with respect to a Claim, the ratio of (a) (i) the amount of property distributed on account of a particular Claim to (ii) the Allowed amount of the Claim, is the same as the ratio of (b) (i) the amount of property distributed on account of all Claims of the Class in which the particular Claim is included (other than Claims disallowed by Final Order) to (ii) the amount of all Claims in that Class (other than Claims disallowed by Final Order).

75. “Professional” means an Entity (a) employed pursuant to a Final Order in accordance with Sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

76. “Professional Fee Claim” means those fees and expenses claimed by Professionals pursuant to Sections 330, 331 and/or 503 of the Bankruptcy Code, and accrued and unpaid as of the Effective Date.

77. “Proof of Claim” means a proof of claim Filed pursuant to Section 501 of the Bankruptcy Code and/or any order of the Bankruptcy Court, together with supporting documents.

78. “Responsible Officer” shall mean Daniel Scouler, who served as the Debtor’s Chief Restructuring Officer during the Chapter 11 Case, or any validly selected successor.

79. “Schedules” means the schedules of assets and liabilities as the Bankruptcy Court required the Debtor to file pursuant to Section 521 of the Bankruptcy Code, the Official Bankruptcy Forms and the Bankruptcy Rules, as they may be amended and

supplemented from time to time, and Debtor's statement of financial affairs filed with the Bankruptcy Court, as the Bankruptcy Court required the Debtor to file pursuant to Section 521 of the Bankruptcy Code, the Official Bankruptcy Forms and the Bankruptcy Rules, as they may be amended and supplemented from time to time.

80.     “Secured Claim” means any Claim that is secured in whole or part, as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, or subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of such Lien or right of setoff as determined under sections 506(a) or 1129(b) of the Bankruptcy Code, as applicable.

81.     “Subordinated Claims” shall mean (a) any Claim or portion of a Claim that has been subordinated for purposes of distribution pursuant to section 510(c) of the Bankruptcy Code; or (b) any Claim or portion of a Claim for any fine, penalty, or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such Claim or portion thereof is not compensation for actual pecuniary loss.

82.     “Subsequent Distribution Date” means any date after the Initial Distribution Date (a) that is (i) subject to Section 5(Q) below, no less frequent than once during each four month period following the month of the Initial Distribution Date or (ii) otherwise ordered by the Bankruptcy Court, and (b) upon which the Liquidating Debtor makes a distribution to any Holders of Allowed Unsecured Claims.

83.     “Tax” means any tax, charge, fee, levy, impost or other assessment by any federal, state, local or foreign taxing authority, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, *ad valorem*,

estimated, severance, stamp, occupation and withholding tax. “Tax” shall include any interest or additions attributable to, imposed on or with respect to such assessments.

84. “Tax Claim” means all or that portion of an Allowed Claim held by a Governmental Unit for a tax assessed or assessable against the Debtor, including income and employment taxes and any related penalties or interest.

85. “Unimpaired Claim” means an unimpaired Claim within the meaning of Section 1124 of the Bankruptcy Code.

86. “Unliquidated Claim” means any Claim for which a Proof of Claim has been filed with the Bankruptcy Court but was not filed in a sum certain, and which Claim has not been estimated, fixed or liquidated by the Bankruptcy Court at a sum certain as of the Effective Date.

87. “Unsecured Claim” means any Claim against the Debtor or its Estate that is not a Secured Claim, Administrative Claim, Priority Tax Claim or Priority Claim.

88. “U. S. Trustee” means the Office of the United States Trustee for the Southern District of New York.

89. “Voting Instructions” means the instructions for voting on the Plan contained in Article 1 of the Disclosure Statement and in the Ballots.

90. “Voting Record Date” means the date as of which the identity of Holders of Claims is set for purposes of determining the Entities entitled to receive and vote on the Plan. Pursuant to Bankruptcy Rules 3017(d) and 3018(a); this date is the date of entry of the Bankruptcy Court’s order approving the Disclosure Statement or such other date as the Bankruptcy Court may set.

## ARTICLE II

### ADMINISTRATIVE CLAIMS, PROFESSIONAL FEES

#### AND PRIORITY TAX CLAIMS

##### **A. Introduction**

Certain types of Claims are not placed into voting Classes; instead they are unclassified. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to the specific treatment provided for them in the Bankruptcy Code. As such, Debtor has not placed the following Claims in a Class:

##### **B. Administrative Claims**

Each Holder of an Allowed Administrative Claim shall receive, from Net Plan Proceeds, without interest, Cash equal to the Allowed amount of such Claim, unless such Holder shall have agreed to different treatment of such Claim, at the sole option of the Debtor or the Liquidating Debtor, as the case may be: (a) on or as soon as practicable after the later of (i) the Effective Date, or (ii) the date upon which the Bankruptcy Court enters a Final Order determining or approving such Claim; (b) in accordance with the terms and conditions of agreements between the Holders of such Claims and the Debtor or the Liquidating Debtor, as the case may be; (c) with respect to any Administrative Claims representing obligations incurred in the ordinary course of the Debtor's business, upon such regular and customary payment or performance terms as may exist in the ordinary course of the Debtor's business or as otherwise provided in the Plan; or (d) with respect to statutory fees due pursuant to 28 U.S.C. § 1930(a)(6), until the entry of a final decree or an order converting or dismissing the case.

Holders of Administrative Claims (including, without limitation, Professionals) requesting compensation or reimbursement of such expenses pursuant to Sections 327, 328, 330,

331, 503(b) or 1103 of the Bankruptcy Code that do not file such requests by the applicable deadline provided for herein shall be forever barred from asserting such claims against the Debtor, its Estate, the Liquidating Debtor, or its successors or assigns, or its property. Any objection to Professional Fee Claims shall be filed on or before the objection deadline specified in the application for final compensation or order of the Bankruptcy Court.

Notwithstanding any provision in the Plan regarding payment of Administrative Claims to the contrary, and without waiver of any argument available that such Claim is already time-barred by prior orders of the Bankruptcy Court, all Administrative Claims that are required to be Filed and not Filed by the Administrative Claim Bar Date shall be deemed disallowed and discharged. As provided herein, the Claims Reserve Account will include funds sufficient to cover the aggregate asserted amount of all disputed Administrative Claims. Without limiting the foregoing, all fees payable under 28 U.S.C. § 1930 that have not been paid, shall be paid on or before the Effective Date.

**C. Professional Fee Claims**

The Liquidating Debtor shall pay Professionals all of their respective accrued and Allowed fees and reimbursement of expenses arising prior to the Effective Date plus post-Effective Date fees approved by the Responsible Officer.

The Bankruptcy Court must rule on and allow all Professional Fee Claims before the fees will be owed and paid. For all Professional Fee Claims, except Bankruptcy Clerk's Office fees, the fees and expenses of the Claims Agent, and U.S. Trustee's fees, the Professional in question must file and serve a properly noticed final fee application and the Bankruptcy Court must rule on the application. Only the amount of fees and expenses Allowed by the Bankruptcy Court will be owed and required to be paid under the Plan.



