

ORIGINAL

CLASS 3 BALLOT FOR ACCEPTING OR REJECTING
JOINT CHAPTER 11 PLAN OF LIQUIDATION DATED JULY 31, 2002

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re:

PACIFIC GATEWAY EXCHANGE, INC., a Delaware corporation (Tax I.D. No. 943134065); INTERNATIONAL EXCHANGE COMMUNICATIONS, INC., a Delaware corporation (Tax I.D. No. 943292374); ONYX NETWORKS, INC., a Delaware corporation, f/k/a PGExpress, Inc. (Tax I.D. No. 943335904); WORLD PATHWAYS, INC., a Delaware corporation (Tax I.D. No. 943282029); WORLDBLINK, INC., a Delaware corporation (Tax I.D. No. 943286651); and GLOBAL TIME, INC., a Delaware corporation (Tax I.D. No. 943316865),

Debtors.

Case Nos.: SF 00-33019 DM; SF 01-30027 DM; SF 01-30014 DM; SF 01-30016 DM; SF 01-30017 DM; SF 01-30015 DM (Jointly Administered under Case No. SF 00-33019 DM)

PLAN CONFIRMATION. Pacific Gateway Exchange, Inc. and its above-listed debtor affiliates ("Debtors") filed their Joint Chapter 11 Plan Of Liquidation Dated July 31, 2002 (the "Plan"). The Court has approved a disclosure statement with respect to the Plan (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your ballot. Court approval of the Disclosure Statement does not indicate approval of the Plan by the Court.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the plan and your classification and treatment under the plan. Unsecured non-priority claims have been placed in Class 3 (General Unsecured Claims) under the Plan. You have been provided this Ballot because you are or may be the holder of a Class 3 Claim.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

VOTING PROCEDURE. If you wish to vote to accept or reject the Plan, you must complete this ballot and return it to the counsel for the above-referenced Debtors so that it is received by September 4 2002, at the address indicated below. When returning your ballot, please carefully follow all of the instructions set forth on the reverse side of this Ballot. Before casting your vote, you should review the Disclosure Statement Accompanying the enclosed Joint Chapter 11 Plan Of Liquidation Dated July 31, 2002. In accordance with the directions on the next page of this Ballot, you should use this Ballot to vote all of your Class 3 Claim(s) with respect to all of the Debtors against which you assert such claim(s)..

BALLOT DOES NOT CONSTITUTE A CLAIM. This ballot does not constitute a proof of claim, an amendment to a proof of claim, or a waiver of any bar date, or deadline to file a proof of claim.

QUESTIONS. If your ballot is damaged, if you need additional ballots, or if you have any questions about voting procedures, you should contact Shanda D. Pearson, Paralegal, Klee, Tuchin, Bogdanoff & Stern LLP, 1880 Century Park East, Suite 200, Los Angeles, CA 90067 (facsimile (310) 407-9090).

(BALLOT CONTINUES ON REVERSE SIDE)

DOCUMENT NUMBER-DATE

08532 AUG 14 2002

FPSC-COMMISSION CLERK

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PLEASE COMPLETE STEPS 1, 2, AND 3:

STEP 1 (IDENTIFICATION OF CLAIM AND VOTING):

The undersigned hereby certifies that it holds one or more unsecured non-priority claims (i.e., Class 3 Claims under the Plan) against one or more of the Debtors, and that it votes such claim(s) to accept or reject the Plan, with respect to each such claim, as indicated below.

(Instructions: You must provide the claim amount(s), the Debtor(s) against which the claim is asserted, and one vote to accept or reject the Plan with respect to such claim(s). If you assert a single claim against all of the Debtors you may use the "All Debtors Option".)

DEBTOR AGAINST WHICH YOUR CLASS 3 CLAIM IS ASSERTED	AMOUNT OF YOUR CLASS 3 CLAIM (In U.S. Dollars)	VOTE	
		Accept	Reject
Pacific Gateway Exchange, Inc., a Delaware corporation (Case No. SF 00-33019 DM)	\$		
International Exchange Communications, Inc., a Delaware corporation (Case No. SF 01-30027 DM)	\$		
Onyx Networks, Inc., a Delaware corporation Case No. SF 01-30014 DM)	\$		
WorldLink, Inc., a Delaware Corporation (Case No. SF 01-30017 DM)	\$		
World Pathways, Inc., a Delaware corporation (Case No. SF 01-30016 DM)	\$		
Global Time, Inc., a Delaware Corporation (Case No. SF 01-30015 DM)	\$		
<i>All Debtor Option (if applicable):</i>			
I Assert My Claim Against <u>All</u> Of The Above-Listed Debtors.	\$		

STEP 2 (CREDITOR INFORMATION – EXECUTION OF BALLOT):

By signing this ballot, I acknowledge that I have received a copy of the Debtors' Plan and Disclosure Statement.

Creditor Name: _____ (Please Print)

Creditor Address: _____

Date: _____ Signature: _____

Telephone No: _____ If by Authorized Agent, Name and Title: _____

STEP 3 (SUBMISSION OF COMPLETED BALLOT):

BALLOTS MUST BE RETURNED TO THE FOLLOWING ADDRESS:

Klee, Tuchin, Bogdanoff & Stern LLP
Attn: Shanda D. Pearson
1880 Century Park East, Suite 200
Los Angeles, California 90067-1698

**IF KLEE, TUCHIN, BOGDANOFF & STERN LLP DOES NOT RECEIVE YOUR BALLOT BY
SEPTEMBER 4, 2002, AT 5:00 P.M. PACIFIC TIME YOUR VOTE WILL NOT BE COUNTED.**



PACIFIC GATEWAY EXCHANGE

August 6, 2002

Re: Pacific Gateway Exchange, Inc., a Delaware Corporation; International Exchange Communications, Inc., a Delaware Corporation; Onyx Networks, Inc., a Delaware Corporation, F/K/A/ PGExpress, Inc.; World Pathways, Inc., a Delaware Corporation; Worldlink, Inc., a Delaware Corporation; and Global Time, Inc., a Delaware Corporation

Dear Creditors and Shareholders:

In December 2000, Pacific Gateway Exchange, Inc. ("PGEX") and its chapter 11 debtor affiliates listed above (collectively, the "Debtors") determined that it would be in the best interests of its creditors for the Debtors to terminate their operations and wind down their affairs. To implement that decision, on December 29, 2000, PGEX commenced a voluntary case under chapter 11 of the Bankruptcy Code. The other Debtors filed voluntary chapter 11 cases shortly thereafter.

As permitted by the Bankruptcy Code, the Debtors have jointly proposed a chapter 11 plan of liquidation ("Plan"), with the Official Committee of Unsecured Creditors ("Committee") appointed in the Debtors' chapter 11 cases, and the Debtor's prepetition secured lenders ("Lenders"). If approved, the Plan will provide a mechanism for completing the liquidation of the Debtors' few remaining assets and for distributing those assets.

Enclosed with this letter is the "Disclosure Statement Accompanying Joint Chapter 11 Plan of Liquidation Dated July 31, 2002" (the "Disclosure Statement"), the Plan dated July 31, 2002 (attached as Exhibit A to the Disclosure Statement), and, if the Debtors believe that you may be a creditor entitled to vote, a Ballot with which to accept or reject the Plan. We urge you to review these materials carefully.

If you are a shareholder in PGEX you are deemed to reject the Plan and will not receive a Ballot. Unfortunately, as discussed in the Disclosure Statement, it does not appear that there will be sufficient value generated from the Debtors' assets to allow shareholders to retain their stock interests in PGEX, or receive any other property. Upon completion of the liquidation efforts described in the Plan, the stock in PGEX will be cancelled.

We are all eager to complete the liquidation of the Debtors as soon as possible. If you are a creditor of the Debtors, we urge you to complete your Ballot voting to ACCEPT the Plan, and immediately return your Ballot in the enclosed envelope. The deadline for Ballots to be received by the ballot tabulator is September 4, 2002, at 5:00 p.m. Pacific Time. Ballots must be returned to Klee, Tuchin, Bogdanoff and Stern LLP, Attn: Shanda Pearson, 1880 Century Park East, Suite 200, Los Angeles, California 90067, Facsimile (310) 407-9090.

Sincerely,

David M. Davis
Chief Financial Officer Of PGEX
President Of The Other Debtors
Estate Representative For All Debtors

LEE R. BOGDANOFF (State Bar No. 119542),
MARTIN R. BARASH (State Bar No. 162314), Attorneys with
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 Century Park East, Suite 200
Los Angeles, California 90067-1698
Telephone: (310) 407-4084
Facsimile: (310) 407-9090

Bankruptcy Counsel for Pacific Gateway Exchange, Inc., et al.,
Debtors and Debtors In Possession

JOHN A. MOE (State Bar No. 066893)
WILLIAM J. A. WEIR (State Bar No. 043168)
CHRISTOPHER CELENTINO (State Bar No. 131688)
LUCE, FORWARD, HAMILTON & SCRIPPS LLP
600 West Broadway, Suite 2600
San Diego, CA 92101-3391
Telephone: (619) 236-1414
Facsimile: (619) 232-8311

Attorneys for the Official Committee Of Unsecured Creditors

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VICTORIA A. GRAFF (State Bar No. 183581)
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400 South Hope Street
Los Angeles, California 90071-2899
Telephone: (213) 430-6000
Facsimile: (213) 430-6407

Attorneys for Bank of America N. A.,
For Itself And As Agent

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PACIFIC GATEWAY EXCHANGE, INC., a
Delaware corporation (Tax I.D. No.
943134065); INTERNATIONAL
EXCHANGE COMMUNICATIONS, INC., a
Delaware corporation (Tax I.D. No.
943292374); ONYX NETWORKS, INC., a
Delaware corporation, f/k/a/ PGExpress, Inc.
(Tax I.D. No. 943335904); WORLD
PATHWAYS, INC., a Delaware corporation
(Tax I.D. No. 943282029); WORLDLINK,
INC., a Delaware corporation (Tax I.D. No.
943286651); and GLOBAL TIME, INC., a
Delaware corporation (Tax I.D. No.
943316865),
Debtors.

Case Nos. SF 00-33019 DM; SF 01-30027
DM; SF 01-30014 DM; SF 01-30016 DM; SF
01-30017 DM; SF 01-30015 DM (Jointly
Administered under Case No. SF 00-33019
DM)

Chapter 11

[Pleading Applies To All Cases]

PLAN SOLICITATION MATERIALS

COPY

FILED

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U.S. BANKRUPTCY COURT
NORTHERN DIST. OF CA.
SAN FRANCISCO, CA.

1 LEE R. BOGDANOFF (State Bar No. 119542)
MARTIN R. BARASH (State Bar No. 162314)
2 KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 Century Park East, Suite 200
3 Los Angeles, California 90067-1698
Telephone: (310) 407-4084
4 Facsimile: (310) 407-9090

5 Bankruptcy Counsel for Pacific Gateway Exchange, Inc., et al., Debtors and
Debtors in Possession

6 Debtor's Mailing Address
7 500 Airport Drive, Suite 340
Burlingame, California 94010

9 UNITED STATES BANKRUPTCY COURT
10 NORTHERNS DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

11 In re:) Case Nos.: SF 00-33019 DM; SF 01-30027
12) DM; SF 01-30014 DM; SF 01-30016 DM; SF
13 PACIFIC GATEWAY EXCHANGE, INC., a) 01-30017 DM; SF 01-30015 DM (Jointly
Delaware corporation (Tax I.D. No. 94-3134065);) Administered under Case No. SF 00-33019 DM)
14 INTERNATIONAL EXCHANGE)
COMMUNICATIONS, INC., a Delaware corporation) [Pleading Applies to All Cases]
15 (Tax I.D. No. 94-3292374); ONYX NETWORKS,)
INC., a Delaware corporation, f/k/a PGExpress, Inc.) Chapter 11
16 (Tax I.D. No. 94-3335904); WORLD PATHWAYS,)
INC., a Delaware corporation (Tax I.D. No. 94-)
17 3282029); WORLDLINK, INC., a Delaware)
corporation (Tax I.D. No. 94-3286651); and GLOBAL)
18 TIME, INC., a Delaware corporation (Tax I.D. No.)
94-3316865),)
19 Debtors.)
20)
21)

**ORDER (1) APPROVING DISCLOSURE
STATEMENT; (2) ESTABLISHING
SOLICITATION AND CONFIRMATION
DEADLINES AND PROCEDURES; (3) BAR
DATE AND PROCEDURES FOR
CONSIDERATION OF ADMINISTRATIVE
EXPENSE REQUESTS**

Disclosure Hearing

Date: July 23, 2002
Time: 9:30 a.m.
Place: U.S. Bankruptcy Court
235 Pine Street, 22nd Floor
San Francisco, CA 94104

Confirmation Hearing

Date: September 10, 2002
Time: 10:00 a.m.
Place: U.S. Bankruptcy Court
235 Pine Street, 22nd Floor
San Francisco, CA 94104

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 CENTURY PARK EAST, SUITE 200
LOS ANGELES, CALIFORNIA 90067-1698
(310) 407-4000

1 **IN THIS DISTRICT, AT SAN FRANCISCO, ON THE DATE OF**
2 **EXECUTION INDICATED BELOW.**

3 On June 11, 2002, the Debtors, the Official Committee of Unsecured Creditors
4 ("Committee") their cases, and Bank of America N.A., on behalf of itself and as agent for the
5 Debtors' prepetition lenders ("Lenders") (collectively, "Proponents") filed the "Joint Chapter
6 11 Plan Of Liquidation Date June 7, 2002" ("Plan"), and both the Debtors and the Committee
7 filed the "Disclosure Statement Accompanying Joint Chapter 11 Plan Of Liquidation Dated
8 June 7, 2002" ("Disclosure Statement"). On July 23, 2003, at or about 9:30 a.m., the Court
9 held a hearing ("Hearing") before the undersigned United States Bankruptcy Judge to
10 determine the adequacy of the Disclosure Statement and establish deadlines and procedures
11 in connection with the solicitation of acceptances and rejections of the Plan and with a
12 hearing on confirmation of the Plan. Appearances were made as reflected in the Record. At
13 the conclusion of the hearing, the Court directed the parties to file a revised Plan and
14 Disclosure Statement, incorporating revisions to each identified on the record of the Hearing,
15 and indicating in each of their respective titles the date of their filing (the "Revised Plan" and
16 "Revised Disclosure Statement", respectively). On July 31, 2002, the Debtors lodged the
17 Revised Plan and Revised Disclosure Statement dated as of July 31, 2002.

18 The Court has reviewed and considered the Disclosure Statement, the Plan, the
19 Revised Disclosure Statement, the Revised Plan, and the various Declarations of Service
20 submitted in connection therewith, such offers of proof made and/or evidence admitted at the
21 hearing in support of the Disclosure Statement (and revised Disclosure Statement), and the
22 record in these cases. Based upon that review and consideration, the record in these cases,
23 and such comments and representations as may be reflected on the record of the hearing, the
24 Court finds that (i) notice of the hearing on the Disclosure Statement was reasonable and
25 appropriate under the circumstances, (ii) in the absence of any objection to the Disclosure
26 Statement, approval of the Revised Disclosure Statement without an additional hearing is
27 reasonable and appropriate under the circumstances; (iii) the Revised Disclosure Statement
28 contains "adequate information" within the meaning of Bankruptcy Code section 1125, and

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1 (iv) good cause exists to grant such additional relief and establish such deadlines and
2 procedures as are set forth in this Order, which deadlines and procedures are fair, reasonable,
3 and appropriate; authorized by the applicable provisions of the Bankruptcy Code, the Federal
4 Rules of Bankruptcy Procedure, and the Local Rules of this Court; and are the best interests
5 of the Debtors' estates.

6 **THEREFORE, IT IS HEREBY ORDERED:**

7 1. The Revised Disclosure Statement hereby is approved as containing
8 "adequate information" pursuant to Bankruptcy Code section 1125.

9 2. Any objections to the Revised Disclosure Statement, if not previously
10 withdrawn, are overruled.

11 3. The Court will hold a hearing on confirmation of the Revised Plan
12 before the undersigned United States Bankruptcy Judge on September 10, 2002 at 10:00 a.m.
13 ("Confirmation Hearing"), at 235 Pine Street, 22nd Floor, San Francisco, CA 94104. The
14 Confirmation Hearing may be continued from time to time by announcing such continuance
15 in open Court without further notice to parties in interest.

16 4. The Debtors are authorized to disseminate the following materials (the
17 "Solicitation Materials") in accordance with the procedures set forth in this Order:

18 a) The Revised Plan.
19 b) The Revised Disclosure Statement.
20 c) A copy of this Order (service of which shall constitute reasonable
21 and sufficient notice of its contents).

22 d) Cover letters from representatives of the Debtors and the
23 Committee expressing support for the Revised Plan. *f*

24 e) With respect only to these entities that are in a class that is
25 entitled to vote on the Revised Plan (i.e., Classes 1 and 3 only), an appropriate ballot
26 or ballots, in substantially the forms attached hereto as Exhibit 1, which hereby are
27 approved.

28 5. The Debtors shall serve the Solicitation Materials by first class mail on

f The court has not reviewed these letters

1 or before August 7, 2002 ("Service Date") on:

2 a) All creditors that either are listed in the Debtors Schedules of
3 Assets and Liabilities or that have filed proofs of claim.

4 b) All of holders of interests in the Debtors, provided that (i) the
5 beneficial holders of stock in Pacific Gateway Exchange, Inc. shall be served through
6 the institutional nominees for such holders ("Nominees"), and (ii) the Service Date
7 shall be the date by which the Debtors are required to dispatch Solicitation Materials
8 to such Nominees.

9 c) All parties listed on the Debtors' Schedules of Executory
10 Contracts.

11 d) All of the professionals employed by the Estates, and all other
12 entities with whom the Debtors knowingly incurred obligations during the pendency
13 of these chapter 11 cases.

14 e) All entities that have requested special notice in these cases.

15 f) The Office of the United States Trustee.

16 g) The Securities and Exchange Commission and the District
17 Director of Internal Revenue for the district in which this case is pending (i.e., the
18 governmental entities enumerated in Bankruptcy Rule 2002(j)).

19 6. September 4, 2002 at 5:00 p.m. Pacific Time is the deadline by which
20 ballots to accept or reject the Revised Plan (i.e., Class 1 and Class 3 Ballots only) must be
21 received from entities that are eligible to vote ("Voting Deadline"). All ballots must be
22 returned to, and actually received by, Klee, Tuchin, Bogdanoff & Stern, LLP, Attn: Shanda
23 Pearson, Legal Assistant, 1880 Century Park East, Suite 200, Los Angeles, CA 90067,
24 Facsimile (310) 407-9090, on or before the Voting Deadline in order to be counted.

25 7. Given the form of the Ballots attached hereto as Exhibit 1, the holders
26 of Class 3 Claims need be served with only one Class 3 Ballot, irrespective of whether such
27 holders hold more than one Class 3 Claim, or a Class 3 Claim against more than one of the
28 Debtors.

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 CENTURY PARK EAST, SUITE 200
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1 8. Ballots to accept or reject the Revised Plan shall not be served upon or
2 solicited from the holders of (i) Class 2 Claims (Other Priority Claims), which Class is
3 deemed to accept the Revised Plan; (ii) Class 4 Claims (Subordinated Claims), which Class
4 is deemed to reject the Revised Plan; and (iii) Class 5 Interests (Interests In The Debtors),
5 which Class is deemed to reject the Revised Plan.

6 9. June 12, 2002 is established as the record date for determining the
7 holders of stock in Pacific Gateway Exchange, Inc. for the purpose of serving the Solicitation
8 Materials on such holders.

9 10. The Debtors are authorized, without further notice or order of the Court,
10 to reimburse the Nominees for their actual, necessary, and reasonable expenses incurred in
11 disseminating the Solicitation Materials to the beneficial holders of stock in Pacific Gateway
12 Exchange, Inc. The Debtors, however, will not pay any fees, commissions, or other
13 remuneration to the Nominees for such services.

14 11. Any objection to the confirmation of the Revised Plan, the rejection of
15 executory contracts and unexpired leases thereunder, and approval of the transactions
16 contemplated thereunder must be filed no later September 4, 2002 ("Objection Deadline"),
17 along with all declaration testimony and other documentary evidence in support of such
18 objection. Such objection and evidence shall be served on the following such that they are
19 received by each of them no later than 5:00 p.m. Pacific Time on the Objection Deadline:
20 Klee, Tuchin, Bogdanoff & Stern LLP, Attention: Martin R. Barash, Esq., 1880 Century
21 Park East, Suite 200, Los Angeles, California 90067, Facsimile (310) 407-9090; Counsel to
22 the Committee, Luce, Forward, Hamilton & Scripps LLP, Attn: William J.A. Weir, Esq., 121
23 Spear Street, Suite 200, San Francisco, California 94105; Facsimile (415) 356-4610; Counsel
24 to the Lenders, O'Melveny and Myers LLP, Attn: Ben H. Logan, Esq., 400 South Hope
25 Street, Los Angeles, California 90012, Facsimile (213) 430-6407, and the Office of the
26 United States Trustee, Attn: Steven L: Johnson, Esq., 250 Montgomery Street, Suite 1000,
27 San Francisco, CA 94104, Facsimile (415) 705-3379 ("Major Parties").

28 12. Any objections filed pursuant to Paragraph 11 must:

- 1 a) Be in writing;
- 2 ~~b) Be accompanied by a memorandum of points and authorities~~
- 3 ~~setting forth the grounds for the objection;~~
- 4 ~~c) Be accompanied by evidentiary support in the nature of~~
- 5 ~~declarations or other written evidence submitted under penalty of perjury; and~~
- 6 d) Indicate the name, address, telephone number and facsimile
- 7 number of the party filing the objection and the amount of the objector's claims or any
- 8 other basis on which the objector asserts standing to bring the objection.

9 13. Any objection not timely filed and served ~~will~~ ^{may} be deemed to be waived,

10 and failure to assert a timely objection to confirmation of the Revised Plan ~~will~~ ^{may} be deemed to

11 be consent to the Court's entry of an order confirming the Revised Plan.

12 ~~14. Any party may file a response to an objection to confirmation of the~~

13 ~~Revised Plan by September 9, 2002, and shall serve such response on the Major Parties and~~

14 ~~the party asserting the objection no later than such date.~~

15 ~~15. All declarants must be available, without need for subpoena, to appear~~

16 ~~for cross-examination at the Confirmation Hearing upon 48 hours written notice to counsel~~

17 ~~for the objecting party from the Debtors or any other Proponent. The testimony of any such~~

18 ~~declarant who is not present for cross-examination at the Confirmation Hearing will be~~

19 ~~stricken from the record and will not be considered in determining contested matters at the~~

20 ~~Confirmation Hearing. Furthermore, any evidence that is not timely filed and served will be~~

21 ~~stricken from the record and will not be considered in determining any contested matter at~~

22 ~~the Confirmation Hearing.~~

23 16. September 4, 2002 ("Administrative Bar Date") shall be the last day for

24 any party to file with the Court and serve a request pursuant to Bankruptcy Code section

25 503(b) for the payment of an administrative expense arising in these cases on or prior to

26 August 15, 2002 (other than administrative expenses arising under Bankruptcy Code section

27 503(b)(2) for compensation and reimbursement to estate professionals under Bankruptcy

28 Code section 330(a)), and to file with the Court and serve a notice of hearing on such

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1 request. Such request shall be filed and served with all declaration testimony and
2 documentary evidence in support of such request.

3 17. Such request and notice of hearing thereon shall be served on the Major
4 Parties and the parties entitled to special notice in these cases ("Special Notice Parties"),
5 whose names and addresses the Debtors counsel will promptly provide upon the request of
6 any party. Any hearing on a request for payment of an administrative expense shall be held
7 on a date that is at least 21 days but no more than 30 days following the filing and service of
8 the request and notice of hearing thereon.

9 18. No party asserting an administrative expense in these cases arising on or
10 prior to August 15, 2002 (other than for professional compensation and expense
11 reimbursement under Bankruptcy Code sections 503(b)(2) and 330(a)) shall be entitled to
12 allowance or payment thereof, and such request shall be forever barred, unless (i) such
13 timely files a request for payment and notice of hearing thereon by the Administrative Bar
14 Date, (ii) the Court holds a hearing on such request (unless the Proponents consent in writing
15 to such request), and (iii) the Court enters an order allowing the requested administrative
16 expense. The filing of a proof of claim in which amounts are asserted as administrative
17 expenses is insufficient to satisfy the requirements of this Order.

18 19. Each recipient of this Order and/or notice of this Order, and their
19 respective agents and attorneys have an affirmative duty to carefully review these documents
20 and timely file any objection to confirmation of the Revised Plan, request for the payment of
21 administrative expense, or any other papers in connection with the matters addressed herein.
22 Recipients should not rely upon their agents and attorneys to meet the deadlines specified in
23 this Order, or in any notice of this Order.

24

25 DATED: AUG 2 2002

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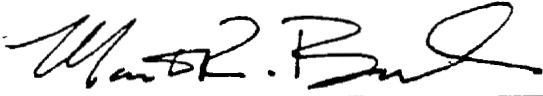
27

28

DENNIS MONTALI

HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

1 Presented by

2 

3 MARTIN R. BARASH, a Member of
4 KLEE, TUCHIN, BOGDANOFF & STERN LLP
5 Bankruptcy Counsel to
6 Debtors and Debtors In Possession

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KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 CENTURY PARK EAST, SUITE 200
LOS ANGELES, CALIFORNIA 90067-1698
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Exhibit 1 To The Foregoing Order, Which Comprises Sample
Ballots Approved By The Court, Has Been Omitted Intentionally

If you would like a copy of Exhibit 1, or have not received a Ballot and
believe you are entitled to vote on the Plan, please contact:

Klee, Tuchin, Bogdanoff & Stern LLP
Attn: Shanda Pearson, Legal Assistant
1880 Century Park East, Suite 200
Los Angeles, California 90067-1698

LEE R. BOGDANOFF (State Bar No. 119542),
MARTIN R. BARASH (State Bar No. 162314), Attorneys with
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Bankruptcy Counsel for Pacific Gateway Exchange, Inc., et al.,
Debtors and Debtors In Possession

JOHN A. MOE (State Bar No. 066893)
WILLIAM J. A. WEIR (State Bar No. 043168)
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Attorneys for the Official Committee Of Unsecured Creditors

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PACIFIC GATEWAY EXCHANGE, INC., a
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ministered under Case No. SF 00-33019 DM)

Chapter 11

[Pleading Applies To All Cases]

**DISCLOSURE STATEMENT ACCOM-
PANYING JOINT CHAPTER 11 PLAN
OF LIQUIDATION DATED
JULY 31, 2002**

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	BACKGROUND	4
	A. The Debtors and Their Former Operations.....	4
	B. Events Leading To The Commencement Of The Liquidation Case.....	5
	1. The TAT-14 and Japan-U.S. Acquisitions.....	5
	2. The MFN Transactions.....	6
	3. Prepetition Reorganization Efforts.....	6
	C. Significant Events In The Liquidation Case.....	6
	1. Debtor In Possession Financing.....	6
	2. Asset Sales.....	7
	3. Disposition of Contracts and Leases.....	8
	4. Relief from The Automatic Stay.....	8
	5. Management Services Agreement And Dispute With Matrix.....	9
	D. The Debtors' Liabilities.....	9
	E. The Debtors' Assets.....	10
	1. Remaining Assets.....	11
	2. Preferences and Other Avoidance Actions.....	12
	F. The Compromise Embodied In The Plan, and The Alternative To Confirmation Of The Plan.....	13
	G. Potential Recoveries For Unsecured Creditors.....	15
III.	STRUCTURAL OVERVIEW OF THE PLAN.....	16
IV.	PROVISIONS FOR THE PAYMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS	16
	A. General Administrative Claims.....	16
	B. DIP Advance Claims.....	17
	C. Estate Professional Fee Claims.....	17
	D. Priority Tax Claims.....	17
	E. Plan Condition Relating To Cap On Amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims.....	18
V.	CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS	18
	A. Class 1 (Bank Group's Secured Claims Under the Credit Facility).....	18
	B. Class 2 (Other Priority Claims).....	19
	C. Class 3 (General Unsecured Claims).....	19
	D. Class 4 (Subordinated Claims).....	20
	E. Class 5 (Interests In The Debtors).....	20
VI.	EXECUTORY CONTRACTS AND UNEXPIRED LEASES.....	20
	A. Rejection of Executory Contracts and Unexpired Leases.....	20
	B. Bar Date for Rejection Damage Claims.....	20
VII.	MEANS FOR IMPLEMENTING THE PLAN	20

A.	Substantive Consolidation and Continuation Of The Estates	20
B.	Plan Implementation Loan	21
C.	Creditors' Committee Loan	21
D.	Avoidance Actions and Claims Objections.....	21
1.	Claim Objection Deadline.....	22
E.	Other Rights Of Action	22
F.	The Creditors' Fund.....	22
G.	Employment And Compensation Of Creditors' Committee Counsel	24
H.	The Continuing Estate Representative and Related Costs	24
I.	Distribution Procedures.....	25
1.	Manner Of Cash Payments.....	25
2.	No <i>De Minimis</i> Distributions	25
3.	No Distributions With Respect to Disputed Claims.	25
4.	Undeliverable or Unclaimed Distributions.	25
5.	Distributions Relating to Allowed Claims Covered By Insurance.	25
VIII.	SETTLEMENT AND COMPROMISE; BANK GROUP RELEASE	25
IX.	OTHER PLAN PROVISIONS	26
A.	The Effective Date	26
B.	Cancellation Of Stock and Securities.....	26
C.	Termination Of Officers and Directors/Dissolution Of The Debtors.	27
D.	Dissolution of the Creditors' Committee.....	27
E.	Dissolution Of The Continuing Estate/Case Closure.....	27
F.	Corporate Books and Records.....	27
G.	Corporate Action and Effectuating Documents	28
H.	Post-Effective-Date Effect of Evidences of Claims or Interests	28
I.	Effect of Confirmation/Nondischarge of the Debtors.....	28
J.	Venue For Any Action Against Debtors, Creditors' Committee, Continuing Estate Or Continuing Estate Representative	28
K.	Reports and Tax Returns Relating To The Continuing Estate.....	28
L.	Binding Effect	28
M.	Exemption From Transfer Taxes	29
N.	Limitation of Liability.....	29
O.	No Admissions	29
P.	Revocation of the Plan	29
Q.	Severability of Plan Provisions	29
R.	Governing Law.....	29
S.	Retention of Jurisdiction	30
T.	Successors and Assigns.....	31
U.	Saturday, Sunday, or Legal Holiday	31
V.	Plan Modification.....	31

X.	CONFIRMATION PROCEDURE	31
A.	Voting.....	31
B.	Confirmation Standards.	31
C.	Confirmation Without Acceptance By All Impaired Classes of Claims Or Interests.	32
D.	Feasibility.....	33
E.	Liquidation Analysis.	33
XI.	TAX CONSEQUENCES OF THE PLAN.....	34
A.	Introduction.....	34
B.	Tax Consequences To Holders Of Claims.....	35
1.	Recognition Of Gain Or Loss.	35
2.	Tax Basis And Holding Period.	35
3.	Recipients Of Cash.....	35
4.	Receipt Of Interest.	35
5.	Character Of Gain Or Loss.	36
6.	Market Discount.....	36
7.	Backup Withholding.	36
C.	Tax Consequences To Interest Holders.....	36
XII.	RECOMMENDATIONS AND CONCLUSION.....	36

I. INTRODUCTION

On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code ("Bankruptcy Code").¹ On January 3, 2001 and January 4, 2001, certain of PGEX's domestic subsidiaries also filed voluntary petitions under chapter 11 of the Bankruptcy Code: International Exchange Communications, Inc. ("IECom"), Onyx Networks, Inc. ("Onyx"), World Pathways, Inc. ("WPI"), WorldLink, Inc. ("WLI"), and Global Time, Inc. ("GTI"), the latter of which is a subsidiary of IECom (collectively with PGEX, the "Debtors"). The filing of those petitions resulted in the commencement of chapter 11 cases for each of the Debtors, which have been jointly administered by order of the Court (the "Liquidation Case"). Since that time, pursuant to Bankruptcy Code sections 1107 and 1108, the Debtors have been liquidating their assets and managing their affairs as debtors and debtors in possession.

