

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

FILED-
BRADFORD L. BOLTON
CLERK

01 OCT 26 PM 4:33

In re:)
)
CONVERGENT COMMUNICATIONS,)
INC.)
EIN: 84-1337265)
)
Debtor.)

Chapter 11
Case No. 01 15488 EEB

U.S. BANKRUPTCY COURT
DISTRICT OF COLORADO

In re:)
)
CONVERGENT COMMUNICATIONS)
SERVICES, INC.)
EIN: 84-1387594)
)
Debtor.)

Chapter 11
Case No. 01 15489 EEB

(Jointly Administered under Case No. 01
15488 (EEB))

0/0600

PROPOSED FIRST REVISED DISCLOSURE STATEMENT
FOR FIRST AMENDED JOINT PLAN OF LIQUIDATION

NOT YET APPROVED FOR DISTRIBUTION TO CREDITORS
AS A SOLICITATION DOCUMENT BY THE BANKRUPTCY COURT

- APP _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- LEG _____
- OPC _____
- PAI _____
- RGO _____
- SEC _____
- SER _____
- OTH _____

Handwritten signature and date: 11/27/01

DOCUMENT NUMBER-DATE

14758 NOV 20 06

FPSC-COMMISSION CLERK

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I. INTRODUCTION	1
A. Overview.....	1
B. Purpose Of Disclosure Statement.	1
C. Disclaimers.	1
D. Summary Of The Plan.	2
E. Hearings Regarding the Final Approval of the Disclosure Statement and the Confirmation Hearing.	4
F. Completion of Administration.	4
ARTICLE II. GENERAL INFORMATION	5
A. Description Of The Debtors.....	5
B. Factors Leading to the Filing of the Bankruptcy Petitions.	9
C. The Debtors' Chapter 11 Cases.....	9
D. Creditors Committee.....	10
ARTICLE III. LIQUIDATION	11
A. In General.....	11
B. Estimated Funds Available to Pay the Claims of Creditors.....	11
C. Claims of Creditors that Must Be Paid from the Debtors' Assets.....	14
ARTICLE IV. ACCEPTANCE OF THE PLAN AND VOTING INSTRUCTIONS	16
A. Creditors Eligible To Vote.....	16
B. Voting Instructions.....	18
C. Best Interests Of Creditors.....	22
D. Acceptance.....	22
E. Failure To Gain Acceptance.	23
ARTICLE V. CERTAIN FEDERAL INCOME TAX CONSEQUENCES	24
A. Generally.....	24
B. Creation of the Liquidating Trusts and the Disputed Claims Reserves	24

C. Federal Income Tax Consequences to Creditors25

D. Taxation of the Operation of the Liquidating Trusts and the
Disputed Claims Reserves30

E. Federal Income Tax Consequences to the Debtors.....32

ARTICLE VI. ADDITIONAL PLAN PROVISIONS.....34

ARTICLE VII. FEASIBILITY AND RISK FACTORS36

ARTICLE VIII. CONCLUSION.....38

ARTICLE I.

INTRODUCTION

A. Overview.

This Disclosure Statement (the "Disclosure Statement") has been prepared by Convergent Communications, Inc. ("CCI") and Convergent Communications Services, Inc. ("CCSI", and together with CCI, the "Debtors") in respect of their Joint Plan of Liquidation dated September 24, 2001, which the Debtors have filed with the Bankruptcy Court. The Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on April 19, 2001 (the "Commencement Date"), commencing the above-captioned cases in the Bankruptcy Court.

Initially capitalized terms used but not defined herein shall have the meanings set forth for such terms in Article I of the Plan. Initially capitalized terms used in this Disclosure Statement that are not defined herein or in the Plan shall have the meanings assigned to such terms by the Bankruptcy Code or the Bankruptcy Rules or, if none, by common usage.

B. Purpose Of Disclosure Statement.

This Disclosure Statement provides information with respect to the Debtors and the Plan and seeks to assist Creditors in making an informed decision whether to vote for or against the Plan. The Debtors are seeking acceptances of the Plan by certain Creditors.

The Debtors are not soliciting the votes of holders of equity interests in the Debtors. Equity interest holders receive nothing under the Plan and are conclusively deemed to have rejected the Plan.

C. Disclaimers.

EACH CREDITOR SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. ALL PREVIOUS STATEMENTS AND REPRESENTATIONS BY THE DEBTORS ARE EXPRESSLY SUPERSEDED BY THIS DISCLOSURE STATEMENT. ALL OF THE STATEMENTS AND REPRESENTATIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA HEREIN ARE DERIVED FROM RECORDS OF THE DEBTORS, AND THE DEBTORS HAVE MADE A REASONABLE EFFORT TO PRESENT ACCURATE INFORMATION. THE DEBTORS' PROFESSIONALS WHO HAVE ASSISTED IN THE PREPARATION OF THIS DISCLOSURE STATEMENT HAVE NOT INDEPENDENTLY VERIFIED THE INFORMATION SET FORTH HEREIN AND MAKE NO REPRESENTATION AS TO THE ACCURACY OF THE SAME. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE AN ADMISSION OR A DECLARATION AGAINST INTEREST BY THE DEBTORS OR ANY OTHER PERSON FOR PURPOSES OF ANY EXISTING OR FUTURE LITIGATION.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL,

UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

NO SOLICITATION OF VOTES ON THE PLAN MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT, AND NO PERSON HAS BEEN AUTHORIZED TO UTILIZE ANY INFORMATION CONCERNING THE DEBTORS OR THEIR BUSINESSES OTHER THAN THE INFORMATION CONTAINED HEREIN FOR PURPOSES OF SOLICITATION.

D. Summary Of The Plan.

In brief, the Plan provides for the orderly liquidation of the Debtors' estates, and the distribution of the separate proceeds thereof, to creditors of CCI and CCSI pursuant to the priorities set forth in the Plan. The Plan does not substantively consolidate CCI and CCSI but does resolve certain inter-company claims and administrative expenses, as described below.

As CCI has filed the largest unsecured claim against CCSI, allegedly for approximately \$400 million (see Article II.A.7.), resolution of that claim is a fundamental benefit of the Plan. The Plan provides that, on the Effective Date, CCSI shall pay the Effective Date CCSI Settlement Payment in cash from CCSI Cash on Hand to the CCI Liquidating Trust. The Plan further provides that CCSI shall pay in cash to CCI the Post Effective Date CCSI Settlement Payments from liquidation proceeds received after the Effective Date. The Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments will settle of all of CCI's claims against CCSI, its bankruptcy estate and the CCSI Liquidating Trust as set forth in CCI's proof of claim filed against CCSI. The Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments resulted from good faith, arm's length negotiations between the Debtors and the Committee. The Debtors and the Committee both support the Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments as being in the best interests of the creditors and a fair and reasonable resolution of the claims between CCI and CCSI.

Both Debtors and the Committee recognize that a formal process of liquidating and allowing CCI's claims against CCSI would entail a detailed investigation of possible equitable subordination, equity recharacterization or other similar claims by professionals representing CCI and CCSI. Such an investigation would entail formal discovery and might include the commencement of motion practice or adversary proceedings. The Debtors and the Committee have conducted a preliminary informal investigation of the allowable amount of the CCI claim against CCSI. The Debtors and the Committee believe that using the Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments to resolve all CCI claims against CCSI is reasonable and fair under the circumstances. If the Plan incorporating the Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments is approved, both CCI and CCSI will save substantial legal expenses, as described above, and

creditors of both CCI and CCSI will receive a larger distribution than if CCI claims-allowance litigation were resolved completely in favor of the other estate.

To settle all of CCI's claims against CCSI, its bankruptcy estate and the CCSI Liquidating Trust as set forth in CCI's proof of claim filed against CCSI, CCSI shall pay CCI the Effective Date CCSI Settlement Payment in an amount equal to eighty percent (80%) of the CCSI Cash on Hand. The Debtors estimate the amount of the Effective Date CCSI Settlement Payment to be approximately \$12.4 million. After CCSI makes the Effective Date CCSI Settlement Payment, the Debtors expect that CCSI will transfer approximately \$2.8 million to the CCSI Liquidating Trust. After the Effective Date has passed, the CCSI Liquidating Trustee shall pay eighty percent (80%) of all net cash or cash equivalents realized by the CCSI Liquidating Trust after the Effective Date in excess of the Remaining CCSI Cash to the CCI Liquidating Trust (the "Post-Effective Date Settlement Payments"). However, in calculating the Post-Effective Date Settlement Payments, the CCSI Liquidating Trustee shall not include any portion of the remaining CCSI Cash on Hand, the proceeds of any Avoidance Actions realized by the CCSI Liquidating Trust after the Effective Date, any payments from CCI to CCSI pursuant to section 2.1.1. of the Plan, or interest earned on any of the foregoing.

Describe the limited release unless included in the Committee rider being drafted by Block Markus

The CCSI Liquidating Trustee will pay all Allowed Administrative Expenses, all Allowed Priority Tax Claims and all Allowed Other Priority Claims. The CCI Liquidating Trustee will reimburse the CCSI Liquidating Trust for any expenses actually paid after the Effective Date by the CCSI Liquidating Trustee that are directly attributable to the payments to professionals retained solely by CCI, the CCI Liquidating Trust or the CCI Liquidating Trustee. Furthermore, the CCI Liquidating Trustee shall reimburse the CCSI Liquidating Trust for 80% of any Administrative Expense Claims actually paid after the Effective Date by the CCSI Liquidating Trustee that are directly attributable to payments to all of the Committee's professionals. The CCSI Liquidating Trustee will reserve amounts necessary to pay in full any Disputed Administrative Expense Claims or Disputed Priority Tax Claims to the extent that they become Allowed. Any reserved funds remaining after the Bankruptcy Court has ruled on all such Disputed Claims and the CCSI Liquidating Trustee has paid all such Disputed Claims to the extent that they become Allowed shall be available for distribution by the CCSI Liquidating Trustee.

The Debtors will transfer all CCI Assets and CCI Causes of Action, including Causes of Action against CCI Officers or Directors without regard to whether any payments made by the Debtors to the CCI Officers or Directors were made by CCI or CCSI, to the CCI Liquidating Trust to be distributed by the CCI Liquidating Trustee to CCI creditors pursuant to the CCI Trust Agreement. CCSI will transfer the Effective Date CCSI Settlement Payment to the CCI Liquidating Trust to be distributed as a CCI Asset. CCSI will transfer all CCSI Assets and CCSI Causes of Action to the CCSI Liquidating Trust to be distributed by the CCSI Liquidating Trustee to CCSI creditors pursuant to the CCSI Trust Agreement.

Each Liquidating Trustee has the power to liquidate the Assets of its respective Liquidating Trust and to prosecute its respective Causes of Action in an expeditious, but orderly, fashion and to

distribute such proceeds to the respective Beneficiaries of its Trust. Each Liquidating Trustee will reserve the full amounts due on behalf of any Disputed Claims from distributions to creditors so that such Claims may be paid should any become Allowed. Any funds reserved for the benefit of holders of Disputed Claims that do not become Allowed, in whole or in part, shall be distributed pursuant to the respective Trust Agreement.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO CREDITORS. THEREFORE, THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH VOTING CLASS OF CREDITORS AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

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. FOR MORE INFORMATION CONCERNING THE PLAN, PLEASE READ THE PLAN IN ITS ENTIRETY. A COPY OF THE PLAN IS ENCLOSED HEREWITH.

E. Hearings Regarding the Final Approval of the Disclosure Statement and the Confirmation Hearing.

The Bankruptcy Court (i) has approved this Disclosure Statement at a hearing held on _____, 2001, and (ii) has scheduled a confirmation hearing on the Plan to determine whether the Plan satisfies the confirmation requirements which are set forth in the Bankruptcy Code. The confirmation hearing will be held on _____, 2001, at _____ before the Honorable Judge Elizabeth E. Brown, United States Bankruptcy Court for the District of Colorado, U.S. Custom House, 721 19th Street, Denver, Colorado.

Any party in interest may object to the confirmation of the Plan. Any objections must be made in writing and filed with the Bankruptcy Court, and served on the Debtors' attorneys, the Committee's attorneys and the Office of the United States Trustee, on or before _____, 2001.

UNLESS AN OBJECTION TO APPROVAL OF THE DISCLOSURE STATEMENT OR CONFIRMATION IS TIMELY SERVED AND FILED, SUCH OBJECTION MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

F. Completion of Administration.

The Plan provides that upon completion of administration of the liquidation and the distribution of the proceeds of the Assets of each of the Debtors, the Liquidating Trust for the relevant Debtor may terminate. The Debtors and the Liquidating Trustees are responsible for managing and winding up the Debtors, which includes filing tax returns, and paying Administrative Expense Claims, Priority Tax Claims and Other Priority Claims.

ARTICLE II.

GENERAL INFORMATION

A. Description Of The Debtors.

1. In General

Set forth below is a general description of the Debtors' businesses, history, officers and financial condition. In addition, CCI has filed with the Securities and Exchange Commission its annual report (Form 10-K) for the fiscal year ended December 31, 1999, its quarterly reports (Form 10-Qs) for the quarters ended March 31, 2000, June 30, 2000 and September 30, 2000, and current reports (Form 8-Ks) dated April 14, 2000, November 1, 2000, November 6, 2000 February 12, 2001, February 28, 2001, April 9, 2001, April 17, 2001 and April 19, 2001. Nevertheless, CCI has not continued to update its SEC filings. The foregoing reports provide detailed information about all aspects of the Debtors (including their businesses, prospects, financial condition, officers and directors). Copies of any of the foregoing reports, as well as copies of the Debtors' Schedules of Assets and Liabilities and Statements of Financial Affairs which were filed with the Bankruptcy Court on May 18, 2001, will be provided to any Creditor or Equity Interest holder of any of the Debtors, upon request to:

Marilyn Lowrance
Gibson, Dunn & Crutcher LLP
1801 California Street
Denver, Colorado 80202
(303) 298-5700 (phone)
(303) 296-5310 (fax)

2. The Debtors

The Debtors collectively were a broadband networking and internet services provider with full-service data systems integration capabilities for small and medium sized businesses. The Debtors' range of products and services included data networking and professional services, internet services, security services, broadband and voice services. Since the Debtors were first capitalized in March 1996, the Debtors completed various strategic acquisitions, the most significant of which was the 1998 acquisition of substantially all of the assets of TIE Communications.

On April 19, 2001, both Debtors filed voluntary petitions for protection under chapter 11 of the Bankruptcy Code. For more information on the Debtors chapter 11 bankruptcy cases, see Section II.C. of this Disclosure Statement.

a. CCI

CCI was a publicly traded company with over 30 million outstanding common shares which are held by approximately 5,500 holders of record and 59 brokers (over 11.7 million shares are held under street names) and 175,000 Series B Preferred Shares. On April 6, 2001, CCI received notification from Nasdaq that its common shares would be delisted from trading for no longer

meeting Nasdaq's financial criteria. As of April 19, 2001, the Commencement Date, the sale price of the Common Stock was \$0.03 per share. CCI also issued \$160 million worth of 13% Senior Notes on April 2, 1998. CCI has two wholly-owned subsidiaries: CCSI and Convergent Capital Corporation ("CCC").

b. CCSI

CCSI is a privately held corporation with 7,500,010 common shares issued and outstanding, all of which are held by CCI.

c. CCC

Convergent Capital Corporation ("CCC") is a non-debtor, wholly owned subsidiary of CCI. Prior to the Commencement Date, CCC entered into an agreement to sell substantially all of its assets. This sale was consummated during the pendency of these bankruptcy cases. Article II.C. herein provides further information regarding CCC.

3. Officers, Directors and Employees

The Officers of the Debtors, as of the Commencement Date, were as follows: Joseph R. Zell held the positions of President and Chief Executive Officer for the Debtors since April 2000;¹ Ernest J. Sampias held the positions of Executive Vice President, Chief Financial Officer and Treasurer for the Debtors since November 2000;² Martin E. Freidel, Executive Vice President, General Counsel and Secretary, had been employed by the Debtors since September 1997;³ D. Randall Hake, Executive Vice President of Human Resources, had been employed by the Debtors since August 1998; Michael Olson had served as Executive Vice President of Sales and Sales Support for the Debtors since May 2000; and David R. McNeill had served as Executive Vice President of Marketing and Product Management, since June 2000. Joseph R. Zell, Ernest Sampias, Martin E. Freidel, D. Randall Hake, Michael Olsen and David R. McNeill are hereafter referred to as the "CCI Officers."

The Directors of CCI, as of the Commencement Date, were Jeffrey Shaw (who was also Chairman of the Board), Richard Boyce, Joseph R. Zell and Michael J. Marocco. Joseph R. Zell, Ernest J. Sampias, Michael G. Olson, Jeffrey Shaw, Richard Boyce, Michael J. Marocco, Ernest J. Sampias, and Michael G. Olson are hereinafter referred to as the "Directors."

¹ Mr. Zell's employment was terminated in May 2001.

² Mr. Sampias's employment was terminated in May 2001.

³ Mr. Freidel resigned his position shortly after the Commencement Date.

4. Legal Proceedings

The Debtors are debtors in possession in the Chapter 11 Cases and are involved in the related legal proceedings, as described in Section II.C. of this Disclosure Statement (the "Debtors' Chapter 11 Cases").

Prior to the commencement of the Chapter 11 Cases, the Debtors were parties to certain other legal proceedings such as various nonpayment claims and employment claims.

5. Taxation

For a discussion of the federal tax consequences of the Plan to certain holders of Claims, see Article V of this Disclosure Statement ("Certain Federal Income Tax Consequences of the Plan").

6. Equity Ownership

CCI is the parent company of CCSL. The common stock of CCI was traded on the Nasdaq under the symbol "CONV".

The following table sets forth information concerning the ownership of CCI Common Stock by persons or groups owning in excess of 5% of the outstanding stock, based on SEC filings made by those persons or groups. The information is as of the date of those reports, which is indicated below.

Name of Beneficial Owner	Nature and Percentage of Stock Ownership*
Jeffrey Shaw	Controls 31.23% of Common Stock assuming conversion of preferred stock and exercise of warrants ⁽¹⁾
Richard Boyce	Controls 31.23% of Common Stock assuming conversion of preferred stock and exercise of warrants ⁽¹⁾
Michael J. Marocco	Controls 17.9% of Common Stock ⁽²⁾
Sandler Capital Partners IV L.P.	Controls 12.3% of Common Stock ⁽³⁾
Sandler Capital Partners IV FTE L.P.	Controls 12.3% of Common Stock ⁽³⁾
Sandler Investment Partners, L.P.	Controls 17.8% of Common Stock ⁽³⁾
Sandler Capital Management	Controls 17.8% of Common Stock ⁽³⁾
ARH Corp.	Controls 17.8% of Common Stock ⁽³⁾
MJDM Corp.	Controls 17.8% of Common Stock ⁽³⁾
Four JK Corp.	Controls 17.8% of Common Stock ⁽³⁾
ALCR Corp.	Controls 17.8% of Common Stock ⁽³⁾
SERF Corp.	Controls 17.8% of Common Stock ⁽³⁾
Terpsi Corp.	Controls 17.8% of Common Stock ⁽³⁾
Jirakal Corp.	Controls 17.8% of Common Stock ⁽³⁾
MEDG Corp.	Controls 17.8% of Common Stock ⁽³⁾
Edward Grinacoff	Controls 17.8% of Common Stock ⁽³⁾
Harvey Sandler	Controls 17.9% of Common Stock ⁽³⁾
John Kornreich	Controls 17.9% of Common Stock ⁽³⁾
Andrew Sandler	Controls 17.8% of Common Stock ⁽³⁾
Douglas Schimmel	Controls 17.8% of Common Stock ⁽³⁾
Hannah Stone	Controls 17.8% of Common Stock ⁽³⁾
David Lee	Controls 17.8% of Common Stock ⁽³⁾
Michael Marocco	Controls 17.9% of Common Stock ⁽³⁾
West Highland Capital, Inc.	Controls 8% of Common Stock ⁽⁴⁾
West Highland Partners, L.P.	Controls 6.2% of Common Stock ⁽⁴⁾
Estero Partners, LLC	Controls 7.6% of Common Stock ⁽⁴⁾
Lang Gerhard	Controls 8% of Common Stock ⁽⁴⁾
TPG Advisors III, Inc.	Controls 31.23% of Common Stock assuming conversion of preferred stock and exercise of warrants ⁽⁵⁾
T3 Advisors, Inc.	Controls 31.23% of Common Stock assuming conversion of preferred stock and exercise of warrants ⁽⁵⁾

* Control is used as defined in the SEC's rules for beneficial ownership and voting power. Under SEC attribution rules, more than one person can be deemed to control the same block of voting stock.