The Liquidating Debtor may retain and compensate professionals for services rendered following the Effective Date without order of the Bankruptcy Court. If the Liquidating Debtor objects in writing to the payment of any compensation, such disputed amount shall not be paid prior to the earlier of the resolution of such dispute or a ruling by the Bankruptcy Court.

Professionals requesting compensation or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered prior to the Effective Date must File and serve pursuant to the notice provisions of the Interim Fee Order, an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date. All such applications for final allowance of compensation and reimbursement of expenses will be subject to the authorization and approval of the Bankruptcy Court.

**D. Priority Tax Claims**

On the later to occur of (i) the Effective Date or (ii) the date on which such Claim shall become an Allowed Claim, the Liquidating Debtor shall pay to each Holder of an Allowed Priority Tax Claim from the Net Plan Proceeds the Allowed amount of such Allowed Priority Tax Claim without interest from Petition Date.

**ARTICLE III**

**CLASSIFICATION AND TREATMENT OF**

**CLASSIFIED CLAIMS AND EQUITY INTERESTS**

**A. Summary**

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, Confirmation and distribution pursuant to the Plan and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity

Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

**B. Classification and Treatment of Claims against the Debtor**

The classification of Claims and Equity Interests against the Debtor pursuant to the Plan, is as follows:

<b>Class</b>	<b>Status</b>	<b>Voting Rights</b>
Class 1 – Priority Claims	Impaired	Entitled to Vote
Class 2 – Secured Claims (if any) <sup>4</sup>	Impaired	Entitled to Vote
Class 3 – Unsecured Claims	Impaired	Entitled to Vote
Class 4 – Subordinated Claims	Impaired	Not Entitled to Vote
Class 5 – Equity Interests	Impaired	Not Entitled to Vote

1. Class 1 – Priority Claims

a. Classification: Class 1 consists of the Priority Claims against the Debtor.

b. Treatment: The Liquidating Debtor shall pay from the Net Plan Proceeds the Allowed amount of each Class 1 Priority Claim to each Entity holding a Class 1 Priority Claim as soon as practicable following the later of (a) the Effective Date and (b) the date such Class 1 Priority Claim becomes an Allowed Claim (or as otherwise permitted by law). The Liquidating Debtor shall pay each Entity holding a Class 1 Priority Claim in Cash in full in respect of such Allowed Claim without interest from the Petition Date; provided, however, that such Entity may be treated on such less favorable terms as may be agreed to in writing by such Entity.

<sup>4</sup> Each Holder of a Class 2 Claim constitutes a separate subclass under the Plan.

c. Voting: Class 1 is an Impaired Class and Holders of Class 1 Claims are entitled to vote on the Plan.

2. Class 2 – Secured Claims

a. Classification: Class 2 consists of any Secured Claims. Each Holder of a Class 2 Claim constitutes a separate subclass under the Plan.

b. Treatment: To the extent any Secured Claims exist, at the option of the Debtor or Liquidating Debtor, as applicable, (i) each Holder (if any) of an Allowed Class 2(B) Claim shall receive on the Effective Date or as soon thereafter as practicable the proceeds from any sale of the collateral securing such Claim in an amount equal to the value of the Creditor's interest in the collateral securing such Claim in full and complete satisfaction of such Claim, or (ii) the collateral securing such Creditor's Claim shall be abandoned to such Creditor, in full and complete satisfaction of such Claim.

c. Voting: Class 2 is an Impaired Class and Holders of Class 2 Claims are entitled to vote on the Plan.

3. Class 3 – Unsecured Claims

a. Classification: Class 3 consists of the Claims of Holders of Unsecured Claims.

b. Treatment: Each Holder of an Allowed Unsecured Claim shall receive a Pro Rata share of the Net Plan Proceeds, as determined by the Liquidating Debtor pursuant to the terms of this Plan.

c. Voting: Class 3 is an Impaired Class and Holders of Class 3 Claims are entitled to vote to accept or reject the Plan.

4. Class 4 – Subordinated Claims

a. Classification: Class 4 consists of the Claims of Holders of Subordinated Claims.

b. Treatment: The value of the Plan Assets are not expected to be sufficient to satisfy the Allowed Claims of Classes 1, 2 and 3 in full. Accordingly, there shall be no distribution to the Holders of Class 4 Claims.

c. Voting: Holders of Class 4 Claims will receive no distribution under the Plan and therefore are deemed to have rejected the Plan. Accordingly, Class 4 Claims are not entitled to vote.

5. Class 5 – Equity Interests

a. Classification: Class 5 consists of all Equity Interests in the Debtor.

b. Treatment: The value of the Plan Assets are not expected to be sufficient to satisfy the Allowed Claims of Classes 1, 2, and 3 in full. Accordingly, there shall be no distribution on account of Class 5 Equity Interests. Upon the Effective Date, the Equity Interests will be deemed canceled and will cease to exist.

c. Voting: Holders of Class 5 Equity Interests will receive no distribution under the Plan and therefore are deemed to have rejected the Plan. Accordingly, Class 5 Equity Interests are not entitled to vote.

## **ARTICLE IV**

### **ACCEPTANCE OR REJECTION OF THE PLAN**

#### **A. Voting Classes**

Each Holder of an Allowed Claim in Classes 1 and 3 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims shall be counted in

determining whether acceptances have been received sufficient in number and amount to obtain Confirmation.

**B. Acceptance by Impaired Classes**

An Impaired Class of Claims shall have accepted the Plan if (a) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

**C. Presumed Acceptance/Rejection of Plan**

Classes 4 and 5 shall not receive any distributions under the Plan and are therefore deemed to reject the Plan and are not entitled to vote.

**D. Nonconsensual Confirmation**

Because Classes 4 and 5 are deemed to reject the Plan by operation of law, the Debtor will request the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code. Without limiting the foregoing, in the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by section 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtor reserves the right to seek confirmation of the Plan over such rejection pursuant to section 1129(b) of the Bankruptcy Code.

**E. How to Vote**

A form of Ballot is being provided to Creditors in Classes 1 and 3 by which Creditors in such Class may vote their acceptance or rejection of the Plan. The Ballot for voting on the Plan gives you one important choice to make with respect to the Plan – you can vote for or against

this Plan. To vote on the Plan, please complete the Ballot, as indicated thereon, (1) by indicating on the enclosed ballot that (a) you accept the Plan or (b) reject the Plan and (2) by signing your name and mailing the ballot in the envelope provided for this purpose. The Claims Agent will count the Ballots.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND RECEIVED NO LATER THAN 4:00 P.M. EASTERN TIME ON \_\_\_\_\_, 2008  
AT THE FOLLOWING ADDRESS:

**If by overnight courier or hand delivery:**

**Wells Fargo Trumbull  
45 Broadway, 14<sup>th</sup> Floor  
New York, NY 10006  
Attn: Ronda K. Collum, Vice President**

**If by standard mail (including U.S. Express Mail):**

**Wells Fargo Trumbull  
45 Broadway, 14<sup>th</sup> Floor  
New York, NY 10006  
Attn: Ronda K. Collum, Vice President**

**DO NOT SEND YOUR BALLOT VIA FACSIMILE OR E-MAIL.**

IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED AND RECEIVED AS DESCRIBED, IT WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY ADDRESSING A WRITTEN REQUEST TO THE ADDRESS SHOWN ABOVE. FACSIMILE OR ELECTRONICALLY SUBMITTED BALLOTS WILL NOT BE COUNTED.

