UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE
FOR BLACK DIAMOND CAPITAL MANAGEMENT, L.L.C.'S SECOND AMENDED JOINT CHAPTER 11 PLAN FOR GSC GROUP, INC. AND ITS AFFILIATED DEBTORS

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS OF THIS PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.[2]

THIS DISCLOSURE STATEMENT, AND THE PLAN DESCRIBED HEREIN, ARE NOT RELATED TO THE DISCLOSURE STATEMENT FOR THE CHAPTER 11 TRUSTEE'S JOINT CHAPTER 11 PLAN, WHICH HAS BEEN APPROVED BY THE COURT AND FOR WHICH SOLICITATION IS ONGOING. THIS DISCLOSURE STATEMENT IS FOR AN ALTERNATIVE JOINT CHAPTER 11 PLAN PROPOSED BY BLACK DIAMOND CAPITAL MANAGEMENT, L.L.C.

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

[2] This statement is inserted in accordance with Local Bankruptcy Rule 3017-1 and will be removed once the Disclosure Statement is approved by the Bankruptcy Court.

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Dated: November 1, 2011

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I. INTRODUCTION

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

BDCM submits this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code in connection with the solicitation of votes for *Black Diamond Capital Management, L.L.C.'s Joint Chapter 11 Plan for GSC Group, Inc. and its Affiliated Debtors*, as the same may be amended or modified (the "**Plan**" or "**BDCM Plan,"** attached hereto as Exhibit A), filed by BDCM with the Bankruptcy Court on October 7, 2011.

On August 23, 2011, the Chapter 11 Trustee filed the *Chapter 11 Trustee's Joint Chapter 11 Plan for GSC Group, Inc. and its Affiliated Debtors Other Than GSC Secondary Interest Fund, LLC* [Docket No. 802, as amended] (the "**Trustee's Plan**") and accompanying *Joint Disclosure Statement* [Docket No. 800, as amended] (the "**Trustee's Disclosure Statement**"). On October 6, 2011, the Court entered that certain *Order Granting Trustee's Motion for Entry of an Order: (I) Approving the Disclosure Statement; (II) Approving the Disclosure Statement Hearing Notice; (III) Approving Solicitation Packages and Procedures for Distribution Thereof; (IV) Approving Form of Ballot and Establishing Procedures for Voting on the Trustee's Joint Chapter 11 Plan; and (V) Scheduling a Hearing and Establishing Notice and Objection Procedures in Respect of Confirmation of the Trustee's Joint Chapter 11 Plan* [Docket No. 812] (the "**Trustee Disclosure Statement Order**"), which approved the Trustee's Disclosure Statement, set forth a schedule for voting upon and/or objecting to the Trustee's Plan, and scheduled a confirmation hearing for November 18, 2011.

As of the date of filing this Disclosure Statement, the Chapter 11 Trustee is presently in the process of soliciting votes for the Trustee's Plan. **This Disclosure Statement and this Plan have no relationship to the Trustee's Plan**. **Nothing herein should be relied upon as a summary or a characterization of the Trustee's Plan. Any analysis of the Trustee's Plan should be made solely upon the bases set forth in the Trustee's Disclosure Statement, or such other information as may be obtained from the Chapter 11 Trustee.**

BDCM has filed the BDCM Plan because BDCM believes that the BDCM Plan should preserve more of the Debtors' value than does the Trustee's Plan, and will provide more attractive treatment for general unsecured claims than does the Trustee's Plan. The Trustee's Plan contemplates the wind-down and liquidation of the Debtors, with most of the Debtors' assets to be placed in, and distributions made from, a liquidating trust. The BDCM Plan, by contrast, would both preserve the Debtors as reorganized going forward entities with ongoing administration, and deliver all of the benefits as the Trustee's Plan vis-à-vis liquid assets through the creation of a Liquidating Trust to distribute the proceeds of all assets of the estates that are not related to the going-forward business of the Reorganized Debtors enhanced by additional cash to be provided by BDCM and certain amendments to the Tax Indemnification Agreement that will accelerate cash distributions to Holders of Allowed General Unsecured Claims and subordinate BDCM's right to obtain reimbursement of tax payments made on behalf of the Debtors to distributions to Holders of Allowed General Unsecured Claims.

BDCM is interested in maximizing the value of the Debtors because BDCM or its affiliates have or will have prior to the Effective Date financial interests in GSC Group, Inc. that include (i) certain claims belonging to investment funds now managed by an affiliate of BDCM; and (ii) a certain claim belonging to Mr. Fred Eckert in the amount of $2 million that BDCM expects to have acquired prior to the Effective Date. Further, in accordance with the Purchase Agreements discussed in section V.Q hereof, the Debtors entered into a Service Agreement relating to the Management Contracts, pursuant to which an affiliate of BDCM is compensated for providing services relating to the Management Contracts.

As the Chapter 11 Trustee has disclosed in the Trustee's Disclosure Statement at Section VIII(A), if "Class 3" of the Trustee's Plan votes to reject the Trustee's Plan, the Trustee's Plan will not be able to be confirmed. BDCM believes that the BDCM Plan should provide an attractive alternative for unsecured creditors. Moreover, BDCM intends to engage in discussions with the Chapter 11 Trustee to seek to obtain the Chapter 11 Trustee's support for the BDCM Plan. BDCM reserves the right to seek to advance the BDCM Plan without the Chapter 11 Trustee's support and regardless of the voting outcome on the Chapter 11 Trustee's Plan.

There are three primary differences between the BDCM Plan and the Trustee's Plan related to the treatment of Holders of Allowed General Unsecured Claims that BDCM believes make the BDCM Plan more attractive. First, the BDCM Plan affords Holders of Allowed General Unsecured Claims the option of a fast cash payout (called the "Up-Front Cash Option"), a partial cash payout close to the Effective Date plus a delayed cash payout from the proceeds of the Liqudating Trust (called the "Combination Cash Option"), or a or participation in the equity of Reorganized GSC Group (called the "Equity Option"); second, the BDCM Plan increases the amount of money available for a near term distribution to Holders Allowed General Unsecured Claims by up to $2 million, depending on whether such Holder elects the Up-Front Cash Option or the Combination Cash Option) and by allowing Holders of Allowed General Unsecured Claims to receive distributions from the Liquidating Trust in the full amount of their Allowed Claims before the Liquidating Trust has reimbursed the Designated Purchaser for certain tax obligations of the Debtors; and third, the BDCM Plan loosens restrictions on near term distributions to Holders of Allowed General Unsecured Claims by increasing the permitted distributions under the Tax Indemnity Agreement from $4.6 million to up to $6.6 million. The Trustee's Plan, by contrast, provides only one avenue for allowed general unsecured recovery – shares in a liquidating trust – and has near-term distributions for both priority tax claims and general unsecured claims are capped at $4.6 million.

Holders of General Unsecured Claims will have to elect one – and only one – option at the time they cast a vote regarding the BDCM Plan. Holders of General Unsecured Claims who do not vote, or who vote but do not affirmatively elect the Up-Front Cash Option, the Combination Cash Option or the Equity Option, will be deemed to have elected the Up-Front Cash Option.

If a Holder of an Allowed General Unsecured Claim elects (or is deemed to elect) the Up-Front Cash Option, that Holder will be entitled to its pro-rata share of $6.6 million (minus payment of Allowed Priority Claims and Allowed Other Priority Claims), prorated based on the percentage of Holders who elect the Up-Front Cash Option relative to the pool of Allowed General Unsecured Claims, on or shortly after the Effective Date on account of its Allowed

General Unsecured Claim. If a Holder of an Allowed General Unsecured Claim elects the Combination Cash Option, that Holder will be entitled to (i) its pro-rata share of $5.6 million (minus payment of Allowed Priority Claims and Allowed Other Priority Claims), prorated based on the percentage of Holders who elect the Combination Cash Option relative to the pool of Allowed General Unsecured Claims, on or shortly after the Effective Date on account of its Allowed General Unsecured Claim, plus (ii) its pro-rata share of units in the Liquidating Trust. Additionally, if the BDCM Plan is confirmed, the Tax Indemnification Agreement will be amended to permit amounts in the Liquidating Trust to be paid to Holders who have elected the Combination Cash Option prior to settling amounts owed between the Purchaser and the Debtors on account of pre- and post-petition tax obligations.

The Trustee's Plan, by contrast, contains only one option for unsecured creditors - to receive its pro-rata share of only $4.6 million (after payment of Allowed Priority Tax Claims and Allowed Other Priority Claims) on or shortly after the Effective Date on account of its Allowed General Unsecured Claim, plus the prospect of subsequent distributions out of the Liquidating Trust in an indeterminate amount above $4.6 million, but any such subsequent distributions must await the final resolution of the pre- and post-petition tax claims, which could result in a delay of several years if it takes that long to resolve tax issues and issues relating to the Tax Indemnity Agreement and any such subsequent distribution would be reduced by the Debtors' tax reimbursement obligations under the Tax Indemnification Agreement. Importantly, under the Tax Indemnity Agreement, the Debtors are obligated to reimburse the Designated Purchaser for tax payments made by the Designated Purchaser to the extent that the Debtors have available cash in excess of the initial $4.6 million designated for distribution to Priority and General Unsecured Claims. It cannot yet be determined what that reimbursement obligation will be. (See the discussion of this issue in Section VI(D)(1) of the Trustee's Disclosure Statement.) Any such reimbursement obligation would reduce the amount available for distribution to Holders of Allowed General Unsecured Claims under the Trustee's Plan. Under the BDCM Plan, the reimbursement obligation is irrelevant to the distribution to General Unsecured Creditors because BDCM is prepared to modify the Tax Indemnity Agreement to (i) allow the cash designated for distribution to Priority Creditors and General Unsecured Creditors to be increased from $4.6 million to up to $6.6 million, all of which will be available for distribution regardless of the status of the Tax Indemnity Agreement, and (ii) allow subsequent distributions out of the Liquidating Trust up to the face value of the claim of each Holder who elects the Combination Cash Option, and the Designated Purchaser will wait until such claims have been paid before seeking reimbursement from the Liquidating Trust for amounts owed to the Designated Purchaser under the Tax Indemnification Agreement. BDCM therefore provides unsecured creditors the option of the certainty of a larger cash recovery payable shortly following the Effective Date (an option that BDCM believes many creditors might prefer,) or an option that is functionally identical to the Trustee's Liquidating Trust, but gives creditors electing the trust a an upfront portion of payment greater than that they would receive under the Trustee's Plan, plus the ability to receive ultimate recoveries faster than unsecured creditors would receive under the Trustee's Plan. The increase in available cash for prompt distribution from $4.6 million to $6.6 million is a key feature of the BDCM Plan, which provides that BDCM or an affiliate will loan the Debtors up to an additional $2 million specifically to increase the cash available for cash payment of Allowed Unsecured General Claims. The amount of cash available for distribution will also increase due to the amendment to the Tax Indemnification Agreement that would allow Holders of General Unsecured Claims to be paid in full for their

Claims before the Purchaser would be reimbursed for tax payments made under the Tax Indemnification Agreement. The revision of the current timetable in the Tax Indemnification Agreement is a second key feature of the BDCM, as it will allow all creditors the potential to receive ultimate recovery from the Liquidating Trust faster than they would receive it under the Trustee's Plan.

Utilizing the assumptions made by the Chapter 11 Trustee in the Trustee's Plan with respect to the estimated amount of Allowed General Unsecured Claims and Allowed Priority Tax claims, the estimated cash distribution to Holders of Allowed General Unsecured Claims upon the Effective Date (and for so long thereafter as the Tax Indemnification Agreement remains in effect) would range from 31-43% under the BDCM Plan for those who elect the Upfront Cash Option, from 24-34% under the BDCM Plan for those who elect the Combination Cash Option and from 17-26% under the Trustee's Plan (See Trustee's Disclosure Statement at VI(A)(2) and (6)). The Trustee's Plan and the BDCM Plan, for those who elect the Combination Cash Option, provide for the same potential additional subsequent distributions to Holders of Allowed General Unsecured Claims. As described below, such additional distributions are uncertain with respect to both timing and amount, but the BDCM Plan is more beneficial to creditors based on certain amendments to the Tax Indemnification Agreement embedded in the BDCM Plan.

If a Holder of an Allowed General Unsecured Claim affirmatively elects the Equity Option, the BDCM Plan provides that the Reorganized GSC Group will make an in-kind distribution to that Holder on account of its Allowed General Unsecured Claim of (a) Reorganized GSC Group Preferred Stock, and (b) Reorganized GSC Group Convertible Class D Common Stock, a new class of common stock which will comprise 49% of the common stock (with certain limited voting rights as discussed below) of Reorganized GSC Group and will be convertible upon majority vote at of the holders of such Reorganized GSC Group Convertible Class D Common Stock on a one-for-one basis to shares of Reorganized GSC Group Class E Common Stock, which will, upon exercise of such conversion, comprise 49% of the common stock of Reorganized GSC Group (and hold 49% of the voting rights). This option, while inherently involving a meaningful risk of return, offers Holders of Allowed General Unsecured Claims who elect the Equity Option the possibility of a greater percentage recovery on their allowed claims. BDCM intends to elect the Equity Option for any claims held or controlled by it or any of its affiliates.

A. Approval of the Disclosure Statement

On ____, 2011, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical investor in a voting class to make an informed judgment whether to accept or reject the Plan (the "**Disclosure Statement Order**"). APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN OR AS TO THE ACCURACY OF ANY INFORMATION SET FORTH HEREIN OR AS TO THE LEGITIMACY OF ANY STATEMENT OR ALLEGATION CONTAINED HEREIN. Instead, approval indicates that the Bankruptcy Court found only that the Disclosure Statement contains adequate information of a kind, and in sufficient detail, to enable a hypothetical, reasonable

investor typical of the Holders of Claims in the solicited Classes to make informed judgments with respect to the acceptance or rejection of the Plan.

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

B. Voting Procedures

The Voting Record Date, as defined and described in the *Trustee's Motion for Entry of an Order: (i) Approving the Disclosure Statement; (ii) Approving the Disclosure Statement Hearing Notice; (iii) Approving Solicitation Packages and Procedures for Distribution Thereof; (iv) Approving Form of Ballots and Establishing Procedures for Voting on the Trustee's Joint Chapter 11 Plan; and (v) Scheduling a Hearing and Establishing Notice and Objection Procedures in Respect of Confirmation of the Trustee's Joint Chapter 11 Plan* [Docket No. 749] (the "**Trustee's Disclosure Statement Motion**") occurred on October 5, 2011. BDCM anticipates that Holders of Claims that were entitled to vote to accept or reject the Trustee's Plan as of the Voting Record Date will be likewise be entitled to vote to accept or reject BDCM's Plan.

If you are entitled to vote to accept or reject the BDCM Plan, a ballot for the acceptance or rejection of the BDCM Plan is enclosed with this Disclosure Statement mailed to you for the purpose of voting on the BDCM Plan. The ballot also provides for the selection among the Equity Option and the Cash Options.

IF YOU HAVE OR INTEND TO VOTE TO ACCEPT OR REJECT THE TRUSTEE'S PLAN, THAT DOES NOT IN ANY WAY PRECLUDE YOU FROM VOTING ON THE BDCM PLAN. SIMILARLY, A VOTE FOR OR AGAINST THE BDCM PLAN DOES NOT PRECLUDE YOU FROM VOTING ON THE TRUSTEE'S PLAN.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the BDCM Plan and your selection of the Up-Front Cash Option, the Combination Cash Option or the Equity Option by voting in favor of or against the BDCM Plan and making your option election[3] on the enclosed ballot(s) and return the same to:

VIA FIRST CLASS MAIL

Black Diamond Proposed Plan
C/O The Garden City Group, Inc.
P.O. Box 9842
Dublin, Ohio 43017-5742

[3] As noted above on page 2 and below in section II.A., Holders of General Unsecured Claims who do not vote, or who vote but do not affirmatively elect the Up-Front Cash Option or the Equity Option, will be deemed to have elected the Combination Cash Option.

