

ORIGINAL

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

360networks (USA) inc., et al.,

Debtors.

Chapter 11

Case No. 01-13721 (ALG)

Jointly Administered

ORDER: (A) APPROVING DEBTORS' DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION; (B) SCHEDULING CONFIRMATION HEARING AND SETTING RELATED DEADLINES; AND (C) ESTABLISHING PLAN SOLICITATION PROCEDURES

The debtors and debtors in possession in the above-captioned cases, with the exception of 360networks sub inc. (the "Debtors"), having proposed and filed with the Clerk of this Court, the Debtors' Joint Plan of Reorganization, dated July 18, 2002 (as the same has been or may be amended and restated from time to time, including before, at or immediately after the Disclosure Statement Hearing (as defined below), the "Plan"), and the related Disclosure Statement for Joint Plan of Reorganization, dated July 18, 2002, including all exhibits filed therewith (as amended and restated from time to time, including before, at or immediately after the Disclosure Statement Hearing (as defined below), the "Disclosure Statement"); and by order dated July 19, 2002 (the "Scheduling Order") this Court having scheduled a hearing on the Disclosure Statement to be held on August 14, 2002 at 11:30 a.m., to consider, among other things, in accordance with section 1125 of title 11 of the United States Code (the "Bankruptcy

AUS _____ Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"),
CAF _____
CMP _____ the adequacy of the information contained in the Disclosure Statement; and copies of: (a) the
COM _____
CTR _____
ECR _____ Scheduling Order; (b) the Plan (c) the Disclosure Statement; and (d) the related Notice of
GCL _____
OPC _____ Hearing to Consider Approval of the Disclosure Statement for the Debtors' Joint Plan of
MMS _____
SEC _____
OTH _____

Handwritten:
None

DOCUMENT NUMBER-DATE

08996 AUG 26 08

FPSC-COMMISSION CLERK

Reorganization (the "Disclosure Statement Notice"), having been served in the manner prescribed by the Scheduling Order; and a copy of the Disclosure Statement Notice (with appropriate amendments to account for publishing) having been published on July 29, 2002, in the national edition of the New York Times, and in The (Toronto) Globe and Mail, as required by the Scheduling Order; and amendments to the Disclosure Statement, the Plan and the other forms of documents and instruments annexed to the Disclosure Statement as exhibits having been filed with the Court and/or presented to the Court at or prior to the Disclosure Statement Hearing; and upon the objections (the "Objections") to the Disclosure Statement; and the Disclosure Statement Hearing having been held by the Court; and the Objections having been resolved or overruled; and the Court having considered the Plan, the Disclosure Statement, all amendments thereto and the other forms of documents and instruments annexed thereto; and upon the record of the Disclosure Statement Hearing and all prior proceedings in these cases; and after due deliberation and sufficient cause appearing therefor, it is

FOUND THAT:

- A. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.
- B. Due and sufficient notice of the Disclosure Statement Hearing has been given as evidenced by affidavits of service filed with this Court.
- C. Such notice of the Disclosure Statement Hearing as approved and prescribed by the Court in the Scheduling Order is adequate and sufficient pursuant to the Bankruptcy Code, the Bankruptcy Rules, and other applicable law.

D. The Objections were considered and either addressed by the Debtors or overruled by the Court unless otherwise resolved or withdrawn at or prior to the Disclosure Statement Hearing, as set forth on the record of the Disclosure Statement Hearing.

E. The Disclosure Statement, as amended, modified or supplemented by the record of the Disclosure Statement Hearing, and revisions made or to be made as a result thereof, contains “adequate information,” as that term is defined in section 1125 of the Bankruptcy Code.

F. The Claims in Class 1 (Administrative Claims), Class 2 (Priority Tax Claims) and Class 3 (All Other Priority Claims), and unimpaired Class 6 Claims (Other Secured Claims), as designated and defined in the Plan (collectively, the “Unimpaired Claims”) are designated under the Plan as unimpaired within the meaning of section 1124 of the Bankruptcy Code and, therefore, the holders thereof are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan under section 1126(f) of the Bankruptcy Code.

G. The Claims in Class 4 (Prepetition Lender Claims), Class 5 (Nonconsensual Lien Claims, Impaired Class 6 Claims (Other Secured Claims), and Class 7 (General Unsecured Claims) as designated and defined in the Plan (collectively, the “Voting Impaired Claims”), are designated under the Plan as impaired within the meaning of section 1124 of the Bankruptcy Code and, pursuant to section 1126(a) of the Bankruptcy Code, the holders of such Claims are entitled to vote to accept or reject the Plan.

H. The Claims in Class 8 (Intercompany Claims) and Interests in Class 9 (Interests), each as designated and defined in the Plan (the “Nonvoting Impaired Claims and Interests”), are designated under the Plan as impaired within the meaning of section 1124 of the Bankruptcy Code and will receive no Distributions under the Plan. Under the Plan, each of the

holders of Class 8 Claims will be deemed to have accepted the Plan. Holders of Class 9 Claims are deemed to have rejected the Plan and are not entitled to vote on the Plan pursuant to section 1126(g) of the Bankruptcy Code.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED THAT:

1. The Disclosure Statement (including all exhibits thereto), as amended, modified or supplemented by the record of the Disclosure Statement Hearing and the revisions made or to be made as a result thereof, is hereby approved as containing “adequate information” within the meaning of section 1125 of the Bankruptcy Code with respect to the Plan.

2. The Debtors are authorized and empowered to solicit acceptances of the Plan in accordance with this Order and the related Order: (a) Establishing Rules for Tabulating Votes On The First Amended Joint Plan of Reorganization; (b) Approving Forms of Ballots and Notices Related Thereto; and (c) Granting Related relief (the “Voting Procedures Order”).

3. In accordance with Bankruptcy Rule 3017(d), the Debtors hereby are authorized and empowered to commence transmittal by regular mail on or before August 21, 2002: (a) to the holders of Unimpaired Claims: (i) the notification of non-voting status, substantially in the form approved by the Voting Procedures Order, (ii) notice of the hearing on confirmation of the Plan (the “Confirmation Hearing”), substantially in the form annexed as Exhibit “A” hereto (the “Notice”); and (iii) this Order; (b) to the holders of the Voting Impaired Claims, the following documents (collectively, the “Solicitation Package”): (i) the Disclosure Statement (including the Plan as annexed thereto as Appendix A), (ii) this Order, (iii) the Notice, (iv) a ballot or ballots, if applicable, and (v) the Voting Procedures Order (excluding exhibits thereto); (c) to the holders of Nonvoting Impaired Claims and Interests: (i) the Disclosure

Statement (including the Plan as annexed thereto as Appendix A), (ii) the Notice, (iii) this Order, and (iv) in the case of the holders of Class 9 Interests, the notification of deemed rejection, substantially in the form approved by the Voting Procedures Order; (d) to parties to executory contracts, unexpired leases and/or Underlying Rights (as defined in the Plan) of the Debtors to be assumed or rejected: (i) the Disclosure Statement (including the Plan as annexed thereto as Appendix A), (ii) this Order, and (iii) the Notice; and (e) to the extent not otherwise mentioned in this decretal paragraph or otherwise, to the Notice Parties (as defined below), the Securities and Exchange Commission, the Internal Revenue Service, the United States Attorney's Office for the Southern District of New York, and all entities that have filed notices of appearance or requests for service of documents in these cases pursuant to Bankruptcy Rule 2002, as of the date hereof: (i) the Disclosure Statement (including the Plan as annexed thereto as Appendix A), (ii) the Voting Procedures Order, (iii) this Order and (iv) the Notice.