## **ARTICLE V**

### **MEANS FOR IMPLEMENTATION OF THE PLAN**

A. **Available Cash.** On or as soon as practical following the Effective Date, the Claims Reserve Account shall be opened by the Disbursing Agent and funded with the Available Cash to the extent of any unencumbered Cash, which funds shall constitute Plan Proceeds. Thereafter, from time to time, upon receipt of any Liquidation Proceeds or any Litigation Recovery, such funds will be promptly delivered by the Liquidating Debtor to the Disbursing Agent for deposit into the Claims Reserve Account and shall become part of the Plan Proceeds.

B. **Handling of Plan Assets and Collection of Net Plan Proceeds.** On the Effective Date, the Plan Assets and any other property of the Estate shall revert in the Liquidating Debtor, free and clear of all Claims and Liens other than those Liens recognized by this Plan. The Plan Assets shall be held by the Liquidating Debtor in trust for Creditors and shall be distributed only in accordance with this Plan. From and after the Effective Date, the Liquidating Debtor shall retain and pursue the Litigation on such terms and conditions as are consistent with the interests of Creditors and the reasonable business judgment of the Liquidating Debtor, sell or liquidate Plan Assets, and collect the accounts receivable, if any, of the Debtor. In addition, from and after the Effective Date, except as otherwise provided in this Plan or in the Confirmation Order, the Liquidating Debtor shall be free to operate without any limitation or restriction by, and without any requirement to comply with, the Bankruptcy Code, Bankruptcy Rules, or Guidelines of the United States Trustee. All Cash, all Liquidation Proceeds, and all Litigation Recoveries realized or obtained by the Liquidating Debtor shall be promptly delivered to the Disbursing Agent for deposit into the Claims Reserve Account and such funds shall be held in trust by the Disbursing Agent as Plan Proceeds. Except as otherwise provided in this Plan and the Confirmation Order, such Plan Proceeds shall be free and clear of all Claims and Liens and shall only be expended in accordance with the provisions of this Plan. To the extent required to make

distributions to the Holders of Allowed Claims, fund the Claims Reserve Account, pay Plan Expenses, and otherwise implement this Plan, all Plan Proceeds shall be held in trust by the Disbursing Agent and shall be distributed to Creditors in accordance with section 1123 of the Bankruptcy Code.

**C. Litigation.** Except as otherwise provided in this Plan, all Litigation is retained and preserved pursuant to section 1123(b) of the Bankruptcy Code. From and after the Effective Date all Litigation will be prosecuted or settled by the Liquidating Debtor. To the extent any Litigation is already pending on the Effective Date, the Liquidating Debtor as successor to the Debtor will continue the prosecution of such Litigation. Any Litigation Recovery from the Litigation will be deposited in the Claims Reserve Account as Plan Proceeds.

**D. Payment of Plan Expenses.** All Plan Expenses may be paid by the Disbursing Agent from the Claims Reserve Account without further notice to Creditors or approval of the Bankruptcy Court. Any disputes concerning the payment of Plan Expenses shall be submitted to the Bankruptcy Court for resolution.

**E. Distribution of Plan Proceeds.** The Plan Proceeds shall be used to satisfy the payments required under the Plan, provided that the Disbursing Agent shall only distribute Net Plan Proceeds to the Holders of Allowed Claims in such amounts and at such times as are set forth in this Plan. No payments or distributions shall be made by the Disbursing Agent on account of Disputed Claims unless and to the extent such Claims become Allowed Claims. The Net Plan Proceeds allocated to Disputed Claims will not be distributed but will be held in the Claims Reserve Account by the Disbursing Agent in accordance with this Plan pending resolution of such Disputed Claims.



**F. Post-Confirmation Operations of the Liquidating Debtor.** Following the Effective Date the Liquidating Debtor shall sell or dispose of any remaining assets, collect any accounts receivable, generate Liquidation Proceeds, prosecute or settle the Litigation, promptly transfer all receipts and collections to the Disbursing Agent for deposit into the Claims Reserve Account, and generally administer the Plan.

**G. Power and Authority of Responsible Officer.** From and after the Effective Date the Liquidating Debtor will be managed and governed by the Responsible Officer who shall act as the representative of the Liquidating Debtor. Activities of the Liquidating Debtor as permitted and limited under this Plan will be managed by the Responsible Officer. The Responsible Officer may use lower priced employees of his firm as he deems appropriate. Compensation and reimbursement of the Responsible Officer, and any lower priced employees from his or her firm, shall be considered Plan Expenses. Confirmation of the Plan shall constitute the appointment of the Responsible Officer by the Bankruptcy Court as the representative of the Liquidating Debtor to (a) exercise the rights, power and authority of the Liquidating Debtor under applicable provisions of the Plan and bankruptcy and non-bankruptcy law, (b) retain professionals to represent the Liquidating Debtor in performing and implementing the Plan, (c) marshal and liquidate the Plan Assets and to collect the Plan Proceeds for the benefit of Creditors, (d) prosecute the Litigation and otherwise attempt to collect or realize upon the Plan Assets, (e) resolve Disputed Claims and effectuate distributions to Creditors under the Plan, and (f) otherwise implement the Plan, wind up the affairs of the Debtor and close the Chapter 11 Case. The compensation arrangements with the Responsible Officer shall be subject to approval by the Bankruptcy Court prior to the Effective Date. On the Effective Date, the Responsible Officer will be deemed to have retained the Debtor's Professionals under the arrangements existing on

the Effective Date, without any need for new retention agreements or further orders of the Bankruptcy Court. The Confirmation Order shall provide that the Responsible Officer is authorized to execute a certificate of dissolution for the Liquidating Debtor pursuant to applicable non-bankruptcy law, at such time as the Liquidating Debtor has fully wound up its affairs in accordance with applicable law pursuant to the provisions of the Plan. The Responsible Officer shall serve until the Liquidating Debtor is dissolved and a final decree is entered closing the Chapter 11 Case, unless earlier removed by the Bankruptcy Court for cause shown, after notice and a hearing. Upon the removal of the Responsible Officer for cause, if the sitting Responsible Officer becomes unable, unavailable or unwilling to continue to serve, the Bankruptcy Court will appoint a replacement upon the request of any party in interest. The Responsible Officer shall be responsible for ensuring that the Liquidating Debtor complies with its obligation to pay statutory fees under 28 U.S.C. § 1930(a)(6) and the Responsible Officer shall file all post-Confirmation reports required by the Bankruptcy Rules, the Bankruptcy Court, the Local Bankruptcy Rules, or any applicable Guidelines of the United States Trustee.