VIA OVERNIGHT MAIL or HAND DELIVERY

Black Diamond Proposed Plan
C/O The Garden City Group, Inc.
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT. IF YOU CHOOSE TO VOTE ON BOTH THE TRUSTEE'S PLAN AS WELL AS THE PLAN, YOUR BALLOT REGARDING THE TRUSTEE'S PLAN SHOULD BE RETURNED IN THE MANNER INSTRUCTED IN THE TRUSTEE'S DISCLOSURE STATEMENT.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE **RECEIVED** BY NO LATER THAN **4:00 P.M. (PREVAILING EASTERN TIME) ON [January 11, 2012]**.[4] ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN SHALL NOT BE COUNTED.

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set October 5, 2011 as the record date for holders of Claims and Equity Interests entitled to vote on the Plan (the "**Voting Record Date**"). Accordingly, only Holders of record as of the Voting Record Date that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

If you are a Holder of a Claim entitled to vote on the Plan and you did not receive a ballot, received a damaged ballot or lost your ballot, or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call The Garden City Group, Inc. at (866) 975-1534.

C. Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on **[January 23, 2012], at [__]:00 [_].m. (prevailing Eastern Time)** before the Honorable Arthur J. Gonzalez in Room 523, United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton House, One Bowling Green, New York, New York 10004. Objections, if any, to Confirmation of the Plan must be served and filed so that they are actually filed and received on or before **[January 11, 2012] at 4:00 p.m. (prevailing Eastern Time)**. The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

D. Notice to Holders of Claims Entitled to Vote

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

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

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

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF REGARDLESS OF THE DATE OF ACTUAL DELIVERY OF THE DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE EXHIBITS, PRIOR TO VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE BDCM PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE BDCM PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE BDCM PLAN CONTROL.

IN SEVERAL INSTANCES, THIS DISCLOSURE STATEMENT INCORPORATES INFORMATION CONTAINED IN THE TRUSTEE'S DISCLOSURE STATEMENT. THIS IS INTENDED TO SIMPLIFY THE PROCESS OF VOTE SOLICITATION AND REFLECTS THAT FOR PURPOSES OF THE PLAN PROCESS BDCM DOES NOT HAVE ANY SUBSTANTIVE OR PERTINENT ISSUES WITH THE INFORMATION CONTAINED IN SUCH SECTIONS. BDCM IS NOT, HOWEVER, VOUCHING FOR THE ACCURACY OR COMPLETENESS OF ANY SUCH INFORMATION. BDCM RESERVES ITS RIGHTS TO CONTEST ANY SUCH INFORMATION IN ANY CONTEXT OTHER THAN THE PLAN PROCESS.

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

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

THIS DISCLOSURE STATEMENT IDENTIFIES SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

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

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

ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN ARTICLE IX – "CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS" – OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE BDCM PLAN.

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

CAUTIONARY STATEMENTS CONCERNING PROJECTIONS, VALUATION OF ASSETS, ESTIMATION OF CLAIMS AND FINANCIAL STATEMENTS; FORWARD-LOOKING STATEMENTS. THE INCLUSION IN THIS DISCLOSURE STATEMENT OF PROJECTIONS, ASSETS VALUATIONS, ESTIMATES OF CLAIMS, TAX ISSUES, ATTRIBUTES, AND RAMIFICATIONS AND FINANCIAL STATEMENTS SHOULD NOT BE REGARDED AS AN INDICATION, THAT BDCM OR ANY OF ITS ADVISORS OR REPRESENTATIVES CONSIDER SUCH INFORMATION TO BE AN ACCURATE PREDICTION OF FUTURE EVENTS OR A COMPLETE AND ACCURATE REFLECTION OF THE DEBTORS' CURRENT FINANCIAL CONDITION OR TAX SITUATION, AND SUCH INFORMATION SHOULD NOT BE RELIED ON AS SUCH. NEITHER BDCM NOR ANY OF ITS ADVISORS OR REPRESENTATIVES ASSUMES ANY RESPONSIBILITY FOR THE REASONABLENESS, COMPLETENESS, ACCURACY OR RELIABILITY OF SUCH INFORMATION, AND NONE OF THEM INTENDS TO UPDATE OR OTHERWISE REVISE SUCH INFORMATION TO REFLECT EITHER CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR THE

OCCURRENCE OF FUTURE EVENTS, EVEN IF ANY OR ALL OF SUCH INFORMATION IS SHOWN TO BE IN ERROR.

CERTAIN MATTERS DISCUSSED HEREIN (INCLUDING, BUT NOT LIMITED TO, THE PROJECTIONS) ARE FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE STATEMENTS INCLUDED HEREIN (INCLUDING PROJECTIONS AND ANALYSES) AND SHOULD BE READ WITH CAUTION. THESE MATTERS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS AS TO: THE DEBTORS' EXPECTED FUTURE FINANCIAL POSITION, LIQUIDITY, AND CASH FLOWS, ESTIMATES AS TO RISK THE DEBTORS ARE UNABLE TO COLLECT UPON THEIR OUTSTANDING RECEIVABLES/ASSETS, FUTURE POTENTIAL EFFECTS OF THE CHAPTER 11 CASES, LIQUIDATION VALUATIONS OF ASSETS AND ESTIMATED AMOUNTS OF CLAIMS.

THESE STATEMENTS REFLECT VIEWS AND ASSUMPTIONS THAT MAY BE AFFECTED BY VARIOUS FACTORS, INCLUDING THE ABILITY OF BDCM AND/OR THE REORGANIZED DEBTORS TO CONFIRM AND CONSUMMATE THE BDCM PLAN AND DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT AND MANY OF WHICH ARE BEYOND THE CONTROL OF BDCM AND THE REORGANIZED DEBTORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THESE STATEMENTS WILL PROVE ACCURATE, AND ACTUAL RESULTS MAY BE MATERIALLY DIFFERENT THAN THOSE CONTAINED HEREIN.

II. OVERVIEW OF THE PLAN

The Plan provides for, among other things, distributions to Claim Holders, cancellation of Remaining Equity Interests in Debtor GSC Group, Inc., while retaining Common Equity Interests of GSC Group, Inc. in the Reorganized GSC Group, and substantive consolidation of the Debtors for the purposes of voting, confirmation and making distributions to Holders of Allowed Claims as described below.

The Plan does not provide for the reorganization or dissolution of SIF. The Designated Purchaser acquired GSC Group's equity interests in SIF in connection with the sale process outlined below. Further, neither the Chapter 11 Trustee nor BDCM believe that there are any pending prepetition Claims against SIF (See Trustee's Disclosure Statement at Section II). It is BDCM's understanding that the Chapter 11 Trustee intends to file a motion seeking the dismissal of SIF's Chapter 11 Case.

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

The Plan contemplates the payment in full in Cash of all Allowed Administrative Claims and Allowed Priority Tax Claims, as does the Trustee's Plan. The Plan also provides for the same treatment of Allowed Secured Claims and Other Priority Claims as does the Trustee's Plan.

The Plan and the Trustee's Plan, however, diverge in their treatment of Allowed General Unsecured Claims and Equity Interest Holders.

Under BDCM's Plan, each Holder of an Allowed General Unsecured Claim shall be permitted to elect the Up-Front Cash Option, Combination Cash Option or Equity Option.

Up-Front Cash Option. If such Holder elects the Up-Front Cash Option, such Holder shall receive its Up-Front Cash Distribution Share, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors, as the case may be.

In estimating the distributions of cash to Holders of General Unsecured Claims under the Trustee Plan, the Trustee makes the following assumptions:

a. All Administrative Claims will be paid in full from the cash available to the Debtor, which cash is in addition to the $4.6 million available under the Tax Indemnification Agreement for distribution to unsecured creditors;

b. All Secured Claims have been satisfied in full;

c. Total Priority Tax Claims will range from $1.5 million to $2 million;

d. There will be no Other Priority Claims;

e. Total Allowed General Unsecured Claims will range from $12 million to $15 million; and

f. The maximum distribution that can be made to Holders of General Unsecured Claims prior to the resolution of all obligations under the Tax Indemnification Agreement is $4.6 million less Priority Tax Claims and Other Priority Claims.

Based on these assumptions, the range of estimated distributions under the Trustee Plan to Holders of General Unsecured Claims prior to the resolution of all obligations under the Tax Indemnification Agreement will be between 17% and 26% (See Trustee's Disclosure Statement at VI(A)(2) and (6)). Based on the same assumptions, the range of estimated distributions under the BDCM Plan for Holders of General Unsecured Claims that elect the Up-Front Cash Option will be between 31% and 43% and for those that elect the Combination Cash Option, the range will be between 24% and 34%. The difference is attributable to an additional $2 million available for distribution under the BDCM Plan from the proceeds of the loan from BDCM and the proposed amendment to the Tax Indemnification Agreement under the BDCM Plan that would permit a larger distribution to Holders of Allowed General Unsecured Claims.

As stated above, these estimates are based on the Trustee's assumptions as set forth in the Disclosure Statement for the Trustee Plan. (See Trustee's Disclosure Statement at VI(A).)

Combination Cash Option: If a Holder of an Allowed General Unsecured Claim elects the Combination Cash Option, such Holder shall receive (A) its Combination Cash Distribution Share and (B) its Pro Rata Share of Trust Units, in each case, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee or the Reorganized Debtors, as the case may be.

Equity Option. If a Holder of an Allowed General Unsecured Claim elects the Equity Option, such Holder shall receive: (A) one share of Reorganized GSC Group Preferred Stock with a liquidation preference equal to the lesser of (i) the face amount of such Holder's Allowed General Unsecured Claim and (ii) a pro rata portion of 80% of the net asset value of Reorganized GSC Group as of the Effective Date; and (B) such Holder's Equity Distribution Share of Reorganized GSC Group Convertible Class D Common Stock.

If a Holder of General Unsecured Claim, whether Disputed or Allowed, does not elect the Up-Front Cash Option, the Combination Cash Option or the Equity Option on or before (i) the Voting Deadline or (ii) solely with respect to rejected executory contracts discussed in Section 6.2 of the Plan, the Rejection Claim Deadline, such Holder will be deemed to have elected the Combination Cash Option.

The BDCM Plan provides for the treatment of Allowed Claims and Equity Interests as follows:

Class	Type of Claim or Equity Interest	BDCM Plan Treatment	BDCM Estimated Recovery	Status
Class 1	Secured Claims	Each Holder of an Allowed Secured Claim shall receive either (i) payment in full in Plan Cash on the latest of: (A) the Effective Date; (B) the date on which such Secured Claim becomes Allowed; (C) the date on which such Secured Claim otherwise is due and payable; or (D) such other date as mutually may be agreed to by and between such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors or (ii) its collateral.	100%	Unimpaired, Not Entitled to Vote
Class 2	Other Priority Claims	Each Holder of an Allowed Other Priority Claim shall receive Plan Cash in an amount sufficient to pay the Claim in full or otherwise leave unaltered the legal, equitable and contractual rights to which such Claim entitles such Holder on or as soon as practicable after (but in any event not later than five Business Days after), the latest of: (i) the Effective Date; (ii) the date on which such Other Priority Claim becomes Allowed; (iii) the date on which such Other Priority Claim otherwise is due and payable; and (iv) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors.	100%	Unimpaired, Not Entitled to Vote
Class 3	General Unsecured	Each Holder of an Allowed General Unsecured Claim shall be permitted to elect either the Up-Front Cash		Impaired, Entitled to

Class	Type of Claim or Equity Interest	BDCM Plan Treatment	BDCM Estimated Recovery	Status
	Claims	Option, Combination Cash Option or Equity Option. If such Holder elects the Up-Front Cash Option, such Holder shall receive its Up-Front Cash Distribution Share, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors, as the case may be. If such Holder elects the Combination Cash Option, such Holder shall receive (A) its Combination Cash Distribution Share and (B) its Pro Rata Share of Trust Units, in each case, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors, as the case may be. If such Holder elects the Equity Option, such Holder shall receive: (A) one share of Reorganized GSC Group Preferred Stock with a liquidation preference equal to the lesser of (i) the face amount of such Holder's Allowed General Unsecured Claim and (ii) a pro rata portion of 80% of the net asset value of Reorganized GSC Group as of the Effective Date; and (B) such Holder's Equity Distribution Share of Reorganized GSC Group Convertible Class D Common Stock. If a Holder of General Unsecured Claim, whether Disputed or Allowed, does not elect the Up-Front Cash Option, the Combination Cash or the Equity Option on or before (i) the Voting Deadline or (ii) solely with respect to rejected executory contracts discussed in Section 6.2 of the Plan, the Rejection Claim Deadline, such Holder will be deemed to have elected the Combination Cash Option.	Up-Front Cash Option 31-43% Combination Cash Option 44-100% Equity Option - Indeterminate	Vote
Class 4	Common Equity Interests	Holders of Common Equity Interests shall retain all rights on account of such Common Equity Interests; provided, however, that such Common Equity Interests shall be diluted to 51% of total Reorganized Common Stock as a result of the issuance of the Reorganized GSC Group Convertible Class D Common Stock.	As described; recovery value is indeterminate	Impaired, Entitled to Vote
Class 5	Remaining Equity Interests	Holders of Remaining Equity Interests shall not receive or retain any property or interest in property on account of such Remaining Equity Interests. On the Effective Date, all Remaining Equity Interests shall be cancelled, extinguished and discharged.	0%	Impaired, Not Entitled to Vote

The estimated recovery for Holders of General Unsecured Claims is based on a number of assumptions and estimates. Although BDCM believes these assumptions and estimates are reasonable, there can be no assurance that recoveries will not be higher or lower than the estimated recovery of 31-43% for Holders of General Unsecured Claims that elect the Up-Front Cash Option, and 44-100% for Holders of General Unsecured Claims that elect the Combination Cash Option.

Among the more important assumptions and estimates relevant to the actual recovery that will be received by Holders of Allowed General Unsecured Claims is the fact that the total size of the claims pool is not yet certain. The projected recovery set forth above for Holders of General Unsecured Claims is predicated on the Chapter 11 Trustee's estimation that the Allowed Priority Tax Claims will not exceed $2 million and that the final pool of Allowed General Unsecured Claims will range between $12 million and $15 million. Certain claims that have been asserted against the estates are not, in the Trustee's opinion, meritorious, or the size of otherwise valid claims may have been overstated and they are not included in the Trustee's estimate. (See Trustee's Disclosure Statement section II.A.)

Another assumption relevant to actual recovery by those Holders of Allowed General Unsecured Claims that elect the Equity Option is the valuation of the Reorganized GSC Group as a going-forward entity. As discussed in greater detail on Exhibit C attached to the Plan, Holders who elect the Equity Option will receive Reorganized GSC Group Preferred Stock. The Liquidation Preference of that stock will be measured by reference to a valuation of Reorganized GSC Group that will be conducted within 90 days after the Effective Date. While the valuation of Reorganized GSC Group is uncertain, BDCM views this option as sufficiently attractive to elect the Equity Option on account of its Claims and those of its affiliates.

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

B. Formation of the Liquidating Trust

On the Effective Date, the Liquidating Trust shall be formed pursuant to the Liquidating Trust Agreement. Confirmation of the Plan shall constitute the appointment of the Liquidating Trustee by the Bankruptcy Court as the representative of the Estates, subject to the Liquidating Trust Agreement, for all purposes. The Liquidating Trustee shall sign the Liquidating Trust Agreement and accept the Residual Estate Assets, including the Liquidating Trust Cash, the Disputed Priority Claims Reserve Amount and the Disputed General Unsecured Claims Reserve Amount, to be transferred to the Liquidating Trust pursuant to Section 5.4 of the Plan on behalf of the beneficiaries thereof, and the Liquidating Trust will then be deemed created and effective without any further action of the Chapter 11 Trustee, the Debtors or the employees, officers, directors, members, partners or shareholders of the Debtors. The Liquidating Trust shall be established for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the purpose of the Liquidating Trust. The beneficiaries of the Liquidating Trust shall be bound by the Liquidating Trust Agreement.