Chapter 11 of the Bankruptcy Code allows a debtor or other parties in interest to propose a chapter 11 plan, setting forth a proposed disposition of a debtor's assets and treatment of the claims (i.e., debts) against and interests (i.e., stock) in such debtor. A chapter 11 plan typically may provide for a debtor to reorganize by continuing to operate, to liquidate by selling assets of its estate, or to implement a combination of both. In this instance, the Debtors, the Official Committee of Unsecured Creditors in the Debtors' chapter 11 cases ("Creditors' Committee"), and the Debtors' prepetition secured lenders ("Bank Group") have jointly proposed a plan for the liquidation of the Debtors assets and the resolution of the Liquidation Case, which plan is attached hereto as Exhibit "A" (the "Plan"). This document is the Disclosure Statement for the Plan; it sets forth the assumptions underlying the Plan, describes the process that the Court will follow in determining whether to confirm the Plan, and describes how the Plan will be executed if confirmed by the Court.

During the course of the Liquidation Case, substantial portions of the Debtors' assets have been liquidated and the proceeds remitted to the Bank Group in partial satisfaction of its prepetition secured debt, which totaled approximately \$38.6 million as of the commencement of the Liquidation Case. These payments were made pursuant to certain orders of the Bankruptcy Court, *see* Section II.C.1², based upon the first priority lien asserted by the Bank Group against virtually all of the Debtors' assets and based on the debtor in possession loans that the Bank Group extended to the Debtors pursuant to order of the Bankruptcy Court. After applying these payments, and certain other amounts collected by the Bank Group from non-debtor subsidiaries of the Debtors, the balance of the Bank Group's secured prepetition debt totals approximately \$21 million as of May 1, 2002. In addition, the Bank Group is owed over \$5 million for loans advanced under the Debtor in Possession Credit Agreement, approved by the Bankruptcy Court, which loans are secured by essentially all the estates' assets³ and are entitled to an administrative priority ahead of all unsecured creditors. The encumbered assets remaining in the estates appear to be of nominal value, and are insufficient to satisfy the balance of this indebtedness. Likewise, with the exception of certain legal actions that belong to the Debtors' bankruptcy estates (so-called "Avoidance Actions"), there do not appear to be any assets in which the Bank Group does not assert a first priority lien, with which to satisfy the claims of unsecured creditors.

The Plan sets forth a framework for liquidating the remaining assets of the Debtors' estates, and creating a mechanism for the prosecution of the Avoidance Actions for the benefit of unsecured creditors. The Plan reflects a global compromise among the Bank Group, the Creditors' Committee, and the Debtors (collectively, the "Proponents") on how best to accomplish these tasks. The principal alternative to the Plan is the conversion of the Liquidation Case to chapter 7 and the pursuit of these objectives by one or more chapter 7 trustees. The compromise in the Plan includes an agreement by the Bank Group (i) to provide unsecured creditors a priority to receive recoveries from Avoidance Actions (after costs of collection) ahead of the Bank Group,⁴ (ii) to allow unsecured creditors to receive a priority entitlement to the

¹ Any capitalized terms used in this Disclosure Statement and not otherwise defined have the meaning ascribed to them in Joint Chapter 11 Plan Of Liquidation Dated July 31, 2002.

² Unless otherwise noted, "Section" references herein refer to Sections of this Disclosure Statement.

³ Other than Avoidance Actions, and subject to certain carve-outs for approved fees incurred by the estates' professionals.

⁴ The Bank Group is likely to have a significant unsecured deficiency claim that would share in any collections from Avoidance Actions *pari passu* with unsecured creditors absent this compromise. There are a number of detailed terms and conditions related to this compromise that are described in greater detail in Section II.F below and elsewhere in this Disclosure Statement.

proceeds, if any, from certain rights to cable capacity which are subject to the Bank Group's liens, (iii) to provide a loan of \$200,000 to help fund payment of certain priority claims (primarily tax and wage claims), and (iv) to provide a loan of \$150,000 to help pay some of the unpaid professional fees of counsel to the Creditors' Committee. There can be no assurance that there will be any material recovery available for distribution to unsecured creditors under the Plan. However, the Debtors believe that the primary alternative to the Plan is a liquidation under chapter 7 of the Bankruptcy Code. In such a chapter 7 liquidation, it is likely that there will not be any greater recoveries realized from the Debtors' few remaining assets, and a chapter 7 liquidation would likely entail significant additional costs resulting from the need to involve, educate, and orient a chapter 7 trustee and the trustee's counsel and other professionals. Thus, it is likely that the total assets to be distributed to creditors in a chapter 7 would be less than will be available in the Plan. In addition, in a chapter 7 liquidation, unsecured creditors other than the Bank Group would not be entitled to the priority recovery from Avoidance Actions or the cable rights (if any recovery can be realized from them) that the Plan provides will be available to the Creditors' Fund, and there would be no apparent source to fund payments to priority claimants and other administrative claimants that would be entitled to payment before general unsecured creditors. While there can be no assurances, as outlined below, the Creditors' Committee believes that there is some possibility that some of the assets dedicated to the Creditors' Fund under the Plan, particularly the Avoidance Actions, may yield some recovery for general unsecured creditors. Thus, while there ultimately may be little or nothing to distribute to creditors on account of their general unsecured claims under the Plan, the Debtors and the Creditors' Committee believe that the Plan offers general unsecured creditors a greater prospect for some recovery than any other likely alternative, the most likely of which would be liquidation under chapter 7 of the Bankruptcy Code. Thus, the principal question facing the holders of claims that are being asked to vote to accept the Plan is whether the liquidation of the Debtors' few unencumbered assets will be achieved with the greatest efficiency and the greatest likely return pursuant to the Plan or conversion of the Liquidation Case to chapter 7. See Sections II.F, X.E.

As described in more detail in throughout this Disclosure Statement, the Plan provides that the proceeds of virtually all of the remaining property will be remitted to the Bank Group, with the exception of any proceeds generated from (i) the Avoidance Actions and (ii) certain interests in various cable systems that otherwise are the subject of the Bank Group's asserted liens. Pursuant to the Plan, the existing estates of the Debtors will be consolidated and continue after the Effective Date of the Plan as the "Continuing Estate." Pursuant to the Plan, the Creditors' Committee will be given exclusive control of the Avoidance Actions, the claims objection process, and the distribution of any net proceeds to the holders of general unsecured claims. The Plan establishes a "Creditors' Fund" for depositing such proceeds and satisfying various costs and expenses.

The Bank Group, meanwhile, will be given control of the balance of the Continuing Estate's assets through a "Continuing Estate Representative," who will be authorized to dispose of that property for the benefit of the Bank Group. As part of the compromise embodied in the Plan, the Bank Group has agreed to make a loan of \$200,000 for the payment under the Plan of Allowed Priority Claims and any unpaid non-professional administrative expenses, and to make a loan of an additional \$150,000 to the Creditors' Committee to fund its pre-Effective Date fees and expenses. These loans will be repaid from the Creditors' Fund as proceeds are realized by the Creditors' Committee. The Plan also provides for a formal acknowledgement of the scope and perfection of the Bank Group's liens, and a global release of any claims and causes of action the estates may hold against the Bank Group.⁵

The Court has approved this document as an adequate disclosure statement that contains enough information to enable entities affected by the Plan to make informed judgments about the Plan. Since the Court has approved this Disclosure Statement, any entity may now solicit votes for and against the Plan. The Court's approval of this Disclosure Statement is not a determination by the Court regarding the fairness or the merits of the Plan or regarding the accuracy or completeness of the Disclosure Statement. Furthermore, the Plan and Disclosure Statement do not constitute financial or legal advice, and they cannot tell you everything about your rights. You therefore should consult your own advisors if you have questions about how the Plan will affect you and what the best course of action is for you.

⁵ The foregoing paragraphs comprise a summary of certain salient points only, and should not substitute for a review by parties in interest of the entire Plan and Disclosure Statement.

You should carefully read this Disclosure Statement. This document explains the treatment that creditors and interest holders should expect to receive if the Court confirms the Plan, who may object to Plan confirmation, and who is entitled to vote on the Plan. It also describes the Debtors' history, significant events that have occurred during the pendency of this Liquidation Case, the effect of Plan confirmation, and the matters that the Court may consider in deciding whether to confirm the Plan. This Disclosure Statement also presents an analysis of the Plan's feasibility and how your treatment under the Plan would compare to a chapter 7 liquidation. **The Court has not yet confirmed the Plan, and its terms are not yet binding on anyone. If the Court later confirms the Plan, however, then the Plan will be binding on the Debtors and all holders of actual or potential claims and interests in this Liquidation Case.**

THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTORS AND THE CREDITORS' COMMITTEE FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THEIR KNOWLEDGE, INFORMATION AND BELIEF. HOWEVER, NOTHING CONTAINED HEREIN CONSTITUTES OR SHALL BE DEEMED TO CONSTITUTE A DECLARATION AGAINST INTEREST BY ANY OF THE PROPONENTS FOR PURPOSES OF ANY EXISTING OR FUTURE LITIGATION.

NEITHER THE DEBTORS NOR ANY OF THE OTHER PROPONENTS REPRESENTS OR WARRANTS THAT THIS DISCLOSURE STATEMENT IS COMPLETE OR THAT THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS FREE FROM ANY INACCURACY OR OMISSION. THE DEBTORS AND CREDITORS' COMMITTEE HAVE, HOWEVER, MADE GREAT EFFORTS TO PRESENT THE INFORMATION ACCURATELY AND FAIRLY, AND BELIEVE THAT THE INFORMATION IS SUBSTANTIALLY ACCURATE.

ALTHOUGH THE PROFESSIONAL ADVISORS FOR THE DEBTORS AND THE CREDITORS' COMMITTEE HAVE ASSISTED IN THE PREPARATION OF THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA PROVIDED BY THE DEBTORS AND THE CREDITORS' COMMITTEE, THOSE PROFESSIONAL ADVISORS HAVE NOT INDEPENDENTLY VERIFIED THE INFORMATION SET FORTH HEREIN AND MAKE NO REPRESENTATION OR WARRANTY AS TO SUCH INFORMATION. NOR DO SUCH PROFESSIONAL ADVISORS REPRESENT OR WARRANT THAT THIS DISCLOSURE STATEMENT IS FREE FROM ANY INACCURACY OR OMISSION.

PLEASE TAKE NOTICE THAT CREDITORS OTHER THAN THE BANK GROUP MAY BE SUED BY THE DEBTORS, THEIR ESTATES, THE CONTINUING ESTATE, THE CREDITORS' COMMITTEE, OR OTHER DESIGNATED REPRESENTATIVES THEREOF IN RESPECT OF ANY CLAIMS, CAUSES OF ACTION, OR RIGHTS OF ACTION, NOTWITHSTANDING CONFIRMATION OF THE PLAN. IN THE EVENT THE LIQUIDATION CASE WERE CONVERTED TO CHAPTER 7, ONE OR MORE TRUSTEES LIKELY WOULD PURSUE ANY AND ALL SUCH CLAIMS, CAUSES OF ACTION, OR OTHER RIGHTS OF ACTION AS WELL. IN VOTING TO ACCEPT OR REJECT THE PLAN CREDITORS AGAINST WHOM LIABILITIES HAVE NOT YET BEEN PURSUED SHOULD NOT ASSUME THAT SUCH LIABILITIES WILL NOT BE PURSUED IN THE FUTURE.

The Debtors and the Creditors' Committee believe that the Plan provides the greatest and earliest possible recoveries to the Debtors' creditors, that accepting the Plan is in the best interests of all parties, and that any alternative would delay and diminish any distributions in this Liquidation Case. The prospects for recovery by the holders of Allowed General Unsecured Claims already are very low; the Debtors and the Creditors' Committee believe, however, that the Plan offers the holders of such claims the most realistic chance of realizing even a minimal recovery on their claims. Accordingly, the Debtors and the Creditors' Committee recommend that all entities that are entitled to vote should vote to accept the Plan. (Voting instructions are set forth in Section X.A of this Disclosure Statement).

II. BACKGROUND

A. The Debtors and Their Former Operations.

Prior to the commencement of the Liquidation Case, the Debtors and their non-debtor affiliates (collectively, the "Company") together operated a global telecommunications enterprise, offering voice-based telecommunications, Internet and bandwidth services. The Company's principal assets comprised (i) land-based switching facilities in California, New York, Texas, Australia, New Zealand, the United Kingdom, Russia, and Germany, and (ii) various rights to use cable capacity on an array of land-based and cable systems that connect key metropolitan centers in the United States, Europe, Asia, and the Pacific. Prior to the Petition Date, the Debtors operated three principal lines of business: (i) the sale of wholesale switch-based voice telecommunication services; (ii) the resale of telecommunications services to retail customers, and (iii) the sale of Internet connectivity and co-location services.

The wholesale business was operated by PGEX, which provided its services to other global telecommunications carriers, Internet service providers, and satellite communications providers. Just prior to its Petition Date, PGEX discontinued its operations. PGEX is the ultimate corporate parent of all of the other Debtors and approximately 20 other non-debtor subsidiaries, most of which were incorporated outside of the United States. Before being de-listed prior to the Petition Date, the stock of PGEX was publicly-traded on the NASDAQ exchange. Prior to the Petition Date, PGEX employed as many as 300 employees, most of whom were located at PGEX's headquarters in Burlingame, California. Most of PGEX's employees were terminated prior to the Petition Date; the remaining employees (i.e., key individuals who were needed in connection with the Liquidation Case) were gradually terminated following the Petition Date.

The retail business was operated by IECOM. Prior to the Petition Date, IECOM sold end-user long distance telephone services on a pre-subscribed and call-by-call basis to customers in the United States. Based in Santa Ana, California, IECOM specialized in targeting groups that are high-volume consumers of international telecommunications services, including the Filipino, Japanese, Chinese, Vietnamese, Russian, and Korean communities resident in the United States. IECOM was a "switchless" reseller of telecommunications services, meaning it obtained long distance services from PGEX and other wholesale carriers. IECOM holds (and held) an array of state and federal regulatory licenses that were necessary to operate its business throughout the United States.

On December 29, 2000, IECOM entered into a certain Management Services Agreement with Matrix Telecom, Inc. ("Matrix"), pursuant to which Matrix has been providing service to IECOM's customer base pending negotiation and Court-approval of an asset sale agreement. The Management Services Agreement provided for Matrix to (i) collect and remit to IECOM, less a fee, outstanding receivables of IECOM directly from its customers and from local exchange carriers ("LECs") that billed their customers on behalf of IECOM; and (ii) to pay IECOM royalties on revenues generated postpetition from IECOM customers. Just prior to its Petition Date, Matrix determined that it would not require the services of virtually any of IECOM's employees to fulfill its obligations under the Management Services Agreement. Accordingly, IECOM's operations in Santa Ana were discontinued and most of its employees were terminated prior to the commencement of the Liquidation Case. The remaining employees were terminated shortly thereafter.

The third line of business was operated by Onyx, which provided internet connection and hosting services to Internet service providers, content providers and enterprise customers. In order to deliver these services, Onyx utilized capacity on a high speed fiber optic network that connected major Internet "peering" points in San Francisco, Palo Alto, San Jose, Los Angeles, Chicago, Dallas, New York, Herndon (Va.), and Washington, D.C. Pursuant to a series of Internet "peering agreements," Onyx was intended to provide its customers with access to the Internet through these peering points on a more cost-effective basis than other means of Internet access. At the time of the Petition Date, the Onyx business was still in a nascent stage, with only about 30 customers.

The domestic fiber-optic network upon which Onyx relied was operated and maintained by Williams Communications, Inc. ("Williams"). Pursuant to a certain "Mutual IRU Sale Agreement", Williams agreed to provide PGEX with certain capacity on its domestic fiber optic network, in exchange for certain rights of use pertaining to the "TAT-14" undersea cable system connecting North America and Europe, as

to which PGEX previously had obtained an "option". At the time of the Petition Date, the TAT-14 system was not operational, and PGEX was unable to deliver any rights of use on that system to Williams. On or about December 22, 2000, Williams disconnected access to that network by Onyx, PGEX and their respective customers. As a consequence, Onyx thereafter was unable to operate its Internet service business, and PGEX lost the remainder of its wholesale voice telecommunications business, which had relied on the Williams cable capacity.⁶

The other Debtors, WLI, WPI and GTI (the "Domestic Holding Companies") are completely inactive. At one time, GTI sold prepaid phone cards for long distance services provided through IECOM. However, GTI discontinued its sale of those cards over one-half year before its Petition Date, and all outstanding phone cards have expired by their own terms. To the best knowledge of the Debtors' remaining officer, David M. Davis, no operations were ever conducted by either WLI or WPI. (Mr. Davis is Chief Financial Officer of PGEX and President of the other Debtors).

PGEX's other direct and indirect subsidiaries are organized under the laws of foreign jurisdictions including Australia, Bermuda, Canada, Cyprus, Germany, Ireland, Hong Kong, New Zealand, Russia, Spain, and the United Kingdom. Although most of these entities served as holding companies for various assets, a number of them had significant operations, including Pacific Gateway Exchange (UK), Ltd. ("PGE-UK"), Pacific Gateway Exchange (Germany), GmbH ("PGE-Germany"), Onyx Internet Ltd., a UK company ("Onyx-UK"), Pacific Gateway Exchange New Zealand ("PGE-NZ"), and Pacific Gateway Exchange (Australia) ("PGE-Australia"). As discussed further below, the assets of these operating entities have been or are being liquidated, and these entities are no longer operational.

B. Events Leading To The Commencement Of The Liquidation Case.

In the year preceding the Petition Date, the Company suffered decreased revenue and a critical cash flow shortage, largely as the result of (i) their inability to raise financing in capital markets that was necessary to complete certain expansion initiatives and satisfy the Company's working capital needs; (ii) a dramatic decline in prices for telecommunications, Internet, and bandwidth services; and (iii) a rapid and expensive expansion strategy into businesses that were outside the Company's well-established wholesale, voice-based telecommunications business. The telecommunications industry has experienced turmoil and significant overcapacity in recent years and the Debtors were one of many casualties of these industry-wide forces.

1. The TAT-14 and Japan-U.S. Acquisitions.

Of particular significance to the Company's financial difficulties, in the late summer of 1998, PGE-Bermuda entered into agreements with two major consortia formed to finance and operate the TAT-14 and Japan-U.S. transoceanic fiber optic cable systems. Pursuant to those agreements PGE Bermuda undertook obligations to fund a share of the construction costs for these cables, in exchange for irrevocable rights of use in those systems. The Company's apparent intention was to finance these obligations and obtain additional working capital and acquisition funds, by raising funds through a private placement of debt securities. To that end, in late 1999, the Company retained Banc of America Securities LLC and Deutsche Bank Alex Brown (the "Initial Purchasers") to underwrite a public securities offering, which was hoped would take out the Bank Group and fund the Company's TAT-14 and Japan-U.S. obligations, plus provide working capital.⁷ A substantial amount of work was done to prepare for such an offering, but, as a result of a material decline in the market for telecommunications public offerings, this offering did not go forward, leaving the Company without a way to fund its obligations under TAT-14 and Japan-U.S. agreements, and facing a difficult prospect for making the payments due the Bank Group under the existing Credit Facility. Concurrently, the availability of financing through private placement debt securities diminished substantially.

⁶ With the assistance of special counsel, the Debtors considered whether to pursue any claims or causes of action against Williams in connection with these prepetition events. Based upon the Debtors' evaluation of the costs and risks associated with any such litigation, and an analysis of the facts presented, the Debtors have determined not to pursue any such litigation – a decision as to which neither the Bank Group nor the Creditors' Committee has expressed any objection. Nevertheless, nothing herein constitutes an admission of any fact or the waiver of any claim, counter-claim or defense in connection with the transactions between the Debtors and Williams. Williams has subsequently commenced its own chapter 11 case.

⁷ Both of the Initial Purchasers were affiliates of the Bank Group members.

2. The MFN Transactions.

In May of 2000, in an effort to address its financial difficulties, the Company entered into "sale and buyback" transactions with Metromedia Fiber Network Services, Inc. ("MFN"), with respect to the Company's interests in TAT-14 and Japan-U.S. in May 2000 (the "MFN Transaction"). Pursuant to the MFN Transaction, the Company sold to MFN (i) its rights to cable capacity in the TAT-14 consortium, reserving an "option" for about 14% of that capacity; (ii) its rights to cable capacity in the Japan-U.S. consortium, reserving an option for about 26% of that capacity. Pursuant to the MFN Transaction, MFN assumed all of the Company's obligations in connection with TAT-14 (approximately \$63 million) and Japan-U.S. (approximately \$42 million), and promised to pay an aggregate of approximately \$79 million to the Company. Of the cash consideration paid by MFN, approximately \$32 million was remitted to the Bank Group in connection with the Credit Facility. The Japan-U.S. and TAT-14 components of this transaction closed in early June, 2000 and early September, 2000, respectively.

Unfortunately, the MFN Transaction did not resolve the Company's financial difficulties. Prior to the MFN Transaction, the Company had spent millions of dollars in connection with the TAT-14 and Japan-U.S. consortia, redirecting precious working capital away from its existing business. Furthermore, following the Company's acquisition of rights in those cable consortia, there was dramatic decline in wholesale prices for telecommunications and bandwidth cable capacity due to increased competition and greater supply internationally. This development resulted in lower-than-expected revenues. At the same time, the Company grew rapidly and expanded into businesses that were outside its original core business.

3. Prepetition Reorganization Efforts.

Recognizing the seriousness of its financial difficulties, the Company engaged Development Specialists, Inc. ("DSI") in June, 2000 to provide management, financial, and turnaround consulting to the Company. Following its retention, DSI worked with management to reduce costs, improve operational and financial controls, terminate unprofitable businesses, market the assets related those businesses, and evaluate the Company's alternatives. With the assistance of DSI, the Company was able to reduce its expenditures and carefully manage its cash flow prior to the commencement of these cases, but those reductions were insufficient to alleviate the Company's cash flow crisis. During this period, the Company examined an array of reorganization alternatives, and explored the availability of funding sources to finance those efforts. None of the alternatives considered by the Company proved to be feasible. The chief problem with all of the apparent options was the relatively high cost of maintaining specific business operations, relative to the revenue generated by those operations.

The Debtors also retained the Gordian Group, an outside investment banking firm, to market the Company and its assets. Despite several months of marketing efforts by Gordian, the Debtors did not identify any party willing to buy the entire Company as a going concern, and did not conclude any sale transaction with respect to any portion of its assets prior to the Petition Date.

Faced with a cash flow shortage and an inability to fund continuing operations, the Debtors commenced the Liquidation Case in order to, among other things, (i) preserve the value of the IECOM customer base long enough to negotiate and consummate a sale of that customer base to Matrix; (ii) complete the wind-down of the Debtors' other operations, and (iii) liquidate the assets of the Debtors in an orderly fashion in order to maximize the value of those assets. Rather than dissipate the remaining assets of the Company in order to fund reorganization strategies that did not appear to be feasible, the Debtors opted to commence the Liquidation Case and attempt to preserve the remaining value of those assets. In consultation with the Bank Group, the Debtors ultimately chose to commence the Liquidation Case under chapter 11 of the Bankruptcy Code, rather than chapter 7, with the expectation that the value of the Debtors' assets would be more fully realized if individuals familiar with those assets and the Debtors' prior business operations conducted an orderly liquidation.

C. Significant Events In The Liquidation Case.⁸

1. Debtor In Possession Financing.

Upon the commencement of the Liquidation Case, the Debtors entered into a negotiated debtor in

⁸ This discussion is a limited outline of certain salient events in the Liquidation Case. Parties with interest in these or other matters should refer to the Court docket and documents on file in the Liquidation Case for additional information.

possession financing agreement with the Bank Group, i.e., the DIP Agreement. Pursuant to the DIP Orders, the Court granted interim approval of the DIP Agreement on January 9, 2001, and final approval of the DIP Agreement on February 7, 2001. Pursuant to the DIP Agreement, the Bank Group agreed to advance the Debtors up to a maximum of \$10 million in post-Petition Date financing to fund the Debtors' liquidation efforts, pursuant to a budget approved by the Bank Group in their sole discretion. Pursuant to the DIP Agreement, as of February 28, 2002, the Bank Group has advanced to the Debtors approximately \$2.44 million in costs associated with its wind-down efforts, and an additional \$2.57 million to satisfy the fees and expenses of the estate's professionals, of which several hundred thousand dollars is expected to be unused and returned to the Bank Group following the conclusion of the Liquidation Case.

Without the funding provided by the Bank Group pursuant to the DIP Agreement, the Debtors could not be sure that they would be able to fund their own liquidation efforts. The Debtors had discontinued their operations (or were in the process of doing so), and did not expect to be generating any *new* cash and receivables from such operations going forward. Given that the Debtors' cash was encumbered in favor of the Bank Group, it was not likely under these circumstances that the Debtors would have been able to obtain authority to spend that cash on its liquidation efforts over the likely objection of the Bank Group. The advances made by the Bank Group pursuant to the DIP Agreement have facilitated an orderly liquidation process.

