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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: : Chapter 11
: :
CHINACAST EDUCATION : Case No. 16-13121(MKV)
CORPORATION, : :
: :
Debtor. : :
: :

**FIRSTSECOND AMENDED DISCLOSURE STATEMENT FOR FIRSTSECOND
AMENDED PLAN PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

IMPORTANT DATES

Date by which Objections to Confirmation
of the Plan Must be Filed and Served: , June 1, 2017 at 4:00
p.m.
Date by which Ballots Must be Received: , June 1, 2017 at 4:00
p.m.
Hearing on Confirmation of the Plan: , June 15, 2017 at 10:00
a.m.

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Dated: New York, New York
April ~~24~~25, 2017

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PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN WHICH IS ENCLOSED WITH THIS DISCLOSURE STATEMENT. THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR AND ITS CREDITORS AND PROVIDES THE HIGHEST AND BEST RECOVERY TO HOLDERS OF ALLOWED CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR.

ChinaCast Education Corporation (the "Debtor") submits this first amended disclosure statement (the "Disclosure Statement") pursuant to § 1125 of the Bankruptcy Code to accompany its First Amended Plan Pursuant to Chapter 11 of the Bankruptcy Code dated April 21, 2017 (the "Plan"), which has been filed with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). A copy of the Plan is annexed as Exhibit A hereto.

I. PURPOSES AND LIMITATIONS OF DISCLOSURE STATEMENT

A. Purpose of Disclosure Statement

The purpose of the Disclosure Statement is to set forth information that (i) summarizes the Plan and alternatives to the Plan, (ii) advises holders of Claims¹ and Equity Interests of their rights under the Plan, (iii) assists holders of Claims entitled to vote in making informed decisions as to whether they should vote to accept or reject the Plan, and (iv) assists the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code and should be confirmed.

You are urged to read the Disclosure Statement in order to determine what rights you may have to vote on or object to the Plan and before making any decision on any such course of action. Particular attention should be directed to the provisions of the Plan affecting or impairing your rights as they existed before the institution of this Chapter 11 Case. Please note, however, that this Disclosure Statement cannot tell you everything about your rights. For instance, this Disclosure Statement cannot and does not provide a complete description of the financial status of the Debtor, all of the applicable provisions of the Bankruptcy Code, or other matters that may be deemed significant by creditors and other parties in interest. You are also encouraged to consult with your lawyers and/or advisors as you review and consider the Disclosure Statement and the Plan to enable you to obtain more specific advice on how the Plan will affect you.

B. Definitions and Exhibits

Definitions Unless otherwise defined herein, capitalized terms used in this Disclosure Statement will have the meanings ascribed to such terms in the Plan.

Exhibits The following exhibits are annexed hereto and expressly incorporated herein:

Exhibit A: A copy of the Plan

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Exhibit B: List of Recovery Actions

C. Enclosures

The following materials are included with this Disclosure Statement:

1. A copy of the Plan;
2. A copy of an order approving the Disclosure Statement (the "Disclosure Statement Order"), which states: (a) the date by which objections to confirmation of the Plan must be served and filed, (b) the date by which all votes with respect to the Plan must be cast, (c) the date of the hearing in the Bankruptcy Court to consider confirmation of the Plan, and (d) other relevant information;
3. A copy of the notice of the deadline for submitting ballots to accept or reject the Plan and, among other things, the date, time and place of the Confirmation Hearing and the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice");
4. A ballot (and return envelope) for voting to accept or reject the Plan, unless you are not entitled to vote because you are not impaired under the Plan and are conclusively presumed to accept the Plan; and
5. A notice of non-voting status if you are not impaired under the Plan and are deemed to accept the Plan.

D. Representations and Limitations

NO PERSON IS AUTHORIZED IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF VOTES THEREON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ANNEXED HERETO OR INCORPORATED HEREIN BY REFERENCE OR REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR.

NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY YOU.

THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY THE DEBTOR IN GOOD FAITH, BASED UPON UNAUDITED INFORMATION AVAILABLE TO THE DEBTOR AS OF THE DATE HEREOF. ALTHOUGH THE DEBTOR HAS USED ITS BEST EFFORTS TO ENSURE THAT SUCH INFORMATION IS ACCURATE, THE INFORMATION CONTAINED HEREIN IS UNAUDITED. THE DEBTOR

BELIEVES THAT THIS DISCLOSURE STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND/OR THE DATE THAT THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

IT IS THE DEBTOR'S POSITION THAT THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. EACH CREDITOR AND INTEREST HOLDER IS ENCOURAGED TO READ, CONSIDER AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN PROVIDE FOR INJUNCTIVE RELIEF AS TO THE DEBTOR. THE PERMANENT INJUNCTIONS SET FORTH IN THE PLAN WILL APPLY TO HOLDERS OF ANY CLAIM, INTEREST, LIEN, ENCUMBERANCE OR DEBT, WHETHER SECURED OR UNSECURED, GRANTED PRIORITY STATUS, INCLUDING PRIORITY TAX (FEDERAL OR STATE), NON-PRIORITY UNSECURED CLAIM OR ANY EQUITY INTEREST IN THE DEBTOR. CREDITORS AND EQUITY INTEREST HOLDERS WILL BE BOUND BY THIS INJUNCTIVE RELIEF UNLESS THEY TIMELY FILE OBJECTIONS IN ACCORDANCE WITH THE PROVISIONS SET FORTH IN THE DISCLOSURE STATEMENT ORDER OR HEREIN AND APPEAR AT THE CONFIRMATION HEARING, TO PROSECUTE ANY OBJECTION.

E. Important Dates

The Bankruptcy Court ~~approved~~ this Disclosure Statement by and through the Disclosure Statement Order ~~entered on [] [], 2017~~ after notice and hearing and in accordance with section 1125 of the Bankruptcy Code. The Bankruptcy Court found that the information contained herein is of the kind, and is sufficiently detailed, to enable a hypothetical, reasonable investor typical of the class being solicited to make an informed judgment concerning the Plan. **HOWEVER, THE BANKRUPTCY COURT HAS NOT CONFIRMED THE PLAN, NOR IS THIS**

DISCLOSURE STATEMENT OR THE DISCLOSURE STATEMENT ORDER TO BE CONSTRUED AS APPROVAL OR ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

As stated in the Disclosure Statement Order, the Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for ~~_____~~~~_____~~, June 15, 2017 at ~~_____~~~~_____~~10:00 a.m.~~p.m.~~ Holders of Claims and Equity Interests and other parties in interest may attend this hearing. Objections to confirmation of the Plan must be filed on or before ~~_____~~~~_____~~, June 1, 2017 as set forth in the Disclosure Statement Order.

All Ballots with respect to the Plan must be completed in full and signed to be counted in the tabulation of the votes and must be received by Klestadt Winters Jureller Southard & Stevens, LLP ("Voting Agent") no later than 4:00 p.m. on ~~_____~~~~_____~~, June 1, 2017.

Completed and signed Ballots should be returned by first class mail to the Voting Agent at the below address in the enclosed self-addressed return envelope, or by overnight mail or hand delivery to:

Klestadt Winters Jureller Southard & Stevens, LLP
200 West 41st Street, 17th Floor
New York, New York 10036

F. Solicitation Procedures

Creditors holding Claims that are impaired have the right to vote to accept or reject the Plan. Generally speaking, a Claim or Equity Interest is impaired if the Plan alters the legal, contractual or equitable rights of the holder of the Claim or Equity Interest. A Class accepts the Plan when members of such class holding two-thirds in amount of such class and more than one-half in number of the Claims in such class who actually cast their ballots vote to accept the Plan.

In this Chapter 11 Case, the Plan contains eight (8) Classes of Claims and one (1) Class of Equity Interests. Class 1, 2 and 3 Claims and Class 9 Equity Interests are not impaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to §1126(f) of the Bankruptcy Code. The Plan provides that holders of Class 4, 5, 6, 7 and 8 Claims are impaired in that the Plan alters the legal, contractual and equitable rights of the holders of such Claims and Equity Interests. **Accordingly, votes on the Plan will be solicited from Classes 4, 5, 6, 7 and 8 Claims only.**

G. Recommendation

In the opinion of the Debtor, the treatment of creditors and equity interest holders under the Plan contemplates a greater recovery than that which is likely to be achieved under any other alternative for the liquidation of the Debtor's assets under chapter 11 or chapter 7 of the Bankruptcy Code. Accordingly, the Debtor submits that confirmation of the Plan is in the best interests of the Debtor's creditors and interest holders and recommends that all holders of Claims entitled to vote on the Plan vote to accept the Plan.

H. Inquiries

If you have any questions about the package of materials that you have received, please contact the Voting Agent by telephone at (212) 972-3000 during normal business hours.

II. BACKGROUND

A. Organizational Structure

ChinaCast is a publicly-held corporation organized under the law of Delaware. It is governed by a five-member Board of Directors (the "Board") consisting of (i) Douglas Woodrum, (ii) Ned Sherwood, (iii) Derek Feng, (iv) Steve Marksheid and (v) Daniel Tseung.

B. Nature of the Debtor's Business

Founded in 1999 by Ron Chan Tze Ngon ("Chan"), ChinaCast was in the business of providing college-level education to students in China both on-campus and on the internet. Chan began serving as Chief Executive Officer and Chairman in 1999. Before Chan's looting of the Company described in greater detail below, ChinaCast owned and operated three universities in China: the Foreign Trade and Business College of Chongqing Normal University, the Lijiang College of Guangxi Normal University and the Hubei Industrial University Business College, in addition to internet-based interactive distance learning applications, multimedia education content delivery, and vocational training courses.

The Debtor was initially formed in Singapore under the name ChinaCast Communications Limited. In 2004, it changed its name to ChinaCast Communications Holdings Limited and made an initial public offering on the Singapore Stock Exchange. In 2006, Great Wall Acquisition Corporation, a publicly-traded Delaware corporation, acquired 100% of ChinaCast Communications Holdings Limited via tender offer in a reverse merger transaction, and in 2007, renamed itself ChinaCast Education Corporation. The Company was then listed on NASDAQ.

As a result of Chan's looting of Chinacast in 2012 described in greater detail below, the Debtor was left in financial ruin, has no current operations, and is winding up its affairs.

C. Events Leading to Chapter 11 Case

As stated above, ChinaCast was in the business of providing college-level education to students in China physically and via the internet. In March 2012, the Board of Directors of ChinaCast removed Chan from his role as Chairman and CEO when it learned that Chan was attempting to thwart an annual audit. Within a week of Chan's termination, ChinaCast disclosed that the Company had "uncovered questionable activities and transactions which raise the specter of possible illegal conduct by Ron Chan and his accomplices," and that an investigation would follow.

On April 12, 2012, ChinaCast disclosed that it was also investigating the possible transfer of interests in certain of its schools to unauthorized parties, potentially involving Chan and other individuals. On May 14, 2012, ChinaCast disclosed that it was investigating the wrongful withdrawal of approximately \$120 million from ChinaCast accounts. On June 12, 2012, ChinaCast disclosed that it had confirmed the wrongful withdrawal of funds from its accounts and further disclosed that it had come to believe that Chan and others may have transferred control of the its interests in certain of the schools operated by ChinaCast without authorization.

Following the looting of the Debtor's assets described above, the Debtor was left with no substantial assets other than litigation claims against various wrongdoers and unauthorized recipients of value from the Debtor, which are defined in the Plan as the "Recovery Actions." Prior to the Petition Date, the Debtor had commenced Recovery Actions in courts in California, Delaware and Hong Kong.

Pursuant to applicable Delaware law, ChinaCast entered a three (3) year statutory wind-down period.

To preserve the Debtor's remaining assets, consisting primarily of the Recovery Actions, the Board determined that it was in the best interests of the Debtor, its creditors, and estate to commence a case under Chapter 11 of the Bankruptcy Code.

D. The Chapter 11 Case

On November 9, 2016 (the "Petition Date"), the Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy Code. The Debtor has retained possession of its property and has continued to manage its affairs as a debtor-in-possession pursuant to section 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or creditors' committee has been appointed herein.

III. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

A. Retention of Professionals

On January 6, 2017, the Bankruptcy Court entered an order authorizing the Debtor to retain Klestadt Winters Jureller Southard & Stevens, LLP as bankruptcy counsel *nunc pro tunc* to November 9, 2016.

On January 6, 2017, the Bankruptcy Court entered an order authorizing the Debtor to retain Reid Collins Tsai LLP as special litigation counsel *nunc pro tunc* to November 9, 2016 to pursue Recovery Actions in California and Delaware.

B. Schedules of Assets and Liabilities, Statement of Financial Affairs

On November 9, 2016, the Debtor filed schedules of the Debtor's assets and liabilities and a statement of the Debtor's financial affairs (collectively the "Schedules"). The Schedules were amended on December 15, 2016.

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C. Bar Date for Filing of Claims Arising Prior to the Petition Date

On December 21, 2016, the Bankruptcy Court entered an order (the "Bar Date Order") (i) setting a deadline (the "Bar Date") for filing proofs of claim against the Debtor and its Estate pursuant to Federal Rule of Bankruptcy Procedure 3003(c)(3); (ii) approving the form of notice of the Bar Date (the "Bar Date Notice") to be sent to Creditors and parties in interest; and (iii) approving as adequate and sufficient, the service of the Bar Date Notice by first class mail. The Bar Date Order fixed January 27, 2017, at 4:00 P.M. as the Bar Date by which all Claims against the Debtor which arose prior to November 9, 2016 for all Persons other than Governmental Units, and May 10, 2017 at 4:00 p.m. for Governmental Units, other than those types of Claims specifically excepted, had to be filed.

The Bar Date Notice was served by first class regular mail upon (a) the U.S. Trustee and all persons or entities who have requested notice of the proceedings in the Chapter 11 Case at that time; (b) all persons or entities listed in the Schedules as holding Claims; (c) all other nonscheduled holders of Claims known to the Debtor as of the date of the Bar Date Notice. Except for the holders of certain specifically excluded Claims, every Creditor was required to file a proof of claim on or before the Bar Date so that the Debtor could ascertain with certainty the total amount of pre-petition Claims outstanding.

In accordance with Federal Rule of Bankruptcy Procedure 3003(c)(2), holders of Claims who failed to comply with the terms of the Bar Date Order are forever barred from (i) filing a proof of claim with respect to such Claim, (ii) asserting such Claims against the Debtor or its Estate and/or property, (iii) voting on any plan filed in this Chapter 11 Case and (iv) participating in any Distribution in the Bankruptcy Case on account of such Claims.

D. DIP Financing

On February 28, 2017, the Debtor filed the Debtor's Motion for Entry of an Order Authorizing the Debtor to Obtain Post-Petition Secured, Superpriority Financing Pursuant to 11 U.S.C. §§ 105, 362 and 364, Bankruptcy Rule 4001(c) and Local Bankruptcy Rule 4001-2 (the "DIP Financing Motion"). The DIP Financing Motion was filed by the Debtor to obtain financing necessary to pay the Norton Rose Cure Claim (as defined below) and the other administrative costs that are required to be paid in order for the Plan to be confirmed. The DIP Financing Motion was granted by order of the Bankruptcy Court dated March 27, 2017. Shortly after the Court granted the DIP Financing Motion, the Debtor borrowed the full amount of the available \$324,000 of the DIP Financing (as defined in the DIP Financing Motion).

E. Norton Rose Retention

On February 28, 2017, the Debtor filed its Application for Entry of an Order Authorizing the Employment and Retention of Norton Rose Fulbright Hong Kong as Special Litigation Counsel for the Debtor and Debtor-in-Possession *Nunc Pro Tunc* to the Petition Date (the "Norton Rose Retention Application") to represent the Debtor in Recovery Actions in Hong Kong. The Norton Rose Retention Application was granted by order of the Bankruptcy Court dated March 27, 2017.

In connection with the Norton Rose Retention Application, the Debtor also filed the Debtor's Motion for Entry of an Order Authorizing and Approving Assumption of Engagement Agreements Between Debtor and Norton Rose Fulbright Hong Kong (the "Norton Rose Assumption Motion"). By the Norton Rose Assumption Motion, the Debtor sought authority to assume certain engagement agreements between the Debtor and Norton Rose Fulbright Hong Kong and to cure, before plan confirmation, certain defaults thereunder (the "Norton Rose Cure Cost"). On March 27, 2017, the Bankruptcy Court entered an order denying the Norton Rose Assumption Motion, without prejudice.

Thereafter, the Debtor filed the Debtor's Motion for Entry of an Order Approving Compromise with Norton Rose Fulbright Hong Kong Pursuant to Federal Rule of Bankruptcy Procedure 9019(a) (the "Norton Rose Compromise Motion"). Pursuant to the Norton Rose Compromise Motion, the Debtor seeks approval of a compromise resolving the pre-petition claim of Norton Rose in the amount of \$474,215.59, which compromise provides for the payment of \$150,000.00 to Norton Rose when the Norton Rose Compromise Motion was granted, with Norton Rose retaining the balance of \$324,215.59 as a General Unsecured Claim. As of the date of this Disclosure Statement, the Norton Rose Compromise Motion was pending.

IV. SUMMARY OF THE PLAN

A. General Plan Objectives

Chapter 11 is the chapter of the Bankruptcy Code primarily used for business reorganization. Asset sales, stock sales, and other liquidation efforts, however, can also be conducted during a chapter 11 case or pursuant to a chapter 11 plan.