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

The transfers by GSC Group or its subsidiaries of assets to the Liquidating Trust will be treated for all federal income tax purposes as a transfer of such assets directly to the Holders of General Unsecured Claims who have elected the Combination Cash Option at the time of creation of the Liquidating Trust, followed by the immediate transfer by the Holders of General Unsecured Claims of the assets to the Liquidating Trust in exchange for beneficial interests in the Liquidating Trust. Holders of General Unsecured Claims who have elected the Combination Cash Option will be treated as the grantors and direct owners of a specified undivided interest in the assets held by the Liquidating Trust for all U.S. federal income tax purposes (such assets will have a tax basis equal to their fair market value on the date transferred to the Liquidating Trust). The Liquidating Trustee shall determine the valuations of the transferred property, such valuations will be used for all U.S. federal income tax purposes, and all Holders of General Unsecured Claims who have elected the Combination Cash Option shall be bound by such valuations.

The Liquidating Trustee shall provide to the Holders of General Unsecured Claims who have elected the Combination Cash Option an annual statement that will list items of income, deduction and credit applicable to the Liquidating Trust in the taxable year. The statement also will clearly specify the portion of the total items that is attributed to each General Unsecured Creditor who has elected the Combination Cash Option. The character of items of income, deduction and credit to any General Unsecured Creditor who has elected the Combination Cash Option, and the ability of such General Unsecured Creditor who has elected the Combination Cash Option to benefit from any deduction or losses will depend on the particular situation of such General Unsecured Creditor. Each General Unsecured Creditor who has elected the Combination Cash Option shall pay any tax imposed by any governmental unit on its portion of the income of the Liquidating Trust. The Liquidating Trustee, however, will comply with all withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements.

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

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

C. Reorganized Debtors

On the Effective Date, all of the Common Equity Interests, meaning the outstanding ownership interests in the common stock of Debtor GSC Group, Inc., consisting of Class A, Class B and Class C common stock, will remain outstanding and as presently classified, and will be deemed to be common stock in the Reorganized GSC Group. In addition, all Remaining Equity Interests will be cancelled and Reorganized GSC Group will distribute, or cause to be distributed, the Reorganized GSC Group Convertible Class D Common Stock and the Reorganized GSC Group Preferred Stock.

Also on the Effective Date, all of the Equity Interests in the Debtors other than GSC Group, Inc., will remain outstanding and as presently classified.

Also on the Effective Date, the certificate of incorporation of the Reorganized GSC Group will be amended in its entirety in substantially the form contained in the Plan Supplement to, among other things, permit the Reorganized Debtors to increase the number of authorized shares and to establish the rights, preferences, privileges and other terms of each of the Reorganized GSC Group Convertible Class D Common Stock, the Reorganized GSC Group Class E Common Stock and the Reorganized GSC Group Preferred Stock.

Following the Effective Date, it is anticipated that Reorganized GSC Group will continue the operation of its present investment management business, consisting of the management of six (6) investment funds ("**GSC Funds**"). The GSC Funds are managed pursuant to collateral management agreements between GSCP (NJ), LP (the "**GSC Manager**"), one of the GSC Debtors, and each of the GSC Funds. In connection with the management of the GSC Funds, the GSC Manager is presently party to a Services Agreement with an affiliate of BDCM pursuant to which such affiliate of BDCM provides the GSC Manager with administrative and other support with respect to the management of the GSC Funds. In addition to the management of the GSC Funds, it is anticipated that Reorganized GSC Group will seek to serve as investment manager for other investment funds established by Reorganized GSC Group with assistance from BDCM. There can be no assurance that Reorganized GSC Group will be successful in obtaining new investment management agreements or that the collateral management agreements with respect to the GSC Funds will not be terminated.

D. Substantive Consolidation

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

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

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

III. DESCRIPTION AND HISTORY OF THE DEBTORS' BUSINESS

ARTICLE III OF THE DISCLOSURE STATEMENT IS INCORPORATED VERBATIM IN ITS ENTIRETY FROM THE TRUSTEE'S DISCLOSURE STATEMENT. ALL SUCH INCORPORATIONS HEREIN ARE SUBJECT TO THE CAVEATS SET FORTH IN SECTION I.D HEREOF.

A. The Investment Management Business of GSC

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

The Filing Debtors offered investment management and advisory services through their principal subsidiary, NJLP. NJLP has been a registered investment advisor with the SEC since March 2001. The Filing Debtors, through Holdings LP and SIF, held investments in certain affiliated investment funds. NJ Inc. served as the general partner of NJLP and Holdings LP. GSCP LLC provided investment advisory services to NJLP and monitoring and management services to certain portfolio companies of the affiliated investment funds. AP Holdings, which holds one hundred percent of the Class A common stock of GSC Group, was created in 2006 as part of a restructuring transaction pursuant to which some of the former owners of GSC Group contributed their partnership ownership interests in GSC Group in exchange for limited partnership interests in AP Holdings. AP Inc. was created as part of the same restructuring transaction, and it has acted as the general partner of AP Holdings.

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

1. *Distressed Debt.*

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

2. *U.S. Corporate Debt.*

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

3. *European Corporate Debt.*

The Filing Debtors had a strong presence as a manager of European CLOs with three such CLOs under management. The portfolios consisted of loans and some mezzanine

securities. The Filing Debtors had expertise in credit analysis, diverse industries, and all parts of capital structure in many jurisdictions in Europe.

4. *European Mezzanine Lending.*

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

5. *U.S. ABS CDOs.*

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

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

B. Prepetition Funding of the Debtors' Operations

NJLP, as borrower, and all of the Debtors, and certain non-Debtor Affiliates, as guarantors, were parties to the Prepetition Credit Agreement, pursuant to which NJLP borrowed $193.5 million in term loans (comprising $73.5 million in new term loans and $119.1 million in continuing and refinanced existing term loans) and gained access to up to $56.5 million (subsequently reduced to $38 million) in revolving credit commitments. SIF was not party to the Prepetition Credit Agreement.

In accordance with the terms of the Prepetition Credit Agreement, NJLP entered into the Swap, a $97 million notional principal interest rate hedge contract with CALNY that matures February 15, 2012. Under the Swap, the Debtors were obligated to pay a fixed rate of interest and were entitled to receive from CALNY a three-month LIBOR flat rate. On April 7, 2009, CALNY presented NJLP with a Notice of Early Termination, indicating a termination date of April 14, 2009. The termination payment due from NJLP on that date was $10,192,828, which remained unpaid as of the Petition Date.

IV. EVENTS LEADING TO CHAPTER 11 FILING

ARTICLE IV OF THE DISCLOSURE STATEMENT IS INCORPORATED VERBATIM IN ITS ENTIRETY FROM THE TRUSTEE'S DISCLOSURE STATEMENT. ALL SUCH INCORPORATIONS HEREIN ARE SUBJECT TO THE CAVEATS SET FORTH IN SECTION I.D HEREOF.

A. Economic Crisis

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

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

B. Negotiations with Prepetition Lenders

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

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

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

As of the Petition Date, the Debtors were in default under the Prepetition Credit Agreement, and according to the Agent, as of the Petition Date, on account of the obligations under the Prepetition Credit Agreement and the Swap, the Prepetition Lenders were owed (1) outstanding principal indebtedness totaling $219,512,322.92, (2) accrued interest totaling $19,630,388.99, and (3) any unpaid costs and expenses incurred by the Agent and the Prepetition Lenders. As of July 26, 2011, the accrued interest totaled approximately $38.8 million.

V. HISTORY OF THESE BANKRUPTCY CASES

ARTICLE V OF THE DISCLOSURE STATEMENT IS INCORPORATED VERBATIM IN ITS ENTIRETY FROM THE TRUSTEE'S DISCLOSURE STATEMENT. ALL SUCH INCORPORATIONS HEREIN ARE SUBJECT TO THE CAVEATS SET FORTH IN SECTION I.D HEREOF.

A. Entry of the Bidding Procedures Order

On the Petition Date, the Filing Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code. The Chapter 11 Cases are being jointly administered for procedural purposes only. No committee of unsecured creditors has been appointed in the Chapter 11 Cases. Initially, the Filing Debtors operated their business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. Kaye Scholer LLP ("**Kaye Scholer**") acted as the Filing Debtors' counsel pursuant to an order authorizing its retention.

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

Among the assets that the Filing Debtors sought to transfer under the Initial Sale Motion were collateral management contracts, some of which contained certain consent requirements for their assignment. The Filing Debtors proposed procedures under the Initial Sale Motion that provided for soliciting the required consents from investors and other related parties. The proposed procedures would, however, deem consent of any solicited party that did not affirmatively accept or reject assignment. On September 13 and 14, 2010, several parties filed objections to the Initial Sale Motion, challenging, among other things, the validity of the Filing Debtors' deemed consent procedure.

Also, on September 14, 2010, the Non-Controlling Lender Group[5] filed an objection to the Initial Sale Motion. In their objection, the Non-Controlling Lender Group argued that the expedited sale timeline proposed in the bidding procedures improperly favored the Agent, BDCF, and would chill bidding at the Auction. Additionally, arguing that the ability of the Agent to credit bid would also chill bidding, the Non-Controlling Lender Group asked the Bankruptcy Court to allow the Agent to credit bid at the Auction only at the direction of a majority of the Non-Controlling Lender Group. BDCM filed a response to the Non-Controlling

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

Lender Group's objection, stating that it possessed sole authority, as majority lender, to direct the Agent to credit bid at the Auction pursuant to the Prepetition Credit Agreement.

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

B. The Initial Bonus Motion

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

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

Accordingly, in anticipation of the commencement of these cases and the initiation of a sale process, in July 2010 the Filing Debtors instituted the 2010 Compensation Program which (i) fixed the bonus component of the compensation to be paid to eligible employees for the last six months of 2010, (ii) paid approximately 50% of this bonus to eligible employees, and (iii) committed to pay the remaining balance of this bonus (the "**Unpaid 2010 Bonus**") upon the satisfaction of the earliest of (a) the closing of the sale of substantially all of Filing Debtors' assets to one or more buyers, (b) the Filing Debtors' successful emergence from chapter 11, or (c) December 31, 2010.

The Filing Debtors sought Bankruptcy Court approval to implement the 2010 Compensation Program, in a modified fashion, in the Initial Compensation Motion. In response to an objection to the Initial Compensation Motion filed by the U.S. Trustee by and through her counsel, the Filing Debtors excluded two executives, Mr. Alfred Eckert and Mr. Peter Frank,

from the program. In addition, two conditions precedent to the payment of the Unpaid 2010 Bonuses were changed: the bonuses were not payable unless the Sale Hearing commenced, and an eligible employee could not be paid the bonus unless a representative of Capstone determined that the employee made an appropriate contribution to the sale process and to the preservation of the Filing Debtors' business.

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

C. Marketing Process

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

On October 22, 2010, the bid deadline under the Bidding Procedures Order, the Filing Debtors received bids from eleven bidders. After receipt of the bids, Kaye Scholer and Capstone reviewed each bid and determined that all of the bids complied with the Bidding Procedures. In the days leading up to the auction, Capstone and the Filing Debtors attempted to value the assets preliminarily. They also analyzed each bid based on the modifications made to the form asset purchase agreement and other related documents. In Capstone's preliminary valuation and analysis of the bids, it considered, among other things, the market pricing for the secured debt under the Prepetition Credit Agreement and the projected cash flow for each asset being sold. Based on its initial calculations, Capstone estimated that the value of substantially all of the Filing Debtors' assets could reach approximately $140 million.

D. The Auction

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

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

The first phase of the Auction ended on October 26, 2010, with only one bulk bid for substantially all of GSC's assets, from BDCM, for $5 million in cash. The Filing Debtors'

professionals then commenced the combination phase of the Auction, which included several bidders and various combinations of lots or assets. The combination phase lasted into the evening on October 26, 2010, and continued on October 27, 2010.

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

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

In the first round of bidding under the modified procedures, the Filing Debtors received eight bids from a total of nine bidders. Thereafter, four additional rounds of bidding were conducted. A fifth and final round was conducted with sealed bids. Under the sealed bid procedures, all bids would be submitted in closed envelopes and the highest qualified bid at the end of the round would be declared the winner. This would require bidders to make their best offer, and it was intended to drive the price even higher.

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

E. The Consent Process

After the conclusion of the Auction and entry into the Initial APA, the Filing Debtors commenced the Consent Solicitation Process. On November 2, 2010, the Filing Debtors filed and served notices to each counterparty to an executory contract which the Debtors proposed to assume and assign to the Initial Purchaser. These notices set forth, among other things, the "cure" payments to which the Filing Debtors believed such counterparties were entitled under section 365 of the Bankruptcy Code. From November 3, 2010 through November 17, 2010, the Filing Debtors solicited the consent of relevant noteholders, preferred shareholders, investors,

issuers, trustees, paying agents, insurers, listing agents, corporate administrative service provides, and other parties in interest known to the Filing Debtors by delivering to them a "Notice of Consent Solicitation."

F. The Initial Proposed Sale

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

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

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

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

G. Amendment to the Initial APA

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

H. The Option Agreement

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

million unsecured claim held by Mr. Eckert against the Filing Debtors; and (ii) certain of Mr. Eckert's equity interests in the Debtors.[6]

I. Hearing on the Initial Sale Order

The hearing on the Initial Sale Order[7] (the "**Sale Hearing**") was scheduled to take place on December 6, 2010. On that day, the Non-Controlling Lender Group argued that the Sale Hearing should not go forward due to recent developments, including the disclosure of Amendment No. 1 and the Option Agreement and the limited time available to review documents that had been produced in response to certain discovery requests. After listening to arguments from the Filing Debtors, Black Diamond and the Non-Controlling Lender Group, the Bankruptcy Court agreed to adjourn the Sale Hearing for one week.

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

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

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

J. Appointment of the Chapter 11 Trustee

On December 20, 2010, the Non-Controlling Lender Group filed a motion for the appointment of a chapter 11 trustee (the "**Trustee Motion**"), arguing, among other things, that appointment of a trustee was warranted based on alleged fiduciary conflicts arising from dealings between Black Diamond and the Filing Debtors' senior management (i.e., Alfred Eckert and Peter Frank). The Filing Debtors and BDCM each filed an objection to the Trustee Motion, on

[6] On or about September 29, 2011, BDCM and Mr. Eckert entered into an Asset Purchase Agreement, in replacement of the Option Agreement, under which BDCM has agreed to purchase the same assets covered by the Option Agreement and certain additional assets for an agreed purchase price of $1,000,000. The Asset Purchase Agreement, inter alia, permits BDCM, pending the closing of the transaction, to direct the vote with respect to the purchased assets, including Mr. Eckert's unsecured claim against the Debtors. Mr. Eckert has since filed for bankruptcy protection and a motion to approve the sale of assets to BDCM is currently pending in that proceeding. On October 14, 2011, the Chapter 11 Trustee filed an objection to that motion.

[7] BDCM believes the Chapter 11 Trustee is referring to the hearing on the motion to authorize consummation of the transactions under the Initial APA.

December 21, 2010, disputing the allegations in the Trustee Motion. On December 22, 2010, the Bankruptcy Court conducted an evidentiary hearing on the Trustee Motion. At the conclusion of the hearing, the Bankruptcy Court took the matter under advisement. Following the hearing, the Debtors stated that they no longer intended to support the proposed sale transaction and sent a notice of termination of the Initial APA to Black Diamond.

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

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

K. Cessna Finance Moves to Lift the Stay

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

L. The Bar Date Order

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

M. Employee Bonus Program

Shortly after his appointment, the Chapter 11 Trustee recognized that there was an immediate need to pay retention bonuses, but he determined that he was not authorized to pay the Unpaid 2010 Bonus under the terms of the December Order. Specifically, the December Order required the commencement of the Sale Hearing as one of the conditions precedent to the payment of the Unpaid 2010 Bonuses. The Chapter 11 Trustee, however, reviewed the record and formed the belief that the Sale Hearing did not commence on December 6, 2010 or at any subsequent time.

