

APPENDIX I

RIGHTS OFFERING PROCEDURES

The following Offering Procedures set forth the terms and conditions of the Offering (as defined below).

ARTICLE I DEFINITIONS

As used in this Exhibit C, the following terms shall have the respective meanings specified below and be equally applicable to the singular and plural of terms defined. Capitalized terms used in this Exhibit C and not otherwise defined herein shall have the respective meanings provided in the Plan.

1.1 **2016 Notes** means those certain 12.25% unsecured notes due 2016 and issued by SFO under the 2016 Notes Indenture.

1.2 **2016 Notes Indenture** means that certain indenture, dated June 16, 2008, between SFO, as issuer, SFI, as guarantor, and HSBC Bank USA, N.A., as trustee, pursuant to which the 2016 Notes were issued, as amended from time to time.

1.3 **Accepting SFO Noteholder** means an Eligible Holder that votes to accept the Plan.

1.4 **Accredited Investor** means an “accredited investor” as defined in Rule 501(a) of Regulation D under the Securities Act.

1.5 **Approval Order** means that order, in form and substance satisfactory to the Debtors and Majority Backstop Purchasers, authorizing and approving the Backstop Commitment Agreement.

1.6 **Backstop Commitment** means the “Backstop Commitment” as defined in the Backstop Commitment Agreement.

1.7 **Backstop Commitment Agreement** means that certain commitment agreement executed by and between the Debtors and each of the Backstop Purchasers in connection with the Offering, attached hereto as Annex A, pursuant to which the Backstop Purchasers agreed to backstop the Offering in the respective percentages set forth on Schedule I of the New Common Stock Term Sheet.

1.8 **Backstop Purchasers** means those certain Persons signatory to the Backstop Commitment Agreement, each of which has agreed to backstop the Offering on the terms and subject to the conditions set forth in the Backstop Commitment Agreement.

1.9 **Eligible Holder** means an SFO Noteholder who is an Accredited Investor as of the Offering Record Date.

1.10 **Limited Offering Pro Rata Share** means (x) the total principal amount of 2016 Notes held by an Eligible Holder divided by (y) four times the aggregate principal amount of all 2016 Notes outstanding as of the Petition Date.

1.11 **Majority Backstop Purchasers** means the Backstop Purchasers that collectively hold a majority of the aggregate commitment percentage set forth on Schedule I of the New Common Stock Term Sheet.

1.12 **New Common Stock Term Sheet** means that certain term sheet attached to the Backstop Commitment Agreement as Exhibit A thereto.

1.13 **Offering** means the offering of \$450.0 million in aggregate of New Common Stock (i) to each Eligible Holder in respect of its Limited Offering Pro Rata Share and (ii) to the extent less than the full Offering Amount is issued to the Eligible Holders, to the Backstop Purchasers.

1.14 **Offering Amount** means \$450.0 million.

1.15 **Offering Participant** means an Accepting SFO Noteholders who participates in the Offering. For the avoidance of doubt, a Backstop Purchaser (i) shall be entitled to participate in the Offering in its capacity as a SFO Noteholder if it votes to accept the Plan and (ii) shall remain a Backstop Purchaser whether or not it votes to accept the Plan.

1.16 **Offering Procedures** means the rights offering procedures, setting forth the terms and conditions of the Offering, in substantially the form set forth in this Exhibit C.

1.17 **Offering Record Date** means _____, 2009.

1.18 **Offering Subscription Purchase Price** means, for each holder of Subscription Rights, such holder's Limited Offering Pro Rata Share multiplied by the Offering Amount. For purposes of the Offering, the New Common Stock shall be priced on the basis of an assumed enterprise value of SFI of \$1.335 billion on the Effective Date.

1.19 **SFO Noteholders** means, collectively, the "Holders" under and as defined in the 2016 Notes Indenture.

1.20 **SFO Unsecured Claim** means any Allowed Unsecured Claim against SFO. SFO Unsecured Claims include, without limitation, Claims against SFO arising under or related to the 2016 Notes Indenture.

1.21 **Subscription Agent** means [_____], in its capacity as a subscription agent in connection with the Offering.