(1) Based on information provided in Form 13D filed with the United States Securities and Exchange Commission on April 14, 2000.

(2) Based on information provided in Form 13D filed with the United States Securities and Exchange Commission on May 25, 2000.

(3) Based on information provided in Form 13D filed with the United States Securities and Exchange Commission on May 25, 2000.

(4) Based on information provided in Form 13G filed with the United States Securities and Exchange Commission on January 1, 2001.

(5) Based on information provided in Form 13D filed with the United States Securities and Exchange Commission on April 14, 2000.

7. Related Party Transactions

Through a series of inter-company loans, CCI loaned approximately \$400 million to CCSI (the "Inter-Company Loan") as of the Commencement Date. On July 18, 2001, CCI filed a proof of Claim against CCSI based on the Inter-Company Loan. As a result of the Inter-Company Loan and assuming Allowed Unsecured Claims in CCSI Class 3 total approximately \$50,000,000, then CCI holds approximately 90% of the unsecured claims against CCSI.

B. Factors Leading to the Filing of the Bankruptcy Petitions.

The principal reason for the filing of these bankruptcy cases has been the lack of financing and working capital for the Debtors' operations. During the period from November 2000 to April 2001, the Debtors engaged in substantial efforts to reduce expenses. Despite these efforts, the Debtors simply did not have the funds to continue operating. Furthermore, the Debtors were unable to obtain funds in the capital markets despite their engagement of an investment banker who sought such funds from potential investors. Therefore, the Debtors filed these bankruptcy cases to manage an orderly liquidation of their assets and to use the proceeds to pay their Creditors in accordance with the Plan.

C. The Debtors' Chapter 11 Cases.

The Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on April 19, 2001, commencing the above-captioned cases in the Bankruptcy Court.

Because of the state of the capital markets and questions as to the viability of the Debtors' business model given the condition of the telecommunications industry in general, the Debtors promptly determined that reorganization was not feasible and that liquidation would be necessary.

The Debtors had substantially reduced most of their remaining work force in the weeks preceding the filing. After filing for bankruptcy, the Debtors only retained those employees essential to maintaining operations during the liquidation process. As of the Commencement Date, the Debtors had only approximately 180 employees. The Debtors sought and obtained approval of a retention program for these employees pursuant to which the employees were provided incentives and were terminated in phases over the liquidation period. As of the date of this Disclosure Statement, the Debtors have fewer than six employees.

During the course of these proceedings, the Debtors have liquidated or will liquidate substantially all of their operating and non-operating assets. The liquidations were pursuant to sales approved by the Bankruptcy Court after review by the Committee. Assets sold included the Debtors' long distance, frame relay and private line customer bases, the Debtors' technical equipment related to its Enterprise Network Services Agreements or the Enterprise Managed Services Agreements and other equipment, furniture and fixtures. In the course of liquidation, the Debtors resolved numerous disputes concerning lease rejections, secured claims, tax claims, letters of credit and regulatory matters. As a result of the liquidation, a substantial portion of the Debtors' estates are now in the form of cash. Nevertheless, many of the asset sales conducted

required the Debtors to accept deferred payments or carried interests, the amount of which depends upon future performance of the buyers. Success in collecting these deferred payments will require close monitoring by the Debtors' management.

In May 2001, CCC, a wholly owned, non-debtor subsidiary of CCI, sold substantially all of its assets to C3 Capital Corporation. The proceeds of this sale were used to pay a portion of the inter-company loan CCC owed to CCSI. CCC has paid \$1,050,000 to CCSI from the initial proceeds of CCC's asset sale in partial satisfaction of this inter-company loan. CCC has also paid CCSI \$199,000 of a \$400,000 deferred payment receivable from the asset sale and expects to pay CCSI an additional \$150,000 when the remaining portion of the deferred payment is received. Approximately \$50,000 of the deferred payment is expected to be held back for certain adjustments. Through May 2002, CCC will also receive a percentage of the receivables sold in the asset sale. These receipts are expected to be approximately \$100,000 and will also be used to reduce the inter-company balance due to CCSI.

The Debtors, through their professionals, have worked closely with the Committee and the United States Trustee to prepare this Plan and Disclosure Statement. Since June 8, 2001, Craig A. Dais has served as the Chief Executive Officer of CCI and CCSI and Glenn Garvey has served as Senior Director of Operations of CCSI.

D. Creditors Committee.

The United States Trustee appointed an official committee of creditors to represent the interests of creditors holding general unsecured Claims. The Creditors' Committee is currently composed of five creditors of CCI and/or CCSI.

E. Professionals.

The Debtors have employed the following professionals as their general bankruptcy counsel:

CONNOLLY ROSANIA & LOFSTEDT, P.C.
287 Century Circle, Suite 200
Louisville, CO 80027

Counsel to Convergent Communications Services, Inc.

GIBSON, DUNN & CRUTCHER LLP
1801 California Street
Denver, CO 80202

-and-

GIBSON, DUNN & CRUTCHER LLP
200 Park Avenue
New York, NY 10166

Counsel to Convergent Communications, Inc.

The Committee has engaged the following professionals as its general bankruptcy counsel:

BLOCK MARKUS WILLIAMS LLC
1700 Lincoln Street, Suite 3550
Denver, CO 80203

ARTICLE III.

LIQUIDATION

A. In General.

The Debtors' Plan is a liquidating chapter 11 plan. The purpose of the Plan is to liquidate the Debtors' Assets and to distribute the proceeds to the Creditors of each Debtor.

The Committee, subject to the consent of CCI, will appoint the CCI Liquidating Trustee. CCSI, subject to the consent of the Committee, will appoint the CCSI Liquidating Trustee. Each Liquidating Trustee will administer (i) the payment of Administrative Expense Claims and Priority Tax Claims pursuant to the terms of the Plan, (ii) the liquidation of the respective Debtor's Assets, (iii) the prosecution of the respective Causes of Action, (iv) the payments of proceeds to the respective Creditors and (v) the final administration of the Debtors.

B. Estimated Funds Available to Pay the Claims of Creditors.

On the Effective Date, funds distributed to the Liquidating Trusts and the remaining Assets of the Debtors will be available to pay the Claims of the Debtors' Creditors as summarized below:

(1) Cash on Hand.

On the Effective Date, CCI Cash on Hand is expected to total approximately \$1.5 million and CCSI Cash on Hand is expected to total approximately \$15.9 million. The Effective Date CCSI Settlement Payment, to be made on the Effective Date by CCSI to the CCI Liquidating Trust, is expected to total approximately \$12.4 million.

(2) Uncollected Accounts Receivable.

On the Effective Date, CCSI estimates the total uncollected accounts receivable proceeds to have an approximate value of \$200,000. CCI is not expected to have any uncollected accounts receivable.

(3) Proceeds from Causes of Action.

CCSI cannot yet estimate the proceeds from CCSI Causes of Action. CCI cannot yet estimate the proceeds from CCI Causes of Action.

With regard to the Avoidance Actions that the Liquidating Trustees may pursue:

- (i) No Avoidance Action shall be brought against Persons who received payments from either Debtor in the aggregate amount of \$5,000 or less.
- (ii) The Debtors and/or the Committee are also in the process of assessing the recoverability of payments made to insiders within one year of the Filing Date. Insiders may have defenses available to them to prevent the recovery of these transfers. Joseph R. Zell and the CCI Officers were paid pursuant to employment agreements \$ _____ and \$ _____, respectively, in the twelve months prior to the Petition Date. The Debtors do not believe any valid Avoidance Actions exist against these former officers for the recovery of all or part of these payments. However, as Insider Causes of Action, these potential Avoidance Actions have been assigned to the CCI Liquidating Trust. The Committee believes the CCI Liquidating Trustee should investigate and possibly prosecute Avoidance Actions against the CCI Officers and Directors.
- (4) All Other Non-Cash Assets. In the 90 days prior to filing its petition under chapter 11 of the Bankruptcy Code, CCSI paid approximately \$59,000,000 to trade creditors. CCSI believes that a substantial portion of these payments were made in the ordinary course of business or will be subject to other defenses. However, CCSI estimates that some portion of these payments will be recoverable as avoidable preferences under section 547 of the Bankruptcy Code. Furthermore, the Committee or the CCI Liquidating Trust may investigate or pursue Insider Causes of Action against CCI Officers or Directors for actions taken prior to the Petition Date. The Debtors do not believe any such valid Insider Causes of Action exist.

Estimated Value of Assets as of the Effective Date

Description	CCI Estimated Amount Available	CCSI Estimated Amount Available
Cash on hand	\$1,500,000	\$15,900,000
Uncollected accounts receivable	\$ 160,000	\$ 40,000
Proceeds from Causes of Action	Unknown	Unknown
All other non-cash Assets	\$ 80,000	\$ 20,000
Total	\$1,740,000	\$15,960,000

Estimated Funds Available for Distribution by Each Liquidating Trust

CCI Liquidating Trust	
CCI Cash on Hand	\$1,500,000
Effective Date CCSI Settlement Payment	\$12,400,000
Subtotal	\$13,900,000
Less:	
Estimated CCI Expense Reimbursement	\$ (300,000)
Estimated CCI Liquidation Expenses	\$ (300,000)
Subtotal	\$(600,000)
Estimated Post Effective Date CCSI Settlement Payments	\$240,000 ⁴
Net Funds Available for Distribution by CCI Liquidating Trust	\$13,540,000 ⁵

⁴ This amount will increase with any recovery on a CCSI Cause of Action except for CCSI Avoidance Actions.

⁵ This amount will increase with any recovery on a CCI Cause of Action.

CCSI Liquidating Trust	
CCSI Cash on Hand	\$15,900,000
Estimated CCI Expense Reimbursement	\$300,000
Subtotal	\$16,200,000
Less:	
Effective Date CCSI Settlement Payment	\$(12,400,000)
Estimated Unpaid CCSI Liquidation Expenses	\$ (300,000)
Estimated Unpaid Allowed Administrative Claims	\$ (600,000)
Estimated Unpaid Allowed Priority Tax Claims	\$ (130,000)
Subtotal	\$(13,430,000)
Net Liquidation Proceeds	\$2,770,000
Estimated Accounts Receivable Collections and other Non-Cash Assets	\$ 60,000 ⁶
Net Funds Available for Distribution by CCSI Liquidating Trust	\$2,830,000

C. Claims of Creditors that Must Be Paid from the Debtors' Assets.

Tables F and G show the Debtors' estimate of the cash distribution to be made by the respective Liquidating Trustee to the Classes to which particular Claims have been assigned under the Plan's estimation of the remaining Allowed Claims in each Class as of the Effective Date.

⁶ The Accounts Receivable estimate has been netted for Post Effective Date CCSI Settlement Payments. All recoveries on CCSI Causes of Action will increase distributions.

Net Post-Effective Date Cash Receipts

Table F

CCI LIQUIDATING TRUST DISTRIBUTIONS				
CLASS	DESCRIPTION	ESTIMATED AMOUNT OF TOTAL CLAIMS	AGGREGATE AMOUNT OF DISTRIBUTION	ESTIMATED PERCENTAGE RETURN
CCI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCI Assets	n/a	\$0	n/a
CCI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCI, including all Bondholder Claims, Guaranty Claims and timely filed deficiency claims.	\$185,000,000	\$13,460,000	7%+

Table G

CCSI LIQUIDATING TRUST DISTRIBUTIONS				
CLASS	DESCRIPTION	ESTIMATED AMOUNT OF TOTAL CLAIMS	AGGREGATE AMOUNT OF DISTRIBUTION	ESTIMATED PERCENTAGE RETURN
CCI Class 1: Other Priority Claims and CCSI Class 1: Other Priority Claims	CCI Class 1 consists of all Other Priority Claims against CCI CCSI Class 1 consists of all Other Priority Claims against CCSI	\$90,000	\$90,000	100%
CCSI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCSI assets	\$330,000	\$330,000	100%
CCSI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCSI, including timely filed deficiency claims	\$45,000,000- \$60,000,000	\$2,410,000	4%-5%

The Plan provides that any Claim against CCI based upon CCI's guaranty of a CCSI Claim will be a CCI Class 3 Claim. The Guaranty Claims against CCI shall be reduced by any and all sums paid by the CCSI Liquidating Trust on account of such claims against CCSI. The aggregate effect will be that holders of Allowed Guaranty Claims will be entitled to receive distributions from the CCI Liquidating Trust on the Allowed Amount of such Claims.

ARTICLE IV.

ACCEPTANCE OF THE PLAN AND VOTING INSTRUCTIONS

A. Creditors Eligible To Vote.

Pursuant to section 1126 of the Bankruptcy Code, only the members of those classes whose claims are impaired under a plan, and who receive or retain property under the plan, are entitled to vote for acceptance or rejection of the plan.

Tables H and I below set forth the classes of Claims and Equity Interests under the Plan for each of the Debtors, whether those classes are impaired or unimpaired and whether those classes are entitled to vote on the Plan.

Table H

CCI CLAIMS AND EQUITY INTERESTS		
CLASS	DESCRIPTION	IMPAIRMENT
CCI Class 1: Other Priority Claims	Class 1 consists of all Other Priority Claims against CCI	Unimpaired—not entitled to vote
CCI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCI Assets	Unimpaired—not entitled to vote
CCI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCI, including all Bondholder Claims, Guaranty Claims and timely filed deficiency claims	Impaired—entitled to vote
CCI Class 4: Preferred Equity Interests	Class 4 consists of all Preferred Equity Interests in CCI	Impaired—deemed to reject the Plan
CCI Class 5: Equity Interests	Class 5 consists of all Equity Interests in CCI	Impaired—deemed to reject the Plan

Table I

CCSI CLAIMS AND EQUITY INTERESTS		
CLASS	DESCRIPTION	IMPAIRMENT
CCSI Class 1: Other Priority Claims	Class 1 consists of all Other Priority Claims against CCSI	Unimpaired—not entitled to vote
CCSI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCSI Assets	Unimpaired—not entitled to vote
CCSI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCSI, including timely filed deficiency claims	Impaired—entitled to vote
CCSI Class 4: Equity Interests	Class 4 consists of all Equity Interests in CCSI.	Impaired—deemed to reject the Plan

Holders of Disputed Claims are not entitled to vote on the Plan unless the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allows the particular Claim in an appropriate amount for voting on the Plan.

Pursuant to the Plan, the CCI Liquidating Trustee shall reimburse the CCSI Liquidating Trust for any Administrative Expense Claims actually paid after the Effective Date by the CCSI

Liquidating Trustee that are directly attributable to the payments to professionals retained solely by CCI, the CCI Liquidating Trust, or the CCI Liquidating Trustee. In addition, the CCI Liquidating Trustee shall reimburse the CCSI Liquidating Trust for 80% of any Administrative Expense Claims actually paid after the Effective Date by the CCSI Liquidating Trustee that are directly attributable to payments to all of the Committee's professionals.

The Bankruptcy Court has established the date of the hearing on the adequacy of this Disclosure Statement as the Record Date for voting in respect of the Plan. Any Creditor of the Debtors as of the Record Date whose Claim is impaired under the Plan is entitled to vote if either (a) the Creditor's Claim has been scheduled by the Debtors (and such Claim is not scheduled as disputed, contingent, or unliquidated), or (b) the Creditor filed a proof of Claim on or before July 18, 2001, the last date set by the Bankruptcy Court for such filings and no objection to such proof of Claim has been filed and the Debtors have not otherwise filed an objection to the proof of claim. However, the Bankruptcy Court may temporarily allow any Claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon application by a Creditor whose Claim the Debtors have objected. A Creditor's vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the Creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

B. Voting Instructions.

1. Ballots and Voting Deadline

A ballot to be used for voting to accept or reject the Plan (the "Ballot") is included with this copy of the Disclosure Statement for holders of Claims entitled to vote on the Plan.

BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE BANKRUPTCY COURT'S VOTING PROCEDURES ORDER.

PLEASE RETURN YOUR BALLOT IN THE ENVELOPE PROVIDED. (If you are a Bondholder and the enclosed envelope is addressed to your Nominee, please allow additional time.)

TO BE COUNTED, YOUR BALLOT (OR THE MASTER BALLOT SUBMITTED ON YOUR BEHALF) MUST BE RECEIVED BY 5:00 P.M. EASTERN TIME, ON _____, 2001 (the "Voting Deadline").

The Balloting Agent is: Innisfree M&A Inc.
501 Madison Avenue, 20th Floor
New York, NY 10022
(877) 750-2689 (General number)
(212) 750-5833 (Banks and brokers)

2. Voting Procedures

The Debtors are providing copies of this Disclosure Statement, Ballots, and, where appropriate, master ballots ("Master Ballots"), to all registered or known holders of Unsecured Claims in CCI Class 3 and CCSI Class 3 (the "Impaired Classes"). Such holders may include brokerage firms, commercial banks, trust companies, or other nominees. If such entities are not the beneficial owners of the debt securities giving rise to their respective Claim, they should provide copies of this Disclosure Statement and appropriate Ballots to their customers and to beneficial owners. Any beneficial owner who has not received a Ballot should contact his or its brokerage firm, nominee, or the Trustee. **All Persons receiving this Disclosure Statement should refer to the terms of the Voting Procedures Order, a copy of which is enclosed, with respect to voting procedures.**

For purposes of voting on the Plan, the amount and classification of a Claim that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

- (a) If no proof of Claim has been timely filed, the amount of a Claim shall be equal to the amount listed in respect of such Claim in the Schedules, as and if amended, to the extent such Claim is not listed as contingent, unliquidated, or disputed, and subject to any limitations set forth in the Voting Procedures Order, and the Claim shall be placed in the appropriate Class, based upon the Debtors' records, and consistent with the Schedules and the Claims registry of the Clerk of the Bankruptcy Court (the "Clerk");
- (b) If a proof of Claim has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the amount of such Claim shall be as specified in the proof of Claim filed with the Clerk (or if unascertainable from the face of such proof of Claim, shall be one dollar (\$1.00) for voting amount purposes);
- (c) Subject to (d) below, a Claim that is the subject of an objection filed before the Voting Deadline shall be disallowed, for voting purposes, except to the extent and in the manner that the Debtors indicate in their objection that the Claim should be allowed for voting or other purposes;
- (d) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the amount and classification shall be that set by the Bankruptcy Court;
- (e) A Claim that, according to the Clerk's records, was not timely filed by July 18, 2001 and has not been objected to shall be accorded no vote for amount or numerosity purposes; and
- (f) If a Claim is deemed Allowed pursuant to the Plan or by order of the Court, such Claim shall be temporarily Allowed for voting purposes in the amount deemed Allowed.