**H. Liquidation and Dissolution of the Liquidating Debtor.** The Liquidating Debtor shall conduct no business following the Effective Date other than winding up its affairs in accordance with applicable law and the provisions of this Plan. Without limiting the generality or effect of the foregoing, following the Effective Date the Liquidating Debtor shall: (i) undertake those transactions that are necessary, advantageous or practicable to obtain the maximum value from the Plan Assets; and (ii) exercise its best efforts and endeavor in good faith and without undue delay to liquidate all of the Plan Assets and to successfully prosecute the Litigation. Pursuant to applicable bankruptcy and non-bankruptcy law, the Liquidating Debtor (acting through the Responsible Officer) shall be authorized to (i) wind up its affairs and dissolve, and (ii) put into

effect and carry out the terms of the Plan and any orders of the Bankruptcy Court entered in the Chapter 11 Case, without further action by its boards of directors or stockholders.

**I. Full and Final Satisfaction.** Commencing upon the Effective Date, the Disbursing Agent shall be authorized and directed to distribute the amounts required under the Plan to the Holders of Allowed Claims according to the provisions of the Plan. Upon the Effective Date, all Debts of the Debtor shall be deemed fixed and adjusted pursuant to this Plan and the Debtor shall have no further liability on account of any Claims or Interests except as set forth in this Plan. All payments and all distributions made by the Disbursing Agent under the Plan shall be in full and final satisfaction, settlement and release of all Claims; provided, however, that nothing contained in this Section 5(I) of the Plan, or in any other provision of this Plan, shall be deemed to constitute or result in a discharge of the Debtor under Bankruptcy Code section 1141(d).

**J. Distribution Procedures.** Except as otherwise agreed by the Holder of a particular Claim, or as provided in this Plan, all amounts to be paid by the Disbursing Agent under the Plan shall be distributed in such amounts and at such times as is reasonably prudent. On the Effective Date, or as soon as practicable thereafter, the Disbursing Agent shall: (i) marshal all then available Plan Proceeds; (ii) to the extent of unencumbered Cash or Cash distributable to the Holders of Allowed Claims, establish and fund the Claims Reserve Account pursuant to Section 5(L) of the Plan; (iii) promptly pay the Holders of (a) Allowed Administrative Claims, (b) Allowed Professional Fee Claims, (c) Allowed Priority Tax Claims and (d) the Holders of Allowed Claims in Class 1, Class 2 and Class 3, as provided for under the Plan; (iv) with respect to Class 2 Claimants who did not receive proceeds from the sale of their collateral, arrange for the Liquidating Debtor to abandon to such Creditors the collateral securing their respective Claims; and (v) make interim and final distributions of Plan Proceeds to the Holders of Allowed

Class 3 Claims from the Claims Reserve Account in the amounts and according to the priorities set forth in this Plan. Notwithstanding any provision to the contrary in this Plan, distributions may be made in full or on a Pro Rata basis depending on (i) the amount of the Allowed Claim, (ii) the then available Plan Proceeds in the Claims Reserve Account, and (iii) the then anticipated Plan Proceeds. The Disbursing Agent shall make the Cash payments to the Holders of Allowed Claims: (a) in U.S. dollars by check, draft or warrant, drawn on a domestic bank selected by the Disbursing Agent in its sole discretion, or by wire transfer from a domestic bank, at the Disbursing Agent's option, and (b) by first-class mail (or by other equivalent or superior means as determined by the Disbursing Agent).

**K. Disbursing Agent.** The Disbursing Agent may employ or contract with other entities to perform the obligations created under the Plan. Any third party Disbursing Agent shall receive reasonable compensation for services rendered and reimbursement for expenses incurred in connection with this Plan or any functions or responsibilities adopted under the Plan which amounts may be deducted from the Claims Reserve Account as Plan Expenses. The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof. To the extent that the Liquidating Debtor acts as the Disbursing Agent, the Liquidating Debtor shall not receive a fee for such services, although the Liquidating Debtor may employ and pay persons or entities salaries, wages or ordinary compensation for services performed.

**L. Claims Reserve Account.** On or as soon as practicable after the Effective Date, the Disbursing Agent shall (a) to the extent of any Cash or, where applicable, unencumbered Cash, create and fund the Claims Reserve Account, and (b) periodically deposit the Cash from Plan Proceeds into the Claims Reserve Account to satisfy the obligations created under the Plan. The Claims Reserve Account shall contain the following five sub-accounts: (1) Secured, (2) Administrative, (3) Priority Claims, (4) Plan Expenses, and (5) Allowed Unsecured Claims. Each sub-account within the Claims Reserve Account shall contain an amount of Cash deemed sufficient by the Liquidating Debtor for the payment of Allowed Claims in accordance with the priorities and amounts set forth in Article 3, all anticipated Plan Expenses, and Disputed Claims. The Disbursing Agent shall be authorized to transfer funds among sub-accounts as necessary to replenish any sub-accounts as and when distributions are made to Creditors. All Plan Expenses may be deducted and paid from sub-account 5 without further order of the Bankruptcy Court. Subject to the priorities established under the Bankruptcy Code, the Disbursing Agent shall periodically transfer all earnings and interest income on the Claims Reserve Account for deposit to and distribution from sub-account 5. Unless otherwise provided in the Confirmation Order, the Claims Reserve Account shall be invested by the Disbursing Agent in a manner consistent with the objectives of section 345(a) of the Bankruptcy Code.

**M. Resolution of Disputed Claims.** All objections to Claims shall be filed and served not later than 365 days following the Effective Date; provided, however, such date may be extended beyond 365 days by the Bankruptcy Court for cause shown. If an objection is not timely filed by the deadline established in this Section 5(M), any remaining Disputed Claims shall be deemed to be Allowed Claims for purposes of this Plan. Unless otherwise provided in the Confirmation Order the Liquidating Debtor shall be authorized to settle, or withdraw any objections to, any

Disputed Claim following the Confirmation Date without further notice to Creditors or authorization of the Bankruptcy Court, in which event such Claim shall be deemed to be an Allowed Claim in the amount compromised for purposes of this Plan. Under no circumstances will any distributions be made on account of Disallowed Claims.