1.22 **Subscription Commencement Date** means the date on which the Order approving the Disclosure Statement is entered.

1.23 **Subscription Expiration Date** means the deadline for voting on the Plan, as specified in the Subscription Form, which shall be the final date that an Eligible Holder may elect to subscribe for the Subscription Rights.

1.24 **Subscription Form** means the form to be used by an Offering Participant pursuant to which such holder may exercise its respective Subscription Rights, which shall be in form and substance acceptable to the Majority Backstop Purchasers.

1.25 **Subscription Payment Date** means the Subscription Expiration Date or such other date to be designated by the Majority Backstop Purchasers, by which such Offering Subscription Purchase Price shall be due.

1.26 **Subscription Period** means the period of time between the Subscription Commencement Date and the Subscription Expiration Date.

1.27 **Subscription Rights** means the non-transferable, non-certified subscription rights to purchase New Common Stock in connection with the Offering, on the terms and subject to the conditions set forth in the Offering Procedures.

1.28 **Unsubscribed Shares** means those shares of New Common Stock to be issued in connection with the Offering (based on the Offering Amount) that are not, or can not be, subscribed for and purchased by Eligible Holders pursuant to the Offering prior to the Subscription Expiration Date.

ARTICLE II

THE OFFERING

2.1 Issuance of Subscription Rights.

(a) **Offering.** Each of the Eligible Holders shall be entitled to receive Subscription Rights entitling such participant to subscribe for up to its Limited Offering Pro Rata Share of New Common Stock to be issued pursuant to the Offering.

(b) **Equity Ownership in Reorganized SFI.** After giving effect to the issuance of New Common Stock pursuant to the SFO Unsecured Claims distribution, the Offering Participants and the Backstop Purchasers shall be entitled to receive approximately 69.77% of the total outstanding New Common Stock of Reorganized SFI on the Effective Date, which amount shall be subject to dilution in connection with awards issued on or after the Effective Date under the Long-Term Incentive Plan.

The Backstop Purchasers, on the terms and subject to the conditions of the Backstop Commitment Agreement, shall subscribe for and purchase all Unsubscribed Shares as of the Subscription Expiration Date.

2.2 Subscription Period.

The Offering shall commence on the Subscription Commencement Date and shall expire on the Subscription Expiration Date. Each Offering Participant intending to participate in the Offering must affirmatively elect to exercise its respective Subscription Rights on or prior to the Subscription Expiration Date. After the Subscription Expiration Date, the Unsubscribed Shares shall be treated as acquired by the Backstop Purchasers on the terms and subject to the conditions contained in the Backstop Commitment Agreement and the Plan, and any exercise of such Subscription Rights by any entity other than the Backstop Purchasers (or any affiliate or permitted assignee of such Backstop Purchasers in accordance with the Backstop Commitment Agreement) shall be null and void and there shall be no obligation to honor any such purported exercise received by the Subscription Agent after the Subscription Expiration Date, regardless of when the documents relating to such exercise were sent.

2.3 Subscription Purchase Price.

Each Offering Participant choosing to exercise its Subscription Rights shall be required to pay such participant's Offering Subscription Purchase Price for New Common Stock.

2.4 Exercise of Subscription Rights.

In order to exercise the Subscription Rights, each Offering Participant must: (a) return a duly completed Subscription Form to the Subscription Agent so that such form is actually received by the Subscription Agent on or before the Subscription Expiration Date; and (b) pay to the Subscription Agent (on behalf of the Debtors) on or before the Subscription Expiration Date such Offering Participant's Offering Subscription Purchase Price in accordance with the wire instructions set forth on the Subscription Form delivered to the Subscription Agent along with the Subscription Form.

Each Offering Participant may exercise all or any portion of such Offering Participant's Subscription Rights pursuant to the Subscription Form, but the exercise of any Subscription Rights shall be irrevocable. If the Subscription Agent for any reason does not receive from a given Offering Participant: (a) a duly completed Subscription Form on or prior to the Subscription Expiration Date; and (b) immediately available funds in an amount equal to such Offering Participant's Offering Subscription Purchase Price on or prior to the third Business Day prior to the Confirmation Hearing, such Offering Participant shall be deemed to have relinquished and waived its right to participate in the Offering.