Formulation of a chapter 11 plan is the primary purpose of a chapter 11 case. A chapter 11 plan sets forth and governs the treatment and rights to be afforded to creditors and shareholders with respect to their claims against and equity interests in the debtor. Pursuant to section 1125 of the Bankruptcy Code, acceptances of a chapter 11 plan may be solicited by the proponent of a plan only after a written disclosure statement has been provided to each creditor or shareholder who is entitled to vote on the plan.

A chapter 11 plan generally (i) divides claims and equity interests into separate classes, (ii) specifies the property that each class is to receive under the plan, and (iii) contains other provisions necessary to implement the Plan.

The Plan establishes a mechanism by which assets of the Debtor's estate will be distributed to holders of Claims and Interests, in the order set forth in the Plan.

B. Provisions Governing Order and Method for Distributions Under the Plan

The Plan divides Claims against and Interests in the Debtor into nine (9) categories or "Classes" according to the underlying basis and subsequent treatment for each. Claims within the same Class are treated identically.

Administrative Expense Claims, Professional Fee Claims, and Priority Tax Claims are not classified but are treated in the manner set forth in Article 2 of the Plan and summarized below.

C. Classes of Claims

The following classes of Claims and Interests are designated pursuant to and in accordance with section 1123(a)(1) of the Bankruptcy Code, which Classes shall be mutually exclusive:

Class	Class Description	Estimated Amount of Allowed Claims in Class	Treatment Under Plan and Estimated Recovery Under Plan
Unclassified	Professional Fee Claims	Approximately \$193,000 (before application of retainer) as of the date hereof.	Unimpaired. Estimated Recovery: 100%
Unclassified	Administrative Expense Claims (other than professional fees and expenses)	As of the date of this Disclosure Statement, the Debtor is not aware of any such claims.	Unimpaired. Estimated Recovery: 100%
Unclassified	Priority Tax Claims	The Debtor believes that it has no tax liability ² .	Unimpaired. Estimated Recovery: 100%
Class 1	DIP Financing Claims	\$324,000 plus accrued interest.	Unimpaired. Estimated Recovery: 100%

² On April 13, 2017, the IRS filed a proof of claim, designated as Claim No. 70 on the Claims Register maintained by the Clerk of the Bankruptcy Court, asserting a claim of \$3,514,590.52 including \$2,272,942.05 in priority claims, for tax years 2013-2016. Because of, among other things, the total lack of operations during that time as a result of the looting by Chan described herein, the Debtor believes this proof of claim is erroneous, and is in contact with the IRS regarding the proof of claim.

Class 2	Other Secured Claims	As of the date of this Disclosure Statement, the Debtor is not aware of any such claims.	Unimpaired. Holders of Class 1 Claims shall be paid the proceeds of collateral, if any, pledged to secure their claim. If no collateral exists, any deficiency claim shall be treated as a Class 6 General Unsecured Claims. Conclusively Presumed to Accept.
Class 3	Priority Non Tax Claims	As of the date of this Disclosure Statement, the Debtor is not aware of any such claims.	Unimpaired. Estimated Recovery: 100%. Conclusively Presumed to Accept.
Class 4	Litigation Funding Claims of Insiders	\$2,019,022.	Impaired. Estimated Recovery Unknown. Shares in assets remaining after Unclassified Claims and Classes 1-3 are paid in full <i>pari passu</i> with Classes 5 and 6. Entitled to Vote.
Class 5	Litigation Funding Claims of Non-Insiders	\$7,387,430.	Impaired. Estimated Recovery Unknown. Shares in assets remaining after Unclassified Claims and Classes 1-3 are paid in full <i>pari passu</i> with Classes 4 and 6. Entitled to Vote.

Class 6	General Unsecured Claims	\$12,367,282.	Impaired. Estimated Recovery Unknown. Shares in assets remaining after Unclassified Claims and Classes 1-3 are paid in full <i>pari passu</i> with Classes 4 and 5. Entitled to Vote.
Class 7	Securities Purchase Claims	\$35,164,522.	Impaired. Estimated Recovery Unknown. Shares in assets remaining after Unclassified Claims and Classes 1-6 are paid in full <i>pari passu</i> with Classes 8 and 9. Entitled to Vote.
Class 8	Securities Class Action Claims	\$65,800,000.	Impaired. Estimated Recovery Unknown. Shares in assets remaining after Unclassified Claims and Classes 1-6 are paid in full <i>pari passu</i> with Classes 7 and 9. Entitled to Vote
Class 9	Equity Interests	Unknown.	Unimpaired. Class 9 Equity Interest Holders retain those interests. Shares in assets remaining after Unclassified Claims and Classes 1-6 are paid in full <i>pari passu</i> with Classes 7 and 8. Conclusively Presumed to Accept

1. Administrative Expense Claims

All Allowed Administrative Expense Claims, other than Professional Fee Claims, shall be paid in full, in Cash, in such amounts as are incurred in the ordinary course of the liquidation of the Debtor, or in such amounts as may be Allowed by the Bankruptcy Court (a) as soon as practicable following the later of the Effective Date or the date upon which the Court enters a Final Order allowing any such Administrative Expense Claim, or (b) upon such other terms as may exist in accordance with the ordinary course of the Debtor's liquidation or (c) as may be agreed upon between the holder of any such Administrative Expense Claim and the Debtor. In the event there exists any Disputed Administrative Expense Claims on the Effective Date, the Debtor shall at all times hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Administrative Expense Claims.

2. Professional Fee Claims

The Debtor shall pay all Professional Fee Claims as soon as practicable after a Final Order has awarded such compensation and reimbursement of expenses pursuant to proper application in accordance with Section 5.3 of the Plan. In the event any Disputed Professional Fee Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Professional Fee Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

3. Priority Tax Claims

Unless otherwise agreed to by the parties, each holder of an Allowed Priority Tax Claim will receive an amount in Cash equal to the Allowed amount of such Priority Tax Claim as soon as practicable following the later of (a) the Effective Date, and (b) the date on which such Priority Tax Claim becomes an Allowed Claim. In the event any Disputed Priority Tax Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Priority Tax Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

4. Class 1 (DIP Financing Claims)

Subject to adequate funding of the Administrative Reserve, the Disputed Claims Reserve (when and as required) and the needs of the Litigation Trust, to be determined by the DIP Financing Lenders and the Litigation Trustee after good faith consultation, the first proceeds of any and all recovery of Litigation Trust Assets shall be used to repay the DIP Financing, with any such payments to be applied first to accrued and unpaid interest and fees due under the DIP Financing Agreements and second to principal.

5. Class 2 (Other Secured Claims)

On the Effective Date, or as soon thereafter as is reasonably practical, each holder of an Allowed Other Secured Claim shall receive (i) the net proceeds of the sale or other disposition of any collateral which is pledged as security for such Allowed Other Secured Claim and which

remains in possession and control of the Estate, to the extent such holder of an Allowed Other Secured Claim has not released its Lien; or (ii) such other, less favorable treatment as may be agreed to in writing by the holder of such Allowed Secured Claim and the Debtor or Litigation Trust, as applicable. Any Deficiency Claim which may arise on account of the lack of collateral or otherwise resulting from the aforesaid treatment shall be included in and treated as a Class 6 General Unsecured Claim. Nothing in the Plan shall be construed to alter or waive the rights of the Debtor or Litigation Trust to contest the validity of any Other Secured Claim. In the event any Disputed Other Secured Claims exist on the Effective Date, the Debtor or Litigation Trust, as applicable, shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Other Secured Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

6. Class 3 (Priority Non-Tax Claims)

On the Effective Date, or as soon thereafter as is reasonably practical, in full satisfaction of such Allowed Priority Non-Tax Claim, each holder of an Allowed Priority Non-Tax Claim shall receive (a) an amount in Cash equal to the Allowed amount of such Priority Non-Tax Claim, or (b) such other treatment as to which the Debtor and the holder of such Allowed Priority Non-Tax Claim shall have agreed upon in writing. In the event any Disputed Priority Non-Tax Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Priority Non-Tax Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

7. Class 4 (Litigation Funding Claims of Insiders)

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Trust Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 4 Litigation Funding Claims of Insiders, on a *pari passu* basis with holders of Class 5 Litigation Funding Claims of Non-Insiders and Class 6 General Unsecured Claims, in accordance with their applicable Litigation Funding Agreement(s).

8. Class 5 (Litigation Funding Claims of Non-Insiders)

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 5 Litigation Funding Claims of Non-Insiders, on a *pari passu* basis with holders of Class 4 Litigation Funding Claims of Insiders and Class 6 General Unsecured Claims, in accordance with their applicable Litigation Funding Agreement(s).

9. Class 6 (General Unsecured Claims)

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Trust Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 6 General Unsecured Claims, on a *pari passu* basis with holders of Class 4 Litigation Funding Claims of Insiders and Class 5 Litigation Funding Claims of Non-Insiders.

10. Class 7 (Securities Purchase Claims)

After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 7 Securities Purchase Claims, on a *pari passu* basis with holders of Class 8 Securities Class Action Claims and holders of Class 9 Equity Interests.

11. Class 8 (Securities Class Action Claims)

After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 8 Securities Class Action Claims, on a *pari passu* basis with holders of Class 7 Securities Purchase Claims and Class 9 Equity Interests.

12. Class 9 (Equity Interests)

Class 9 Equity Interests are retained by their holders pursuant to the Plan. After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 9 Equity Interests, on a *pari passu* basis with holders of Class 7 Securities Purchase Claims and Class 8 Securities Class Action Claims.

V. MEANS OF IMPLEMENTING THE PLAN

A. Sources and Uses of Cash on Effective Date

Unless otherwise provided in the Plan, the Debtor and the Litigation Trust, as applicable, shall use the proceeds of the DIP Financing and other funds held by the Debtor on the Effective Date, (i) to make cash distributions required by the Plan on the Effective Date, (ii) to fund the Administrative Reserve to the extent necessary to satisfy section 1129(a)(11) of the Bankruptcy Code, (iii) to pay other expenses of the Chapter 11 Case, to the extent so ordered by the Bankruptcy Court, and (iv) for general purposes to fund the Litigation Trust.

B. Establishment of Litigation Trust

1. Execution of the Litigation Trust Agreement

On or before the Effective Date, the Litigation Trust Agreement shall be executed by the Debtor and the Litigation Trustee, and all other necessary steps shall be taken to establish the Litigation Trust. In the event of any conflict between section 5.2 of the Plan and the terms of the Litigation Trust Agreement, the terms of the Litigation Trust Agreement shall govern.

2. Transfer of Estate Assets to Litigation Trust

On the Effective Date, the Debtor, on behalf of its itself and the Estate, shall transfer to the Litigation Trust all of its right, title, and interest the Debtor's and the Estate's Cash and claims and causes of action, including, without limitation, all Avoidance Actions and Causes of Action (the "Litigation Trust Assets"). For avoidance of doubt, the Causes of Action listed on Exhibit B hereto shall be deemed to have been automatically assigned and transferred to the Litigation Trust on the Effective Date without the need for any further conveyance or assignment document. Upon the Effective Date, the Litigation Trust shall be deemed to be substituted for, without further order of any court, the plaintiff in such claims and causes of action. Any recoveries on account of the Claims and Causes of Action transferred to the Litigation Trust shall be distributed in accordance with the Plan and the Litigation Trust Agreement.

3. Purpose of the Litigation Trust

The Litigation Trust shall be established for the sole purpose of distributing the Assets of the Debtor's Estate and the proceeds thereof in accordance with Treasury Regulation section 301.7701-4(d) and Revenue Procedure 94-45, with no objective to continue or engage in the conduct of a trade or business.

4. The Litigation Trust Assets

The Litigation Trust shall consist of the Litigation Trust Assets. Any transfer of the Litigation Trust Assets to the Litigation Trust shall be exempt from any stamp, real estate transfer, mortgage reporting, sales, use or other similar tax pursuant to section 1146(a) of the Bankruptcy Code.

5. Governance and Succession

The Litigation Trust shall be governed by the Litigation Trust Agreement and the Litigation Trustee, subject to the oversight of the Litigation Trust Oversight Committee. In the event the Litigation Trustee dies, is terminated or resigns for any reason, the Litigation Trust Oversight Committee shall designate a successor. The initial Litigation Trustee shall be Douglas Woodrum.

6. Litigation Trust Oversight Committee

On or before the Effective Date, the Litigation Trust Oversight Committee shall be appointed and shall consist of four (4) members willing to serve on the Litigation Trust Oversight Committee. The Litigation Trust Oversight Committee shall have the authority specified in the Litigation Trust Agreement. The Litigation Trustee shall consult with and provide information to the Litigation Trust Oversight Committee with respect to any material action to be taken or not to be taken by the Litigation Trust, and such other matters designated by the Litigation Trust Oversight Committee.

7. Federal Income Tax Treatment of the Litigation Trust

The Litigation Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity for U.S. federal income tax purposes, but is instead treated as a grantor trust, *i.e.*, a pass-through entity. All parties must treat the transfer of the Litigation Trust Assets to the Litigation Trust as a transfer of such assets directly to the Litigation Trust beneficiaries, followed by the transfer of such assets by the beneficiaries to the Litigation Trust. Consistent therewith, all parties must treat the Litigation Trust as a grantor trust of which the Litigation Trust beneficiaries are the owners and grantors. The Litigation Trust beneficiaries (and any subsequent holders of interests in the Litigation Trust) generally should be treated for U.S. federal income tax purposes as the direct owners of an undivided interest in the Litigation Trust Assets. The Litigation Trustee shall determine the fair market value of the Litigation Trust Assets as soon as possible after the Effective Date, and all parties must consistently use this valuation for all U.S. federal income tax purposes.

8. Indemnification

The Litigation Trust, Litigation Trustee and the Litigation Trust Oversight Committee may, in connection with the performance of their respective functions, and in their respective sole and absolute discretion, consult with attorneys, accountants, financial advisors and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such attorneys, accountants, financial advisors and agents, or any Final Order of the Bankruptcy Court. Notwithstanding such authority, the Litigation Trust, Litigation Trustee and Litigation Trust Oversight Committee shall not be under any obligation to consult with attorneys, accountants, financial advisors or agents, and their determination not to do so shall not result in the imposition of liability, unless such determination is based on willful misconduct, gross negligence or fraud as determined by Final Order of the Bankruptcy Court. The Litigation Trust shall indemnify and hold harmless the Litigation Trustee and the Litigation Trust Oversight Committee and each of their respective designees and Professionals, and all duly designated agents and representatives thereof (in their capacity as such) from and against all liabilities, losses, damages, claims, costs and expenses, including, but not limited to attorneys' fees and costs arising out of or due to such actions or omissions, or consequences of their actions or omissions with respect or related to the performance of their duties or the implementation or administration of this Plan; provided however, that no such

indemnification will be made to such Persons for such actions or omissions as a result of willful misconduct, gross negligence or fraud.

C. Deadline for Filing Applications for Professional Fee Claims

All parties seeking payment of Professional Fee Claims arising prior to the Effective Date must file with the Bankruptcy Court and serve upon the Debtor a final application and/or an application for payment of reasonable fees and expenses under section 503(b) of the Bankruptcy Code, as applicable, on or before the first Business Day after the thirtieth (30th) day after the Effective Date (the “Fee Application Deadline”). Any Professional failing to file and serve such final application or 503(b) motion on or before the Fee Application Deadline shall be forever barred from asserting any such right to payment against the Debtor or the Estate.

D. Establishment of Reserves

1. Administrative Reserve

On the Effective Date or as soon thereafter as is practicable, the Administrative Reserve shall be established by the Litigation Trust. If the Litigation Trust determines that additional funding of the Administrative Reserve is required, from time to time following the Effective Date, such funding shall be made from the Litigation Trust Assets. The Administrative Reserve shall be used to pay the expenses, including, without limitation, costs and expenses of counsel or other advisors retained by the Debtor and/or Litigation Trust. Any amounts remaining in the Administrative Reserve after all Administrative Expenses are paid shall be deposited into the Litigation Trust and shall become available for Distribution to holders of Allowed Claims in the priority of payment provided for in accordance with the provisions of the Plan.

2. Disputed Claims Reserve

On the Effective Date or as soon thereafter as is practicable, the Disputed Claim Reserve shall be established by the Litigation Trust; provided, however, that the Litigation Trust shall have no obligation to fund the Disputed Claim Reserve unless and until a Distribution occurs to holders of Allowed Claims of the same Class as a Disputed Claim. The Litigation Trust shall fund the Disputed Claim Reserve from the Litigation Trust Assets in an amount which is equal to the amount holders of Disputed Claims would have otherwise been entitled but for the dispute. The assets in the Disputed Claim Reserve shall be held separately from other assets held by the Litigation Trust, subject to an allocable share of all expenses and obligations of the estate, on account of Disputed Claims. The Litigation Trust shall remove funds from the Disputed Claims Reserve as Disputed Claims are resolved, which funds shall be distributed as provided in section 9.10 of the Plan. Notwithstanding any other provision of the Plan to the contrary, subject to definitive guidance from the Internal Revenue Service or a court of competent jurisdiction to the contrary, the Litigation Trust may treat any assets allocable to, or retained on account of, the Disputed Claims Reserve as held by one or more discrete entities for federal, and applicable state, local or other, income tax purposes, and may determine that such entity or entities shall constitute “disputed ownership funds” under, and may make the election permitted by, Treasury Regulation 1.468B-9, or any successor provision thereto. All recipients of distributions under the Plan shall be bound by, and shall report consistent with, such income tax treatment.