Accordingly, On March 8, 2011, based on his belief that it was necessary to seek authority to pay the Unpaid 2010 Bonus and make other retention payments to GSC's employees, the Chapter 11 Trustee filed a motion (the "**Retention Bonus Motion**") to approve a

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

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

N. The Frank Bonus Motion

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

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

On April 25, 2011, the Non-Controlling Lender Group filed a joint chapter 11 plan for the Debtors (the "**NCLG Plan**"); a related disclosure statement (the "**NCLG Disclosure Statement**"); and a motion seeking, among other things, approval of the NCLG Disclosure Statement, approval of solicitation materials and procedures, and the scheduling of a confirmation hearing (the "**Disclosure Statement Motion**"). The NCLG Plan was self-styled as an "equitable and economic mechanism for resolving" the Chapter 11 Cases as it would "avoid

the disenfranchisement of creditors and the significant tax liabilities that would result from a sale of the Debtors' Core Assets under section 363(b) of the Bankruptcy Code." The NCLG Plan was structured to transfer virtually all of the Debtors' value to the Prepetition Lenders and leave no recovery for unsecured creditors. Indeed, it was premised on the assumptions that (i) "the Claims of the Prepetition Lenders are secured by a lien on and security interest in substantially all of the assets of the Consolidated Debtors" and (ii) because the aggregate value of the Collateral securing the Claims of the Prepetition Lenders is less than the amount of such Claims, the Prepetition Lenders' Claims are undersecured, and because the Consolidated Debtors own virtually no property other than that which is pledged as Collateral to secure the Prepetition Lender Secured Claims, no General Unsecured Creditor has any realizable economic interest in the estates of the Consolidated Debtors." A hearing on the approval of the Disclosure Statement Motion was scheduled for May 25, 2011.

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

P. The Chapter 11 Trustee's Investigations

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

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

Trustee believed that they would result in a greater benefit to the Filing Debtors' estates and stakeholders than any available alternative.

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

SECTION V.Q OF THE DISCLOSURE STATEMENT IS INCORPORATED VERBATIM IN ITS ENTIRETY FROM THE TRUSTEE'S DISCLOSURE STATEMENT TO AVOID CONFUSION. ALL SUCH INCORPORATIONS HEREIN ARE SUBJECT TO THE CAVEAT SET FORTH IN SECTION I.D HEREOF. NOTHING IN THIS SECTION V.Q SHALL BE DEEMED A CONSENT TO ANY MODIFICATION OF THE OPERATIVE DOCUMENTS DESCRIBED IN THIS DISCLOSURE STATEMENT AND NOTHING STATED HEREIN SHALL HAVE ANY BEARING ON THE INTERPRETATION OF SUCH OPERATIVE DOCUMENTS.

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

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

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

The Side Letter also provided protections for the Non-Controlling Lender Group. Specifically, it memorialized that in any resulting sale order the rights of the Non-Controlling Lender Group would be fully and unconditionally reserved with respect to any future state court litigation concerning the propriety of the Agent's actions in connection with the Auction, the

transaction contemplated by the Purchase Agreements, and any allocation of the Acquired Assets as between BDCM and the lenders under the Prepetition Credit Agreement

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

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

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

Pursuant to Black Diamond's request, the State Court removed the amended complaint to the District Court, which then automatically referred the proceeding to the Bankruptcy Court.

On July 22, 2011, the Bankruptcy Court held a hearing on the amended complaint and remanded it back to the State Court, while stating that any relief being sought by the Non-Controlling Lender Group that would be in violation of the protections afforded to the Filing Debtors pursuant to the Bankruptcy Code's automatic stay would be void ab initio. Also on July 22, 2011, the District court conducted a hearing on the Non-Controlling Lender Group's motion for an expedited appeal, after which the District Court denied the motion and held that the appeal would proceed on a non-expedited basis.

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

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

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

R. Litigation Against the Debtors

1. *SEC Settlement*

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

The SEC and NJLP entered into a settlement, which was approved by the Bankruptcy Court on August 10, 2011, by which the SEC will enter an administrative Cease-and-Desist Order that resolves all of its claims and fully satisfies the relief it is seeking against NJLP. The Order finds the following: while acting as the collateral manager to Squared, NJLP failed to ensure that investors were adequately informed that Magnetar Capital, LLC ("**Magnetar**"), a hedge fund with economic interests adverse to investors in Squared, played a significant role in the portfolio selection process. The marketing materials for Squared represented that the investment portfolio of CDO securities was selected by NJLP, without disclosing the role played by Magnetar. Squared, which priced on April 19, 2007 and closed on May 11, 2007, declared an

event of default on January 18, 2008. As a result, its investors lost most, if not all, of their principal.

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

2. *FINRA Arbitration*

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

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

3. *Action by Cobalt Management*

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

First Department. The appeal was argued in December 2009. The ruling on the appeal is stayed while NJLP and GSC Group remain in chapter 11.

S. General Partner Claims Against the Debtors[8]

VI. SUMMARY OF BDCM'S JOINT CHAPTER 11 PLAN

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

A Chapter 11 plan also may specify that certain classes will not receive any distribution of property or retain any claim against or interest in a debtor. Such classes are deemed to reject the plan, and need not be solicited to vote on the plan. **HOLDERS OF REMAINING EQUITY INTERESTS IN CLASS 5 WILL RECEIVE NO DISTRIBUTION NOR RETAIN ANY PROPERTY UNDER THE PLAN AND ARE CONCLUSIVELY PRESUMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE. THEREFORE, NO BALLOT IS ENCLOSED FOR HOLDERS OF EQUITY INTERESTS IN CLASS 5.**

Under section 1124 of the Bankruptcy Code, a class of claims is "impaired" if under a plan unless the plan (a) leaves unaltered the legal, equitable and contractual rights of each holder of a claim in such class; or (b) provides, among other things, for cure of existing defaults and reinstatement of the maturity of claims in such class. **CLASSES 3 AND 4 ARE IMPAIRED UNDER THE PLAN AND HOLDERS OF CLAIMS IN CLASS 3 AND INTERESTS IN CLASS 4 ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, SUBJECT TO APPLICABLE LIMITATIONS AS MAY BE ORDERED BY THE BANKRUPTCY COURT. BALLOTS ARE BEING FURNISHED HEREWITH TO HOLDERS OF CLAIMS IN CLASS 3 AND INTERESTS IN CLASS 4.**

A. Classification and Treatment of Claims and Equity Interests

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

1. *Administrative Claims (Unclassified)*

Description. Administrative Claims are post-petition claims that were incurred as actual and necessary costs or expenses of preserving the Debtors' Estates during the Chapter 11 Cases. All Administrative Claims are subject to review, reconciliation, and possibly, objection. The Chapter 11 Trustee estimates, and BDCM does not dispute, that upon information and belief, following the claims reconciliation and objection process, Allowed Administrative Claims will total between $4 million and $6 million in the aggregate.

[8] As the claims that were the subject of this Section were deemed not to be have been timely filed at a hearing on October 24, 2011, BDCM has removed this section from the Disclosure Statement as moot.

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

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

2. *Priority Tax Claims (Unclassified)*

Description. A Priority Tax Claim is an unsecured claim by a taxing authority to the extent entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. The Chapter 11 Trustee projected in the Trustee's Disclosure Statement that aggregate Priority Tax Claims will total between $1.5 million and $2 million. BDCM is not in a position to evaluate aggregate Priority Tax Claims.

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

3. *Professional Fees*

Description. Professional Fees are fees and other compensation, including reimbursement of expenses, allowed to (i) the Chapter 11 Trustee; (ii) professionals employed under sections 327, 328, or 1103 of the Bankruptcy Code pursuant to sections 330, 331 or 1103(a) of the Bankruptcy Code; and (iii) any Person or Entity making a claim for compensation or reimbursement of expenses under section 503(b) of the Bankruptcy Code.

Treatment. Each Professional requesting compensation pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Confirmation Date will be required to file an application for allowance of final compensation and reimbursement of expenses on or before the 60th day following the Effective Date. Without limiting the foregoing, the Liquidating Trustee or the Reorganized Debtors may pay the charges incurred by the Debtors or the Chapter 11 Trustee on and after the Confirmation Date for any Professional's fees, disbursements, expenses or related support services, without application to, or approval by, the Bankruptcy Court.

4. *United States Trustee Fees*

Description. UST Fees are all fees payable pursuant to section 1930 of title 28 of the United States Code or accrued interest thereon arising under section 3717 of title 31 of the United States Code.

Treatment. To the extent required by applicable law, the Debtors, the Liquidating Trustee and the Reorganized Debtors, as applicable, shall pay all UST Fees on all disbursements, including, to the extent required by applicable law, Plan payments and disbursements in and outside the ordinary course of the Debtors' business, until the entry of a Final Decree, dismissal of the Chapter 11 Cases, or conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code.

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

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

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

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

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

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

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

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

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

Description. A General Unsecured Claim is any Claim that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Secured Claim or based upon Equity Interests in the Debtors. For purposes of this Disclosure Statement, BDCM has adopted the estimate of the Chapter 11 Trustee that General Unsecured Claims will total between $12 million and $15 million in the aggregate (See Trustee's Disclosure Statement at VI(A)(6)).

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

Treatment. Each Holder of an Allowed General Unsecured Claim shall be permitted to elect the Up-Front Cash Option, the Combination Cash Option or the Equity Option.

Subject to Section 7.4 of the Plan, if such Holder elects the Up-Front Cash Option, such Holder shall receive its Up-Front Cash Distribution Share, on or as soon as practicable after, the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors, as the case may be.

Subject to Section 7.4 of the Plan, if such Holder elects the Combination Cash Option, such Holder shall receive (A) its Combination Cash Distribution Share and (B) its Pro Rata Share of Trust Units, in each case, on or as soon as practicable after (but in any event not later than five Business Days after), the latest of (I) the Effective Date; (II) the date on which such General Unsecured Claim becomes Allowed; (III) the date on which such General Unsecured Claim otherwise is due and payable; and (IV) such other date as mutually may be agreed to by and among such Holder and the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors, as the case may be.

Subject to Section 7.4 of the Plan, if such Holder elects the Equity Option, such Holder shall receive:

(A) one share of Reorganized GSC Group Preferred Stock with a liquidation preference equal to the lesser of (i) the face amount of such Holder's Allowed General Unsecured Claim and (ii) a pro rata portion of 80% of the net asset value of Reorganized GSC Group as of the Effective Date; and

(B) such Holder's Equity Distribution Share of Reorganized GSC Group Convertible Class D Common Stock. The Reorganized GSC Group Convertible Class D Common Stock will comprise 49% of the common stock of Reorganized GSC Group (and 24.9% of the voting power) and will be convertible upon majority vote of the holders of such Reorganized GSC Group Convertible Class D Common Stock on a one-for-one basis to shares of Reorganized GSC Group Class E Common Stock, which will, upon exercise of such conversion, comprise 49% of the common stock of Reorganized GSC Group (and hold 49% of the voting rights).

If a Holder of a General Unsecured Claim, whether Disputed or Allowed, does not elect either the Up-Front Cash Option, the Combination Cash Option or the Equity Option on or before (i) the Voting Deadline or (ii) solely with respect to rejected executory contracts discussed in Section 6.2 of the Plan, the Rejection Claim Deadline, such Holder will be deemed to have elected the Up-Front Cash Option. Each Holder of an General Unsecured Claim may elect only one Option.

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

Description. Common Equity Interests are all outstanding ownership interests, whether or not certificated, in common stock of Debtor GSC Group, Inc., which interests are comprised of Class A, Class B and Class C common stock.

Voting. Class 4 is Impaired. Holders of Common Equity Interests are entitled to vote to accept or reject the Plan.

Treatment. Holders of Common Equity Interests shall retain all rights on account of such Common Equity Interests; *provided*, *however*, that such Common Equity Interests shall be diluted to 51% of total Reorganized Common Stock (with 75.1% of voting rights until the conversion of the Reorganized GSC Group Convertible Class D Common Stock to Reorganized GSC Group Class E Common Stock, at which time the voting rights of such existing Common Equity Interests will be diluted to 51%) as a result of the issuance of the Reorganized GSC Group Convertible Class D Common Stock.

9. *Class 5 – Remaining Equity Interests in the Debtors (Impaired)*

Description. Remaining Equity Interests are, with respect to Debtor GSC Group, Inc., all outstanding ownership interests, whether or not certificated, including any interest evidenced by common or preferred stock, warrant, membership interest, option or other right to purchase or otherwise receive any ownership interest in any of the Debtors, or any right to payment or compensation based upon any such interest, whether or not such interest is owned by the Holder of such right to payment or compensation, minus the Common Equity Interests.

Voting. Class 5 is Impaired. Holders of Remaining Equity Interests are conclusively deemed to reject the Plan.

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

NOTE: The treatment afforded Class 4 is essential to the intended preservation of value of the Debtors, because, generally, Holders of common Equity Interests must maintain a minimum of 51% of the original common stock of Debtor GSC Group, Inc., to prevent an "ownership change" of the Debtor GSC Group for tax purposes. If such an ownership change were deemed to have occurred, certain tax loss attributes that may potentially be preserved would likely be lost. Moreover, under applicable law, a transfer of 25% or more of the voting power of the Debtor GSC Group could give rise to a finding of a change of control or deemed change of control under the securities laws. Therefore, in the absence of retention of common stock interests provided for Class 4, the equity of Reorganized GSC Group would have diminished value for unsecured creditors, who are ahead of the holders of Remaining Equity Interests in GSC Group, Inc. Holders of Remaining Equity Interests in GSC Group, Inc. would not receive any distribution under the Trustee's Plan or a Chapter 7 liquidation, and thereby will receive no less favorable treatment under the Plan than other any other scenario, including liquidation.

B. Means for Implementation of the Plan

1. *Formation of the Liquidating Trust*

On the Effective Date, the Liquidating Trust shall be formed pursuant to the Liquidating Trust Agreement. Confirmation of the Plan shall constitute the appointment of the Liquidating Trustee by the Bankruptcy Court as the representative of the Estates, subject to the Liquidating Trust Agreement, for all purposes. The Liquidating Trustee shall sign the Liquidating Trust Agreement and accept the Residual Estate Assets, including the Liquidating Trust Cash, the Disputed Priority Claims Reserve Amount and the Disputed General Unsecured Claims Reserve Amount, to be transferred to the Liquidating Trust pursuant to Section 5.4 of the Plan on behalf of the beneficiaries thereof, and the Liquidating Trust will then be deemed created and effective without any further action of the Chapter 11 Trustee, the Debtors or the employees, officers, directors, members, partners or shareholders of the Debtors. The Liquidating Trust shall be established for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the purpose of the Liquidating Trust. The beneficiaries of the Liquidating Trust shall be bound by the Liquidating Trust Agreement.

The Liquidating Trust is intended to be classified for U.S. federal income tax purposes as a "liquidating trust" within the meaning of U.S. Treasury Regulation section 301.7701-4(d), and the Plan, the Liquidating Trust and the Disclosure Statement are intended to comply with the advance-ruling guidelines contained in Rev. Proc. 94-45, 1994-2 C.B. 684, although no advance ruling will be sought for the Liquidating Trust. The Liquidating Trust will be treated as a grantor trust for U.S. federal income tax purposes, all of the assets of which are deemed owned

by the Holders of General Unsecured Claims pursuant to Tax Code sections 671 through 677 (or successor provisions). The Liquidating Trustee will file all returns for the Liquidating Trust as a grantor trust pursuant to U.S. Treasury Regulation section 1.671-4(a) (or successor provisions).

The transfers by GSC Group or its subsidiaries of assets to the Liquidating Trust will be treated for all federal income tax purposes as a transfer of such assets directly to the Holders of General Unsecured Claims who have elected the Combination Cash Option at the time of creation of the Liquidating Trust, followed by the immediate transfer by the Holders of General Unsecured Claims of the assets to the Liquidating Trust in exchange for beneficial interests in the Liquidating Trust. Holders of General Unsecured Claims who have elected the Combination Cash Option will be treated as the grantors and direct owners of a specified undivided interest in the assets held by the Liquidating Trust for all U.S. federal income tax purposes (such assets will have a tax basis equal to their fair market value on the date transferred to the Liquidating Trust). The Liquidating Trustee shall determine the valuations of the transferred property, such valuations will be used for all U.S. federal income tax purposes, and all Holders of General Unsecured Claims who have elected the Combination Cash Option shall be bound by such valuations.