In connection with the DIP Agreement, the Debtors agreed to confer administrative expense priority status on the Bank Group's advances and grant the Lenders a postpetition lien in all of the Debtors' assets, to the extent such advances resulted in the diminution of the Bank Group's prepetition collateral. The postpetition lien granted under the DIP Agreement, however, did not extend to the Avoidance Actions. The Debtors also agreed that all cash on hand in the estates as of the Petition Date, all receivables and other debts collected during the case (other than proceeds of Avoidance Actions), and all asset sale proceeds would be remitted to the Bank Group, as a reduction of the Debtors' outstanding liability under the Prepetition Credit Facility. As discussed further below, this arrangement has resulted in the remittance to the Bank Group by the Debtors of (i) approximately \$3.5 million of cash on hand as of the Petition Date; (b) approximately \$7.2 million from the collection of accounts receivable and the recovery of refund amounts (including tax refunds); and (c) approximately \$3.0 million in proceeds from equipment, furniture, fixtures, and leases. See Section II.E.

2. Asset Sales.

On March 12, 2001, at the request of the Debtors, the Court entered the "Order Granting Omnibus Motion to Establish Procedures for the Expedited Sale of Assets and Authority to Sell Assets Free and Clear of Liens, Claims and Encumbrances" ("Sales Procedures Order") which approved three alternative procedures for the expeditious disposition of the Debtors' property (i.e., auction sale, negotiated sale, and *de minimis* sale procedures), and approved the sale of all of the Debtors' assets free and clear of any liens of the parties specifically identified in the Sales Procedures Order. The assets of the Debtors that have been liquidated during the Liquidation Case include the Debtors' international telephone switching facilities in New York, New York and Los Angeles, California, its domestic switching equipment in Dallas, Texas, and various furniture, fixtures and equipment located at its Santa Ana, California and Burlingame, California facilities. With the exception of a nominal amount of furniture and equipment retained in connection with the administration of the Liquidation Case, virtually all of the Debtors' tangible property has been liquidated. These sales efforts have yielded approximately \$3.0 million in sale proceeds.

As of the Petition Date, the Debtors' principal tangible assets were comprised of PGEX's international telephone switching facilities located in New York, New York ("New York Facility") and Los Angeles, California ("Los Angeles Facility"). Following an extensive marketing effort by a third party broker, negotiations over the form of a purchase and sale agreement with Bell South Long Distance, Inc. ("BSLD"), and a competitive in-court overbid auction, the assets comprising the New York Facility were sold and assigned to BSLD pursuant to the "Order (1) Approving Asset Purchase Agreement, (2) Approving Free And Clear Sale Of New York Switching Facility Assets, (3) Approving Assumption, Assignment, And Sale Of Unexpired Real Property Lease; (4) Approving Stipulation Regarding Cure Of Default, Assumption And Assignment Of Nortel Software Licenses, And (5) Granting Other Related Relief" entered on July 26, 2001. The sale of the New York Facility resulted in net proceeds of approximately \$2.1 million, which were remitted to the Bank Group pursuant to the DIP Agreement.

The Los Angeles Facility, by contrast, was sold and assigned to General Electric Capital Corporation ("GECC"), the secured lender with respect to that facility, pursuant to the "Stipulation And Consent Order Relating To Settlement And Compromise of claims of General Electric Capital Corporation, Sale of Personal Property, and the Assumption, Assignment and Sale of a Certain Real Property Lease," which was approved by Order of the Court entered on November 26, 2001 (the "Los Angeles Switch Stipulation"). GECC asserted as of the Petition Date a secured claim in the amount of \$8.8 million, secured by a first priority lien on assets comprising the Los Angeles Facility. The Debtors contended that GECC's lien did not apply to all of the property comprising the Los Angeles Facility, including the real property lease relating to the Los Angeles Facility premises. Pursuant to the Los Angeles Switch Stipulation, this dispute was resolved, and all of the property comprising the Los Angeles Facility transferred to GECC. Pursuant to that stipulation, PGEX realized approximately \$465,000 (i.e., a \$500,000 settlement payment from GECC, less payment of the lease cure amount owing in connection with the premises), which was remitted to the Bank Group. The stipulation also preserved the right of the Estates to recover an alleged prepetition preferential transfer to GECC estimated to be in excess of \$300,000.00.⁹

The balance of the asset sale proceeds realized by the Debtors are from certain auctions and certain de minimis sales, consummated pursuant to the Sales Procedures Order. On or about April 24, 2001 and June 26, 2001, the Debtors' auctioneer, DoveBid conducted certain "online" auctions, pursuant to which the Debtors sold a variety of furniture, fixtures and equipment located at its Santa Ana, California and Burlingame, California facilities, as well as additional telephone switching equipment that had been located at PGEX's domestic switching facility in Dallas, Texas. The online auctions yielded approximately \$320,000, net of costs of sale. Additionally, the Debtors sold certain Santa Ana furniture fixtures and equipment for \$50,000, certain miscellaneous equipment from the Burlingame headquarters for about \$6,600, and its common stock in Pharmanet Online Limited, an Australian internet company for approximately \$56,000. The proceeds of all of these sales were remitted to the Bank Group pursuant to the DIP Agreement.

3. Disposition of Contracts and Leases.

With the assistance of DSI, the Debtors engaged in an analysis of thousands of potentially executory contracts and leases to which the Debtors are parties. The object of this analysis was to determine which of these contracts and leases were (i) necessary to the administration of the Debtors' chapter 11 cases and the preservation of their assets pending sale, and/or (ii) independently valuable to a potential purchaser or assignee. As a result of this process, the Debtors identified and rejected, pursuant to various Orders entered in the Liquidation Case, approximately 1100 leases and contracts that were of no value to the administration of the Debtors' chapter 11 estate, were of little or no value to a potential purchaser, and/or were too expensive or infeasible to maintain pending the sale of such contract or lease to a prospective assignee. Pursuant to the Plan, any and all remaining contracts and leases of the Debtors that may be executory (other than the Matrix Management Services Agreement) will be rejected upon the Effective Date.

4. Relief from The Automatic Stay.

During the Liquidation Case, the Debtors entered into two significant stipulations granting parties relief from the automatic stay with respect to assets in which the Debtors held an interest. First, on July 24, 2001, the Court entered its Order approving the "Stipulation Between Secured Creditors Cisco Systems, Inc. And Cisco Systems Capital Corporation, And Chapter 11 Debtor Pacific Gateway Exchange, Inc. For Relief From the Automatic Stay" ("Cisco Stipulation"). Pursuant to the Cisco Stipulation, PGEX granted the Cisco entities relief from the automatic stay to exercise their remedies under applicable law to recover certain equipment serving as collateral for \$2.7 million in equipment financing provided by those entities. Second, on May 7, 2001, the Court entered its "Order Approving Stipulation For Relief From The Automatic Stay To Permit Wells Fargo Equipment Financing To Take Possession Of And Liquidate Leased Equipment" (the "Wells Fargo Stipulation") As set forth therein, Wells Fargo Equipment Finance is the successor in interest to a variety of equipment leases under which the Debtors acquired equipment in connection with their operations. The Wells Fargo Stipulation similarly granted relief from stay so that Wells Fargo could undertake efforts to recover that equipment.

⁹ The right to pursue a preference action against GECC is preserved under the Plan, and such an action against GECC may be brought, on behalf of the Continuing Estate, by the Creditors' Committee, if the Creditors' Committee so elects.

5. Management Services Agreement And Dispute With Matrix.

As noted, IECOM entered into a certain Management Services Agreement on December 29, 2001, with Matrix, pursuant to which Matrix has been providing service to IECOM's customer base. One of the objectives of the Management Services Agreement was to preserve that customer base, pending the acquisition by Matrix of the assets for a contemplated purchase price of 1.5 x December 2000 revenues. The Management Services Agreement provided for Matrix to (i) collect and remit to IECOM, less a fee, outstanding receivables of IECOM directly from its customers and from local exchange carriers ("LECs") that billed their customers on behalf of IECOM; and (ii) to pay IECOM royalties on revenues generated post-petition from IECOM customers.

Following the implementation of the Management Services Agreement, Matrix refused to acquire the assets for the contemplated purchase price and failed to pay royalties and other amounts that IECOM asserts are due under the Management Services Agreement. On April 10, 2002, IECOM advised Matrix of its position that Matrix was in material breach of the Management Services Agreement, demanded that Matrix pay an estimated \$771,885 in royalties due under the agreement, and demanded that Matrix return to IECOM all assets and operational materials in its possession on or before May 31, 2002. Matrix has disputed IECOM's contentions.

IECOM and Matrix have been discussing their respective positions and attempting to negotiate a resolution of this controversy for many months. As of the date of this Disclosure Statement, IECOM and Matrix were in the final stages of negotiating a written settlement and compromise agreement ("Proposed Matrix Agreement"). Pursuant to the Proposed Matrix Agreement, if ultimately executed and approved by the Court, IECOM will receive \$600,000 from Matrix in exchange for the remaining property of IECOM and a release of specified liabilities in connection with the Management Services Agreement. All funds generated from the Proposed Matrix Agreement will be remitted to the Bank Group pursuant to the DIP Agreement and in accordance with the properly perfected, first priority lien asserted by the Bank Group in all of IECOM's assets.

If the Proposed Matrix Agreement is not executed and approved, it is unclear how the dispute with Matrix will be resolved, how much can be recovered from Matrix in unpaid royalties, or whether the IECOM customer base actually can be transferred to another buyer and sold for any amount. IECOM's estimate of the revenue currently generated from its customer base is based upon limited (and in some cases conflicting) information provided by Matrix. IECOM has not been able to verify with confidence the actual monthly revenue generated by its customer base in the last several months. Nevertheless, any collections or proceeds realized by IECOM in connection with these matters will be remitted to the Bank Group on account of its asserted lien. Because the Bank Group will benefit under the Plan from the disposition of such assets and/or any recovery on IECOM's claims against Matrix, any litigation of those claims will be funded by the Bank Group, in its sole discretion.

D. The Debtors' Liabilities.

As of the date of the Company's most recent Form 10-Q (for the quarter ended September 30, 2000) filed with the Securities and Exchange Commission on or about December 6, 2000, the Company's liabilities totaled, approximately \$348.8 million, on a consolidated, balance sheet basis (i.e., including both the Debtors and their non-debtor subsidiaries). Pursuant to the Schedules filed by the Debtors shortly after the Petition Date, the Debtors' aggregate liabilities (not including those of non-debtor affiliates) totaled about \$278 million. Pursuant to the proofs of claim filed in these cases, creditors have asserted claims against the Debtors aggregating \$784 million.¹⁰ By Order of the Court, the general bar date for filing proofs of claim expired on May 14, 2001, and the bar date for filing of claims of governmental units expired on July 3, 2001. In addition to prepetition claims, moreover, the Debtors have incurred about \$4.7 million in postpetition debt under the DIP Agreement, as to which the Bank Group asserts a first priority postpetition lien, as well as first priority administrative expense status, to the extent the Debtors' use of the funds advanced by the Bank Group resulted in a diminution in the value of the Bank Group's prepetition collateral.

¹⁰ The Debtors believe that this amount includes many duplicate proofs of claim and other claims that should not be allowed if subjected to an objection. Given the uncertainty during the Liquidation Case as to whether funds would be available to make any distributions to general unsecured creditors, the Debtors have not undertaken an analysis of allowable claims, with the exception of unsecured priority claims. Under the Plan, should the need arise, and if the cost is justified, an analysis of general unsecured claims will be undertaken by the Creditors' Committee.

Among the Debtors' largest prepetition creditors are Bank of America N.A. and Deutsche Bank Trust Company Americas (i.e., collectively, the Bank Group), pursuant to the Prepetition Credit Agreement. Under the Prepetition Credit Agreement (and predecessor agreements), the Banks loaned \$28 million ("Domestic Loan") to PGEX, and over \$47 million (the "Foreign Loan") to PGEX's wholly owned subsidiary, PGEX Bermuda, which loan in turn was guaranteed by PGEX and the other Debtors. As of the Petition Date, the outstanding balances asserted by the Banks were approximately \$22.1 million on the Domestic Loan and \$16.5 million on the Foreign Loan, respectively. Both loans had a maturity date of November 20, 2000. Thus, the total exposure for PGEX under the Prepetition Credit Agreement, as of the Petition Date, was about \$38.6 million.

According to the Credit Agreement, the Domestic Loan is (i) secured by a first priority lien in substantially all of the tangible and intangible assets of PGEX, including 100% of its stock in certain of its domestic subsidiaries, 66% of its stock in PGEX Bermuda, and 66% of the stock of its certain other direct foreign subsidiaries; and (ii) guaranteed by certain domestic subsidiaries of PGEX, including the other Debtors, which guarantees are secured by a first priority lien on virtually all of the assets of those entities. Similarly, according to the Prepetition Credit Agreement, the Foreign Loan is (i) guaranteed by PGEX and certain of its domestic subsidiaries (including the other Debtors), which guarantees are secured by a first priority lien on virtually all of the assets of those entities.; (ii) secured by a first priority lien on the assets of PGEX Bermuda; (iii) secured by a first priority lien on 100% of the stock of certain of PGEX's foreign subsidiaries; and (iv) guaranteed by certain of PGEX's foreign subsidiaries, which guarantees also are generally secured by first priority liens on the assets of those entities.

In addition, a number of other prepetition creditors have asserted significant secured claims. First, GECC asserted as of the Petition a secured claim in the amount of \$8.8 million, secured by a first priority lien on assets comprising the L.A. Switching Facility. As discussed above, see Section II.C.2, GECC's claim subsequently was settled and deemed fully satisfied pursuant to a settlement and compromise that was approved during the Liquidation Case. Second, Cisco asserted as of the Petition Date a secured claim of about \$2.7 million, secured by certain computer equipment for which Cisco provided financing. As noted above, Cisco was granted relief from the automatic stay, by stipulation, to foreclose upon and take possession of the equipment comprising its collateral. Third, WorldCom has filed proofs of claim asserting over \$18 million in secured claims. It appears, however, that even if all such amounts were properly due and owing to WorldCom (a matter as to which the Debtors and the Creditors' Committee do not express any opinion herein), any lien held by WorldCom against assets of the Estates would be subordinate to the liens of the Bank Group, GECC and Cisco in those assets. Given that the value of those assets has proven to be less than the amount of the senior secured claims that they secure, see Section II.E, any lien held by WorldCom is of no value and its claims cannot be anything more than unsecured claims pursuant to Bankruptcy Code section 506(b). As set forth below, the Plan treats these claims accordingly.

E. The Debtors' Assets.

As of the commencement of the Liquidation Case, the Debtors' books and records reflected assets in excess of \$312 million on a book value basis. However, as the Debtors made clear at the very first hearing held in the Liquidation Case, on January 9, 2001, this amount (i) was subject to offsets by account-debtors that also are creditors of the Debtors, and (ii) likely did not reflect the actual, fair market value of those assets. During the course of the Liquidation Case, the Debtors have liquidated substantially all assets of the Debtors. As discussed below, the actual value of those assets liquidated to date – which assets serve as collateral for the Bank Group's senior secured claims – appears to be as much as \$21 million less than the Bank Group's claims under the Prepetition Credit Agreement that are secured by those assets, much less the over \$5 million in additional debt owed to the Bank Group under the DIP Credit Agreement. As a result, there are virtually no assets in which the Lenders do not assert a first priority lien that would be available to satisfy unsecured claims, other than potential recoveries on Avoidance Actions. As noted above, the DIP Agreement and DIP Orders provided that all cash on hand as of the Petition Date and all proceeds derived from the Debtors' assets during the Liquidation Case (other than Avoidance Actions) would be remitted to the Bank Group in order to reduce the outstanding balance of the Prepetition Credit Facility. Accordingly, the \$38.6 million balance of the Prepetition Credit Facility as of the Petition Date has been reduced by the following: (i) approximately \$3.5 million of cash on hand as of the Petition Date; (b) approximately \$7.2 million from the collection of accounts receivable and the recovery of refund amounts (including tax refunds); and (c) approximately \$3.0 million in proceeds from equipment, furniture, fixtures, and leases, including assets relating to the Debtors' telephone switching facilities in New York, New York, Los Angeles, California and Dallas, Texas. Based upon in-

formation provided by the Bank Group, the Prepetition Credit Facility has been further reduced by approximately \$4.0 million realized by the Bank Group through foreign collections, foreign asset sales, and foreign receivership proceedings against certain non-debtor subsidiaries of PGEX. Thus, the outstanding balance of the Prepetition Credit Facility is approximately \$21 million. In addition, the Bank Group has advanced the Debtors in excess of \$5 million under the DIP Credit Agreement, bringing the total balance owed to the Bank Group to over \$26 million. It is very unlikely that the Debtors' remaining assets would be sufficient to satisfy these amounts owed to the Bank Group.

1. Remaining Assets.

The Debtors' remaining assets are relatively few. In addition to the Avoidance Actions, see next Section, the Debtors' remaining assets principally comprise the following: the IECOM customer base, IECOM's rights of action against Matrix under the Management Services Agreement and arising out of the failure of Matrix to acquire the assets for the contemplated purchase price, potential additional tax refunds arising from losses experienced by the Debtors in 2001, which may be "carried back" under a recent statute to offset income realized and taxes paid in prior years, miscellaneous receivables that may be paid by delinquent account debtors before or after confirmation of the Plan, the Debtors' rights in various intangible telecommunication cable interests (including the "thin fiber" cables), miscellaneous office equipment being used in connection with the Debtors' liquidation, and the stock in PGEX's non-debtor subsidiaries. With the exception of the Avoidance Actions, the Bank Group asserts first priority liens in all of these assets pursuant to the Prepetition Credit Agreement and the DIP Agreement.

The Debtors' remaining assets, moreover, appear to be worth far less than the outstanding balance under the Prepetition Credit Facility:

IECOM Assets. As noted above, the Proposed Matrix Agreement, if executed and approved by the Court will yield \$600,000. If the Proposed Matrix Agreement is not executed and approved, it is difficult to project the value IECOM can realize from its customer base and related assets, and the value of its causes of action against Matrix, which causes of action Matrix disputes.

Potential Tax Refund. The Debtors' possible tax refund based upon losses realized in the year 2001 could be worth anywhere from zero to an estimated \$7 million. The Debtors recently learned from their accountants, Stonefield Josephson, that recent Federal legislation may permit the Debtors to carry back losses realized in 2001 against income earned in prior years. The effect of this carry-back could result in a refund of Federal income taxes paid by the Debtors in those prior years. The possible value for such a refund stated above is based upon a very preliminary estimate provided to the Debtors by Stonefield Josephson. The Debtors have directed Stonefield Josephson to investigate further and to prepare the tax returns necessary to apply for such a refund. There is no guarantee as to the amount that ultimately may be realized by the Debtors on account of this potential refund.

Intangible Cable Interests. The Debtors' intangible rights to capacity on various cable systems presently appear to be of little or no value. Despite the pendency of the Debtors' cases for over one-year, and efforts to advise potentially interested parties of the availability of these assets, the Debtors have generated minimal interest in their acquisition, and have been unable to effect any sale thereof. In most cases, there are substantial "cure amounts" associated with these contractual rights for construction and/or maintenance fees owing to the consortia that operate the applicable cable systems. Nevertheless, at the request of the Creditors' Committee, the Debtors are attempting to post these assets on an Internet "exchange," in a final effort to determine whether there is an interest in their acquisition. As noted below at Section II.F, the compromise embodied in the Plan will direct any funds that can be realized from these assets prior to the Confirmation Date to the Creditors' Fund, for the benefit of unsecured creditors.¹¹

Miscellaneous Receivables & Other Assets. The Debtors have been attempting since the commencement of the Liquidation Case to collect their accounts receivable. As noted above, see

¹¹ Pursuant to the Plan, all remaining executory contracts and unexpired leases of the Debtors will be rejected, including contracts and leases that relate to the Cable Interests. Such rejection conceivably may hamper or preclude the ability of the Continuing Estate to sell or transfer these cable interests after the Effective Date, and thereby realizing value from them. Nevertheless, the Plan provides that the Creditors' Fund will receive any proceeds from the cable interests that might be generated before and after the Effective Date.

Section II.E, the great majority of these receivables were subject to offset by the various telecommunications carriers with which the Debtors traded telecommunications services prior to the Liquidation Case. At this point, the Debtors believe that most of the receivables that can feasibly be collected – without substantial costs and risk – have been collected. The Debtors anticipate, however, that they may be able to generate \$350,000 to \$1,700,000 in miscellaneous receivables and refunds (i.e., professional retainers and insurance premiums), but are unable to predict with any certainty whether and when they will be able to realize on these miscellaneous collections. Likewise, the Debtors continue to use miscellaneous equipment at their Burlingame offices in connection with the Liquidation Case, which should derive some amount of cash when they are finally liquidated. The Debtors do not anticipate that these assets will yield more than \$25,000, and may yield far less. Finally, the Debtors believe that they may be able to generate \$20,000 to \$25,000 from certain stock held in a company called Healthtrac, Inc., which is stock owned by PGEX.

Stock in PGEX Subsidiaries. PGEX holds the stock of several non-debtor subsidiaries, which in turn hold the stock of various other non-debtor subsidiaries. Based upon the Debtors' books and records, it appears that the liabilities of each of PGEX's subsidiaries generally exceed the value of their respective assets, the Debtors believe that the value of PGEX's stock in those subsidiaries is nominal, if valuable at all. Moreover, the Bank Group asserts first priority liens against all of the assets of those subsidiaries.

One of PGEX's foreign non-Debtor subsidiaries, Pacific Gateway Exchange (Cyprus) Ltd ("PGE Cyprus")¹² owns a 70% interest in ZAO Rustelnet, a Russian joint stock company ("Rustelnet"). PGE Cyprus is in the process of attempting to sell its interest in Rustelnet. Indications are that this interest may realize approximately \$800,000 for PGE Cyprus, less investment banking fees. The stock in PGE Cyprus and PGE Cyprus's interest in Rustelnet are subject to the Bank Group's liens and, accordingly, any proceeds realized from a sale of Rustelnet will be paid to the Bank Group.

2. Preferences and Other Avoidance Actions.

The other remaining assets of the Debtors' estates are the Avoidance Actions. Pursuant to the "Stipulation To Authorize the Official Committee Of Unsecured Creditors To Prosecute Avoidance Claim On Behalf Of The Estate's Unsecured Creditors" ("Standing Stipulation"), entered November 8, 2001, the Creditors' Committee was authorized to evaluate, pursue, litigate and/or settle the Avoidance Actions on behalf of the Debtors' estates. The Standing Stipulation conferred complete discretion on the Creditors' Committee to prosecute, settle, dismiss, or otherwise dispose of the Avoidance Actions, except with respect to an Avoidance Action against a member of the Creditors' Committee and, by implication, other persons or entities with which counsel for the Creditors' Committee may have a conflict. The Creditors' Committee has since advised the Debtors and the Bank Group that it has been investigating the Avoidance Actions and begun to pursue a recovery on those actions, which appear principally to comprise actions to recover preferential payments pursuant to Bankruptcy Code section 547 and 551.

Generally speaking, the Bankruptcy Code permits a debtor-in-possession or its designee to recover from a creditor any transfer of property or money that was made on account of an antecedent debt owed by the debtor to the creditor, if (1) the transfer was made while the debtor was insolvent, (2) the transfer was made on or within ninety (90) days before the date of filing of the petition, and (3) such transfer enables the creditor to receive more than the creditor would have received if the debtor was liquidated on the date of the transfer. Any pre-existing debt that is reduced or discharged as a result of payments within ninety (90) days of the date of the filing of the bankruptcy petition is a debt on which a preference has been paid within the meaning of the preference statute. The policy advanced by this section attempts to prevent the piecemeal liquidation of a debtor to those creditors who are first to the trough. Simultaneously, it prevents a debtor from paying from available resources only those debts to persons with whom it had a friendly relationship, while ignoring the debts to those with whom it did not enjoy such a friendly relationship. Section 547(c) identifies the defenses that may be available to recipients of such transfers.

The Creditors' Committee, as the debtor-in-possession's designee for the pursuit of any Avoidance Actions, has conducted an extensive review of the payments made by the Debtors within the 90 days of

¹² PGE Cyprus is a wholly-owned subsidiary of PGEX Bermuda.

the Petition Date. Pursuant to that review, the Creditors' Committee has determined that during the ninety days (90) days prior to the Debtors filing its voluntary petition, the Debtors transferred approximately \$27 million to approximately 150 non-Debtor individuals/entities. The Creditors' Committee has done a preliminary analysis and has determined that approximately \$7.5 million is highly likely to be unrecoverable because of anticipated defenses and accordingly will not be pursued. Of the remaining \$19.5 million, based upon information currently available to the Creditors' Committee, the experience of its counsel, and documents that the Creditors' Committee expects to obtain through formal and informal discovery, the Creditors' Committee believes that approximately \$1.5 to \$3 million may be recoverable, with a substantial portion of the net recovered amounts available for distribution to general unsecured creditors after payment of fees and other expenses of the Creditors Committee.

At the time that its employment application originally was approved by the Court, counsel to the Creditors' Committee was to be compensated on an hourly basis with respect to all of its services. Pursuant to an amended employment application that the Creditors' Committee expects will be filed and granted shortly after the date of this Disclosure Statement, services associated with the prosecution of Avoidance Actions will be carved out of the original compensation arrangements and compensated on a contingent fee basis, pursuant to the following schedule:

33% of recoveries under \$50,000 for all transactions avoided and recovered from a single party (net of expenses)

30% of recoveries between \$50,000 to \$100,000 for all transactions avoided and recovered from a single party (net of expenses)

25% of recoveries over \$100,000 for all transactions avoided and recovered from a single party (net of expenses)

The Plan provides that this contingency arrangement will continue after confirmation of the Plan. As set forth in the Plan, counsel for the Creditors' Committee will be paid its fees and expenses for prosecuting the Avoidance Actions without further order of the Court.

The Creditors' Committee also has conducted an extensive investigation into potential Avoidance Actions against the Bank Group, *e.g.*, any possible grounds upon which the first priority liens asserted by the Bank Group could be avoided and recovered for the benefit of the estates. Pursuant to the DIP Agreement entered into early in the Liquidation Case, the Debtors effectively acknowledged the proper perfection and first priority of the Bank Group's liens under the Prepetition Credit Facility. As is reflected in the compromise ultimately reached between the Creditors' Committee and the Bank Group, which is embodied in the Plan, the Creditors' Committee has determined that under the particular facts and circumstances presented, the costs and risks of litigation, and a very small probability of success, do not justify the pursuit of any legal action to avoid and recover the first priority liens asserted by the Bank Group against the Debtors' assets pursuant to the Prepetition Credit Facility.

F. The Compromise Embodied In The Plan, and The Alternative To Confirmation Of The Plan.

Against the backdrop of the facts and circumstances described above, the Debtors, the Creditors' Committee and the Lenders have reached a compromise on the resolution of the Liquidation Case and the liquidation of the Debtors' remaining assets. The compromise, which is provided in the Plan and described in detail in the remainder of this Disclosure Statement, includes the following fundamental provisions

1. The Debtors' estates will be consolidated and will continue following the Effective Date as the Continuing Estate. Through the Continuing Estate Representative, the Bank Group shall be authorized to exercise control over and obtain the proceeds of virtually all of the property remaining in the Continuing Estate, with the exception of (i) the Avoidance Actions and (ii) any proceeds that may be realized from the Cable Interests and the Japan/U.S. Interest.

2. The Creditors' Committee will supervise and direct the prosecution of the Avoidance Actions, object to claims filed in the Liquidation Case (in its discretion), and distribute any net assets to general unsecured creditors in accordance with the Plan. Pursuant to the Plan, the

Creditors' Committee will establish the Creditors' Fund for depositing such proceeds and satisfying various costs and expenses. The proceeds of Avoidance Actions will be deposited into the Creditors' Fund after deduction for expenses incurred and contingency fees earned by counsel for the Creditors' Committee in connection with the Avoidance Actions. Also, any proceeds from the sale of the Debtors' intangible cable interests also will be deposited into the Creditors' Funds.

3. The Plan formally acknowledges that the Bank Group holds a properly perfected, first priority lien on all of the assets of the Debtors, with the exception of the Avoidance Actions.

4. The Bank Group will loan \$200,000 for the payment under the Plan of priority claims and any unpaid non-professional administrative expenses, which amount will be repaid by the Creditors' Committee from the Creditors' Fund before other distributions are made ("Plan Implementation Loan"), unless the Bank Group and Creditor's Committee agree that the Plan Implementation Loan shall be increased accordingly and the Bank Group in its sole discretion agrees to make such an increased loan.

5. The Bank Group will loan an additional \$150,000 to the Creditors' Committee to fund its unpaid legal expenses incurred during the Postpetition Period, which amount will be repaid by the Creditors' Fund before distributions ("Creditors' Committee Loan"). As set forth in Plan Section VII.F., repayment of \$75,000 of the Creditors' Committee Loan will be deferred until and unless the Creditors' Committee realizes \$1,000,000.00 in gross recoveries from the Avoidance Actions.