4. The Notice is approved.

5. The deadline for claimants to deliver ballots respecting the Plan to Bankruptcy Services, LLC, the Debtors' balloting agent, shall be September 24, 2002 at 5:00 p.m. (Eastern Daylight Savings Time); provided, however, the Debtors shall have the ability at their sole discretion to extend the Voting Period (as defined in the Voting Procedures Order) by filing written notice of such extension with the Bankruptcy Court.

6. The holders of Unimpaired Claims are not entitled to vote to accept or reject the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

7. The holders of Voting Impaired Claims are entitled to vote to accept or reject the Plan pursuant to section 1126(a) of the Bankruptcy Code.

8. Notwithstanding the treatment of Class 8 Claims provided for in the Plan, each of the holders of Class 8 Claims will be deemed to have accepted the Plan. The holders of Interests (Class 9) are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

9. The "record date" for determining which holders of Claims against the Debtors are entitled to vote to accept or reject the Plan shall be August 12, 2002.

10. September 24, 2002 at 5:00 p.m. (Eastern Daylight Savings Time) shall be the deadline for any holder of a Class 5 Claim, Impaired Class 6 Claim or Class 7 Claim, as the case may be, to elect, in accordance with Sections 3.5, 3.6 and 3.7 of the Plan, respectively, to receive a single lump sum payment (subject to the terms of, and as more fully described in the Plan), in lieu of an otherwise applicable Plan distribution, and, as to a Class 5 Claim or an Impaired Class 6 Claim, in full satisfaction of any and all such distributions to be made under the Plan for such Claims.

11. The Confirmation Hearing shall be held before the Honorable Allan L. Gropper, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004 in Courtroom 617, on October 1, 2002 at 10:30 a.m. (Eastern Daylight Savings Time), or as soon thereafter as counsel can be heard, and may be adjourned from time to time without further notice other than by announcement of the adjourned date or dates at the Confirmation Hearing.

12. In accordance with Bankruptcy Rules 2002(b), (d), (f), (i), (j), (k) and (l), 3017 and 3018, notice of the Confirmation Hearing shall be deemed adequate and sufficient if:

(a) on or before August 21, 2002, the Debtors commence service by first class mail of the Notice as described in paragraph 3 hereof, on the parties described in such paragraph 3; and (b) on or before August 31, 2002, the Debtors publish the Notice (with appropriate amendments to account for publishing) once in the national edition of the Wall Street Journal or the New York Times, and once in the (Toronto) Globe and Mail.

13. The Debtors are authorized to include in the Solicitation Package to Class 7 creditors the letter to such creditors from the Committee in substantially the form annexed as Exhibit "A" hereto and such letter hereby is approved.

14. Any objection to confirmation of the Plan must: (a) be in writing; (b) state with particularity the grounds for objection; (c) comply with the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York; and (d) be filed with the Bankruptcy Court (with a copy to chambers) and served in a manner so as to be received on or before September 24, 2002 at 5:00 p.m. (Eastern Daylight Savings Time) by:

(i) counsel to the Debtors, Willkie Farr & Gallagher, 787 Seventh Avenue, New York, New York 10019-6099, Attn: Alan J. Lipkin, Esq. (Fax: 212-728-9240); (ii) counsel to the Creditors' Committee, Sidley Austin Brown & Wood, 787 Seventh Avenue New York, New York 10019, Attn: Norman N. Kinel, Esq. (Fax: 212-839-5599); (iii) counsel to the agents to the Debtors' prepetition lenders, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street New York, NY 10019-6150, Attn: Harold S. Novikoff, Esq. (Fax: 212-403-2249); and (iv) the Office of the United States Trustee, 33 Whitehall Street, Twenty-First Floor, New York, New York 10004, Attn: Greg M. Zipes, Esq. (Fax: 212-668-2255) (collectively, the "Notice Parties").

15. ANY OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE IN WRITING, STATE WITH PARTICULARITY THE GROUNDS FOR OBJECTION, INCLUDE, WHEN POSSIBLE, PROPOSED LANGUAGE FOR AMENDING THE PLAN TO RESOLVE THE OBJECTION AND MUST BE FILED AND SERVED AS PRESCRIBED HEREIN OR THE OBJECTING PARTY MAY BE BARRED FROM OBJECTING TO CONFIRMATION OF THE PLAN AND MAY NOT BE HEARD AT THE CONFIRMATION HEARING.

16. At least ten (10) days before the Confirmation Hearing, any party to: (a) an executory contract or unexpired lease that is being assumed by the Debtors as set forth in Schedule 6.2(a)(i) to the Plan; or (b) an Underlying Rights agreement other than those Underlying Rights agreements being rejected as set forth in Schedule 6.2(a)(ii) to the Plan, shall file an objection, if any, to the cure amount proposed in Schedules 6.2(a)(i) and 6.2(a)(iii), as applicable, or to the Debtors' proposed \$0 cure for Underlying Rights not listed in Schedule 6.2(a)(iii) to the Plan, with counsel to the Debtors, Willkie Farr & Gallagher, 787 Seventh Avenue, New York, New York 10019-6099, Attn: Alan J. Lipkin, Esq. (Fax: 212-728-9240). Any party who fails to file and serve such an objection within the time and in the manner described herein shall be forever barred from asserting any additional or other amounts against the Debtors respecting such cure amount. **The Debtors shall serve the parties directly affected by this paragraph with a separate notice, consistent with the record of the Disclosure Statement Hearing, which notice may be included as part of the Solicitation Package.**

17. Any holder of a Priority Tax Claim asserting that any portion of such Priority Tax Claim that is in the nature of a penalty is nonetheless compensatory and not

punitive, must file and serve upon counsel to the Debtors (Willkie Farr & Gallagher, 787 Seventh Avenue, New York, New York 10019-6099, Attn: Alan J. Lipkin, Esq. (Fax: 212-728-9240)) a statement to that effect by no later than one day prior to the Confirmation Hearing. Otherwise, such penalty portion shall be deemed to be disallowed and the holder of such Claim shall be entitled to no distribution on account of such penalty portion. **The Debtors shall serve the parties directly affected by this paragraph with a separate notice, consistent with the record of the Disclosure Statement Hearing, which notice may be included as part of the Solicitation Package.**

18. No later than 20 days before the Confirmation Hearing, the Debtors shall file with the Bankruptcy Court and deliver a copy to chambers a non-binding schedule of potential preference defendants against whom the Debtors could have affirmative claims.