The Liquidating Trustee shall provide to the Holders of General Unsecured Claims who have elected the Combination Cash Option an annual statement that will list items of income, deduction and credit applicable to the Liquidating Trust in the taxable year. The statement also will clearly specify the portion of the total items that is attributed to each General Unsecured Creditor who has elected the Combination Cash Option. The character of items of income, deduction and credit to any General Unsecured Creditor who has elected the Combination Cash Option, and the ability of such General Unsecured Creditor who has elected the Combination Cash Option to benefit from any deduction or losses will depend on the particular situation of such General Unsecured Creditor. Each General Unsecured Creditor who has elected the Combination Cash Option shall pay any tax imposed by any governmental unit on its portion of the income of the Liquidating Trust. The Liquidating Trustee, however, will comply with all withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements.

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

Until all of the beneficial interests in the Liquidating Trust can be distributed to the holders in accordance with the terms of the Plan, the Disputed General Unsecured Claims Cash Reserve will be treated as owning a portion of the assets in the Liquidating Trust. Distributions from the Disputed General Unsecured Claims Cash Reserve will be made to Holders of Disputed Claims in accordance with the Cash Option elected by such Holder when such Claims are subsequently Allowed and will be retained or paid to other beneficiaries when Disputed Claims are subsequently Disallowed. The Liquidating Trust shall file all income tax returns with respect

to any income attributable to the Disputed General Unsecured Claims Cash Reserve and shall pay the federal, state and local income taxes attributable to the Disputed General Unsecured Claims Cash Reserve, based on the items of income, deduction, credit or loss allocable thereto

2. *Management of the Reorganized Debtors*

On the Effective Date, the Reorganized Debtors' management will revert to the management of the Debtors in place prior to the appointment of the Chapter 11 Trustee in January 2011, as supplemented by Reorganized GSC Group in consultation with BDCM. Such management will conduct all operations and administer the Plan, other than those duties delegated to the Liquidating Trustee. The Chapter 11 Trustee shall be relieved of his duties and obligations to the estate under the Bankruptcy Code, Bankruptcy Rules and Local Bankruptcy Rules, including, but not limited to, any obligation to file a final report pursuant to Local Bankruptcy Rule 3022-1, or otherwise; *provided, however*, that the Chapter 11 Trustee's rights under the Plan, in general, and specifically, the right of the Chapter 11 Trustee and the Chapter 11 Trustee's professionals to seek and prosecute claims for compensation in accordance with Section 3.3 of the Plan, as well as the Chapter 11 Trustee's right to object to the allowance of Professional Fees, shall be fully preserved.

3. *Reorganized Debtors*

As described above, on the Effective Date, (i) 100% of the Common Equity Interests shall remain outstanding and shall remain as presently classified, and be deemed to be common stock in the Reorganized GSC Group, (ii) 100% of the Remaining Equity Interests shall be cancelled, and (iii) Reorganized GSC Group shall distribute, or cause to be distributed, the Reorganized GSC Group Convertible Class D Common Stock and the Reorganized GSC Group Preferred Stock.

On the Effective Date, 100% of the Equity Interests in the Debtors other than GSC Group, Inc., shall remain outstanding and shall remain as presently classified.

On the Effective Date, the certificate of incorporation of the Reorganized GSC Group shall be amended in its entirety in substantially the form contained in the Plan Supplement to, among other things, permit the Reorganized Debtors to increase the number of authorized voting shares, and to establish the classifications of Reorganized GSC Group Convertible Class D Common Stock, Reorganized GSC Group Class E Common Stock and Reorganized GSC Group Preferred Stock.

On the Effective Date, the Management Contracts shall remain the assets of Reorganized GSC Group, and the Residual Estate Assets shall be transferred to the Liquidating Trust pursuant to Section 5.4 of the Plan.

On the Effective Date, the Reorganized Debtors shall establish the Disputed General Unsecured Claims Equity Reserve.

Notwithstanding any other provision of the Plan, (i) the Reorganized Debtors shall remain liable for the obligations of the Sellers to the Designated Purchaser under the Tax Indemnification Agreement, and (ii) for purposes of all calculations of Residual Cash required

under the Tax Indemnification Agreement the Reorganized Debtors shall be considered a consolidated entity.

4. *Capitalization of the Liquidating Trust*

On the Effective Date, the Residual Estate Assets, including the Liquidating Trust Cash, the Disputed Priority Claims Reserve Amount and the Disputed General Unsecured Claims Cash Reserve Amount shall be transferred to the Liquidating Trust. All transfers and contributions made pursuant to this Section 5.4 of the Plan shall be made free and clear of all Claims, Liens, and Equity Interests, and all setoff and recoupment rights, except as otherwise specifically provided in the Plan or in the Confirmation Order. The Liquidating Trustee and the Liquidating Trust are appointed pursuant to the Plan as successor trustees to the Chapter 11 Trustee for purposes of the Letter of Credit.

Consistent with the terms of the Purchase Agreements, on the Effective Date, all remaining liabilities and obligations of the Debtors, including post-closing obligations of the Sellers under the Purchase Agreements, other than (i) those rights and obligations under the Tax Indemnification Agreement, and (ii) those rights and obligations under the Management Contracts, shall be transferred to the Liquidating Trust; provided, however, that the Indemnified Liabilities shall remain with Reorganized Debtors and be payable from the proceeds of the Letter of Credit and Tax Indemnification Agreement. Without limiting the foregoing, the Liquidating Trustee shall be responsible for the transfer to the Designated Purchaser of any Causes of Action acquired under the Purchase Agreements or any other assets to be transferred on a post-closing basis.

5. *Initial Distribution of Trust Units*

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

6. *Compromise of Controversies*

In consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019.

7. *Corporate Action*

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including, but not limited to, (i) the adoption of the organizational documents for the Reorganized Debtors; (ii) the issuance of the Reorganized Debtors Stock; and (iii) all other actions contemplated by the Plan. All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action

required by the Debtors or Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action or notice by the Debtors, the Chapter 11 Trustee, the Liquidating Trustee, Holders of Equity Interests in the Debtors or directors and officers of the Debtors or the Reorganized Debtors. Upon the Effective Date, the appropriate officers and directors of Reorganized Debtors shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of an on behalf of the Reorganized Debtors. The authorizations and approvals contemplated in this Section 5.3 of the Plan shall be effective notwithstanding any requirements under any applicable non- bankruptcy law.

8. *Transfer of Post-Petition Agreements*

As of the Effective Date, the Liquidating Trust shall be deemed successor in interest to the Debtors and Chapter 11 Trustee and any rights and obligations under any agreements the Debtors entered into post-petition remaining in effect as of the Effective Date, including, without limitation, the Purchase Agreements, the Services Agreement and the Transition Services Agreement, shall be transferred to the Liquidating Trust with the exception of the Tax Indemnification Agreement, which shall vest pursuant to Section 5.9 of the Plan.

9. *Vesting of the Tax Indemnification Agreement*

As of the Effective Date, all rights and obligations of each of the Debtors under the Tax Indemnification Agreement shall vest in the Reorganized Debtors.

C. Treatment of Executory Contracts and Unexpired Leases

1. *Assumption of Management Contracts*

All Management Contracts shall be deemed to be assumed by Reorganized GSC Group on the Effective Date.

2. *Rejection of Executory Contracts and Unexpired Leases*

All executory contracts and unexpired leases that have not been assumed, assumed and assigned, or rejected prior to the Effective Date, or for which a motion is not pending for assumption, assumption and assignment, or rejection as of the Effective Date, will be deemed rejected as of the Effective Date; *provided, however*, that any executory contract or unexpired lease that the Debtors have moved to assume or assume and assign prior to the Effective Date, or that BDCM has specifically identified in the Plan or Plan Supplement as a contract to be assumed and assigned, shall not be deemed rejected. To the extent that any contract (including any contracts effectuating the novation of any collateral management agreement or any other contract) has not been rejected or assumed by the Debtors and the Chapter 11 Trustee because such contract is no longer executory, the Debtors, the Reorganized Debtors, the Liquidating Trust and the Liquidating Trustee shall have no liability with respect to such contract on and after the Effective Date.

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

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases as of the Effective Date, if any, must be Filed within 30 days after the Effective Date. Any Claim arising from the rejection of an executory contract or unexpired lease for which proof of such Claim is not Filed within such time period shall forever be barred from assertion against the Debtors, the Estates and their property, the Liquidating Trust or the Reorganized Debtors unless otherwise ordered by the Bankruptcy Court. Any Allowed Claim arising from the rejection of executory contracts or unexpired leases for which proof of such Claim timely has been Filed shall be, and shall be treated as, an Allowed General Unsecured Claim under the terms hereof, subject to any limitation under section 502(b) of the Bankruptcy Code or otherwise.

D. Provisions Governing Distributions Under the Plan

1. *Date of Distributions*

Except as otherwise provided in the Plan, any distribution to be made hereunder shall be made on the Effective Date, or as soon as practicable thereafter. Any payment or act required to be made or done hereunder on a day that is not a Business Day shall be made on the next succeeding Business Day.

BDCM anticipates that the Plan will be confirmed and go effective within fifty days after the approval of this Disclosure Statement, which timing may be affected by the status of the Trustee's Plan. On or shortly after the Effective Date, the Holders of Allowed General Unsecured Claims electing the Up-Front Cash Option will receive a portion of the $6.6 million of Up-Front Option Plan Cash available for distribution to unsecured creditors, less the amount of cash used to pay Allowed Unsecured Claims senior in priority, such as Priority Tax Claims. Holders of General Unsecured Claims electing the Combination Cash Option will receive a portion of the $5.6 million of Combination Option Plan Cash available for distribution to unsecured creditors, less the amount of cash used to pay Allowed Unsecured Claims senior in priority, such as Priority Tax Claims, and a portion of the Trust Units on or shortly after the Effective Date. Holders of General Unsecured Claims electing the Equity Option will receive their share of Reorganized GSC Group Preferred Stock and their Equity Distribution Share of Reorganized GSC Group Convertible Class D Common Stock on or shortly after the Effective Date.

2. *Establishment of Disputed General Unsecured Claims Reserves*

On the Effective Date or as soon thereafter as is practicable (but in no event later than five Business Days thereafter), the Liquidating Trustee and the Reorganized Debtors shall separately establish and maintain, respectively, the Disputed General Unsecured Claims Reserves for any (i) Remaining Up-Front Option Plan Cash, Remaining Combination Option Plan Cash, and Reserve Trust Units required to be set aside on account of Disputed General Unsecured Claims that elect the Cash Options and (ii) Reorganized GSC Group Stock required to be set aside on account of Disputed General Unsecured Claims that elect the Equity Option in the

amounts of the Disputed General Unsecured Claims Cash Reserve Amount and the Disputed General Unsecured Claims Equity Reserve Amount, respectively.

3. *Establishment of Disputed Priority Claims Reserve*

On the Effective Date or as soon thereafter as is practicable, the Liquidating Trustee and the Reorganized Debtors shall separately establish and maintain the Disputed Priority Claims Reserve for any Up-Front Option Plan Cash or Combination Option Plan Cash, as applicable, required to be set aside on account of Disputed Priority Tax Claims and Disputed Other Priority Claims in the amount of the Disputed Priority Claims Reserve Amount.

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

(a) Periodically, the Liquidating Trustee or the Reorganized Debtors shall make ratable distributions of the Liquidating Trust's available Cash, or the Reorganized Debtors' Reorganized GSC Group Stock, to the respective Disputed General Unsecured Claims Reserves for the benefit of Holders of Disputed Claims. If a Disputed General Unsecured Claim (including claims pursuant to Section 6.2 of the Plan) becomes Allowed, the Liquidating Trustee or the Reorganized Debtors, as the case may be, shall make either (i) a Catch-Up Up-Front Cash Distribution, to the extent the Holder elected the Up-Front Cash Option, (ii) a Catch-Up Combination Cash Distribution, to the extent the Holder elected the Combination Cash Option or (iii) a Catch-Up Equity Distribution, to the extent the Holder elected the Equity Option. If a Disputed Priority Tax Claim becomes Allowed, the Liquidating Trustee shall make distributions from the Disputed Priority Claims Reserve to the Holder thereof in accordance with Section 3.2 of the Plan. If a Disputed Other Priority Claim becomes Allowed, the Liquidating Trustee shall make distributions from the Disputed Priority Claims Reserve to the Holder thereof in accordance with Section 4.2(b) of the Plan.

(b) If a Disputed General Unsecured Claim, or portion thereof, is Disallowed, the Liquidating Trustee shall (i) distribute to or for the benefit of the Holders of all then Allowed General Unsecured Claims that have elected one of the Cash Options their Pro-Rata Share of the Up-Front Option Plan Cash or Combination Option Plan Cash and Reserved Trust Units, as the case may be, allocable to such Disallowed General Unsecured Claim or (ii) direct the Reorganized Debtors to distribute to or for the benefit of all the Holders of all then Allowed General Unsecured Claims that have elected the Equity Option their Equity Distribution Share of the Reorganized GSC Group Stock allocable to such Disallowed General Unsecured Claim, in each case, on such date as the Liquidating Trustee shall deem to be reasonable. If a Disputed Priority Tax Claim or Disputed Other Priority Tax, or portion thereof, is Disallowed, the Liquidating Trustee shall transfer the Plan Cash allocable to such Disallowed Priority Tax Claim or Other Priority Claim to the Disputed General Unsecured Claim Cash Reserve for the benefit of the Holders of Allowed General Unsecured Claims who have elected one of the Cash Options, to be distributed to such Holders in their Pro-Rata Share, on such date as the Liquidating Trustee shall deem to be reasonable.

5. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

General. Any distribution to be made hereunder to a Holder of an Allowed Claim shall be made to the address of such Holder as set forth in the books and records of the Debtors or their agents, or in a letter of transmittal, unless the Debtors have been notified in writing of a change of address, including by the Filing of a proof of claim by such Holder that contains an address for such Holder that is different from the address reflected on such books and records or letter of transmittal.

Undeliverable Distributions. In the event that any distribution or notice provided in connection with the Chapter 11 Cases to any Holder of an Allowed Claim is returned to the Liquidating Trustee or the Reorganized Debtors as undeliverable or otherwise is unclaimed, the Liquidating Trustee and the Reorganized Debtors shall make no further distribution to such Holder unless and until the Liquidating Trustee and the Reorganized Debtors are notified in writing of such Holder's then current address. On, or as soon as practicable after, the date on which a previously undeliverable or unclaimed distribution becomes deliverable and claimed, the Liquidating Trustee or the Reorganized Debtors shall make such distribution without interest thereon. Any Holder of an Allowed Claim that fails to assert a Claim for an undeliverable or unclaimed distribution within 180 days after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall forever be barred and enjoined from asserting such Claim against any of the Debtors, the Estates, or the Reorganized Debtors or their property. Any Cash amounts in respect of undeliverable or unclaimed distributions for which a Claim is not made within such 180-day period shall be forfeited to the Liquidating Trustee. Nothing contained herein shall require, or be construed to require, the Debtors, the Reorganized Debtors or the Liquidating Trustee to attempt to locate any Holder of an Allowed Claim.

6. *Setoff and Recoupment*

In the event the Debtors have a claim of any nature whatsoever against a Holder of a Claim, the Debtors, the Reorganized Debtors or the Liquidating Trustee may, but are not required to, setoff against such Holder's Claim (and any distributions or other rights to receive property arising out of such Claim under the Plan), the Debtors' claim against such Holder, subject to the provisions of section 553 of the Bankruptcy Code and other applicable law. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, the Reorganized Debtors or the Liquidating Trustee of any Claims that the Debtors, the Reorganized Debtors or the Liquidating Trustee have against the Holder of such Claim, all of which are preserved. Nothing contained or omitted from the Plan shall limit, adversely affect, or otherwise impair any rights of setoff or recoupment the Debtors, the Reorganized Debtors or the Liquidating Trustee may possess, as against third parties.