6. After repayment of these loans, Creditors' Fund assets will be used to satisfy any remaining, allowed administrative expense claims of the counsel to the Creditors' Committee incurred during the Postpetition Period. Through May 31, 2002, Creditor's Committee's counsel incurred fees and costs totaling approximately \$594,531.24, consisting of fees of approximately \$550,670.17 and expenses of approximately \$44,690.63. In accordance with the Court's earlier entered Order pertaining to payment of interim compensation, the Creditor's Committee's counsel has received payment of \$150,000.00. Accordingly, as of May 31, 2002, the unpaid balance of fees and costs totals \$444,531.24. Creditor's Committee's counsel has incurred fees of approximately \$82,810.90 in analyzing, compromising, collecting and commencing litigation on the recovery of preferences. Deducting the approximate amount of fees incurred by Creditor's Committee's counsel on collection of preferences, the unpaid balance of fees and costs presently totals \$361,720.34.¹³

7. Thereafter, Creditors' Fund assets will be used to satisfy the professional fees and expenses of the Creditors' Committee's counsel in investigating and prosecuting any Claims Objections.

8. Any remaining Creditors' Fund assets, thereafter, will be distributed as follows: (i) the first \$5 million to the holders of allowed unsecured claims, and (ii) any amounts thereafter, 50% to the Bank Group and 50% to the holders of allowed unsecured claims.

9. The Plan contemplates the continued employment of Luce Forward by the Creditors' Committee and the continuation of a contingent fee and expense reimbursement arrangement with Luce Forward in connection with its prosecution of the Avoidance Actions, which arrangement the Creditors' Committee expects will be approved prior to confirmation of the Plan. As a result of this negotiated contingency fee agreement, all professional fees and filing fees incurred

¹³ The Debtors do not anticipate that any other professionals retained by the Debtors' estates will have unpaid, allowed claims for professional fees and expenses. Those professionals' fees have been satisfied from a professional fee reserve, which has been funded by the Bank Group with draws under the DIP Agreement. Subject to the Fee Procedures Order, and based upon cash on deposit in the professional fee reserve, there appears to be sufficient funds available to satisfy any outstanding allowed professional fees and expenses other than those of Luce Forward. The estimated unpaid balance for Luce Forward results from the fact that no unencumbered funds were available to satisfy those charges and that Luce Forward incurred fees and expenses in excess of the amount budgeted for the Creditors' Committee pursuant to the DIP Agreement. Despite the Creditors' Committee's requests, the Bank Group declined to approve a larger budget under the DIP Agreement for Creditor's Committee's counsel. The final allowed amount of all professional fees and expenses during the Liquidation Case has not yet been adjudicated by the Court, and will not be adjudicated until after the Confirmation Date. See Section IV.C below.

by Luce Forward in connection with the Avoidance Actions during the Postpetition Period will be excluded from its administrative expense claim for that period.

The principal alternative to this compromise is the conversion of the Liquidation Case to chapter 7. If the Liquidation Case were converted to chapter 7, one or more chapter 7 trustees would be appointed to take control of the Liquidation Case and liquidate the Debtors' remaining assets. Regardless of whether the liquidation of the estates is completed pursuant to the Plan, or by a trustee in chapter 7, the prospects for a material recovery being available for distribution to unsecured creditors are not good. The Creditors' Committee and the Debtors believe that any prospects for recovery that may be realized by unsecured creditors on account of their claims should be at least as great, if not greater, pursuant to the compromise embodied in Plan, than they would be in chapter 7.

In a chapter 7 scenario, a chapter 7 trustee likely (i) would realize the same proceeds under the Avoidance Actions as the Creditors' Fund would realize under the Plan, (ii) would incur roughly the same or more in attorneys fees and costs in pursuing Avoidance Actions and claims objections on behalf of unsecured creditors, (iii) would reach a similar compromise regarding the acknowledgement of the Bank Group's lien and a release in the Bank Group's favor, as it would be based upon the same facts and circumstances presented, and (iv) would have to satisfy the fees and expenses of the trustee's attorneys, the unpaid fees and expenses of Creditors' Committee counsel, and allow other allowed administrative expenses and priority claims before general unsecured creditors realized any distribution whatsoever. See 11 U.S.C. §§ 507, 726.

Moreover, in the event the case were converted to chapter 7, the Debtors' creditors (i) would have to share any proceeds of Avoidance Actions proportionately with the Bank Group on account of the Bank Group's unsecured deficiency claims, (ii) would not have the prospective benefit of the Cable Interests proceeds, unless they were abandoned to the estates pursuant to a settlement with the Bank Group, (iii) would be burdened with the additional cost of chapter 7 trustee's fees (up to the maximum set forth in 11 U.S.C. § 326), and the additional fees and expenses necessary for the trustee's counsel merely to familiarize themselves with the Debtors' complex history, assets, liabilities, and books and records, and (iv) would have no available cash with which to fund initially its efforts to litigate the Avoidance Actions and undertake the other tasks necessary to liquidate the estate.

Thus, the Debtors and the Creditors' Committee believe that the Plan is in the best interests of creditors, and should be confirmed.

G. Potential Recoveries For Unsecured Creditors.

It is exceedingly difficult to project the amount of money, if any, that may be available to distribute to the holders of Allowed General Unsecured Claims (i.e., the non-priority, allowed unsecured claims of creditors other than the Bank Group) under the Plan (or otherwise). The amount that may be available to satisfy Allowed General Unsecured Claims pursuant to the Plan will derive from a number of factors that currently are not known: (i) the amount, if any, that may be recovered on the Avoidance Actions, (ii) the amount, if any, that may be realized from the sale of the Cable Interests and the Japan/U.S. interest, (iii) the aggregate amount of Allowed General Unsecured Claims, after the prosecution of objections to General Unsecured Claims, (iv) the costs of prosecuting both the Avoidance Actions and claims objections, if appropriate, and (v) the final allowed amount of unpaid fees and expenses of the counsel to the Creditors' Committee during the pendency of the Liquidation Case. Moreover, until it is clear that the Avoidance Actions will yield enough to repay the Plan Implementation Loan and the Trust Expenses Loan, and enough to satisfy the outstanding allowed chapter 11 professional fees and expenses of the Creditors' Committee, the pursuit of objections to General Unsecured Claims would not be fiscally prudent.

That being said, the Debtors and the Creditors' Committee have prepared the following chart illustrating some hypothetical recoveries under the Plan, based upon a series of assumptions as to the foregoing variables. Specifically, the following chart makes the following hypothetical assumptions: (i) that Allowed General Unsecured Claims are reduced to \$230 million; (ii) that no funds are realized from the Cable Interests; (iii) that the Creditors' Fund will be obligated to repay \$350,000 as the aggregate amount of the Plan Implementation Loan and Creditors' Committee Loan, (iv) that the average contingency fee payable on the Avoidance Actions will be 30% and the expenses incurred will be about \$50,000, (v) that the fees and expenses relating to claims objections will total \$100,000; (vi) that the unpaid balance of allowed

chapter 11 professional fees and expenses for counsel to the Creditors' Committee total \$400,000, and (v) that the Avoidance Actions yield proceeds in the following amounts:¹⁴

Aggregate Amount Realized From Avoidance Actions	Net Proceeds After Payment Of Prior Obligations	Potential Distribution Per \$1 of Allowed General Unsecured Claim ¹⁵
\$1,200,000	0	0
\$2,200,000	805,000	\$.0035
\$3,200,000	1,505,000	\$.0065
\$5,200,000	2,905,000	\$.0126

III. STRUCTURAL OVERVIEW OF THE PLAN

The Plan's objective is to distribute the Debtors' assets in satisfaction of the Debtors' obligations in accordance with the various legal rights of the beneficiaries of those obligations, and in accordance with the compromise reached by the Proponents. The Plan divides creditors and shareholders into Classes based upon on their legal rights and interests and provides for the satisfaction of Claims from the Debtors' assets, where available. The Debtors' shareholders will not receive or retain anything on account of their Interests until and unless all creditors' claims have been satisfied in full, which is not presently anticipated. The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against the Debtors or their property. This treatment supercedes and replaces any agreements or rights those entities have in or against the Debtors or their property. All distributions under the Plan will be tendered to the entity holding the Allowed Claim. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO DISTRIBUTION RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.**

IV. PROVISIONS FOR THE PAYMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

A. General Administrative Claims.

On the Effective Date or as soon as is practicable thereafter, the holder of an Allowed General Administrative Claim shall receive on account of and in full satisfaction of the Allowed General Administrative Claim, cash equal to the amount of such Allowed General Administrative Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment; provided, however, that the Court shall fix a deadline for the filing of any request for the allowance of General Administrative Claims in the Liquidation Case and schedule a hearing.

Such deadline also shall apply to a Claim under either Bankruptcy Code section 503(b)(4) for compensation for professional services rendered, or under Bankruptcy Code section 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estates. Only General Administrative Claims that are asserted in a timely-filed request pursuant to Bankruptcy Code section 503(b) and the above-

¹⁴ This chart is illustrative only. The Proponents make no warranty or representation as to the reasonableness of these assumptions, or the likelihood that any of these circumstances will occur as illustrated.

¹⁵ For instance, if one were to make all of the foregoing assumptions and assume that \$2.2 million is collected in Avoidance Action proceeds, these proceeds would be reduced by the following amounts before any amount were available to the holders of Allowed General Unsecured Claim: (i) \$50,000 in Avoidance Action expenses, (ii) \$645,000 in Avoidance Action contingency fees (i.e., 30% of the balance of \$2.2 million minus \$50,000 in Avoidance Action expenses), (iii) \$350,000 in loan repayments to the Bank Group, (iv) \$100,000 in attorneys fees and expenses for claims objections, and (v) \$250,000 in unpaid attorneys fee and expense claims from the Postpetition Period (an estimate \$400,000, less the proceeds of the \$150,000 Creditors' Committee Loan). Thus, \$2.2 million minus the foregoing amounts equals \$805,000. If \$805,000 were then distributed pro rata to the holders of \$230,000,000 in Allowed General Unsecured Claims, creditors would receive about \$.0035 for every \$1 of allowed claim.

referenced deadline, and allowed pursuant to a Final Order of the Court following notice and a hearing, shall be entitled to a distribution pursuant to the Plan.

The Debtors have been satisfying all General Administrative Claims that it believes are due and owing, in the ordinary course of affairs, with funds budgeted for that purpose under the DIP Agreement. Accordingly, the Debtors presently do not anticipate that there will be an unpaid General Administrative Claims that must be satisfied. As indicated below, however, a final determination of any timely filed request for allowance and payment of an administrative expense, however, will be necessary before there is certainty as to whether there are any Allowed General Administrative Claims.

B. DIP Advance Claims.

Pursuant to the compromise embodied in the Plan, the Bank Group will receive on account of the DIP Advance Claims, the Secured Claims of the Bank Group, and the Unsecured Claims of the Bank Group the consideration set forth in Plan Section V.A. The Bank Group has agreed pursuant to the compromise embodied in the Plan to accept such treatment.

C. Estate Professional Fee Claims.

All Estate Professionals that request final allowance and/or payment of an Estate Professional Claim with respect to services performed and costs incurred before the Effective Date, shall file with the Court and serve on counsel for the Debtors, counsel for the Creditors' Committee, counsel for the Bank Group, and the Office of the United States Trustee ("Principal Parties"), an application for final allowance and/or payment of such compensation and/or reimbursement of expenses no later than 30 days after the Effective Date. The Court shall calendar a hearing on the applications approximately 30 days thereafter and attorneys for the Creditors' Committee shall give notice of the hearing, including a summary of the requests therein, to the Principal Parties and the Special Notice Parties. Upon the entry of an Order allowing an Estate Professional Fee Claim, the Continuing Estate Representative shall promptly disburse from the Professional Fee Reserve the unpaid balance of such Allowed Estate Professional Fee Claim, but only to the extent that funds are available in the Professional Fee Reserve for the payment of such, pursuant to the Fee Procedures Order and the various budgets governing the DIP Facility and the Professional Fee Order Fee Procedures Order.

Upon the final allowance and payment of all timely-filed applications for allowance and payment of Estate Professional Fee Claims, any balance in the Professional Fee Reserve shall be remitted by the Continuing Estate Representative to the Bank Group.

The Debtors do not anticipate that any other professionals retained by the Debtors' estates will have unpaid, allowed claims for professional fees and expenses. Those professionals' fees have been satisfied from a professional fee reserve, which has been funded by the Bank Group with draws under the DIP Agreement. Subject to the Fee Procedures Order, and based upon cash on deposit in the professional fee reserve, there appears to be sufficient funds available to satisfy any outstanding allowed professional fees and expenses other than those of Luce Forward. The estimated unpaid balance for Luce Forward results from the fact that no unencumbered funds were available to satisfy those charges and that Luce Forward incurred fees and expenses in excess of the amount budgeted for the Creditor's Committee pursuant to the DIP Agreement. Despite the Creditors' Committee's requests, the Bank Group declined to approve a larger budget under the DIP Agreement for Creditor's Committee counsel. The final allowed amount of all professional fees and expenses during the Liquidation Case has not yet been adjudicated by the Court, and will not be adjudicated until after the Confirmation Date.

Luce Forward has given the Luce Acknowledgement, which is embodied in the Plan, pursuant to which Luce Forward has acknowledged and agreed that any unpaid portion of its Allowed Estate Professional Fee Claim (i.e., for which no funds are on deposit in the Professional Fee Reserve on its behalf) shall be payable in the Debtors' chapter 11 cases only from the Creditors' Fund in accordance with the Plan.

D. Priority Tax Claims.

On the Effective Date, or as soon as practicable thereafter, the holder of an Allowed Priority Tax Claim shall receive on account of and in full satisfaction of the Allowed Priority Tax Claim, cash equal to the

amount of such Allowed Priority Tax Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment. The Debtors estimate that they are liable for approximately \$200,000 in Allowed Priority Claims, including Priority Tax Claims. Creditors have filed proofs of claim asserting in excess of \$23 million in Priority Claims. The Debtors shortly will begin filing objections and requesting an adjudication of the allowed amount of all Allowed Priority Claims. The actual amount of Allowed Priority Tax Claims and other Allowed Priority Claims will not be known until that adjudication process is completed.

E. Plan Condition Relating To Cap On Amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims.

As set forth in Plan Section IX.A, it is a condition to the occurrence of the Effective Date, unless the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased above \$200,000, as necessary, and the Bank Group in its sole discretion agrees make such increased loan, that (i) the amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims ("Required Priority Distributions") shall not exceed \$200,000 in the aggregate, or (ii) enough of the holders of such claims shall have voluntarily reduced the amount of their Claims and accepted treatment less favorable than payment in full so that the total amount payable on account of such Required Priority Distributions does not exceed \$200,000 in the aggregate. Whether the Debtors can satisfy this Plan condition – by litigation and/or settlement – is not presently known. The adjudication and/or settlement of all General Administrative Claims and Priority Claims must be resolved before the Effective Date

**V.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

The Plan classifies and sets forth the treatment of Claims and Interests (other than Administrative Claims and Priority Tax Claims) for all purposes, including voting, confirmation, and distribution. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests created under the Plan. The only Secured Claims that are treated as Allowed Secured Claims in the Liquidation Case are those of the Bank Group, the Debtors' senior prepetition lenders. All other purportedly "secured claims" are fully undersecured and therefore constitute unsecured claims, to the extent they constitute Allowed Claims, pursuant to Bankruptcy Code section 506(a).

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
Class 1	Bank Group Secured Claims	Impaired	Voting
Class 2	Other Priority Claims	Unimpaired	Deemed to Accept
Class 3	General Unsecured Claims	Impaired	Voting
Class 4	Subordinated Claims	Impaired	Deemed To Reject
Class 5	Interests In The Debtors	Impaired	Deemed To Reject

A. Class 1 (Bank Group's Secured Claims Under the Credit Facility)

Classification: Class 1 consists of the Bank Group Secured Claims. Class 1 is impaired. The holders of Allowed Class 1 Claims are entitled to vote on the Plan.

Treatment: Pursuant to the compromise embodied in the Plan, the Bank Group shall receive on account of and in full satisfaction of its Secured Claims, as well as its DIP Advance Claims and Bank Group Unsecured Claims, the treatment set forth in this Paragraph. First, upon the occurrence of the Effective Date, the Bank Group, through the Continuing Estate Representative, shall have the sole and exclusive right to pursue, settle, liquidate, transfer, remit, abandon or otherwise dispose any and all property comprising the Bank Group Collateral free and clear of claims, liens and encumbrances, without further order of the Court. Any and all proceeds previously or hereinafter realized by the Bank Group from the

Bank Group Collateral shall be the sole and exclusive property of the Bank Group. Without limiting the preceding, and without intending to limit the Bank Group's entitlements under the DIP Agreement, the DIP Guaranty, and the DIP Orders, the Bank Group shall be entitled to retain all payments made to the Bank Group by the Debtors pursuant to the DIP Agreement, the DIP Guaranty, and the DIP Orders, on account of the proceeds of the Bank Collateral or as otherwise provided therein. Second, the Bank Group shall be entitled to distributions from the Creditors' Fund that are described in Section VII.F of the Plan. Third, the Bank Group shall receive the acknowledgement and release described in Plan Section VIII.

Pursuant to the compromise embodied in the Plan, in exchange for all of the foregoing, and subject to the terms and conditions set forth in the Plan, the Bank Group has agreed, by its execution and co-sponsorship of the Plan and its acceptance of the foregoing treatment and conditioned on the occurrence of the Effective Date, (i) to provide the Plan Implementation Loan and Creditors' Committee Loan, which shall be repaid from the Creditors' Fund in accordance with Plan Section VII.F; (ii) that upon the Effective Date, the Continuing Estate Representative will be authorized and directed to cause PGEX and PGEX Bermuda (a) to transfer any and all proceeds from a sale of any interest of PGEX or PGEX Bermuda in the Japan/U.S. Interest to the Creditors' Fund, if the Japan/U.S. Interest has been sold prior to the Effective Date; or (b) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Japan/U.S. Interest to the Continuing Estate, to cause and direct the Continuing Estate to sell the Japan/U.S. Interest, and assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund; and (iii) to cause PGEX and PGEX Bermuda (a) to transfer any and all proceeds from any sale of the Cable Interests to the Creditor's Fund, if any of the Cable Interests have been sold prior to the Effective Date; or (b) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Cable Interests to the Continuing Estate to sell the Cable Interests, and to assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund.

B. Class 2 (Other Priority Claims)

Classification: Class 2 consists of Priority Claims (which group of claims excludes Priority Tax Claims). Class 2 is not impaired and is deemed to accept the Plan. As noted above, the Debtors estimate that the total amount of Allowed Priority Tax Claims and Allowed Other Priority Claims combined should equal approximately \$200,000, following the Debtors' prosecution of claims objections with respect to these claims.

Treatment: On the Effective Date, each holder of an Allowed Priority Claim shall be paid cash equal to the amount of such Allowed Priority Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment.

C. Class 3 (General Unsecured Claims)

Classification: Class 3 consists of General Unsecured Claims. Class 3 is impaired. The holders of Allowed Class 3 Claims are entitled to vote on the Plan. Based upon its Schedules, the Debtors estimate that there will be approximately \$230 million in Allowed General Unsecured Claims in Class 3. Creditors have asserted pursuant to proofs of claim filed in these cases that the Debtors are liable for approximately \$400 million in Allowed General Unsecured Claims, an undetermined amount of which may be duplicative of scheduled claims. The actual amount of Allowed General Unsecured Claims will not be known until and unless the Creditors' Committee prosecutes objections to General Unsecured Claims and the Court adjudicates those objections.

Treatment: As of the Effective Date, the holders of Allowed Class 3 Claims shall be entitled to a Pro Rata share of any funds that become available for distribution to the holders of such Allowed Class 3 Claims as set forth in Plan Section VII.F. In the event that the amount of all Allowed Class 3 Claims as of the Petition Date are paid in full, the holders of Allowed Class 3 Claims also shall receive Pro Rata distributions from any remaining funds, sufficient to pay interest on their respective Allowed Class 3 Claims, calculated at the federal judgment rate specified in 28 U.S.C. § 1961(a), from the Petition Date through the date of payment.

D. Class 4 (Subordinated Claims)

Classification: Class 4 consists of any and all Subordinated Claims. Class 4 is impaired and is deemed to reject the Plan. The Debtors need not solicit votes of Class 4 Claimants.

Treatment: Allowed Class 4 Claims will neither receive nor retain any interest or property under the Plan, until and unless all Allowed Class 1-3 Claims have been paid in full (including interest arising after the Petition Date), in which event Class 4 Claims will receive any remaining funds of the Creditors' Fund until all Allowed Class 4 Claims as of the Petition Date have been paid in full. In the event that all Allowed Class 4 claims are paid in full, the holders of Allowed Class 4 Claims also shall receive Pro Rata distributions of any remaining funds, sufficient to pay interest on their respective Allowed Class 4 Claims, calculated at the federal judgment rate specified in 28 U.S.C. § 1961(a), from the Petition Date through the date of payment.

E. Class 5 (Interests In The Debtors)

Classification: Class 5 consists of all Interests in the Debtors. Class 5 is impaired and deemed to reject the Plan. The Debtors need not solicit votes of Class 5 Interest holders.

Treatment: Allowed Class 5 Interests will receive and retain no value under the Plan, until and unless all Allowed Class 1-4 Claims have been paid in full (including interest arising after the Petition Date), in which event Class 5 Interests will receive any remaining funds of the Creditors' Fund. Allowed Class 5 Interests will be cancelled on the Case Closure Date, without payment of any other consideration.

VI.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Rejection of Executory Contracts and Unexpired Leases.

As of the Effective Date, the Debtors will reject under the Plan any and all agreements that they executed before the Petition Date, except for (i) the Matrix Management Services Agreement, and (ii) for any agreements that previously were assumed or rejected either by a Final Order or under Bankruptcy Code section 365, to the extent that such agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365. The Confirmation Order will constitute a Court order approving and effectuating such rejection. The Management Services Agreement will be addressed in the contemplated settlement agreement with Matrix that is discussed above or in a separate motion, or, in the absence of either, will "ride through" the Liquidation Case without being disposed of. Nothing herein is an admission that any contract or lease of the Debtors is executory or unexpired, or that that the Debtors have any liability under any such agreement.

B. Bar Date for Rejection Damage Claims.

Any Claim arising from rejection under the Plan of an executory contract or unexpired lease ("Rejection Damage Claim") must be filed with the Court (or its authorized Claims agent) and served on the counsel for the Creditors' Committee, the Bank Group, and the Continuing Estate Representative within 30 days after the Effective Date. Any Rejection Damage Claim that is not timely filed and served will be forever barred and unenforceable against the Debtors, their Estates, and their property, and any entity asserting such a Claim will be barred from receiving any distributions under the Plan on account of its Rejection Damage Claim.

VII.

MEANS FOR IMPLEMENTING THE PLAN

A. Substantive Consolidation and Continuation Of The Estates.

On the Effective Date, the Estates will be substantively consolidated pursuant to Bankruptcy Code section 105(a). As a result of the substantive consolidation, on the Effective Date, all property, rights and claims of the Debtors and their Estates and all Claims against the consolidated Debtors and their Estates shall be deemed to be pooled for purposes of allowance, treatment and distributions under the Plan. Further, as a result of this substantive consolidation, all claims between and among the Debtors and their Estates shall be cancelled. Holders of Allowed Claims shall be entitled to only one satisfaction on account

of such Claims, and any contingent or otherwise duplicative Claims against one or more Debtors based upon claims for which one or more of the Debtors are also liable shall be disallowed. The substantively consolidated Estates will continue in existence after the Effective Date as the Continuing Estate. The Continuing Estate will hold title to all of the assets of the Estates, as well as any property acquired after the Effective Date that otherwise would become property of the Estates under Bankruptcy Code section 541. The Continuing Estate will hold such assets for the benefit of the entities that are entitled under the Plan to receive that property or the net proceeds of that property. The Continuing Estate shall not be authorized to operate any business, but shall have the rights, powers, and duties conferred upon the Continuing Estate by this Plan.

The Proponents believe that substantive consolidation is reasonable and appropriate here, where the Debtors' operations and accounting functions appear to have been centralized and directed in a coordinated fashion, where the operations of some Debtors were not strictly accounted for on a separate basis, where property of the various Debtors was commonly used by one another in connection with their operations, without compensation, and where all of the Debtors are co-obligated on the secured debt outstanding under the Prepetition Credit Facility. Under these circumstances, and where the amount available to the holders of Allowed General Unsecured Creditors is minimal, substantive consolidation also is critical to the orderly, efficient and economical liquidation of the Debtors' estates. Efforts to allocate (by adjudication or otherwise) all assets and all liabilities among the Debtors would inordinately burden the estates and further reduce what little may be available to the holders of Allowed General Unsecured Claims.

B. Plan Implementation Loan.

The funds necessary to make Required Priority Distributions under the Plan will be provided by the Bank Group pursuant to the Plan Implementation Loan, which shall be up to \$200,000, or such greater amount as the Bank Group subsequently may agree in its sole discretion, subject to the consent of the Creditors' Committee. On the Effective Date, or soon thereafter as is practicable, the Bank Group shall disburse to the Continuing Estate Representative the funds comprising the Plan Implementation Loan. The Continuing Estate Representative shall use such funds to make the Required Priority Distributions promptly upon receipt of those funds from the Bank Group. The Plan Implementation Loan shall be repaid to the Bank Group from the Liquidation Proceeds pursuant to Plan Section VII.F. In the event that the total amount of Required Priority Distributions is less than \$200,000 (or such other amount to which the Bank Group and Creditors' Committee may agree), the amount of the Plan Implementation Loan will be reduced accordingly and any overpayment of Plan Implementation Loan funds returned to the Bank Group by the Continuing Estate Representative.

C. Creditors' Committee Loan.

On the Effective Date, or as soon as practicable thereafter, the Bank Group shall disburse the funds comprising the Creditors' Committee Loan to the Creditors' Fund. The Creditors' Committee Loan shall equal \$150,000; provided, however, that in the event that a cash recovery on one or more Avoidance Actions has been realized prior to the Effective Date, the amount of the Creditors' Committee Loan will be reduced by the amount of such recovery, less the contingency fees earned and expenses incurred in obtaining such recovery pursuant to Plan Section VII.G. The Creditors' Committee will use the funds comprising the Creditors' Committee Loan and any cash recoveries on Avoidance Actions realized prior to the Effective Date (less the contingency fees earned and expenses incurred in obtaining such recovery pursuant to Plan Section VII.G), to satisfy some or all of the unpaid Allowed Estate Professional Fee Claim held by the Creditors' Committee's counsel. The Creditors' Committee Loan shall be repaid to the Bank Group from the Liquidation Proceeds, pursuant to Plan Section VII.F.

D. Avoidance Actions and Claims Objections.

On and after the Effective Date, the Continuing Estate shall retain, hold, and be vested with the right to enforce, and the standing to enforce, against any entity all Avoidance Actions (other than a Conflicted Avoidance Action) and Claims Objections of the Debtors and the Estates; provided, however, that the enforcement of such Avoidance Actions and Claims Objections shall be subject to all defenses and setoffs that could have been asserted against the Debtors or the Estates with respect thereto. On and after the Effective Date, the Creditors' Committee shall be the agent and representative of the Continuing Estate with respect to the Avoidance Actions (other than a Conflicted Avoidance Action) and prosecuting

any Claims Objections; provided, however, that the costs of investigating, litigating, settling, collecting, recovering or otherwise pursuing the Avoidance Actions and Claims Objections shall be borne by the Creditors' Fund. The Creditors' Committee shall have full power, authority, and standing to prosecute, settle, adjust, retain, enforce, or abandon any Avoidance Action (other than a Conflicted Avoidance Action) or Claim Objection in the reasonable exercise of its discretion, without supervision of or approval of the Court or the United States Trustee, provided, however, that the compromise of any Avoidance Action with respect to which the Continuing Estates' claim is \$500,000 or more shall be subject to the approval of the Court after no less than 20 days' notice and an opportunity for hearing have been provided to the Special Notice Parties and the Bank Group. The net proceeds of Avoidance Actions shall be disbursed only in accordance with this Plan. The Creditors' Committee shall not have the right to pursue any claims, rights, or causes of action that have been released under this Plan, including those against the Bank Group.

Notwithstanding any other provision of the Plan, nothing in the Plan obligates the Creditors' Committee to investigate or expend funds to investigate any Claims Objections if the cost of investigating such Claims Objections is reasonably likely to exceed the aggregate amount available for distribution to the holders of Allowed Claims pursuant to the Plan.

1. Claim Objection Deadline.

Except as otherwise provided in Plan Section IV with respect to the procedures regarding Administrative Claims, objections to any Claim must be filed, and must be served upon the entity holding the Claim, on or before the later of: (a) December 31, 2004; or (b) six months after the date on which the particular proof of claim or interest was filed, unless the Court orders otherwise pursuant to motion by the Creditors' Committee, following notice to the Bank Group and the Special Notice Parties, and an opportunity for a hearing.