In addition, the following rules and standards will apply:

- (i) any Ballot which is properly completed, executed and timely returned to the Balloting Agent that does not indicate an acceptance or rejection of the Plan shall not be counted;
- (ii) any Ballot which is returned to the Ballot Agent indicating acceptance or rejection of the Plan but which is unsigned shall not be counted;
- (iii) whenever a Creditor casts more than one Ballot voting the same Claim prior to the Voting Deadline, only the last timely Ballot received by the Ballot Agent shall be counted;
- (iv) if a Creditor casts simultaneous duplicative Ballots voted inconsistently, then such Ballots shall not be counted;
- (v) each Creditor shall be deemed to have voted the full amount of its Claim;
- (vi) Creditors shall not split their vote within a Class, thus each Creditor shall vote all of its Claim within a particular class either to accept or reject the Plan;
- (vii) with the exception of Master Ballots, any Ballots that partially reject and partially accept the Plan shall not be counted;
- (viii) any Ballot received by the Ballot Agent by telecopier, facsimile or other electronic communication shall not be counted;
- (ix) the Debtors may, in their sole discretion, request that the Voting Agent contact Creditors to cure defects in the Ballots prior to the Voting Deadline; and
- (x) any Creditor that has delivered a valid Ballot or Ballot/proxy may withdraw its vote by delivering a written notice of withdrawal to the Voting Agent by the Voting Deadline. To be valid, the notice of withdrawal must be (a) signed by the party who signed the Ballot or Master Ballot to be revoked, and (b) be received by the Voting Agent prior to the Voting Deadline.

a. Beneficial Owners

Any beneficial owner as of the Record Date holding a debt security in its own name can vote by completing and signing the enclosed Ballot and returning it directly to the Balloting Agent (using the enclosed self-addressed stamped envelope). For purposes of voting to accept or reject the Plan, the beneficial owners of securities will be deemed to be the "holders" of such Claims represented by such debt securities.

b. Brokerage Firms, Banks, and Other Nominees

A brokerage firm, bank or other nominee that is the registered holder of Bonds as of the Record Date for a beneficial owner, or the agent of such brokerage firm, bank or other nominee (each a

"Nominee"), can vote on behalf of such beneficial owner by: (i) distributing a copy of this Disclosure Statement and all appropriate Ballots to such owner; (ii) collecting all such Ballots; and (iii) completing a Master Ballot by compiling the votes and other information from the Ballots collected and transmitting such Master Ballot to the Balloting Agent.

In the alternative, a Nominee can arrange for such beneficial owner to vote by executing the appropriate Ballot and by distributing a copy of the Disclosure Statement and such executed Ballot to such beneficial owner, along with a return envelope addressed to the Balloting Agent.

c. Other

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such persons must indicate such capacity when signing and, upon the request of either Debtor, must submit proper evidence satisfactory to the Debtors of their authority to so act.

3. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtors in their sole discretion, whose determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of Ballots must be delivered to the Debtors prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors, or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liability for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

4. Withdrawal of Ballots; Revocation

Any impaired Creditor who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Balloting Agent at any time prior to the Voting Deadline.

A notice of withdrawal, to be valid, must (a) contain the description of the debt securities or Claims to which it relates and the aggregate principal amount or number of shares, as the case may be, represented by such debt securities or Claims; (b) be signed by the holder of such security or other impaired Creditor, as the case may be, in the same manner as the Ballot; and (c)

be received by the Balloting Agent in a timely manner, at the address set forth herein. As indicated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballot which is not received in a timely manner by the Debtors will not be effective to withdraw a previously furnished Ballot.

Any Creditor who has submitted to the Balloting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change his or its vote by submitting prior to the Voting Deadline to the Balloting Agent a subsequent, properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot that bears the latest date will be counted for purposes of determining whether sufficient votes for confirmation of the Plan have been cast.

5. Fees and Expenses

The Debtors will pay all reasonable costs, fees, and expenses relating to the solicitation of Ballots, including, without limitation, customary mailing and handling costs of brokers, dealers, commercial banks, the Indenture Trustee, and other nominees. The principal solicitation is being made by mail; however, additional solicitations may be made by facsimile, telephone, or in person by agents of the Debtors, including the Balloting Agent. Arrangements may also be made with brokerage houses and other custodians, nominees, and fiduciaries to forward the information regarding the solicitation to the beneficial owners of the securities. The Debtors will also pay all costs, fees, and expenses relating to the distributions to be made pursuant to a separately filed motion to retain the solicitation agent.

C. Best Interests Of Creditors.

Section 1129(a)(7)(ii) of the Bankruptcy Code provides that a plan may not be confirmed if recoveries for impaired creditors are not as much as in a chapter 7 liquidation (this is often called the "best interests of creditors" test). Because the Plan, in effect, provides for the liquidation of Assets and the distribution of cash to Creditors consistent with the distribution provisions under chapter 7, the Debtors believe that the Plan meets this test. The Debtors believe that the Impaired Classes' recoveries in a chapter 7 case would be lower than under the Plan because (1) the chapter 7 trustee(s) would have to investigate the Effective Date CCSI Settlement Payment, the Post Effective Date CCSI Settlement Payments and the aspects of the inter-company claim between CCI and CCSI, resulting in additional administrative expenses and delay and (2) the chapter 7 trustee would not be familiar with the Debtors' business and affairs which might result in delay in resolving these cases, as well as greater expenses in connection with the liquidation of remaining assets, the resolution of Causes of Action and Avoidance Actions and the prosecution of recovery rights. Under these circumstances, the Debtors believe that the "best interests of creditors" test has been met.

D. Acceptance.

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or equity interests accept a plan, with the exceptions described in the following section. The

Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of two-thirds in dollar amount and a majority in number of the claims of that class, but for that purpose counts only the vote of those creditors who actually vote to accept or to reject the plan. The Bankruptcy Code defines acceptance of a plan by a class of equity interests as acceptance by two-thirds of the number of shares, but for this purpose counts only shares actually voted. Holders of claims or equity interests who fail to vote are not counted as either accepting or rejecting the plan. Here, holders of equity interests, who receive or retain nothing under the Plan, are deemed to reject the Plan.

Classes of claims and equity interests that are not "impaired" under a plan are deemed as a matter of law to have accepted the plan and therefore are not permitted to vote on the plan. Classes of claims and equity interests that receive no distributions under a plan are deemed as a matter of law to have rejected the plan, so that it is unnecessary to solicit their votes. The Debtors are soliciting acceptances of the Plan only from those persons who hold Claims that are impaired under the Plan and who are to receive distributions or retain property on account of their Allowed Claims.

A class of claims or equity interests is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any manner other than those specifically permitted under the Bankruptcy Code. A list of impaired Classes is set forth in Section IV.A. of this Disclosure Statement ("Creditors Eligible to Vote").

E. Failure To Gain Acceptance.

Section 1129(b) of the Bankruptcy Code provides that a plan may be confirmed by the Bankruptcy Court, even if not accepted by every Impaired Class, if (a) at least one Impaired Class has accepted the plan (determined without including any acceptance of the plan by any insider), and (b) the Bankruptcy Court finds that the plan does not "discriminate unfairly" and is "fair and equitable" to the rejecting Class.

The Debtors expect that at least one impaired Class will accept the Plan. Because the Preferred Equity Interests in CCI Class 4, the Equity Interests in CCI Class 5 and the Equity Interests in CCSI Class 4 are deemed to reject the Plan, the Debtors will seek confirmation of the Plan pursuant to the cramdown provisions of section 1129(b) of the Bankruptcy Code. The Debtors believe that the Plan may be confirmed pursuant to section 1129(b) of the Bankruptcy Code.

ARTICLE V.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Generally

The following discussion summarizes certain of the significant federal income tax consequences of the transactions that are described herein and in the Plan to the Debtors and to holders of Claims in CCI Class 3 and CCSI Class 3. For purposes of the discussion in this Article, unless the context otherwise requires, the term Liquidating Trust refers to the Liquidating Trust other than the Disputed Claims reserve. This discussion is for informational purposes only and is based on the Internal Revenue Code, the Treasury Regulations promulgated thereunder, judicial authority interpreting the Internal Revenue Code, and current administrative rulings and pronouncements of the IRS, any of which may be altered with retroactive effect, thereby changing the federal income tax consequences discussed below. The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address classes of taxpayers (such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, foreign companies, nonresident alien individuals, regulated investment companies, broker-dealers, taxpayers that hold their Claims pursuant to a hedge, conversion transaction, straddle or other risk reduction strategy and tax-exempt organizations) who may be subject to special consequences pursuant to the Internal Revenue Code. Except as otherwise noted, this discussion assumes the holders hold their Claims as capital assets within the meaning of the Internal Revenue Code.

Due to the lack of applicable legal precedent, the possibility of changes in law and the potential for disputes as to legal and factual matters, the tax consequences described herein are subject to significant uncertainties. No ruling from the IRS nor opinion of counsel will be sought. **EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.**

B. Creation of the Liquidating Trusts and the Disputed Claims Reserves

1. Establishment of the Liquidating Trusts and the Disputed Claims Reserves

The Debtors intend to take the position that the transfer on the Effective Date of the Assets to the Liquidating Trusts should be treated for federal income tax purposes as a transfer of those Assets to holders of Unsecured Claims followed by the contribution of such Assets to the respective Liquidating Trust. Accordingly, CCI intends to take the position that for federal income tax purposes, actions which occur on the Effective Date to establish the CCI Liquidating Trust and discharge Allowed Claims will be treated as if the holders of Allowed Claims against CCI surrendered their Claims to CCI in exchange for their pro rata portion of the Assets of the CCI Liquidating Trust (including the Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments). Likewise, CCSI intends to take the position that for federal income tax purposes, actions which occur on the Effective Date to establish the CCSI Liquidating Trust and discharge Allowed Claims will be treated as if the holders of Allowed

Claims against CCSI surrendered their Claims to CCSI in exchange for their pro rata portion of the Assets of the CCSI Liquidating Trust. (See section C and section E of this Article V for discussion of the federal income tax consequences of such deemed transfers to the Creditors and Debtors, respectively.) Although not free from doubt, the Debtors intend to take the position that the establishment of the Disputed Claims reserves will be treated as a direct transfer of the Assets thereof to the Disputed Claims reserves by the Debtors.

2. Characterization of the Liquidating Trusts and the Disputed Claims Reserves

Although not entirely free from doubt, the Debtors believe that the Liquidating Trusts generally should be treated as a "grantor" trusts under the Internal Revenue Code and the Treasury Regulations promulgated thereunder. Assuming this treatment is correct, the Liquidating Trusts would not be treated as a separate taxable entities. Rather, holders of Allowed Claims would be treated as the grantors and owners of the respective Liquidating Trust's Assets for federal income tax purposes. Further, although not free from doubt, the Debtors believe that the Disputed Claims reserves would be segregated from the Liquidating Trusts for federal income tax purposes and treated as separate trusts subject to taxation as separate entities. (See section D of this Article V below for a fuller discussion of the consequences of the ownership of a beneficial interest in either of the Liquidating Trusts as well as discussion of alternative characterizations of the Liquidating Trusts and the Disputed Claims reserves.)

C. Federal Income Tax Consequences to Creditors

Except as otherwise indicated, the discussion below is based on the assumption that the transactions creating the Liquidating Trusts and the characterization of the Liquidating Trusts as described above will be respected for federal income tax purposes.

1. Summary of Taxable Events to the Creditors: Receipt of Consideration on the Effective Date, Amounts Released or Distributed by the Disputed Claims Reserve and Liquidating Trust Income.

A holder of an Allowed Claim will be treated as receiving certain consideration in respect of its Allowed Claim on the Effective Date and should recognize gain or loss as discussed below in section C.2.a. of this Article V. Further, when a Disputed Claim (or an outstanding Administrative Expense Claim) is wholly or partially disallowed and as a result the cash or other property in the Disputed Claims reserve is released, certain Allowed Claim holders may recognize additional gain as discussed below in section C.2.a. of this Article V. Although not free from doubt, holders of Disputed Claims should not recognize gain or loss on the Effective Date but should recognize the gain or loss when such Claims become Allowed as discussed below in section C.2.a. of this Article V. In addition, each holder of a beneficial interest in the Liquidating Trust will be required to report on its federal income tax return its allocable share of any income, gain, loss, deduction or credit recognized or incurred through the operation of the Liquidating Trust as discussed below in section D.1. of this Article V.

2. Amount of Gain or Loss

(a) Holders of Allowed Claims

On the deemed transfer of Allowed Claims to Debtors for Assets in the Liquidating Trust, holders of such Claims should recognize gain or (subject to the discussion below in section C.4. of this Article V) loss to the extent of the difference between the fair market value of the Assets (probably including the fair market value, if any, of the Liquidating Trust's residual interest in the Assets held by the Disputed Claims reserve) allocable to such Creditor (other than amounts deemed to have been used to discharge accrued interest on the Claims), and (ii) the adjusted tax basis of the Claims deemed to have been transferred by the holders to the Debtors in exchange therefor, except to the extent described in section C.5. of this Article V with respect to accrued and unpaid interest. Creditors may be permitted to report a portion of such gain using the installment method under Section 453 of the Internal Revenue Code as discussed below in section C.6. of this Article V. The fair market value of the property transferred to the Liquidating Trusts will be agreed to by the Debtors and the Liquidating Trustees. For these purposes, the Plan provides that the value of the Avoidance Actions transferred to the Liquidating Trusts shall be at least 50% of the aggregate maximum amount which could be recovered pursuant to such Avoidance Actions. Were the Liquidating Trust classified in a different manner, the transactions treated as occurring on the Effective Date also would differ.

Although the Debtors believe that holders of Allowed Claims should have a reporting position that they will be required to include in their amount realized only their allocable portion of the fair market value of the residual interest, if any, in the Disputed Claims reserve and not the fair market value of all of the Assets held or deemed to be held by it, it is possible that the IRS could assert that the Disputed Claims and/or outstanding Administrative Expense Claims are contingent liabilities that cannot reduce the Allowed Claim holders' amount realized unless and until such Claims are Allowed or required to be paid. If the IRS were successful, holders of Allowed Claims would include in their amount realized their pro rata shares of the sum of the cash and the fair market value of the Assets initially dedicated or credited to the Disputed Claims reserve.

If, consistent with the position described above, a holder of an Allowed Claim takes the position that its pro rata share of the Assets (except for the Liquidating Trust's residual interests in the Disputed Claims reserve) initially dedicated or credited to the holders of the Disputed Claims and the outstanding Administrative Expense Claims is not includable in its amount realized on the Effective Date, as and when a Disputed Claim (or an outstanding Administrative Expense Claim) is wholly or partially disallowed and as a result the cash and other property in such Disputed Claims reserve is released, such Allowed Claim holder will likely recognize gain equal to the amount (or value) of its allocable portion of the released cash and other property. A portion of such gain may be taxed as ordinary income as a result of the imputation of interest on deferred payments.

The Liquidating Trustees will provide Beneficiaries of the Liquidating Trust with written statements indicating the amount of any cash released from the Disputed Claims reserve by reason of any and all disallowances of Disputed Claims and/or outstanding Administrative Expense Claims occurring during each calendar year.

(b) Holders of Disputed Claims or Outstanding Administrative Expense Claims

Although not free from doubt, holders of Disputed Claims or outstanding Administrative Expense Claims on the Effective Date should not recognize gain or loss on the Effective Date. Instead, such holders should recognize gain or loss when such Claims become Allowed, to the extent of the difference between (i) the sum of (a) the amount of cash, if any, received and (b) the fair market value of the Assets, if any, allocable to such holder (other than the amounts deemed to have been used to discharge accrued interest on Claims) and (ii) the adjusted-tax basis of the Claims deemed to have been exchanged. It is likely that a portion of any amounts received by such holder will be treated as imputed interest income, computed from the Effective Date, and taxed as ordinary income.

(c) Basis and Holding Period of Property Received in Exchange for Claims

The tax basis of property received in exchange for a Claim will be the amount that is included in the holder's amount realized on the exchange, which in the case of Assets, should be the fair market value of the Assets allocable to a holder of an Allowed Claim as of the date of the exchange. The holding period for such property will begin on the day following the exchange.

3. Character of Gain or Loss

For holders that hold their Allowed Claims as capital assets, subject to the discussion below regarding payments of interest, gain or loss will be capital gain or loss, and will be long-term capital gain or loss if such Allowed Claim was held for more than one year at the Effective Date. It is likely that original holders of trade Claims, such as accounts payable, do not hold such Claims as capital assets; it is possible, depending on their own circumstances and the nature of the Claim, that other Creditors do not hold their Claims as capital assets. Each Creditor is urged to consult its own tax advisor as to the treatment of gain or loss realized with respect to its Claim.

4. Possible Deferral of Loss Recognition

It is possible that the recognition of loss, if any, realized by a holder of an Allowed Claim will be deferred because the ultimate pro rata shares of the Assets of holders of the Allowed Claims will not be determinable on the Effective Date due to the existence of Disputed Claims. In general, a loss will be treated as sustained in the taxable year for which there has been a closed and completed transaction, and no portion of a loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered. Although not free from doubt, the Debtors believe that a holder of an Allowed Claim should have a reporting position that it will recognize gain or loss on the Effective Date, to the extent described above. It is possible, however, that the IRS may assert either that (1) gain or loss recognized by a holder of an Allowed Claim on the Effective Date must be computed to include the fair market value of the cash and Assets initially dedicated to the Disputed Claims reserve as well as the fair market value of such holder's beneficial interest in the Liquidating Trust or (2) the consideration to be received by each holder of an Allowed Claim does not have an ascertainable fair market value on

the Effective Date, and thus, any loss realized by such holder should not be recognized until a later time, such as the date that the Liquidating Trust makes its final distribution.

Creditors should consult with their own tax advisors regarding the possible deferral of the recognition of loss. Because a loss will be allowed as a deduction only for the taxable year in which the loss was sustained, a Creditor that claims a loss in the incorrect taxable year risks denial of such loss altogether. In the case of certain Claims, consideration should be given to the possible availability of a bad debt deduction under Section 166 of the Internal Revenue Code for a period prior to the Effective Date.

5. Potential Interest Income

Holders of Claims will recognize ordinary income to the extent that they receive any cash or property on the Effective Date that is allocable to accrued but unpaid interest that has not already been included for federal income tax purposes in such holder's gross income. A holder of a Claim that includes accrued interest that receives consideration which is less than the amount of its Allowed Claim must allocate such consideration between principal and interest for federal income tax purposes. Applicable Treasury Regulations appear to require that the amounts distributed to holders of Allowed Claims on the Effective Date be allocated first to interest, up to the full amount of such accrued interest, with only the excess, if any, being allocated to principal. In connection with the allocation of consideration between principal and interest, holders of Claims should consult their own tax advisors to determine the amount of consideration received under the Plan that is allocable to interest.

In the event that the amount of cash and other property allocable to interest on a Claim is less than the amount previously included as interest on the Claim in the holder's federal taxable income, the unpaid interest may be deducted, generally as a loss or as an adjustment to a reserve for bad debts.

6. Use of the Installment Method

A holder of an Allowed Claim may be required to report gain on the deemed sale of its Allowed Claim in exchange for its allocable share of the Assets in the Liquidating Trust under the installment method, unless the holder elects to report the gain currently. Under the installment method, payment of tax with respect to gain on such deemed sale, to the extent such gain is attributable to an installment obligation, generally will be deferred until payment on the installment obligation is received or the installment obligation is disposed of. Each such payment received is generally treated as (i) a nontaxable recovery of a portion of the holder's basis in its Allowed Claim, (ii) a taxable realization of a portion of the holder's gain, and (iii) interest income (either stated or, if not, imputed). The amount of each payment that must be reported as income by a holder is determined by multiplying the total amount of payments received during the year by the gross profit percentage (i.e., the amount of gross profit realized on the sale of an Allowed Claim divided by the total fair market value of such holder's allocable share of the Assets).