19. The Debtors shall be authorized to make **changes to the Disclosure Statement, the Plan and related documents consistent with the record of the Disclosure Statement Hearing and** non-substantive changes to the Disclosure Statement, the Plan and related documents without further Order of this Court, including, without limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan, exhibits to the Disclosure Statement, and other material in the Solicitation Package prior to mailing of the Solicitation Package, **provided the Debtors shall file a blacklined copy of the relevant documents (or the changed pages) with the Court showing changes from the Drafts of 8/13/02.**

20. The Debtors shall be authorized to modify or amend Schedules 1.42, 3.5(a), 3.6(c), 6.2(a)(1), 6.2(a)(2), and 6.2(a)(3) to the Plan upon 10 days' written notice to the Notice Parties and any party directly affected by such modifications or amendments.

21. The Debtors are hereby authorized and empowered to take such steps and incur and pay such costs and expenses and to do such things as may be reasonably necessary to implement the provisions of this Order. This Court shall retain jurisdiction to hear all such matters as may be related to, or arise from, this Order and/or the Solicitation Package.

Dated: New York, New York
August 14, 2002

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF 360NETWORKS (USA) INC, ET AL.**

TO: Unsecured Creditors of 360networks (USA) inc., et al.

RE: First Amended Plan of Reorganization of 360networks (USA) inc., et al.

Dear Creditor:

We are writing to advise you of the recommendation of the Official Committee of Unsecured Creditors (the "Committee") that you vote to accept the First Amended Plan of Reorganization (the "Plan") being submitted to you herewith.

The Plan that you are receiving is the result of intense and often difficult negotiations among the Committee, the Debtors and the Debtors' Prepetition Lenders,¹ as more fully described in the Disclosure Statement (at pages ____). At the outset of these cases, it was the view of the Debtors and Prepetition Lenders that there would be little or *no recovery* in these cases for unsecured creditors. However, the Committee's substantial work in developing various legal theories as to the Prepetition Lenders' \$1.2 billion in claims, allegedly secured by all-encompassing liens, resulted in the substantial concessions from the Prepetition Lenders which are reflected in the Plan. The Plan thus provides a recovery for U.S. unsecured creditors, estimated in the 10% to 20% range, which compares very favorably to the 40% recovery which the Prepetition Lenders are estimated to receive in both the U.S. and Canadian proceedings.

The Committee strongly believes that under the particular circumstances of these cases and given the general state of the telecommunications industry and the current business environment, the Plan represents an extremely favorable outcome of these cases for general unsecured creditors. *Accordingly, the Committee urges you to vote in favor of the Plan.*

Under the Plan, each holder of an Allowed General Unsecured Claim (which Claims, under the Plan, are in Class 7) will receive its Ratable Share of: (a) 10% of the New Parent Stock, which will be issued by 360networks (holdings) Ltd., a Canadian company that will be the post-Effective Date ultimate parent of the companies constituting Reorganized 360; and (b) 80% of certain Net Preference Recoveries based on most Cash payments and equipment returns made by the Debtors during the 90 days preceding the Debtors' Petition Date, which aggregate approximately \$250 million. The Committee will have sole responsibility for pursuing most preference claims on behalf of the Debtors' estates, and will be provided with initial funding of \$1 million to be used towards these efforts. Although Net Preference Recoveries are impossible to predict and there can be no assurance of any minimum recovery level on such claims, the range of potential recoveries may approximate \$30 to \$50 million, of which Class 7 would receive 80%. Based on that range of recoveries and the 10% of new parent stock, Class 7 Holders of Allowed Unsecured Claims may receive an aggregate recovery of between 10% and 20% on their claims (depending on the total recoveries and the amount of claims ultimately allowed in that Class), or more (or less) if the pursuit of the potential preference claims is highly (or less) successful.

We also note for your attention that holders of Class 7 Claims may elect, on such holder's ballot for voting on the Plan, to receive a cash payment of \$6.67 per share of New Parent Stock in lieu of New Parent Stock Distribution on account of such Allowed Class 7 Claim (the "Lump Sum Election"). This cash amount, which would be provided without deduction for brokerage commission, should be contrasted with the Debtors' FINANCIAL ADVISOR'S estimate of the value of stock at approximately \$10 per share, subject to the qualifications stated in the Disclosure Statement. *The Committee is not making a recommendation as to whether unsecured creditors should make the Lump Sum Election.* However, we note that to the extent that the claims of electing unsecured creditors (including creditors with claims below \$100,000, who are deemed automatically to have made the Lump Sum Election) exceed 50% of the total claims in Class 7, the cash available for such creditors will be prorated given the likely \$5 million cap on the cash to be provided under the Lump Sum Election. If such

¹ Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed to them in the Plan.

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF 360NETWORKS (USA) INC, *ET AL.***

proration occurs, electing creditors will receive a portion of their distribution on account of the New Parent Stock Distribution in cash and a portion in stock.

As noted above, the terms of the Plan were subject to intensive, often difficult and protracted negotiations among the Prepetition Agent, the Debtors, and the Committee. The resulting compromises embodied in the Plan reflect the successful conclusion of those negotiations. The Committee believes that the Plan represents the best reorganization alternative and offers the best potential recovery to holders of Allowed General Unsecured Claims. Accordingly, the Committee supports approval of the Plan and urges you to execute and return the enclosed ballot accepting the Plan.