E. Plan Distributions

Following the Effective Date, and subject to the establishment and funding of the Administrative Reserve as set forth above, and as set forth in greater detail in Article IV of the Plan, Distributions shall be made by the Distribution Agent as follows:

1. **Initial Distribution of Cash:** On the first Distribution Date following the Effective Date, the Litigation Trust shall, pursuant to the terms of the Plan, make Distributions from the Litigation Trust Assets to holders of the Allowed Other Secured Claims (to the extent of available proceeds of collateral as set forth in Section 4.2 of the Plan), Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, and Allowed Priority Non-Tax Claims, and to the extent possible, to holders of Claims and Equity Interests in Classes 4 through 9 in accordance Article 4 of the Plan;

2. **Subsequent Distributions of Cash:** On each Distribution Date, the Litigation Trust shall, pursuant to the terms of the Plan, make Distributions to holders of Claims and Equity Interests in accordance with Article 4 of the Plan. Such subsequent Distributions shall occur as soon after the first Distribution Date as the Litigation Trust shall reasonably determine is appropriate in light of (i) the amount of funds on hand; (ii) the amount and nature of disputed claims; (iii) the activities to be accomplished, including their anticipated duration and costs; (iv) the length of time since any prior Distribution; (v) the costs of effecting an interim Distribution.

F. Execution of Documents to Effectuate Plan

From and after the Confirmation Date, the Debtor or Litigation Trust, as applicable, shall have the exclusive power and authority to execute any instrument or document to effectuate the provisions of the Plan. Entry of the Confirmation Order shall authorize the Debtor or Litigation Trust, as applicable, to take, or cause to be taken, all actions necessary or appropriate to consummate and implement the provisions of the Plan.

G. Disallowance of Claims without Further Order of the Court

As of the Confirmation Date, any Scheduled Claim designated as disputed, contingent or unliquidated in amount, and for which a proof of Claim has not been filed by the Creditor, shall be deemed disallowed and expunged. All Scheduled Claims that correspond to a proof of Claim filed by a particular Creditor shall be deemed to have been superseded by such later filed proof of Claim and the Scheduled Claims, regardless of priority, and shall be expunged from the claims register; provided however, that such proofs of Claim shall be subject to objection in accordance with Section 9.9 of the Plan.

H. Post-Confirmation Reports and Fees

Following the Effective Date and until the Chapter 11 Case is closed, not less than once every ninety (90) days, the Debtor shall be responsible for the filing of all post-Effective Date reports required during such periods with the U.S. Trustee and payment from the Debtor's Estate of all post-Effective Date fees charged or assessed against the Estate under 28 U.S.C. §1930 during such periods together with applicable interest pursuant to 31 U.S.C. § 3717.

I. Insurance Preservation

Nothing in this Plan shall diminish or impair the enforceability of any insurance policies that may cover Claims against the Debtor, its employees, officers, directors, shareholders or any other Person.

J. Claims Administration Responsibility

1. Reservation of Rights. Unless a Claim is specifically Allowed prior to or after the Effective Date, the Debtor and Litigation Trust, as applicable, reserve any and all objections to any and all Claims and Equity Interests and motions or requests for the payment of Claims, whether administrative expense, secured or unsecured, including without limitation any and all objections to the validity or amount of any and all alleged Administrative Expense Claims, Priority Tax Claims, or Priority Non-Tax Claims, liens and security interests, whether under the Bankruptcy Code, other applicable law or contract. The failure to object to any Claim prior to the Effective Date shall be without prejudice to the Debtor's right to contest or otherwise defend against such Claim in the Bankruptcy Court when and if such Claim is sought to be enforced by the holder of the Claim.

2. Objections to Claims. The Debtor and Litigation Trust, as applicable, may dispute, object to, compromise or otherwise resolve all Claims. Unless otherwise provided in the Plan or ordered by the Bankruptcy Court, all objections to Claims shall be filed and served no later than the Claims Objection Bar Date, which is ninety (90) days after the Effective Date, provided that the Litigation Trust may request (and the Bankruptcy Court may grant) an extension of time by filing a motion with the Bankruptcy Court.

3. Filing Objections. An objection to a Claim shall be deemed properly served on the claimant if the Debtor or Litigation Trust, as applicable, effects service of any such objection in accordance with Rule 3007 of the Bankruptcy Rules by mailing or otherwise delivering the objection and a notice of hearing thereon to the claimant at the address set forth on such claimant's proof of claim at least thirty (30) days prior to the hearing thereon.

4. Determination of Claims. Except as otherwise agreed by the Debtor or Litigation Trust, as applicable, any Claim as to which a proof of claim or motion or request for payment was timely filed in the Chapter 11 Case may be determined and liquidated after the Effective Date pursuant to (i) an order of the Bankruptcy Court (which order has not been stayed, reversed or amended and as to which determination or any revision, modification or amendment thereof, and the time to appeal or seek review or rehearing thereof, has expired, and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending), or (ii) applicable non-bankruptcy law. Any Claim determined to be an Allowed Claim after the Effective Date pursuant to this section shall be treated as an Allowed Claim in accordance with the Plan.

K. Disputed Claims

1. Except to the extent the Court determines that a lesser amount is adequate, the Debtor or Litigation Trust, as applicable, shall, on each Distribution Date, deposit in the Disputed Claims Reserve established by the Debtor Cash equal to the Distributions that would have been made to holders of Disputed Claims if such Claims were Allowed Claims in their full amounts or such lower amount as to which the holder of such Claim has agreed in writing or, in the case where any such Claim is unliquidated and/or contingent, the greater of (i) \$1, and (ii) such other amount as is reserved by order of the Bankruptcy Court made upon motion of the holder of such Claim.

2. For purposes of effectuating the provisions of section 9.10 of the Plan and the Distributions to holders of Allowed Claims, the Court, on or prior to the Effective Date, or thereafter upon the request of any holder of a Claim or the Debtor may estimate the amount of Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so estimated shall be deemed to be the aggregate amounts of the Disputed Claims pursuant to section 502(c) of the Bankruptcy Code for purposes of Distribution under this Plan and for purposes of the Disputed Claims Reserve.

3. When a Disputed Claim becomes an Allowed Claim, there shall be distributed to the holder of such Allowed Claim, in accordance with the provisions of the Plan (but in no event later than the next succeeding Distribution Date), Cash in the amount equal to all Distributions to which such holder would have been entitled if such holder's Claim were Allowed on the Effective Date.

4. In no event shall any holder of any Disputed Claim be entitled to receive (under this Plan or otherwise) any Cash payment which is greater than the amount reserved, if any, for such Disputed Claim pursuant to section 9.10 of the Plan. In no event shall the Debtor have any responsibility or liability for any loss to or of any amount reserved under this Plan unless such loss is the result of that party's fraud, willful misconduct, or gross negligence. In no event may any Creditor whose Disputed Claim is subsequently allowed, pursue or recover or from any other Creditor in respect of any funds received as Distributions under the Plan.

5. To the extent that a Disputed Claim ultimately becomes an Allowed Claim and is entitled to a Distribution in an amount less than the amount reserved for such Disputed Claim, then on the next succeeding Distribution Date, the Debtor shall return such excess amount from the Disputed Claim Reserve to the Litigation Trust for distribution in accordance with the Plan.

6. The Disputed Claims Reserve shall be treated as a disputed ownership fund, within the meaning of Treasury Regulation section 1.468B-9, for all purposes associated with taxation.

7. Except as expressly set forth in the Plan, or otherwise agreed to in writing or ordered by the Court, the Debtor or Litigation Trust, as applicable, shall not have any duty to fund the Disputed Claims Reserve.

8. The Debtor, or Litigation Trust, as applicable, shall pay, or cause to be paid, out of the funds held in the Disputed Claims Reserve, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in the

Disputed Claims Reserve. The Debtor, or Litigation Trust, as applicable, shall file, or cause to be filed, any tax or information return related to the Disputed Claims Reserve that is required by any federal, state, or local taxing authority.

VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. General Provisions

Except for the Woodrum Compensation Agreement, all executory contracts of the Debtor shall be deemed rejected as of the Effective Date, unless a particular executory contract or unexpired lease (i) has previously been assumed or rejected pursuant to order of the Bankruptcy Court or applicable provisions of the Bankruptcy Code, or (ii) has expired or otherwise terminated pursuant to its terms. The Woodrum Compensation Agreement is assumed under the Plan.

B. Cure of Defaults in Woodrum Compensation Agreement

Except to the extent that the Debtor and any non-debtor counterparty to the Woodrum Compensation Agreement agree to a different treatment, any payment required to cure a default under any assumed Professional Engagement Agreement or the Woodrum Compensation Agreement shall be paid in Cash promptly after the Effective Date or, if there is a dispute regarding the assumption or cure of the Woodrum Compensation Agreement, the entry of a Final Order or orders resolving such dispute. In the case of the Woodrum Compensation Agreement, the DIP Financing Lenders and Woodrum will confer and agree on a fair and equitable division of the first proceeds of the Litigation Trust Assets to satisfy their respective claims.

C. Effect of Assumption of Woodrum Compensation Agreement

Assumption of the Woodrum Compensation Agreement pursuant to the Plan shall have the effect of re-affirmation of the terms and conditions of the Woodrum Compensation Agreement on and after the Effective Date. After the Effective Date, Woodrum shall continue to perform under the Woodrum Compensation Agreement and shall be compensated in accordance with its terms in consultation with the Litigation Trust Oversight Committee. For the avoidance of doubt, nothing herein shall result in the disallowance of any Claim asserted by Woodrum unrelated to the Woodrum Compensation Agreement.

D. Notice of Deemed Rejection/Rejection Bar Date

Any party to an executory contract or unexpired lease that is rejected in accordance with Section 6.1 of the Plan shall file a proof of Claim for damages from such rejection no later than thirty (30) days after service of notice of the Effective Date and notice of the Rejection Bar Date. The failure to timely file a proof of Claim shall be deemed a waiver of any Claim in connection with the rejection of such contract or lease.

VII. CONDITIONS PRECEDENT

A. Conditions Precedent to Confirmation of the Plan

The following conditions must be satisfied, or otherwise waived by the Debtor in accordance with Section 7.3 hereof, on or before the Confirmation Date:

(a) The Disclosure Statement Order shall have been entered and shall have become a Final Order; and

(b) The entry of the Confirmation Order shall be in form and substance reasonably satisfactory to the Debtor and shall contain provisions that, among other things: (i) authorize the implementation of the Plan in accordance with its terms; (ii) approve in all respects the other settlements, transactions, and agreements to be effected pursuant to the Plan; and (iii) find that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith and that the Confirmation Order was not procured by fraud.

B. Conditions Precedent to the Effective Date

The Effective Date shall not occur and no obligations under the Plan shall come into existence, unless each of the following conditions is met or, alternatively, is waived in accordance with Section 7.3 of the Plan, on or before the Effective Date:

(a) The Confirmation Order shall have been entered and no stay of its effectiveness of the same shall have been issued within fourteen (14) days following the entry of the Confirmation Order; and

(b) The Debtor shall have sufficient Cash on hand to pay all Administrative Expense Claims and Professional Fee Claims and fund the Administrative Reserve.

C. Waiver of Conditions Precedent

Each of the conditions precedent in Sections 7.1 and 7.2 of the Plan may be waived or modified without further Court approval, in whole or in part.

VIII. INJUNCTIONS; STAYS; EXCULPATIONS

A. General Injunctions

As set forth in Article 8 of the Plan, the following provisions shall apply and shall be fully set forth in the Confirmation Order.

1. Injunctions Against Interference with Consummation or Implementation of Plan

As of and from the Effective Date, all holders of Claims or Equity Interests shall be enjoined from commencing or continuing any judicial or administrative proceeding or employing any process against the Debtor or the Estate with the intent or effect of interfering with the consummation and implementation of this Plan and the transfers, payments and Distributions to be made hereunder.

2. Plan Injunction

Except as otherwise specifically provided for by this Plan, as of and from the Effective Date, all holders of Claims or Equity Interests shall be enjoined from (i) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order; (ii) the creation, perfection or enforcement of any encumbrance of any kind; and/or (iii) the assertion of any right of setoff, counterclaim, exculpation, or subrogation of any kind, in each case against the Debtor or the Estate to the fullest extent authorized or provided by the Bankruptcy Code.

3. No Bar to Claims Against Third Parties

Except as otherwise specifically provided for by this Plan, holders of Claims or Equity Interests against the Debtor are not barred or otherwise enjoined by the Plan from pursuing any recovery against Persons that are not the Debtor.

4. All Distributions Received in Full and Final Satisfaction

Except as otherwise set forth herein, all payments and all Distributions to be made in accordance with the Plan on account of Claims (including Administrative Expense Claims) shall be received in full and final satisfaction, settlement and release of the Estate's obligations for such Claims as against the Debtor, its property and the Estate.

5. No Modification of Res Judicata Effect

The provisions of Article 8 of the Plan are not intended, and shall not be construed, to modify the *res judicata* effect of any order entered in the Chapter 11 Case, including, without limitation, the Confirmation Order and any order finally determining Professional Fee Claims to any Professional.

6. Exculpation

To the fullest extent permitted by section 1125(e) of the Bankruptcy Code and applicable non-bankruptcy law, the Debtor, its shareholders, officers, directors, employees and professionals (including professional firms and individuals within such firms) and the DIP Financing Lenders shall neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation 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 act taken or omitted to be taken during the Chapter 11 Case, except for (i) acts or omissions as a result of willful misconduct, gross negligence or fraud and (ii) liability of any released person for any debt owed to the United States Government, any state, city or municipality arising under (a) the Internal Revenue Code or any state, city or municipal tax code, (b) the environmental laws of the United States or any state, city or municipality, (c) laws regarding the regulation of securities administered by the SEC and (d) any criminal laws of the United States, any state, city or municipality. From and after the Effective Date, a copy of the Confirmation

Order and the Plan shall constitute, and may be submitted as, a complete defense to any claim or liability released pursuant to the Plan, provided, however, that no Exculpated Parties shall be exculpated from any liability resulting from any act or omission that limits the liability of any Person pursuant to any applicable disciplinary or ethical rules as determined by Final Order and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

7. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Case is closed.

IX. PROCEDURES FOR DISTRIBUTIONS UNDER PLAN

Article 5 of the Plan establishes the procedures and guidelines for Distributions to be made to the terms of the Plan to the holders of Claims and Equity Interests, including the timing, procedures and notice provisions related to same. Distributions shall be made by the Litigation Trust as follows.

A. Payments in U.S. Dollars

All Cash payments required under the Plan shall be made in U.S. dollars by checks drawn on a domestic bank selected by the Debtor or Litigation Trust, as applicable, in accordance with the Plan or by wire transfer from a domestic bank, at the option of the Debtor or Litigation Trust, as applicable. The Debtor or Litigation Trust, as applicable, may use the services of a third party to aid in the Distributions required to be made under this Plan.

B. Distributions Only on Business Days

Notwithstanding the foregoing provisions, if any Distribution called for under this Plan is due on a day other than a Business Day, such Distribution shall instead be made the next Business Day.

C. Unclaimed Distributions

Unclaimed Distributions (including Distributions made by checks that fail to be cashed or otherwise negotiated within ninety (90) days after the Distribution Date or which Distributions are returned to the Distribution Agent as undeliverable to the addresses specified in the Claims Register, as it shall exist on the date such Distributions are made, shall be canceled (by a stop payment order or otherwise), the Claim(s) relating to such Distribution(s) shall be deemed forfeited and expunged without any further action or order of the Bankruptcy Court and the holder of such Claim(s) shall be removed from the Distribution schedules, expunged from the Claims Register and shall receive no further Distributions under the Plan. Any such Unclaimed Distributions shall, as soon as is practicable, be redistributed pursuant to the provisions of the Plan.

D. Timing of Distributions on Disputed Claims Subsequently Allowed

In the event that a Disputed Claim is Allowed, in whole or in part, after the Effective Date, a Distribution shall be made on account of such Allowed Claim on the next Distribution Date that is at least fifteen (15) business days after such Claim is Allowed, in accordance with Article 4 of the Plan.

E. No Payment or Distribution of Disputed Claims

Any contrary provision hereof notwithstanding, no payments or other Distributions shall be made on account of any Disputed Claim, or any portion thereof, unless and until such Claim or some portion thereof is allowed by Final Order of the Bankruptcy Court. For the avoidance of doubt, no portion of any Disputed Claim is entitled to a Distribution. Holders of Disputed Claims shall be bound, obligated and governed in all respects by this Plan.

F. Disputed Distribution

If a dispute arises as to the identity of a holder of an Allowed Claim who is to receive a Distribution, the Debtor of Litigation Trust, as applicable, may, in lieu of making such Distribution to such holder, hold such amount until the dispute is resolved by Final Order of the Bankruptcy Court or by written agreement among the parties to such dispute.