The payments made in accordance with the Offering shall be deposited and held by the Subscription Agent in a trust or escrow account, or similarly segregated account or accounts which shall be separate and apart from the Subscription Agent's general operating funds and any other funds subject to any lien or similar encumbrance and which segregated account or accounts shall be maintained for the purpose of holding the money for administration of the Offering until the Effective Date. In the event the Effective Date does not occur within fifteen (15) days after the Confirmation Date, the funds will be returned to the Offering Participants unless a later date is selected at the joint option of the Debtors and the Majority

Backstop Purchasers, but in no event later than thirty (30) days after the Confirmation Date. The Subscription Agent shall not use such funds for any other purpose prior to such date and shall not encumber or permit such funds to be encumbered with any lien or similar encumbrance.

In order to facilitate the exercise of the Subscription Rights, on or promptly after the Subscription Commencement Date, the Subscription Form shall be provided by mail, electronic mail or facsimile transmission to each SFO Noteholder that any Backstop Purchaser knows to be an Eligible Holder or who identifies itself as an Eligible Holder to the Subscription Agent, together with appropriate instructions for the proper completion, due execution and timely delivery of the Subscription Form, as well as instructions for the payment of the applicable Subscription Purchase Price for that portion of the Subscription Rights sought to be exercised by such Offering Participant.

2.5 Offering Procedures.

Notwithstanding anything contained herein to the contrary, the Majority Backstop Purchasers (subject to the Debtors consent, which shall not be unreasonably withheld) may modify these Offering Procedures or adopt such additional detailed procedures consistent with the provisions of these Offering Procedures to more efficiently administer the exercise of the Subscription Rights; provided, however, that the Majority Backstop Purchasers shall provide prompt written notice to the Offering Participants of any material modification to these Offering Procedures.

2.6 Transfer Restriction: Revocation.

The Subscription Rights are not transferable. Any such transfer or attempted transfer shall be null and void, and no purported transferee shall be treated as the holder of any Subscription Rights. Once an Offering Participant has properly exercised its Subscription Rights, such exercise cannot be revoked, rescinded or modified.

2.7 Offering Backstop.

(a) *General.* On the terms and subject to the conditions in the Backstop Commitment Agreement, the Backstop Purchasers have agreed to subscribe for and purchase on the Effective Date, at the aggregate Offering Subscription Purchase Price therefor, all Unsubscribed Shares as of the Subscription Expiration Date according to the respective percentages set forth on Schedule I of the New Common Stock Term Sheet. The Backstop Purchasers shall pay to the Subscription Agent, by wire transfer in immediately available funds one business day prior to the Confirmation Hearing, Cash in an amount equal to the aggregate Offering Subscription Purchase Price attributable to such Unsubscribed Shares as provided in the Backstop Commitment Agreement; provided, that such funds shall be immediately refunded to the Backstop Purchasers if the Effective Date does not occur within fifteen (15) days of the Confirmation Hearing unless otherwise decided by the Majority Backstop Purchasers. The Subscription Agent shall deposit such payment into the same trust or escrow account into which were deposited the Offering Subscription Purchase Price payments of Offering Participants on the exercise of their Subscription Rights. The Subscription Agent shall give the Debtors and the Backstop Purchasers by e-mail and electronic facsimile transmission written notification setting

forth a true and accurate calculation of the number of Unsubscribed Shares, together with the aggregate Offering Subscription Purchase Price therefor (the "**Backstop Purchase Notice**") as soon as practicable after the Subscription Expiration Date. In addition, the Subscription Agent shall notify the Backstop Purchasers, on each Friday during the Subscription Period and on each Business Day during the five (5) Business Days prior to the Subscription Expiration Date (and any extensions thereto), or more frequently if requested by the Backstop Purchasers, of the aggregate number of Subscription Rights known by the Subscription Agent to have been exercised pursuant to the Offering as of the close of business on the preceding Business Day or the most recent practicable time before such request, as the case may be.