Very truly yours,

**The Official Committee of Unsecured Creditors
of 360networks (USA) inc., *et al.***

By: Pirelli Cables & Systems, LLC,
its Chair

By: /s/ Mark Brandenburg
Mark Brandenburg

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
: :
In re : Chapter 11 Cases
: :
360networks (USA) inc., et al., : Case No. 01-13721 (ALG)
: :
Debtors. : Jointly Administered
-----X

August 14, 2002

**DISCLOSURE STATEMENT FOR FIRST AMENDED
JOINT PLAN OF REORGANIZATION PROPOSED BY
THE DEBTORS AND 360NETWORKS (HOLDINGS) LTD.**

IMPORTANT DATES

Date by which Objections to (A) Confirmation of the Plan and (B) to Lease and Contract Cure Amounts Must be Filed and Served:	September 24, 2002 at 2:00 p.m. (EDT)
Date by which Ballots and Lump Sum Payment Elections Must be Received:	September 24, 2002 at 5:00 p.m. (EDT)
Hearing on Confirmation of the Plan:	October 1, 2002 at 10:30 a.m. (EDT)

WILLKIE FARR & GALLAGHER
Attorneys for the Debtors and Debtors in Possession
787 Seventh Avenue
New York, New York 10019-6099
(212) 728-8000

PRELIMINARY NOTES

360NETWORKS (USA) INC., TELECOM CENTRAL, L.P., 360NETWORKS HOLDINGS (USA) INC., 360FIBER INC., 360FIBER (USA 2) INC., 360FIBER (USA 3) INC., 360NETWORKS (USA) OF VIRGINIA INC., 360NETWORKS LLC, 360NETWORKS ILLINOIS LLC, 360NETWORKS IOWA LLC, 360NETWORKS KENTUCKY LLC, 360NETWORKS LOUISIANA LLC, 360NETWORKS MICHIGAN LLC, 360NETWORKS MISSISSIPPI LLC, 360NETWORKS TENNESSEE LLC, 360CARRIER MANAGEMENT INC., TRES MANAGEMENT LLC, MEET ME ROOM LLC, CARRIER CENTERS GEORGIA, INC., CARRIER CENTER LA, INC., TEXAS CARRIER CENTERS INC., AND 360PACIFIC (USA) INC. (COLLECTIVELY, THE "DEBTORS") EACH ARE THE SUBJECT OF THESE CHAPTER 11 CASES.¹ ANNEXED AS APPENDIX 1 TO THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS THE FIRST AMENDED JOINT PLAN OF REORGANIZATION PROPOSED BY THE DEBTORS AND 360NETWORKS (HOLDINGS) LTD (THE "PLAN"). THE PLAN PROVIDES THE PROPOSED METHOD FOR THE DEBTORS TO EXIT CHAPTER 11 AND THE DISTRIBUTIONS YOU WOULD RECEIVE IN THE DEBTORS' CHAPTER 11 CASES.

AS A CREDITOR OF THE DEBTORS, YOU GENERALLY ARE ENTITLED TO VOTE ON THE PLAN. THIS DISCLOSURE STATEMENT IS BEING SENT TO YOU TO PROVIDE THE INFORMATION NECESSARY FOR YOU TO MAKE AN INFORMED VOTE ON WHETHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS THE ONLY INFORMATION AND REPRESENTATIONS APPROVED FOR USE IN SUCH SOLICITATION. NO PERSON MAY PROVIDE ANY OTHER INFORMATION OR REPRESENTATIONS REGARDING THE PLAN IN CONNECTION WITH SUCH SOLICITATION UNLESS AUTHORIZED TO DO SO BY THE BANKRUPTCY COURT.

THE NEXT FEW PAGES OF THIS DISCLOSURE STATEMENT INCLUDE A SUMMARY OF THE PLAN AND PROPOSED DISTRIBUTIONS TO CREDITORS. NONETHELESS, ALL CREDITORS ARE ENCOURAGED TO READ THE ENTIRE DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE SOLELY AS OF THE DATE HEREOF. DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN WILL BE CORRECT AT ANY SUBSEQUENT TIME.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE, NOT FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING, TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED. THE SECURITIES AND EXCHANGE COMMISSION HAS NOT

¹ 360networks sub inc. also is a debtor in these procedurally consolidated cases, but is not one of the Debtors proposing or included in the Plan.

APPROVED, DISAPPROVED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN UPON HOLDERS OF CLAIMS AGAINST THE DEBTORS. THIS DISCLOSURE STATEMENT SHALL BE CONSIDERED TO BE A SETTLEMENT DOCUMENT PURSUANT TO FEDERAL RULE OF EVIDENCE 408.

THE DEBTORS AND THE OFFICIAL CREDITORS' COMMITTEE BOTH SUPPORT THE PLAN AND URGE YOU TO VOTE TO ACCEPT THE PLAN.

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	B. Projected Consolidated Balance Sheet
Appendix 4	Description of New Long Term Incentive and Share Award Plan

ARTICLE I.

INTRODUCTION

The Debtors each filed chapter 11 petitions on June 28, 2001 with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").² On July 18, 2002, the Debtors filed a Joint Plan of Reorganization as the method for the Debtors to exit chapter 11. On August 19, 2002, the Debtors and 360networks (holdings) ltd. filed a proposed First Amended Joint Plan of Reorganization, dated as of August 14, 2002 (as may be further amended, the "Plan"). A copy of the Plan is annexed hereto as Appendix 1. Unless defined in this Disclosure Statement, each capitalized term used has the definition ascribed to such term in Article I of the Plan.

A. Purpose of this Disclosure Statement

This Disclosure Statement is intended to aid the Debtors' creditors in making an informed judgment regarding acceptance or rejection of the Plan. If you have any questions regarding the Plan, the Debtors urge you to contact LaAsia Banks at (212) 728-8000.

While the Bankruptcy Court has approved this Disclosure Statement as containing "adequate information" to enable you to vote on the Plan, the Bankruptcy Court's approval of the Disclosure Statement does not constitute approval or disapproval of the Plan. The Bankruptcy Court only will consider approval of the Plan after completion of voting on the Plan.

B. Voting on the Plan

1. Eligibility to Vote

The Plan classifies Claims in the following classes:

<u>Class</u>	<u>Description</u>
Class 1	Administrative Claims
Class 2	Priority Tax Claims
Class 3	All Other Priority Claims
Class 4	Prepetition Lender Claims
Class 5	Nonconsensual Lien Claims
Class 6	Other Secured Claims
Class 7	General Unsecured Claims
Class 8	Intercompany Claims
Class 9	Equity Interests

Only Classes that under the Plan are both impaired and will receive a distribution are entitled to vote. Under the Plan, holders of Claims in Classes 4, 5, and 7, as well as certain subclasses of Class 6, are entitled to vote. Holders of Claims in the unimpaired Classes (Classes

² 360networks sub inc., and certain of the Debtors' non U.S. affiliates (the "CCAA Debtors") have filed concurrent proceedings in the Supreme Court of British Columbia (the "CCAA Court") pursuant to the Canadian Companies Creditors Arrangement Act (the "CCAA").

1, 2, 3, and certain subclasses of Class 6) are deemed to have accepted the Plan. Holders of Claims in Class 8 are deemed to have accepted the Plan and holders of Claims in Class 9 are deemed to have rejected the Plan.

Within voting classes, only holders of "Allowed Claims" (as defined in the Plan) are entitled to vote. Nonetheless, the Bankruptcy Court temporarily may fix the amount of a disputed Claim solely for voting purposes.

One or more ballots are enclosed with each copy of this Disclosure Statement sent to those entities entitled to vote. Any creditor holding Claims in more than one impaired Class that is entitled to vote on the Plan will receive a ballot for each such class.