G. Transmittal of Payments and Notices

All Distributions shall be made to the holder of a Claim by regular first-class mail, postage prepaid, in an envelope addressed to such holder at the address listed on its proof of Claim filed with the Bankruptcy Court or, if no proof of Claim was filed, (i) at the address listed on the Debtor's Schedules, or (ii) at such address that a holder of a Claim provides to the Debtor after the Effective Date in writing and files at least fifteen (15) business days prior to a Distribution Date. ~~Neither the Debtor nor the~~ Litigation Trust, as applicable, shall ~~have any duty~~ make a good faith effort to ascertain ~~the mailing~~ an alternative address ~~of any holder of a Claim other than as set forth herein and will re-mail any undelivered Distributions or notices that were returned marked "undeliverable" or "moved - no forwarding address" or for a similar reason.~~ The date of payment or delivery shall be deemed to be the date of mailing. Payments made in accordance with the provisions of this Section shall be deemed made to the holder regardless of whether such holder actually receives the payment.

H. Record Date for Distributions

Except as otherwise provided in a Final Order of the Bankruptcy Court, transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 with appropriate filings ("Claim Transfer Document") made on or before the Effective Date (the "Record Date") shall be treated as the holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer(s) may not have expired prior to the Record Date. The Debtor and Litigation Trust, as applicable, shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. In making a Distribution with respect to

any Claim, the Debtor and the Litigation Trust, as applicable, shall be entitled to recognize and deal for all purposes hereunder only with the Person who is listed on the proof of claim filed with respect to such Claim, on the Debtor's Schedules as the holder thereof, and upon such other evidence or record of transfer or assignment filed as of the Record Date.

I. No Payments of Fractional Cents or Distributions of Less Than Twenty-Five (\$25) Dollars

1. Any contrary provision hereof notwithstanding, for purposes of administrative convenience, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with halfpennies or less being rounded down and fractions in excess of half of a penny being rounded up.

2. Any contrary provision hereof notwithstanding, for purposes of administrative convenience, no Distribution of less than Twenty Five Dollars (\$25) shall be made pursuant to the Plan. Whenever any Distribution of less than Twenty Five Dollars (\$25) under the Plan would otherwise be required, such funds will be retained by the Distribution Agent for the account of the recipient until such time that successive Distributions aggregate to Twenty Five (\$25) Dollars, at which time such payment shall be made, and if successive Distributions do not ever reach Twenty Five (\$25) in the aggregate, then such Distributions shall be returned to the Litigation Trust.

J. Setoff and Recoupment

Except as otherwise provided in the Plan, the Debtor or Litigation Trust, as applicable, may, but shall not be required to, set off against, or recoup from, any Claim and the Distributions to be made pursuant to the Plan in respect thereof, any Claims, defenses or Causes of Action of any nature whatsoever that the Debtor or Litigation Trust, as applicable, may have, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor or Litigation Trust, as applicable, of any right of setoff or recoupment against the holder of any Claim.

K. Payment of Taxes on Distributions Received Pursuant to the Plan

1. Any contrary provision hereof notwithstanding, as a condition to payment of any Distribution to a Creditor under the Plan, each Creditor shall provide a valid tax identification or social security number (collectively the "Tax Information") for purposes of tax reporting by the Debtor. All Entities that receive Distributions under the Plan shall be responsible for reporting and paying, as applicable, any taxes on account of their Distributions.

2. At such time as the Debtor or Litigation Trust, as applicable, believes that Distributions to a particular Class of Claims or Equity Interests is likely, the Debtor shall request Tax Information in writing from the Creditors (the "Tax Information Request"). Any Creditor who fails to respond to Tax Information Request within ninety (90) days from the date posted on

the Tax Information Request, shall forfeit all Distributions such Creditor of holder of an Equity Interest may otherwise be entitled to under this Plan and such forfeited funds will revert to the Litigation Trust to be disbursed in accordance with the Plan.

L. Compliance With Tax Withholding and Reporting Requirements

With respect to all Distributions made under the Plan, the Debtor or Litigation Trust, as applicable, will comply with all withholding and reporting requirements of any federal, state, local or foreign taxing authority.

X. PLAN INTERPRETATION, CONFIRMATION AND VOTING

A. Procedures Regarding Objections to Designation of Classes as Impaired or Unimpaired

In the event the designation of the treatment of a Class as impaired or not impaired is objected to, the Bankruptcy Court shall determine the objection and voting shall be permitted or disregarded in accordance with the determination of the Bankruptcy Court.

B. Withdrawal and Modification of Plan

This Plan may be withdrawn or modified by the Debtor at any time prior to the Confirmation Date. The Debtor may modify the Plan in any manner consistent with section 1127 of the Bankruptcy Code prior to substantial consummation thereof. Upon request by the Debtor, the Plan may be modified after substantial consummation with the approval of the Bankruptcy Court, provided that such modification does not affect the essential economic treatment of any Person that objects in writing to such modification.

C. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or the Plan, the laws of the State of New York applicable to contracts executed in such State by residents thereof and to be performed entirely within such State shall govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection with this Plan.

D. Voting of Claims

Each holder of a Claim as of the Record Date in Class 4, Class 5, Class 6, Class 7 and Class 8 shall be entitled to vote to accept or reject the Plan. The Disclosure Statement Order shall govern the manner and procedures for casting of Ballots with the Voting Agent.

E. Acceptance by Impaired Class

Consistent with section 1126(c) of the Bankruptcy Code, and except as provided for in section 1126(e) of the Bankruptcy Code, a Class of creditors shall have accepted the Plan if it is

accepted by more than one-half in number representing at least two-thirds in dollar amount of the holders of Allowed Claims of such Class that have timely and properly voted to accept or reject the Plan.

F. Presumed Acceptances of Plan

Classes 1, 2, 3 and 9 are not impaired under the Plan and, therefore, are conclusively presumed to have accepted the Plan.

G. Non-Consensual Confirmation

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtor reserves the right to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtor reserves the right to alter, amend, modify, revoke or withdraw the Plan, the Plan Supplement or otherwise to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

XI. RETENTION OF JURISDICTION BY BANKRUPTCY COURT

From the Confirmation Date until entry of a final decree closing the Debtor's Chapter 11 Case pursuant to 11 U.S.C. §350 and Bankruptcy Rule 3022, the Bankruptcy Court shall retain such jurisdiction as is legally permissible over the Chapter 11 Case for the following purposes:

(a) to hear and determine any and all objections to the allowance of any Claim or Administrative Expense Claim, or any controversy as to the classification of Claims or any matters which may directly, indirectly or contingently affect the obligations of the Debtor or Litigation Trust, as applicable, to any Creditors, holders of Claims, or other parties in interest;

(b) to hear and determine any and all applications for compensation and reimbursement of expenses by Professionals;

(c) to hear and determine any and all pending motions for the assumption or rejection of executory contracts and unexpired leases, and to fix any Claims resulting therefrom;

(d) to adjudicate through final judgment such contested matters and adversary proceedings as may be pending or subsequently initiated in the Court.

(e) to enforce and interpret the provisions of this Plan and the Confirmation Order;

(f) to issue any injunction or other relief appropriate to implement the intent of the Plan, and to enter such further orders enforcing any injunctions or other relief issued under the Plan or pursuant to the Confirmation Order;

(g) to modify the Plan pursuant to section 1127 of the Bankruptcy Code and the applicable Bankruptcy Rules;

(h) to correct any defect, cure any omission, or reconcile any inconsistency in this Plan or in the Confirmation Order as may be necessary to carry out the purposes and the intent of this Plan;

(i) to interpret and determine such other matters as the Confirmation Order may provide for, or as may be authorized under the Bankruptcy Code;

(j) to enter and implement such orders as may be appropriate in the event the Confirmation Order is, for any reason, stayed, reversed, revoked, modified or vacated.

XII. CERTAIN TAX CONSEQUENCES OF THE PLAN

A. General

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO FEDERAL INCOME TAX ISSUES IS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL INCOME TAX LAW. SUCH DESCRIPTION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN AND MAY BE VIEWED AS A MARKETING DOCUMENT BY THE INTERNAL REVENUE SERVICE. THIS DESCRIPTION IS LIMITED TO THE SPECIFIC FEDERAL INCOME TAX MATTERS DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN OR OTHER FEDERAL INCOME TAX MATTERS DISCUSSED HEREIN AND THIS DISCUSSION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. EACH TAXPAYER IS STRONGLY URGED TO SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM SUCH TAXPAYER'S INDEPENDENT TAX ADVISOR.

THE DESCRIPTION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN PROVIDED BELOW IS SOLELY FOR THE PURPOSE OF COMPLIANCE WITH SECTION 1125(a) OF THE BANKRUPTCY CODE. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE") TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION MAY HAVE RETROACTIVE EFFECT, WHICH MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. EXCEPT AS PROVIDED BELOW, NO RULING HAS BEEN REQUESTED FROM THE IRS AND NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION OR ADVICE IS GIVEN BY THIS DISCLOSURE STATEMENT.

This description does not cover all aspects of federal income taxation that may be relevant to the Debtor or holders of Claims or Equity Interests. For example, the description does not address issues of special concern to certain types of taxpayers, such as dealers in securities, life insurance companies, financial institutions, tax exempt organizations and foreign taxpayers, nor is it intended to address all of the possible federal income tax consequences to holders of

Claims and Equity Interests in the Debtor. This description also does not discuss the possible state tax or non-U.S. tax consequences that might apply to the Debtor or to holders of Claims or Equity Interests.

B. Tax Consequences of Payment of Allowed Claims Pursuant to Plan Generally

The federal income tax consequences of the implementation of the Plan to the holders of Allowed Claims or Equity Interests will depend, among other things, on the consideration to be received by the holder, whether the holder reports income on the accrual or cash method, whether the holder's Claim or Equity Interests is Allowed or Disputed on the Effective Date, and whether the holder has taken a bad debt deduction or a worthless security deduction with respect to its Claim.

1. Recognition of Gain or Loss

In general, a holder of an Allowed Claim or Equity Interest should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim or Equity Interest less the holder's tax basis in the Claim or Equity Interest. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Allowed Claim or Equity Interest and the holder, the length of time the holder held the Claim or Equity Interest and whether the Claim or Equity Interest was acquired at a market discount. If the holder realizes a capital loss, the holder's deduction of the loss may be subject to limitation. The holder's tax basis for any property received under the Plan generally will equal the amount realized.

2. Bad Debt or Worthless Security Deduction

A holder who receives in respect of an Allowed Claim or Equity Interest an amount less than the holder's tax basis in the Claim or Equity Interest may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under section 166(a) of the Internal Revenue Code. The rules governing the character, timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims and Equity Interests, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

XIII. CONFIRMATION OF PLAN – REQUIREMENTS

In order for the Plan to be confirmed, the Bankruptcy Code requires, among other things, that the Plan be proposed in good faith, that the plan proponent disclose specified information concerning payments made or promised to insiders, and that the Plan comply with the applicable provisions of chapter 11 of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code also requires that at least one Class of Claims has accepted the Plan ("Minimum Voting Threshold"), that Confirmation of the Plan is not likely to be followed by the need for further financial reorganization, and that the Plan be fair and equitable with respect to each Class of Claims or

Interests which is impaired under the Plan. The Bankruptcy Court can confirm the Plan if it finds that all of the requirements of section 1129(a) have been met. The Debtor believes that the Plan meets all of these required elements. With respect to the so-called “feasibility” test (i.e., that the Plan is not likely to be followed by the need for further financial reorganization), the Plan provides for an orderly liquidation of the Debtor’s assets and the Debtor believes that it will be able to consummate the Plan.

A. Absolute Priority Rule

To satisfy the absolute priority rule, the Plan must provide that the holder of any Claim or Equity Interest that is junior to the Claims of the dissenting Class will not receive or retain under the Plan on account of such junior Claim or Equity Interest any property unless the Claims of the dissenting Class are paid in full.

The Debtor believes that the Plan satisfies the absolute priority rule. The Debtor further believes that all non-accepting impaired Classes will receive or retain payment or Distribution, as the case may be, on account of their Claims or Equity Interests, sufficient to permit full satisfaction of such Claims before junior Classes receive or retain any property on account of such junior Claims.

B. Best Interest of Creditors Test

Under the best interest of creditors test, the Plan is confirmable if, with respect to each impaired Class of Claims or Equity Interests, each holder of an Allowed Claim or Allowed Equity Interest in such Class has either (i) accepted the Plan, or (ii) receives or retains under the Plan, on account of its Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtor were to be liquidated under chapter 7 of the Bankruptcy Code.

To determine what the holders of each Class of Claims or Equity Interests would receive if the Debtor were to be liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor’s assets in a chapter 7 liquidation case. The amount that would be available for satisfaction of the Allowed Claims and Equity Interests of the Debtor would consist of the proceeds resulting from the disposition of the assets of the Debtor augmented by the cash held by the Debtor at the time of the commencement of the chapter 7 case. Such amounts would be reduced by the costs and expenses of the liquidation and by such additional Administrative Expense Claims and other priority Claims that might result from the chapter 7 case.

Here, the Debtor’s major assets are the Recovery Claims pending in courts in Hong Kong, California and Delaware. It is unlikely that a Chapter 7 trustee would invest the time, expense and effort to bring these matters to conclusion, unless there was a reliable source of funding to pay the fees and expenses that would be associated therewith, particularly with respect to the matters pending in Hong Kong. Moreover, if the case were to be converted to a Chapter 7 case, the DIP Lenders would not still be willing to provide the DIP Financing.

Therefore, the Debtor believes that a conversion of the Chapter 11 Case to a case under Chapter 7 would at best, duplicate the process contemplated by the Plan, add additional expense, cause delay and would likely result in an abandonment of the Debtor's most significant assets and potential sources of recovery. As a result, Creditors would be harmed by the delay and expense that would occur if the Chapter 11 Case was converted to a case under Chapter 7 of the Bankruptcy Code.

To determine if the Plan, as proposed, is in the best interests of Creditors and Holders of Interests, the present value of the Distribution likely to be made to each class in a liquidating case are compared with the present value of the Distribution to each impaired Class provided for by the Plan.

In applying the best interest test, it is possible that Claims in a chapter 7 case may not be classified in the same manner as provided for by the Plan. Priorities and order of Distribution of estate assets are established by the applicable provisions of chapter 7. Under those provisions, each class of Claims and Equity Interests is paid in a descending order of priority. No junior classes of Claims are paid until all senior classes have received payment in full. In the event that available assets are insufficient to pay all members of such class in full, then each member of the class shares on a pro rata basis.

The Debtor believes that the primary advantages of the Plan over a chapter 7 liquidation is that Creditors will likely receive more under the Plan than they would in a chapter 7 case and receive their Distributions earlier. Costs in a Chapter 7 case would increase by the amount of the additional administrative expenses likely to be incurred, including the costs of time-consuming investigations and discovery. The process of other Claims resolution will proceed without the necessity for additional investigation by a chapter 7 trustee and its separate and new professionals. The Plan offers the opportunity to avoid additional administrative costs and the resulting delay which would result from a chapter 7 liquidation. The Debtor therefore believes that the Plan will result in lower total administrative costs, and higher recoveries for Creditors than would the liquidation of the Debtor's assets under chapter 7 of the Bankruptcy Code.

Thus, the Debtor believes the Plan satisfies the "best interests of creditors test", and, indeed, that the Plan is in the best interests of Creditors.

XIV. PROCEDURES FOR VOTING ON PLAN

As noted above, pursuant to the Bankruptcy Code, a plan groups various Claims and Equity Interests into classes, each consisting of parties having similar legal rights in relation to a debtor. Each class may then be treated as either "impaired" or "unimpaired" under a plan. There are three ways in which a plan may leave a claim or interest "unimpaired." First, a plan may not propose to alter the legal, equitable or contractual rights of the holder of the claim or interest. Second, all defaults (excluding those covered by Section 365(b)(2) of the Bankruptcy Code) may be cured and the original terms of the obligation reinstated. Third, a plan may provide for the payment in full of the obligation to the holder of the claim or interest. If a class is unimpaired, then it is presumed to vote in favor of a plan.

An impaired class that would receive nothing under a plan is presumed to have rejected such a plan.

An impaired class that is proposed to receive any Distribution (whether in Cash, securities or other property) has the right to vote, as a class, to accept or reject the plan. A class accepts a plan if more than one-half (1/2) of the ballots that are timely received from members of such class, representing at least two-thirds (2/3) of the dollar amount of Claims for which ballots are timely received, vote in favor of such plan. Section 1126(e) of the Bankruptcy Code provides that a Creditor's vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the Creditor's vote either to accept or reject a plan was not solicited or cast in good faith, or in compliance with the Bankruptcy Code. A plan under which any class of Claims is impaired may be confirmed by the Bankruptcy Court only if it has been accepted by at least one such class.

Each holder of an Allowed Claim in an impaired Class which retains or receives property under the Plan shall be entitled to vote separately to accept or reject the Plan and shall indicate such vote on a duly executed and delivered Ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

Holders of Claims in the impaired Classes entitled to vote – Classes 4, 5, 6, 7 and 8 – will receive, together with this Disclosure Statement, a Ballot to be used in voting to accept or reject the Plan. Voting instructions will accompany the Ballot.