E. Other Rights Of Action.

On and after the Effective Date, the Continuing Estate shall retain, hold, and be vested with the right to enforce, and the standing to enforce, against any entity all Rights of Action of the Debtors and the Estates against any party; provided, however, that the enforcement of such Rights Of Action shall be subject to all defenses and setoffs that could have been asserted against the Debtors or the Estates with respect thereto.

On and after the Effective Date, the Continuing Estate Representative shall be the agent and representative of the Continuing Estate for purposes of liquidating any of the Rights Of Action, for the benefit, pursuant to the directives, and at the expense of the Bank Group. Subject to the directives of the Bank Group, the Continuing Estate Representative shall have full power, authority and standing to settle, adjust, retain, enforce, or abandon any Rights Of Action in the reasonable exercise of his discretion, and to perform the various other duties set forth in the Plan, without supervision of or approval of the Court or the United States Trustee. The proceeds of any Rights of Action shall be remitted by the Continuing Estate Representative to the Bank Group, pursuant to its instructions. The Continuing Estate Representative shall not have the right to pursue any claims, rights, or causes of action that have been released under this Plan, including those against the Bank Group.

On and after the Effective Date, among other duties, the Continuing Estate Representative also shall be agent and representative of the Continuing Estate for purposes of liquidating any Conflicted Avoidance Action, under terms and conditions that are similar to those under which the Creditors' Committee will be agent and representative with respect to Avoidance Actions. The proceeds of any Conflicted Avoidance Action shall be remitted to the Creditors' Fund, after deduction for those amounts expended by the Continuing Estate, the Bank Group, and/or their respective professionals in obtaining those recoveries, not to exceed \$35,000.

F. The Creditors' Fund.

On and after the Effective Date, all of the following shall be deposited into the Creditors' Fund: (i) all net amounts recovered, prior to or following the Effective Date, from or on account of Avoidance Actions prosecuted and/or settled by the Creditors' Committee pursuant to Plan Section VII.D, (ii) all net amounts, prior to or following the Effective Date, from or on account of Conflicted Avoidance Actions,

pursuant to Plan Section VII.E, (iii) any and all proceeds of the Cable Interests that may be realized,, and (iv) any and all proceeds of the Japan/U.S. Interest that may realized; provided, however, that Luce Forward may deduct from such deposits outstanding expenses incurred and contingency fees earned in connection with the Avoidance Actions pursuant to Plan Section VII.G (collectively, subject to such deductions, the "Liquidation Proceeds"). Neither this provision nor any other provision of the Plan will entitle the Creditors' Committee or any party that potentially is entitled to a distribution from the Creditors' Fund to any consideration on account of any of the Cable Interests and the Japan/US Interest from which no proceeds are realized.

All Liquidation Proceeds deposited into the Creditors' Fund (or that are to be deposited into the Creditors' Fund) will be disbursed pursuant to the terms of this Plan. The Liquidation Proceeds deposited into Creditors' Fund will be held, used, and disbursed by the Creditors' Committee in the following manner and priority:

1. First, the outstanding balance of the Plan Implementation Loan shall be repaid to the Bank Group.
2. Second, the first \$75,000 of the Creditors' Committee Loan shall be repaid to the Bank Group.
3. Third, the remaining \$75,000 of the Creditors' Committee Loan shall be repaid to the Bank Group, but only to the extent that the gross amount of the proceeds realized from Avoidance Actions exceeds \$1,000,000. Until and unless the gross amount of the proceeds realized from Avoidance Actions exceeds \$1,000,000, funds shall be distributed pursuant to the remaining priorities set forth below.
4. Fourth, the outstanding balance of any Allowed Estate Professional Fee Claim held by Luce Forward in connection with its representation of the Creditors' Committee during the pendency of the Liquidation Case ("Unpaid Committee Fees") shall be paid to Luce Forward.
5. Fifth, the payment of professional fees earned and the reimbursement of expenses incurred by counsel to the Creditors' Committee pursuant to Plan Section VII.G in connection with the prosecution of Claims Objections, and any other matter relating to administration of the Plan.
6. Sixth, the next \$5 million in proceeds shall be distributed to the holders of Allowed Class 3 Claims on a Pro Rata basis.
7. Seventh, any additional Proceeds in the following allocation: (1) 50% to the Bank Group, and (2) 50% to the holders of Allowed Class 3 Claims (to be shared on a Pro Rata basis among the holders of Allowed Class 3 Claims).

Any distribution to the holders of Allowed Class 3 Claims or to the Bank Group pursuant to these provisions will be made by the Creditors' Committee or its appointed agent, from funds on deposit in the Creditors' Fund. In the reasonable exercise of its discretion, the Creditors' Committee may make interim distributions to the holders of Allowed Class 3 Claims and the Bank Group, only if: (i) the Plan Implementation Loan and Creditors' Committee Loan have been repaid; (ii) the expenses of the Creditors' Committee and the Creditors' Fund as of that date have been paid and an appropriate reserve established for anticipated expenses, (iii) where the Unpaid Creditors' Committee Fees have been paid, and (iv) where all anticipated objections to Class 3 Claims have been adjudicated, or sufficient reserves have been established to satisfy any Disputed Class 3 Claims in the event they are allowed, as determined by the Court.

Upon the determination by the Creditors' Committee that it has completed its investigation, litigation and recovery of the Avoidance Actions and any Claim Objections that it determines to pursue, and the realization of any other Liquidation Proceeds that it will be cost-effective to realize, the Creditors' Committee shall, without the necessity of any Order of the Court either (i) make a final distribution pursuant to the Plan, or (ii) if the Creditors' Committee determines in its reasonable discretion the costs of effecting distributions to the holders of Allowed Class 3 Claims in accordance with this Plan (including the cost of any Claims Objections) would exceed the amount available for such distributions, distribute to one or more charitable organizations that are qualified under section 501(c)(3) of the Internal Revenue Code, the balance of the Creditors' Fund. Notwithstanding the preceding sentence, nothing in the Plan is

intended to prejudice the right of the Creditors' Committee to request a supplemental order of the Court approving such disposition of funds if the Creditors' Committee elects to request such an order.

Pursuant to Bankruptcy Code sections 553 and 558 or applicable nonbankruptcy law, in its capacity as representative of the Continuing Estate, the Creditors' Committee may setoff or recoup against any Allowed Class 3 Claim, any and all of the Claims, rights, causes of action, counterclaims, defenses and objections that the Debtors, their Estates, or the Continuing Estate may hold against the holder of such Allowed General Unsecured Claim, before any distribution is made on account thereof. However, any failure to effect such setoff or recoupment, or the allowance of any Allowed General Unsecured Claim shall not constitute any waiver or release of any Claim, right, cause of action, counterclaim, defense or objection, and full recovery of such Claim, right, cause of action, counterclaim, defense or objection shall be allowed.

G. Employment And Compensation Of Creditors' Committee Counsel.

Luce Forward shall continue to serve at the pleasure of the Creditors' Committee as its counsel, from and following the Effective Date. In connection with all services of Luce Forward relating to the Avoidance Actions (excluding the Conflicted Avoidance Actions), Luce Forward shall be entitled to (i) repayment of its related costs and expenses, and (ii) a contingency fee based upon the following scale:

- a. 33% of any recovery totaling under \$50,000 for all transactions avoided and recovered from a single party (net of expenses);
- b. 30% of any recovery totaling \$50,000 to \$100,000 for all transactions avoided and recovered from a single party (net of expenses); or
- c. 25% of any recovery totaling over \$100,000 for all transactions avoided and recovered from a single party (net of expenses).

Luce Forward shall receive its contingency fee and reimbursement of its reasonable and necessary expenses in connection with the Avoidance Actions that it prosecutes and/or settles, before or after the Confirmation Date, upon receipt of the proceeds of such Avoidance Actions and directly from such proceeds, without further order of the Court. The Allowed Estate Professional Fee Claim of Luce Forward in connection with the investigation, analysis and prosecution of the Avoidance Actions during the Postpetition Period will not include any hourly fees charged and filing fees incurred by Luce Forward in connection with the Avoidance Actions during the Postpetition.

For services relating to Claims Objections and any other matters relating to the administration of the Plan, the sole and exclusive source of funds to satisfy any fees and expenses of Luce Forward and any other professional retained by the Creditors' Committee shall be the Creditors' Fund, and only in accordance with Plan Sections VII.F and VII.G. No act of the Creditors' Committee, its professionals, or other agents shall impose upon the Continuing Estate, the Bank Group or the Bank Group Collateral any liability, including liability for the fees and expenses of Creditors' Committee's professionals. Following the Effective Date, the Creditors' Committee may employ and compensate its own professionals subject to Court approval of any professional not previously retained and Court approval of any fees and expenses of such professionals other than the payment of costs and contingent fees of Luce Forward related to the pursuit of Avoidance Actions paid out of the proceeds of such Avoidance Actions as set forth above..

H. The Continuing Estate Representative and Related Costs.

Subject to reaching mutually agreeable employment and compensation arrangements that provide for the prompt payment of an hourly fee and reimbursement of expenses, the Continuing Estate Representative, after the Effective Date: (i) will perform those duties requested by the Bank Group that relate to the Bank Group Collateral, at the expense of the Bank Group; (ii) will provide advice, guidance, and assistance to the Creditors' Committee in connection with its prosecution of the Avoidance Actions and Claims Objections, at the expense of the Creditors' Fund; and (iii) prepare or assist in the preparation of any necessary tax returns for the Continuing Estate, at the joint expense of both the Bank Group (50%) and the Creditors' Fund (50%). Further, any United States Trustee fees that may become due and owing following the Effective Date shall promptly be paid by both the Bank Group (50%) and Creditors' Fund (50%). Any dispute as to the reasonableness of the fees and expenses billed to the Creditors' Committee and

Creditors' Fund by the Continuing Estate Representative shall be adjudicated by the Court. Following the Effective Date, the Continuing Estate Representative may employ and compensate its own employees and professionals without further order of the Court, provided such employment and/or compensation does not conflict with any other provision of the Plan, and further provided that the Court will retain jurisdiction to adjudicate any dispute arising in connection with such employment and compensation.

I. Distribution Procedures.

The following procedures described in this Section apply to distributions made pursuant to this Plan by the Continuing Estate Representative and the Creditors' Committee, and, where applicable, such agents as they may appoint to effectuate such distributions.

1. Manner Of Cash Payments.

Cash payments to domestic entities holding Allowed Claims will be tendered in U.S. Dollars and will be made by checks drawn on a domestic bank selected by the party making such distribution or, at its option, by wire transfer from a domestic bank.

2. No *De Minimis* Distributions.

Notwithstanding anything to the contrary in this Plan, no cash payment will be made by the Continuing Estate Representative or the Creditors' Committee to any entity holding an Allowed Claim requires a payment of less than \$50. No consideration will be provided in lieu of the *de minimis* distributions that are not made pursuant to this paragraph.

3. No Distributions With Respect to Disputed Claims.

Notwithstanding any other Plan provisions, distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim becomes an Allowed Claim.

4. Undeliverable or Unclaimed Distributions.

Plan Section VII.I sets forth detailed provisions for the disposition of distributions that become undeliverable or are unclaimed by the party entitled to such distribution.

5. Distributions Relating to Allowed Claims Covered By Insurance.

If any Allowed Claim otherwise payable pursuant to the Plan is covered by an insurance policy held by any Debtor, the such Allowed Claim may be satisfied, in whole or in part, with the proceeds of that policy.

VIII. SETTLEMENT AND COMPROMISE; BANK GROUP RELEASE

In consideration for the Bank Group's co-sponsorship of the Plan, its acceptance of the treatment of its Allowed Claims pursuant to the Plan, and its contribution of good and valuable consideration that is necessary to the effective consummation of the Plan, and as full settlement and compromise of all claims by, between and through, on the one hand, the Bank Group, and on the other hand, the Debtors, the Estates, the Creditors' Committee, the Continuing Estate, and any successors thereof, including any subsequently appointed chapter 7 trustee (the "Releasing Parties"), effective upon the Effective Date: (A) the Releasing Parties acknowledge that the Bank Group holds a validly perfected, first priority lien in all of the Bank Group Collateral, and (B) the Releasing Parties release and discharge individually and collectively, the Bank Group members and all of the present and former officers, directors, shareholders, affiliates, agents, consultants, employees and attorneys of the Bank Group and its members, acting in such capacities in connection with the Debtors or transactions with the Debtors (collectively, the "Released Parties" from any and all manner of action, claims, causes of action, suits, proceeding, debts, accounts, accountings, demands liabilities, acts, omissions, and all other controversies of every type, kind, nature, description or character whatsoever (all of the foregoing being the "Released Claims"), whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, and whether based upon facts now known or unknown, direct or derivative, in law, equity or bankruptcy, arising at any time prior to the Effective Date, including (i) any claims or causes of action relating, directly or indirectly, to the Prepetition Credit

Agreement or any documents or instruments executed in connection therewith, any transactions arising under or in connection therewith, or any other aspect of the lending relationship by and among the Debtors, their predecessors in interest, and each of their non-debtor subsidiaries and affiliates, and any of the Released Parties, (ii) any claims, liabilities or causes of action relating directly or indirectly to the DIP Agreement and the DIP Orders, or to any orders approving the sale, transfer, assignment or other disposition of any of the assets of the Debtors during the Liquidation Case; and (iii) any Avoidance Actions that the Debtors, Estates, Creditors' Committee, Continuing Estate, any subsequently appointed chapter 7 trustee, or any other party having standing could assert against any of the Released Parties derivatively, including, all claims or causes of action that arise under Chapter 5 of the Bankruptcy Code or any comparable provisions of nonbankruptcy law. Occurrence of the Effective Date, following entry of the Confirmation Order, shall effect the acknowledgement and release set forth above and be binding on all parties.

The Bank Group, the Debtors (on behalf of themselves, the Estates and the Continuing Estate), and the Creditors' Committee acknowledge under the Plan that they are each familiar with California Civil Code section 1542, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

To the full extent that they may lawfully do so, and to the extent necessary under the circumstances to give effect to the compromise embodied in the Plan, the Bank Group, the Debtors (on behalf of themselves, their Estates and the Continuing Estate), and the Creditors' Committee waive and relinquish all rights and benefits that each party has or may have under California Civil Code section 1542 or any similar law. Each party expressly assumes the risk that the facts or law may be different than it now believes them to be, and each party agrees that this release will be effective notwithstanding any such differences.

IX. OTHER PLAN PROVISIONS

A. The Effective Date.

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the first Business Day, as determined by the Debtors, in their reasonable discretion, on which the following conditions have been satisfied:

- (1) At least ten days have passed since the Confirmation Date;
- (2) The Confirmation Order is not stayed; and
- (3) (i) the amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims shall not exceed \$200,000 in the aggregate, or (ii) enough of the holders of such claims shall have voluntarily reduced in writing the amount of their Claims and accepted treatment less favorable than payment in full so that the total amount payable on account of such Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims does not exceed \$200,000 in the aggregate.

The Proponents may waive, in whole or in part, any condition to the Effective Date other than the requirements of Subparagraph (3); which may be waived if and only if the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased by the amount by which the aggregate amount of the Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims exceeds \$200,000, and the Bank Group in its sole discretion agrees to make such an increased loan in such amount. To be effective, however, a waiver must be filed with the Court.

B. Cancellation Of Stock and Securities.

On the Case Closure Date, all Interests will be cancelled, annulled, and extinguished, and the stock in the Debtors will be deemed to be cancelled and of no further force or effect without any further action by any party. Entities holding Interests will retain no rights and receive no consideration on account of

these Interests, and entities holding stock in the Debtors will have no rights arising from or relating to the stock or its cancellation, until and unless all Allowed Class 1-4 Claims have been paid in full all of the distributions to which they are entitled under the Plan, in which event the holders of Class 5 Interests will receive any remaining funds of the Creditors' Fund.

C. Termination Of Officers and Directors/Dissolution Of The Debtors.

On and after the Effective Date, and without further action by any party: (A) the Debtors shall have no right to operate a business;(B) the Debtors' officers and directors automatically will be terminated; provided, however, that notwithstanding the foregoing, the Continuing Estate Representative and the Creditors' Committee shall have and retain such authority as is necessary and appropriate to administer and dispose of the assets of the Continuing Estate and otherwise implement the Plan in accordance with its terms. On the Case Closure Date, the Debtors shall be deemed liquidated and dissolved as corporate entities pursuant to applicable law, without further action by any entity. The Continuing Estate Representative shall be authorized to execute any documents that implement or are in aid of this Section.

On the Effective Date, the Debtors' retention of its bankruptcy counsel, and all other professionals employed by the Debtors in the Liquidation Case shall terminate, unless the Bank Group and/or the Creditors' Committee (i) request in advance the continued employment of such professional after the Effective Date, (ii) financial arrangements are made for the payment of such professional following the Effective Date that are satisfactory to such professional, and (iii) the professional consents to such continued representation. Following the termination of such employment, without further order of the Court, any of the Debtors' former professionals may be employed by the Continuing Estate, the Bank Group, and/or the Creditors' Committee, subject to mutually agreed-upon terms and conditions between such professional and the entity (or entities) employing such professional.

D. Dissolution of the Creditors' Committee.

As of the Effective Date, the members of the Creditors' Committee will be released and discharged from all rights and duties arising from or related to this Liquidation Case, except those rights and duties conferred upon the Creditors' Committee pursuant to the Plan. Professionals retained by the Creditors' Committee shall not be entitled to compensation or reimbursement of expenses other than pursuant to the terms of the Plan. Upon dissolution of the Continuing Estate, the Creditors' Committee likewise will dissolve.

E. Dissolution Of The Continuing Estate/Case Closure.

The Continuing Estate shall dissolve when both the Creditors' Committee and the Bank Group (through the Continuing Estate Representative) have completed the liquidation of the Continuing Estate assets over which each has control pursuant to the Plan and filed a notice of such completion with the Court. A request for entry of a final decree closing the Liquidation Case shall be filed jointly by the Creditors' Committee and the Bank Group, or by the last of those entities to file its notice indicating that it has completed its liquidation of the Continuing Estate assets. Notwithstanding the foregoing, the Continuing Estate shall dissolve automatically three (3) years from and after the Effective Date, unless the Court enters an Order extending the duration of the Continuing Estate, upon the request of the Creditors' Committee or Bank Group, for good cause shown, after notice and opportunity for hearing have been provided, on not less than 20 days' notice, to the Bank Group, the Creditors' Committee, and the Special Notice Parties.

F. Corporate Books and Records.

Following the Effective Date, the Corporate Books and Records shall be stored by Iron Mountain Records Management, Inc. at a facility located in Oakland, California ("Storage Facility"), pursuant to a prepaid contract providing for the storage and preservation of the Corporate Books and Records through December 31, 2005. The Continuing Estate Representative, the Creditors' Committee and the Bank Group shall have joint custody and control of the Corporate Books and Records, and shall provide each other reasonable access to any documents removed by the other from the Storage Facility. Any party that seeks access to and/or copies of the Corporate Book and Records shall be responsible for all costs and expenses relating thereto. Following December 31, 2005, the Corporate Books and Records may be destroyed, unless either the Creditors' Committee or the Bank Group fund the continued storage and preser-

vation of the Corporate Books and Records for a longer period. Prior to December 31, 2005, or the extended date for which continued storage and preservation are funded, no party shall destroy or discard the Corporate Books and Records.

G. Corporate Action and Effectuating Documents.

Upon the Effective Date, corporate action to be taken by or required of the Debtors to effectuate the Plan will be deemed to have occurred and will be effective as provided in this Plan and will be authorized and approved in all respects without any requirement of further action by stockholders or directors of the Debtors or any other party. Upon the Effective Date, the Debtors, the Continuing Estate, the Continuing Estate Representative, the Creditors' Committee, and the Bank Group are authorized to execute, deliver, file, or record any documents or instruments and to take any other action that may be needed to effectuate and evidence the Plan's terms and conditions.

H. Post-Effective-Date Effect of Evidences of Claims or Interests.

Commencing on the Effective Date, notes and other evidences of Claims will represent only the right to receive the distributions contemplated under the Plan.

I. Effect of Confirmation/Nondischarge of the Debtors.

Upon the Confirmation Date, Bankruptcy Code section 1141 shall become applicable with respect to the Plan. In accordance with Bankruptcy Code section 1141(d)(A)(3), this Plan does not discharge the Debtors. Bankruptcy Code section 1141 nevertheless provides, among other things, that the property dealt with by the Plan is free and clear of all claims and interests of creditors, equity security holders, and of general partners of the Debtors. Accordingly, no entity holding a Claim against the Debtors may receive any payment from, or seek recourse against, any assets that are to be distributed under this Plan other than assets required to be distributed to that entity as the holder of an Allowed Claim under the Plan and (b) all property of the Estates distributed or provided for under the Plan is designated for the sole and exclusive benefit of those holders of Allowed Claims in accordance with the Plan.

J. Venue For Any Action Against Debtors, Creditors' Committee, Continuing Estate Or Continuing Estate Representative.

On or after the Effective Date, no action or proceeding may be commenced or continued by any entity in any court or other tribunal, other than the Court, against the Debtors, the Continuing Estate, Continuing Estate Representative, the Creditors' Committee, the Creditors' Fund, or any of their officers, employees, professionals, agents or representatives, acting in such capacities, without the prior approval of the Court pursuant to a Final Order.

K. Reports and Tax Returns Relating To The Continuing Estate.

Within 90 days after the end of each calendar quarter, the Creditors' Committee shall serve on the Bank Group and the Special Notice Parties an unaudited annual report containing a description of the activities of the Creditors' Committee, the results achieved, the expenses incurred, the cash realized, the property remaining, and a summary of the receipts and expenditures of the Creditors' Fund. Subject to Section VII.H of the Plan, the Continuing Estate Representative shall prepare or cause to be prepared any and all necessary tax returns for the Debtors and/or Continuing Estate; provided, however, that the Creditors' Committee is responsible for timely transmitting to the Continuing Estate Representative all information necessary to prepare such returns, as it relates to the activities of the Creditors' Committee and the Creditors' Fund.

L. Binding Effect.

The Plan and the Confirmation Order shall be binding upon and inure to the benefit of the Debtors, the Estates, the Creditors' Committee, the Bank Group, the Continuing Estate, the Continuing Estate Representative, the holders of all Claims and Interests, all parties in interest in the Liquidation Case, and their successors, assigns, heirs, executors, administrators and representatives.

M. Exemption From Transfer Taxes.

Pursuant to Bankruptcy Code section 1146(c), the issuance, transfer or exchange of a security, or the making or delivery of an instrument of transfer under the Plan may not be taxed under any law imposing a stamp tax or similar tax. Transfers under the Plan that are exempt from taxes under section 1146(c) of the Bankruptcy Code include all transfers by the Debtors after the Petition Date in contemplation of the Plan but prior to the Effective Date, and all transfers to and by the Continuing Estate. The taxes from which such transfer are exempt include stamp taxes, recording taxes, sales and use taxes, transfer taxes, and other similar taxes.

N. Limitation of Liability.

Neither the Debtors, the Estates, the Continuing Estate, the Continuing Estate Representative, the Creditors' Committee, the Bank Group, the Creditors' Fund, nor any existing or future officers, directors, agents, members, representatives, or professionals thereof will have or incur any liability to any entity for any act taken or omission made in connection with the Liquidation Case or the administration of the Estates, including the formulation, dissemination, confirmation, approval or consummation of the Plan, the Disclosure Statement or any other document, instrument or agreement relating thereto or in connection with the effectiveness or performance of the or any distributions of cash or other property pursuant to the Plan.

O. No Admissions.

Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan will: (a) constitute a waiver, acknowledgement, or release of any Claims, Interests, or any claims held by the Debtors, the Estates, the Bank Group, or the Creditors' Committee, (b) prejudice in any manner the rights of the Debtors, the Estates, the Bank Group, or the Creditors' Committee, or any creditors in any further proceedings.

P. Revocation of the Plan.

The Debtors, the Bank Group, and the Creditors' Committee reserve the right to revoke or withdraw the Plan before the Confirmation Date. If the Plan is not confirmed and the Effective Date does not occur—either because the Plan is revoked or withdrawn, or for any other reason—the Plan will be null and void, and nothing contained in the Plan or the Disclosure Statement will: (a) waive or release any Claims by or against, or any Interests in, the Debtors; or (b) prejudice in any manner any rights that the Debtors, the Estates, or any creditors or equity security holders have in any further proceedings.

Q. Severability of Plan Provisions.

If, before confirmation, the Court holds that any Plan term or provision is invalid, void, or unenforceable, the Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Section, is valid and enforceable under its terms.

R. Governing Law.

The rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, California law without giving effect to California law's conflict of law principles, unless a rule of law or procedure is supplied by: (a) federal law (including the Bankruptcy Code and the Bankruptcy Rules); or (b) an express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan.

S. Retention of Jurisdiction.

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Court will retain jurisdiction over this Liquidation Case after the Effective Date to the fullest extent provided by law, including the jurisdiction to:

- (a) Allow, disallow, determine, liquidate, classify, establish the propriety or secured or unsecured status of, estimate, or limit any Claim;
- (b) Adjudicate and all Avoidance Actions (including Conflicted Avoidance Actions) and any and all disputes that may arise therein;
- (c) Grant or deny any and all applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;
- (d) Resolve any motions pending on the Effective Date to assume, assume and assign, or reject any executory contract or unexpired lease to which one or more of the Debtors is a party or with respect to which the Debtors may be liable, and to hear, determine, and if necessary, liquidate any and all Claims arising from such a motion;
- (e) Ensure that distributions to be made pursuant to the Plan are accomplished pursuant to the terms of the Plan;
- (f) Resolve any and all applications, motions, adversary proceedings, and other matters that involve the Debtors and that are pending before the Court on the Effective Date;
- (g) Enter any orders necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and of all contracts, releases, and other agreements or documents entered into under or in connection with the Plan;
- (h) Resolve any and all controversies, suits, or issues that may arise either in connection with the Plan's consummation, interpretation, or enforcement or in connection with any entity's rights or obligations under the Plan, or relating to the administration of the Liquidation Case;
- (i) Under Bankruptcy Code section 1127, modify the Plan, the Disclosure Statement, or any contract, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (j) Remedy—in any manner necessary and appropriate to consummate the Plan and to the extent authorized by the Bankruptcy Code—any defect, omission, or inconsistency in any Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (k) Issue injunctions, enter and implement orders, or take any other actions that may be necessary or appropriate to restrict any entity's interference with the Plan's consummation or enforcement;
- (l) Enter and implement any orders that are necessary and appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (m) Determine any other matters that may arise in connection with, or relate to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, release, or other agreement or document created in connection with the Plan or the Disclosure Statement;

- (n) Resolve any disputes between the Creditors' Committee, the Bank Group, the Continuing Estate Representative, or their respective members and representatives; and
- (o) Enter an order closing this Liquidation Case.

If the Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Section will not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

T. Successors and Assigns.

The rights, benefits, and obligations of any entity referred to in this Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

U. Saturday, Sunday, or Legal Holiday.

If any payment or act under the Plan should be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a Business Day, in which event the payment or act will be deemed to have been completed on the required day.

V. Plan Modification.

Subject to the restrictions set forth in Bankruptcy Code section 1127, the Proponents reserve the right to alter, amend, or modify the Plan before it is substantially consummated.

**X.
CONFIRMATION PROCEDURE**

A. Voting.

To confirm the Plan, each impaired Class of Claims must vote to accept the Plan or the Plan must satisfy the standards of Bankruptcy Code section 1129(b) with respect to a non-accepting Class. A creditor may vote on the Plan if: (1) it timely filed a proof of Claim, (2) a proof of Claim on its behalf was deemed filed because the Claim was listed in the Schedules filed by the Debtors and not scheduled as disputed, contingent, or unliquidated, or (3) it filed a late proof of Claim with leave of the Bankruptcy Court after notice and opportunity for a hearing given to counsel for the Debtors, the Bank Group, and the Creditors' Committee.

A Class of Claims has accepted the Plan if at least two-thirds in amount and more than one-half in number of the Allowed Claims in that Class vote to accept the Plan, based upon the number and amount of those holders of Allowed Claims that accept or reject the Plan unless the Bankruptcy Court orders otherwise. The impaired Classes of Claims entitled to vote under the Plan are Classes 1 and 3. Classes 4 and 5 also are impaired under the Plan, but are deemed to reject the Plan.

Class 4 and Class 5 are deemed to reject the Plan. Based upon that deemed rejection, and to the extent any other impaired Class of Claims fails to accept this Plan (other than Class 1), and the Proponents therefore cannot confirm the Plan in accordance with Bankruptcy Code section 1129(a)(8), the Proponents may seek Confirmation under Bankruptcy Code section 1129(b), and have made that request in the Plan. The Debtors and the Creditors' Committee believe that the Plan complies with that provision.