(b) *Payment.* Subscription Agent shall determine the number of Unsubscribed Shares, if any, in good faith, and provide the Debtors and the Backstop Purchasers with a Backstop Purchase Notice that accurately reflects the number of Unsubscribed Shares as so determined. On the Effective Date, the Backstop Purchasers shall purchase only such number of Unsubscribed Shares as are listed in the Backstop Purchase Notice, without prejudice to the rights of the Backstop Purchasers to seek later an upward or downward adjustment if the number of Unsubscribed Shares in such Backstop Purchase Notice is inaccurate. Delivery of the Unsubscribed Shares shall be made to the account of the Backstop Purchasers (or to such other accounts as the Backstop Purchasers may designate) on the Effective Date against application by the Subscription Agent of the Offering Subscription Purchase Price payments of Offering Participants on the exercise of their Subscription Rights to a bank account in the United States specified by the Debtors to the Backstop Purchasers at least 24 hours in advance. All Unsubscribed Shares shall be delivered with any and all issue, stamp, transfer or similar taxes or duties payable in connection with such delivery duly paid by the Debtors or the Reorganized Debtors to the extent required under the Confirmation Order or applicable law.

(c) *Transfer of Backstop Commitment.* Notwithstanding anything contained herein to the contrary, the Backstop Purchasers, in their sole discretion, may designate that some or all of the Unsubscribed Shares be issued in the name of, and delivered to, one or more of its affiliates, or to other financial institutions, in each case, reasonably acceptable to the Debtors.

(d) *Conditions Precedent to Obligations of Backstop Purchasers.* The obligations of the Backstop Purchasers to purchase New Common Stock shall be conditioned upon satisfaction of each of the following; provided, that any or all of the following conditions may be waived in writing by the Majority Backstop Purchasers:

(i) the Postconfirmation Organizational Documents shall be in form and substance acceptable to the Majority Backstop Purchasers;

(ii) the Registration Rights Agreement shall be in form and substance acceptable to the Majority Backstop Purchasers;

(iii) except as otherwise provided, the Plan, the Disclosure Statement, the Solicitation Order, the Confirmation Order and any Plan supplemental documents (collectively, the "**Plan Documents**") shall be in form and substance acceptable to the Majority Backstop Purchasers in their discretion exercised reasonably;

(iv) all motions and other documents to be filed with the Bankruptcy Court in connection with the Offering, and payment of the fees contemplated under the Plan, the Backstop Commitment Letter, the New Common Stock Term Sheet and under these Offering Procedures shall be in form and substance acceptable to the Majority Backstop Purchasers;

(v) all motions and other documents to be filed with the Bankruptcy Court in connection with the approval of the Postconfirmation Organizational Documents shall be in form and substance acceptable to the Majority Backstop Purchasers in their discretion exercised reasonably;

(vi) all reasonable out-of-pocket fees and expenses (including reasonable fees and expenses of counsel and, if applicable, the fees and expenses of financial advisors) required to be paid to the Backstop Purchasers under the Plan, the Backstop Commitment Letter, the New Common Stock Term Sheet and/or these Offering Procedures have been paid;

(vii) the Bankruptcy Court shall have entered the Approval Order, in form and substance satisfactory to the Majority Backstop Purchasers;

(viii) the Adjusted EBITDA (as such term is defined in the Debtors' financial release dated as of November 2, 2009) for the twelve (12) months ending November 30, 2009 shall exceed \$180 million;

(ix) any and all governmental and third party consents and approvals necessary in connection with the Offering, the execution and filing where applicable, of the Postconfirmation Organizational Documents and the transactions contemplated hereby and thereby shall have been obtained and shall remain in effect;

(x) the Exit Facility Loan Documents and the documents governing the New TW Loan (as such terms are defined in the Plan) shall be in form and substance acceptable to the Majority Backstop Purchasers; and

(xi) The Plan shall have become, or simultaneously with the issuance of the Shares will become, effective.