2. Voting Procedures

The record date for determining which creditors and equity holders may vote on the Plan is August 12, 2002.

After reviewing the Plan and this Disclosure Statement, please indicate your vote on each enclosed ballot and return the ballot(s) in the enclosed self-addressed envelope.

To be counted, Ballots must be marked, signed, and returned so they are received no later than 5:00 p.m. (Eastern Daylight Savings Time), on September 24, 2002. After reviewing the Plan and this Disclosure Statement, please indicate your vote on each enclosed Ballot and return the Ballot(s) in the enclosed self-addressed envelope to the Balloting Agent: -

If sent by regular mail, to:

360networks Balloting
Bankruptcy Services LLC
P.O. Box 5014
F.D.R. Station
New York, New York 10150-5014

If sent by overnight mail or by hand to:

360networks Balloting
c/o Bankruptcy Services LLC
70 East 55th Street, 6th Floor
New York, New York 10022-3222
Attn: Kathy Gerber

If your ballot is not signed and returned as required, it will not be counted. If your ballot is damaged or lost, or if you do not receive (but you believe you are entitled to receive) a ballot, then you may request a ballot by sending a written request to: 360networks Balloting, c/o Bankruptcy Services LLC, 70 East 55th Street, 6th Floor, New York, New York 10022, Attn.: Kathy Gerber.

3. Vote Solicitation

The process of soliciting votes on the Plan must be in accordance with the following restriction:

NO REPRESENTATIONS CONCERNING THE DEBTORS, THEIR ASSETS, THEIR PAST AND FUTURE OPERATIONS, AND THE PLAN ARE AUTHORIZED, EXCEPT THOSE IN THIS DISCLOSURE STATEMENT OR OTHERWISE AUTHORIZED BY THE BANKRUPTCY COURT.

If you believe your vote is being solicited outside the judicially approved and statutorily defined disclosure requirements and voting procedures, please immediately contact counsel for the Debtors, Willkie Farr & Gallagher, 787 Seventh Avenue, New York, NY 10019-6099, (212) 728-8000 (Attn: Alan J. Lipkin, Esq.).

4. **Acceptance of Plan**

Under the Bankruptcy Code, an impaired class of Claims entitled to vote has accepted a plan if, of those voting, the holders of two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of valid claims accept.

5. **Hearing on Confirmation of Plan**

The Bankruptcy Court has scheduled a hearing to consider confirmation (*i.e.*, approval) of the Plan on October 1, 2002, at 10:30 a.m. (Eastern Daylight Savings Time), in Courtroom 617, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004. The confirmation hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled hearing date.

ARTICLE II.

SUMMARY OF THE PLAN

A. **General Overview**

Key elements of the Plan include, among other things, the following:

- Continuation of Operations. Pursuant to the Plan, which was filed in coordination with the filing of the CCAA Plan by certain of the Debtor's Canadian affiliates (the "CCAA Plan Debtors"), the North American operations of the Reorganized Debtors and the CCAA Plan Debtors (collectively, the "Company" or "Reorganized 360") shall continue.
- Working Capital. To fund its future working capital needs on the Plan's Effective Date, the Company will retain at least \$35 million of free cash on hand. Currently, the Debtors expect that Reorganized 360 will have more than \$50 million of free cash on the Effective Date.
- New Senior Secured Debt. The prepetition lenders will receive New Senior Secured Notes of Reorganized 360 in the original principal amount of \$215 million. The notes will be secured by substantially all of Reorganized 360's assets.
- Issuance of New Common Stock. Creditors (and to a limited extent, employees) will receive 100% of the Company's new common stock (the "New Parent Stock") to be issued as of the Plan's Effective Date. All shares of New Parent Stock will be subject to dilution based on future issuances of additional shares of New Parent Stock, including under the New Long Term Incentive Plan.

- **Lump Sum Election.** On their ballots for voting on the Plan, holders of Class 7 Claims will have the option to elect to receive a Cash payment of \$6.67 per share in lieu of receiving distributions of New Parent Stock under the Plan. To be valid, such Lump Sum Election must be made on such ballot and delivered to the Debtors' balloting agent by September 24, 2002 at 5:00 p.m.
- **Preference Recoveries.** The Committee will pursue most preference claims on behalf of the Debtors, with the Debtors having the right to pursue the rest. The net recoveries from settlements or litigation of most preference claims will be split 80% to the holders of Allowed General Unsecured Claims in Class 7 and 20% to the Debtors.

B. Summary of Plan Recoveries

The following chart summarizes the proposed distributions under the Plan by the Debtors:

<u>CLASS</u>	<u>APPROXIMATE AGGREGATE AMOUNT OF CLAIMS ASSERTED</u>	<u>DEBTORS' ESTIMATES OF AGGREGATE VALID CLAIMS</u>	<u>APPROXIMATE RECOVERIES BASED ON THE DEBTORS' ESTIMATES OF VALID CLAIMS</u>
1. Administrative Claims	N/A	\$8,500,000 to \$15,500,000	100%
2. Priority Tax Claims	\$30,200,000	\$9,000,000	100%
3. All Other Priority Claims	\$31,700,000	\$50,000	100%
4. Prepetition Lender Claims	\$1,206,161,903	\$1,206,161,903	40%
5. Nonconsensual Lien Claims	\$140,000,000	\$22,000,000	100%
6. Secured Claims Other Than Prepetition Lender Claims and Nonconsensual Lien Claims	\$31,200,000	\$0	100%
7. General Unsecured Claims	\$805,800,000	\$270,000,000 to \$300,000,000	10% to 20%
8. Intercompany Claims	\$3,040,000,000	\$3,040,000,000	0%
9. Equity Interests	N/A	N/A	0%

Notes:

Approximate Aggregate Amounts Asserted The amounts of "Aggregate Claims" in this column do not include any estimates for: (a) unliquidated proofs of claim; (b) Claims that by stipulation

only may be asserted by way of set off and not for affirmative recovery; or (c) Claims that have been disallowed by the Bankruptcy Court. (The Debtors' estimates in the third column, however, do include estimates for unliquidated proofs of claim.)

Debtors' Estimates of Aggregate Valid Claims Generally, the aggregate Claims asserted against the Debtors exceed the total amount of Allowed Claims estimated by the Debtors because, among other things, certain Claims: (a) were filed after the Bar Date; (b) were filed in duplicate; (c) were superseded by subsequent amendments to previously filed Claims; (d) allege an obligation of an entity other than the Debtors; (e) assert contingent Claims against the Debtors; (f) include postpetition interest and other disallowed charges; (g) are invalid or subject to setoff or recoupment; or (h) are being resolved as part of a settlement agreement that are in the process of being documented and presented to the Bankruptcy Court for approval. **NEVERTHELESS, THE ACTUAL AGGREGATE AMOUNT OF ALLOWED CLAIMS STILL MAY DIFFER SIGNIFICANTLY FROM THE DEBTORS' ESTIMATES.** If the actual aggregate amount of Allowed Claims in Class 5 or Class 6 substantially exceeds the Debtors' estimates, then the Plan's feasibility may be negatively impacted.