**N. Reserve Provisions for Disputed Claims.** The Disbursing Agent shall implement the following procedures with respect to the allocation and distribution of Cash in the Claims Reserve Account, after payment of all senior Claims, to the Holders of Disputed Claims that become Allowed Claims:

- (i) Cash respecting Disputed Claims shall not be distributed, but, if necessary, shall be withheld by the Disbursing Agent in an amount equal to the amount of the distributions that would otherwise be made to the Holders of such Claims if such Claims had been Allowed Claims, based on the Disputed Claims Amount.
- (ii) All Holders of Allowed Unsecured Claims shall be entitled to receive interim distributions under the Plan. No distributions may be made to the Holders of Allowed Unsecured Claims unless adequate reserves are established for the payment of Disputed Claims, and sufficient funds are also reserved for payment of expected Plan Expenses. Upon the Final Resolution Date, after payment of all senior Claims, all amounts (if any) remaining in sub-accounts 1-5 of the Claims Reserve Account, after reservation of an appropriate amount for anticipated Plan Expenses, shall be transferred to sub-account 4 for final distribution to the Holders of Allowed Class 3 Claims.
- (iii) Where only a portion of a Claim is Disputed, at the option of the Liquidating Debtor or Disbursing Agent, as applicable, interim or partial distributions may (but are not required to) be made with respect to the portion of such Claim that is not Disputed.
- (iv) For the purposes of effectuating the provisions of this Section 5(N), the Bankruptcy Court may estimate the amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so fixed or liquidated shall be deemed to be Allowed Claims pursuant to section 502(c) of the Bankruptcy Code for purposes of distribution under this Plan. In lieu of estimating the amount of any Disputed Claim, the Bankruptcy Court or the Disbursing Agent may determine the Disputed Claims Amount to be reserved for such Disputed

Claim, or such amount may be fixed by agreement in writing by and between the Liquidating Debtor and the Holder thereof.

- (v) When a Disputed Claim becomes an Allowed Claim, there shall be distributed to the Holder of such Allowed Claim, in accordance with the provisions of this Plan, Cash equal to a Pro Rata Share of the Cash set aside for Disputed Claims within the applicable sub-account of the Claims Reserve Account, but in no event shall such Holder be paid more than the amount that would otherwise have been paid to such Holder if the Claim (or the Allowed portion of the Claim) had not been a Disputed Claim.
- (vi) Interim distributions may be made from time to time to the Holders of Allowed Claims prior to the resolution by Final Order or otherwise of all Disputed Claims, provided that interim distributions shall be made no less frequently than once during each four month period following the month of the Initial Distribution Date, and further provided the aggregate amount of Cash to be distributed at such time from the Claims Reserve Account is practicable in comparison to the anticipated costs of such interim distributions. Notwithstanding the foregoing, subject to Section 5(Q) below, no interim distribution shall be made to any Creditor whose distribution would be less than \$50.
- (vii) No Holder of a Disputed Claim shall have any Claim against the Cash reserved with respect to such Claim until such Disputed Claim shall become an Allowed Claim. In no event shall any Holder of any Disputed Claim be entitled to receive (under the Plan or otherwise) from the Debtor, the Liquidating Debtor, or the Claims Reserve Account any payment (x) which is greater than the amount reserved for such Claim by the Bankruptcy Court pursuant to this Section 5(N), or (y) except as otherwise permitted under this Plan, of interest or other compensation for delays in distribution. In no event shall the Liquidating Debtor have any responsibility or liability for any loss to or of any amount reserved under the Plan.
- (viii) To the extent a Disputed Claim ultimately becomes an Allowed Claim in an amount less than the Disputed Claim Amount reserved for such Disputed Claim, then the resulting surplus of Cash shall be retained in the Claims Reserve Account and shall be distributed among the Holders of Allowed Claims until such time as each Holder of an Allowed Claim has been paid the Allowed amount of its Claim.

**O. Allocation of Distributions.** Distributions to any Holder of an Allowed Claim shall be allocated first to the principal amount of any such Allowed Claim, as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the

remainder of such Claim comprising interest, if any (but solely to the extent that interest is an allowable portion of such Allowed Claim).

**P.     Rounding.** Whenever any payment of a fraction of a cent would otherwise be called for, the actual distribution shall reflect a rounding of such fraction down to the nearest cent.

**Q.     No Interim Cash Payments of \$50 or Less on Account of Allowed Claims.** If an interim distribution to be received by the Holder of an Allowed Claim would be \$50 or less, notwithstanding any contrary provision in the Plan, at the discretion of the Disbursing Agent, no such interim payment will be made to such Holder, and such Cash shall be held for such Holder until the earlier of (i) the next time an interim distribution is made to the Holders of Allowed Claims (unless the distribution would still be less than \$50 in which case this Section 5(Q) shall again apply), or (ii) subject to Section 5(W) below, the date on which final distributions are made to the Holders of Allowed Claims.

**R.     Disputed Payments.** In the event of any dispute between and among Creditors as to the right of any Entity to receive or retain any payment or distribution to be made to such Entity under the Plan, the Disbursing Agent may, in lieu of making such payment or distribution to such entity, instead hold such payment or distribution until the disposition thereof shall be determined by the Bankruptcy Court.

**S.     Unclaimed Property.** Any entity which fails to claim any Cash within 60 days from the date upon which a distribution is first made to such entity shall forfeit all rights to any distribution under the Plan. Upon forfeiture, such Cash (including interest thereon) shall be deposited into the Claims Reserve Account to be distributed to the Holders of Allowed Claims in the manner described in Section 5(N)(vii) for distribution of excess amounts. Entities which fail to claim Cash shall forfeit their rights thereto and shall have no claim whatsoever against the



Debtor, the Liquidating Debtor, or the Disbursing Agent or any Holder of an Allowed Claim to whom distributions are made by the Disbursing Agent.

**T.     Setoffs.** Nothing contained in this Plan shall constitute a waiver or release by the Debtor and/or Liquidating Debtor of any right of setoff or recoupment the Debtor and/or Liquidating Debtor may have against any Creditor or Interest Holder.

**U.     No Distributions on Late-Filed Claims.** Except as otherwise provided in a Final Order of the Bankruptcy Court, any Claim as to which a Proof of Claim was first filed after the applicable Bar Date shall be a Disallowed Claim, and the Liquidating Debtor shall not make any distribution to a Holder of such a Claim; provided, however, that to the extent such Claim was listed in the Schedules (other than as contingent, disputed, or unliquidated) and would be an Allowed Claim but for the lack of a timely proof of Claim, the Liquidating Debtor shall treat such Claim as an Allowed Claim in the amount in which it was so listed.

**V.     Withholding Taxes.** Pursuant to section 346(f) of the Bankruptcy Code, the Disbursing Agent shall be entitled to deduct any federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. The Debtor shall comply with all reporting obligations imposed on it by any Governmental Unit in accordance with applicable law with respect to such Withholding Taxes.

**W.     De Minimis Distributions; Charitable Donation.** Notwithstanding anything to the contrary therein, the Disbursing Agent shall not be required to make a distribution to any Creditor if the dollar amount of the distribution is so small that the cost of making that distribution exceeds the dollar amount of such distribution. At the Final Distribution Date, the Responsible Officer may make a charitable donation with undistributed funds if, in the reasonable judgment of the Responsible Officer, the cost of calculating and making the final

distribution of the remaining funds is excessive in relation to the benefits to the Creditors who would otherwise be entitled to such distributions.