A holder of an Allowed Claim using the installment method may be subject to special interest charge rules that apply to certain installment obligations. Under the interest charge rules,

an interest charge applies to any nondealer installment obligation in excess of \$150,000, which arose during the taxable year and remains outstanding at the close of the taxable year if the face amount of all such obligations that arose from sales during the year and remain outstanding as of the close of the taxable year exceeds \$5 million. The interest charge payable by such holder is an amount equal to (i) the "applicable percentage" of the "deferred tax liability" (which liability is defined as the product of (a) the amount of gain with respect to an obligation which has not been recognized as of the close of such taxable year and (b) the maximum rate of tax potentially applicable to the taxpayer for the year) multiplied by (ii) the underpayment rate in effect for the month in which the taxable year ends. The "applicable percentage" for all obligations arising during the taxable year is determined by dividing (i) the portion of the aggregate face amount of such obligations outstanding as of the close of such taxable year in excess of \$5 million by (ii) the aggregate face amount of such obligations arising in and outstanding at the close of the taxable year. The interest charge is an additional tax payable for the taxable year and is deductible as interest.

If the Liquidating Trust disposes of one of its Assets that constitutes an installment obligation, or if a holder using the installment method disposes of its beneficial interest in the Liquidating Trust, the holder will generally be treated as disposing of an installment obligation. Such disposition will result in realization of the installment gain inherent in the installment obligation. If a beneficial interest in the Liquidating Trust or the Assets are disposed of by sale or exchange, the gain or loss is the difference between the holder's basis in the Assets and the amount realized upon such disposition. If a beneficial interest in the Liquidating Trust or the Assets is disposed of in any manner other than by a sale or exchange, the gain or the loss is the difference between the holder's basis in the Assets and the fair market value of the Assets at the time of the disposition. Gain, if any, in excess of the amount of the installment obligation disposed of will be taxed as discussed above in section C.2. of this Article V. If the Liquidating Trust utilizes the Assets as security for a loan or if a Beneficiary pledges its interest as security for a loan, the net proceeds from such loan generally would be treated as a payment received on the installment obligation to the extent thereof and the applicable gain must be recognized.

Each holder of an Allowed Claim is urged to consult its own tax advisor regarding the treatment of various Assets (e.g., residual interest in the Disputed Claims reserve) as installment obligations and as to the application of the installment method generally.

7. Information Reporting and Withholding

The Liquidating Trustees will withhold any amounts required by law to be withheld from payments to holders of Claims. In addition, the holder of a Claim may be required to provide certain tax information to Debtors and to the Liquidating Trusts and the Disputed Claims reserves as a condition of receiving distributions under the Plan.

In general, information reporting requirements will apply to payments on the Effective Date and to certain distributions from the Liquidating Trusts or the Disputed Claims reserves in respect of interest, and such amounts may be subject to United States backup withholding tax (currently at a rate of 30.5%). The rate of backup withholding is scheduled to be reduced over time to 28% in 2006. Backup withholding tax will not apply to the holder of a Claim who (1) is a corporation or comes within certain exempt categories and, when required, demonstrates this

fact, or (2) furnishes a correct taxpayer identification number or certificate of foreign status and makes certain other required certifications as provided by the backup withholding rules.

Generally, a holder of a Claim will provide such certifications on Form W-9 (Request for Taxpayer Identification Number and Certification). A holder of a Claim who does not furnish the Liquidating Trustee with his or her correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax and may be claimed as a refund or a credit against such holder's United States federal income tax liability, provided that the required information is furnished to the IRS.

D. Taxation of the Operation of the Liquidating Trusts and the Disputed Claims Reserves

8. Taxation of the Operation of the Liquidating Trusts and the Disputed Claims Reserves

Each Beneficiary of the Liquidating Trust will be required to report on its federal income tax return its allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Liquidating Trust, including, but not limited to, interest income earned on bank accounts and other investments of the Liquidating Trust.

If a Trust Asset is sold or otherwise disposed of by the Liquidating Trust in a transaction in which gain or loss is recognized for federal income tax purposes, each holder of a beneficial interest in the Liquidating Trust will be required to report on its tax return gain or loss equal to the difference between (i) its pro rata share of the amount of cash and/or the fair market value of any property received in exchange for the Asset so sold or otherwise disposed of and (ii) its initial tax basis in its pro rata share of such Asset, as subsequently adjusted. The character and amount of any such gain or loss will be determined by reference to the character of the Asset sold or otherwise disposed of in the hands of each holder of a beneficial interest in the Liquidating Trust and by reference to whether the transaction in which such Asset was disposed of constitutes a sale or exchange for federal income tax purposes.

Each holder's obligation to report its share of any trust income or gain upon an Asset disposition is not dependent on the Liquidating Trust distributing any cash or other proceeds of such disposition. Accordingly, a holder of a may incur a tax liability as a result of owning a beneficial interest in the Liquidating Trust in advance of receipt of cash with respect thereto.

The Disputed Claims reserve should be treated for federal income tax purposes as a separate trust. As such, the Disputed Claims reserve will be subject to federal income tax on its taxable income at special tax rates applicable to trusts (currently the maximum rate is 39.1% for trust taxable income in excess of \$7,500). In general, in computing its taxable income, the Disputed Claims reserve should be entitled to deductions for its expenses and for distributions made to beneficiaries up to the amount of "distributable net income" ("DNI"), as defined in the Internal Revenue Code.

A holder of a beneficial interest in the Liquidating Trust will be required to include in income the amount of any distributions received by the Liquidating Trust from the Disputed Claims reserve in a taxable year, up to the amount of its proportionate share of the Disputed

Claims reserve's DNI for that year. Such distribution is characterized by reference to the character of items included in DNI (e.g., capital gains, interest income). The treatment of distributions made by complex trusts, such as the Disputed Claims reserves, in excess of DNI is unclear and therefore each holder of a Claim is urged to consult its own tax advisor as to the treatment of such distributions and the timing of recovery of tax basis in its interest.

As a result of the foregoing rules, the application of which can be very complicated and, in some respects, uncertain, the taxable income, if any, of the Disputed Claims reserve should be subject to only one level of federal income taxation.

It is possible, however, that all or a part of the Disputed Claims reserve may be treated as a "qualified settlement fund" ("Qualified Settlement Fund") as defined in the applicable Treasury Regulations to the extent that any of the Disputed Claims meets all of the requirements set forth therein. For federal income tax purposes, a Qualified Settlement Fund is treated as a separate taxable corporate entity subject to tax under Section 1(e) of the Tax Code on its modified gross income and is entitled to deductions for its administrative and incidental expenses. However, amounts distributed to claimants are not deductible. Recipients of distributions from a Qualified Settlement Fund must treat the distribution as taxable or excludable from income in the same manner as would have been the case if the payment had been received directly from the transferor.

Further, on February 1, 1999, proposed Treasury regulations (the "Proposed Regulations") were promulgated which set forth rules relating to the tax treatment of certain escrow funds which constitute "disputed ownership funds" ("Disputed Ownership Fund"). In general, a Disputed Ownership Fund is an escrow account, trust or fund that is not a Qualified Settlement Fund and is established to hold money or property subject to conflicting Claims, is subject to continuing jurisdiction of a court, and the money or property of which cannot be paid or distributed to the claimants or transferor without approval of the court. For federal income tax purposes, a Disputed Ownership Fund generally is treated as the owner of the assets it holds. It is treated as a Qualified Settlement Fund, as described above, if all of the assets transferred to the fund by or on behalf of the transferors are passive assets, such as cash or cash equivalents, stock or debt obligations; otherwise it is treated as a corporation. The Proposed Regulations are proposed to be effective for Disputed Ownership Funds established after the date the regulations are published as final in the Federal Register. With respect to a Disputed Ownership Fund established after August 16, 1986, but on or before the date of publication of final regulations in the Federal Register, the IRS will not challenge a reasonable, consistently applied method of taxation for income earned by the fund, transfers to the fund, and distributions made by the fund. At this time it is uncertain whether these Proposed Regulations will be finalized in their current form and, if so finalized, how they will be interpreted and applied, although it is possible that the Proposed Regulations will, as finalized, apply to the Disputed Claims reserve. If the Proposed Regulations were finalized in their current form, the Debtors believe that the above-described method of taxation of the Disputed Claims reserve would be treated as reasonable.

It is possible that the IRS could succeed in requiring a different characterization of either the Liquidating Trusts or the Disputed Claims reserves, or both, or that the Proposed Regulations governing Disputed Ownership Funds will be finalized and be applicable to the Disputed Claims

reserves, which could result in a different and possibly greater tax liability to the Liquidating Trusts, Disputed Claims reserves, the Creditors and/or the Debtors than that described herein.

9. Tax Reporting

The Liquidating Trusts will file Form 1041 (U.S. Income Tax Return for Estates and Trusts), on which the items of income, deduction and credit attributed to each holder of a beneficial interest in the respective Liquidating Trust will be reported on an attached separate schedule. Each holder of a beneficial interest in the respective Liquidating Trust will receive a copy of such return and the schedule relating to it and will be required to report on its federal income tax return its allocable shares of such items. The Liquidating Trustees shall be responsible for filing informational returns on behalf of the Liquidating Trusts and distributing information statements to each holder of a beneficial interest in the Liquidating Trusts, setting forth each holder's respective allocable share of the income, gain, loss, deduction, or credit of the respective Liquidating Trust. The Liquidating Trusts shall determine their income or loss based on the assumption that each holder of a beneficial interest in the Liquidating Trusts has a taxable year that is a calendar year and accordingly shall compute such holder's income or loss on a calendar year basis.

The Liquidating Trustees shall be responsible for filing the annual tax returns on a calendar year basis for the Disputed Claims Reserves, and shall pay tax in accordance with such returns.

E. Federal Income Tax Consequences to the Debtors

10. Discharge of Indebtedness Income of the Debtors

Subject to several exceptions, a taxpayer generally is required to include an amount in gross income upon a satisfaction of its indebtedness for less than the amount that the taxpayer received on issuance of the debt. Accordingly, in an exchange transaction, if the amount "paid" in cancellation of the old debt is less than the adjusted issue price of the old debt (i.e., the amount paid for the old debt when originally issued plus accruals of original issue discount, if any, on the old debt to the date of discharge, minus payments other than payments of qualified stated interest), the taxpayer generally is required to include the difference in gross income for the year of the discharge. One of the exceptions to this rule provides that gross income does not include amounts attributable to a discharge of indebtedness pursuant to a plan of reorganization that is approved by a court in a title 11 case (the "Bankruptcy Discharge Exception").

As noted above in section B.1. of this Article V, CCI intends to take the position that for federal income tax purposes, actions which occur on the Effective Date to establish the Liquidating Trust and discharge Allowed Claims will be treated as if the holders of Allowed Claims against CCI surrendered their Claims to CCI in exchange for the allocable portion of the Assets of the CCI Liquidating Trust. To the extent that the adjusted issue price of an Allowed Claim, plus the amount of interest accrued thereon that has been previously deducted but not paid by CCI, exceeds the sum of the cash and the fair market value of other Assets allocable to such Allowed Claims, CCI intends to take the position that such excess will constitute discharge of indebtedness income. Such discharge of indebtedness income realized by the Debtors as a

result of the exchanges will be excluded from their gross income under the Bankruptcy Discharge Exception.

Furthermore, as noted above in section B.1. of this Article V, CCSI intends to take the position that for federal income tax purposes, actions which occur on the Effective Date to establish the Liquidating Trust and discharge Allowed Claims will be treated as if the holders of Allowed Claims against CCSI surrendered their Claims to CCSI in exchange for the allocable portion of the Assets of the CCSI Liquidating Trust. To the extent that the adjusted issue price of an Allowed Claim, plus the amount of interest accrued thereon that has been previously deducted but not paid by CCSI, exceeds the sum of the cash and the fair market value of other Assets allocable to such Allowed Claims, CCSI intends to take the position that such excess will constitute discharge of indebtedness income. Such discharge of indebtedness income realized by the Debtors as a result of the exchanges will be excluded from their gross income under the Bankruptcy Discharge Exception.

Holders of Disputed Claims on the Effective Date against Debtors which become Allowed Claims will receive payments in discharge of such Claims from the Disputed Claims reserve. Although not free from doubt, the Debtors intend to take the position that the transfer of the Assets to the Disputed Claims reserve will not give rise to discharge of indebtedness income with respect to Disputed Claims for federal income tax purposes. The Debtors' position, in part, is based on authority holding that no discharge results from the forgiveness of a contingent liability in cases in which it is clear that no increase in the taxpayer's assets (and no federal income tax benefit) was derived from the incurrence of the contingent liability. Even if discharge of indebtedness does result from the Disputed Claims, it should be excluded from gross income by the Bankruptcy Discharge Exception noted above.

11. Gain or Loss on Transfer of Assets to the Liquidating Trusts and Issuance of Beneficial Interests in the Liquidating Trusts

Although not free from doubt, the Debtors intend to take the position that they will recognize gain or loss to the extent that the fair market value of each of the Assets is greater or less than the adjusted tax basis of such asset in the hands of the Debtors, and that they will be required to include such gain or loss in the calculation of gross income upon the distribution of the Assets to holders of the Allowed Claims or to the Disputed Claims reserve.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING SUCH TAX CONSEQUENCES.

ARTICLE VI.

ADDITIONAL PLAN PROVISIONS

A. Means For Execution Of The Plan

Upon entry of the Confirmation Order by the Court, the Plan will be implemented and the following actions will occur in the following order:

1. On the Confirmation Date, the Plan will become, in effect, an order of the Court and its terms will be binding on all Creditors, Equity Interest holders and all other parties in interest.

2. Between the Confirmation Date and the Effective Date, the Debtors' estates will continue to be administered by the respective Debtor.

3. On the Effective Date, subject to Article X of the Plan (concerning the Effective Date CCSI Settlement Payment and the Post Effective Date CCSI Settlement Payments) and section 2.1.1 of the Plan (concerning CCTs reimbursement of Administrative Expense Claims paid by the CCSI Liquidating Trustee on behalf of CCI, the CCI Liquidating Trust or the CCI Liquidating Trustee) all of the CCI Assets shall vest in the CCI Liquidating Trust and all of the CCSI Assets will vest in the CCSI Liquidating Trust, which shall be a liquidating trust created for purposes of making distributions on Allowed Claims and Interests in accordance with the Plan.

4. The Liquidating Trustees will administer their respective Liquidating Trusts and will hold and dispose of the Assets in their respective Liquidating Trusts in accordance with the Plan.

5. After all Estate Assets have been distributed, assigned or abandoned according to the Plan, the Liquidating Trustees shall terminate their respective Liquidating Trust.

B. Executory Contracts.

The Plan provides that, as authorized by Bankruptcy Code § 1123(b)(2), any executory contract or unexpired lease of the Debtors that (i) if not listed on Exhibit D to the Plan Supplement, (ii) has not been approved by the Bankruptcy Court prior to the Confirmation Date for assumption or assignment by the Debtors, (iii) has not been rejected by the Debtors, and (iv) is not the subject of a pending motion to assume at the Confirmation Date, shall be deemed to have been rejected by the Debtors. The Debtors do not expect to seek approval for assumption of any contracts or leases pursuant to the Plan. The Plan shall constitute a motion to reject such executory contract or unexpired lease, and the Liquidating Trusts shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of such rejection pursuant to sections

365(a) and 1123(b)(2) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of the Debtors, their estates, and all parties in interest in the Chapter 11 Cases.

Claims created by the rejection of executory contracts or unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed and served in accordance with the Plan, no later than thirty (30) days after the Confirmation Date, or (iii) in the case of an executory contract or unexpired lease that is rejected by the Debtors after the Confirmation Date, within thirty (30) days after the entry of an order of the Bankruptcy Court authorizing and approving such rejection. Any claims for which a proof of claim is not filed and served within such time will be forever barred and shall not be enforceable against the Debtors, their estates, assets, properties, or interests in property, or the Liquidating Trusts. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as Unsecured Claims under the Plan.

C. Retention Of Jurisdiction.

The Plan envisions retention of jurisdiction by the Court after confirmation of the Plan. The Plan provides that the Court shall retain exclusive jurisdiction over the Liquidating Trusts and the Plan. The Court will retain jurisdiction to (i) resolve all issues relating to the Assets in the Liquidating Trusts; (ii) adjudicate any and all adversary proceedings, applications, motions and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Liquidating Trusts after the Effective Date; (iii) adjudicate Claims objections and the time for filing objections to Claims; (iv) enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated; (v) issue such orders in aid of execution of the Plan as may be necessary or appropriate to carry out its intent and purpose or implement the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code; (vi) consider any modifications to the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court; (vii) adjudicate all applications for compensation and reimbursement of expenses of professionals; (viii) adjudicate disputes arising in connection with the interpretation, implementation, or enforcement of the Plan and all Exhibits to the Plan and Plan Supplements; (ix) enforce any order, judgment, injunction or ruling entered or made in the Chapter 11 Cases; (x) resolve any tax disputes for which the Debtors in Possession, the Liquidating Trustees or the Liquidating Trusts may be liable; (xi) determine such other matters that may be set forth in the Plan, the Confirmation Order, the Trust Agreements or that may arise in connection with the same; (xii) enter final decree closing the Chapter 11 Cases; (xiii) resolve all matters regarding rejection of executory contracts and unexpired leases, including determining any and all Claims arising therefrom; (xiv) enter orders on the allowance of Administrative Claims; and (xv) resolve controversies arising out of the administration of the Liquidating Trust.

D. Unclaimed Distributions.

The Plan provides that any returned distribution on an Allowed Claim that is not claimed within 90 days after the date such distribution is made shall become part of the cash held by the

respective Liquidating Trustee and all rights to such distribution and to any further distribution shall be forfeited. No further distributions shall be made on such Allowed Claim unless and until the respective Liquidating Trustee is notified of a current address.

E. Claim Objections.

After the Effective Date, the CCI Liquidating Trustee shall have the exclusive right to object to Claims against CCI, and the CCSI Liquidating Trustee shall have the exclusive right to objection to Claims against CCSI.

ARTICLE VII.

FEASIBILITY AND RISK FACTORS

A. General Feasibility Analysis.

Pursuant to Bankruptcy Code § 1129(a)(11), one of the requirements for confirmation of a plan of reorganization is a determination by the Court that the Plan is feasible, that is, that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization unless such liquidation or reorganization is proposed under the Plan. This requirement is often referred to as the "feasibility" requirement. Since the Plan provides for liquidation as permitted by section 1129(a)(11), the feasibility requirement is satisfied.

B. Risk Factors.

With any Chapter 11 plan, certain factors create a risk that anticipated results will not be achieved. However, these factors cannot always be anticipated. Some events may develop in ways that are unforeseen, and some or all of the assumptions, which have been used in this Disclosure Statement and the Plan, may not be realized exactly as assumed. The results in these Cases does not depend upon projected future revenues; however, the estimated CCI Cash on Hand and CCSI Cash on Hand on the Effective Date is contingent on the proceeds to be derived from future Asset sales.

On the Effective Date, substantially all of the Assets should be liquidated and reduced to cash and the Liquidating Trustees' main objectives are to make distributions of such cash on Allowed Claims in the respective Liquidating Trusts as provided in the Plan. Nevertheless, the timing and amount of distributions to the various classes of the Liquidating Trusts may be affected by the following factors:

1. The Plan is subject to approval by the holders of Allowed General Unsecured Claims in CCI Class 3 and CCSI Class 3, which are the only Classes entitled to vote on the Plan. The Preferred Equity Interests in CCI Class 4 and the Equity Interests in CCI Class 5 and CCSI Class 4 are deemed to have rejected the Plan. No assurance can be given that the Plan will be accepted by the voting classes or confirmed by the Court. Failure of voting classes to vote in favor of the Plan or non-confirmation by the Court could lead to delay and additional administrative expenses.

2. The estimated percentage return on Allowed Claims set forth in this Disclosure Statement are only estimates. Any increase in estimated Allowed Claims or decrease in the estimated proceeds from the sale of Assets used to calculate the estimated percentage return will reduce the corresponding actual percentage return.