7. *Manner of Payment Under Plan*

The Liquidating Trustee shall be authorized to make any Cash payment required to be made hereunder by check or wire transfer, at the discretion of the Liquidating Trustee.

E. Procedures for Resolving Disputed Claims

1. *Prosecution of Objections to Claims*

On and after the Confirmation Date, the Liquidating Trustee shall have the authority to file, withdraw or litigate to judgment objections to Claims, and shall be permitted to settle or compromise any Disputed Claim without approval of the Bankruptcy Court, including all Disputed Claims of Holders of General Unsecured Claims who have elected the Equity Option. If Reorganized GSC Group opposes any proposed settlement of a Disputed Claim of a Holder of a General Unsecured Claim who has elected the Equity Option, which settlement is supported by the Liquidating Trustee, the Liquidating Trustee shall seek Bankruptcy Court approval of such a settlement over Reorganized GSC Group's objection.

2. *Estimation of Claims*

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

3. *Payments and Distributions on Disputed Claims*

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

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

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

1. the Confirmation Order shall have become a Final Order;

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

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

4. all UST Fees payable prior to the Effective Date shall have been paid;

5. all other actions necessary to implement the terms of the Plan shall have been taken; and

6. the BDCM Loan shall have closed in accordance with its terms.

G. Effect of Confirmation

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

1. *Preservation of All Causes of Action*

Except as otherwise provided in the Plan (including, but not limited to, subparagraph (b) of Section 10.2 of the Plan), in a final and non-appealable order of the Bankruptcy Court, or in any contract, instrument, release or agreement entered into in connection with the Plan, in accordance with the provisions of the Bankruptcy Code (including but not limited to section 1123(b) of the Bankruptcy Code), on and after the Effective Date, the Liquidating Trustee shall be vested with, retain, and may exclusively enforce and prosecute any Causes of Action that the Debtors or the Estates may have against any Person or Entity, including, but not limited to, the Avoidance Actions and the Director and Officer Causes of Action. The Liquidating Trustee may pursue such retained Causes of Action in accordance with the best interests of the creditors of the Debtors, the Estates, the Liquidating Trust or the Reorganized Debtors. Without further order of the Bankruptcy Court, the Liquidating Trustee shall be substituted as the party in interest in all adversary proceedings pending on the Effective Date. Notwithstanding anything to the contrary herein, no distribution shall be made to the Holder of any Claim, including by way of setoff or recoupment by such claimant, if the Debtors, the Chapter 11 Trustee or the Liquidating Trustee, as applicable, have taken action to recover, or given notice to the applicable party of intent to take such action, on a Cause of Action against the Holder of such Claim (or the direct or indirect transferor of such Holder), until such Cause of Action is resolved.

From and after July 26, 2012, pursuant to the terms of APA 2, all Causes of Action of, or belonging to, the Estates with respect to which the Chapter 11 Trustee, the Liquidating Trustee or the Reorganized Debtors has not commenced an adversary proceeding, lawsuit or similar legal proceeding, settled or released such Cause of Action, or formally asserted a right of set-off, shall be transferred to the Designated Purchaser. Without further order of the Bankruptcy Court, the Designated Purchaser, or its designee, shall have the exclusive right to enforce and prosecute any such Cause of Action.

2. *Discharge of Claims*

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

3. *Liquidating Trust as Successor*

The Liquidating Trust shall be the successor to the Debtors, the Chapter 11 Trustee and the Estates for the purposes of sections 1123, 1129 and 1145 of the Bankruptcy Code and with respect to all pending Causes of Action of, or belonging to, the Estates and other litigation-related matters, including but not limited to the Avoidance Actions and the Director and Officer Causes of Action. The Liquidating Trust shall succeed to the attorney-client privilege of the Debtors, the Chapter 11 Trustee and the Estates with respect to all Causes of Action of, or belonging to, the Estates and other litigation-related matters, and the Liquidating Trustee may waive the attorney-client privilege with respect to any Cause of Action of, or belonging to, the Estates, or other litigation-related matters, or portion thereof, in the Liquidating Trustee's discretion. After the Effective Date, the Liquidating Trustee shall have the exclusive authority and standing to file, prosecute, withdraw, settle or compromise, without the approval of the Bankruptcy Court, all (a) objections to Claims, (b) estimation proceedings with respect to Claims, and (c) Causes of Action of, or belonging to, the Estates.

4. *Releases*

***Releases By the Debtors*. For good and valuable consideration, the adequacy of which is shall be confirmed by the Plan, upon the Effective Date, the Debtors and Reorganized Debtors (collectively, the "*Debtor Releasing Parties*") shall be deemed forever to release, waive and discharge any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, whether for tort, contract, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way in whole or in part to the Debtors, the chapter 11 cases, the Disclosure Statement, the Plan or the solicitation of votes on the Plan that such Debtor Releasing Parties would have been legally entitled to assert (whether individually or collectively) or that any Holder of a Claim or Equity Interest or other entity would have been legally entitled to assert for or on behalf of the Debtors, their Estates or the Reorganized Debtors (whether directly or derivatively) against any of the Released Parties, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtors, the Chapter 11 Trustee or the Estates against any of the Released Parties; provided, however, that the foregoing provisions of the release under the Plan shall not operate to waive or release (i) any Causes of Action expressly set forth in and preserved by the Plan or the Plan**

Supplement; (ii) any Causes of Action arising from gross negligence, fraud or willful misconduct as determined by final order of the Bankruptcy Court or any other court of competent jurisdiction; and/or (iii) the rights of such Debtor Releasing Parties to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final order of the Bankruptcy Court, including without limitation the Purchase Agreements. The release under the Plan shall be effective as of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person, and the Confirmation Order will permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to the release under the Plan. Nothing in the Plan shall limit the liability of the Professionals of the Debtors, the Chapter 11 Trustee or BDCM to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility, N.Y. Comp. Codes R. & Regs. tit. 22 section 1200 Rule 1.8(h)(l) (2009), and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject. As to the United States, its agencies, departments or agents, nothing in the Plan shall discharge, extinguish, release or otherwise preclude any valid right of setoff or recoupment. Nothing herein shall enjoin the United States from initiating or continuing any criminal, police or regulatory action against the Debtors.

***Releases By Holders of Claims*. Upon the Effective Date, each Holder of a Claim or Equity Interest (collectively, the "*Non-Debtor Releasing Parties*" and together with the Debtor Releasing Parties, the "*Releasing Parties*"), in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and the Cash and other contracts, instruments, releases, agreements or documents to be delivered in connection with the Plan, shall be deemed forever to release, waive and discharge any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, whether for tort, contract, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way in whole or in part to the Debtors, the chapter 11 cases, the Disclosure Statement, the Plan or the solicitation of votes on the Plan that such Non-Debtor Releasing Parties would have been legally entitled to assert (whether individually or collectively) against any of the Released Parties (other than the rights to enforce the obligations of the Debtors and the Chapter 11 Trustee under the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered in connection with the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Trustee, the Chapter 11 Cases, the Plan or the Disclosure Statement against any of the Released Parties; <u>provided</u>, <u>however</u>, that the provisions of the release under the Plan shall not operate to waive or release (i) any Causes of Action expressly set forth in and preserved by the Plan or the Plan Supplement;**

(ii) any Causes of Action arising from gross negligence, fraud or willful misconduct as determined by final order of the Bankruptcy Court or any other court of competent jurisdiction; and/or (iii) the rights of such Non-Debtor Releasing Party to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final order of the Bankruptcy Court. The release under the Plan shall be effective as of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person and the Confirmation Order will permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to this release.

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

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

Before a determination can be made as to whether releases are appropriate as warranted by "unusual circumstances," the United States Court of Appeals for the Second Circuit has concluded that there is a threshold jurisdictional inquiry as to whether the Bankruptcy Court has subject matter jurisdiction to grant such releases. *In re Johns-Manville Corp.*, 517 F.3d 52, 65 (2d Cir. 2008), *rev'd on other grounds, Travelers Indemnity Co. v. Bailey*, 129 S. Ct. 2195 (2009); *see also In re Dreier LLP*, 429 B.R. 112, 132 (Bankr. S.D.N.Y. 2010) (stating that *Manville* remains the law of the Second Circuit and that a court must first make a jurisdictional inquiry before considering whether there are "unusual circumstances" justifying releases); *In re Metcalf & Mansfield Alternative Investments*, 421 B.R. 685, 695 (Bankr. S.D.N.Y. 2010) (discussing and approving releases in a case under chapter 15 of the Bankruptcy Code). Courts have jurisdiction over a third

party cause of action or claim if it will "directly and adversely impact" a debtor's reorganization. *Dreier*, 429 B.R. at 132.

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

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

5. *Exculpation and Limitation of Liability*

None of the Released Parties shall have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission arising on or after the Petition Date in connection with, relating to or arising out of, the Chapter 11 Cases, formulation, negotiation or implementation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the confirmation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for their gross negligence, willful misconduct, fraud or criminal conduct as determined by a final order entered by a court of competent jurisdiction. Without limiting the generality of the exculpation and limitation of liability provisions of the Plan, the Released Parties shall, in all respects, be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. *Injunction*

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

enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors; (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree or order against the Debtors; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors; or (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors or against the property or interests in property of the Debtors, on account of such Claims or Equity Interests; *provided, however,* that nothing contained in the Plan shall preclude such Entities from exercising their rights pursuant to and consistent with the terms hereof and the contracts, instruments, releases, indentures and other agreements and documents delivered under or in connection with the Plan.

Upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals and affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim, by accepting distributions pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Section 10.7 of the Plan.

7. *Term of Bankruptcy Injunction or Stays*

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

Solely as it relates to the Plan and the transactions approved thereby, each counterparty to a Management Contract, or third party to such Management Contract (and, for the avoidance of doubt, their successors and assigns) shall, as of the Effective Date, be forever barred from asserting any claim, objection or taking any action with regard to the retention by the Reorganized Debtors of all of their rights with respect to the Management Contracts. upon or as a result of the assumption and retention thereof by the applicable Reorganized Debtor.

H. Administrative Provisions

1. *Retention of Jurisdiction*

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date or anything to the contrary in the Plan or the Plan Supplement, the Bankruptcy Court shall retain exclusive jurisdiction over all matters related to the Plan, the Confirmation Order, the Liquidating Trust Agreement, the Tax Indemnification Agreement and the Chapter 11 Cases to the fullest extent permitted by law, including without limitation such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are carried out, including for the following specific purposes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. *Governing Law*

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

3. *Severability*

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

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

[TO BE FURTHER REVISED AND CONFORMED PRIOR TO DISCLOSURE STATEMENT HEARING]

The following is a discussion of certain significant U.S. federal income tax considerations of the Plan to GSC Group and its subsidiaries, to Holders of General Unsecured Claims ("**General Unsecured Creditors**") and to Holders of Common Equity Interests ("**Common Stockholders**") under the Tax Code. This general description does not discuss all aspects of U.S. federal income taxation that may be relevant to General Unsecured Creditors and Common Stockholders in light of their investment circumstances, or to certain types of General Unsecured Creditors and Common Stockholders subject to special treatment under the U.S. federal income tax laws (for example, life insurance companies, banks, dealers in securities, tax-exempt organizations, foreign corporations and individuals who are not citizens or residents of the United States for U.S. tax purposes) and does not discuss any aspect of state, local or foreign taxation. This discussion also does not address the U.S. federal income tax consequences to (i) Holders whose Claims are entitled to reinstatement or payment in full in cash or are otherwise unimpaired under the Plan or (ii) Holders whose Claims are extinguished without distribution in exchange therefor. This discussion is limited to General Unsecured Creditors and Common Stockholders who hold the Claims or common stock as "capital assets" (generally property held for investment) within the meaning of Section 1221 of the Tax Code and will hold the Reorganized GSC Group Stock as capital assets. This discussion is based upon laws, regulations, rulings and decisions now in effect and upon proposed regulations all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision. Moreover, substantial uncertainties, resulting from the lack of a definitive judicial or administrative authority and interpretation, apply to various tax aspects of the transactions discussed herein. No ruling has been or will be sought from the Internal Revenue Service ("**IRS**"), and no legal opinion of counsel will be rendered, with respect to the matters discussed below. There can be no assurance that the IRS will not take a contrary position regarding the federal income tax consequences resulting from the consummation of the Plan or that any contrary position would not be sustained by a court. EACH GENERAL UNSECURED CREDITOR AND COMMON STOCKHOLDER IS URGED TO CONSULT ITS OWN TAX

ADVISOR FOR THE TAX CONSEQUENCES PARTICULAR TO IT FROM THE IMPLEMENTATION OF THE PLAN.

A. IRS Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, YOU ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE INTERNAL REVENUE CODE, (B) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. Tax Consequences to GSC Group

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

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

C. Cancellation of Indebtedness and Reduction of Tax Attributes

GSC Group generally should recognize cancellation of indebtedness ("**COD**") income to the extent the fair market value of any property (including cash, the Reorganized GSC Group Stock and the assets transferred pursuant to APA 1 and APA 2) received by its creditors is less than the sum of (a) the adjusted issue prices of the debt exchanged for such property or otherwise cancelled and (b) the amount of any unpaid accrued interest on such debt (except to the extent GSC Group's payment of such interest would give rise to a tax deduction).

Under Tax Code Section 108, COD income recognized by a debtor will be excluded from gross income if (i) the debt is discharged in a case brought under the Bankruptcy Code, the debtor is under the court's jurisdiction in such case and the discharge is granted by the court or is pursuant to a plan approved by the court (the "**Bankruptcy Exception**") or (ii) the debtor is insolvent at the time of the debt cancellation (the "**Insolvency Exception**"), but COD income is excluded under the Insolvency Exception only to the extent that the debtor's liabilities exceed the fair market value of its assets immediately prior to the debt discharge. The Insolvency Exception

does not apply to a debt discharge subject to the Bankruptcy Exception. The Debtors will have to determine to what extent COD income recognized as a result of the transactions consummated pursuant to APA 1, APA 2 and the Plan will be excluded from income under the Insolvency Exception and the Bankruptcy Exception.

Under Section 108(b) of the Tax Code, a debtor that excludes COD income from gross income under the Bankruptcy Exception or the Insolvency Exception generally must reduce certain tax attributes by the amount of the excluded COD income. Attributes subject to reduction include net operating losses ("**NOLs**"), NOL carryforwards, capital loss carryforwards and certain other losses, credits and carryforwards (collectively, "**Loss Tax Attributes**"), and the debtor's tax basis in its assets (including equity of subsidiaries). A debtor's tax basis in its assets generally may not be reduced below the amount of liabilities remaining immediately after the discharge of indebtedness. If the debtor is a member of a consolidated group and is required to reduce its basis in the stock of another group member, a "look-through rule" requires a corresponding reduction in the tax attributes of the lower-tier member. If the amount of a debtor's excluded COD income exceeds the amount of attribute reduction resulting from the application of the foregoing rules, certain other tax attributes of the consolidated group may also be subject to reduction. NOLs for the taxable year of the discharge and NOL carryovers to such year generally are the first attributes subject to reduction. However, a debtor may elect under Section 108(b)(5) of the Tax Code (the "**Section 108(b)(5) Election**") to reduce its basis in its depreciable property first. If the debtor is a member of a consolidated group, the debtor may treat stock in another group member as depreciable property for purposes of the Section 108(b)(5) Election, provided the lower-tier member consents to a corresponding reduction in its basis in its depreciable property. If a debtor makes a Section 108(b)(5) Election, the limitation on reducing the debtor's basis in its assets below the amount of its remaining liabilities does not apply.