**X. Issuance of New Common Stock.** On or as soon as practicable after the Effective Date the New Common Stock shall be issued by the Liquidating Debtor to the Responsible Officer to be held on behalf of and as the representative of all Holders of Allowed Claims. Each Holder of an Allowed Claim shall be deemed to hold an undivided beneficial Pro Rata interest in the New Common Stock based upon the priority and Allowed amount of such Holder's Claim. The New Common Stock shall be treated as a Plan Asset and any proceeds of the New Common Stock shall be distributed as Plan Proceeds to the Holders of Allowed Claims in accordance with the distributive provisions of this Plan.

**Y. United States Trustee Fees.** All outstanding amounts due under 28 U.S.C. § 1930 that have not been paid shall be paid by the Debtor on or before the Effective Date. Thereafter, the Liquidating Debtor shall pay any statutory fees due pursuant to 28 U.S.C. § 1930(a)(6) and such fees shall be paid until entry of a final decree or an order converting or dismissing the case.

## **ARTICLE VI**

### **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

#### **A. Rejection of Executory Contracts and Unexpired Leases**

Except with respect to executory contracts or unexpired leases that were (i) previously assumed or rejected by order of the Bankruptcy Court, and (ii) are the subject of a pending motion to assume or reject, pursuant to section 365 of the Bankruptcy Code, on the Effective Date, each executory contract and unexpired lease entered into by Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to Section 365 of the Bankruptcy Code. Nothing in this Article 6 shall be

construed as an acknowledgement that a particular contract or agreement is executory or is properly characterized as a lease. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving such rejections pursuant to Section 365 of the Bankruptcy Code, as of the Effective Date. The non-Debtor parties to any rejected personal property leases shall be responsible for taking all steps necessary to retrieve the personal property that is the subject of such executory contracts and leases.

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

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases pursuant to Confirmation of the Plan, if any, must be Filed with the Bankruptcy Court within thirty (30) days after the earlier of the Effective Date or an order of the Bankruptcy Court approving such rejection. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Confirmation of the Plan that is not Filed within such times will be forever barred from assertion against Debtor, the Liquidating Debtor, or the Estate and its property. All such Claims for which proofs of claim are timely and properly Filed and ultimately Allowed will be treated as Unsecured Claims subject to the provisions of Article 3 hereof.

**ARTICLE VII**

**CONDITIONS PRECEDENT TO CONFIRMATION**

**OF THE PLAN AND TO THE EFFECTIVE DATE**

**A. Conditions to Confirmation of the Plan.** Confirmation of this Plan is conditioned upon the satisfaction of each of the following conditions precedent, any one or more of which may be waived by the Debtor: The Court shall have signed the Confirmation Order.

**B. Effect of Failure of Conditions to Confirmation.** If any one or more of the conditions in Section 7(A) is not met, the Debtor may, at its option, withdraw this Plan and, if withdrawn, this Plan shall be of no further force or effect.

**C. Effective Date.** Provided no stay of the Confirmation Order is then in effect, this Plan shall become effective on the Effective Date.

## **ARTICLE VIII**

### **EFFECTS OF CONFIRMATION**

**A. Binding Effect of Plan.** The provisions of the confirmed Plan shall bind the Debtor, the Liquidating Debtor, any Entity acquiring property under the Plan, and any Creditor or Interest Holder, whether or not such Creditor or Interest Holder has filed a Proof of Claim or Interest in the Chapter 11 Case, whether or not the Claim of such Creditor or the Interest of such Interest Holder is impaired under the Plan, and whether or not such Creditor or Interest Holder has accepted or rejected the Plan. All Claims and Debts shall be as fixed and adjusted pursuant to this Plan. Pursuant to Section 10(L) of the Plan, with respect to any taxes of the kind specified in Bankruptcy Code section 1146(c), this Plan shall also bind any taxing authority, recorder of deeds or similar official for any county, state, or governmental unit or parish in which any instrument related to under this Plan or related to any transaction contemplated under this Plan is to be recorded.

**B. Revesting of Property of Debtor.** Upon the Effective Date, other than with respect to the Purchased Assets, title to all property of the Estate of the Debtor in the Chapter 11 Case shall revest in the Liquidating Debtor, free and clear of any Liens or Claims except those Liens and Claims expressly preserved by this Plan or the Confirmation Order, and shall be retained by the Liquidating Debtor for the purposes contemplated under the Plan. Without limiting the

generality of the foregoing, all Litigation Recoveries, rights to Liquidation Proceeds, and all resulting Plan Proceeds earmarked for disbursement to Creditors under the Plan, shall vest in the Liquidating Debtor upon the Effective Date and shall no longer constitute property of the Estate.

**C. Property Free and Clear.** Except as otherwise provided in this Plan or the Confirmation Order, all property that shall revest in the Liquidating Debtor shall be free and clear of all Claims, including Liens, interests, charges or other encumbrances of Creditors or Interest Holders, other than Liens specifically recognized and continued under this Plan. Following the Effective Date, the Liquidating Debtor may transfer and dispose of any such property free of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Rules and without further approval of the Bankruptcy Court or notice to Creditors, except as may otherwise be required under the Plan or the Confirmation Order.

**D. Limitation of Liability.** The Debtor, the Committee, and their respective officers, directors, managers, employees, agents, advisors, accountants, attorneys and representatives (collectively, the “Exculpated Parties”), will neither have nor incur any liability to any entity for any action in good faith taken or omitted to be taken in connection with or related to the Chapter 11 Case or the formulation, preparation, dissemination, implementation, Confirmation or consummation of the Plan, the Disclosure Statement, or any agreement created or entered into in connection with the Plan or incident to the Chapter 11 Case; provided, however, that this limitation will not affect or modify the obligations created under this Plan, or the rights of any Holder of an Allowed Claim to enforce its rights under the Plan and shall not release any action (or inaction) constituting willful misconduct or gross negligence.

**E. Releases.** As part of the Plan, the releases set forth below shall be granted pursuant to this Plan and the Confirmation Order:

a. **Debtor's Release.** On the Effective Date, subject to the Preserved Setoff Rights, the Debtor and Liquidating Debtor shall release and be permanently enjoined from any prosecution or attempted prosecution of any and all Litigation or potential Litigation which it has or may have against any of its officers, directors or employees holding such a position as of the Confirmation Date, financial advisors, attorneys, partners, representatives and their respective property; provided, however, that the foregoing shall not operate as a waiver of or release from any Litigation or potential Litigation arising out of (i) any express contractual obligation owing by any such directors, officers, agents, financial advisors, attorneys, employees, partners, affiliates or representatives, or (ii) the willful misconduct or gross negligence of such directors, officers, agents, financial advisors, attorneys, employees, partners, affiliates, or representatives in connection with, related to, or arising out of the Chapter 11 Case, the pursuit of Confirmation of the Plan, the Consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan.