3. Distributions to the holders of disputed Claims may occur over a longer period of time than anticipated because of litigation over the validity and amount of such Claims.

The foregoing risks are inherent in any liquidation, including that by a chapter 7 trustee.

ARTICLE VIII.

CONCLUSION

The Debtors believe that the Plan provides the best possible recoveries to Creditors and the Debtors urge Creditors to vote to accept the Plan.

DATED: October 26, 2001

CONVERGENT COMMUNICATIONS, INC.

By: Craig A. Dais
Name: Craig A. Dais
Title: Director and CEO

CONVERGENT COMMUNICATIONS
SERVICES, INC.

By: Craig A. Dais
Name: Craig A. Dais
Title: Director and CEO

DISTRIBUTION CENTER

01 NOV 20 AM 8:58

PRESENTED BY:

CONNOLLY ROSANIA & LOFSTEDT, P.C.

Tom Connolly (#11689)

Joli Lofstedt (#21946)

287 Century Circle, Suite 200

Louisville, CO 80027

(303) 661-9292

(303) 661-9555 fax

tom@crlpc.com

joli@crlpc.com

Counsel to Convergent Communications Services, Inc.

GIBSON, DUNN & CRUTCHER LLP

George B. Curtis (#11729)

Jeffrey E. Oraker (#26893)

1801 California Street

Denver, CO 80202

(303) 298-5700

(303) 296-5310 fax

gcurtis@gibsondunn.com

joraker@gibsondunn.com

-and-

GIBSON, DUNN & CRUTCHER LLP

James P. Ricciardi, P.C.

200 Park Avenue

New York, NY 10166

(212) 351-4000

(212) 351-5223 fax

jricciardi@gibsondunn.com

Counsel to Convergent Communications, Inc.

Disclosure Statement 2d filed version.doc

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO
Bankruptcy Judge Elizabeth E. Brown

In re:)
)
CONVERGENT COMMUNICATIONS,)
INC.,)
EIN: 84-1337265) Bankruptcy Case No. 01-15488 EEB
) Chapter 11
Debtor.)
)
In re:)
)
CONVERGENT COMMUNICATIONS)
SERVICES, INC.,) Bankruptcy Case No. 01-15489 EEB
EIN: 84-1387594) Chapter 11
Debtor.) (Jointly Administered Under
) Bankruptcy Case No. 01-15488 EEB)

NOTICE OF HEARING ON ADEQUACY OF FIRST REVISED
DISCLOSURE STATEMENT

TO THE DEBTOR(S), ITS CREDITORS, EQUITY HOLDERS, AND OTHER PARTIES-IN-INTEREST:

NOTICE IS HEREBY GIVEN that a First Revised Disclosure Statement was filed by the Debtors on October 26, 2001. Pursuant to Order of the Court, a hearing will be held on the adequacy of such First Revised Disclosure Statement on Monday, December 17, 2001, at 2:00 p.m. in Courtroom F, U.S. Bankruptcy Court, U.S. Custom House, 721 19th Street, Denver, Colorado 80202-2508.

Pursuant to Local Bankruptcy Rule 317, any objections to the First Revised Disclosure Statement shall be made in writing and the original of the objection shall be filed with the Court and a copy served on the attorneys for the proponents of the First Amended Joint Plan, and counsel for the Creditors' Committee not less than ten (10) days prior to the hearing on the adequacy of the First Revised Disclosure Statement. Objections shall clearly specify the grounds upon which they are based, including the citation of supporting legal authority, if any, and references to the particular portions of the statement to which objections are made. General objections will not be considered by the Court.

The First Revised Disclosure Statement is available for public inspection from 8:00 a.m. to 4:30 p.m. during any regular business day in the Clerk's Office of the U.S. Bankruptcy Court for the District of Colorado, U.S. Custom House, 721 19th Street, Denver, Colorado 80202-2508. Any interested party who desires a copy of the First Revised Disclosure Statement or First Amended Joint Plan may submit such request to the proponents of the First Revised Disclosure Statement or First Amended Joint Plan at the addresses stated below, with a copy of that request to the Clerk of the Bankruptcy Court. The proponents shall promptly provide the requested copy.

The hearing may be continued from time to time by Order made in Open Court without further written notice to creditors.

DATED, November 8, 2001.

PLAN PROPONENTS:

Convergent Communications Services, Inc.
Connolly, Rosania & Lofstedt, P.C.

By: John A. Lofstedt
Tom Connolly, Esq.
John Lofstedt, Esq.
287 Century Circle, Suite 200
Louisville, CO 80027
(303) 661-9292

Convergent Communications, Inc.

By: Jeffrey Craker
Gibson, Dunn & Crutcher, LLP
Jeffrey Craker, Esq.
1801 California St.
Denver, CO 80202
(303) 298-5700
-and-
Gibson, Dunn & Crutcher, LLP
James P. Ricciardi, P.C.
200 Park Avenue
New York, NY 10166
(212) 351-4000

Copies of Objections should also be served on.

United States Trustee
721 19th Street, #408
Denver, CO 80202

Convergent Creditors' Committee
c/o Block Markus Williams LLC
James T. Markus, Esq.
1700 Lincoln St., #3550
Denver, CO 80203

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

FILED
BRADFORD L. BO
CLERK
01 OCT 26 PM 4:
U.S. BANKRUPTCY COURT
DISTRICT OF COLORADO

In re:)
)
CONVERGENT COMMUNICATIONS,) Chapter 11
INC.)
EIN: 84-1337265) Case No. 01 15488 EEB
)
Debtor.)
-----)
In re:)
)
CONVERGENT COMMUNICATIONS) Chapter 11
SERVICES, INC.)
EIN: 84-1387594) Case No. 01 15489 EEB
)
Debtor.) (Jointly Administered under Case No. 01
15488 (EEB))

FIRST AMENDED JOINT PLAN OF LIQUIDATION OF THE DEBTORS
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: October 26, 2001

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

In re:)	
)	
CONVERGENT COMMUNICATIONS, INC.)	Chapter 11
EIN: 84-1337265)	Case No. 01 15488 EEB
Debtor.)	
<hr style="border: 0.5px solid black;"/>		
In re:)	
)	
CONVERGENT COMMUNICATIONS SERVICES, INC.)	Chapter 11
EIN: 84-1387594)	Case No. 01 15489 ABC
Debtor.)	(Jointly Administered under Case No. 01 15488 (EEB))

**FIRST AMENDED JOINT PLAN OF LIQUIDATION OF THE DEBTORS
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

Convergent Communications, Inc., and Convergent Communications Services, Inc., by and through their attorneys, hereby propose the following joint plan of liquidation pursuant to section 1123(b)(4) of title 11 of the United States Code. In support of the Plan, Debtors respectfully state as follows:

I.

DEFINITIONS AND CONSTRUCTION OF TERMS

1.1. *Definitions.* As used herein, the following terms have the respective meanings specified below, unless the context otherwise requires:

1.1.1. *Administrative Expense Claim* means any claim under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary expenses of preserving the Debtors' estates; (b) any actual and necessary expenses of operating the Debtors' business during the pendency of the Chapter 11 Cases; (c) all compensation or reimbursement of expenses allowed by the Bankruptcy Court under section 503 of the Bankruptcy Code; and (d) any fees or charges assessed against the Debtors' estates under section 1930 of chapter 123 of title 28 of the United States Code.

1.1.2. *Allowed* means, with respect to any Claim or Administrative Expense

Claim, any such Claim or Administrative Expense Claim (a) proof of which was timely and properly filed and as to which no objection to the allowance thereof has been timely made; (b) if no proof of claim was filed, which has been or hereafter is listed by the relevant Debtor on its Schedules as liquidated in amount and not disputed or contingent, and as to which no objection to the allowance thereof has been timely made; (c) to the extent allowed pursuant to the Plan, a Final Order, or settlement or compromise pursuant to the terms provided herein; or (d) as to an Administrative Expense Claim, an Administrative Expense Claim that was incurred in the ordinary course of the Chapter 11 Cases or an Administrative Claim that has been allowed by a Final Order. Unless otherwise specified herein or by order of the Bankruptcy Court, "Allowed Claim" and "Allowed Administrative Expense Claim" shall not, for purposes of computation of distributions under the Plan, include interest on such Claim or Administrative Expense Claim from and after the Commencement Date.

1.1.3. *Assets* means all of the right, title, and interest of the Debtors or in and to any and all assets and property wherever located and by whomever held, whether tangible, intangible, real, or personal, that constitute property of the Debtors' estates within the purview of section 541 of the Bankruptcy Code, including, without limitation, Avoidance Actions and any and all claims, Causes of Action, or rights of the Debtors under federal or state law.

1.1.4. *Avoidance Actions* means all adversary proceedings or other actions by or on behalf of any Debtor under sections 542, 543, 544, 545, 547, 548, 549, 550, 551, 553 of the Bankruptcy Code, including, without limitation, the Debtors' rights of setoff, recoupment, contribution, reimbursement, subrogation or indemnity (as those terms are defined by the nonbankruptcy law of any relevant jurisdiction) and any other indirect claim of any kind whatsoever, whenever and wherever arising or asserted.

1.1.5. *Bankruptcy Code* means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

1.1.6. *Bankruptcy Court* means the United States Bankruptcy Court for the District of Colorado, or any other court, having jurisdiction over the Chapter 11 Cases and, to the extent of any reference made under section 157 of title 28 of the United States Code, the unit of such District Court under section 151 of title 28 of the United States Code.

1.1.7. *Bankruptcy Rules* means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 11 Cases, including the local rules and general orders of the Bankruptcy Court.

1.1.8. *Bar Date* means the applicable deadline by which a proof of claim or motion for allowance of a Claim must have been or must be filed, as established by this Plan or an order of the Bankruptcy Court.

1.1.9. *Beneficiaries* means holders of Allowed Unsecured Claims in CCI

Class 3 or CCSI Class 3.

1.1.10. *Bonds* means the senior notes issued pursuant to the Indenture.

1.1.11. *Bondholders* means the holders of the Bonds.

1.1.12. *Bondholder Claim* means the Unsecured Claim of (a) any Bondholder that is based upon or arises from the Indenture, including, without limitation, principal, accrued and unaccrued interest and other charges and (b) the Indenture Trustee under the Indenture.

1.1.13. *Bondholder Distribution Record Date* means the date and time on which the Bondholders entitled to receive distributions under the Plan are determined, which shall be the day on which the hearing to consider confirmation of the Plan is commenced, at 5:00 P.M. Mountain Time.

1.1.14. *Business Day* means any day other than a Saturday, Sunday or any other day on which commercial banks in Colorado are required or authorized to close.

1.1.15. *Bylaws* means the respective Bylaws of each of the Debtors in effect as of the Confirmation Date.

1.1.16. *Cash Equivalents* means equivalents of cash in the form of readily marketable securities or instruments constituting (i) readily marketable direct obligations of, or obligations guaranteed by, the United States of America having maturities of not more than one hundred eighty (180) days, or shares of mutual funds invested primarily in such government obligations, (ii) commercial paper of domestic corporations carrying a Moody's Rating of "A" or better, or equivalent rating of any other nationally recognized rating service, or (iii) interest-bearing certificates of deposit or other similar obligations of domestic banks or other financial institutions having a shareholders' equity or equivalent capital of not less than Two Hundred Million Dollars (\$200,000,000), having maturities of not more than one hundred eighty (180) days, at the then best generally available rates of interest for like amounts and like periods.

1.1.17. *Causes of Action* means any and all actions, claims, rights, defenses, third-party claims, cross-claims, counterclaims, suits, causes of action, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and whether asserted or assertable directly or indirectly or derivatively, at law, in equity or otherwise, accruing to or for the benefit of the Debtors or the Debtors in Possession or their estates, including, but not limited to, the Avoidance Actions.

1.1.18. *CCI* means Convergent Communications, Inc.

1.1.19. *CCI Allowed Claims* means any and all Claims against CCI which have become Allowed.

1.1.20. *CCI Causes of Action* means any and all Avoidance Actions or Causes of Action which CCI has or may have as of the Effective Date, including without limitation Insider Causes of Action.

1.1.21. *CCI Cash on Hand* means CCI's cash on hand, including Cash Equivalents, on the Effective Date.

1.1.22. *CCI Liquidation Expenses* means all costs and expenses associated or incurred in connection with the administration of the CCI Liquidating Trust, including without limitation, the compensation payable to the CCI Liquidating Trustee and those professionals retained by the CCI Liquidating Trustee and all costs and expenses of (a) taking possession of, holding, maintaining, liquidating or distributing CCI Assets that shall be transferred to, and vested in, the CCI Liquidating Trustee, and (b) prosecuting, defending, settling or otherwise resolving any disputes regarding the CCI Assets or CCI Claims objections that shall be pending after the Effective Date, and (c) estimated post-confirmation quarterly fees owing by the CCI Liquidating Trust to the United States Trustee Program pursuant to 28 U.S.C. § 1930 (as amended under Public Law 104-99 signed into law on January 27, 1999).

1.1.23. *CCI Liquidating Trust* means the liquidating trust formed under Colorado law, which shall be formed on the Effective Date in accordance with the provisions of Article VI of the Plan and pursuant to the CCI Trust Agreement.

1.1.24. *CCI Liquidating Trustee* means the person or firm selected by the Committee and approved by the Debtors to be the trustee of the CCI Liquidating Trust for all purposes set forth in the Plan.

1.1.25. *CCI Trust Agreement* means the CCI Liquidating Trust agreement executed by CCI and the CCI Liquidating Trustee that governs the CCI Liquidating Trust, substantially in the form of Exhibit B to the Plan Supplement.

1.1.26. *CCSI* means Convergent Communications Services, Inc.

1.1.27. *CCSI Allowed Claims* means any and all Claims against CCSI which have become Allowed.

1.1.28. *CCSI Causes of Action* means any and all Avoidance Actions or Causes of Action which CCSI has or may have as of the Effective Date, which are not CCI Causes of Action or Insider Causes of Action.

1.1.29. *CCSI Cash on Hand* means CCSI's cash on hand, including Cash Equivalents, on the Effective Date.

1.1.30. *CCSI Liquidation Expenses* means all costs and expenses associated or incurred in connection with the administration of the CCSI Liquidating Trust, including without limitation, the compensation payable to the CCSI Liquidating Trustee and those professionals retained by the CCSI Liquidating Trustee and all costs and expenses of (a) taking possession of, holding, maintaining, liquidating or distributing CCSI Assets that shall be transferred to, and vested in, the CCSI Liquidating Trustee, and (b) prosecuting, defending, settling or otherwise resolving any disputes regarding the CCSI Assets and any CCSI Claims objections that shall be pending after the Effective Date and (c) estimated post-confirmation quarterly fees owing by the CCSI Liquidating Trust to the United States Trustee Program pursuant to 28 U.S.C. § 1930 (as amended under Public Law 104-99 signed into law on January 27, 1999).

1.1.31. *CCSI Liquidating Trust* means the liquidating trust formed under Colorado law, which shall be formed on the Effective Date in accordance with the provisions of Article VI of the Plan and pursuant to the CCSI Trust Agreement.

1.1.32. *CCSI Liquidating Trustee* means the person or firm selected by CCSI and approved by the Committee to be the trustee of the CCSI Liquidating Trust for all purposes set forth in the Plan.

1.1.33. *CCSI Trust Agreement* means the CCSI Liquidating Trust agreement executed by CCSI and the CCSI Liquidating Trustee that governs the CCSI Liquidating Trust, substantially in the form of Exhibit B to the Plan Supplement.

1.1.34. *Certificates of Incorporation* means the respective Certificates of Incorporation of each of the Debtors in effect as of the Confirmation Date.

1.1.35. *Chapter 11 Cases* means the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors, as Jointly Administered Chapter 11 Case Nos. 01-15488 EEB and 01-15489 EEB, and currently pending in the Bankruptcy Court.

1.1.36. *Claim* means claim as defined in section 101(5) of the Bankruptcy Code and including, without limitation, any rights under sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not asserted, and whether the facts of or legal bases therefor are known or unknown.

1.1.37. *Commencement Date* means April 19, 2001, the date on which the Debtors commenced the Chapter 11 Cases.

1.1.38. *Committee* means the committee of unsecured creditors appointed by the United States Trustee in the Chapter 11 Cases under section 1102 of the Bankruptcy Code.

1.1.39. *Confirmation Date* means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.

1.1.40. *Confirmation Order* means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.1.41. *Creditor* means any Entity that holds a Claim against the Debtors.

1.1.42. *Debtors* means, collectively, Convergent Communications, Inc. and Convergent Communications Services, Inc., as debtors in possession in the Chapter 11 Cases.

1.1.43. *Disclosure Statement* means the disclosure statement relating to the Plan, as approved by the Bankruptcy Court under section 1125 of the Bankruptcy Code.

1.1.44. *Disputed Claim* means a Claim or Administrative Expense Claim that is not an Allowed Claim or an Allowed Administrative Expense Claim or that has not been disallowed by Final Order.

1.1.45. *Disputed Claim Amount* means the Estimated Amount of a Disputed Claim or, if no Estimated Amount exists, the entire amount of the Disputed Claim.

1.1.46. *Distribution* means the payment or distribution under the Plan of property or interests in property to the holders of Allowed Claims or Allowed Administrative Expense Claims.

1.1.47. *Effective Date* means the first Business Day on which all of the conditions to the effective date shall have been satisfied or waived in accordance with section 7.8.

1.1.48. *Effective Date CCSI Settlement Payment* means the cash payment from CCSI to CCI as defined in section 10.1.1 of the Plan.

1.1.49. *Encumbrance* means, with respect to any Asset, any mortgage, lien, pledge, charge, security, interest, assignment, or encumbrance of any kind or nature in respect of such Asset, including, without express or implied limitation, any conditional sale or other title retention agreement, any security agreement, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

1.1.50. *Entity* means an individual, corporation, partnership, association, joint stock company, joint venture, estate, trust, unincorporated organization, or government or any political subdivision thereof, or other person or entity.

1.1.51. *Equity Interest* means the equity securities of either Debtor authorized, issued and outstanding prior to the Effective Date, and any option, warrant, or other agreement requiring the issuance of any such Equity Interest other than a Preferred Equity Interest.

1.1.52. *Estimated Amount* means the estimated dollar value of a Disputed Claim pursuant to section 502(c) of the Bankruptcy Code.

1.1.53. *Final Order* means an order 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 or as to which any right to appeal, petition for *certiorari*, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtors or, in the event that an appeal, writ of *certiorari*, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or *certiorari*, reargument or rehearing shall have been denied and the time to take any further appeal, petition for *certiorari* or move for reargument or rehearing shall have expired.

1.1.54. *Guaranty Claims* means any Claim against CCI as a result of CCI's guarantee of, or co-liability for, CCSI's indebtedness as to which CCSI is the principal obligor and which Claim is not a Secured Claim.

1.1.55. *Indenture* means that certain indenture, dated as of April 2, 1998, between Convergent Communications, Inc. and Norwest Bank Colorado, N.A., as Trustee.

1.1.56. *Indenture Trustee* means HSBC Bank USA, or any successor thereto, as indenture trustee pursuant to the Indenture or any other replacement trustee serving as indenture trustee under the Indenture as of the Effective Date.

1.1.57. *Insider Causes of Action* means any and all Avoidance Actions or Causes of Action which either CCI or CCSI has or may have against any person or entity who is or was an insider (as that term is defined in the Bankruptcy Code) without regard to whether the payments were made by CCI or CCSI, including all Causes of Action relating to the Debtors arising from or relating to actions or omissions of any person or entity who is or was an "insider" as that term is defined in the Bankruptcy Code.

1.1.58. *Interest* means the rights of the holders of the shares of equity securities of any Debtor authorized, issued, and outstanding, as of the Effective Date.