Holders of Claims in Class 1 and Class 3 may vote to accept or reject the Plan by completing and signing the ballot accompanying this Disclosure Statement and mailing it to Klee, Tuchin, Bogdanoff & Stern LLP, 1880 Century Park East, Suite 200, Los Angeles, California 90067, Attn: Shanda Pearson, Legal Assistant. Only the ballot should be mailed, and all ballots must be received no later than September 4, 2002, by 5:00 p.m. Pacific Time. The ballot provides each holder to accept or reject the Plan with respect to all of the Allowed Class 3 Claims held by such holder, including Claims held against more than one Debtor.

B. Confirmation Standards.

For the Plan to be confirmed and binding on all creditors and shareholders, the Bankruptcy must determine that the following requirements under Bankruptcy Code section 1129 have been satisfied:

1. The Plan complies with the provisions of the Bankruptcy Code.
2. The Plan proponent(s) have complies with the provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the Plan proponent(s) for services or costs in connection with the Liquidation Case or the Plan has been or is subject to approval by the Court as reasonable.
5. The Plan proponent has disclosed the identity of any individuals to serve after confirmation as representatives of the Continuing Estate.
6. Any rate change provided for in the Plan has been or is subject to approval by the regulatory commission with jurisdiction over such rates.
7. The holder of each Claim in each Class of impaired Claims has accepted the Plan or will receive under the Plan not less than that holder would receive if the Debtors liquidated under chapter 7 of the Bankruptcy Code.
8. Each Class of Claims has accepted the Plan or is not impaired by the Plan, or the Plan satisfies the standards of Bankruptcy Code section 1129(b).
9. Claims with priority under the Bankruptcy Code will receive cash in the full amount of the Claim on the Effective Date unless the holder has agreed to different treatment.
10. At least one impaired Class of Claims has accepted the Plan.
11. Confirmation is not likely to be followed by liquidation or further reorganization of the Debtors unless such liquidation or reorganization of the Debtors is proposed in the Plan.
12. The avoidance of taxes or the avoidance of the securities law of the United States is not the principal purpose of the Plan.

C. Confirmation Without Acceptance By All Impaired Classes of Claims Or Interests.

Bankruptcy Code section 1129(b) enables the Proponents to confirm the Plan over the dissent of one or more impaired Classes of Claims so long as at least one impaired Class of Claims votes to accept the Plan. In order to attain Confirmation under section 1129(b), a dissenting impaired Class must be fully compensated or must consent to less than full compensation before a junior class of creditors can receive value.

The required treatment of Secured Claims, General Unsecured Claims, and Interests is as follows:

1. *Secured Claims.* In order to be confirmed over the objection of a Class of impaired, secured Claims, the Plan must provide that either (a) each holder of a Secured Claim receive (i) deferred cash payments equal to at least the amount of its Allowed Claim and of a value, as of the Effective Date, at least equal to the value of the collateral or (ii) the "Indubitable equivalent" of its Allowed Claim; or (b) if the collateral is sold, it is sold subject to the lien or with the lien attaching to the proceeds. An undersecured creditors may elect to treat their entire Allowed Claim as secured or may split its Allowed Claim into secured and unsecured parts. In either event, the value that the creditor receives for its Allowed Claim should be the same because the value given in the form of payments is equal to the value of the collateral, which is not necessarily equal to the amount of the Allowed Claim.

Secured Claims are included in Class 1 under the Plan, which comprises all of the claims of the Bank Group. Because the Bank Group is a Proponent of this Plan, and is expected to vote in favor of the Plan, the Debtors and Creditors' Committee assume that it will not be necessary to confirm the Plan over the objection of Class 1.

2. *Unsecured Claims.* In order to be confirmed over the objection of a Class of impaired, unsecured Claims, the Plan must provide in such Class either that each holder of an Allowed Claim receive property of a value, as of the Effective Date, equal to the Allowed Claim *or* that no junior Claim or Inter-

est receive or retain any property. The Court also must find that no senior Class will receive more than 100% of the Allowed Claims in the senior class. Unsecured, impaired Claims are included in Classes 3 and 4 under the Plan. Because there is no class junior to these Classes that is receiving or retaining any property unless these Classes are paid in full, and because there is no Class senior receiving more than 100% payment on its claims, the Plan can be confirmed over the objection of these Classes.

3. *Interest Holders (Shareholders)*. The Interests held by shareholders are treated in much the same manner as unsecured, impaired Claims. In order to be confirmed over the objection of a Class of impaired Interests, the Plan must provide either (i) that each holder of an Allowed Interest receives property of a value, as of the Effective Date, equal to the greater of the amount of any fixed liquidation preference, any fixed redemption price, or the value of the Interest, *or* (ii) that no junior Claims or Interests receive or retain any property. The Court also must find that no senior Class will receive more than 100% of the amount of the Allowed Claims in the senior Class. The Interests are included in Class 5 under the Plan. Although Class 5 is deemed to reject the Plan, the Plan may be confirmed notwithstanding this rejection because there is no class junior to Class 5 that is receiving or retaining any property, and there is no Class senior to Class 5 receiving more than 100% payment on its claims.

D. Feasibility.

The Proponents believe that the Plan is feasible, such that the confirmation requirement described above at Section X.B above is satisfied. The Plan is a liquidating plan; there is no continuing business contemplated. The only specific payments that are specified under the Plan are payments on Allowed Priority Claims and Allowed General Administrative Claims. These claims are to be satisfied to the extent of \$200,000 by a loan from the Bank Group; provided, however, that the Plan will not become effective until and unless these claims are compromised or adjudicated so that the aggregate amount of such claims equals \$200,000 or less – ensuring, by definition, that funds will be available to pay them. This condition may be waived if the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased by the amount by which the aggregate amount of the Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims exceeds \$200,000, and the Bank Group in its sole discretion agrees to make such an increased loan in such amount. As to other payments, i.e., on account of Allowed Unsecured Claims, the Plan makes no specific payment commitment, but rather establishes a framework for making distributions to the holders of Allowed Unsecured Claims if a sufficient amount is recovered from Avoidance Actions by the Creditors' Committee. In other words, as a plan of liquidation, the Plan is inherently feasible.

E. Liquidation Analysis.

Another confirmation requirement is the "best interests of creditors" test, which is described above at Section X.B above. Under this test, if the holder of an Allowed Claim or Allowed Interest is in an impaired Class and does not vote to accept the Plan, then that entity must receive or retain under the Plan property of a value not less than the amount that such entity would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a debtor's assets are usually sold by a chapter 7 trustee. Secured creditors are paid first from the sales proceeds of property on which the secured creditors have liens. Administrative claims are paid next. Unsecured creditors thereafter are paid from any remaining sales proceeds, according to their legal rights of priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm the Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a chapter 7 forced liquidation. The Debtors and Creditors' Committee maintain that any prospects for recovery that may be realized by unsecured creditors on account of their claims should be at least as great, if not greater, pursuant to the compromise embodied in Plan, than they would be in chapter 7. Generally, the Plan requires the proceeds to be distributed, to the extent available, in accordance with the priority scheme established by the Bankruptcy Code, except that in consideration for the Trust Expenses Loan and Plan Implementation Loan, and other consideration, the Bank Group will share 50% of net proceeds realized by the Creditors' Trust in excess of \$5 million – a threshold that may or may not ever be reached.

In a chapter 7 scenario, the Debtors and Creditors' Committee believe that a chapter 7 trustee(s) likely (i) would realize the same proceeds under the Avoidance Actions as the Creditors' Fund would realize under the Plan, (ii) would incur the same attorneys fees and costs in pursuing Avoidance Actions and claims objections on behalf of unsecured creditors, (iii) would reach a similar compromise regarding the acknowledgement of the Bank Group's lien and a release in the Bank Group's favor, based upon the facts and circumstances presented, and (iv) would have to satisfy the fees and expenses of the trustee's attorneys, and the unpaid fees and expenses of Creditors' Committee counsel before unsecured creditors realized any distribution whatsoever. See 11 U.S.C. §§ 507, 726.

Moreover, in the event the case were converted to chapter 7, the Debtors' creditors (i) would not have the prospective benefit of the Cable Interests and Japan/U.S. Interest proceeds, unless they were abandoned to the Estates pursuant to a settlement with the Bank Group, (ii) would have to share the recoveries from any Avoidance Actions with the Bank Group on account of their likely unsecured deficiency claims, (iii) would be burdened with the additional cost of a chapter 7 trustee fee (up to the maximum set forth under 11 U.S.C. § 326), and the additional fees and expenses necessary for the trustee's counsel merely to familiarize themselves with the Debtors' complex history, assets, liabilities, and books and records, and (iv) would have no available cash with which to fund initially its efforts to litigate the Avoidance Actions and undertake the other tasks necessary to liquidate the Estates.

Thus, the Debtors and the Creditors' Committee believe that the Plan is in the best interests of creditors, and should be confirmed.

XI. TAX CONSEQUENCES OF THE PLAN

A. Introduction.

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the Plan may present. The Proponents CANNOT and DO NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules that make it difficult to state completely and accurately all of the tax implications of any action.

THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO CREDITORS AND INTEREST HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"). THE CONSEQUENCES TO CREDITORS AND INTEREST HOLDERS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH CREDITOR AND INTEREST HOLDER. MOREOVER, THE TAX CONSEQUENCES TO CREDITORS AND INTEREST HOLDERS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH CREDITOR AND INTEREST HOLDER. MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN BECAUSE OF THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE LAW. THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE OR LOCAL TAX CONSEQUENCES, NOR DOES IT PURPORT TO ADDRESS TAX CONSEQUENCES TO FOREIGN CREDITORS OR INTEREST HOLDERS OR OTHER SPECIAL CLASSES OF TAXPAYERS (SUCH AS S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS AND TAX EXEMPT ORGANIZATIONS). CERTAIN MATTERS DISCUSSED HEREIN ARE OF SUCH NATURE AND COMPLEXITY THAT NO DEFINITIVE STATEMENT CAN BE MADE AS TO THEIR EVENTUAL RESOLUTION.

THIS DISCUSSION OMITTS ANY ANALYSIS OF POSSIBLE TAX CONSEQUENCES TO THE DEBTORS OR THE CONTINUING ESTATE. POSSIBLE TAX ISSUES INVOLVING THE DEBTORS AND CONTINUING ESTATE MIGHT CONCEIVABLY HAVE AN IMPACT ON CREDITORS OR INTEREST HOLDERS, BUT THOSE POSSIBILITIES ARE NOT DISCUSSED HEREIN GIVEN THE RELATIVELY MINOR RISKS INVOLVED AND THE RELATIVELY LIMITED SUMS THAT WOULD BE AT ISSUE.

THIS DISCUSSION IS PROVIDED ONLY TO ASSIST THE PARTIES INVOLVED IN EVALUATING THE POSSIBLE TAX BENEFITS AND LIABILITIES, IF ANY, THAT MAY BE GENERATED BY THE PLAN IN GENERAL. NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY CREDITOR OR INTEREST HOLDER. THIS DISCUSSION IS NOT INTENDED TO PROVIDE TAX OR OTHER LEGAL ADVICE TO ANY CREDITOR, INTEREST HOLDERS OR OTHER PARTY. ALL CREDITORS, INTEREST HOLDERS AND OTHER PARTIES MUST CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE ACTUAL TAX CONSEQUENCES (INCLUDING FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES).

B. Tax Consequences To Holders Of Claims.

The tax consequences to holders of Allowed Claims as a result of the implementation of the Plan will depend in part on the timing and type of consideration received by the holder in exchange for its Allowed Claim, whether the holder reports income in accordance with the cash or accrual method of accounting, whether the holder receives consideration in more than one tax year of the holder, whether the holder is a resident of the United States, and whether all the consideration received by the holder is deemed to be received by that holder in an integrated transaction.

1. Recognition Of Gain Or Loss.

Holders of Allowed Claims should recognize gain or loss with respect to their Allowed Unsecured Claims (other than Allowed Unsecured Claims for accrued interest) as a result of the Plan. The amount of such gain or loss in each case will equal the difference between: (i) the "amount realized" in respect of such Allowed Claim, and (ii) the holder's tax basis in such Allowed Claim. The amount realized will be equal to the sum of any cash received and the fair market value of any other assets the holders are treated as receiving under the Plan, less any amounts allocable to interest, unstated interest and original issue discount.

There is some uncertainty as to the timing of such gain or loss recognition. For example, contrary to the position being taken by the Debtors, the IRS may assert that the holders of Allowed Claims should be deemed to have received equity, new debt instruments, or beneficial interests in those assets of the Debtors that are retained by, or transferred to, to the Continuing Estate or the Creditors' Fund, and thus must recognize such gain or loss on the Effective Date. The Debtors believe the holders should not be deemed to have received any such items and thus their recognition of gain or loss may be postponed until all distributions have been finally received from the Continuing Estate or Creditors' Fund, as applicable.

2. Tax Basis And Holding Period.

If, contrary to the position being taken by the Debtors, equity or some other beneficial interest in the Continuing Estate or Creditors' Fund is deemed to be acquired by the holder of an Allowed Claim in a taxable event, the holder will receive a fair market value basis in such equity or beneficial interest. The holding period for the beneficial interest in the Continuing Estate or Creditors' Fund will begin on the day following the acquisition date.

3. Recipients Of Cash.

A holder of an Allowed Claim who receives solely Cash in full satisfaction of the Allowed Claim will be required to recognize gain or loss on the exchange. The holder will recognize gain or loss equal to the difference between the amount realized in respect of such Allowed Claim and the holder's tax basis in the Allowed Claim.

4. Receipt Of Interest.

Any consideration attributable to accrued but unpaid interest (to the extent not previously taken into income) will be treated as ordinary income, regardless of whether a holder's Allowed Claim is a capital asset.

A holder, who, under the holder's accounting method, was not previously required to include in income accrued but unpaid interest attributable to the holder's Allowed Claims, and who receives consideration under the Plan will be treated as receiving ordinary interest income to the extent of the considera-

tion allocable to such interest, regardless of whether that holder realizes an overall gain or loss with respect to the Allowed Claim. The extent to which consideration distributable under the Plan is allocable to interest is uncertain. A holder who has previously included in income accrued but unpaid interest, unstated interest or original issue discount attributable to the holder's Allowed Claims, will recognize a loss to the extent the amount previously included in income is not satisfied in full. For purposes of this discussion, "accrued" interest means interest that was accrued while the underlying Allowed Claim was held by the holder.

5. Character Of Gain Or Loss.

The character of gain or loss recognized by a holder of an Allowed Claim as capital or ordinary gain or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Allowed Claim; (ii) the tax status of the holder of the Allowed Claim; (iii) whether the holder is financial institution; (iv) whether the Allowed Claim is a capital asset in the hands of the holder, (v) whether the Allowed Claim has been held for more than one year; (vi) the extent to which the holder previously claimed a loss, bad debt deduction or charge to a reserve for bad debtors with respect to the Allowed Claim; and (vii) the application of the market discount rules (discussed below). **HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THESE ISSUES.**

6. Market Discount.

If immediately after acquisition by the holder, the tax basis of a debt instrument issued by a debtor is lower than the instrument's "stated redemption price at maturity" (or, in the case of a debt instrument issued with original issue discount, its "revised issued price"), then the difference may constitute market discount under section 1276 of the Code. If an Allowed Claim is subject to the market discount rules, then the holder may be required to treat as ordinary income any gain recognized with respect to the Allowed Claim to the extent of the market discount accrued during the holder's period of ownership, unless the holder elected to include such market discount in income as it accrued. Holders of debt instruments are urged to consult with their tax advisors with respect to the potential application of the market discount rules to the consideration received under the Plan.

7. Backup Withholding.

Under the Tax Code, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" at a 30% rate (scheduled to be reduced annually until the year 2006 when it is 28%). Withholding generally applies if the holder of an Allowed Claim: (i) fails to furnish the holder's social security number or other taxpayer identification number (hereinafter "TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fail to provide a certified statement, signed under penalty of perjury, that the TIN provided is the correct number and that the holder is not subject to backup withholding. The backup withholding tax is not an additional tax, but rather is creditable against the holder's federal income tax liability. The Continuing Estate Representative and the Creditors' Committee will withhold any amounts required under the backup withholding rules or any other law from payments made to holders.

C. Tax Consequences To Interest Holders.

It is anticipated that the holders of Allowed Interests will receive no distributions under the Plan. To the extent that they have not previously abandoned their Allowed Interests for tax purposes, such holders should recognize a loss equal to the tax basis in their Allowed Interests. Such loss will generally constitute a capital loss for holders that held their Allowed Interests for an investment purpose. The holder of such Allowed Interests will likely recognize such loss if and at such time as their Interests are cancelled without payment of any consideration on account of the Allowed Interests held by them, unless they previously claims a worthlessness or abandonment deduction with respect to their Allowed Interests.

XII. RECOMMENDATIONS AND CONCLUSION

The Debtors and the Creditors' Committee believe that Plan confirmation and implementation are preferable to any feasible alternative because the Plan will provide entities holding Claims with at least as

great a prospect for recovery, if not a greater prospect for recovery, than they would have if the Liquidation Case were converted to chapter 7. **Accordingly, the Debtors and the Creditors' Committee urge entities who hold impaired Claims and Interests to vote to accept the Plan.**

Dated: July 31, 2002

PACIFIC GATEWAY EXCHANGE

/s/ David M. Davis

By: David M. Davis

Its: Chief Financial Officer and Estate Representative

Dated: July 31, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

/s/ David M. Davis

By: David M. Davis

Its: President and Estate Representative

Dated: July 31, 2002

ONYX NETWORKS, INC.

/s/ David M. Davis

By: David M. Davis

Its: President and Estate Representative

Dated: July 31, 2002

WORLDBLINK, INC.

/s/ David M. Davis

By: David M. Davis

Its: President and Estate Representative

Dated: July 31, 2002

WORLD PATHWAYS, INC.

/s/ David M. Davis

By: David M. Davis

Its: President and Estate Representative

Dated: July 31, 2002

GLOBAL TIME, INC.

/s/ David M. Davis

By: David M. Davis

Its: President and Estate Representative

Dated:

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: AMERITECH GLOBAL GATEWAY SERVICES

Its: Chair

/s/ Brad Smith

By: Brad Smith, Esq.

Senior Counsel for Ameritech Global Gateway Services and SBC Communications, Inc., parent company of Ameritech Global Gateway Services

Submitted By:

/s/ Martin R. Barash

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For Itself And As Agent

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PACIFIC GATEWAY EXCHANGE, INC., a
Delaware corporation (Tax I.D. No.
943134065); INTERNATIONAL
EXCHANGE COMMUNICATIONS, INC., a
Delaware corporation (Tax I.D. No.
943292374); ONYX NETWORKS, INC., a
Delaware corporation, f/k/a/ PGExpress, Inc.
(Tax I.D. No. 943335904); WORLD
PATHWAYS, INC., a Delaware corporation
(Tax I.D. No. 943282029); WORLDLINK,
INC., a Delaware corporation (Tax I.D. No.
943286651); and GLOBAL TIME, INC., a
Delaware corporation (Tax I.D. No.
943316865),
Debtors.

Case Nos. SF 00-33019 DM; SF 01-30027
DM; SF 01-30014 DM; SF 01-30016 DM; SF
01-30017 DM; SF 01-30015 DM (Jointly
Administered under Case No. SF 00-33019
DM)

Chapter 11

[Pleading Applies To All Cases]

**JOINT CHAPTER 11 PLAN
OF LIQUIDATION DATED
JULY 31, 2002**

TABLE OF CONTENTS

I.	DEFINITIONS.....	3
II.	RULES OF INTERPRETATION.....	8
III.	PLAN OVERVIEW.....	8
IV.	PROVISIONS FOR THE PAYMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS.....	9
	A. General Administrative Claims.....	9
	B. DIP Advance Claims.....	9
	C. Estate Professional Fee Claims.....	9
	D. Priority Tax Claims.....	10
V.	CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.....	10
	A. Class 1 (Bank Group's Secured Claims Under the Credit Facility).....	10
	B. Class 2 (Other Priority Claims).....	11
	C. Class 3 (General Unsecured Claims).....	11
	D. Class 4 (Subordinated Claims).....	11
	E. Class 5 (Interests In The Debtors).....	12
VI.	EXECUTORY CONTRACTS AND UNEXPIRED LEASES.....	12
	A. Rejection of Executory Contracts and Unexpired Leases.....	12
	B. Bar Date for Rejection Damage Claims.....	12
VII.	MEANS FOR IMPLEMENTING THE PLAN.....	12
	A. Substantive Consolidation and Continuation Of The Estates.....	12
	B. Plan Implementation Loan.....	13
	C. Creditors' Committee Loan.....	13
	D. Avoidance Actions and Claims Objections.....	13
	1. Claim Objection Deadline.....	14
	E. Other Rights Of Action.....	14
	F. The Creditors' Fund.....	15
	G. Employment And Compensation Of Creditors' Committee Counsel.....	16
	H. The Continuing Estate Representative And Related Costs.....	17
	I. Distribution Procedures.....	17
	1. Manner Of Cash Payments.....	17
	2. No <i>De Minimis</i> Distributions.....	17
	3. No Distributions With Respect to Disputed Claims.....	17
	4. Undeliverable or Unclaimed Distributions.....	17
	5. Distributions Relating to Allowed Claims Covered By Insurance.....	18
VIII.	SETTLEMENT AND COMPROMISE; BANK GROUP RELEASE.....	18
IX.	OTHER PLAN PROVISIONS.....	19
	A. The Effective Date.....	19

B.	Cancellation Of Stock and Securities.....	19
C.	Termination of Officers and Directors/Dissolution of The Debtors.....	20
D.	Dissolution of the Creditors' Committee.....	20
E.	Dissolution Of the Continuing Estate/Case Closure.....	20
F.	Corporate Books and Records.....	20
G.	Corporate Action and Effectuating Documents.....	21
H.	Post-Effective-Date Effect of Evidences of Claims or Interests.....	21
I.	Effect of Confirmation/Nondischarge of the Debtors.....	21
J.	Venue For Any Action Against Debtors, Creditors' Committee, Continuing Estate Or Continuing Estate Representative.....	21
K.	Reports and Tax Returns Relating To The Continuing Estate.....	21
L.	Binding Effect.....	21
M.	Exemption From Transfer Taxes.....	22
N.	Limitation of Liability.....	22
O.	No Admissions.....	22
P.	Revocation of the Plan.....	22
Q.	Severability of Plan Provisions.....	22
R.	Governing Law.....	22
S.	Retention of Jurisdiction.....	23
T.	Successors and Assigns.....	24
U.	Saturday, Sunday, or Legal Holiday.....	24
X.	CONFIRMATION.....	24
A.	Plan Modification.....	24
B.	Nonconsensual Confirmation.....	24

I. DEFINITIONS

The following terms (which appear in this Plan as capitalized terms), when used in this Plan, have the meanings set forth below:

"Administrative Claim" means a Claim for administrative costs or expenses that are allowable under Bankruptcy Code section 503(b). These costs or expenses are categorized herein as either General Administrative Claims or Estate Professional Fee Claims.

"Allowed [] Claim or Allowed [] Interest" means a Claim or Interest, other than an Administrative Claim, to the extent that:

Either: (1) a proof of Claim or proof of Interest was timely filed; or (2) a proof of Claim or proof of Interest is deemed timely filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and

Either: (1) the Claim or Interest is not a Disputed Claim or a Disputed Interest; or (2) the Claim or Interest is allowed either by a Final Order or under the Plan.

Unless otherwise specified in the Plan, an Allowed Claim does not include interest on the Claim accruing after the Petition Date. Moreover, any portion of a Claim that is satisfied or released during this Liquidation Case is not an Allowed Claim.

"Allowed Estate Professional Fee Claim" means an Estate Professional Fee Claim that has been allowed pursuant to a Final Order of the Court.

"Allowed General Administrative Claim" means a General Administrative Claim that has been allowed pursuant to a Final Order of the Court.

"Avoidance Action" means any claims, causes of action or rights under Bankruptcy Code sections 544, 547, 548, 549, 550, 551, and 553; all fraudulent-conveyance and fraudulent-transfer laws; all non-bankruptcy laws vesting in creditors rights to avoid, rescind, or recover on account of transfers; all preference laws; the Uniform Fraudulent Transfer Act; and California Civil Code sections 3440 and 3439 *et seq* and the proceeds thereof. Avoidance Actions do not include any claims, rights, or causes of action—including any claims, rights, or causes of action against the Bank Group—that have been released under Section VIII.

"Bank Group" means, collectively, the following entities and their successors or assigns: Bank of America, N.A. and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company).

"Bank Group Collateral" means all of the property of the Estates except (i) any and all Avoidance Actions, (ii) any and all interest in or proceeds from the sale of the Cable Interests or the Japan/U.S. Interest, and (iii) the Corporate Books and Records.

"Bank Group Unsecured Claims" means the Unsecured Claims of the Bank Group arising from the Prepetition Credit Agreement.

"Bank Group Secured Claims" means the Secured Claims of the Bank Group arising from the Prepetition Credit Agreement.

"Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101-1330.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure.

"Business Day" means a day that is not a Saturday, Sunday, or legal holiday.

"Cable Interests" means any and all of the Debtors' and/or PGEX Bermuda's rights and interests in respect of the telecommunications cable systems referred to by the following abbreviations and/or

names: AMER-I, AMER-II, ANT-I, APC, APCN, Atlantic Crossing, CANTAT-3, CANTV, CANUS-1, COL-2, COL-3, DK-RU1, FLAG, GEMINI (US-UK), GUAM-PHL, HAW-5, JASOURUS, ODIN, PAN-AM, PRE, PRW, RIOJA, RJK, S CROSS, SMW-3, SF-S4, SF-S5, TAINO CARIB, TAT-10, TAT-11, TAT-12/13, TIE Cable TPC-4, TPC-5, TVH, UK-GER 6, UK-NL14, sometimes referred to as the "Thin Fiber Cables". The Cable Interests do not include any rights of the Debtors in the TASMAN 2 telecommunications cable system.

"Case Closure Date" means the date on which a final decree closing the Liquidation Case is entered, which date shall continue to constitute the Case Closure Date irrespective of whether an amended final decree is entered following the reopening of the Liquidation for any reason; provided, however, that if the Court determines that entry of the first final decree was in error, the Case Closure Date shall be the date on which the Court thereafter enters a final decree or the Court otherwise determines to be the Case Closure Date for purposes of this Plan.

"Claim" means a claim—as the term "claim" is defined in Bankruptcy Code section 101(5)—against any of the Debtors.

"Claim Objection" means any right to object to, obtain the disallowance of, or obtain the subordination of a Claim pursuant to the Bankruptcy Code or applicable law.

"Class" means a group of Claims or Interests as classified in Section V.

"Conflicted Avoidance Actions" means any and all Avoidance Actions with respect to which the Creditors' Committee has advised the Debtors, the Continuing Estate, the Continuing Estate Representative, and/or the Bank Group that the Creditors' Committee has a conflict of interest that precludes it from investigating and/or prosecuting such Avoidance Action.

"Confirmation Date" means the date on which the Court enters the Confirmation Order on its docket.

"Confirmation Hearing" means the hearing regarding Plan confirmation.

"Confirmation Hearing Date" means the first date on which the Court holds the Confirmation Hearing.

"Confirmation Order" means the Court order confirming this Plan under Bankruptcy Code section 1129.

"Continuing Estate" means the single estate created by the consolidation of the Estates pursuant to this Plan, on and after the Effective Date.

"Continuing Estate Representative" means David M. Davis, the individual previously designated to represent the Estates in the Liquidation Case. If for any reason Mr. Davis resigns, dies, becomes incapacitated or the Bank Group and the Creditors' Committee mutually agree to terminate his services as Continuing Estate Representative, the Continuing Estate Representative shall be such individual as the Bank Group and the Creditors' Committee mutually agree to fill such position.

"Corporate Books and Records" means all of the documents and files of the Debtors, whether in hard-copy or electronic form.

"Court" means the United States Bankruptcy Court for the Northern District of California or any other court that exercises jurisdiction over this Liquidation Case.

"Creditors' Committee" means the Official Committee of Unsecured Creditors that was appointed in the Liquidation Case by the United States Trustee.

"Creditors' Committee Loan" means certain funds provided by the Bank Group, as further defined and subject to the terms of Section VII.C of the Plan.

"Creditors' Fund" means the bank account established by the Creditors' Committee for the purposes that are described for such Creditors' Fund in this Plan.

"DIP Advance Claim" means any and all claims of the Bank Group on account of advances made to the Debtors during the pendency of the Liquidation Case pursuant to the DIP Agreement and DIP Orders.

"DIP Agreement" means the Debtor-in-Possession Credit Agreement Dated as of December 29, 2000, as amended, by and among PGEX, as Borrower, , Bank of America, N.A., as administrative agent, and the lenders from time to time signatory thereto, as it has been amended and/or extended from time to time.