b. **Other Releases.** Each person or entity participating in distributions under the Plan or pursuant to the Plan, for itself and its respective successors, assigns, transferees, current and former officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, representatives, in each case in their capacity as such, shall, by virtue of its acceptance of the payments made to it under this Plan, and each member of each Class that votes to accept or who is bound by this Plan, shall, by virtue of Bankruptcy Code sections 1126(c) and 1141(a), unless such person or entity has affirmatively indicated a refusal to agree to such release on the Ballot submitted in conjunction with the voting on this Plan, be deemed to have released any and all Claims

and causes of action against (A) the Debtor or Liquidating Debtor, and their respective officers, directors, controlling shareholders, managers, employees, agents, advisors, accountants, attorneys and representatives and their respective property, and (B) the members of the Committee in their capacity as such, and their respective officers, directors, managers, employees, agents, advisors, accountants, attorneys and representatives and their respective property, arising prior to the Effective Date. Nothing in the previous sentence shall be deemed to release the Debtor and Liquidating Debtor from liability for (i) Claims filed before the Administrative Claims Bar Date, the General Bar Date and (ii) Claims scheduled by the Debtor that are not contingent, disputed or unliquidated; provided, however, that, notwithstanding clause (i) above, the Debtor or Liquidating Debtor, as appropriate, may object to the allowance of any Claim on any ground.

Each party to which this section of the Plan applies shall be deemed to have granted the releases set forth herein notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any statute or common law principle, including section 1542 of the California Civil Code, which would limit the effect of such releases to those Claims or causes of action actually known or suspected to exist at the time of Confirmation. Section 1542 of the California Civil Code generally provides as follows: “A general release does not extend to claims which the creditors does not know or suspect to exist in his favor at the time of executing the Release, which if known by him must have materially affected his settlement with the debtor.”

**F. Injunction.** In implementation of the Plan, except as otherwise expressly provided in the Confirmation Order or the Plan, and except in connection with the enforcement of the terms of the Plan or any documents provided for or contemplated in the Plan, all entities who have held, hold or may hold Claims against or Interests in the Debtor, the Liquidating Debtor or the Estate that arose prior to the Effective Date are permanently enjoined from: (a) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against the Debtor, the Liquidating Debtor, the Estate, or any property of the Debtor, the Liquidating Debtor, or the Estate, with respect to any such Claim or Interest; (b) the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, of any judgment, award, decree, or order against the Debtor, the Liquidating Debtor, the Estate, or any property of the Debtor, the Liquidating Debtor, or the Estate, with respect to any such Claim or Interest; (c) creating, perfecting or enforcing, directly or indirectly, any Lien or encumbrance of any kind against the Debtor, the Liquidating Debtor, the Estate, or any property of the Debtor, the Liquidating Debtor, or the Estate, with respect to any such Claim or Interest; (d) asserting, directly or indirectly, any setoff, right of subrogation, or recoupment of any kind against any obligation due the Debtor, the Liquidating Debtor, the Estate, or any property of the Debtor, the Liquidating Debtor, or the Estate, with respect to any such Claim or Interest; and (e) any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to such Claim or Interest. Nothing contained in this section shall prohibit the Holder of a timely-filed Proof of Claim from litigating its right to seek to have such Claim declared an Allowed Claim and paid in accordance with the distribution provisions of this Plan, or enjoin or prohibit the



**interpretation or enforcement by the Claimant of any of the obligations of the Debtor or the Liquidating Debtor under this Plan.**

**G. Post-Confirmation Liability of Responsible Officer and Disbursing Agent.** The Responsible Officer and the Disbursing Agent and their consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives and the professionals engaged by the foregoing (collectively, the “Indemnified Parties”) shall not be liable for any and all liabilities, losses, damages, claims, causes of action, costs and expenses, including but not limited to attorneys’ fees arising out of or due to their actions or omissions, or consequences of such actions or omissions, to the Holders of Claims or Equity Interests for any action or inaction taken in good faith in connection with the performance or discharge of his or her duties under this Plan, except the Indemnified Parties will be liable for actions or inactions that are grossly negligent or which constitute willful misconduct. However, any act or omission taken with the approval of the Bankruptcy Court, and not inconsistent therewith, will be conclusively deemed not to constitute gross negligence or willful misconduct. In addition, the Liquidating Debtor and the Estate shall, to the fullest extent permitted by the laws of the State of Delaware, indemnify and hold harmless the Indemnified Parties from and against and with respect to any and all liabilities, losses, damages, claims, costs and expenses, including but not limited to attorneys’ fees arising out of or due to their actions or omissions, or consequences of such actions or omissions, with respect to the Liquidating Debtor and the Estate or the implementation or administration of the Plan if the Indemnified Party acted in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the Liquidating Debtor and the Estate. To the extent the Liquidating Debtor indemnifies and holds harmless the Indemnified Parties as provided above, the legal fees and related costs incurred by counsel to the Responsible Officer in monitoring and

participating in the defense of such claims giving rise to the right of indemnification shall be paid as Plan Expenses. All rights of the Persons exculpated and indemnified pursuant hereto shall survive confirmation of the Plan.

**H. Insurance.** On or after the Effective Date, the Responsible Officer and the Disbursing Agent shall obtain a fidelity bond or similar insurance. In addition, the Responsible Officer may obtain (if available) directors' and officers' liability insurance or errors and omission insurance (or equivalent insurance), provided that such insurance is available at a reasonable price. The cost of any fidelity bond or insurance obtained under this Section 8H shall be a Plan Expense.

## **ARTICLE IX**

### **RETENTION OF JURISDICTION**

From and after the Confirmation Date, the Bankruptcy Court shall retain such jurisdiction as is legally permissible, including, but not limited to, for the following purposes:

1. To hear and determine any and all objections to the allowance of a Claim, actions to equitably subordinate a Claim, or any controversy as to the classification of a Claim in a particular Class under the Plan;
2. To administer the Plan, the Plan Assets, and the Plan Proceeds;
3. To liquidate any Disputed Claims;
4. To hear and determine any and all adversary proceedings, contested matters or applications pending on the Effective Date;
5. To hear and determine any and all motions and/or objections to fix and allow any Claims arising therefrom;
6. To hear and determine any and all applications by Professionals for an award of Professional Fees;

7. To enable the Liquidating Debtor to commence and prosecute any Litigation which may be brought after the Effective Date;
8. To interpret and/or enforce the provisions of the Plan and the injunction provided for in the Plan and to determine any and all disputes arising under or regarding interpretation of the Plan or any agreement, document or instrument contemplated by the Plan;
9. To enter and implement such orders as may be appropriate in the event Confirmation is for any reason stayed, reversed, revoked, modified or vacated;
10. To modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;
11. To enter such orders as may be necessary or appropriate in furtherance of Confirmation and the successful implementation of the Plan and to determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code; and
12. To close the Chapter 11 Case when administration of the case has been completed.

## **ARTICLE X**

### **MISCELLANEOUS**

**A. Revocation of Plan of Reorganization.** The Debtor reserves the right to revoke and withdraw the Plan at any time on or before the Confirmation Date. If the Debtor revokes or withdraws the Plan pursuant to this section, or if Confirmation or the Effective Date does not occur, then the Plan shall be deemed null and void and, in such event, nothing contained herein

shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other entity or to prejudice in any manner the rights of the Debtor or any entity in any further proceedings involving the Debtor.