1.1.59. *Internal Revenue Code* means the Internal Revenue Code of 1986, as amended.

1.1.60. *IRS* means the United States Internal Revenue Service.

1.1.61. *Liquidating Trust* means either the CCI Liquidating Trust or the CCSI Liquidating Trust, as applicable.

1.1.62. *Liquidating Trusts* means the CCI Liquidating Trust and the CCSI Liquidating Trust, collectively.

1.1.63. *Liquidating Trustee* means either the CCI Liquidating Trustee or the CCSI Liquidating Trustee, as applicable.

1.1.64. *Liquidating Trustees* means the CCI Liquidating Trustee and the CCSI Liquidating Trustee, collectively.

1.1.65. *Other Priority Claim* means any Claim to the extent such claim is entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim or Priority Tax Claim.

1.1.66. *Plan* means this chapter 11 liquidating plan, either in its present form or as it may be altered, amended, or modified from time to time.

1.1.67. *Plan Committees* means the two committees formed to supervise and direct the Liquidating Trustees as defined in section 7.7 of the Plan.

1.1.68. *Plan Supplement* means the volume containing certain implementation documents as provided for in section 11.1 of the Plan.

1.1.69. *Post Effective Date CCSI Settlement Payments* means the cash payments from CCSI to CCI as defined in section 10.1.2 of the Plan.

1.1.70. *Preferred Equity Interest* means the preferred equity securities of CCI authorized, issued and outstanding prior to the Effective Date, and any option, warrant, or other agreement requiring the issuance of any such Equity Interest.

1.1.71. *Priority Tax Claim* means a Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code against either Debtor.

1.1.72. *Pro Rata* means proportionate, so that the ratio of the consideration distributed on account of an Allowed Claim in a class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such class to the amount of all Allowed Claims in such Class.

1.1.73. *Remaining CCSI Cash* means the CCSI cash remaining after the Effective Date CCSI Settlement Payment as defined in section 6.1 of the Plan.

1.1.74. *Schedules* means the schedules of assets and liabilities and the statement of financial affairs filed by the Debtors as required by section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments made from time to time in accordance with Bankruptcy Rule 1009.

1.1.75. *Secured Claim* means a Claim that is (a) secured by an Encumbrance on an Asset which Encumbrance is valid, perfected and enforceable under applicable law or by reason of a Final Order and which Encumbrance is not subject to

avoidance but only to the extent of the value of any Debtors' interest in the Asset securing such Claim pursuant to Bankruptcy Code § 506(a); (b) that is subject to set-off under Bankruptcy Code § 553 but only to the extent of the amount subject to set-off; or (c) Allowed under the Plan as a secured Claim.

1.1.76. *Unsecured Claim* means any Claim that is not a Secured Claim, Administrative Expense Claim, Priority Tax Claim, or Other Priority Claim, including any deficiency claims.

1.1.77. *Voting Procedures Order* means an order of the Bankruptcy Court approving procedures relating to the solicitation and tabulation of votes with respect to the Plan.

1.1.78. *Voting Record Date* means the date and time on which the hearing to consider the Disclosure Statement is commenced at 5:00 P.M. Mountain Time.

1.2. *Other Terms.* A term used herein that is not defined herein shall have the meaning ascribed to that term, if any, in the Bankruptcy Code.

1.3. *Construction of Certain Terms.*

1.3.1. The words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan.

1.3.2. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter.

II.

ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

The Administrative Expense Claims and the Priority Tax Claims are not designated as a class pursuant to Bankruptcy Code § 1123(a)(1). Accordingly, the holders of the Administrative Expense Claims and Priority Tax Claims are not entitled to vote on the Plan.

2.1. *Administrative Expense Claims.*

2.1.1. *Payment of Administrative Expense Claims.* Each holder of an Allowed Administrative Expense Claim against either Debtor shall be paid by the CCSI Liquidating Trustee the Allowed Amount of its Administrative Expense Claim in full, on the later of (i) the Effective Date, (ii) ten (10) days after which an Administrative Expense Claim becomes an Allowed Administrative Expense Claim; or (iii) any date mutually agreeable to the holder of the Administrative Expense Claim and the CCSI Liquidating

Trustee. The CCI Liquidating Trustee shall reimburse the CCSI Liquidating Trust for any Administrative Expense Claims actually paid after the Effective Date by the CCSI Liquidating Trustee that are directly attributable to the payments to professionals retained solely by CCI, the CCI Liquidating Trust, or the CCI Liquidating Trustee. In addition, the CCI Liquidating Trustee shall reimburse the CCSI Liquidating Trust for 80% of any Administrative Expense Claims actually paid after the Effective Date by the CCSI Liquidating Trustee that are directly attributable to payments to all of the Committee's professionals.

2.1.2. *Time for Filing Administrative Expense Claims.* Any request for payment of an Administrative Expense Claim, other than a liability incurred in the ordinary course of Debtors' business and other than the quarterly fees owing to the United States Trustee Program arising on or before the Effective Date, must be filed with the Bankruptcy Court no later than sixty (60) days after the Effective Date. Prior to the Effective Date, any request for the allowance of an Administrative Expense Claim shall be filed and served in accordance with the Bankruptcy Code and Bankruptcy Rules. After the Effective Date, such request shall be served on the Liquidating Trustees, their counsel, the Plan Committees and all parties requesting notice after the Confirmation Date.

2.1.3. *Request for Administrative Expense Claim.* The request for the allowance of an Administrative Expense Claim shall state, at a minimum, (a) the name of the party asserting the Administrative Expense Claim, (b) the amount of the Administrative Expense Claim, and (c) a detailed explanation of the basis of the Administrative Expense Claim, with all pertinent documents attached, provided however, that a request for payment made by a person seeking an award of compensation for services rendered or reimbursement of expenses incurred under sections 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5), or 506(b) of the Bankruptcy Code shall be in the form of an application and shall comply with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules governing applications for compensation and reimbursement.

2.1.4. *Failure to Timely File Request.* The failure to file and serve, timely and properly, the notice, request for payment, or application for compensation and reimbursement of an Administrative Expense Claim shall constitute a waiver of such Administrative Expense Claim and such Administrative Expense Claim shall be forever barred.

2.2. *Objections to Asserted Administrative Expense Claims.* After the Effective Date, objections to any Administrative Expense Claims as to which a request is timely and properly served shall be filed and served within the later of sixty days after the Effective Date or twenty-three (23) days after the filing and service of notice of such Administrative Expense Claim. If an objection is filed within such time period, the Administrative Expense Claim shall become an Allowed Administrative Expense Claim only to the extent allowed by a Final Order of the Bankruptcy Court.

2.3. *Priority Tax Claims.* Each holder of an Allowed Priority Tax Claim

against either Debtor shall be paid, by the CCSI Liquidating Trustee from the CCSI Liquidating Trust, the Allowed Amount of its Priority Tax Claim in full on the later of (i) the Effective Date, (ii) ten (10) days after which a Priority Tax Claims becomes an Allowed Priority Tax Claim (iii) any date mutually agreeable to the holder of the Priority Tax Claim and the CCSI Liquidating Trustee.

III.

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 Claims, other than Administrative Expense Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation, and distribution pursuant to the Plan, as follows:

CCI CLAIMS AND EQUITY INTERESTS		
CLASS	DESCRIPTION	IMPAIRMENT
CCI Class 1: Other Priority Claims	Class 1 consists of all Other Priority Claims against CCI	Unimpaired—not entitled to vote
CCI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCI Assets	Unimpaired—not entitled to vote
CCI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCI, including without limitation all Bondholder Claims, Guaranty Claims and timely filed deficiency claims	Impaired—entitled to vote
CCI Class 4: Preferred Equity Interests	Class 4 consists of all Preferred Equity Interests in CCI.	Impaired—deemed to reject the Plan
CCI Class 5: Equity Interests	Class 5 consists of all Equity Interests in CCI.	Impaired—deemed to reject the Plan

CCSI CLAIMS AND EQUITY INTERESTS		
CLASS	DESCRIPTION	IMPAIRMENT

CCSI Class 1: Other Priority Claims	Class 1 consists of all Other Priority Claims against CCSI	Unimpaired—not entitled to vote
CCSI Class 2: Secured Claims	Class 2 consists of all Secured Claims secured by CCSI assets	Unimpaired—not entitled to vote
CCSI Class 3: Unsecured Claims	Class 3 consists of all Unsecured Claims held against CCSI, including timely filed deficiency claims	Impaired—entitled to vote
CCSI Class 4: Equity Interests	Class 4 consists of all Equity Interests in CCSI.	Impaired—deemed to reject the Plan

IV.

TREATMENT OF CLAIMS AND INTERESTS

4.1. *CCI Claims*

4.1.1. *CCI Class 1 – Other Priority Claims.*

4.1.1.a. *Impairment and Voting.* CCI Class 1 is not impaired by the Plan. CCI Class 1 shall include Allowed Other Priority Claims against CCI. Holders of Allowed Other Priority Claims in CCI Class 1 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

4.1.1.b. *CCI Class 1 Distributions.* Each holder of an Allowed Other Priority Claim in CCI Class 1 shall be paid by the CCSI Liquidating Trustee from the CCSI Liquidating Trust, the Allowed amount of its Other Priority Claim in full, on the later of (i) the Effective Date, (ii) the tenth (10) day after which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) any date mutually agreeable to the holder of the Other Priority Claim and the CCSI Liquidating Trustee.

4.1.2. *CCI Class 2 – Secured Claims*

4.1.2.a. *Impairment and Voting.* CCI Class 2 is not impaired by the Plan. CCI Class 2 shall include Allowed Secured Claims against CCI. Holders of a Secured Claim in CCI Class 2 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

4.1.2.b. *CCI Class 2 Distributions.* On the Effective Date, each holder of an Allowed Secured Claim in CCI Class 2 shall retain its legal, equitable and contractual rights with respect to its lien on any CCI Asset securing such Claim subject to any Avoidance Actions and shall be granted relief from the automatic stay to recover any collateral securing its respective Allowed Secured Claim. The holder of an Allowed Secured Claim in CCI Class 2 shall receive nothing further under the Plan.

4.1.3. *CCI Class 3 – Unsecured Claims.*

4.1.3.a. *Allowance of Claims.* Notwithstanding anything herein to the contrary, the Bondholder Claims shall be deemed to be Allowed Claims in CCI Class 3 in the aggregate amount of the outstanding principal and interest due under the Indenture on the Commencement Date, and such Allowed Bondholder Claims shall not be subject to disallowance, avoidance, subordination, setoff or reduction for any reason.

4.1.3.b. *Impairment and Voting.* CCI Class 3 is impaired by the Plan. CCI Class 3 shall include Allowed Unsecured Claims against CCI. Each holder of an Allowed Unsecured Claim in CCI Class 3 as of the Voting Record Date is entitled to vote to accept or reject the Plan.

4.1.3.c. *CCI Class 3 Distributions.* The CCI Liquidating Trustee shall distribute cash from the CCI Liquidating Trust to each holder of an Allowed Claim in CCI Class 3 in accordance with each holder's Pro Rata share of all distributions the CCI Liquidating Trustee pays to holders of Unsecured Claims in CCI Class 3. The CCI Liquidating Trustee shall make distributions at such times and in such amounts as the CCI Liquidating Trustee shall determine with the initial distribution being made as soon as practicable after the Effective Date and in accordance with the CCI Trust Agreement.

4.1.3.d. *CCI Class 3 Guaranty Claims.* The Guaranty Claims which constitute a portion of the Class 3 Unsecured Claims shall be reduced by any and all sums paid on account of such Claims against CCSI. All Avoidance Actions and Causes of Actions relating to Guaranty Claims are expressly transferred and assigned to the CCI Liquidating Trust and CCI Liquidating Trustee and shall be preserved for the benefit of the CCI Creditors.

4.1.3.e.

4.1.4. *CCI Class 4 – Preferred Equity Interests.* CCI Class 4 is impaired by the Plan. CCI Class 4 shall include Preferred Equity Interests against CCI. The holders of Preferred Equity Interests in CCI Class 4 shall not receive any distributions on account of such Preferred Equity Interests. On the Effective Date, all Preferred Equity Interests shall be extinguished. Each holder of a Preferred Equity Interest in CCI Class 4 is conclusively presumed to have rejected the Plan as a holder of a Preferred Equity Interest in CCI Class 4 and is not entitled to vote to accept or reject the Plan.

4.1.5. *CCI Class 5 – Equity Interests.* CCI Class 5 is impaired by the Plan. CCI Class 5 shall include Equity Interests against CCI. The holders of Equity Interests in CCI Class 5 shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests shall be extinguished. Each holder of an Equity Interest in CCI Class 5 is conclusively presumed to have rejected the Plan as a holder of an Equity Interest in CCI Class 5 and is not entitled to vote to accept or reject the Plan.

4.2. *CCSI Claims*

4.2.1. *CCSI Class 1 – Other Priority Claims.*

4.2.1.a. *Impairment and Voting.* *Impairment and Voting.* CCSI Class 1 is not impaired by the Plan. CCSI Class 1 shall include Allowed Other Priority Claims against CCSI. Holders of an Allowed Claim in CCSI Class 1 are not entitled to vote to accept or reject the Plan.

4.2.1.b. *CCSI Class 1 Distributions.* Each holder of an Other Priority Claim in CCSI Class 1 shall be paid, by the CCSI Liquidating Trustee from the CCSI Liquidating Trust, the Allowed amount of its Other Priority Claim in full, on the later of (i) the Effective Date, (ii) the tenth (10) day after which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) any date mutually agreeable to the holder of the Allowed Other Priority Claim and the CCSI Liquidating Trustee.

4.2.2. *CCSI Class 2 – Secured Claims*

4.2.2.a. *Impairment and Voting.* CCSI Class 2 is not impaired by the Plan. CCSI Class 2 shall include Allowed Secured Claims against CCSI. Holders of a Secured Claim in CCSI Class 2 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

4.2.2.b. *CCSI Class 2 Distributions.* On the Effective Date, each holder of an Allowed Secured Claim in CCSI Class 2 shall retain its legal, equitable and contractual rights with respect to its lien on any CCSI Asset securing such Claim subject to any Avoidance Actions. To the extent the lien of any holder of an Allowed Secured Claim has been by order of the Bankruptcy Court transferred to and continued in proceeds which are CCSI Cash on Hand, each holder of such Allowed Secured Claim in CCSI Class 2 shall be paid, by the CCSI Liquidating Trustee from the CCSI Liquidating Trust, the Allowed Amount of its Secured Claim in full on the later of (i) the Effective Date, (ii) the tenth (10) day after which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) any date mutually agreeable to the holder of the Allowed Other Priority Claim and the CCSI Liquidating Trustee. With respect to Collateral other than CCSI Cash on Hand each holder of an Allowed Secured Claim in CCSI Class 2 shall be granted relief from the automatic stay to recover any collateral securing its respective Allowed Claim. The holder of an Allowed Secured Claim in CCSI Class 2 shall receive nothing further under the Plan.

4.2.3. *CCSI Class 3 – Unsecured Claims.*

4.2.3.a. *Impairment and Voting.* CCSI Class 3 is impaired by the Plan. CCSI Class 3 shall include Allowed Unsecured Claims against CCSI. Each holder of an Allowed Unsecured Claim in CCSI Class 3 is entitled to vote to accept or reject the Plan.

4.2.3.b. *CCSI Class 3 Distributions.* The CCSI Liquidating Trustee shall distribute cash from the CCSI Liquidating Trust to each holder of an Allowed Claim in CCSI Class 3 in accordance with each holder's Pro Rata share of all distributions the CCSI Liquidating Trustee pays to holders of Unsecured Claims in CCSI Class 3. The CCSI Liquidating Trustee shall make distributions at such times and in such amounts as the CCSI Liquidating Trustee shall determine with the initial distribution being made as soon as practicable after the Effective Date and in accordance with the CCSI Trust Agreement.

4.2.4. *CCSI Class 4 – Equity Interests.* CCSI Class 4 is impaired by the Plan. CCSI Class 4 shall include Equity Interests against CCSI. The holders of Equity Interests in CCSI Class 4 shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests in CCSI Class 4 shall be extinguished. Each holder of an Equity Interest in CCSI Class 4 is conclusively presumed to have

rejected the Plan as a holder of a CCSI Class 4 Equity Interest and is not entitled to vote to accept or reject the Plan.

V.

**PROVISIONS REGARDING VOTING, DISTRIBUTIONS AND
TREATMENT OF DISPUTED, CONTINGENT, AND UNLIQUIDATED
ADMINISTRATIVE EXPENSE CLAIMS AND CLAIMS**

5.1. *Voting of Claims.* Each holder of a Claim in an impaired Class of Claims shall be entitled to vote separately to accept or reject the Plan as provided in the order entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan. For purposes of calculating the number of Allowed Claims in a Class of Claims held by holders of Allowed Claims in such Class that have voted to accept or reject the Plan under section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one Entity (as defined in the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder) shall be aggregated and treated as one Allowed Claim in such Class.

5.2. *Controversy Concerning Impairment.* In the event of a controversy as to whether any class of Claims or Equity Interests is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy prior to the Confirmation Date.

5.3. *Nonconsensual Confirmation.*

5.3.1. *Acceptance Requirements.* An impaired class of Claims shall have accepted the Plan if votes in favor of the Plan have been cast by at least two-thirds in amount and more than one-half in number of the Allowed Claims in such class that have voted on the Plan.

5.3.2. The Debtors shall seek confirmation of the Plan in accordance with the provisions of section 1129(b) of the Bankruptcy Code with respect to the classes of Preferred Equity Interests and Equity Interests under the Plan.

5.3.3. If any class of Claims entitled to vote to accept or reject the Plan votes to reject the Plan or otherwise objects to the Plan, the Debtors reserve the right to seek confirmation of the Plan in accordance with the provisions of section 1129(b) of the Bankruptcy Code with respect to such class.

5.4. *Method of Distributions Under the Plan.*

5.4.1. *Distributions of Cash.* Any payment of cash made pursuant to the Plan shall be made by check drawn made on a domestic bank, or as otherwise required or provided in any applicable documents, and payment shall be deemed made when the check is transmitted.

5.4.2. *Timing of Distributions.*

5.4.2.a. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be due on the next succeeding Business Day.

5.4.2.b. Any distribution required under the Plan to be made on a particular day on or after the Effective Date may be made within a reasonable period of time after that date.

5.4.2.c. No party may assert a default in the payment or performance of any distribution under the Plan until such party has provided the respective Liquidating Trustee written notice of the alleged default and such default remains uncured for a period of sixty days.

5.4.2.d. Distributions shall be made no less frequently than annually.

5.4.3. *Unclaimed Distributions.* Any money or property that is payable under this Plan to a holder of an Allowed Claim will be sent by first class United States mail, postage prepaid, to the address of the holder of the Allowed Claim. If any money or property is returned to or by the United States Postal Service undelivered and is not claimed by the holder of the Allowed Claim within ninety (90) days from the date the distribution was made, such money will revert in the respective Liquidating Trust and become available for distribution free and clear of any claim by such holder and the Liquidating Trustee's obligation to make that payment of money or property will be deemed satisfied in full. No further distributions shall be made on such Allowed Claim unless and until the respective Liquidating Trustee is notified of a current address. Further, if any check mailed to a holder of an Allowed Claim is not cashed, deposited or otherwise negotiated within ninety (90) days of its mailing, the check will be void, the funds on deposit to cover that check will become cash available for distribution in the respective Liquidating Trust free and clear of any claim by the holder of such Allowed Claim, and the Liquidating Trustee's obligation to make the payment represented by that check will be satisfied in full. No further distributions shall be made or reserves held on such Allowed Claim unless and until the respective Liquidating Trustee is notified of a current address.