Approximate Recoveries Based On The Debtors' Estimates of Valid Claims The approximate recoveries for each Class is the quotient of: (a) the sum of the amount of cash, principal amount of notes or debt, and/or assumed value of New Parent Stock to be distributed to the holders of Allowed Claims in such Class; divided by (b) the estimated aggregate amount of Allowed Claims in such class. For purposes of this calculation, it is assumed that the aggregate value, as of the Effective Date, of all New Parent Stock to be issued under the Plan, will be \$150 million and the aggregate amount of the 80% of Net Preference Recoveries to be distributed to Class 7 under the Plan will approximate \$24 million to \$40 million. Some detail relevant to such assumptions is included below. Such assumptions, as well as the Debtors' estimates of the aggregate amount of Allowed Claims in each Class, are not predictions and are subject to many unforeseeable circumstances. Accordingly, no representation can be or is being made respecting whether the percentage of recoveries shown in the table actually will be realized by holders of Allowed Claims in Classes 4 and 7.

ARTICLE III.

BACKGROUND AND CERTAIN KEY EVENTS LEADING TO AND DURING THE CHAPTER 11 CASES

A. The Company's Current Businesses

Currently, the 360networks family of companies ("360") is a leading provider of fiber-optic network communications products and services in North America. 360 is headquartered in Vancouver, B.C. and employs approximately 450 people. 360 has constructed and currently operates an advanced fiber optic network that spans over 25,000 route miles in North America and offers state-of-the-art mesh architecture as follows:

360 North American Backbone

Cities Served ³	48
Long haul Infrastructure Route Miles ^{4, 5}	25,178

³ Reflects number of cities 360 offers infrastructure and optical wavelength services.

⁴ "Route miles" refers to the length of a telecommunications network or segment. "Fiber miles" refers to the length of a telecommunications network or segment multiplied by the number of fibers installed along that route.

360's network design uses advanced optical technologies to reduce complexity and cost while enhancing reliability. 360's network is based on Dense Wave Division Multiplexing ("DWDM") and intelligent optical switching technology. When compared to older legacy networks, which many of 360's competitors operate, 360's network structure provides for faster provisioning, greater flexibility to accommodate scale and technological upgrades, and a wider range of services and products. Although other operators are in the process of building mesh networks and providing optical switching capabilities, management estimates that 360 possesses a significant lead.

Currently, 360 derives its revenue from the sale of both network services and infrastructure. In the future, 360 expects network services to comprise the bulk of its revenues, as customer preferences shift from operating their own networks and toward short-term leases.

Network services include wavelengths and transport services. Network services are supported by combining state-of-the-art optronics with the in-place infrastructure. 360's network services offerings include wavelengths (data transport along a pre-determined route on the network), optical transport services (fixed point-to-point optical channel capacity on the network supporting voice, video and data traffic), and Optical-VPNs (dedicated channel capacity between two or more locations throughout the network to carry voice, video and data traffic).

Infrastructure services include dark fiber, conduit and space and power. Sales of infrastructure effectively leverage assets that are in the ground, but are not yet prepared for optical transmission or allocated for 360's network services.

360's customers are comprised of both carriers and large enterprises, including next generation and incumbent telecommunications service providers, Internet service providers, application service providers and storage service providers with bulk capacity requirements. In the near term, the Company's strategy is to focus exclusively on the 100 leading global carriers and service providers active in North America. In the future, the Company intends to target large enterprise customers with significant data needs.

B. Corporate History and Certain Events Leading to Chapter 11 Filings

360 was founded in 1987 as the telecommunications division of Leducor Industries Ltd. ("Leducor"), one of Canada's largest independent general contracting firms. At the time, the predecessor firm designed, engineered and built communications networks for telecommunications companies throughout North America. In 1998, Leducor undertook a spin-off of the telecommunications division as a separate company, under the name Worldwide Fiber. In March 2000, that company was renamed 360networks. 360 began to build a global fiber optic network spanning approximately 89,000 route miles and linking over 100 major population centers in North America, Europe, South America and Asia.

Despite significant accomplishments and progress in building its network, 360 suffered from a downturn in the telecommunications market. 360 generated lower revenue than originally

⁵ Infrastructure route miles include both fiber and conduit installed along the route.

forecast and was not able to secure the necessary financing to complete the planned network. Specific factors that contributed to 360's financial distress included the following:

- Oversupply of capacity caused significant price erosion.
- Changing customer buying habits resulted in a shift from IRU (indefeasible rights of use) purchases to leases.
- As a relative late-comer to the industry, 360 lagged behind its competitors in capital-raising, resulting in a relative shortage of available financing.
- Tighter capital markets created customer reluctance to purchase IRUs due to the customers' own capital constraints.
- 360's weak balance sheet caused customer reluctance to purchase IRUs and engage in long-term relationships with 360.

As 360 was not successful in attracting sufficient new capital outside of chapter 11, the Debtors determined chapter 11 filings were the best means available to recapitalize and restructure their businesses. The North American (as well as eventually the Trans-Atlantic) portion of 360 sought concurrent reorganization relief under both the Canadian CCAA and chapter 11 of the Bankruptcy Code to allow such entities to address their difficulties. 360's European and Asian affiliates were or are in the process of being liquidated under the laws in each applicable country. 360's South American affiliates that comprise the 360americas group of companies (formerly GlobeNet) are pursuing their own debt restructuring outside of any insolvency court. The South American affiliates that are not part of the 360americas group of companies will be disposed of or liquidated in due course.

C. Change in Business Since Petition Date

While under chapter 11 and CCAA protection, 360 has undertaken a broad operational restructuring to address the rapidly evolving telecommunications environment. Specific actions include the following:

Refocusing on North American Footprint. 360 has concentrated its efforts on operating its North American network and has sold or is in the process of selling its other network assets. As the largest and most advanced telecommunications market, North America provides the best environment for 360's network offerings.

Reduction of Operating Costs. 360 has significantly reduced operating and maintenance ("O&M") costs as well as selling, general and administrative ("SG&A") costs since the Petition Date. 360 reduced its workforce from approximately 1900 employees in June 2001 to approximately 450 today and initiated other cost reduction measures related to more conservative growth projections. Due to these efforts, monthly SG&A expense has fallen from approximately \$13 million pre-filing to approximately \$4 million currently. Similarly, monthly O&M expense has fallen from approximately \$10 million pre-filing to approximately \$7 million currently.