"DIP Facility" means the credit facility provided to the Debtors by the Bank Group pursuant to the DIP Agreement and the DIP Order.

"DIP Guaranty" means the Domestic Unlimited Guaranty, Dated as of December 29, 2000, by and among PGEX, IECOM, Onyx, Pacific Gateway Exchange (Japan), Inc., Bank of America, N.A., as administrative agent, and the Guaranteed Parties (as defined in the DIP Guaranty).

"DIP Orders" means the "Interim Order Granting Motion For Interim And Final Order Authorizing Debtor In Possession Credit Agreement, Granting Super Administrative Priority Expense Claim Status, And Scheduling A Final Hearing by Pacific Gateway Exchange, Inc." entered on or about January 9, 2001, the "Final Order (a) Authorizing Post Petition Financing And (b) Granting Super Priority Administrative Expense Claim Status" entered on or about February 7, 2001, and the "Stipulation Modifying Debtor In Possession Financing and Order Thereon," which was approved and entered on or about June 15, 2001.

"Disclosure Statement" refers to the "Disclosure Statement Describing Joint Chapter 11 Plan of Liquidation Dated July 31, 2002," as it may be amended.

"Disputed Claim or Interest" means a Claim or Interest:

- (a) As to which a proof of Claim is filed or is deemed filed under Bankruptcy Rule 3003(b)(1) or a proof of Interest was filed or deemed filed under Bankruptcy Rule 3003(b)(2); and
- (b) As to which an objection: (1) has been timely filed; and (2) has neither been overruled nor been denied by a Final Order and has not been withdrawn.

"Effective Date" has the meaning set forth in Section IX.A.

"Estates" means the estates of the Debtors created in this Liquidation Case under Bankruptcy Code section 541.

"Estate Professional" means a professional employed by the Estates in the Liquidation Case, pursuant to an order of the Court.

"Estate Professional Fee Claim" means a Claim under Bankruptcy Code sections 327, 328, 330, 331, 503, or 1103 for compensation for professional services rendered or expenses incurred on behalf of the Estates by an Estate Professional during the Postpetition Period, approved by the Court pursuant to a final application, but excludes any Claim under either Bankruptcy Code section 503(b)(4) for compensation for professional services rendered or Bankruptcy Code section 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estate.

"Fee Procedures Order" means the "Order Establishing Interim Fee Application And Expense Reimbursement Procedure" entered on April 19, 2001.

"Final Order" means an order or judgment of the Court entered on the Court's official docket:

- (a) That has not been reversed, rescinded, stayed, modified, or amended;

- (b) That is in full force and effect; and
- (c) With respect to which: (1) the time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is pending; or (2) any such an appeal or petition has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of certiorari* was sought.

"General Administrative Claim" means a Claim for administrative costs or expenses that are allowable under Bankruptcy Code section 503(b) that is neither an Estate Professional Fee Claim nor a DIP Advance Claim. General Administrative Claim includes a Claim either under Bankruptcy Code section 503(b)(4) for compensation for professional services rendered or under Bankruptcy Code section 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estates.

"General Unsecured Claim" means an Unsecured Claim, other than a Bank Group Unsecured Claim.

"GTI" means Global Time, Inc., a Delaware corporation.

"Insider" means an insider, as the term "insider" is defined in Bankruptcy Code section 101(31), of the Debtors.

"Interest" has the meaning of the term "equity security", as defined in Bankruptcy Code section 101(16).

"IECom" means International Exchange Communications, Inc., a Delaware corporation.

"Japan/U.S. Interest" means the rights and interests of PGEX and/or PGEX Bermuda in one "STM-1" on the Japan-U.S. cable system.

"Liquidation Case" means the jointly administered voluntary bankruptcy cases of the Debtors that are pending in the Court under chapter 11 of the Bankruptcy Code.

"Liquidation Proceeds" has the meaning ascribed to that term in Section VII.F of the Plan.

"Luce Forward" means Luce, Forward, Hamilton and Scripps LLP, counsel to the Creditors' Committee.

"Luce Acknowledgement" means Luce Forward's acknowledgement and agreement pursuant to the Plan, that any portion of its Allowed Estate Professional Fee Claim that exceeds the amount of funds available in the Professional Fee Reserve on account of such Claim will be paid only from the Creditors' Fund and only in accordance with Section IV.C of the Plan.

"Onyx" means Onyx Networks, Inc., a Delaware corporation.

"Petition Date" means: (i) with respect to PGEX, December 29, 2000; (ii) with respect to Onyx, GTI, WPI, and WLI, January 3, 2001; and (iii) with respect to IECom, January 4, 2001.

"PGEX" means Pacific Gateway Exchange, Inc., a Delaware corporation.

"PGEX Bermuda" means Pacific Gateway Exchange (Bermuda) Limited, a Bermuda corporation.

"Plan" means this "Joint Chapter 11 Plan Of Liquidation Dated July 31, 2002," as it may be amended.

"Plan Implementation Loan" means certain funds provided by the Bank Group to facilitate implementation of the Plan, as further defined and subject to the terms of Section VII.B of the Plan.

"Postpetition Period" means the period beginning on the Petition Date and ending on the Effective Date.

"Prepetition Credit Agreement" means that certain Second Amended and Restated Credit Agreement dated as of May 31, 2001, among PGEX and PGEX Bermuda as Borrowers, the Lenders (as defined in the Prepetition Credit Agreement), Banc of America Securities LLC, as joint lead arranger and joint book manager, Deutsche Bank Securities, as joint lead arranger, joint book manager and syndication agent, and Bank of America, N.A. as Administrative Agent, as amended from time to time.

"Priority Claim" means a Claim entitled to priority against the Estates under Bankruptcy Code section 507(a)(3), 507(a)(4), or 507(a)(6).

"Priority Tax Claim" means a Claim entitled to priority against the Estates under Bankruptcy Code section 507(a)(8).

"Professional Fee Reserves" means the funds drawn on the DIP Facility and deposited by the Debtors into one or more bank accounts and earmarked for the satisfaction of certain Estate Professional Fee Claims pursuant to the Fee Procedures Order and the various budgets governing the DIP Facility.

"Proponents" means the proponents of the Plan: the Debtors, the Creditors' Committee and the Bank Group.

"Pro Rata" means proportionately so that the ratio of (a) the amount of consideration distributed on account of an Allowed Claim to (b) the amount of the Allowed Claim is the same as the ratio of (a) the amount of consideration available for distribution on account of all Allowed Claims in the Class in which that Allowed Claim is included to (b) the amount of all Allowed Claims in that Class.

"Required Priority Distributions" means all Allowed General Administrative Claims, Allowed Priority Tax Claims, and other Allowed Priority Claims in the Liquidation Case.

"Rights Of Action" means all claims, rights, causes of action, counterclaims, defenses, setoffs, and recoupments of the Debtors and the Estates, arising in law or equity, excluding the Avoidance Actions and Claims Objections.

"Secured Claim" means a Claim that is secured by a valid and unavoidable lien against property in which the Estate has an interest or that is subject to setoff under Bankruptcy Code section 553. A Claim is a Secured Claim only to the extent of the value of the claimholder's interest in the collateral securing the Claim or to the extent of the amount subject to setoff, whichever is applicable, and as determined under Bankruptcy Code section 506(a).

"Special Notice Order" means the "Order Limiting Notice and Establishing Notice Procedures [etc]" entered on or about January 9, 2001 in the Liquidating Case.

"Special Notice Parties" means the parties entitled to notice of a matter pursuant to the Special Notice Order.

"Subordinated Claim" means any Claim (i) for any fine, penalty, collection fee, or forfeiture, or for multiple, exemplary, or punitive damages to the extent that such fine, penalty, forfeiture, or damages are not compensation for actual pecuniary loss suffered by the holder of such Claim, (ii) arising from rescission of a purchase or sale of a security of the Debtors or of an affiliate of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under Bankruptcy Code section 502 on account of such a Claim, or (iii) that, pursuant to an order of the Court or the agreement of the holders thereof, is subordinated for purposes of distributions to the holders of Allowed Unsecured Claims.

"Unsecured Claim" means a Claim that is not an Administrative Claim, a Priority Tax Claim, a Priority Claim, or a Secured Claim.

"U.S. Trustee" means the Office of the United States Trustee.

"WLI" means WorldLink, Inc., a Delaware corporation.

"WPI" means World Pathways, Inc., a Delaware corporation.

II. RULES OF INTERPRETATION

1. The rules of construction in Bankruptcy Code section 102 apply to this Plan.
2. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) applies when computing any time period under the Plan.
3. A term that is used in this Plan and that is not defined in this Plan has the meaning attributed to that term, if any, in the Bankruptcy Code or the Bankruptcy Rules.
4. The definition given to any term or provision in the Plan supercedes and controls any different meaning that may be given to that term or provision in the Disclosure Statement.
5. Whenever it is appropriate from the context, each term, whether stated in the singular or the plural, includes both the singular and the plural.
6. Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms. No material change to the form or terms may be made after the Confirmation Date without the consent of any party materially affected.
7. Any reference to an existing document means the document as it has been, or may be, amended or supplemented.
8. Unless otherwise indicated, the phrase "under the Plan" and similar words or phrases refer to this Plan in its entirety rather than to only a portion of the Plan.
9. Unless otherwise specified, all references to Sections or Exhibits are references to this Plan's Sections or Exhibits.
10. Section captions and headings are used only as convenient references and do not affect this Plan's meaning.

III. PLAN OVERVIEW

The Plan's objective is to distribute the Debtors' assets in satisfaction of the Debtors' obligations in accordance with the various legal rights of the parties to which those obligations are owing. The Plan divides creditors and shareholders into Classes based upon their legal rights and interests and provides for the satisfaction of Claims from the Debtors' assets, if and where available. The Debtors' shareholders will not receive or retain anything on account of their Interests, until and unless all creditors' claims have been satisfied in full. The treatment of Claims and Interests under this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against the Debtors or their property. This treatment supercedes and replaces any agreements or rights those entities have in or against the Debtors or their property. All distributions under the Plan will be tendered to the entity holding the Allowed Claim. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS TO PARTICIPATE IN DISTRIBUTIONS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.**

IV.
**PROVISIONS FOR THE PAYMENT OF ADMINISTRATIVE
EXPENSES AND PRIORITY TAX CLAIMS**

A. General Administrative Claims.

On the Effective Date or as soon as is practicable thereafter, the holder of an Allowed General Administrative Claim shall receive on account of and in full satisfaction of the Allowed General Administrative Claim, cash equal to the amount of such Allowed General Administrative Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment; provided, however, that the Court shall fix a deadline for the filing of any request for the allowance of General Administrative Claims in the Liquidation Case and schedule a hearing thereon. Such deadline shall also apply to a Claim under either Bankruptcy Code section 503(b)(4) for compensation for professional services rendered or under Bankruptcy Code section 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estates. Only General Administrative Claims that are asserted in a timely-filed request pursuant to Bankruptcy Code section 503(b) and the above-referenced deadline, and allowed pursuant to a Final Order of the Court following notice and a hearing, shall be entitled to a distribution pursuant to the Plan. As set forth in Section IX.A of the Plan, it is a condition to the occurrence of the Effective Date, unless the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased accordingly and the Bank Group in its sole discretion agrees to make such an increased loan, that (i) the amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims shall not exceed \$200,000 in the aggregate, or (ii) enough of the holders of such claims shall have agreed in writing to voluntarily reduce the amount of their Claims and accepted treatment less favorable than payment in full so that the total amount payable on account of such Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims does not exceed \$200,000 in the aggregate.

B. DIP Advance Claims.

Pursuant to the compromise embodied in the Plan, the Bank Group will receive on account of the DIP Advance Claims, the Secured Claims of the Bank Group, and the Unsecured Claims of the Bank Group the consideration set forth in Section V.A of the Plan. The Bank Group has agreed pursuant to the compromise embodied in the Plan to accept such treatment.

C. Estate Professional Fee Claims.

All Estate Professionals that request final allowance and/or payment of an Estate Professional Claim with respect to services performed and costs incurred before the Effective Date, shall file with the Court and serve on counsel for the Debtors, counsel for the Creditors' Committee, counsel for the Bank Group, and the Office of the United States Trustee ("Principal Parties"), an application for final allowance and/or payment of such compensation and/or reimbursement of expenses no later than 30 days after the Effective Date. The Court shall calendar a hearing on the applications approximately 30 days thereafter and Debtors' counsel shall give notice of the hearing, including a summary of the requests therein, to the Principal Parties and the Special Notice Parties. Upon the entry of an Order allowing an Estate Professional Fee Claim, the Continuing Estate Representative shall promptly disburse from the Professional Fee Reserve the unpaid balance of such Allowed Estate Professional Fee Claim, but only to the extent that funds are available in the Professional Fee Reserve, pursuant to the Fee Procedures Order and the various budgets governing the DIP Facility.

Upon the final allowance and payment of all timely filed applications for allowance and payment of Estate Professional Fee Claims, any balance in the Professional Fee Reserve shall be remitted by the Continuing Estate Representative to the Bank Group.

Luce Forward has given the Luce Acknowledgement, pursuant to which Luce Forward has acknowledged and agreed that any portion of its Allowed Estate Professional Fee Claim that exceeds the amount of funds on deposit in the Professional Fee Reserve on its behalf shall be payable only from the Creditors' Fund and only in accordance with Section VII.F of the Plan.

D. Priority Tax Claims.

On the Effective Date, or as soon as practicable thereafter, the holder of an Allowed Priority Tax Claim shall receive on account of and in full satisfaction of the Allowed Priority Tax Claim, cash equal to the amount of such Allowed Priority Tax Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment. As set forth in Section IX.A of the Plan, it is a condition to the occurrence of the Effective Date, unless the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased accordingly and the Bank Group in its sole discretion agrees to make such an increased loan, that (i) the amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims shall not exceed \$200,000 in the aggregate, or (ii) enough of the holders of such claims shall have voluntarily reduced the amount of their Claims and accepted treatment less favorable than payment in full so that the total amount payable on account of such Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims does not exceed \$200,000 in the aggregate.

- V.

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

This Section classifies and sets forth the treatment of Claims and Interests (other than Administrative Claims and Priority Tax Claims) for all purposes, including voting, confirmation, and distribution under the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests created under this Plan. The only Claims that are treated as Allowed Secured Claims in the Liquidation Case are those of the Bank Group, the Debtors' senior prepetition lenders. All other purportedly "secured claims" are fully undersecured and therefore constitute unsecured claims, to the extent they constitute Allowed Claims, pursuant to Bankruptcy Code section 506(a).

CLASS	DESCRIPTION	IMPAIRED/UNIMPAIRED	VOTING STATUS
Class 1	Bank Group Secured Claims	Impaired	Voting
Class 2	Other Priority Claims	Unimpaired	Deemed to Accept
Class 3	General Unsecured Claims	Impaired	Voting
Class 4	Subordinated Claims	Impaired	Deemed To Reject
Class 5	Interests In The Debtors	Impaired	Deemed To Reject

A. Class 1 (Bank Group's Secured Claims Under the Credit Facility)

Classification: Class 1 consists of the Bank Group Secured Claims. Class 1 is impaired. The holders of Allowed Class 1 Claims are entitled to vote on the Plan.

Treatment: Pursuant to the compromise embodied in the Plan, the Bank Group shall receive on account of and in full satisfaction of its Secured Claims, as well as its DIP Advance Claims and Bank Group Unsecured Claims, the treatment set forth in this Paragraph. **First**, upon the occurrence of the Effective Date, the Bank Group, through the Continuing Estate Representative, shall have the sole and exclusive right to pursue, settle, liquidate, transfer, remit, abandon or otherwise dispose of any and all property comprising the Bank Group Collateral free and clear of claims, liens and encumbrances, and without further order of the Court. Any and all proceeds previously or hereinafter realized by the Bank Group from the Bank Group Collateral shall be the sole and exclusive property of the Bank Group. Without limiting the preceding, and without intending to limit the Bank Group's entitlements under the DIP Agreement, the DIP Guaranty, and the DIP Orders, the Bank Group shall be entitled to retain all payments made to the Bank Group by the Debtors pursuant to the DIP Agreement, the DIP Guaranty and

DIP Orders, on account of the proceeds of the Bank Collateral or as otherwise provided therein. Second, the Bank Group shall be entitled to distributions from the Creditors' Fund that are specified in Section VII.F of the Plan. Third, the Bank Group shall receive the acknowledgement and release set forth in Section VIII of the Plan.

Pursuant to the compromise embodied in the Plan, in exchange for all of the foregoing, and subject to the terms and conditions set forth in the Plan, the Bank Group has agreed, by its execution and co-sponsorship of this Plan and its acceptance of the foregoing treatment and conditioned on the occurrence of the Effective Date, (i) to provide the Plan Implementation Loan and Creditors' Committee Loan, which shall be repaid from the Creditors' Fund in accordance with Section VII.F of the Plan; (ii) that upon the Effective Date, the Continuing Estate Representative is authorized and directed to cause PGEX and PGEX Bermuda (a) to transfer any and all proceeds from a sale of any interest of PGEX or PGEX Bermuda in the Japan/U.S. Interest to the Creditor's Fund, if the Japan/U.S. Interest has been sold prior to the Effective Date; or (b) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Japan/U.S. Interest to the Continuing Estate, to cause and direct the Continuing Estate to sell the Japan/U.S. Interest, and to assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund; and (iii) to cause PGEX and PGEX Bermuda (a) to transfer any and all proceeds from any sale of the Cable Interests to the Creditor's Fund, if any of the Cable Interests have been sold prior to the Effective Date; or (b) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Cable Interests to the Continuing Estate to sell the Cable Interests, and to assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund.

B. Class 2 (Other Priority Claims)

Classification: Class 2 consists of Priority Claims (which group of claims excludes Priority Tax Claims). Class 2 is not impaired and is deemed to accept the Plan.

Treatment: On the Effective Date, each holder of an Allowed Priority Claim shall be paid cash equal to the amount of such Allowed Priority Claim (without interest or penalty of any kind), unless the holder agrees to a different treatment.

C. Class 3 (General Unsecured Claims)

Classification: Class 3 consists of General Unsecured Claims. Class 3 is impaired. The holders of Allowed Class 3 Claims are entitled to vote on the Plan.

Treatment: As of the Effective Date, the holders of Allowed Class 3 Claims shall be entitled to a Pro Rata share of any funds that become available for distribution to the holders of such Allowed Class 3 Claims pursuant to Section VII.F of the Plan. In the event that the amount of all Allowed Class 3 claims as of the Petition Date are paid in full, the holders of Allowed Class 3 Claims also shall receive Pro Rata distributions from any remaining funds, sufficient to pay interest on their respective Allowed Class 3 Claims, calculated at the federal judgment rate specified in 28 U.S.C. § 1961(a), from the Petition Date through the date of payment.

D. Class 4 (Subordinated Claims)

Classification: Class 4 consists of any and all Subordinated Claims. Class 4 is impaired and deemed to reject the Plan. The Debtors need not solicit votes of Class 4 Claimants.

Treatment: Allowed Class 4 Claims will neither receive nor retain any interest or property under the Plan, until and unless all Allowed Class 1-3 Claims have been paid in full (including interest arising after the Petition Date), in which event Class 4 Claims will receive any remaining funds of the Continuing Estate until all Allowed Class 4 Claims as of the Petition Date have been paid in full. In the event that all Allowed Class 4 claims are paid in full, the holders of Allowed Class 4 Claims also shall receive Pro Rata distributions of any remaining funds, sufficient to pay interest on their respective Allowed Class 4 Claims,

calculated at the federal judgment rate specified in 28 U.S.C. § 1961(a), from the Petition Date through the date of payment.

E. Class 5 (Interests In The Debtors)

Classification: Class 5 consists of all Interests in the Debtors. Class 5 is impaired and deemed to reject the Plan. The Debtors need not solicit votes of Class 5 Interest holders.

Treatment: Allowed Class 5 Interests will receive and retain no value under the Plan, until and unless all Allowed Class 1-4 Claims have been paid in full (including interest arising after the Petition Date), in which event Class 5 Interests will receive any remaining funds of the Continuing Estate. Allowed Class 5 Interests will be cancelled on the Case Closure Date, without payment of any other consideration.

**VI.
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

A. Rejection of Executory Contracts and Unexpired Leases.

As of the Effective Date, the Debtors hereby reject any and all agreements that they executed before the Petition Date, except for (i) that certain Management Services Agreement by and between IECOM and Matrix Telecom, Inc. ("Matrix"), and (ii) any agreements that were previously assumed or rejected either by a Final Order or under Bankruptcy Code section 365, to the extent that such agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365. The Confirmation Order will constitute a Court order approving and effectuating such rejections. Nothing herein is an admission that any contract or lease of the Debtors is executory or unexpired, or that the Debtors have any liability under any such agreement.

B. Bar Date for Rejection Damage Claims.

Any Claim arising from rejection under the Plan of an executory contract or unexpired lease ("Rejection Damage Claim") must be filed with the Court (or its authorized Claims agent) and served on the counsel for the Creditors' Committee, counsel for the Bank Group, and the Continuing Estate Representative within 30 days after the Effective Date. Any Rejection Damage Claim that is not timely filed and served will be forever barred and unenforceable against the Debtors, their Estates, and their property, and any entity asserting such a Claim will be barred from receiving any distributions under the Plan on account of its Rejection Damage Claim.

**VII.
MEANS FOR IMPLEMENTING THE PLAN**

A. Substantive Consolidation and Continuation Of The Estates.

On the Effective Date, the Estates shall be substantively consolidated pursuant to Bankruptcy Code section 105(a). As a result of the substantive consolidation, on the Effective Date, all property, rights and claims of the Debtors and their Estates and all Claims against the consolidated Debtors and their Estates shall be deemed to be pooled for purposes of allowance, treatment and distributions under the Plan. Further, as a result of this substantive consolidation, all claims between and among the Debtors and their Estates shall be cancelled. Holders of Allowed Claims shall be entitled to only one satisfaction on account of such Claims, and any contingent or otherwise duplicative Claims against one or more Debtors based upon claims for which one or more of the Debtors are also liable shall be disallowed. The substantively consolidated Estates will continue in existence after the Effective Date as the Continuing Estate. The Continuing Estate will hold title to all of the assets of the Estates, as well as any property acquired after the Effective Date that otherwise would become property of the Estates under Bankruptcy Code section 541. The Continuing Estate will hold such assets for the benefit of the entities that are entitled under the Plan to receive that property or the net proceeds of that property. The Continuing Estate shall not be authorized to operate any business, but shall have the rights, powers, and duties conferred upon the Continuing Estate by this Plan.

B. Plan Implementation Loan.

The funds necessary to make Required Priority Distributions under the Plan will be provided by the Bank Group pursuant to the Plan Implementation Loan, which shall be up to \$200,000, or such greater amount as the Bank Group subsequently may agree in its sole discretion, subject to the consent of the Creditors' Committee. On the Effective Date, or as soon thereafter as is practicable, the Bank Group shall disburse to the Continuing Estate Representative the funds comprising the Plan Implementation Loan. The Continuing Estate Representative shall use such funds to make the Required Priority Distributions promptly upon receipt of those funds from the Bank Group. The Plan Implementation Loan shall be repaid to the Bank Group from the Liquidation Proceeds, pursuant to Section VII.F of the Plan. In the event that the total amount of Required Priority Distributions is less than \$200,000 (or such other amount to which the Bank Group and the Creditors' Committee may agree), the amount of the Plan Implementation Loan will be reduced accordingly and any overpayment of Plan Implementation Loan funds returned to the Bank Group by the Continuing Estate Representative.

C. Creditors' Committee Loan.

On the Effective Date, or as soon as practicable thereafter, the Bank Group shall disburse the funds comprising the Creditors' Committee Loan to the Creditors' Fund. The Creditors' Committee Loan shall equal \$150,000; provided, however, that in the event that a cash recovery on one or more Avoidance Actions has been realized prior to the Effective Date, the amount of the Creditors' Committee Loan will be reduced by the amount of such recovery, less the contingency fees earned and expenses incurred in obtaining such recovery pursuant to Section VII.G. The Creditors' Committee shall use the funds comprising the Creditors' Committee Loan and any cash recoveries on Avoidance Actions realized prior to the Effective Date (less the contingency fees earned and expenses incurred in obtaining such recovery pursuant to Section VII.G) to satisfy some or all of the unpaid Allowed Estate Professional Fee Claim held by the Creditors' Committee's counsel. The Creditors' Committee Loan shall be repaid to the Bank Group from the Liquidation Proceeds, pursuant to Section VII.F of the Plan.

D. Avoidance Actions and Claims Objections.

On and after the Effective Date, the Continuing Estate shall retain, hold, and be vested with the right to enforce, and the standing to enforce, against any entity all Avoidance Actions (other than a Conflicted Avoidance Action) and Claims Objections of the Debtors and the Estates; provided, however, that the enforcement of such Avoidance Actions and Claims Objections shall be subject to all defenses and setoffs that could have been asserted against the Debtors or the Estates with respect thereto. On and after the Effective Date, the Creditors' Committee shall be the agent and representative of the Continuing Estate with respect to the Avoidance Actions (other than a Conflicted Avoidance Action) and prosecuting any Claims Objections; provided, however, that the costs of investigating, litigating, settling, collecting, recovering or otherwise pursuing the Avoidance Actions and Claims Objections shall be borne by the Creditors' Fund. The Creditors' Committee shall have full power, authority, and standing to prosecute, settle, adjust, retain, enforce, or abandon any Avoidance Action (other than a Conflicted Avoidance Action) or Claim Objection in the reasonable exercise of its discretion, without supervision of or approval of the Court or the United States Trustee, provided, however, that the compromise of any Avoidance Action with respect to which the Continuing Estates' claim is \$500,000 or more shall be subject to the approval of the Court after no less than 20 days' notice and an opportunity for hearing have been provided to the Special Notice Parties and the Bank Group. The Creditors' Committee shall not have the right to pursue any claims, rights, or causes of action that have been released under this Plan, including those against the Bank Group.

Notwithstanding any other provision of the Plan, nothing in the Plan shall obligate the Creditors' Committee to investigate or expend funds to investigate any Claims Objections if the cost of investigating such Claims Objections is reasonably likely to exceed the aggregate amount available for distribution to the holders of Allowed Claims pursuant to the Plan.

1. Claim Objection Deadline.

Except as otherwise provided in Section IV with respect to the procedures regarding Administrative Claims, objections to any Claim must be filed, and must be served upon the entity holding the Claim, on or before the later of: (a) December 31, 2004; or (b) six months after the date on which the particular proof of claim or interest was filed, unless the Court orders otherwise pursuant to motion by the Creditors' Committee, following notice to the Bank Group and the Special Notice Parties, and an opportunity for a hearing.

E. Other Rights Of Action.

On and after the Effective Date, the Continuing Estate shall retain, hold, and be vested with the right to enforce, and the standing to enforce, against any entity all Rights of Action of the Debtors and the Estates against any party; provided, however, that the enforcement of such Rights Of Action shall be subject to all defenses and setoffs that could have been asserted against the Debtors or the Estates with respect thereto. On and after the Effective Date, the Continuing Estate Representative shall be the agent and representative of the Continuing Estate for purposes of liquidating any of the Rights Of Action, for the benefit, pursuant to the directives, and at the expense of the Bank Group. Subject to the directives of the Bank Group, the Continuing Estate Representative shall have full power, authority, and standing to settle, adjust, retain, enforce, or abandon any Rights Of Action in the reasonable exercise of his discretion, without supervision of or approval of the Court or the United States Trustee. The proceeds of any Rights of Action shall be remitted by the Continuing Estate Representative to the Bank Group, pursuant to its instructions. The Continuing Estate Representative shall not have the right to pursue any claims, rights, or causes of action that have been released under this Plan, including those against the Bank Group.

On and after the Effective Date, the Continuing Estate Representative also shall be agent and representative of the Continuing Estate for purposes of liquidating any Conflicted Avoidance Action. On and after the Effective Date, the Continuing Estate shall retain, hold, and be vested with the right to enforce, and the standing to enforce, against any entity all Conflicted Avoidance Actions of the Debtors and the Estates against any party; provided, however, that the enforcement of such Conflicted Avoidance Actions shall be subject to all defenses and setoffs that could have been asserted against the Debtors or the Estates with respect thereto. On and after the Effective Date, the Continuing Estate Representative shall be the agent and representative of the Continuing Estate for purposes of liquidating any of the Conflicted Avoidance Actions. Subject to the directives of the Bank Group, the Continuing Estate Representative shall have full power, authority, and standing, to prosecute, settle, adjust, retain, enforce, or abandon any Conflicted Avoidance Action in the reasonable exercise of his discretion, without supervision of or approval of the Court or the United States Trustee; provided, however, that the compromise of any Conflicted Avoidance Action with respect to which the Continuing Estates' claim is \$500,000 or more shall be subject to the approval of the Court after no less than 20 days' notice and an opportunity for hearing have been provided to the Creditors' Committee, the Special Notice Parties and the Bank Group. The proceeds of any Conflicted Avoidance Action shall be remitted to the Creditors' Fund, after deduction for those amounts expended by the Continuing Estate, the Bank Group, and/or their respective professionals in obtaining those recoveries, not to exceed \$35,000.