5.4.4. *Withholding and Reporting Requirements.* In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

5.4.5. *Release of Foreign Claims.* Any holder of a Claim that (a) is subject to the jurisdiction of the Bankruptcy Court, or (b) either (i) appears in the Chapter 11 Cases in person or by writing or (ii) casts a ballot to accept or reject the Plan shall be deemed to

have released any claim, cause of action, demand, or suit it may have against the Debtors under the laws of any foreign jurisdiction arising prior to the Confirmation Date.

5.4.6. *Delivery of Distributions.* With the exception of Bondholder Claims, all distributions to be made under the Plan shall be made to holders of Claims (a) if any such holder has filed a proof of claim, at the address of such holder as set forth in the proof of claim, (b) if any such holder has not filed a proof of claim, at the last known address of such holder as set forth in the Debtors' books and records, or (c) at the address set forth in written notices of address changes delivered to the respective Liquidating Trustee. All distributions with respect to Bondholder Claims shall be made to the holders of such Claims at the addresses set forth on the transfer ledger maintained by the Indenture Trustee as of the Bondholder Distribution Record Date.

5.4.7. *Bondholder Distribution Record Date.* For purposes of distributions under the Plan, the Debtors, the CCI Liquidating Trustee and the Indenture Trustee shall have no obligations to recognize any transfer of Bonds occurring after the Bondholder Distribution Record Date. The Debtors, the CCI Liquidating Trustee and the Indenture Trustee, or any agents employed by them, shall be entitled to recognize and deal with for all purposes herein, as Bondholders, only those Bondholders of record stated on the transfer ledger maintained by the Indenture Trustee as of the Bondholder Distribution Record Date.

5.4.8. *Setoff Rights.* The Liquidating Trustees may, but shall not be required to, setoff against or recoup from any Claim and the distributions to be made pursuant to the Plan in respect of such Claim (other than the Bondholder Claims), any claims of any nature whatsoever that the Liquidating Trusts may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Liquidating Trusts of any such claim it may have against the holder.

5.5. *Disputed Claims.*

5.5.1. *Objections to Claims; Prosecution of Disputed Claims.* Prior to the Effective Date, objections to Claims may be filed pursuant to Bankruptcy Code § 502. After the Effective Date, objections to Claims in CCI Classes 2 and 3 shall be made only by the CCI Liquidating Trustee and objections to Claims and Equity Interests in CCSI Classes 2 and 3 shall be made only by the CCSI Liquidating Trustee. After the Effective Date, the Liquidating Trustees or the Committee may object to requests for the allowance of Administrative Expense Claims, Priority Tax Claims and Other Priority Claims against either of the Debtors or their respective Liquidating Trusts. After the Effective Date, the respective Liquidating Trustee shall be substituted in as the real party in interest to pursue any pending Claims objections filed by the Debtors with the Bankruptcy Court prior to the Effective Date. All objections that are filed and prosecuted as provided herein shall be litigated to Final Order or compromised and settled in accordance with the Plan. Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections to Claims shall be served and filed with the Bankruptcy Court no later than one hundred eighty (180)

days after the Effective Date. The period within which to file objections to claims may be extended with Court approval. Notwithstanding the foregoing, the Liquidating Trustees may object to or otherwise contest any tax claims asserted by any governmental unit against the Debtors or the Liquidating Trusts, as their interests appear.

5.5.2. *Avoidance Actions.* After the Effective Date, the Liquidating Trustees shall have the exclusive right to commence all Avoidance Actions and Causes of Actions belonging to their respective Liquidating Trusts.

5.5.3. *Claims and Causes of Action Settlement Guidelines.* Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date all Claims and all other claims that either the Debtor or the Liquidating Trustees have asserted against other parties including any Avoidance Actions or Causes of Action may be compromised and settled by the respective Liquidating Trustee according to the following procedures:

5.5.3.a. The following settlements or compromises do not require the review or approval of the Bankruptcy Court, the other Liquidating Trustee, either Plan Committee or any other party in interest:

5.5.3.a.1. The settlement or compromise by a Liquidating Trustee of a Claim pursuant to which such Claim is Allowed in an amount of \$50,000 or less;

5.5.3.a.2. The settlement or compromise of a Claim by a Liquidating Trustee where the difference between the amount of the Claim listed on the Schedules or on the proof of claim and the amount of the Claim proposed to be allowed under the settlement is \$50,000 or less; and

5.5.3.a.3. The settlement or compromise of a claim or Cause of Action, including any Avoidance Action, asserted by the Debtor or the Liquidating Trustees against a party where the difference between the amount sought to be recovered and the amount to be paid under the proposed settlement is \$50,000 or less.

5.5.3.b. The following settlements or compromises shall be permitted eleven (11) days after the date written notice of such settlement or compromise is mailed, by U.S. First Class mail, postage prepaid, by the respective Liquidating Trustee to the respective Plan Committee and all persons specifically requesting such notice following the Confirmation Date:

5.5.3.b.1. Any settlement or compromise not described in section 5.4.3.a hereof; and

5.5.3.b.2. Any settlement or compromise of a Claim or a claim asserted by the Debtor or the Liquidating Trustee that involves an

"insider," as defined in section 101(31) of the Bankruptcy Code.

5.5.3.c. Any objection to the settlement or compromise pursuant to this section shall be made by the Entities receiving notice of such settlement or compromise within ten (10) days from the date such notice was mailed by the respective Liquidating Trustee (the "Objection Deadline"). The written notice shall clearly set forth the last day to object to such settlement or compromise. If on or before the Objection Deadline, the respective Liquidating Trustee has not received a written objection to the proposed settlement, such settlement shall be conclusively approved. If a written objection to the proposed settlement is submitted to the Liquidating Trustee before the Objection Deadline, the Liquidating Trustee shall confer with the objecting party in an effort to reach a consensual resolution of the dispute. If no resolution is reached within a reasonable period of time, the Liquidating Trustee shall file an application with the Bankruptcy Court to approve the settlement and the settlement shall be subject to approval by the Bankruptcy Court in accordance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

5.5.4. *Distributions Relating to Disputed Claims.*

5.5.4.a. Cash shall be distributed to a holder of a Disputed Administrative Expense Claim, Disputed Priority Tax Claim, Disputed Other Priority Claim, or Disputed Claim only when, and to the extent that, such Disputed Administrative Expense Claim, Disputed Priority Tax Claim, Disputed Other Priority Claim, or Disputed Claim becomes an Allowed Administrative Expense Claim, Allowed Priority Tax Claim, Allowed Other Priority Claim, or Allowed Claim pursuant to a Final Order or by settlement or compromise in accordance with the Plan. Each distribution on account of a Disputed Administrative Expense Claim, Disputed Priority Tax Claim, Disputed Other Priority Claim, or Disputed Claim shall be made in accordance with the treatment specified for such claim in the Plan.

5.5.4.b. The Debtors shall withhold from the distributions to be made to the holders of Disputed Unsecured Claims in CCI Class 3 and in CCSI Class 3 in an amount equal to the distributions to which all holders of Disputed Claims in such Class would be entitled under the Plan if such Disputed Unsecured Claims were Allowed Unsecured Claims in the full asserted amount of the Disputed Unsecured Claims according to section 6.8 herein.

5.5.4.c. *Estimation of Disputed Claims.* Any Disputed Claim may be estimated by the Bankruptcy Court at any time, regardless of whether such Claim has been Allowed by the Bankruptcy Court or another court, and regardless of whether any judgment or order with respect to such Claim is on appeal, for purposes of making distributions or holding funds in reserve under the Plan.

VI.

THE LIQUIDATING ENTITIES

6.1. *Liquidating Trusts.* On the Effective Date, CCSI shall pay the Effective Date CCSI Settlement Payment from CCSI Cash on Hand to the CCI Liquidating Trust pursuant to Article X of the Plan. All remaining CCSI Cash on Hand (the "Remaining CCSI Cash on Hand") shall be transferred to the CCSI Liquidating Trust, and all CCI Cash on Hand, including the Post Effective Date CCSI Settlement Payments, shall be transferred to the CCI Liquidating Trust. On the Effective Date, each Debtor shall assign and transfer all its right, title, and interest in and to all non-cash Assets and Causes of Action, including any Avoidance Actions, to its respective Liquidating Trust. Notwithstanding anything in the Plan to the contrary, Causes of Action against CCI officers and directors shall be assigned to the CCI Liquidating Trust without regard to whether any payments made by the Debtors to any of the CCI officers or directors were made by CCI or CCSI. Such transfers shall be free and clear of any Claims, Interests, or Encumbrances, except the rights of the Beneficiaries of the respective Liquidating Trust hereunder and under the respective Trust Agreement and except as expressly provided in the Plan.

On the Effective Date, the CCI Trust Agreement and the CCSI Trust Agreement shall become effective and form the Liquidating Trusts, designating the Liquidating Trustees as trustees according to section 6.2 herein. The Liquidating Trustees shall thereupon be authorized to take all other steps necessary to complete the formation of the Liquidating Trusts. The Trust Agreements shall contain provisions customary for trust agreements in the State of Colorado utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Liquidating Trusts (except for the portion of their respective assets reserved for Disputed Claims) as a grantor trust for federal income tax purposes. The Liquidating Trusts shall have all duties, powers, standing, and authority necessary to implement the Plan and to administer and liquidate the Assets for the benefit of the Beneficiaries of the Liquidating Trusts, including but not limited to the following: (i) to investigate, institute, compromise, dismiss, or pursue in litigation any and all Causes of Action (except claims or Causes of Action released under the Plan) existing at the Effective Date (whether or not pending in litigation), including but not limited to Avoidance Actions and Causes of Actions against the Debtors' officers and directors; (ii) to retain professionals; and (iii) to object to or seek to subordinate claims against the Debtors' estates.

On the Effective Date, each holder of an Allowed Unsecured Claim in CCI Class 3 or in CCSI Class 3 shall, by operation of the Plan: (i) become a Beneficiary of the respective Liquidating Trust; and (ii) become bound by the respective Trust Agreement. Upon the assignment and transfer of the Assets to the respective Liquidating Trusts, no other Entity, including the Debtors, shall have any legal, beneficial, or other interest in the Liquidating Trusts or the Assets except as expressly provided in the Plan.

6.2. *Liquidating Trustees.* On or before the date of the approval of the Disclosure Statement, CCSI, subject to the reasonable consent of the Committee, shall designate and appoint a representative or representatives for the purpose of implementing and administering

the CCSI Liquidating Trust (the "CCSI Liquidating Trustee"), and the Committee, subject to the reasonable consent of CCI, shall designate and appoint a representative or representatives for the purpose of implementing and administering the CCI Liquidating Trust (the "CCI Liquidating Trustee"). The Liquidating Trustees shall be required to disclose any past or present relationships with the Debtors, creditors, other parties in interest, or the United States Trustee.

The Liquidating Trustees, together with their representatives and professionals, shall be entitled to reasonable compensation. The CCI Liquidating Trustee shall be entitled to compensation for his services at a rate reflecting actual time billed by the CCI Liquidating Trustee, professional or person on an hourly basis at the standard billing rates in effect at the time of service. The CCSI Liquidating Trustee shall be entitled to compensation for his services in an amount equal to three percent (3%) of all amounts distributed from the CCSI Liquidating Trust. In calculating the compensation to be paid to the CCSI Liquidating Trustee, the Effective Date CCSI Settlement Payment shall not be deemed a distribution from the CCSI Liquidating Trust, but the Post Effective Date CCSI Settlement Payments shall be considered such a distribution. All reasonable out-of-pocket expenses incurred by the Liquidating Trustees or any other professional or person retained by the Liquidating Trustees shall be reimbursable as an expense of the respective Liquidating Trust.

With regard to the respective Liquidating Trust, each Liquidating Trustee shall (i) have the same duties, powers, standing, and authority as the Liquidating Trusts as delineated in section 6.1 herein; (ii) have the power to prosecute for the benefit of the respective Liquidating Trust all claims, rights, and Causes of Action transferred to the Liquidating Trusts (whether such suits are brought in the name of the Liquidating Trusts or otherwise); (iii) have the power to liquidate the assets in the respective Liquidating Trust; (iv) have the power to perform otherwise the functions and take the actions provided for or permitted herein or in any other agreement executed by the Liquidating Trustee pursuant to the Plan; and (v) serve as trustee of the respective Liquidating Trust. Any and all proceeds generated from such claims, rights, Avoidance Actions and Causes of Action shall be the property of the respective Liquidating Trust.

6.3. *Purpose of the Liquidating Trusts.* The Liquidating Trusts shall be established for the sole purpose of liquidating the Assets in furtherance of the Plan for the sole benefit of their respective Beneficiaries with no objective to continue or to engage in the conduct of a trade or business. The Liquidating Trusts shall be deemed to be separate legal entities from the Debtors and only the assignees of the Assets and representatives of the estates within the meaning of section 1123(b)(3) of the Bankruptcy Code.

6.4. *Tax Treatment of Transfer of Assets.* For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustees and Beneficiaries of the Liquidating Trusts) shall treat the transfer of assets to the Liquidating Trusts in accordance with the terms of the Plan as a transfer to holders of Allowed Unsecured Claims in the respective Class 3 followed by a transfer by such holders to the respective Liquidating Trust.

6.5. *Valuation of Assets.* As soon as possible after the Effective Date (and as soon as possible after any later date that additional assets are transferred to the Liquidating Trusts),

but in no event later than thirty (30) days thereafter, the Debtors and the Liquidating Trustees shall mutually determine, in good faith, the value of the non-cash Assets transferred to the Liquidating Trusts under the Plan. The valuation shall be available from the Liquidating Trustees upon written request of its Beneficiaries or the Debtors. For purposes of such valuation, the Avoidance Actions shall be valued at no less than fifty percent (50%) of the aggregate maximum amount which could be recovered pursuant to such Avoidance Actions.

6.6. *Liquidation of Assets; Responsibility of Liquidating Trustees.*

6.6.1. The Liquidating Trustees shall, in an expeditious but orderly manner, liquidate and convert to cash the Assets of their respective Liquidating Trust, make timely distributions, and not unduly prolong the duration of the Liquidating Trusts. In so doing, the Liquidating Trustees shall exercise reasonable business judgment in liquidating their respective Assets to maximize recoveries. The liquidation of such Assets may be accomplished either through the sale of assets (in whole or in combination, and including the sale of any claims, rights, or Causes of Action) or through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights, Avoidance Actions, Causes of Action, or otherwise. The Liquidating Trustees shall consult with their respective Plan Committees to determine whether to pursue or not to pursue any and all claims, rights, Avoidance Actions or Causes of Action as the Liquidating Trustees determine are in the best interests of the Beneficiaries of the Liquidating Trusts, consistent with the purposes of the Liquidating Trusts, and the Liquidating Trustees shall have no liability for the outcome of the decisions in this regard. The Liquidating Trustees may incur any reasonable and necessary expenses in liquidating and converting the Assets in the Liquidating Trusts to cash.

6.6.2. The Liquidating Trustees shall be named in the Confirmation Order and in the Trust Agreements and shall have the powers delineated in section 6.2 herein.

6.6.3. Notwithstanding the foregoing, to the extent the CCSI Liquidating Trustee intends to sell any Nortel Networks equipment that was sold to CCSI pursuant to the Distributorship Agreement dated July 27, 1998, the CCSI Liquidating Trustee shall sell such Nortel Networks equipment and the license to use such equipment only to the extent that the acquirer executes a software license agreement with Nortel Networks (which Nortel Networks shall grant without charge) on terms that are commercially reasonable and consistent with the software licenses previously granted to CCSI by Nortel in connection with the software.

6.7. ***Investment Powers.*** The right and power of the Liquidating Trustees to invest the Assets transferred to the Liquidating Trusts, the proceeds thereof, or any income earned by the Liquidating Trusts shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with section 6.8 of the Plan) in Cash Equivalents, *provided however*, that (i) each Liquidating Trustee may expend the Assets of its respective Liquidating Trust (a) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the respective Liquidating Trust during liquidation; (b) to pay CCI or CCSI Liquidation

Expenses; and (c) to satisfy other liabilities incurred or assumed by the respective Liquidating Trust (or to which the Assets are otherwise subject) in accordance with the Plan of the Trust Agreements; and (ii) each Liquidating Trustee may, but shall not be required to, invest any funds held by the Liquidating Trustee or the respective Liquidating Trust (pending distributions pursuant to the Plan) in investments that are exempt from federal, state, and local taxes.

6.8. *Distributions; Withholding.*

6.8.1. *Distributions on Allowed (i) Administrative Expense Claims, (ii) Priority Tax Claims and (iii) Other Priority Claims.*

6.8.1.a. Subject to the provisions of section 2.1.1, the CCSI Liquidating Trustee shall be responsible for making all distributions to the holders of Allowed (i) Administrative Expense Claims, (ii) Priority Tax Claims, (iii) Other Priority Claims in CCI Class 1, and (iv) Other Priority Claims in CCSI Class 1, as well as to the Allowed Unsecured Claims in CCSI Class 3.

6.8.1.b. After payment of the Allowed (i) Administrative Expense Claims, (ii) Priority Tax Claims and (iii) Other Priority Claims, the CCSI Liquidating Trustee shall establish, within his discretion, a cash reserve for the payment of Disputed (a) Administrative Expense Claims, (b) Priority Tax Claims and (c) Other Priority Claims. This reserve shall be referred to herein as the "Liquidation Reserve". As and when the Claims listed in this section become Allowed Claims, the CCSI Liquidating Trustee shall pay such Claims from the Liquidation Reserve within ten (10) days from the date such Claims become Allowed Claims. Any excess funds in the Liquidation Reserve above the Allowed amount of the Claims listed above shall revert in the CCSI Liquidating Trust.

6.8.2. *Liquidation Expenses.* Upon formation of the Liquidating Trusts, the Liquidating Trustees shall establish, within their discretion, a cash reserve for the payment of the CCI Liquidation Expenses and CCSI Liquidation Expenses. The CCI Liquidation Expenses and the CCSI Liquidation Expenses are priority claims against the Assets of the respective Liquidating Trust.

6.8.3. *Distributions on Unsecured Claims.* The Liquidating Trustees shall make distributions, to the extent deemed practicable by the Liquidating Trustees, Pro Rata in cash to the Beneficiaries of the respective Liquidating Trust to the extent of each Beneficiary's respective Allowed Claim with the initial distribution being made as soon as practicable after the Effective Date. The Liquidating Trustees shall hold adequate reserves to allow for equal pro rata treatment of Disputed Claims if, and to the extent that, such claims may become Allowed Claims and shall adjust each Beneficiary's Pro Rata distribution to account for Disputed Claims that have been resolved finally in the previous quarter. Upon resolution of a Disputed CCI Class 3 Unsecured Claim or a Disputed CCSI Class 3 Unsecured Claim, by either compromise and settlement or by Final Order, the respective Liquidating Trustee shall promptly distribute to the holder of such Allowed Claim its Pro Rata share of distributions. For any excess funds reserved

for such Disputed Claim above, the excess amount of such Claim shall revert in the respective Liquidating Trust. The Liquidating Trustees may withhold from amounts distributable to any Entity any and all amounts, determined in the Liquidating Trustees' reasonable, sole discretion, to be required by any law, regulation, rule, ruling, directive, or other governmental requirement. Distributions shall be made no less frequently than annually.

6.9. *Reporting Duties.*

6.9.1. *Tax Status.* The Liquidating Trusts (except for the portion of their respective assets reserved for Disputed Claims) will be treated as grantor trusts for federal tax purposes and, to the extent permitted under applicable law, for state and local income tax purposes. The Beneficiaries of the Liquidating Trusts will be treated as grantors and owners of the allocable portion of the respective Liquidating Trust for federal income tax purposes. The Liquidating Trustees shall be responsible for filing informational returns on behalf of the respective Liquidating Trust and distributing information statements to the Beneficiaries of the Liquidating Trusts, setting forth each Beneficiary's respective allocable share of the income, gain, loss, deduction, or credit of the Liquidating Trusts.. The Liquidating Trusts shall determine their income or loss based on the assumption that each Beneficiary has a taxable year that is a calendar year and accordingly shall compute their income or loss on a calendar year basis.