**B. Severability of Plan Provisions.** In the event that, prior to the Confirmation Date, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtor, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision hereof, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**C. Governing Law.** Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

**D. Exhibits.** All exhibits attached to this Plan, the Plan Supplement, or the Disclosure Statement are, by this reference, hereby incorporated into the Plan. The final version of all Exhibits to the Plan, the Plan Supplement, and the Disclosure Statement will be substantially in the forms attached hereto or thereto. The Debtor reserves the right to make nonsubstantive changes and corrections to such Exhibits in advance of the Confirmation Hearing. If any

Exhibits are changed or corrected, the replacement Exhibits will be filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing

**E.     Notices.** All notices required or permitted to be made in accordance with the Plan shall be in writing and shall be delivered personally or by nationally recognized overnight or next-day courier service, first class mail or via facsimile with electronic confirmation of receipt as follows:

**If to the Debtors**  
(By Mail or Facsimile)

Pachulski Stang Ziehl & Jones LLP  
919 North Market Street  
17<sup>th</sup> Floor  
Wilmington, DE 19899  
Tel. 302-652-4100, Fax 302-652-4400  
Attn: Laura Davis Jones, Esquire

**F.     Reservation of Rights.** Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement, nor the taking by any party in interest of any action with respect to the Plan, shall (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be or be deemed to be a waiver of any rights any party in interest may have (i) against any other party in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or in the Disclosure Statement may be used or relied upon in any manner in any suit, action, proceeding or controversy within or without this Chapter 11 Case involving the Debtor, except with respect to Confirmation of the Plan.

**G.     Computation of Time Periods.** In computing any period of time prescribed or allowed by the Plan, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is

a Saturday, a Sunday, or a legal holiday, or, when the act to be done is the filing of a paper in the Bankruptcy Court, a day on which weather or other conditions have made the clerk's office inaccessible, in which event the period runs until the end of the next day which is not one of the aforementioned days.

**H. Defects, Omissions and Amendments.** The Debtor may, with the approval of the Bankruptcy Court and without notice to all Holders of Claims or Interests, insofar as it does not materially and adversely affect Holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary or desirable to expedite the execution of the Plan. The Plan may be altered or amended before or after Confirmation as provided in section 1127 of the Bankruptcy Code if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of Holders of Claims, so long as the Plan, as modified, complies with sections 1122 and 1123 of the Bankruptcy Code and the Debtor has complied with section 1125 of the Bankruptcy Code. The Plan may be altered or amended before or after the Confirmation Date but, prior to substantial consummation, in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects Holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtor has complied with Bankruptcy Code section 1125 and, after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

**I. Filing of Additional Documents.** The Debtor shall file with the Bankruptcy Court such agreements or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

**J. Successors and Assigns.** The rights, benefits and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such entity.

**K. Setoffs and Recoupments.** The Disbursing Agent may, but shall not be required to, set off against or recoup from the payments to be made pursuant to this Plan in respect of a Claim, any claim of any nature whatsoever that the Debtor, the Liquidating Debtor, or the Estate, as applicable, may have against the Holder of such Claim, but neither the failure to do so or the allowance of any Claim hereunder shall constitute a waiver or release of any such claim by the Debtor, the Liquidating Debtor, or the Estate, against such Holder.

**L. Securities Exemption.** Any rights issued under, pursuant to or in effecting this Plan, and the offering and issuance thereof by any party, including without limitation, the Liquidating Debtor or the Disbursing Agent, shall be exempt from section 5 of the Securities Act of 1933, if applicable, and from any state or federal securities laws requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security, and shall otherwise enjoy all exemptions available for distributions of securities under a plan of reorganization in accordance with all applicable law, including without limitation, section 1145 of the Bankruptcy Code.

**M. Plan Interest Rate.** If and to the extent it is determined by the Bankruptcy Court that interest is required to be paid on an Allowed Claim other than as set forth in this Plan, the interest rate to be used shall be the Plan Interest Rate as determined by the Bankruptcy Court for such Claim.

**N. Implementation.** Upon Confirmation, the Debtor shall be authorized to take all steps and execute all documents necessary to effectuate the provisions contained in the Plan.

**O. Record Date.** To the extent a record date is required for implementation of this Plan, the record date shall be the voting record date established by the Bankruptcy Court in the order approving the Disclosure Statement or such other date as the Bankruptcy Court may set.

**P. Certain Actions.**

1. By reason of entry of the Confirmation Order, prior to, on or after the Effective Date (as appropriate), all matters provided for under the Plan that would otherwise require approval of directors or stockholders of the Debtors under the Plan, including, without limitation, (i) the distribution of Cash pursuant to the Plan, (ii) the adoption, execution, delivery, and implementation of all contracts, leases, instruments, releases, and other agreements or documents related to the Plan, and (iii) the adoption, execution, and implementation of other matters provided for under the Plan involving the company or organizational structure of the Debtor, shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate), pursuant to the applicable general corporation, limited liability, or partnership law of the state in which the Debtor is chartered, organized or incorporated, without any requirement of further action by the directors and stockholders of the Debtor.

2. Effective upon the Effective Date, each of the Debtor's formation documents shall each be deemed amended to prohibit the issuance by the Debtors of nonvoting securities to the extent required under section 1123(a)(6) of the Bankruptcy Code.



3. On or as soon as practicable following the Effective Date, the Responsible Officer shall be authorized to cancel, annul and extinguish all Interests.

**Q. Dissolution of Committee.** On the Effective Date, the Committee will dissolve, and the members of the Committee and the Committee's Professionals will cease to have any role arising from or relating to the Chapter 11 Case. The Professionals retained by the Committee and the members thereof will not be entitled to assert any fee claims for any services rendered or expenses incurred after the Effective Date, except for reasonable fees for services rendered, and actual and necessary costs incurred, in connection with any applications for allowance of Professional Fees pending on the Effective Date or filed and served after the Effective Date pursuant to Section 2(C) of the Plan.

**R. Waiver of Ten (10) Day Stay.** Debtor requests as part of the Confirmation Order a waiver from the Bankruptcy Court of the ten (10) day stay of Bankruptcy Rule 3020(e) and, to the extent applicable, a waiver of the ten (10) day stay of Bankruptcy Rule 6004(g).

**S. Substantial Consummation.** On the Effective Date, the Plan shall be deemed substantially consummated under Bankruptcy Code sections 1101 and 1127(b).

Dated: Mar 12<sup>th</sup>, 2008

Respectfully submitted,



Daniel Scouler  
Chief Restructuring Officer  
Mortgage Lenders Network, Inc., Debtor and  
Debtor in Possession

Submitted by:

PACHULSKI STANG ZIEHL  
& JONES LLP

/s/ Laura Davis Jones

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Counsel to Debtor and Debtor in Possession