According to the Chapter 11 Trustee, GSC Group currently expects to have a capital loss carryover to its 2011 taxable year, but has not determined yet (i) whether it has a NOL for 2010 or (ii) if it does, whether it would carry back such NOL or waive the carryback. BDCM has not yet determined whether GSC Group will generate a NOL and/or capital losses in 2011 or will use any NOL or capital loss carryforwards in 2011.

D. Section 382 Limitation

Under Section 382 of the Tax Code, if a corporation or a consolidated group of corporations with Loss Tax Attributes (a "**Loss Corporation**") undergoes an "ownership change," the amount of its pre-change Loss Tax Attributes that may be utilized to offset taxable income generally will be subject to an annual limitation in the post-change period. Such limitation may also apply to subsequently recognized "built-in" losses, *i.e.*, losses economically accrued but unrecognized as of the date of the ownership change. Subject to the special bankruptcy rules discussed below, the annual limitation for a corporation that undergoes an ownership change would generally be equal to the product of (i) the value of the Loss Corporation's outstanding stock immediately prior to the ownership change (with certain adjustments) and (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (which is, for example, 3.82% for October 2011). However, if the Loss Corporation does not continue its historic business or use a significant portion of its business

assets in a new business for two years after the ownership change, the annual limitation would be zero. If the Loss Corporation has a "net unrealized built-in gain" (a "**NUBIG**"), generally meaning that, immediately before an ownership change, the fair market value of its assets exceeds the aggregate tax basis of its assets, then the limitation described above is generally increased for the first five years after the change date by the amount of recognized built-in gain during a post-change year (but not cumulatively to exceed the NUBIG).

In general, an "ownership change" occurs if the percentage of the value of the Loss Corporation's stock owned by one or more direct or indirect 5% shareholders (as specially defined for purposes of Section 382 of the Tax Code) has increased by more than fifty (50) percentage points over the lowest percentage of that value owned by such 5% shareholders at any time during a three-year (or shorter period if certain conditions are met) testing period (the "**50% Change Requirement**"). In addition, if a 50%-or-greater shareholder of the Loss Corporation claims a worthless stock deduction with respect to its stock in the Loss Corporation for a taxable year, the Loss Corporation is treated as undergoing an ownership change on the first day of the following taxable year ("**50% Shareholder Worthless Stock Deduction**").

It is possible that the stock issuance pursuant to the Plan will avoid triggering an "ownership change" in GSC Group because only 49% of the value of the Reorganized GSC Group Stock will be issued to the General Unsecured Creditors while 51% will be retained by the existing Common Stockholders. For these purposes, transfers or issuances of preferred stock will not count toward the 50% Change Requirement if the preferred stock (i) is non-voting except in limited permitted circumstances, (ii) is limited and preferred as to dividends and does not participate significantly in corporate growth, (iii) has redemption and liquidation rights that do not exceed the stock's issue price (except for a reasonable redemption or liquidation premium) and (iv) is not convertible into another class of stock (preferred stock meeting all of these requirements is referred to as "**Straight Preferred Stock**").

Accordingly, in order for the stock issuance pursuant to the Plan to avoid triggering an "ownership charge" of GSC Group, among other things: (i) the Reorganized GSC Group Preferred Stock must be treated as Straight Preferred Stock and (ii) the cumulative change percentage in GSC Group immediately before such stock issuance must not exceed 1%. In addition, the existing Loss Tax Attributes may not be usable after the Effective Time (or their use may be substantially limited) if: (i) transfers after the Effective Time in the Reorganized GSC Group Stock or the equity in an entity owning directly or indirectly Reorganized GSC Group Stock trigger an "ownership change" in GSC Group, (ii) a 50% Shareholder Worthless Stock Deduction were to occur with respect to Reorganized GSC Group Stock in 2011 or an earlier tax year, or (iii) a person acquires 50% or more of the vote or value of the Reorganized GSC Group Stock (including for these purposes the Reorganized GSC Group Preferred Stock) and the "principal purpose" of such acquisition is to obtain the benefit of the Loss Tax Attributes.

The Reorganized GSC Group Preferred Stock is intended to qualify as Straight Preferred Stock because (i) it is non-voting except in limited circumstances, including upon a failure to pay a cash dividend that has been declared, that are permissible for Straight Preferred Stock; (ii) it is limited and preferred as to dividends because the dividend rate is fixed at 5% and it is not intended to participate significantly in corporate growth because the liquidation preference will

be equal to 80% of GSC Group's net asset value on the Effective Date with the value of the common stock equal to approximately 20% of the net asset value on the Effective Date; (iii) the liquidation preference will be equal to the redemption price and both are designed to be equal to the issue price of the Preferred Stock (which will probably be its fair market value on the Effective Date); and (iv) it is not convertible into another class of stock. However, the classification of the Reorganized GSC Group Preferred Stock as Straight Preferred Stock is not free from doubt as there is some uncertainty as to whether preferred stock with a fixed rate dividend could be viewed as significantly participating in corporate growth where the common stock has a very low initial value, including in relation to the preferred stock; in addition, it might be possible that the liquidation preference and redemption price of the Reorganized GSC Group Preferred Stock could exceed its issue price or fair market value on the Effective Date notwithstanding that the formula for establishing the liquidation and redemption price of the Reorganized GSC Group Preferred Stock is intended to avoid this result.

The Reorganized GSC Group Common Stock will be subject to transfer restrictions designed to prevent a post-Effective Date "ownership charge" of Reorganized GSC Group. However, no such transfer restrictions currently exist with respect to GSC Group stock. In addition, although such post-Effective Date transfer restrictions may also apply to the equity in direct and indirect owners of GSC Group ("**GSC Group Owners**"), the effectiveness of such transfer restrictions is uncertain in light of the indirect nature of the transferor's ownership in GSC Group. Accordingly, it is possible that pre-Effective Date transfers of GSC Group stock or equity interests in GSC Group Owners (independently or together with the stock issuances pursuant to the Plan) or post-Effective Date transfers of the equity in GSC Group Owners will result in an "ownership change" of GSC Group and the loss of all or substantially all of the benefit of the Loss Tax Attributes.

In the event that the Plan transactions result in BDCM and certain of its affiliates acquiring 50% or more of the value or vote of the Reorganized GSC Group Stock, and the "principal purpose" of such acquisition was determined to be the obtaining of the benefit of the Loss Tax Attributes, Reorganized GSC Group would be unable to utilize such Loss Tax Attributes as a result of the application of Section 269 of the Tax Code. Pursuant to Treasury Regulations under Section 269, an acquisition of control (i.e., 50% or more of the stock of a corporation) is ordinarily indicative of an impermissible "principal purpose" of securing a tax benefit where a profitable acquiring corporation acquires a corporation with favorable tax attributes and after the acquisition the acquiring corporation transfers a profitable business to the target corporation that absorbs the target's favorable tax attributes where the target's business would have otherwise been unable to absorb such losses. BDCM does not believe that securing a tax benefit is the primary purpose of the proposed Plan. Nevertheless, there can be no assurance that the IRS will agree with this position.

If a 50% Shareholder Worthless Stock Deduction were to occur in respect of GSC Group stock for 2011 or an earlier tax year, GSC Group would undergo an ownership change on January 1 of the next year at which time the value of the GSC Group stock would have been or would be very low or perhaps zero. In such event, GSC Group's applicable Section 382 limitation would be very low or perhaps zero, increased (to the extent of its NUBIG, if any) by the amount of its recognized built-in gain, if any, for the applicable tax year.

If the issuance of the Reorganized GSC Group Stock pursuant to the Plan is determined to result in an "ownership change" of GSC Group, one of the following two special rules may apply in determining Reorganized GSC Group's ability to utilize Loss Tax Attributes attributable to tax periods preceding the Effective Date in post-Effective Date tax periods.

Under Section 382(l)(5), an ownership change in bankruptcy will not result in any annual limitation on the debtor's pre-change Loss Tax Attributes if the stockholders and/or qualified creditors of the debtor receive at least 50% of the stock (by vote and value) of the reorganized debtor in the bankruptcy reorganization as a result of being shareholders or creditors of the debtor. Instead, the debtor's pre-change NOLs are reduced by the amount of any interest deductions with respect to debt converted into stock in the bankruptcy reorganization that were allowed in the three taxable years preceding the taxable year in which the ownership change occurred and in the part of the taxable year prior to and including the effective date of the bankruptcy reorganization. However, if any pre-change Loss Tax Attributes of the debtor already are subject to an annual usage limitation under Section 382 at the time of an ownership change subject to Section 382(l)(5), those Tax Attributes will continue to be subject to such limitation.

A qualified creditor is any creditor who has held the debt of the debtor for at least eighteen months prior to the petition date or who has held "ordinary course indebtedness" at all times since it has been outstanding. A creditor who does not become a direct or indirect five percent shareholder of the reorganized debtor generally may be treated by the debtor as having always held any debt owned immediately before the ownership change, unless the creditor's participation in formulating the plan of reorganization makes evident to the debtor that the creditor has not owned the debt for the requisite period.

A debtor may elect not to apply Section 382(l)(5) to an ownership change that otherwise satisfies its requirements. This election must be made on the debtor's federal income tax return for the taxable year in which the ownership change occurs. If Section 382(l)(5) applies to an ownership change (and the debtor does not elect out), any subsequent ownership change of the debtor within a two-year period will result in the debtor being unable to use any pre-change Loss Tax Attributes in any tax year ending after such subsequent ownership change to offset future taxable income.

If an ownership change pursuant to a bankruptcy plan does not satisfy the requirements of Section 382(l)(5), or if a debtor elects not to apply Section 382(l)(5), the debtor's use of its pre-change Loss Tax Attributes will be subject to an annual limitation determined under Section 382(l)(6) of the Tax Code. In such case, the amount of the annual limitation generally will be equal to the product of the applicable long-term tax-exempt rate and the value of the debtor's outstanding stock immediately after the bankruptcy reorganization, provided such value may not exceed the value of the debtor's gross assets immediately before the ownership change, subject to certain adjustments.

It is unclear whether the requirements of Section 382(1)(5) would be met if the Plan transactions result in an ownership change of GSC Group because it is not known to what extent General Unsecured Creditors that receive Reorganized GSC Group Stock would be considered qualified creditors. In addition, it appears that creditors of the lower tier GSC Group

partnerships may not qualify as qualified creditors because Section 382(1)(5) and the related Treasury Regulations appear to require the debt held by qualified creditors to be of, and incurred by, the Loss Corporation.

If Section 382(l)(6) were to apply, GSC Group's Loss Tax Attributes remaining after reduction for excluded COD income will be subject to an annual limitation generally equal to the product of the long-term tax-exempt rate for the month of the Effective Date and the value of Reorganized GSC Group's Stock outstanding immediately after consummation of the Plan, prior to giving effect to any NUBIG.

E. Tax Consequences to General Unsecured Creditors

1. *Exchange of Claim for Cash or Reorganized GSC Group Stock*

General Unsecured Creditors will generally recognize gain or loss in an amount equal to the difference between (i) the amount of cash received pursuant to the Up-Front Cash Option or the Combination Cash Option, or the fair market value of the Reorganized GSC Group Stock received pursuant to the Equity Option, and (ii) the General Unsecured Creditor's adjusted tax basis in its Claim. Because the ultimate amount of cash to be received by a General Unsecured Creditor pursuant to the Up-Front Cash Option or the Combination Cash Option will not be determinable until all Disputed Claims have been settled, withdrawn, or determined by Final Order, it appears that a General Unsecured Creditor that elects the Up-Front Cash Option or the Combination Cash Option should recognize additional or offsetting gain or loss if, and to the extent that, the aggregate amount of cash ultimately received by such General Unsecured Creditor pursuant to the Up-Front Cash Option or the Combination Cash Option is greater than or less than the amount used in initially determining gain or loss. Subject to the discussion below, any gain or loss recognized will be a capital gain or loss, assuming that the General Unsecured Creditor has held its Claim as a capital asset. Any such capital gain or loss will be long-term capital gain or loss if the General Unsecured Creditor has held its Claim for more than one year. A General Unsecured Creditor, however, will recognize ordinary income to the extent a portion of the cash or Reorganized GSC Group Stock is allocable to accrued but unpaid interest on its Claims and, to the extent attributable to accrued market discount, as discussed in the next two paragraphs. A General Unsecured Creditor will have a fair market value tax basis in the Reorganized GSC Group Stock received by such General Unsecured Creditor and its holding period in such stock should begin on the day after the Effective Date.

In the case of a General Unsecured Creditor that acquired its Claims at a market discount (unless the amount of such market discount was a *de minimis* amount, in which case market discount is disregarded), any gain recognized upon the sale of the Claims will be ordinary income to the extent of the market discount that accrued during the period such General Unsecured Creditor held such Claim, unless the General Unsecured Creditor previously had elected to include such accrued market discount in the General Unsecured Creditor's income on a current basis. In general, a Claim will have accrued market discount if such Claim was acquired after its original issuance at a discount to its adjusted issue price.

Furthermore, to the extent a portion of the cash or Reorganized GSC Group Stock received by the General Unsecured Creditor is allocable to accrued but unpaid interest on its

Claim, if the General Unsecured Creditor had not previously included such accrued interest in income, it will recognize ordinary taxable income with respect to such interest payment; and if the General Unsecured Creditor had previously included such accrued interest in income, it will recognize ordinary income or loss equal to the difference between the General Unsecured Creditor's basis in such interest (*i.e.*, the amount of such accrued interest recognized as income by such General Unsecured Creditor) and the amount of the payment.

There is general uncertainty regarding the extent to which the receipt of cash or other property should be treated as attributable to unpaid accrued interest. The Plan provides that cash or property distributed pursuant to the Plan will first be allocable to the principal amount of a Holder's Claim and then, to the extent necessary, to any unpaid accrued interest thereon. The IRS, however, could take a contrary position.

If a General Unsecured Claim were considered to be a "security" for federal income tax purposes, then a General Unsecured Creditor that elects the Equity Option might not have to recognize all or a part of its gain and would not be entitled to recognize a loss on the exchange of its Claim. The test of whether a debt obligation is a security involves an overall evaluation of the nature of the obligation, with the term of the obligation usually regarded as one of the most significant factors. Debt obligations with a term of five years or less generally have not qualified as securities, whereas debt obligations with a term of ten years or more generally have qualified as securities. In light of the short term nature of the General Unsecured Claims, it does not appear that such Claims constitute a security for tax purposes.

2. *Reorganized GSC Group Stock*

Cash Distributions. A Holder of Reorganized GSC Group Stock generally will be required to include in gross income as ordinary dividend income the amount of any cash distributions paid on the Stock to the extent such distributions are paid out of Reorganized GSC Group's current or accumulated earnings and profits as determined for federal income tax purposes Distributions not treated as dividends for federal income tax purposes will constitute a return of capital and will first be applied against and reduce a Holder's adjusted tax basis in the applicable Reorganized GSC Group Stock, but not below zero. Any excess amount will be treated as gain from a sale or exchange of such Stock. Holders that are treated as corporations for federal income tax purposes may be entitled to a dividends received deduction with respect to distributions out of earnings and profits.

Increases in Liquidation Preference on the Reorganized GSC Group Preferred Stock. Although the matter is not free from doubt, it does not appear that the increase in the Liquidation Preference on the Reorganized GSC Group Preferred Stock will give rise to a taxable dividend even if Reorganized GSC Group has current or accumulated earnings and profits. See discussion below in "*—Redemption Premium*" for additional discussion of this issue.