On and after the Effective Date, the Continuing Estate Representative is authorized and directed to (a) cause PGEX and PGEX Bermuda to (i) transfer any and all proceeds from a sale of any interest of PGEX and PGEX Bermuda in the Japan/U.S. Interest to the Creditor's Fund, if the Japan/U.S. Interest has been sold prior to the Effective Date; or (ii) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Japan/U.S. Interest to the Continuing Estate, to cause and direct the Continuing Estate to sell the Japan/U.S. Interest, and to assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund, (b) to cause PGEX and PGEX Bermuda (i) to transfer any and all proceeds from any sale of the Cable Interests to the Creditor's Fund, if any of the Cable Interests have been sold prior to the Effective Date; or (ii) to cooperate with and allow the Creditors' Committee, at the expense of the Creditors' Fund, to cause and direct PGEX and PGEX Bermuda to transfer any interest either of them has in the Cable Interests to the Continuing Estate to sell the Cable Interests, and to assist the Creditors' Committee in depositing the proceeds of such sale into the Creditors' Fund, and (c)

otherwise to take all actions of behalf of the Debtors and the Continuing Estates, and their direct and indirect subsidiaries to liquidate their assets to distribute the proceeds to the parties according to their interests in such assets, including executing documents on behalf of the Continuing Estates, the Debtors, and their direct and indirect subsidiaries.

F. The Creditors' Fund.

On and after the Effective Date, all of the following shall be deposited into the Creditors' Fund: (i) all net amounts recovered, prior to or following the Effective Date, from or on account of Avoidance Actions prosecuted and/or settled by the Creditors' Committee pursuant to Section VII.D of the Plan, (ii) all net amounts received, prior to or following the Effective Date, from or on account of Conflicted Avoidance actions, pursuant to Section VII.E of the Plan, (iii) any and all proceeds that are realized from the Cable Interests, and (iv) any and all proceeds that are realized from the Japan/U.S. Interest; provided, however, that Luce Forward may deduct from any and all such amounts, prior to depositing such funds into the Creditors' Fund, all outstanding expenses incurred and contingency fees earned in connection with the prosecution of the Avoidance Actions pursuant to Section VII.G (collectively, subject to such deductions, the "Liquidation Proceeds"). Neither this provision nor any other provision of the Plan shall entitle the Creditors' Committee or any party that potentially is entitled to a distribution from the Creditors' Fund to any consideration on account of (i) Cable Interests from which no proceeds have been realized or (ii) the Japan/US Interest, if the Creditors' Committee is unable to sell the Japan/U.S. Interest. All Liquidation Proceeds deposited into the Creditors' Fund (or that are to be deposited into the Creditors' Fund) shall be disbursed pursuant to this Plan.

The Liquidation Proceeds deposited into Creditors' Fund shall be distributed by the Creditors' Committee in the following manner and priority:

1. First, the outstanding balance of the Plan Implementation Loan shall be repaid to the Bank Group.
2. Second, the first \$75,000 of the Creditors' Committee Loan shall be repaid to the Bank Group.
3. Third, the remaining \$75,000 of the Creditors' Committee Loan shall be repaid to the Bank Group, but only to the extent that the gross amount of the proceeds realized from Avoidance Actions exceeds \$1,000,000. Until and unless the gross amount of the proceeds realized from Avoidance Actions exceeds \$1,000,000, funds shall be distributed pursuant to the remaining priorities set forth in this section.
4. Fourth, the outstanding balance of any Allowed Estate Professional Fee Claim held by Luce Forward in connection with its representation of the Creditors' Committee during the pendency of the Liquidation Case ("Unpaid Committee Fees") shall be paid to Luce Forward.
5. Fifth, the payment of professional fees earned and the reimbursement of expenses incurred by counsel to the Creditors' Committee pursuant to Section VII.G of the Plan in connection with Claims Objections, and any other matter relating to administration of the Plan.
6. Sixth, the next \$5 million in proceeds shall be distributed to the holders of Allowed Class 3 Claims on a Pro Rata basis.
7. Seventh, any additional Proceeds in the following allocation: (1) 50% to the Bank Group, and (2) 50% to the holders of Allowed Class 3 Claims (to be shared on a Pro Rata basis among the holders of Allowed Class 3 Claims).

Any distribution to the holders of Allowed Class 3 Claims or to the Bank Group pursuant to VII.F will be made by the Creditors' Committee or its appointed agent, from funds on deposit in the Creditors' Fund. In the reasonable exercise of its discretion, the Creditors' Committee may make interim distributions to the holders of Allowed Class 3 Claims and the Bank Group, only if: (i) the Plan Implementation Loan and Creditors' Committee Loan have been repaid; (ii) the expenses of the Creditors' Committee and the Creditors' Fund as of that date have been paid and an appropriate reserve established

for anticipated expenses, (iii) where Unpaid Committee Fees have been paid, and (iv) where all anticipated objections to Class 3 Claims have been adjudicated, or sufficient reserves have been established to satisfy any Disputed Class 3 Claims in the event they are allowed, as determined by the Court.

Upon the determination by the Creditors' Committee that it has completed its investigation, litigation, and recovery of Avoidance Actions, and any Claims Objections that the Creditors' Committee determines to pursue and the realization of any other Liquidation Proceeds that it will be cost-effective to realize, the Creditors Committee shall, without the necessity of any Order of the Court either (i) make a final distribution pursuant to the Plan, or (ii) if the Creditors Committee determines in its reasonable discretion that the costs of effecting distributions to the holders of Allowed Class 3 Claims in accordance with this Plan (including the cost of any Claims Objections) would exceed the amount available for such distributions, the Creditors' Committee may distribute the remaining funds in the Creditors' Fund to one or more charitable organizations that are qualified under section 501(c)(3) of the Internal Revenue Code. Notwithstanding the preceding sentence, nothing herein shall prejudice the right of the Creditors' Committee to request a supplemental order of the Court approving any such disposition of funds if the Creditors' Committee elects to request such an order.

Pursuant to Bankruptcy Code sections 553 and 558 or applicable nonbankruptcy law, in its capacity as representative of the Continuing Estate, the Creditors' Committee may setoff or recoup against any Allowed Class 3 Claim, any and all of the Claims, rights, causes of action, counterclaims, defenses and objections that the Debtors, their Estates, or the Continuing Estate may hold against the holder of such Allowed Class 3 Unsecured Claim, before any distribution is made on account thereof. However, any failure to effect such setoff or recoupment, or the allowance of any Allowed General Unsecured Claim shall not constitute any waiver or release of any claim, right, cause of action, counterclaim, defense or objection, and full recovery of such claim, right, cause of action, counterclaim, defense or objection shall be allowed.

G. Employment And Compensation Of Creditors' Committee Counsel.

Luce Forward shall continue to serve at the pleasure of the Creditors' Committee as its counsel from and following the Effective Date. In connection with all services of Luce Forward relating to the Avoidance Actions (excluding the Conflicted Avoidance Actions), Luce Forward shall be entitled to (i) repayment of its related costs and expenses, and (ii) a contingency fee based upon the following scale:

- a. 33% of any recovery totaling under \$50,000 for all transactions avoided and recovered from a single party (net of expenses);
- b. 30% of any recovery totaling \$50,000 to \$100,000 for all transactions avoided and recovered from a single party (net of expenses); or
- c. 25% of any recovery totaling over \$100,000 for all transactions avoided and recovered from a single party (net of expenses).

Luce Forward shall receive its contingency fee and reimbursement of its reasonable and necessary expenses in connection with the Avoidance Actions that it successfully prosecutes and/or settles, before or after the Confirmation Date, upon receipt of the proceeds of such Avoidance Action and directly from such proceeds, without further order of the Court. The Allowed Estate Professional Fee Claim of Luce Forward shall not include hourly fees and filing fees incurred by Luce Forward in connection with the Avoidance Actions.

For services relating to Claims Objections and any other matters relating to the administration of the Plan, the sole and exclusive source of funds to satisfy any fees and expenses of Luce Forward and any other professional retained by the Creditors' Committee shall be the Creditors' Fund, and only in accordance with this Section VII.G and Section VII.F. No act of the Creditors' Committee, its professionals, or other agents shall impose upon the Continuing Estate, the Bank Group or the Bank Group Collateral any liability, including liability for the fees and expenses of the Creditors' Committee's professionals. Following the Effective Date, the Creditors' Committee may employ and compensate its

own professionals subject to Court approval of any professional not previously retained and Court approval of any fees and expenses of such professionals other than the payment of costs and contingent fees of Luce Forward related to the pursuit of Avoidance Actions paid out of the proceeds of such Avoidance Actions as set forth above.

H. The Continuing Estate Representative And Related Costs.

Subject to reaching mutually agreeable employment and compensation arrangements that provide for the prompt payment of an hourly fee and reimbursement of expenses, the Continuing Estate Representative, after the Effective Date: (i) will perform those duties requested by the Bank Group that relate to the Bank Group Collateral, at the expense of the Bank Group; (ii) will provide advice, guidance, and assistance to the Creditors' Committee in connection with its prosecution of the Avoidance Actions and Claims Objections, at the expense of the Creditors' Fund; and (iii) prepare or assist in the preparation of any necessary tax returns for the Continuing Estate, at the joint expense of both the Bank Group (50%) and the Creditors' Fund (50%). Further, any United States Trustee fees that may become due and owing following the Effective Date shall promptly be paid by both the Bank Group (50%) and the Creditors' Fund (50%). Any dispute as to the reasonableness of the fees and expenses billed to the Creditors' Committee and Creditors' Fund by the Continuing Estate Representative shall be adjudicated by the Court. Following the Effective Date, the Continuing Estate Representative may employ and compensate its own employees and professionals without further order of the Court, provided such employment and/or compensation does not conflict with any other provision of the Plan, and further provided that the Court shall retain jurisdiction to adjudicate any dispute arising in connection with such employment and compensation.

I. Distribution Procedures.

The following procedures set forth in this Section VII.D shall apply to distributions made pursuant to this Plan by the Continuing Estate Representative and the Creditors' Committee, and, where applicable, such agents as they may appoint to effectuate such distributions.

1. Manner Of Cash Payments.

Cash payments to domestic entities holding Allowed Claims will be tendered in U.S. Dollars and will be made by checks drawn on a domestic bank selected by the party making such distribution or, at its option, by wire transfer from a domestic bank.

2. No *De Minimis* Distributions.

Notwithstanding anything to the contrary in this Plan, no cash payment will be made by the Continuing Estate Representative or the Creditors' Committee to any entity holding an Allowed Claim requiring a payment of less than \$50. No consideration will be provided in lieu of the *de minimis* distributions that are not made pursuant to this paragraph.

3. No Distributions With Respect to Disputed Claims.

Notwithstanding any other Plan provisions, distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim becomes an Allowed Claim.

4. Undeliverable or Unclaimed Distributions.

Distributions by check to entities holding Allowed Claims will be made by mail as follows:

- (a) Distributions will be sent to the address, if any, set forth on a filed proof of Claim as amended by any written notice of address change Filed in the Liquidation Case or pleading filed in connection with the allowance of such Claim; or
- (b) If no such address is available, distributions will be sent to the address set forth on the Schedules.

If no address is available from the foregoing sources, the distribution will be deemed to be undeliverable.

If a distribution is returned as undeliverable or is deemed to be an undeliverable, the Continuing Estate Representative or the Creditors' Committee, as applicable, will make no further distribution to the entity holding the Claim on which the distribution is being made until and unless and until the Continuing Estate Representative or the Creditors' Committee is timely notified in writing of that entity's current address. Nothing in the Plan requires the Debtors, the Estates, the Continuing Estate, the Continuing Estate Representative or the Creditors' Committee to attempt to locate any entity holding an Allowed Claim that is undeliverable. A party entitled to the benefit of an undeliverable distribution will not be entitled to any interest on account of that distribution if it subsequently becomes deliverable.

Any entity that otherwise is entitled to an undeliverable distribution and that does not, within six months after the Effective Date, provide the Continuing Estate Representative or the Creditors' Committee with a written notice asserting its claim to or interest in that undeliverable distribution and setting forth a current, deliverable address, will be deemed to waive any claim to or interest in that undeliverable distribution and will be forever barred from receiving that undeliverable distribution or asserting any Claim against the Debtors, their Estates, the Continuing Estate, or the Creditors' Fund. Following such waiver with respect to a distribution to be made on Required Priority Distribution, the Continuing Estate Representative shall return such funds to the Bank Group and advise the Creditors' Committee in writing, whereupon the liability of the Creditors' Fund to repay the Plan Implementation Loan shall be reduced by the amount of those returned funds. Following such waiver with respect to a distribution to be made to the holder of an Allowed Class 3 Claim, the Creditors' Committee shall dispose of such funds in accordance with the Plan.

5. Distributions Relating to Allowed Claims Covered By Insurance.

If any Allowed Claim otherwise payable pursuant to the Plan is covered by an insurance policy held by any Debtor, the such Allowed Claim may be satisfied, in whole or in part, with the proceeds of that policy.

VIII. SETTLEMENT AND COMPROMISE; BANK GROUP RELEASE

In consideration for the Bank Group's co-sponsorship of the Plan, its acceptance of the treatment of its Allowed Claims pursuant to the Plan, and its contribution of good and valuable consideration that is necessary to the effective consummation of the Plan, and as full settlement and compromise of all claims by, between and through, on the one hand, the Bank Group, and on the other hand, the Debtors, the Estates, the Creditors' Committee, and the Continuing Estate, and any successors thereof, including any subsequently appointed chapter 7 trustee (the "Releasing Parties"), effective upon the Effective Date: (A) the Releasing Parties acknowledge that the Bank Group holds a validly perfected, first priority lien in all of the Bank Group Collateral, and (B) the Releasing Parties release and discharge individually and collectively, the Bank Group members and all of the present and former officers, directors, shareholders, affiliates, agents, consultants, employees and attorneys of the Bank Group and its members, in such capacities in connection with the Debtors or transactions with the Debtors (collectively, the "Released Parties"), from any and all manner of action, claims, causes of action, suits, proceeding, debts, accounts, accountings, demands liabilities, acts, omissions, and all other controversies of every type, kind, nature, description or character whatsoever (all of the foregoing being the "Released Claims"), whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, and whether based upon facts now known or unknown, direct or derivative, in law, equity or bankruptcy, arising at any time prior to the Effective Date, including (i) any claims or causes of action relating, directly or indirectly, to the Prepetition Credit Agreement or any documents or instruments executed in connection therewith, any transactions arising under or in connection therewith, or any other aspect of the lending relationship by and among the Debtors, their predecessors in interest, and each of their non-debtor subsidiaries and affiliates, and any of the Released Parties, (ii) any claims, liabilities or causes of action relating directly or indirectly to the DIP Agreement and the DIP Orders, or to any orders approving the sale, transfer, assignment or other disposition of any of the assets of the Debtors during the Liquidation Case; and (iii) any Avoidance

EXHIBIT A TO DISCLOSURE STATEMENT:
Joint Chapter 11 Plan of Liquidation

Actions that the Debtors, Estates, Creditors' Committee, the Continuing Estate, any subsequently appointed chapter 7 trustee, or any other party having standing could assert against any of the Released Parties derivatively, including, all claims or causes of action that arise under Chapter 5 of the Bankruptcy Code or any comparable provisions of nonbankruptcy law. Occurrence of the Effective Date, following entry of the Confirmation Order, shall effect the acknowledgement and release set forth above and be binding on all parties.

The Bank Group, the Debtors (on behalf of themselves, the Estates and the Continuing Estate), and the Creditors' Committee acknowledge that they are each familiar with California Civil Code section 1542, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

To the full extent that they may lawfully do so, and to the extent necessary under the circumstances to give effect to the compromise embodied in the Plan, the Bank Group, the Debtors (on behalf of themselves, the Estates and the Continuing Estate), and the Creditors' Committee waive and relinquish all rights and benefits that each party has or may have under California Civil Code section 1542 or any similar law. Each party expressly assumes the risk that the facts or law may be different than it now believes them to be, and each party agrees that this release will be effective notwithstanding any such differences.

IX. OTHER PLAN PROVISIONS

A. The Effective Date.

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the first Business Day, as determined by the Debtors, in their reasonable discretion, on which the following conditions have been satisfied:

- (1) At least ten days have passed since the Confirmation Date;
- (2) The Confirmation Order is not stayed; and
- (3) (i) the amount of Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims shall not exceed \$200,000 in the aggregate, or (ii) enough of the holders of such claims shall have voluntarily reduced in writing the amount of their Claims and accepted treatment less favorable than payment in full so that the total amount payable on account of such Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims does not exceed \$200,000 in the aggregate.

The Proponents may waive, in whole or in part, any condition to the Effective Date other than the requirements of Subparagraph (3), which may be waived if and only if the Bank Group and Creditors' Committee agree that the Plan Implementation Loan shall be increased by the amount by which the aggregate amount of the Allowed General Administrative Claims, Allowed Priority Tax Claims and other Allowed Priority Claims exceeds \$200,000, and the Bank Group in its sole discretion agrees to make such an increased loan in such amount. To be effective, however, a waiver must be filed with the Court.

B. Cancellation Of Stock and Securities.

On the Case Closure Date, all Interests will be cancelled, annulled, and extinguished, and the stock in the Debtors will be deemed to be cancelled and of no further force or effect without any further action by any party. Entities holding Interests will retain no rights and receive no consideration on account of these Interests, and entities holding stock in the Debtors will have no rights arising from or relating to the stock or its cancellation.

C. Termination of Officers and Directors/Dissolution of The Debtors.

On and after the Effective Date, and without further action by any party: (A) the Debtors shall have no right to operate a business; (B) the Debtors' officers and directors automatically will be terminated; provided, however, that notwithstanding the foregoing, the Continuing Estate Representative and the Creditors' Committee shall have and retain such authority as is necessary and appropriate to administer and dispose of the assets of the Continuing Estate and otherwise implement the Plan in accordance with its terms. On the Case Closure Date, the Debtors shall be deemed liquidated and dissolved as corporate entities pursuant to applicable law, without further action by any entity. The Continuing Estate Representative shall be authorized to execute any documents that implement or are in aid of this Section.

On the Effective Date, the Debtors' retention of its bankruptcy counsel, and all other professionals employed by the Debtors in the Liquidation Case shall terminate, unless the Bank Group and/or the Creditors' Committee (i) request in advance the continued employment of such professional after the Effective Date, (ii) financial arrangements are made for the payment of such professional following the Effective Date that are satisfactory to such professional, and (iii) the professional consents to such continued representation. Following the termination of such employment, without further order of the Court, any of the Debtors' former professionals may be employed by the Continuing Estate, the Bank Group, and/or the Creditors' Committee, subject to mutually agreed-upon terms and conditions between such professional and the entity (or entities) employing such professional.

D. Dissolution of the Creditors' Committee.

As of the Effective Date, the members of the Creditors' Committee will be released and discharged from all rights and duties arising from or related to this Liquidation Case, except those rights and duties conferred upon the Creditors' Committee pursuant to the Plan. Professionals retained by the Creditors' Committee shall not be entitled to compensation or reimbursement of expenses other than pursuant to the terms of the Plan, unless the Liquidation Case is converted to chapter 7, in which case such professionals shall have whatever rights to request payment that may result from such conversion. Upon the dissolution of the Continuing Estate, the Creditors' Committee likewise will dissolve.

E. Dissolution Of the Continuing Estate/Case Closure

The Continuing Estate shall dissolve on the earlier of (i) the Case Closure Date, or (ii) three (3) years from and after the Effective Date, unless the Court enters an Order extending the duration of the Continuing Estate, upon the request of the Creditors' Committee or Bank Group, for good cause shown, after notice and opportunity for hearing have been provided, on not less than 20 days' notice, to the Bank Group, the Creditors' Committee, and the Special Notice Parties. When both the Creditors' Committee and the Bank Group (through the Continuing Estate Representative) have completed the liquidation of the Continuing Estate assets over which each has control pursuant to the Plan, they shall jointly file a notice of such completion with the Court and request for entry of a final decree closing the Liquidation Case. Alternatively, each party may file its own notice of such completion, and the latter of the two such notices shall request entry of a final decree.

F. Corporate Books and Records.

Following the Effective Date, the Corporate Books and Records shall be stored by Iron Mountain Records Management, Inc. at a facility located in Oakland, California ("Storage Facility"), pursuant to a prepaid contract providing for the storage and preservation of the Corporate Books and Records through December 31, 2005. The Continuing Estate Representative, the Creditors' Committee and the Bank Group shall have joint custody, and control of the Corporate Books and Records, and shall provide each other reasonable access to any documents removed by the other from the Storage Facility. Any party that seeks access to and/or copies of the Corporate Book and Records shall be responsible for all costs and expenses relating thereto. Following December 31, 2005, the Corporate Books and Records may be destroyed, unless either the Creditors' Committee or the Bank Group fund the continued storage and preservation of the Corporate Books and Records for a longer period. Prior to December 31, 2005, or the extended date

for which continued storage and preservation are funded, no party shall destroy or discard the Corporate Books and Records.

G. Corporate Action and Effectuating Documents.

Upon the Effective Date, corporate action to be taken by or required of the Debtors to effectuate the Plan will be deemed to have occurred and will be effective as provided in this Plan and will be authorized and approved in all respects without any requirement of further action by stockholders or directors of the Debtors or any other party. Upon the Effective Date, the Debtors, the Continuing Estate Representative, the Continuing Estate, the Creditors' Committee, and the Bank Group are authorized to execute, deliver, file, or record any documents or instruments and to take any other action that may be needed to effectuate and evidence the Plan's terms and conditions.

H. Post-Effective-Date Effect of Evidences of Claims or Interests.

Commencing on the Effective Date, notes and other evidences of Claims will represent only the right to receive the distributions contemplated under the Plan.

I. Effect of Confirmation/Nondischarge of the Debtors.

Upon the Confirmation Date, Bankruptcy Code section 1141 shall become applicable with respect to the Plan. In accordance with Bankruptcy Code section 1141(d)(A)(3), this Plan does not discharge the Debtors. Bankruptcy Code section 1141 nevertheless provides, among other things, that the property dealt with by the Plan is free and clear of all Claims and Interests of creditors, equity security holders, and of general partners of the Debtors. Accordingly, no entity holding a Claim against the Debtors may receive any payment from, or seek recourse against, any assets that are to be distributed under this Plan other than assets required to be distributed to that entity under the Plan. As of the Confirmation Date, all parties are precluded from asserting against any property that is to be distributed under this Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in this Plan or the Confirmation Order.

J. Venue For Any Action Against Debtors, Creditors' Committee, Continuing Estate Or Continuing Estate Representative.

On or after the Effective Date, no action or proceeding may be commenced or continued by any entity in any court or other tribunal, other than the Court, against the Debtors, the Continuing Estate, Continuing Estate Representative, the Creditors' Committee, the Creditors' Fund, or any of their officers, employees, professionals, agents or representatives, acting in such capacities, without the prior approval of the Court pursuant to a Final Order.

K. Reports and Tax Returns Relating To The Continuing Estate.

Within 90 days after the end of each calendar quarter, the Creditors' Committee shall serve on the Bank Group and the Special Notice Parties an unaudited report containing a description of the activities of the Creditors' Committee, the results achieved, the expenses incurred, the cash realized, the property remaining, and a summary of the receipts and expenditures of the Creditors' Fund. Subject to Section VII.H, the Continuing Estate Representative shall prepare or cause to be prepared any and all necessary tax returns for the Debtors and/or Continuing Estate; provided, however, that the Creditors' Committee is responsible for timely transmitting information relating to the activities of the Creditors' Committee and the Creditors' Fund that may be necessary to prepare such returns.

L. Binding Effect.

The Plan and the Confirmation Order shall be binding upon and inure to the benefit of the Debtors, the Estates, the Creditors' Committee, the Bank Group, the Continuing Estate Representative, the holders of all Claims and Interests, all parties in interest in the Liquidation Case, and their successors, assigns, heirs, executors, administrators and representatives.

M. Exemption From Transfer Taxes.

Pursuant to Bankruptcy Code section 1146(c), the issuance, transfer or exchange of a security, or the making or delivery of an instrument of transfer under the Plan may not be taxed under any law imposing a stamp tax or similar tax. Transfers under the Plan that are exempt from taxes under section 1146(c) of the Bankruptcy Code include all transfers by the Debtors after the Petition Date in contemplation of the Plan but prior to the Effective Date, and all transfers to and by the Continuing Estate. The taxes from which such transfer are exempt include stamp taxes, recording taxes, sales and use taxes, transfer taxes, and other similar taxes.

N. Limitation of Liability.

Neither the Debtors, the Estates, the Continuing Estate Representative, the Creditors' Committee, the Bank Group, the Creditors' Fund, nor any existing or future officers, directors, agents, members, representatives, or professionals thereof will have or incur any liability to any entity for any act taken or omission made in connection with the Liquidation Case or the administration of the Estates, including the formulation, dissemination, confirmation, approval or consummation of the Plan, the Disclosure Statement or any other document, instrument or agreement relating thereto or in connection with the effectiveness or performance of the Plan or any distributions of cash or other property pursuant to the Plan.

O. No Admissions.

Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan will: (a) constitute a waiver, acknowledgement, or release of any Claims, Interests, or any claims held by the Debtors, the Estates, the Bank Group, or the Creditors' Committee, or (b) prejudice in any manner the rights of the Debtors, the Estates, the Bank Group, or the Creditors' Committee, or any creditors in any further proceedings.

P. Revocation of the Plan.

The Debtors, the Bank Group, and the Creditors' Committee reserve the right to revoke or withdraw the Plan before the Confirmation Date. If the Plan is not confirmed and the Effective Date does not occur—either because the Plan is revoked or withdrawn, or for any other reason—the Plan will be null and void, and nothing contained in the Plan or the Disclosure Statement will: (a) waive or release any Claims by or against, or any Interests in, the Debtors; or (b) prejudice in any manner any rights that the Debtors, the Estates, or any creditors or equity security holders have in any further proceedings.

Q. Severability of Plan Provisions.

If, before confirmation, the Court holds that any Plan term or provision is invalid, void, or unenforceable, the Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Section, is valid and enforceable under its terms.

R. Governing Law.

The rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, California law without giving effect to California law's conflict of law principles, unless a rule of law or procedure is supplied by: (a) federal law (including the Bankruptcy Code and the Bankruptcy Rules); or (b) an express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan.

S. Retention of Jurisdiction.

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Court will retain jurisdiction over this Liquidation Case after the Effective Date to the fullest extent provided by law, including the jurisdiction to:

- (a) Allow, disallow, determine, liquidate, classify, establish the propriety or secured or unsecured status of, estimate, or limit any Claim;
- (b) Adjudicate any and all Avoidance Actions (including Conflicted Avoidance Actions) and any and all disputes that may arise therein;
- (c) Grant or deny any and all applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;
- (d) Resolve any motions pending on the Effective Date to assume, assume and assign, or reject any executory contract or unexpired lease to which one or more of the Debtors is a party or with respect to which the Debtors may be liable, and to hear, determine, and if necessary, liquidate any and all Claims arising from such a motion;
- (e) Ensure that distributions to be made pursuant to the Plan are accomplished pursuant to the terms of the Plan;
- (f) Resolve any and all applications, motions, adversary proceedings, and other matters that involve the Debtors and that are pending before the Court on the Effective Date;
- (g) Enter any orders necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and of all contracts, releases, and other agreements or documents entered into under or in connection with the Plan;
- (h) Resolve any and all controversies, suits, or issues that may arise either in connection with the Plan's consummation, interpretation, or enforcement or in connection with any entity's rights or obligations under the Plan, or relating to the administration of the Liquidation Case;
- (i) Under Bankruptcy Code section 1127, modify the Plan, the Disclosure Statement, or any contract, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (j) Remedy—in any manner necessary and appropriate to consummate the Plan and to the extent authorized by the Bankruptcy Code—any defect, omission, or inconsistency in any Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (k) Issue injunctions, enter and implement orders, or take any other actions that may be necessary or appropriate to restrict any entity's interference with the Plan's consummation or enforcement;
- (l) Enter and implement any orders that are necessary and appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (m) Determine any other matters that may arise in connection with, or relate to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, release, or other agreement or document created in connection with the Plan or the Disclosure Statement;
- (n) Resolve any disputes between the Creditors' Committee, the Bank Group, the Continuing Estate Representative, or their respective members, agents and representatives; and