Each Creditor should first carefully review this Disclosure Statement and the Plan. The Creditor should then complete the portions of the Ballot indicating the Class or Classes in which the Creditor's Claim falls and the total dollar amount of the Claim. If the Creditor's Claim falls into more than one Class, then the Creditor should list each Class and state the dollar amount of the Claim which belongs in each Class. It is critical that the Class(es) and amount(s) of the Claim be correctly stated on the Ballot, so that the Creditor's vote can be properly counted.

Next, the Creditor should mark in the space provided on the Ballot whether the Creditor wishes to accept or to reject the Plan. Please be sure to fill in the name of the Creditor for whom the Ballot is being filed. Finally, the Ballot must be signed by the Creditor, or by an officer, partner, or other authorized agent of the Creditor. Please note that the Debtor reserves the right to object to the allowance, designation of Class and/or allowable amount of any Claim set forth in a Ballot for purposes of voting and/or Distribution under the Plan.

Completed and signed Ballots should be returned by first class mail to the Voting Agent at the below address in the enclosed self-addressed return envelope:

Klestadt Winters Jureller Southard & Stevens, LLP
200 West 41st Street, 17th Floor
New York, New York 10036

Completed and signed Ballots may also be returned by overnight mail or hand delivery to the address above.

Completed Ballots should be returned as soon as possible, and in any event so that they are RECEIVED NO LATER THAN ~~_____~~ ~~_____~~, JUNE 1, 2017 AT 4:00 P.M. ANY BALLOTS WHICH ARE RECEIVED BY THE VOTING AGENT AFTER ~~_____~~ ~~_____~~, JUNE 1, 2017 AT 4:00 P.M. SHALL NOT BE COUNTED IN DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.

XV. CONFIRMATION HEARING

The Confirmation Hearing will be held by the Honorable Mary Kay Vyskocil, United States Bankruptcy Judge, on ~~_____~~ ~~_____~~, June 15, 2017 at ~~_____~~:10:00 ~~{a.m./p.m.},,~~ in the United States Bankruptcy Court, Southern District Of New York, Courtroom 501, One Bowling Green, New York, New York 10004. At that hearing, the Bankruptcy Court will decide whether the Plan should be confirmed, and will hear and decide any and all objections to the Plan. Any Creditor, or other party in interest who wishes to object to Confirmation of the Plan, or to the classification of Claims and Equity Interests provided in the Plan, must, not later than 4:00 p.m. on ~~_____~~ ~~_____~~, June 1, 2017, file an objection with the Clerk's Office, United States Bankruptcy Court, Southern District Of New York, One Bowling Green, New York, New York 10004, and serve a copy of the objection on the following persons:

Counsel to the Debtor:

KLESTADT WINTERS JURELLER
SOUTHARD & STEVENS, LLP
200 West 41st Street, 17th Floor
New York, New York 10036
Tel: (212) 972-3000
Fax: (212) 972-2245
Tracy L. Klestadt
Joseph C. Corneau

Any objections to the Plan which are not filed and served by the above date may not be considered by the Bankruptcy Court. Any person or entity who files an objection to Confirmation of the Plan or to the classification of Claims and Equity Interests provided in the Plan must also attend the Confirmation Hearing, either in person or through counsel.

If the Plan is confirmed, its provisions will bind the Estate and any and all entities, including all holders of Claims and Equity Interests, whether or not the Claim or Equity Interest of such claimant or interest holder is impaired under the Plan and whether or not the claimant or interest holder has, either individually or by a Class, voted to accept the Plan.

XVI. RECOMMENDATION

The Debtor believes that the Plan provides for the fair and equitable treatment of the Debtor's Creditors and holders of Equity Interests and therefore recommends that Creditors vote to accept the Plan.

Dated: New York, New York
April ~~24~~²⁵, 2017

CHINACAST EDUCATION CORPORATION

By: /s/ Douglas Woodrum
Douglas Woodrum
Chief Financial Officer

Approved as to Form:

KLESTADT WINTERS JURELLER
SOUTHARD & STEVENS, LLP

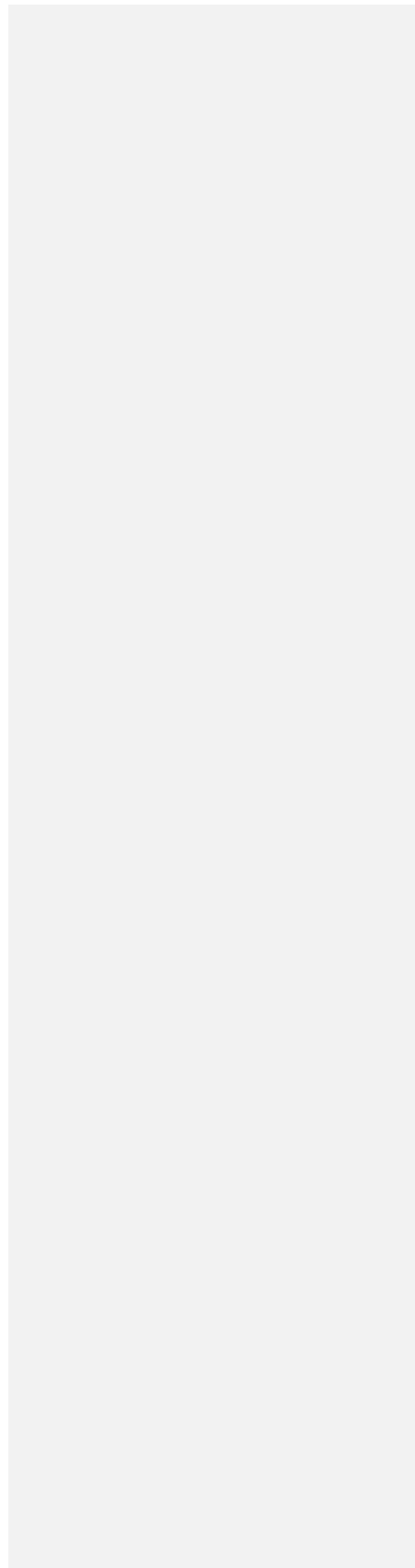
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jcorneau@klestadt.com

Attorneys for the Debtor and Debtor-in-Possession

Exhibit A

The Plan



UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: : Chapter 11
: :
CHINACAST EDUCATION : Case No. 16-13121(MKV)
CORPORATION, :
: :
Debtor. :

**FIRSTSECOND AMENDED PLAN PURSUANT TO CHAPTER 11 OF THE
BANKRUPTCY CODE**

Klestadt Winters Jureller Southard & Stevens, LLP
200 West 41st Street, 17th Floor
New York, New York 10036
Tel: (212) 972-3000
Fax: (212) 972-2245

Attorneys for the Debtor and Debtor-in-Possession

Dated: New York, New York
April ~~24~~25, 2017

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INTRODUCTION

ChinaCast Education Corporation (“ChinaCast” or the “Debtor”), proposes this first amended chapter 11 plan (the “Plan”) pursuant to section 1121 of the Bankruptcy Code.

ARTICLE 1 - DEFINITIONS AND RULES OF INTERPRETATION

A. Definitions

The following terms, when used in this Plan, or any subsequent amendments or modifications thereof, shall have the respective meanings hereinafter set forth and shall be equally applicable to the singular and plural of terms defined.

1.1 “Administrative Expense Claim” means a Claim for costs and expenses of administration allowed under sections 503(b) and 507(a)(1) including, without limitation, (a) any actual, necessary costs and expenses of preserving the Estate during the Chapter 11 Case, (b) any indebtedness or obligations incurred or assumed by the Debtor during the Chapter 11 Case in the Debtor’s wind-down, (c) any Professional Fee Claims, whether fixed before or after the Effective Date, (d) any costs and expenses for the management, maintenance, preservation, sale, or other disposition of any Estate Assets, (e) any fees due to the Clerk of the Court, and (f) any fees or charges assessed against the Debtor’s Estate under section 1930, chapter 123, title 28, United States Code.

1.2 “Administrative Reserve” means a reserve in the initial amount of not less than \$275,000 as provided in Section 5.2 hereof, to fund post-confirmation costs and expenses.

1.3 “Allowed Administrative Expense Claim” means an Administrative Expense Claim, to the extent it is or has become an Allowed Claim.

1.4 “Allowed Claim/Allowed Equity Interest” means a Claim or Equity Interest against the Debtor (i) proof of which was originally filed within the applicable period of limitation fixed by the Bankruptcy Court in accordance with Rule 3003(c)(3) of the Bankruptcy Rules, or (ii) if no proof of Claim or Equity Interest has been timely filed, which has been or hereafter is listed by the Debtor in its Schedules as liquidated in an amount and not disputed or contingent, as to which no objection to the allowance thereof has been interposed within the applicable period of limitation fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules, a Final Order, or the Claims Objection Bar Date, or as to which an objection has been interposed and such Claim or Interest has been allowed in whole or in part by a Final Order, or (iii) a claim or interest that is allowed by final order of the Bankruptcy Court. For purposes hereof, an “Allowed Claim” shall include any Claim arising from the recovery of property under sections 550 or 553 of the Bankruptcy Code and allowed in accordance with section 502(h) of the Bankruptcy Code, any Claim allowed under or pursuant to the terms of this Plan, or any Claim that has been allowed by a Final Order, provided, however, that (i) Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy

Court shall not be considered “Allowed Claims” hereunder unless otherwise specified herein or by order of the Bankruptcy Court, (ii) “Allowed Claim” shall not include interest, penalties, or late charges arising from or relating to the period from and after the Petition Date unless specifically provided for in the Plan; and (iii) “Allowed Claim” shall not include any Claim subject to disallowance in accordance with section 502(d) of the Bankruptcy Code.

1.5 “Assets” means any and all property of the Estate, including without limitation all property and other interests identified in section 541(a) of the Bankruptcy Code. Without limiting the foregoing, Assets shall include all of the Debtor’s real, personal, tangible and intangible property, wherever located and whether acquired prior to or after the Petition Date, including Cash, furniture, fixtures, equipment, artwork, intellectual property, Causes of Action (including Avoidance Actions), together with the proceeds and products, replacements and accessions thereof.

1.6 “Avoidance Action” means any Causes of Action to avoid or recover a transfer of property of the Estate or an interest of the Debtor in property, including, without limitation, actions arising under sections 506, 510, 541, 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code and any other applicable federal, state or common law.

1.7 “Ballot” means the form distributed to the holder of an impaired Claim on which it is to be indicated whether such holder accepts or rejects the Plan.

1.8 “Bankruptcy Code” means title 11 of the United States Code, as amended, in effect and applicable to the Chapter 11 Case.

1.9 “Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of New York wherein the Chapter 11 Case is pending.

1.10 “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure, as promulgated by the Supreme Court of the United States, as amended, and any Local Rules of the Bankruptcy Court, as amended, in effect and applicable to the Debtor’s Chapter 11 Case.

1.11 “Bar Date” means January 27, 2017 (for all creditors other than governmental units) or May 8, 2017 (for governmental units), the dates established by the Bankruptcy Court as the deadline to file proofs of claim, unless the Bankruptcy Court has set a different date by which a specific Creditor must file a proof of claim, in which case it means, for such specific Creditor, such different date set by the Court.

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

1.13 “Cash” means legal tender of the United States of America.

1.14 “Causes of Action” means any and all Claims, rights, actions, chose in action, suits, causes of action, liens, judgments and damages belonging to the Debtor or its Estate and any and all liabilities, obligations, covenants, undertakings and debts owing to the Estate, whether arising prior to or after the Petition Date, and in each case whether known or unknown, in law, equity or otherwise, including, without limitation, the Causes of Action set forth in **Exhibit B** to the Disclosure Statement.

1.15 “Chapter 11 Case” means the case concerning the Debtor, commenced on November 9, 2016, under chapter 11 of the Bankruptcy Code, administered under case number 16-13121(MKV) in the Bankruptcy Court.

1.16 “Claim” means, as defined in Bankruptcy Code section 101(5): (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.17 “Claim Transfer Document” shall have the meaning set forth in Section 9.8 of the Plan.

1.18 “Claims Objection Bar Date” means, unless otherwise extended by Order of the Court, the first Business Day that is 90 days after the Effective Date.

1.19 “Claims Register” means the register of claims maintained by the Clerk of the Bankruptcy Court.

1.20 “Class” means a category of Claims or Equity Interests described in Article 3 of the Plan.

1.21 “Confirmation Date” means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

1.22 “Confirmation Hearing” means the hearing held pursuant to section 1128 of the Bankruptcy Code, as the same may be continued or adjourned, to consider confirmation of the Plan.

1.23 “Confirmation Order” means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code, as the Plan may be amended by its terms and consistent with applicable law, and any findings of fact and conclusions of law contained in the Confirmation Order or a separate document entered substantially contemporaneously therewith.

1.24 “Creditor” means any Person holding a Claim against the Debtor or, pursuant to section 102(2) of the Bankruptcy Code, against property of the Debtor, that arose or is deemed to have arisen on or prior to the Petition Date, including, without limitation, a Claim against the Debtor of the kind specified in Bankruptcy Code sections 502(g), 502(h) or 502(i).

1.25 “Debtor” means ChinaCast Education Corporation, the debtor in the Chapter 11 Case.

1.26 “Deficiency Claim” means that portion of any Allowed Claim held by a Secured Creditor which exceeds the value of the assets securing such Allowed Claim.

1.27 “DIP Financing” means the financing provided by the DIP Financing Lenders required to satisfy the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code on a senior secured, superpriority basis.

1.28 “DIP Financing Agreements” means the Senior Secured Superpriority Promissory Note, together with any documents ancillary thereto, memorializing the DIP Financing.

1.29 “DIP Financing Collateral” means all Assets of the Debtor, including, without limitation, Avoidance Actions and Causes of Action, and the proceeds thereof, securing the DIP Financing on a senior secured basis.

1.30 “DIP Financing Lender(s)” means Columbia Pacific Opportunity Fund, L.P., Fir Tree Capital Opportunity Fund, LP, Fir Tree Value Master Fund, L.P., and MRMP Managers LLC.

1.31 “Disallowed” means, when referring to a Claim or Equity Interest, a Claim (including a Scheduled Claim) or Equity Interest, or any portion of a Claim or Equity Interest, which has been disallowed or expunged by a Final Order.

1.32 “Disclosure Statement” means the disclosure statement for the Plan and all exhibits annexed thereto or otherwise filed in connection therewith, approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code.

1.33 “Disclosure Statement Order” means the Final Order of the Bankruptcy Court approving the Disclosure Statement in accordance with section 1125 of the Bankruptcy Code.

1.34 “Disputed” means, with respect to a Claim against or Equity Interest in, the Debtor, the extent the allowance of such Claim or Equity Interest is the subject of a timely objection, complaint or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Confirmation Order, or is otherwise disputed in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn with prejudice, or determined by a Final Order.

1.35 “Disputed Claims Reserve” means the segregated account established by the Debtor consistent with Article 5.2 of the Plan.

1.36 “Distribution” means any distribution made pursuant to the terms of this Plan.

1.37 “Distribution Date” means any date on which a Distribution is made to holders of Allowed Claims under this Plan. The first Distribution shall occur as soon as practicable on or after the Effective Date. To the extent subsequent Distributions are necessary, such subsequent Distributions shall occur as soon after the first Distribution Date as the Debtor shall reasonably determine is appropriate in light of (i) the amount of funds on hand; (ii) the amount and nature of disputed claims; (iii) the activities to be accomplished, including their anticipated duration and costs; (iv) the length of time since any prior Distribution; and (v) the costs of effecting and interim Distribution.

1.38 “Effective Date” means the first Business Day after the entry of the Confirmation Order that (i) the conditions to effectiveness of the Plan set forth in Section 7.2 of the Plan have been satisfied or otherwise waived, and (ii) the effectiveness of the Confirmation Order has not been stayed.

1.39 “Equity Interests” means the ownership and related rights and interests of the holders of common stock of the Debtor.

1.40 “Estate” means the Debtor’s estate created pursuant to section 541 of the Bankruptcy Code upon the Petition Date.

1.41 “Fee Application Deadline” shall have the meaning set forth in Section 5.3 of the Plan.

1.42 “Final Order” means an order or judgment of the Bankruptcy Court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for reargument or rehearing shall then be pending; provided, however, if an appeal, or writ of certiorari, reargument or rehearing thereof has been filed or sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied or reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, further, that the possibility that a motion under section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be but has not then been filed with respect to such order, shall not cause such order not to be a Final Order.

1.43 “General Unsecured Claim” means any Unsecured Claim against the Debtor that is not an Administrative Expense Claim, Professional Fee Claim, Priority Tax Claim, Class 3 Priority Non-Tax Claim, Class 4 Litigation Funding Claims of Insiders, Class 5 Litigation Funding Claims of Non-Insiders, Class 7 Securities Purchase Claims, or Class 8 Securities Class Action Claims.

1.44 “General Unsecured Creditor” means any holder of a General Unsecured Claim.

1.45 “Impaired” means, when used in reference to a Claim or Equity Interest or a class thereof, a Claim or Equity Interest or class thereof that is impaired within the meaning of Bankruptcy Code Section 1124.

1.46 “Litigation Funding Agreement(s)” means the agreements between the Debtor and certain General Unsecured Creditors for the funding of certain litigation prior to the Petition Date.

1.47 “Litigation Trust” means the litigation trust established under section 5.2 hereof.