Reduction of Capital Spending. Focusing on North America has enabled 360 to avoid further costly network construction, as 360's North American network is essentially complete. Further, the bankruptcy process provided 360 with a forum in which to renegotiate or reject uneconomical construction commitments. 360's current business plan anticipates adding capacity on existing

routes on a “just-in-time” basis in conjunction with actual demand, thereby rendering capital spending largely success-based.

Restructuring of Balance Sheet. Through the recapitalization incorporated in the Plan and CCAA Plan, 360 would restructure its balance sheet liabilities and eliminate significant strains on its cash flow. The Company anticipates that customers will respond favorably to 360’s relative financial stability vis-à-vis competitors, who are either in the midst of their own chapter 11 cases or who have significant levels of debt leverage.

D. Overview of the Chapter 11 Cases

1. Commencement

On June 28, 2001, each of the Debtors filed voluntary chapter 11 petitions with the Bankruptcy Court. Since then, the Debtors have continued in possession of their properties and in the management of their businesses as debtors in possession.

2. The Creditors’ Committee

On July 12, 2001, the Office of the United States Trustee for the Southern District of New York appointed the official committee of unsecured creditors (the “Committee”) in the Debtors’ chapter 11 cases.

3. Postpetition Financing and Cash Collateral

Since the outset of these cases, the Debtors have required working capital to continue operating. Fortunately, that capital was available internally rather than through obtaining debtor in possession financing. To ensure access to such internal capital, on July 2, 2001, the Debtors entered an initial cash collateral stipulation with the Debtors’ prepetition lenders (the “Prepetition Lenders”), which assert a security interest in substantially all of the Debtors’ assets. Thereafter, on July 26, 2001 and December 19, 2001, the Debtors and the Prepetition Lenders entered into a second and third cash collateral stipulation, respectively. In June, 2002, the Debtors’ cash collateral use was extended by consent.

4. Cross Border Protocol

Early in these cases a cross border protocol was approved in the Chapter 11 Cases and the CCAA Cases to facilitate coordination on cross border issues.

5. Claims Resolution

Claims aggregating over \$2 billion have been filed or scheduled against the Debtors. The Debtors have devoted substantial efforts towards reviewing the filed claims and, where warranted based upon the Debtors’ books and records, preparing objections to numerous claims. The Debtors are continuing to analyze the claims in order to ascertain what objections need to be made.

6. Development of a Business Plan and Negotiation of a Plan of Reorganization

Since the Petition Date, management has focused on continuing to develop initiatives to turn around the remaining operations of the Company and to fulfill the Company’s

North American mission. In that regard, the Company engaged in an extensive review and evaluation of its remaining assets and business operations to formulate a long-range business plan. That analysis underlined the Debtors' reorganization plan negotiations with various key parties and the Plan that is now being proposed by the Debtors. The Debtors' Plan is being proposed in coordination with the CCAA Plan proposed by the CCAA Plan Debtors. Together, those plans address the Company's future North American operations and the recapitalization of the related business entities.

ARTICLE IV.

THE FIRST AMENDED JOINT PLAN OF REORGANIZATION

THE FOLLOWING IS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. IT IS NOT A COMPLETE STATEMENT OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, A COPY OF WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS APPENDIX 1. IN CERTAIN RESPECTS, THE PLAN DEALS WITH SOPHISTICATED LEGAL CONCEPTS. THUS, YOU MAY WISH TO CONSULT WITH COUNSEL BEFORE VOTING ON THE PLAN.

A. **Classification and Treatment of Claims and Interests**

1. Class 1 - Administrative Claims

Description. Class 1 consists of all Administrative Claims against the Debtors. Administrative Claims are Claims that arose after the Petition Date and, therefore, were incurred during the Chapter 11 Cases. The Debtors estimate unpaid Allowed Class 1 Claims against the Debtors, other than those incurred by the Debtors in the ordinary course of their business, will aggregate approximately \$6 to \$13 million on the Effective Date of the Plan. That estimate includes approximately \$6.5 million for unpaid professional fees, and approximately \$2 to \$9 million for lease and contract cure payments due under the Plan.

Treatment. Professionals whose compensation is subject to approval by the Bankruptcy Court shall be paid in Cash in the amounts awarded to such professionals by order of the Bankruptcy Court as soon as practicable after such order is entered. Other Administrative Claims (except for ordinary course Claims) shall be paid in Cash in full on the later of the Effective Date and the date such Claims become Allowed Claims. Ordinary course Administrative Claims will be paid in accordance with the terms and conditions of the particular transaction giving rise to such liabilities.

Bar Date. Under the Plan, the Confirmation Order would include a deadline for the filing of professional fee applications and certain other types of Administrative Claims.

2. Class 2 - Priority Tax Claims

Description. Class 2 consists of all Priority Tax Claims against the Debtors. Priority Tax Claims are certain tax Claims that arose before the Petition Date and are entitled to priority in payment. The Debtors estimate unpaid Allowed Class 2 Claims against the Debtors will aggregate approximately \$9 million.

Treatment. At the Debtors' option, each Allowed Priority Tax Claim shall be paid: (i) in Cash in full on the later of the Effective Date and the date such Claim becomes an

Allowed Claim; or (b) over a period not longer than six (6) years from the date of assessment of the applicable tax, with interest on the unpaid portion payable annually in arrears at the rate of 5½% per annum (or such other rate of interest as may be ordered by the Bankruptcy Court prior the Effective Date or as agreed by the holder of the Claim and the Debtors). To the extent, if any, that a Priority Tax Claim also is secured by property of the Debtors, then the holder of such secured Priority Tax Claim shall retain its lien against such property until the relevant Priority Tax Claim is paid in full in accordance with section 3.2 of the Plan.

Unless prior to the Confirmation Date the holder of a Priority Tax Claim files and serves on counsel to the Debtors a statement that the portion of any such Priority Tax Claim that is in the nature of a penalty is compensatory and not punitive, then such penalty portion shall be deemed to be disallowed and the holder of such Claim shall be entitled to no distribution on account of such penalty portion.

3. Class 3 - Other Priority Claims

Description. Class 3 consists of all Other Priority Claims against the Debtors. Other Priority Claims are certain Claims, such as certain employee Claims, which arose before the Petition Date and are entitled to priority in payment. The Debtors estimate unpaid Allowed Class 3 Claims against the Debtors will aggregate approximately \$50,000.

Treatment. Each holder of an Allowed Priority Claim shall receive 100% of the Allowed amount of such Claim in Cash on the Effective Date or as soon thereafter as is reasonably practicable.

4. Class 4 - Prepetition Lender Claims

Description. Class 4 consists of all Prepetition Lender Claims. Prepetition Lender Claims are Claims under a certain Credit Agreement, dated as of September 29, 2000, pursuant to which the Debtors and certain of their affiliates borrowed or guaranteed borrowings of nearly \$1.2 billion, plus any adequate protection claims related thereto.