6.9.2. *Allocations of Liquidating Trusts' Taxable Income or Loss.* For federal income tax purposes, the respective Liquidating Trust's taxable income (or loss) shall be allocated among the Beneficiaries of the respective Liquidating Trust in a manner consistent with applicable Treasury Regulations taking into account such Beneficiaries' relative economic interests in the respective Liquidating Trust. Each Beneficiary of the respective Liquidating Trust will be required to take into account its allocable share of the income, gain, loss, deduction, or credit of the respective Liquidating Trust in determining its taxable income for federal income tax purposes.

6.9.3. *Other.* The Liquidating Trustees shall file (or cause to be filed) any other statements, returns, or disclosures relating to the respective Liquidating Trust that are required by any governmental unit or applicable law.

6.10. *Termination.* The Liquidating Trusts will terminate after the liquidation, administration, and distribution of the Assets in accordance with the Plan and its full performance of all other duties and functions set forth herein or in the Trust Agreements. Unless earlier terminated pursuant to the foregoing provisions of this section 6.10 or section 1.12 of the Trust Agreements, the Liquidating Trusts shall terminate on December 31, 2006; provided, however, that the Plan Committee, by majority vote from time to time, may extend the term of the Liquidating Trusts for up to five years after such date of termination.

VII.

IMPLEMENTATION OF PLAN

7.1. *Debtors' Post-Confirmation Role.* On or as soon as practicable after the Effective Date, the Debtors shall:

7.1.1. *Expedited Tax Return.* Complete and file within one hundred and twenty (120) days after the Effective Date (or such longer period as authorized by the Bankruptcy Court for cause) their final federal, state, foreign, and local tax returns, and pursuant to 11 U.S.C. § 505(b) request an expedited determination of any unpaid tax liability of the Debtors or their estates for all taxable periods of the Debtors ending after the Commencement Date.

7.1.2. In furtherance thereof, the Debtors and the Liquidating Trustees shall execute any documents or other instruments as necessary to evidence the transfer of title to the Assets to the respective Liquidating Trusts.

7.2. *Transfers to the Liquidating Trusts.* On the Effective Date, all of each Debtor's right, title, and interest in and to the Assets including the CCI Causes of Action and the CCSI Causes of Action shall be transferred and assigned absolutely and unconditionally to the respective Liquidating Trust pursuant to the Plan.

7.3. *Books and Records.* Upon the Effective Date, each Debtor shall transfer and assign to the respective Liquidating Trust full title to, and the Liquidating Trusts shall be authorized to take possession of, all of the books and records of the Debtors relating to or supporting the Assets. The Liquidating Trusts shall have the responsibility of storing and maintaining books and records transferred hereunder until the Liquidating Trusts dissolve. Each Debtor shall cooperate with its respective Liquidating Trustee to facilitate the delivery and storage of its books and records in accordance herewith. Books and records of the Debtors which do not relate to or support the Assets shall not be transferred to the Liquidating Trusts, and the Liquidating Trusts shall not have any duty or responsibility to store, preserve, or handle such books and records. The Debtors (as well as their current and former officers and directors) shall be entitled to reasonable access to any books and records transferred to the Liquidating Trusts for all necessary corporate purposes, including, without limitation, defending or prosecuting litigation, determining insurance coverage, filing tax returns, and addressing personnel matters. For the purpose of this section, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained books and records or data, along with books and records of the Debtors maintained by or in possession of third parties and all of the claims and rights of the Debtors and Debtors in Possession in and to their books and records, wherever located. Each Liquidating Trust shall succeed to all attorney client information of their respective Debtor. Each Liquidating Trust shall share all information, books, records and any attorney client information that existed prior to the Effective Date as reasonably requested by the other Liquidating Trust; provided however, that nothing herein is intended to waive the attorney

client privilege with regard to any third party.

7.4. *Timing of Distributions Under the Plan.* Any Distributions to be made pursuant to the Plan shall be deemed to have been timely made if made within twenty (20) Business Days after the time therefor specified in the Plan.

7.5. *Professional Expenses Incurred on or After the Effective Date.* The Liquidating Trustees may retain and compensate professionals, including, without limitation, any professionals retained in the Chapter 11 Cases, as their counsel and compensate and reimburse the expenses of such professionals for services rendered on or after the Effective Date, including, without limitation, services in connection with the implementation and consummation of the Plan, without further order of the Bankruptcy Court. Professional fees and expenses incurred by the Debtors after the Effective Date in connection with the effectuation of the Plan shall be paid in the ordinary course of business by the CCI Liquidating Trustee from the CCI Liquidating Trust for CCI's professionals and by the CCSI Liquidating Trustee from the CCSI Liquidating Trust for CCSI's professionals, in accordance with the respective Trust Agreement.

7.6. *Periodic Reports by Liquidating Trustees.* The Liquidating Trustees shall provide on at least a semiannual basis a report detailing all receipts and disbursements from the respective Liquidating Trust, all contingent and accrued liabilities incurred by the Liquidating Trustees or the Liquidating Trusts, the available cash balances of the Liquidating Trusts, and a narrative summary describing the status of the liquidation of the Assets and any litigation relating thereto. The Liquidating Trustees shall furnish a copy of this report to the other Liquidating Trustee, counsel for such Liquidating Trustee, the Plan Committees and to any Beneficiaries of the Liquidating Trusts who submit a written request for a copy of the report after the Confirmation Date.

7.7. *Plan Committees.* Two Plan Committees shall be established to supervise and direct the Liquidating Trustees in the performance of their duties. The CCI Plan Committee shall consist of three holders of Claims in CCI Class 3. The CCSI Plan Committee shall consist of three holders of Claims in CCSI Class 3.

7.8. *Occurrence of the Effective Date.* The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, shall not occur, and the Plan shall be of no force and effect, until the Effective Date. The occurrence of the Effective Date is subject to satisfaction of the following conditions precedent:

7.8.1. Fifteen (15) Business days shall have passed since the Confirmation Date; and

7.8.2. No stay shall be in effect with respect to the Confirmation Order.

VIII.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1. *Assumption or Rejection of Executory Contracts and Unexpired Leases.* Pursuant to sections 365(a) and 1123(b)(2):

8.1.1. *Rejection of Executory Contracts and Unexpired Leases.* Any executory contract or unexpired lease of the Debtors that (i) is not listed on Exhibit D to the Plan Supplement, (ii) has not been approved by the Bankruptcy Court prior to the Confirmation Date for assumption or assignment by the Debtors, (iii) has not been rejected by the Debtors, and (iv) is not the subject of a pending motion to assume at the Confirmation Date, shall be deemed to have been rejected by the Debtors. The Plan shall constitute a motion to reject such executory contract or unexpired lease, and the Liquidating Trusts shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the clerk of the Bankruptcy Court shall constitute approval of such rejection pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of the Debtors, their estates, and all parties in interest in the Chapter 11 Cases.

8.1.2. *Claims Arising from Rejection or Termination.* Claims created by the rejection of executory contracts or unexpired leases or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtors (i) in the case of an executory contract or unexpired lease that (a) was terminated or expired by its terms prior to the Confirmation Date, or (b) is deemed rejected pursuant to section 8.1.1 of the Plan, no later than thirty (30) days after the Confirmation Date, or (iii) in the case of an executory contract or unexpired lease that is rejected by the Debtors after the Confirmation Date, within thirty (30) days after the entry of an order of the Bankruptcy Court authorizing and approving such rejection. Any claims for which a proof of claim is not filed and served within such time will be forever barred and shall not be enforceable against the Debtors, their estates, assets, properties, or interests in property, or the Liquidating Trusts. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as Unsecured Claims under the Plan.

8.2. *Compensation and Benefit Programs.* All employment and severance policies and all compensation and benefit plans, policies, and programs of the Debtors, including without limitation all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans, shall be deemed to be terminated by the Debtors as of the Effective Date and to the extent any of them are executory contracts such contracts shall be deemed to be rejected by the Debtors pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code as of the Effective Date.

8.3. *Insurance Policies.* Each of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto (the "Insurance Policies") are treated as executory contracts under the Plan, and the Plan shall constitute a motion to assume the Insurance Policies and, if applicable, to assign to the respective Liquidating Trust as designated in the Plan Supplement. Subject to the occurrence of the Effective Date, the entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such assumption pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code and a finding by the Bankruptcy Court that such assumption is in the best interest of the Debtors, their estates, and all parties in interest in the Chapter 11 Cases. Notwithstanding the foregoing, distributions under the Plan to any holder of a Claim covered by any of such insurance policies and related agreements, documents or instruments that are assumed hereunder, shall be in accordance with the treatment provided under Article IV of the Plan. Unless otherwise determined by the Bankruptcy Court pursuant to a Final Order or agreed to by the parties thereto prior to the Effective Date, no payments are required to cure any defaults of the Debtors existing as of the Confirmation Date. To the extent that the Bankruptcy Court determines otherwise as to any of the Insurance Policies, the Debtors reserve the right to seek rejection of such insurance policy or other available relief. Nothing contained in this Section 8.3 of the Plan shall constitute or be deemed a waiver of any Cause of Action or claim that the Debtors may hold against any entity, including, without limitation, the insurer under any of the Debtors' policies of insurance.

IX.

RETENTION OF JURISDICTION

9.1. The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

9.1.1. To liquidate the Assets and to hear, adjudicate and determine any and all Avoidance Actions and Causes of Action concerning the Assets;

9.1.2. To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of Claims resulting therefrom;

9.1.3. To determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Liquidating Trusts after the Effective Date, including without limitation any Avoidance Action or Causes of Action;

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

9.1.5. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

9.1.6. To issue such orders in aid of execution of the Plan as may be necessary or appropriate to carry out its intent and purpose or implement the Plan to the extent authorized or contemplated by section 1142 of the Bankruptcy Code;

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

9.1.8. To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

9.1.9. To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan (and all Exhibits to the Plan Supplement), including any and all disputes concerning the Debtors' cure obligations under section 8.1.2 of the Plan, any release, waiver, discharge, or injunction with respect to the Debtors or any other person under the Plan, and any and all disputes arising under Article

V of the Plan;

9.1.10. To enforce any order, judgment, injunction or ruling entered or made in the Chapter 11 Cases;

9.1.11. To hear and determine matters concerning federal, state, foreign, and local taxes, fines, penalties, or additions to taxes for which the Debtors, the Debtors in Possession, the Liquidating Trustees, or the Liquidating Trusts may be liable, directly or indirectly, in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

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

9.1.13. To enter a final decree closing the Chapter 11 Cases.

X.

PROPOSED SETTLEMENT AND COMPROMISE OF CCI'S CLAIMS

10.1. CCSI and CCI have agreed to a proposed comprehensive settlement and compromise under the Plan, as permitted under section 1123(b)(3) of the Bankruptcy Code, of all of CCI's claims against CCSI, its bankruptcy estate and the CCSI Liquidating Trust as set forth in CCI's proof of claim filed against CCSI shall be deemed satisfied and settled as follows:

10.1.1. *The Effective Date CCSI Settlement Payment.* CCSI shall pay and CCI shall receive a cash settlement payment (the "Effective Date CCSI Settlement Payment") in an amount equal to eighty percent (80%) of the CCSI Cash on Hand after reserving any amounts for disputed and estimated Administrative Expenses.

10.1.2. *The Post-Effective Date CCSI Settlement Payments.* In addition to the Effective Date CCSI Settlement Payment, the CCSI Liquidating Trustee shall pay to the CCI Liquidating Trust eighty percent (80%) of any unused portion of the amounts reserved for Administrative Expenses pursuant to section 10.1.1. of the Plan and eighty percent (80%) of all net cash or cash equivalents realized by the CCSI Liquidating Trust after the Effective Date in excess of the amounts required to make post-Effective Date payments on Administrative Expense Claims and Other Priority Claims in CCI Class 1 (the "Post-Effective Date CCSI Settlement Payments"). In calculating the Post-Effective Date CCSI Settlement Payments, amounts "realized" by the CCSI Liquidating Trustee shall not include any portion of the remaining CCSI Cash on Hand, the proceeds of any Avoidance Actions realized by the CCSI Liquidating Trust after the Effective Date, any payments from CCI to CCSI pursuant to section 2.1.1. of the Plan or interest earned on any of the foregoing. The Post-Effective Date CCSI Settlement Payments shall be remitted within 30 days from receipt.

10.1.3. Entry of the Confirmation Order shall constitute the approval and authorization of the settlement and compromise between CCI and CCSI as set forth in

section 10.1 above and the payment of the settlement payments described in sections 10.1.1 and 10.1.2.

XI.

MISCELLANEOUS PROVISIONS

11.1. *Plan Supplement.* Prior to approval of the Disclosure Statement, the Debtors shall file with the Bankruptcy Court in the Plan Supplement such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Such documents shall include the CCI Liquidating Trust Agreement, the CCSI Liquidating Trust Agreement, the list of non-cash assets transferred to the Liquidating Trusts, and the list of assumed executory contracts and unexpired leases. Upon the filing of the Plan Supplement with the Court, (i) the Debtors will serve copies of the Plan Supplement to the Office on the United States Trustee and counsel to the Creditors Committee and (ii) the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the Debtors' counsel.

11.2. *Payment of Statutory Fees.* All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the hearing on confirmation of the Plan, shall be paid by the Debtors on or before the Effective Date.

11.3. *Effectuating Documents and Further Transactions.* Each of the officers of each of the Debtors is authorized in accordance with their authority under the resolutions of the respective Boards of Directors of the Debtors to execute, deliver, file, or record the respective Liquidating Trust Agreement.

11.4. *Exemption from Transfer Taxes.* Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

11.5. *Exculpation.* Neither the Committee, the Liquidating Trustees, the Liquidating Trusts, Craig A. Dais nor Glenn Garvey nor any of their attorneys shall have or incur any liability to any Entity for any act or omission in connection with or arising out of the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property distributed under the Plan, except for gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

11.6. **Committee.** On the Effective Date, the Committee shall be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the Chapter 11 Cases provided, however, (a) in the event that the Effective Date occurs before the Confirmation Order becomes a Final Order, the Committee may, at its option, continue to serve and function for the sole purpose of participating in any appeal of the Confirmation Order until such time as the Confirmation Order becomes a Final Order; or (b) the Committee shall expressly retain the right to review and object and prosecute any such objection to any and all Administrative Expense Claims, Priority Tax Claims and Other Priority Claims as provided in the Plan.

11.7. **Revocation or Withdrawal of the Plan.** The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

11.8. **Modification of the Plan.** The Debtors may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date so long as the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code. After the Confirmation Date and prior to the Effective Date, the Debtors may alter, amend, or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code.

11.9. **Amendment of Plan Documents.** From and after the Effective Date, the authority to amend, modify, or supplement the Exhibits to the Plan Supplement and any documents attached to such Exhibits shall be as provided in such Exhibits and their respective attachments.

11.10. **Binding Effect.** All Entities shall be precluded and forever barred from asserting against the Committee, the Liquidating Trustees and the Liquidating Trusts, or their assets, properties, or interests in property, any other or further claims or liability based upon any act or omission, transaction, or other activity of any kind to be taken under or in connection with the Plan or in connection with the Chapter 11 Cases or the administration of the Debtors during the Chapter 11 Cases. Pursuant to section 1141(d)(3) of the Bankruptcy Code the Debtors shall not receive a discharge of the Claims and Equity Interests upon confirmation of the Plan. Nevertheless, on and after the Effective Date, the terms of the Plan shall bind all holders of Claims and Equity Interests, whether or not such holders voted to accept the Plan.

11.11. **CCI Rights of Action.** Any of CCI's rights, claims and CCI Causes of Action as of the Effective Date shall be transferred to the CCI Liquidating Trust and to the extent necessary to effectuate the foregoing, CCSI joins in any such transfer. From and after the transfer of all such rights to the CCI Liquidating Trust, pursuant to section 1123(b)(3) of the Bankruptcy Code, the CCI Liquidating Trustee shall be deemed the appointed representative to, and may pursue, litigate, and compromise and settle any such rights, claims, or Causes of Action in accordance with the best interests of and for the benefit of the Beneficiaries of the CCI Liquidating Trust.

11.12. *CCSI Rights of Action.* Any of CCSI's rights, claims and CCSI Causes of Action as of the Effective Date shall be transferred to the CCSI Liquidating Trust and to the extent necessary to effectuate the foregoing, CCI joins in any such transfer. From and after the transfer of all such rights to the CCSI Liquidating Trust, pursuant to section 1123(b)(3) of the Bankruptcy Code, the CCSI Liquidating Trustee shall be deemed the appointed representative to, and may pursue, litigate, and compromise and settle any such rights, claims or Causes of Action in accordance with the best interests of and for the benefit of the Beneficiaries of the CCSI Liquidating Trust.

11.13. *Third Party Agreements.* The Distributions to the various classes of Claims hereunder and to the Liquidating Trusts shall not affect the right of any Entity to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordination rights or otherwise. All of such rights and any agreements relating thereto shall remain in full force and effect.

11.14. *Title to Assets.* Except as otherwise provided in the Plan, on the Effective Date title to all Assets shall vest in the Liquidating Trusts free and clear of all Claims, Equity Interests, Encumbrances

11.15. *Notices.* Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, freight prepaid, to be addressed as follows:

If to the CCI Liquidating Trusts, to:

CCI Liquidating Trust
c/o the CCI Liquidating Trustee

If to the CCSI Liquidating Trusts, to:

CCSI Liquidating Trust
c/o the CCSI Liquidating Trustee

If to the Debtors, to:

Convergent Communications, Inc.
1746 Cole Blvd
Suite 225
Golden, CO 80401-3210
Attn: Mr. Craig A. Dais
Fax: (720) 489-1306

and

Convergent Communications Services, Inc.
1746 Cole Blvd
Suite 225
Golden, CO 80401-3210
Attn: Mr. Craig A. Dais
Fax: (720) 489-1306

with copies to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166
Attn: James P. Ricciardi, P.C.
Fax: (212) 351-4035;

Gibson, Dunn & Crutcher LLP
1801 California Street
Denver, CO 80202
Attn: Jeffrey Oraker
Fax: (303) 313-2816; and

Connolly, Rosania & Lofstedt, P.C.
287 Century Circle, Suite 200
Louisville, CO 80027
Attn: Tom Connolly
Fax: (303) 661-9555

11.16. *Governing Law.* Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado, without giving effect to the principles of conflicts of law thereof.

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

11.18. *Severability.* At the option of the Debtors acting in their sole discretion, any provision of the Plan, the Confirmation Order, or any of the Exhibits to Plan Supplement that is prohibited, unenforceable, or invalid shall, as to any jurisdiction in which such provision is prohibited, unenforceable, or invalid, be ineffective to the extent of such prohibition, unenforceability, or invalidation without invalidating the remaining provisions of the Plan, Confirmation Order, and Exhibits to the Plan Supplement or affecting the validity or enforceability of such provisions in any other jurisdiction.

11.19. *Plan Supplements.* On or before the Effective Date, the Debtors shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

11.20. *Expedited Tax Determinations.* The Liquidating Trustees are hereby authorized to request an expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed for or on behalf of the Liquidating Trusts for all taxable periods through the termination of the Liquidating Trusts.

Dated: October 26, 2001

CONVERGENT COMMUNICATIONS, INC.
CONVERGENT COMMUNICATIONS SERVICES,
INC.

By: Craig A. Dais
Name: Craig A. Dais, an authorized officer of each of
the Debtors