1.48 “Litigation Trust Agreement” means the litigation trust agreement to be executed by the Debtor and the Litigation Trustee on the Effective Date, which shall be filed as part of the Plan Supplement.

1.49 “Litigation Trust Oversight Committee” means the committee established pursuant to the Litigation Trust Agreement that shall oversee the activity of the Litigation Trust. The Litigation Trust Oversight Committee shall consist initially of (a) Douglas Woodrum, (b) Ned Sherwood, (c) a designee of Columbia Pacific Opportunity Fund, L.P., one of the DIP Lenders, and (d) Fir Tree Capital Opportunity Master Fund, LP, Fir Tree Value Master Fund, L.P., and MRMP Managers, LLC, the other DIP Lenders.

1.50 “Litigation Trustee” means, initially, Douglas Woodrum, or such other person designated by the Debtor in its sole discretion.

1.51 “Person” means any individual, corporation, partnership, association, joint venture, Limited Liability Company, limited liability partnership, estate, trust, receiver, trustee, unincorporated organization or governmental unit or subdivision thereof or other entity.

1.52 “Petition Date” means November 9, 2016, the date on which the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

1.53 “Plan” means this Plan and any exhibits annexed hereto or otherwise filed in connection with the Plan, the Plan Supplement, and any documents delivered in connection herewith, as the same may be amended or modified from time to time by any duly authorized and permitted amendment or modification.

1.54 “Plan Supplement” means the supplement to the Plan that includes documents and instruments required to implement the Plan, including, without limitation, the Litigation Trust Agreement, which shall be filed with the Bankruptcy Court not later than ten (10) days before the Confirmation Hearing.

1.55 “Post-Confirmation Expenses” means any administrative expenses, including all fees and expenses of any Professionals retained by the Debtor after the Effective Date.

1.56 “Priority Non-Tax Claim” means a Claim, other than an Administrative Expense Claim or a Priority Tax Claim, which is entitled to priority in payment under sections 507(a)(1), (2) (3), (4), (5), (6), (7), (9) or (10) of the Bankruptcy Code.

1.57 “Priority Tax Claim” means a Claim or a portion of a Claim of a governmental unit against the Debtor which is entitled to priority in payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.58 “Professional Fee Claim” means any Claim of a professional retained in the Chapter 11 Case pursuant to sections 327 of the Bankruptcy Code or otherwise, for compensation or reimbursement of costs and expenses relating to services incurred prior to and including the Effective Date, when and to the extent any such Claim is allowed by the Bankruptcy Court pursuant to sections 329, 330, 331, 503(b), or 1103 of the Bankruptcy Code.

1.59 “Professionals” means those professional persons, including lawyers, financial advisors, and accountants retained by the Debtor during the Chapter 11 Case.

1.60 “Pro Rata” means, in connection with a particular Allowed Claim or Allowed Interest and in connection with any Distribution, the ratio between the amount of such Allowed Claim or Allowed Interest and the aggregate amount of all Allowed Claims or Allowed Interests in such Class or Classes entitled to such Distribution.

1.61 “Record Date” shall have the meaning set forth in Section 9.8 of the Plan.

1.62 “Scheduled Claim” means a Claim that is listed in the Debtor’s Schedules.

1.63 “Schedules” means the schedules of assets and liabilities, schedules of executory contracts and unexpired leases, statement of financial affairs, and other schedules and statements filed by the Debtor pursuant to Federal Rule of Bankruptcy Procedure 1007, and any amendments thereto.

1.64 “Secured Claim” means a Claim secured by a lien, as that term is defined in section 101(37) of the Bankruptcy Code, including, but not limited to, a judicial lien as that term is defined at section 101(36) of the Bankruptcy Code, against any property of the Estate, but only to the extent of the value, as determined by the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code and Bankruptcy Rule 3012 or as otherwise agreed to, of such Creditor’s interest in the Debtor’s interest in such property.

1.65 “Secured Creditor” means the holder of a Secured Claim.

1.66 “Tax Information” shall have the meaning set forth in Section 9.13(a) of the Plan.

1.67 “Tax Information Request” shall have the meaning set forth in Section 9.13(b) of this Plan.

1.68 “U.S. Trustee” means any and all representatives and employees of the Office of the United States Trustee for the Southern District of New York.

1.69 “Unclaimed Distribution” means any Distribution after the applicable Distribution Date, unclaimed after ninety (90) days following any Distribution Date. Unclaimed Distributions shall include, without limitation: (i) checks (and the funds represented thereby) which have been returned as undeliverable without a proper forwarding address; (ii) funds representing checks which have not been paid; and (iii) checks (and the funds represented thereby) which were not mailed or delivered because of the absence of a valid address.

1.70 “Unsecured Claim” means any Claim which is not secured by an offset or “lien,” as that term is defined in section 101(37) of the Bankruptcy Code, including, but not limited to, a “judicial lien” as that term is defined at section 101(36) of the Bankruptcy Code, against any property of the Estate, but only to the extent of the “value,” as determined by the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code and Bankruptcy Rule 3012, or as otherwise agreed to, of such Creditor’s interest in the Debtor’s interest in such property.

1.71 “Voting Agent” means Klestadt Winters Jureller Southard & Stevens, LLP.

1.72 “Woodrum” means Douglas Woodrum, the Debtor’s Chief Financial Officer and proposed Litigation Trustee.

1.73 “Woodrum Compensation Agreement” means that certain prepetition executory contract by and between the Debtor and Douglas Woodrum, concerning the employment and deferral of compensation by Woodrum for services rendered before the Petition Date, during the Chapter 11 Case, and after the Effective Date.

B. Rules of Interpretation

For purposes of this Plan: (a) where appropriate in the relevant context, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in the Plan, any references in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) unless otherwise provided in the Plan, any reference in the Plan to an existing document or appendix filed or to be filed means such document or appendix, as it may have been or may be amended, modified or supplemented pursuant to the Plan; (d) unless otherwise specified herein, any reference to a Person as a holder of a Claim or Interest includes that Person’s successors, assigns and affiliates; (e) unless otherwise specified, all references in the Plan to Sections and Articles are references to Sections and Articles of or to the Plan; (f) the words “herein”, “hereto” and “hereof” refer to the Plan in its entirety rather than to a particular portion of

the Plan; and (g) the rules of construction set forth in section 102 of the Bankruptcy Code will apply to the Plan. To the extent that the Plan is inconsistent with the Disclosure Statement, unless such document specifically states otherwise, the provisions of the Plan shall be controlling.

ARTICLE 2 - PAYMENT OF CLAIMS NOT REQUIRED TO BE CLASSIFIED

2.1 Unclassified Claims.

No classes are designated for Administrative Expense Claims, Professional Fee Claims and Priority Tax Claims.

2.2 Administrative Expense Claims.

All Allowed Administrative Expense Claims, other than Professional Fee Claims, shall be paid in full, in Cash, in such amounts as are incurred in the ordinary course of the liquidation of the Debtor, or in such amounts as may be Allowed by the Bankruptcy Court (a) as soon as practicable following the later of the Effective Date or the date upon which the Court enters a Final Order allowing any such Administrative Expense Claim, or (b) upon such other terms as may exist in accordance with the ordinary course of the Debtor's liquidation or (c) as may be agreed upon between the holder of any such Administrative Expense Claim and the Debtor. In the event there exists any Disputed Administrative Expense Claims on the Effective Date, the Debtor shall at all times hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Administrative Expense Claims.

2.3 Professional Fee Claims.

The Debtor shall pay all Professional Fee Claims as soon as practicable after a Final Order has awarded such compensation and reimbursement of expenses pursuant to proper application in accordance with Section 5.3 hereof. In the event any Disputed Professional Fee Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Professional Fee Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

2.4 Priority Tax Claims.

Unless otherwise agreed to by the parties, each holder of an Allowed Priority Tax Claim will receive an amount in Cash equal to the Allowed amount of such Priority Tax Claim as soon as practicable following the later of (a) the Effective Date, and (b) the date on which such Priority Tax Claim becomes an Allowed Claim. In the event any Disputed Priority Tax Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Priority Tax Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

ARTICLE 3 - CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 Criterion of Class.

A Claim is in a particular Class only to the extent that the Claim qualifies within the description of that Class, and is in a different Class or Classes to the extent that the remainder of the Claim qualifies within the description of the different Class or Classes.

3.2 Class Categories.

The following classes of Claims and Interests are designated pursuant to and in accordance with section 1123(a)(1) of the Bankruptcy Code, which Classes shall be mutually exclusive:

Class	Class Designation	Status/Voting Rights
Class 1	DIP Financing Claims	Not Impaired/Conclusively Presumed to Accept
Class 2	Other Secured Claims	Not Impaired/Conclusively Presumed to Accept
Class 3	Priority Non-Tax Claims	Not Impaired/Conclusively Presumed to Accept
Class 4	Litigation Funding Claims of Insiders	Impaired/Entitled to Vote
Class 5	Litigation Funding Claims of Non-Insiders	Impaired/Entitled to Vote
Class 6	General Unsecured Claims	Impaired/Entitled to Vote
Class 7	Securities Purchase Claims	Impaired/Entitled to Vote
Class 8	Securities Class Action Claims	Impaired/Entitled to Vote
Class 9	Equity Interests	Not Impaired/Conclusively Presumed to Accept

ARTICLE 4 - TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

The following treatment of and consideration to be received by holders of Allowed Claims and Allowed Equity Interests pursuant to this Plan shall be in full settlement, release and discharge of such Allowed Claims and Allowed Interests.

4.1 Class 1 (DIP Financing Claims).

Subject to adequate funding of the Administrative Reserve, the Disputed Claims Reserve (when and as required) and the needs of the Litigation Trust, to be determined by the DIP Financing Lender(s) and the Litigation Trustee after good faith consultation, the first proceeds of any and all recovery of Litigation Trust Assets shall be used to repay the DIP Financing, with any such payments to be applied first to accrued and unpaid interest and fees due under the DIP Financing Agreement and second to principal.

4.2 Class 2 (Other Secured Claims).

On the Effective Date, or as soon thereafter as is reasonably practical, each holder of an Allowed Other Secured Claim shall receive (i) the net proceeds of the sale or other disposition of any collateral which is pledged as security for such Allowed Other Secured Claim and which remains in possession and control of the Estate, to the extent such holder of an Allowed Other Secured Claim has not released its Lien; or (ii) such other, less favorable treatment as may be agreed to in writing by the holder of such Allowed Secured Claim and the Debtor or Litigation Trust, as applicable. Any Deficiency Claim which may arise on account of the lack of collateral or otherwise resulting from the aforesaid treatment shall be included in and treated as a Class 6 General Unsecured Claim. Nothing in the Plan shall be construed to alter or waive the rights of the Debtor or Litigation Trust to contest the validity of any Other Secured Claim. In the event any Disputed Other Secured Claims exist on the Effective Date, the Debtor or Litigation Trust, as applicable, shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Other Secured Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

4.3 Class 3 (Priority Non-Tax Claims).

On the Effective Date, or as soon thereafter as is reasonably practical, in full satisfaction of such Allowed Priority Non-Tax Claim, each holder of an Allowed Priority Non-Tax Claim shall receive (a) an amount in Cash equal to the Allowed amount of such Priority Non-Tax Claim, or (b) such other treatment as to which the Debtor and the holder of such Allowed Priority Non-Tax Claim shall have agreed upon in writing. In the event any Disputed Priority Non-Tax Claims exist on the Effective Date, the Debtor shall hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Priority Non-Tax Claims until such dispute is resolved consensually or by order of the Bankruptcy Court.

4.4 Class 4 (Litigation Funding Claims of Insiders).

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Trust Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 4 Litigation Funding Claims of Insiders, on a *pari passu* basis with holders of Class 5 Litigation Funding Claims of Non-Insiders and Class 6 General Unsecured Claims, in accordance with their applicable Litigation Funding Agreement(s).

4.5 Class 5 (Litigation Funding Claims of Non-Insiders).

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 5 Litigation Funding Claims of Non-Insiders, on a *pari passu* basis with holders of Class 4 Litigation Funding Claims of Insiders and Class 6 General Unsecured Claims, in accordance with their applicable Litigation Funding Agreement(s).

4.6 Class 6 (General Unsecured Claims).

After the payment in full of all Unclassified Claims, Class 1 DIP Financing Claims, Class 2 Other Secured Claims and Class 3 Priority Non-Tax Claims, one or more distributions of Litigation Trust Assets will be made by the Litigation Trust, on a pro rata basis, to holders of Class 6 General Unsecured Claims, on a *pari passu* basis with holders of Class 4 Litigation Funding Claims of Insiders and Class 5 Litigation Funding Claims of Non-Insiders.

4.7 Class 7 (Securities Purchase Claims).

After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 7 Securities Purchase Claims, on a *pari passu* basis with holders of Class 8 Securities Class Action Claims and holders of Class 9 Equity Interests.

4.8 Class 8 (Securities Class Action Claims).

After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 8 Securities Class Action Claims, on a *pari passu* basis with holders of Class 7 Securities Purchase Claims and Class 9 Equity Interests.

4.9 Class 9 (Equity Interests).

Class 9 Equity Interests are retained by their holders pursuant to the Plan. After payment in full of all Unclassified Claims and Claims in Classes 1 through 6, the Litigation Trust shall distribute remaining Litigation Trust Assets to holders of Class 9 Equity Interests, on a *pari passu* basis with holders of Class 7 Securities Purchase Claims and Class 8 Securities Class Action Claims.

ARTICLE 5 - MEANS OF IMPLEMENTATION OF THE PLAN

5.1 Use of DIP Financing Proceeds.

Unless otherwise provided in the Plan, the Debtor and the Litigation Trust, as applicable, shall use the proceeds of the DIP Financing and other funds held by the Debtor on the Effective Date, (i) to make cash distributions required by the Plan on the Effective Date, (ii) to fund the Administrative Reserve to the extent necessary to satisfy section 1129(a)(11) of the Bankruptcy Code, (iii) to pay other expenses of the Chapter 11 Case, to the extent so ordered by the Bankruptcy Court, and (iv) for general purposes to fund the Litigation Trust.

5.2 Establishment of Litigation Trust.

(a) Execution of the Litigation Trust Agreement. On or before the Effective Date, the Litigation Trust Agreement shall be executed by the Debtor and the Litigation Trustee, and all other necessary steps shall be taken to establish the Litigation Trust. In the event of any conflict between this Section 5.2 of the Plan and the terms of the Litigation Trust Agreement, the terms of the Litigation Trust Agreement shall govern.

(b) Transfer of Estate Assets to Litigation Trust. On the Effective Date, the Debtor, on behalf of its itself and the Estate, shall transfer to the Litigation Trust all of its right, title, and interest the Debtor's and the Estate's Cash and claims and causes of action, including, without limitation, all Avoidance Actions and Causes of Action (the "Litigation Trust Assets"). For avoidance of doubt, the Causes of Action listed on **Exhibit B** to the Disclosure Statement shall be deemed to have been automatically assigned and transferred to the Litigation Trust on the Effective Date without the need for any further conveyance or assignment document. Upon the Effective Date, the Litigation Trust shall be deemed to be substituted for, without further order of any court, the plaintiff in such claims and causes of action. Any recoveries on account of the Claims and Causes of Action transferred to the Litigation Trust shall be distributed in accordance with the Plan and the Litigation Trust Agreement.

(c) Purpose of the Litigation Trust. The Litigation Trust shall be established for the sole purpose of distributing the Assets of the Debtor's Estate and the proceeds thereof in accordance with Treasury Regulation section 301.7701-4(d) and Revenue Procedure 94-45, with no objective to continue or engage in the conduct of a trade or business.

(d) The Litigation Trust Assets. The Litigation Trust shall consist of the Litigation Trust Assets. Any transfer of the Litigation Trust Assets to the Litigation Trust shall be exempt from any stamp, real estate transfer, mortgage reporting, sales, use or other similar tax pursuant to section 1146(a) of the Bankruptcy Code.

(e) Governance and Succession. The Litigation Trust shall be governed by the Litigation Trust Agreement and the Litigation Trustee, subject to the oversight of the Litigation Trust Oversight Committee. In the event the Litigation Trustee dies, is terminated or resigns for any reason, the Litigation Trust Oversight Committee shall designate a successor. The initial Litigation Trustee shall be Douglas Woodrum.

(f) Litigation Trust Oversight Committee. On or before the Effective Date, the Litigation Trust Oversight Committee shall be appointed and shall consist of four (4) members willing to serve on the Litigation Trust Oversight Committee. The Litigation Trust Oversight Committee shall have the authority specified in the Litigation Trust Agreement. The Litigation Trustee shall consult with and provide information to the Litigation Trust Oversight Committee with respect to any material action to be taken or not to be taken by the Litigation Trust, and such other matters designated by the Litigation Trust Oversight Committee.

(g) Federal Income Tax Treatment of the Litigation Trust. The Litigation Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity for U.S. federal income tax purposes, but is instead treated as a grantor trust, *i.e.*, a pass-through entity. All parties must treat the transfer of the Litigation Trust Assets to the Litigation Trust as a transfer of such assets directly to the Litigation Trust Beneficiaries, followed by the transfer of such assets by the beneficiaries to the Litigation Trust. Consistent therewith, all parties must

treat the Litigation Trust as a grantor trust of which the Litigation Trust Beneficiaries are the owners and grantors. The Litigation Trust Beneficiaries (and any subsequent holders of interests in the Litigation Trust) generally should be treated for U.S. federal income tax purposes as the direct owners of an undivided interest in the Litigation Trust Assets. The Litigation Trustee shall determine the fair market value of the Litigation Trust Assets as soon as possible after the Effective Date, and all parties must consistently use this valuation for all U.S. federal income tax purposes.