2.8 Breakup Fees and Expenses.

Under the Backstop Commitment Agreement, in the event that the Debtors enter into a financing transaction with parties other than the Backstop Purchasers or do not issue the New Common Stock on the terms and subject to the conditions set forth in the Plan and New Common Stock Term Sheet, the Debtors shall pay to the Backstop Purchasers an aggregate breakup fee in Cash equal to 5.0% of the Offering Amount, which fee shall be fully earned upon entry of an order of the Bankruptcy Court authorizing the Debtors to execute the Backstop Commitment Agreement and shall be payable in full on the Effective Date.

Under the Backstop Commitment Agreement, upon the confirmation of any plan of reorganization, the Debtors shall pay all reasonable out-of-pocket fees and expenses

of the Backstop Purchasers to the extent provided in such Backstop Commitment Agreement (including reasonable fees and expenses of counsel and, if applicable, the fees and expenses of financial advisors) on or before the effective date of such plan of reorganization.

2.9 Distribution of the New Common Stock.

On the Effective Date, Reorganized SFI shall distribute the New Common Stock purchased by each Offering Participant that has properly exercised its Subscription Rights to such holder and to the Backstop Purchasers. If the exercise of a Subscription Right would result in the issuance of a fractional share of New Common Stock, then the number of shares of New Common Stock to be issued in respect of such Subscription Right shall be rounded down to the closest whole share.

2.10 Exemption from Registration under the Securities Act.

The Offering is being made to Eligible Holders only. The New Common Stock issued pursuant to the Offering to the Offering Participants shall be exempt from registration under the Securities Act by virtue of section 4(2) thereof. Unlike the New Common Stock issued to holders of Allowed SFO Unsecured Claims, the New Common Stock issued to the Offering Participants pursuant to the Offering will not be exempt from registration under the Securities Act by virtue of section 1145 of the Bankruptcy Code.

2.11 Validity of Exercise of Subscription Rights.

All questions concerning the timeliness, viability, form and eligibility of any exercise of Subscription Rights shall be determined by the Majority Backstop Purchasers, whose good faith determinations shall be final and binding. The Majority Backstop Purchasers, in their discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as they may determine, or reject the purported exercise of any Subscription Rights. Subscription Forms shall be deemed not to have been received or accepted until all irregularities have been waived or cured within such time as the Majority Backstop Purchasers determine in their discretion. The Majority Backstop Purchasers shall use commercially reasonable efforts to give notice to any Offering Participants regarding any defect or irregularity in connection with any purported exercise of Subscription Rights by such participant and, may permit such defect or irregularity to be cured within such time as they may determine in good faith to be appropriate; provided, however, that neither the Majority Backstop Purchasers nor the Subscription Agent shall incur any liability for failure to give such notification.

2.12 Indemnification of Backstop Purchasers.

The Debtors or the Reorganized Debtors, as the case may be, agree to indemnify and hold harmless the Backstop Purchasers and their respective present and former directors, officers, partners, members, representatives, employees, agents, attorneys, financial advisors, restructuring advisors and other professional advisors (each an "*Indemnified Person*") from and against any and all losses, claims, damages, liabilities and expenses, joint or several, to which any such Indemnified Person may incur, have asserted against it or be involved in as a result of or arising out of or in any way related to the Plan, the Offering, the Backstop Commitment

Agreement or the transactions contemplated hereby or thereby, including without limitation distribution of the Subscription Rights, the purchase and sale of New Common Shares in the Offering and purchase and sale of Unsubscribed Shares to the Backstop Purchasers pursuant to the Backstop Commitment Agreement or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any of such Indemnified Persons is a party thereto, and to reimburse each of such Indemnified Persons within 10 days after demand for any legal or other expenses incurred in connection with any of the foregoing; provided, however, that the foregoing indemnity shall not, as to any Indemnified Person, apply to losses, claims, damages, liabilities or related expenses to the extent they have resulted from the willful misconduct or gross negligence of such Indemnified Person.

Notwithstanding any other provision to the contrary, no Indemnified Person shall be liable for any special, indirect, consequential or punitive damages in connection with its activities related to the Plan, the Offering, the Backstop Commitment Agreement or the transactions contemplated hereby or thereby. The terms set forth in this section 2.12 shall survive termination of the Backstop Commitment Agreement and shall remain in full force and