Redemption Premium. Under Section 305 of the Tax Code and related Treasury Regulations, if the redemption price of redeemable preferred stock exceeds its issue price by more than a de minimis amount, the difference ("Redemption Premium") may be taxable as a constructive distribution taken into account generally in the same manner as original issue

discount ("OID") would be taken into account were the preferred stock treated as a debt instrument for federal income tax purposes (the "Accrual Rule"). Any such constructive distribution would generally be subject to the same rules generally applicable to cash distributions. However, the Accrual Rule should only apply to a Holder that is a "related party" to Reorganized GSC Group for these purposes and only if the redemption right is considered to be more likely than not to be exercised. A Redemption Premium could exist with respect to the Reorganized GSC Group Preferred Stock if (i) the fair market value of the Preferred Stock (which should establish its issue price) is less than its liquidation preference by more than a de minimis amount or (ii) the increase in liquidation preference that occurs with respect to unpaid dividends is treated as a "disguised" redemption premium. If the IRS were to successfully contend that a Holder of the Reorganized GSC Group Preferred Stock is subject to the Accrual Rule, such Holder would be required to include the amount of the Redemption Premium in gross income on an annual basis under a constant yield accrual method, regardless of its regular method of tax accounting, in advance of the receipt of cash attributable to such income, to the extent that Reorganized GSC Group has current or accumulated earnings and profits.

Redemption. A redemption of shares of the Reorganized GSC Group Preferred Stock will be a taxable event. If such redemption is treated as a sale or exchange, a Holder will generally recognize long-term capital gain or loss (provided such shares have a holding period in excess of one year) equal to the difference between the amount of cash received and the Holder's adjusted tax basis in the shares of Preferred Stock redeemed (except to the extent that any cash received is attributable to accrued but unpaid dividends on the Preferred Stock that have been declared by Reorganized GSC Group, which generally will be subject to the rules discussed in the paragraph "*—Cash Distributions*" above). A redemption will be treated as a sale for exchange if the redemption:

- results in a "complete redemption" of the Holder's stock interest in Reorganized GSC Group under Section 302(b)(3) of the Tax Code;
- is a "substantially disproportionate" redemption with respect to the Holder under Section 302(b)(2) of the Tax Code; or
- is "not essentially equivalent to a dividend" with respect to the Holder under Section 302(b)(1) of the Tax Code.

In determining whether any of these tests has been met, a Holder must take into account not only shares of Reorganized GSC Group's Stock that it actually owns, but also shares of Reorganized GSC Group's Stock that it constructively owns within the meaning of Section 318 of the Tax Code.

A redemption will be treated as "not essentially equivalent to a dividend" if it results in a "meaningful reduction" in the Holder's stock interest in Reorganized GSC Group, which will depend on the Holder's particular facts and circumstances at such time. If as a result of the redemption, a Holder whose relative stock interest in Reorganized GSC Group is minimal and who exercises no control over corporate affairs suffers a reduction in its proportionate interest in Reorganized GSC Group (including any stock constructively owned), the Holder should

generally be regarded as having suffered a meaningful reduction in its interest in Reorganized GSC Group.

Satisfaction of the "complete redemption" and "substantially disproportionate" exceptions is dependent upon compliance with the respective objective tests set forth in Section 302(b)(3) and Section 302(b)(2) of the Tax Code. A redemption will result in a "complete redemption" if either (i) all of the stock of Reorganized GSC Group actually and constructively owned by the Holder is exchanged in the redemption or (ii) all of the stock of Reorganized GSC Group actually owned by the Holder is exchanged in the redemption and the Holder is eligible to waive, and effectively waives, the attribution of stock of Reorganized GSC Group constructively owned by the Holder in accordance with the procedures described in Section 302(c)(2) of the Tax Code. A redemption will be "substantially disproportionate" if (i) the percentage of the outstanding voting stock of Reorganized GSC Group actually and constructively owned by the Holder immediately following the redemption (treating shares of Reorganized GSC Group Preferred Stock exchanged in the redemption as not outstanding) is less than 80% of the percentage of the outstanding voting stock of Reorganized GSC Group actually and constructively owned by the Holder immediately before the redemption (treating shares of Reorganized GSC Group Preferred Stock exchanged in the redemption as outstanding) (the "**80% Requirement**"), (ii) the 80% Requirement is also met with respect to the Reorganized GSC Group Common Stock based on the value of such common stock and (iii) immediately following the redemption the Holder owns less than 50% of the total combined voting power of Reorganized GSC Group.

If the redemption does not constitute a sale or exchange, the receipt of cash by such Holder will be treated as a distribution. For the federal income tax consequences of receipt of a distribution, see the paragraph "*—Cash Distributions*" above. If a redemption is treated as a distribution, a Holder's tax basis in the shares of Reorganized GSC Group Preferred Stock redeemed should be added to its basis in other shares of Reorganized GSC Group Stock actually or constructively owned.

Sale or Other Taxable Disposition. A Holder of Reorganized GSC Group Stock will recognize gain or loss upon the sale or other taxable disposition of such Stock equal to the difference between the amount realized upon the disposition and the Holder's adjusted tax basis in such Stock. Subject to the recapture rules under Section 108(e)(7) of the Tax Code, any such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the Holder has held the Reorganized GSC Group Stock for more than one year as of the date of disposition. Under the Section 108(e)(7) recapture rules, a Holder may be required to treat gain recognized on the taxable disposition of the Reorganized GSC Group Stock as ordinary income if the Holder took a bad debt deduction with respect to its General Unsecured Claim or recognized an ordinary loss on the exchange of the General Unsecured Claim for Reorganized GSC Group Stock.

F. Tax Consequences to Common Stockholders

Common Stockholders will not recognize any gain or loss as a result of the consummation of the transactions pursuant to the Plan.

G. Disputed General Unsecured Claims Reserves.

Distributions from the Disputed General Unsecured Claims Reserves will be made to holders of Disputed Claims when such Claims are subsequently Allowed and will be retained or distributed to other Creditors when Disputed Claims are subsequently Disallowed.

Although the matter is not free from doubt, holders of Disputed Claims should not recognize gain or loss prior to the receipt of consideration in exchange for their Claim, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair market value of any Reorganized GSC Group Stock distributed to such holder less (ii) the adjusted tax basis of its Claim, subject to the discussion in Section VII(E)., above. However, it is possible that such holders may be required to recognize the fair market value of such holder's allocable share of the applicable Disputed General Unsecured Claim Reserve's assets, as an amount received for purposes of computing gain or loss, either on the Effective Date or the date such holder's Claim becomes an Allowed Claim.

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

H. Information Reporting and Backup Withholding

The Reorganized Debtors (or other payor) may be obligated to furnish information to the IRS regarding the consideration received by Holders (other than corporations and other exempt Holders) pursuant to the Plan. In addition, the Reorganized Debtors will be required to report annually to the IRS with respect to each Holder (other than corporations and other exempt Holders) the amount of dividends paid (or deemed paid) on the Reorganized GSC Group Stock, and the amount of any tax withheld from payment thereof.

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

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

advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such exemption.

THE FOREGOING DISCUSSION OF FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN DESCRIBED HEREIN. NEITHER THE PROPONENTS NOR THEIR PROFESSIONALS WILL HAVE ANY LIABILITY TO ANY PERSON OR HOLDER ARISING FROM OR RELATED TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

VIII. CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS

A. Failure to Receive Requisite Acceptances of the Plan

Classes 3 and 4 are the only Classes that are entitled to vote to accept or reject the Plan. If Classes 3 and 4 do not accept the Plan, BDCM will not be able to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code because no Impaired Class will have voted in favor of the Plan as required by section 1129(a)(10) of the Bankruptcy Code.

Further, if Classes 3 and 4 do not accept the Plan, BDCM may seek to accomplish a plan under an alternative structure or the Debtors may be required to liquidate their Estates under chapter 7 of the Bankruptcy Code. There can be no assurance that the terms of any alternative chapter 11 plan or liquidation under chapter 7 would be similar to or as favorable to Creditors as those proposed in the Plan.

B. Failure to Confirm the Plan

Even if Classes 3 and 4 accept the Plan, the Plan may not be confirmed by the Bankruptcy Court, which, as a court of equity exercising substantial discretion, may decide not to confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan of reorganization and requires, among other things, (i) that confirmation of the Plan not be followed by liquidation or a need for further financial reorganization of the Debtors, unless the Plan provides for such liquidation or a need for further financial reorganization, (ii) that the value of distributions to dissenting Holders not be less than the value of distributions to such Holders if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, and (iii) the Plan and BDCM as the plan proponent otherwise comply with the applicable provisions of the Bankruptcy Code.

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

C. Failure to Consummate the Plan

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

D. Delays of Confirmation or the Effective Date

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

E. Transfer and Voting Restrictions

Pursuant to the Plan, the charter of the Reorganized GSC Group will limit the voting rights of each holder of the Reorganized GSC Group Convertible Class D Common Stock in respect of its shares of Reorganized GSC Group Convertible Class D Common Stock and all other voting securities held by such holder to no more than 24.9% of the total voting power of all common equity holders of Reorganized GSC Group except for any holder that establishes to the satisfaction of GSC Group's board, prior to the Effective Date, that such holder controls 25% or more of the voting power of all outstanding equity securities of Reorganized GSC Group as of and immediately after the Effective Date. Additionally, the Reorganized GSC Group Convertible Class D Common Stock will be subject to restrictions on transfer as described in the paragraph below. The voting limitations and transfer restrictions are intended to prevent any person who is not a holder of at least 25% of the total voting power in GSC Manager prior to the Effective Date from holding 25% or more of such voting power following the issuance of the Reorganized GSC Group Class D Convertible Common Stock. There can be no assurance that these restrictions will prevent the occurrence of a change of control or deemed change of control, among other things, in connection with applicable securities laws and rules.

Although the transfer restrictions and voting limitations described in this Disclosure Statement are intended as protective measures to preserve certain potential tax attributes of the Debtors and to prevent the occurrence of an "assignment" of the Management Contracts for purposes of the securities laws, the transfer restrictions and voting limitations may have the effect of impeding or discouraging a merger, tender offer or proxy contest, even if such a transaction may be favorable to the interests of some or all of the stockholders of Reorganized GSC Group. This effect might prevent holders of securities in Reorganized GSC Group from realizing an opportunity to sell all or a portion of their securities in Reorganized GSC Group at a premium above market prices or from selling them at all. Additionally, the voting limitations may restrict the ability of a holder of voting securities in Reorganized GSC Group from voting all of such holder's shares. Such transfer restrictions and voting limitations may delay the assumption of control, or the exercise of voting control, by a holder of a large block of the voting securities in Reorganized GSC Group and the removal of incumbent directors and management,

even if such removal may be beneficial to some or all of the holders of securities in Reorganized GSC Group.

F. Tax Consequences of the Plan

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. There can be no assurance that the IRS will not challenge the tax reporting positions that GSC Group will take or that a court would not sustain such a challenge. See "Certain Federal Income Consequences of the Plan" for a detailed discussion of the tax consequences of the Plan to GSC Group and Holders of General Unsecured Claims and Common Equity Interests.

G. Other Risk Factors

As described in this Disclosure Statement, other factors may prevent the successful consummation of BDCM's Plan, including the potential risks that (i) the BDCM Loan may not close, (ii) certain key members of management may no longer be able to continue in their management roles due to death or other mishaps, and (iii) the Trustee's Plan may be confirmed prior to the confirmation of the Plan.

IX. CONFIRMATION AND CONSUMMATION OF THE PLAN

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

A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Class 3 and Interests in Class 4 of the Plan are Impaired, and the Holders of Allowed Claims and Interests in each of these Classes are entitled to vote to accept or reject the Plan. Holders of Claims in Class 1 (Secured Claims) and Class 2 (Other Priority Claims) are unimpaired and therefore conclusively presumed to accept the Plan. The Remaining Equity Interests in each of the Debtors are fully impaired and therefore conclusively presumed to have rejected the Plan.

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

B. The Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. BDCM will request that the Confirmation Hearing in respect of the Plan be scheduled on or around **[January 23, 2012], commencing at [__]:00 [_].m. Eastern Time**, before the Honorable Arthur J. Gonzalez, Chief United States Bankruptcy Judge, at the United States District Court for the Southern District of New York, Room 523, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or amount and description of the Equity Interest held by the objector. Any such objection must be filed with the Bankruptcy Court and served in accordance with the Case Management Order dated September 3, 2010, on or before **[January 11, 2012] at 4:00 p.m. Eastern Time**. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

C. Confirmation

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

1. *Acceptance*

The Claims in Class 1 and Class 2 are Unimpaired and are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code. The Claims in Class 3 and Interests in Class 4 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Remaining Equity Interests in Class 5 are receiving no distributions under the Plan and, therefore, are conclusively presumed to have voted to reject the Plan. Remaining Equity Interests are impaired under the Plan and are conclusively presumed to have voted to reject the Plan.

If either Class 3 or Class 4 rejects the Plan by the requisite statutory majority provided in section 1126(c) of the Bankruptcy Code, BDCM reserves the right to amend the Plan in accordance with Section 9.4 of the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. The determination as to whether to seek confirmation of the Plan under such circumstances will be announced before or at the Confirmation Hearing.

2. *Feasibility*

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

BDCM believes that, with the combined proceeds of the BDCM Loan and assets provided for under the Trustee's Plan, the Reorganized Debtors will be able to make all

payments required pursuant to the Plan, satisfy obligations to perform under assumed contracts, meet all obligations and continue in operation after the Effective Date as management deems appropriate.

3. *Best Interests Test*

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

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

In a chapter 7 liquidation, the proceeds of the BDCM Loan would not be available to Holders of Allowed Claims. In addition, the Tax Indemnity Agreement may preclude any cash distributions to Holders of Allowed Claims for several years. Accordingly, after consulting with their advisors and considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, BDCM believes that Holders of Allowed Claims in each Class will receive a recovery as a result of the confirmation of the Plan that is greater than such Holder would receive pursuant to the liquidation of the Debtors under chapter 7.

Under BDCM's Plan, Holders of Common Equity Interests will retain 51% of Reorganized GSC Group Common Stock (with 75.1% of voting rights until the conversion of the Reorganized GSC Group Convertible Class D Common Stock to Reorganized GSC Group Class E Common Stock, at which time the voting rights of such existing Common Equity Interests will be diluted to 51%), while Holders of Remaining Equity interests will not retain their shares or other interests. The above distribution to Holders of Common Equity Interests is an essential element of the Plan. Absent continuity of common stock ownership and voting rights, the

Debtors might not be able to retain the Management Contracts, and would likely lose certain tax loss attributes that may potentially be preserved, both of which are vital to the creation of value in the stock of Reorganized GSC Group. If such the continuity of equity and voting rights are not retained through the reorganization, the Equity Option would have no value for unsecured creditors. Furthermore, in the event of a chapter 7 liquidation or an alternative plan, such as the Trustee's Plan, Holders of Remaining Equity Interests similarly do not retain any value, and thereby receive no less favorable treatment under his Plan than any other scenario, including liquidation.

4. *Unfair Discrimination and Fair and Equitable Tests*

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

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

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

D. Consummation

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

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7 of the Bankruptcy Code

The Debtors could be liquidated under chapter 7 of the Bankruptcy Code. BDCM believes that liquidation under chapter 7 of the Bankruptcy Code would result in lower distributions being made to creditors entitled to received a distribution under the Plan because of: (i) additional administrative expenses attendant to the appointment of a chapter 7 trustee and the trustee's employment of attorneys and other professionals; and (ii) the likelihood that the Debtors' assets would have to be sold or disposed of in a less orderly fashion.

B. Alternative Plan(s) of Reorganization

BDCM believes that not only does the Plan fairly adjust the rights of various Classes of Claims, but also that the Plan provides superior recoveries to Holders of Claims in Class 3 and Interests in Class 4 over any alternative capable of rational consideration (such as a chapter 7 liquidation), thus enabling many stakeholders to maximize their returns.

C. Dismissal of the Chapter 11 Cases

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

XI. CONCLUSION AND RECOMMENDATION

BDCM believes that the Plan is in the best interests of all Holders of Claims and urges the Holders of Impaired Claims in Class 3 and Interests in Class 4 to vote to accept the Plan and to evidence such acceptance by returning their ballots to the Balloting Agent at the address set forth in Article I.B of this Disclosure Statement so that they will be actually received on or before 4:00 p.m., prevailing Eastern Time, on [January 11, 2012].

Dated: New York, New York
November 1, 2011

Respectfully submitted,

BDCM

/s/_____
[Name]

EXHIBIT A

SECOND AMENDED PLAN