(h) Indemnification. The Litigation Trust, Litigation Trustee and the Litigation Trust Oversight Committee may, in connection with the performance of their respective functions, and in their respective sole and absolute discretion, consult with attorneys, accountants, financial advisors and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such attorneys, accountants, financial advisors and agents, or any Final Order of the Bankruptcy Court. Notwithstanding such authority, the Litigation Trust, Litigation Trustee and Litigation Trust Oversight Committee shall not be under any obligation to consult with attorneys, accountants, financial advisors or agents, and their determination not to do so shall not result in the imposition of liability, unless such determination is based on willful misconduct, gross negligence or fraud as determined by Final Order of the Bankruptcy Court. The Litigation Trust shall indemnify and hold harmless the Litigation Trustee and the Litigation Trust Oversight Committee and each of their respective designees and Professionals, and all duly designated agents and representatives thereof (in their capacity as such) from and against all liabilities, losses, damages, claims, costs and expenses, including, but not limited to attorneys' fees and costs arising out of or due to such actions or omissions, or consequences of their actions or omissions with respect or related to the performance of their duties or the implementation or administration of this Plan; provided however, that no such indemnification will be made to such Persons for such actions or omissions as a result of willful misconduct, gross negligence or fraud.

5.3 Deadline for Filing Applications for Professional Fee Claims.

All parties seeking payment of Professional Fee Claims arising prior to the Effective Date must file with the Bankruptcy Court and serve upon the Debtor a final application and/or an application for payment of reasonable fees and expenses under section 503(b) of the Bankruptcy Code, as applicable, on or before the first Business Day after the thirtieth (30th) day after the Effective Date (the "Fee Application Deadline"). Any Professional failing to file and serve such final application or 503(b) motion on or before the Fee Application Deadline shall be forever barred from asserting any such right to payment against the Debtor or the Estate.

5.4 Establishment of Reserves.

(a) Administrative Reserve. On the Effective Date or as soon thereafter as is practicable, the Administrative Reserve shall be established by the Litigation Trust. If the Litigation Trust determines that additional funding of the Administrative Reserve is required, from time to time following the Effective Date, such funding shall be made

from the Litigation Trust Assets. The Administrative Reserve shall be used to pay the expenses, including, without limitation, costs and expenses of counsel or other advisors retained by the Debtor and/or Litigation Trust. Any amounts remaining in the Administrative Reserve after all Administrative Expenses are paid shall be deposited into the Litigation Trust and shall become available for Distribution to holders of Allowed Claims in the priority of payment provided for in accordance with the provisions of the Plan.

(b) Disputed Claims Reserve. On the Effective Date or as soon thereafter as is practicable, the Disputed Claim Reserve shall be established by the Litigation Trust; provided, however, that the Litigation Trust shall have no obligation to fund the Disputed Claim Reserve unless and until a Distribution occurs to holders of Allowed Claims of the same Class as a Disputed Claim. The Litigation Trust shall fund the Disputed Claim Reserve from the Litigation Trust Assets in an amount which is equal to the amount holders of Disputed Claims would have otherwise been entitled but for the dispute. The assets in the Disputed Claim Reserve shall be held separately from other assets held by the Litigation Trust, subject to an allocable share of all expenses and obligations of the estate, on account of Disputed Claims. The Litigation Trust shall remove funds from the Disputed Claims Reserve as Disputed Claims are resolved, which funds shall be distributed as provided in section 9.10 of the Plan. Notwithstanding any other provision of the Plan to the contrary, subject to definitive guidance from the Internal Revenue Service or a court of competent jurisdiction to the contrary, the Litigation Trust may treat any assets allocable to, or retained on account of, the Disputed Claims Reserve as held by one or more discrete entities for federal, and applicable state, local or other, income tax purposes, and may determine that such entity or entities shall constitute “disputed ownership funds” under, and may make the election permitted by, Treasury Regulation 1.468B-9, or any successor provision thereto. All recipients of distributions under the Plan shall be bound by, and shall report consistent with, such income tax treatment.

5.5 Plan Distributions.

Following the Effective Date, and subject to the establishment and funding of the Administrative Reserve as set forth above, and as set forth in greater detail in Article IV of the Plan, Distributions shall be made by the Distribution Agent as follows:

(a) Initial Distribution of Cash: On the first Distribution Date following the Effective Date, the Litigation Trust shall, pursuant to the terms of the Plan, make Distributions from the Litigation Trust Assets to holders of the Allowed Other Secured Claims (to the extent of available proceeds of collateral as set forth in Section 4.2 of the Plan), Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, and Allowed Priority Non-Tax Claims, and to the extent possible, to holders of Claims and Equity Interests in Classes 4 through 9 in accordance Article 4 of the Plan;

(b) Subsequent Distributions of Cash: On each Distribution Date, the Litigation Trust shall, pursuant to the terms of the Plan, make Distributions to holders of Claims and Equity Interests in accordance with Article 4 of the Plan. Such subsequent Distributions shall occur as soon after the first Distribution Date as the Litigation Trust

shall reasonably determine is appropriate in light of (i) the amount of funds on hand; (ii) the amount and nature of disputed claims; (iii) the activities to be accomplished, including their anticipated duration and costs; (iv) the length of time since any prior Distribution; (v) the costs of effecting an interim Distribution.

5.6 Execution of Documents to Effectuate Plan.

From and after the Confirmation Date, the Debtor or Litigation Trust, as applicable, shall have the exclusive power and authority to execute any instrument or document to effectuate the provisions of the Plan. Entry of the Confirmation Order shall authorize the Debtor or Litigation Trust, as applicable, to take, or cause to be taken, all actions necessary or appropriate to consummate and implement the provisions of the Plan.

5.7 Disallowance of Claims without Further Order of the Court.

As of the Confirmation Date, any Scheduled Claim designated as disputed, contingent or unliquidated in amount, and for which a proof of Claim has not been filed by the Creditor, shall be deemed disallowed and expunged. All Scheduled Claims that correspond to a proof of Claim filed by a particular Creditor shall be deemed to have been superseded by such later filed proof of Claim and the Scheduled Claims, regardless of priority, and shall be expunged from the claims register; provided however, that such proofs of Claim shall be subject to objection in accordance with Section 9.9 hereof.

5.8 Post-Confirmation Reports and Fees.

Following the Effective Date and until the Chapter 11 Case is closed, not less than once every ninety (90) days, the Debtor shall be responsible for the filing of all post-Effective Date reports required during such periods with the U.S. Trustee and payment from the Debtor's Estate of all post-Effective Date fees charged or assessed against the Estate under 28 U.S.C. §1930 during such periods together with applicable interest pursuant to 31 U.S.C. § 3717.

5.9 Insurance Preservation.

Nothing in this Plan shall diminish or impair the enforceability of any insurance policies that may cover Claims against the Debtor, its employees, officers, directors, shareholders or any other Person.

ARTICLE 6 - TREATMENT OF EXECUTORY CONTRACTS

6.1 General Provisions.

Except for the Woodrum Compensation Agreement, all executory contracts of the Debtor shall be deemed rejected as of the Effective Date, unless a particular executory contract or unexpired lease (i) has previously been assumed or rejected pursuant to order of the Bankruptcy Court or applicable provisions of the Bankruptcy Code, or (ii) has expired or otherwise terminated pursuant to its terms. The Woodrum Compensation Agreement is assumed under the Plan.

6.2 Cure of Defaults of Woodrum Compensation Agreement.

Assumption of the Woodrum Compensation Agreement pursuant to the Plan shall have the effect of re-affirmation of the terms and conditions of the Woodrum Compensation Agreement on and after the Effective Date. Woodrum shall continue to perform under the Woodrum Compensation Agreement and shall be compensated in accordance with its terms in consultation with the Litigation Trust Oversight Committee. For the avoidance of doubt, nothing herein shall result in the disallowance of any Claim asserted by Woodrum unrelated to the Woodrum Compensation Agreement.

6.3 Effect of Assumption of Woodrum Compensation Agreement.

Assumption of the Woodrum Compensation Agreement, pursuant to the Plan or otherwise, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, and the deemed waiver of any termination right or remedial provision arising under any such Executory Contract or Unexpired Lease at any time prior to the effective date of its assumption, or as a result of such assumption, the transactions contemplated by the Plan. Any Proofs of Claim filed with respect to the Woodrum Compensation Agreement that has been assumed shall be deemed disallowed and expunged without further notice to, or action, order or approval of, the Bankruptcy Court, except in the event that the Debtor and the counterparty to the Woodrum Compensation Agreement have separately agreed to a waiver or reduction of obligations that would otherwise constitute cure obligations, subject to the counterparties' explicit retention of their rights to assert any such amounts as Unsecured Claims.

6.4 Notice of Deemed Rejection/Rejection Bar Date.

Any party to an executory contract or unexpired lease that is rejected in accordance with Section 6.1 shall file a proof of Claim for damages from such rejection no later than thirty (30) days after service of notice of the Effective Date and notice of the Rejection Bar Date. The failure to timely file a proof of Claim shall be deemed a waiver of any Claim in connection with the rejection of such contract or lease.

**ARTICLE 7 - CONDITIONS PRECEDENT; CONFIRMATION &
EFFECTIVE DATE**

7.1 Conditions Precedent to Confirmation of the Plan.

The following conditions must be satisfied, or otherwise waived by the Debtor in accordance with Section 7.3 hereof, on or before the Confirmation Date:

(a) The Disclosure Statement Order shall have been entered and shall have become a Final Order; and

(b) The entry of the Confirmation Order shall be in form and substance reasonably satisfactory to the Debtor and shall contain provisions that, among other things: (i) authorize the implementation of the Plan in accordance with its terms; (ii) approve in all respects the other settlements, transactions, and agreements to be effected pursuant to the Plan; and (iii) find that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith and that the Confirmation Order was not procured by fraud.

7.2 Conditions Precedent to the Effective Date.

The Effective Date shall not occur and no obligations under the Plan shall come into existence, unless each of the following conditions is met or, alternatively, is waived in accordance with Section 7.3 hereof, on or before the Effective Date:

(a) The Confirmation Order shall have been entered and no stay of its effectiveness of the same shall have been issued within fourteen (14) days following the entry of the Confirmation Order; and

(b) The Debtor shall have sufficient Cash on hand to pay all Administrative Expense Claims and Professional Fee Claims and fund the Administrative Reserve.

7.3 Waiver of Conditions Precedent.

Each of the conditions precedent in Sections 7.1 and 7.2 hereof may be waived or modified without further Court approval, in whole or in part.

ARTICLE 8 – INJUNCTION AND EXCULPATION

8.1 General Injunctions.

The following provisions shall apply and shall be fully set forth in the Confirmation Order.

(a) **Injunctions Against Interference with Consummation or Implementation of Plan.** As of and from the Effective Date, all holders of Claims or Equity Interests shall be enjoined from commencing or continuing any judicial or administrative proceeding or employing any process against the Debtor or the Estate with the intent or effect of interfering with the consummation and

implementation of this Plan and the transfers, payments and Distributions to be made hereunder.

(b) **Plan Injunction.** Except as otherwise specifically provided for by this Plan, as of and from the Effective Date, all holders of Claims or Equity Interests shall be enjoined from (i) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order; (ii) the creation, perfection or enforcement of any encumbrance of any kind; and/or (iii) the assertion of any right of setoff, counterclaim, exculpation, or subrogation of any kind, in each case against the Debtor or the Estate to the fullest extent authorized or provided by the Bankruptcy Code.

(c) **No Bar to Claims Against Third Parties.** Except as otherwise specifically provided for by this Plan, holders of Claims or Equity Interests against the Debtor are not barred or otherwise enjoined by the Plan from pursuing any recovery against Persons that are not the Debtor.

8.2 All Distributions Received in Full and Final Satisfaction.

Except as otherwise set forth herein, all payments and all Distributions to be made in accordance with the Plan on account of Claims (including Administrative Expense Claims) shall be received in full and final satisfaction, settlement and release of the Estate's obligations for such Claims as against the Debtor, its property and the Estate.

8.3 No Modification of Res Judicata Effect.

The provisions of this Article 8 are not intended, and shall not be construed, to modify the *res judicata* effect of any order entered in the Chapter 11 Case, including, without limitation, the Confirmation Order and any order finally determining Professional Fee Claims to any Professional.

8.4 Exculpation.

To the fullest extent permitted by section 1125(e) of the Bankruptcy Code and applicable non-bankruptcy law, the Debtor, its shareholders, officers, directors, employees and professionals (including professional firms and individuals within such firms) and the DIP Financing Lenders shall neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation 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 act taken or omitted to be taken during the Chapter 11 Case, except for (i) acts or omissions as a result of willful misconduct, gross negligence or fraud and (ii) liability of any released person for any debt owed to the United States Government, any state, city or municipality arising under (a) the Internal Revenue Code or any state, city or municipal tax code, (b) the environmental laws of the United States or any state, city or municipality, (c) laws regarding the regulation of securities administered by the SEC and (d) any criminal laws of the United States, any state, city or municipality. From and after the Effective Date, a copy of the Confirmation Order and the Plan shall constitute, and

may be submitted as, a complete defense to any claim or liability released pursuant to the Plan, provided, however, that no Exculpated Parties shall be exculpated from any liability resulting from any act or omission that limits the liability of any Person pursuant to any applicable disciplinary or ethical rules as determined by Final Order and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

8.5 Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Case is closed.

ARTICLE 9 - PROVISIONS GOVERNING DISTRIBUTIONS

9.1 Payment in U.S. Dollars.

All Cash payments required under the Plan shall be made in U.S. dollars by checks drawn on a domestic bank selected by the Debtor or Litigation Trust, as applicable, in accordance with the Plan or by wire transfer from a domestic bank, at the option of the Debtor or Litigation Trust, as applicable. The Debtor or Litigation Trust, as applicable, may use the services of a third party to aid in the Distributions required to be made under this Plan.

9.2 Distributions Only on Business Days.

Notwithstanding the foregoing provisions, if any Distribution called for under this Plan is due on a day other than a Business Day, such Distribution shall instead be made the next Business Day.

9.3 Unclaimed Distributions.

Unclaimed Distributions (including Distributions made by checks that fail to be cashed or otherwise negotiated within ninety (90) days after the Distribution Date or which Distributions are returned to the Distribution Agent as undeliverable to the addresses specified in the Claims Register, as it shall exist on the date such Distributions are made, shall be canceled (by a stop payment order or otherwise), the Claim(s) relating to such Distribution(s) shall be deemed forfeited and expunged without any further action or order of the Bankruptcy Court and the holder of such Claim(s) shall be removed from the Distribution schedules, expunged from the Claims Register and shall receive no further Distributions under the Plan. Any such Unclaimed Distributions shall, as soon as is practicable, be redistributed pursuant to the provisions of the Plan.

9.4 Timing of Distributions on Disputed Claims Subsequently Allowed.

In the event that a Disputed Claim is Allowed, in whole or in part, after the Effective Date, a Distribution shall be made on account of such Allowed Claim on the next Distribution Date that is at least fifteen (15) business days after such Claim is Allowed, in accordance with Article 4 of the Plan.

9.5 No Payment or Distribution on Disputed Claims.

Any contrary provision hereof notwithstanding, no payments or other Distributions shall be made on account of any Disputed Claim, or any portion thereof, unless and until such Claim or some portion thereof is allowed by Final Order of the Bankruptcy Court. For the avoidance of doubt, no portion of any Disputed Claim is entitled to a Distribution. Holders of Disputed Claims shall be bound, obligated and governed in all respects by this Plan.

9.6 Disputed Distribution.

If a dispute arises as to the identity of a holder of an Allowed Claim who is to receive a Distribution, the Debtor of Litigation Trust, as applicable, may, in lieu of making such Distribution to such holder, hold such amount until the dispute is resolved by Final Order of the Bankruptcy Court or by written agreement among the parties to such dispute.

9.7 Transmittal of Payments and Notices.

All Distributions shall be made to the holder of a Claim by regular first-class mail, postage prepaid, in an envelope addressed to such holder at the address listed on its proof of Claim filed with the Bankruptcy Court or, if no proof of Claim was filed, (i) at the address listed on the Debtor's Schedules, or (ii) at such address that a holder of a Claim provides to the Debtor after the Effective Date in writing and files at least fifteen (15) business days prior to a Distribution Date. ~~Neither the~~The Debtor ~~nor the~~Litigation Trust, as applicable, shall ~~have any duty~~make a good faith effort to ascertain ~~the mailing alternative~~ address ~~of any holder of a Claim other than as set forth herein~~and will re-mail any undelivered Distributions or notices that were returned marked "undeliverable" or "moved - no forwarding address" or for a similar reason. The date of payment or delivery shall be deemed to be the date of mailing. Payments made in accordance with the provisions of this Section shall be deemed made to the holder regardless of whether such holder actually receives the payment.

9.8 Record Date for Distributions.

Except as otherwise provided in a Final Order of the Bankruptcy Court, transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 with appropriate filings ("Claim Transfer Document") made on or before the Effective Date (the "Record Date") shall be treated as the holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the

transfer(s) may not have expired prior to the Record Date. The Debtor and Litigation Trust, as applicable, shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. In making a Distribution with respect to any Claim, the Debtor and the Litigation Trust, as applicable, shall be entitled to recognize and deal for all purposes hereunder only with the Person who is listed on the proof of claim filed with respect to such Claim, on the Debtor's Schedules as the holder thereof, and upon such other evidence or record of transfer or assignment filed as of the Record Date.

9.9 Claims Administration Responsibility.

(a) Reservation of Rights. Unless a Claim is specifically Allowed prior to or after the Effective Date, the Debtor and Litigation Trust, as applicable, reserve any and all objections to any and all Claims and Equity Interests and motions or requests for the payment of Claims, whether administrative expense, secured or unsecured, including without limitation any and all objections to the validity or amount of any and all alleged Administrative Expense Claims, Priority Tax Claims, or Priority Non-Tax Claims, liens and security interests, whether under the Bankruptcy Code, other applicable law or contract. The failure to object to any Claim prior to the Effective Date shall be without prejudice to the Debtor's right to contest or otherwise defend against such Claim in the Bankruptcy Court when and if such Claim is sought to be enforced by the holder of the Claim.

(b) Objections to Claims. The Debtor and Litigation Trust, as applicable, may dispute, object to, compromise or otherwise resolve all Claims. Unless otherwise provided in the Plan or ordered by the Bankruptcy Court, all objections to Claims shall be filed and served no later than the Claims Objection Bar Date, which is ninety (90) days after the Effective Date, provided that the Litigation Trust may request (and the Bankruptcy Court may grant) an extension of time by filing a motion with the Bankruptcy Court.

(c) Filing Objections. An objection to a Claim shall be deemed properly served on the claimant if the Debtor or Litigation Trust, as applicable, effects service of any such objection in accordance with Rule 3007 of the Bankruptcy Rules by mailing or otherwise delivering the objection and a notice of hearing thereon to the claimant at the address set forth on such claimant's proof of claim at least thirty (30) days prior to the hearing thereon.

(d) Determination of Claims. Except as otherwise agreed by the Debtor or Litigation Trust, as applicable, any Claim as to which a proof of claim or motion or request for payment was timely filed in the Chapter 11 Case may be determined and liquidated after the Effective Date pursuant to (i) an order of the Bankruptcy Court (which order has not been stayed, reversed or amended and as to which determination or any revision, modification or amendment thereof, and the time to appeal or seek review or rehearing thereof, has expired, and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending), or (ii) applicable non-bankruptcy law. Any Claim determined to be an Allowed Claim after the Effective Date pursuant to this section shall be treated as an Allowed Claim in accordance with the Plan.

9.10 Disputed Claims.

(a) Except to the extent the Court determines that a lesser amount is adequate, the Debtor or Litigation Trust, as applicable, shall, on each Distribution Date, deposit in the Disputed Claims Reserve established by the Debtor Cash equal to the Distributions that would have been made to holders of Disputed Claims if such Claims were Allowed Claims in their full amounts or such lower amount as to which the holder of such Claim has agreed in writing or, in the case where any such Claim is unliquidated and/or contingent, the greater of (i) \$1, and (ii) such other amount as is reserved by order of the Bankruptcy Court made upon motion of the holder of such Claim.

(b) For purposes of effectuating the provisions of this Section 9.10 and the Distributions to holders of Allowed Claims, the Court, on or prior to the Effective Date, or thereafter upon the request of any holder of a Claim or the Debtor may estimate the amount of Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so estimated shall be deemed to be the aggregate amounts of the Disputed Claims pursuant to section 502(c) of the Bankruptcy Code for purposes of Distribution under this Plan and for purposes of the Disputed Claims Reserve.

(c) When a Disputed Claim becomes an Allowed Claim, there shall be distributed to the holder of such Allowed Claim, in accordance with the provisions of the Plan (but in no event later than the next succeeding Distribution Date), Cash in the amount equal to all Distributions to which such holder would have been entitled if such holder's Claim were Allowed on the Effective Date.

(d) In no event shall any holder of any Disputed Claim be entitled to receive (under this Plan or otherwise) any Cash payment which is greater than the amount reserved, if any, for such Disputed Claim pursuant to this Section 9.10. In no event shall the Debtor have any responsibility or liability for any loss to or of any amount reserved under this Plan unless such loss is the result of that party's fraud, willful misconduct, or gross negligence. In no event may any Creditor whose Disputed Claim is subsequently allowed, pursue or recover or from any other Creditor in respect of any funds received as Distributions under the Plan.

(e) To the extent that a Disputed Claim ultimately becomes an Allowed Claim and is entitled to a Distribution in an amount less than the amount reserved for such Disputed Claim, then on the next succeeding Distribution Date, the Debtor shall return such excess amount from the Disputed Claim Reserve to the Litigation Trust for distribution in accordance with the Plan.

(f) The Disputed Claims Reserve shall be treated as a disputed ownership fund, within the meaning of Treasury Regulation section 1.468B-9, for all purposes associated with taxation.

(g) Except as expressly set forth in the Plan, or otherwise agreed to in writing or ordered by the Court, the Debtor or Litigation Trust, as applicable, shall not have any duty to fund the Disputed Claims Reserve.

(h) The Debtor, or Litigation Trust, as applicable, shall pay, or cause to be paid, out of the funds held in the Disputed Claims Reserve, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in the Disputed Claims Reserve. The Debtor, or Litigation Trust, as applicable, shall file, or cause to be filed, any tax or information return related to the Disputed Claims Reserve that is required by any federal, state, or local taxing authority.

9.11 No Payments of Fractional Cents or Distributions of Less Than Twenty-Five Dollars.

(a) Any contrary provision hereof notwithstanding, for purposes of administrative convenience, no payment of fractional cents shall be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole penny (up or down), with halfpennies or less being rounded down and fractions in excess of half of a penny being rounded up.

(b) Any contrary provision hereof notwithstanding, for purposes of administrative convenience, no Distribution of less than Twenty Five Dollars (\$25) shall be made pursuant to the Plan. Whenever any Distribution of less than Twenty Five Dollars (\$25) under the Plan would otherwise be required, such funds will be retained by the Distribution Agent for the account of the recipient until such time that successive Distributions aggregate to Twenty Five (\$25) Dollars, at which time such payment shall be made, and if successive Distributions do not ever reach Twenty Five (\$25) in the aggregate, then such Distributions shall be returned to the Litigation Trust.

9.12 Setoff and Recoupment. Except as otherwise provided in the Plan, the Debtor or Litigation Trust, as applicable, may, but shall not be required to, set off against, or recoup from, any Claim and the Distributions to be made pursuant to the Plan in respect thereof, any Claims, defenses or Causes of Action of any nature whatsoever that the Debtor or Litigation Trust, as applicable, may have, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor or Litigation Trust, as applicable, of any right of setoff or recoupment against the holder of any Claim.

9.13 Payment of Taxes on Distributions Received Pursuant to the Plan.

(a) Any contrary provision hereof notwithstanding, as a condition to payment of any Distribution to a Creditor under the Plan, each Creditor shall provide a valid tax identification or social security number (collectively the "Tax Information") for purposes of tax reporting by the Debtor. All Entities that receive Distributions under the Plan shall be responsible for reporting and paying, as applicable, any taxes on account of their Distributions.

(b) At such time as the Debtor or Litigation Trust, as applicable, believes that Distributions to a particular Class of Claims or Equity Interests is likely, the Debtor shall request Tax Information in writing from the Creditors (the "Tax Information Request"). Any Creditor who fails to respond to Tax Information Request within ninety

(90) days from the date posted on the Tax Information Request, shall forfeit all Distributions such Creditor of holder of an Equity Interest may otherwise be entitled to under this Plan and such forfeited funds will revert to the Litigation Trust to be disbursed in accordance with the Plan.

9.14 Compliance With Tax Withholding and Reporting Requirements.

With respect to all Distributions made under the Plan, the Debtor or Litigation Trust, as applicable, will comply with all withholding and reporting requirements of any federal, state, local or foreign taxing authority.

ARTICLE 10 - PLAN INTERPRETATION, CONFIRMATION AND VOTING

10.1 Procedures Regarding Objections to Designation of Classes as Impaired or Not Impaired.

In the event the designation of the treatment of a Class as impaired or not impaired is objected to, the Bankruptcy Court shall determine the objection and voting shall be permitted or disregarded in accordance with the determination of the Bankruptcy Court.

10.2 Withdrawal and Modification of Plan.

This Plan may be withdrawn or modified by the Debtor at any time prior to the Confirmation Date. The Debtor may modify the Plan in any manner consistent with section 1127 of the Bankruptcy Code prior to substantial consummation thereof. Upon request by the Debtor, the Plan may be modified after substantial consummation with the approval of the Bankruptcy Court, provided that such modification does not affect the essential economic treatment of any Person that objects in writing to such modification.

10.3 Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or the Plan, the laws of the State of New York applicable to contracts executed in such State by residents thereof and to be performed entirely within such State shall govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection with this Plan.

10.4 Voting of Claims.

Each holder of a Claim as of the Record Date in Class 4, Class 5, Class 6, Class 7 and Class 8 shall be entitled to vote to accept or reject the Plan. The Disclosure Statement Order shall govern the manner and procedures for casting of Ballots with the Voting Agent.

10.5 Acceptance by Impaired Class.

Consistent with section 1126(c) of the Bankruptcy Code, and except as provided for in section 1126(e) of the Bankruptcy Code, a Class of creditors shall have accepted the Plan if it is accepted by more than one-half in number representing at least two-thirds in dollar amount of the holders of Allowed Claims of such Class that have timely and properly voted to accept or reject the Plan.

10.6 Presumed Acceptances of Plan.

Classes 1, 2, 3 and 9 are not impaired under the Plan and, therefore, are conclusively presumed to have accepted the Plan.

10.7 Nonconsensual Confirmation

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtor reserves the right to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtor reserves the right to alter, amend, modify, revoke or withdraw the Plan, the Plan Supplement or otherwise to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

ARTICLE 11 - RETENTION OF JURISDICTION BY BANKRUPTCY COURT

11.1 From the Confirmation Date until entry of a final decree closing the Debtor's Chapter 11 Case pursuant to 11 U.S.C. §350 and Bankruptcy Rule 3022, the Bankruptcy Court shall retain such jurisdiction as is legally permissible over the Chapter 11 Case for the following purposes:

(a) to hear and determine any and all objections to the allowance of any Claim or Administrative Expense Claim, or any controversy as to the classification of Claims or any matters which may directly, indirectly or contingently affect the obligations of the Debtor or Litigation Trust, as applicable, to any Creditors, holders of Claims, or other parties in interest;

(b) to hear and determine any and all applications for compensation and reimbursement of expenses by Professionals;

(c) to hear and determine any and all pending motions for the assumption or rejection of executory contracts and unexpired leases, and to fix any Claims resulting therefrom;

(d) to adjudicate through final judgment such contested matters and adversary proceedings as may be pending or subsequently initiated in the Court.

(e) to enforce and interpret the provisions of this Plan and the Confirmation Order;

(f) to issue any injunction or other relief appropriate to implement the intent of the Plan, and to enter such further orders enforcing any injunctions or other relief issued under the Plan or pursuant to the Confirmation Order;

(g) to modify the Plan pursuant to section 1127 of the Bankruptcy Code and the applicable Bankruptcy Rules;

(h) to correct any defect, cure any omission, or reconcile any inconsistency in this Plan or in the Confirmation Order as may be necessary to carry out the purposes and the intent of this Plan;

(i) to interpret and determine such other matters as the Confirmation Order may provide for, or as may be authorized under the Bankruptcy Code;

(j) to enter and implement such orders as may be appropriate in the event the Confirmation Order is, for any reason, stayed, reversed, revoked, modified or vacated.

ARTICLE 12 - MISCELLANEOUS PROVISIONS

12.1 Headings.

Headings are utilized in this Plan for the convenience of reference only, and shall not constitute a part of this Plan for any other purpose.

12.2 No Attorneys' Fees.

No attorneys' fees with respect to any Claim or Interest shall be payable under the Plan, except as expressly specified herein or Allowed by a Final Order of the Bankruptcy Court.

12.3 Notices.

Except as otherwise specified in the Plan, all notices in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing. All communications shall be deemed sent if sent to the Debtor or Litigation Trust, as applicable at the following address:

If to the Debtor or Litigation Trust:

c/o Douglas Woodrum
5 Vista Real
Mill Valley, CA 94941

With a copy to (which shall not constitute service):

Klestadt Winters Jureller Southard & Stevens, LLP
200 West 41st Street, 17th Floor
New York, New York 10018
Attn: Tracy L. Klestadt, Esq.

12.4 No Discharge.

The Debtor shall not receive a discharge under the Plan.

12.5 Claims In Dollars.

Any Claims asserted in foreign currencies shall be converted to United States Dollars in accordance with the prevailing exchange rates published by the Wall Street Journal on the Confirmation Date.

12.6 Binding Effect.

The rights, benefits, and obligations of any Person named or referred to in the Plan, or whose actions may be required to effectuate the terms of the Plan, shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person (including, but not limited to, any trustee appointed for the Debtor under chapter 7 or 11 of the Bankruptcy Code). The Confirmation Order shall provide that the terms and provisions of the Plan and the Confirmation Order shall survive and remain effective after entry of any order which may be entered converting the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, and the terms and provisions of the Plan shall continue to be effective in this or any superseding case under the Bankruptcy Code.

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Dated: New York, New York
April ~~24~~25, 2017

CHINACAST EDUCATION CORPORATION

By: /s/ Douglas Woodrum
Douglas Woodrum
Chief Financial Officer

Approved as to Form:

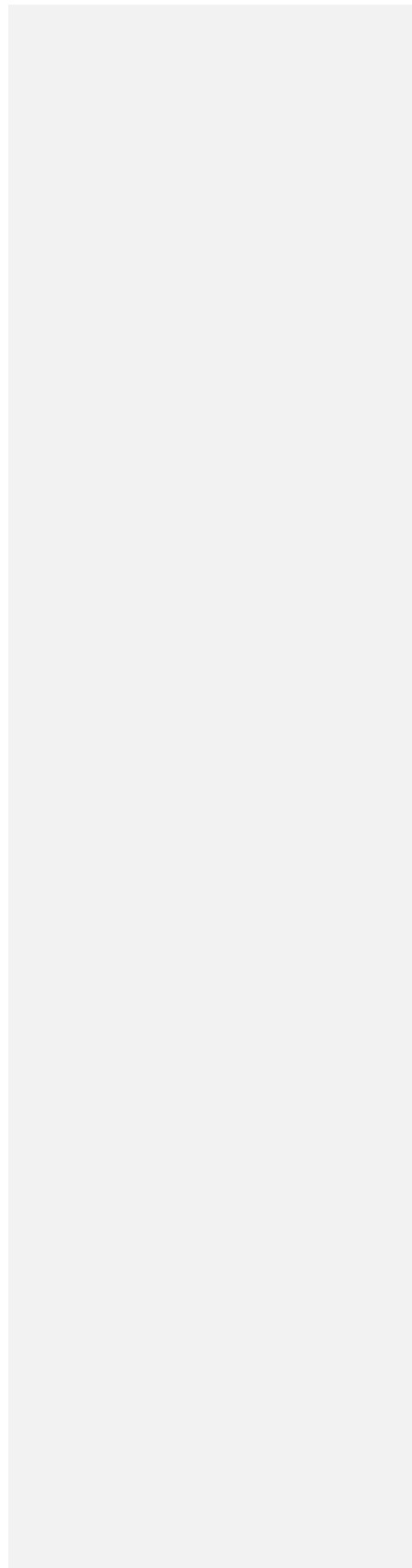
KLESTADT WINTERS JURELLER
SOUTHARD & STEVENS, LLP

/s/ Tracy L. Klestadt

Tracy L. Klestadt
Joseph C. Corneau
200 West 41st Street, 17th Floor
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Tel: (212) 972-3000
Fax: (212) 972-2245
Email: tklestadt@klestadt.com
jcorneau@klestadt.com

*Attorneys for the Debtor and Debtor-in-
Possession*

Exhibit B
Recovery Actions



- (a) *Chinacast Education Corporation v. Wu Cai Yu and others*; Hong Kong Court of First Instance;
- (b) *Chinacast Education Corporation v. DMX Technologies and others*; Hong Kong Court of First Instance;
- (c) *Chinacast Education Corporation v. Jim Ma and others*; Hong Kong Court of First Instance;
- (d) *Chinacast Education Corporation v. Ron Chan Tze Ngon, Jiang Xiangyuan, Justin Tang, and Antonio Sena*, Court of Chancery of the State of Delaware, Case No. 10063-VCL;
- (e) *Chinacast Education Corporation v. Zhuoguo, et al.*, United States District Court for the Central District of California, Case No. 15-CV-5475-AB-E; and
- (f) *Chinacast Education Corporation v. Yao, et al.*, United States District Court for the Central District of California, Case No. 16-CV-01016-RSWL-SS