Treatment. On the Effective Date, the Prepetition Lender Claims shall be Allowed Claims against each of the Debtors. Each holder of a Prepetition Lender Claim shall receive its ratable share of the following, which shall be distributed by Reorganized 360, and be in full satisfaction of all of the Prepetition Lenders' Claims against the Debtors and the CCAA Plan Debtors: (a) \$135 million in Cash; (b) New Senior Secured Notes in the principal amount of \$215 million; and (c) 80.5% of the New Parent Stock. The Prepetition Lenders also shall receive the releases as set forth in the Plan. The Plan also provides that up to \$30 million of the Cash consideration to be received by the Prepetition Lenders may be deferred beyond the Effective Date with the consent of the Required Class 4 Holders.

The basic terms of the New Senior Secured Notes are described in Schedule 1.54 of the Plan. Certain key terms are: (a) the length of the term (5 years); (b) interest rate (LIBOR plus 5%); and (c) collateral (a first lien on substantially all of the Debtors and CCAA Plan Debtors' assets; *provided, however*, that commencing six months after the Effective Date, Reorganized 360 may enter into a working capital facility to borrow up to \$25 million to be secured by liens senior to those securing the New Senior Secured Notes). The New Parent Stock is discussed in the section below on distributions to Class 7.

As set forth in Sections 3.4(g) and (h) to the Plan, notwithstanding the discharge provisions contained in Article VII of the Plan, an amount of the Claims of the Prepetition Lenders equal to the principal amount of the New Senior Secured Notes are being partially excluded from the Plan's discharge and release provisions. These exclusions are not intended to affect the substantive treatment of Class 4 Claims under the Plan, but rather to provide the Debtors certain cost-savings from amending the instruments that currently evidence the perfection of the Prepetition Lender Claims, instead of releasing those instruments and re-filing new ones.

5. Class 5 -- Nonconsensual Lien Claims

Description. Class 5 consists of all Claims secured by valid, binding, perfected, and enforceable nonconsensual liens (such as mechanic's liens, judgment liens, or warehouseman's liens), as and to the extent so secured. Each Nonconsensual Lien Claim that is secured by different collateral shall be a separate subclass for purposes of voting and treatment under the Plan.

Treatment. On the later of the Effective Date and 10 Business Days after the date on which a Class 5 Claim becomes an Allowed Claim, each such Claim shall be paid in full as follows:

a. Amount. The amount of an Allowed Class 5 Claim shall be the lesser of (i) the value (as of the Confirmation Date) of the collateral securing such Claim and (ii) the sum of: (A) the amount (as of the Petition Date) of the Debtors' obligation to the holder of such Claim secured by a valid, binding, perfected, and enforceable Nonconsensual Lien; plus (B) interest on such amount (exclusive of interest on any prepetition interest included therein) from the Petition Date through the Confirmation Date at 5.5% per annum; plus (C) reasonable attorney's fees, if any, due to the holder of such Claim by contract.

b. Resolution of Allowed Amount. The amount of each such Allowed Claim shall be as listed on Schedule 3.5(a) to the Plan, assuming a Confirmation Date of August 31, 2002. If prior to the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order, a holder of a Class 5 Claim fails to file with the Bankruptcy Court and serve on the attorneys for the Debtors an objection to the amount(s) set forth in such Schedule 3.5(a) respecting such Claim, then such holder shall be forever barred from asserting any Claims against the Debtors exceeding the proposed allowed amount of such Claim. If a timely objection to an amount listed on Schedule 3.5(a) to the Plan is served and filed by a holder of a Class 5 Claim, then such holder's Claim shall be deemed to be a Disputed Claim to be resolved in accordance with the Plan.

c. Term. 10 years from the Effective Date.

d. Amortization. Based on 20 years, payable quarterly in arrears, with any principal remaining outstanding due as a lump sum on maturity.

e. Interest Rate. 5.5% per annum, payable quarterly in arrears; provided, however, that interest accrued after the Confirmation Date but otherwise due before the Effective Date shall not be due until the end of the first quarter ending after the Effective Date.

f. Prepayment. Nonconsensual Lien Claims shall be prepayable without premium or penalty in whole or in part at any time prior to maturity.

g. Collateral. As of the Effective Date, the Debtors' obligations to make the Plan payments on Nonconsensual Lien Claims shall be secured by the applicable Nonconsensual Lienholder's existing collateral to the same extent as existed on the Confirmation Date. To the extent, if any, that prior to the Confirmation Date or in the Confirmation Order, the collateral securing any of the Nonconsensual Lien Claims was transferred to one or more segregated Cash accounts by order of the Bankruptcy Court, then such Nonconsensual Lien Claim shall continue to be secured by such segregated cash account to the same extent as provided in the applicable order.

h. Documentation. As a condition to receipt of any payments under the Plan, Nonconsensual Lienholders shall be required to execute any documents that the Debtors determine to be reasonably necessary or appropriate to evidence or implement the relative rights of the Debtors and Class 5 Creditors under the Plan.

i. Lump Sum Alternative. The Debtors or Reorganized Debtors, as applicable, shall be authorized to satisfy any Allowed Nonconsensual Lien Claim in Cash with a discounted lump sum payment; provided, however, that for settlements requiring Cash payments in excess of \$1 million, if the Prepetition Agent objects to such payment within such period then such agreement shall require Bankruptcy Court approval.

Subject to the occurrence of the Effective Date, each holder of an Allowed Nonconsensual Lien Claim may elect, on its ballot for voting on the Plan, to receive a single lump sum payment equal to 50% of such Allowed Claim in lieu of any other distribution on such Allowed Claim under the Plan. Such election shall apply to such holder's entire Allowed Class 5 Claim. Any Cash settlement payable on a Nonconsensual Lien Claim secured by a segregated Cash account shall be paid from such account.

j. Debtors' Option to Return Collateral. In lieu of the treatment described in subsections (a) through (i) above, the Debtors may satisfy any Allowed Class 5 Claim by transferring title to the property securing such Allowed Class 5 Claim to the holder of such Claim. Within thirty (30) days after mailing by the Debtors or Reorganized Debtors of notice of the election of this option, the holder of an Allowed Class 5 Claim shall be entitled to amend in writing or file a proof of claim for any unsecured deficiency Claim respecting such Claim (to the extent such holder has recourse to a Debtor respecting such Class 5 Claim, and provided the holder has timely filed a proof of claim respecting such Class 5 Claim or whose Class 5 Claim was listed in the Schedules as nondisputed, noncontingent, and liquidated). To the extent, if any, that any such unsecured deficiency Claim is or becomes an Allowed Claim, then such deficiency Claim shall be treated as an Allowed Class 7 Claim.

6. **Class 6 – Other Secured Claims (i.e., other than Prepetition Lender Claims and Nonconsensual Lien Claims)**

Description. Class 6 consists of all Secured Claims other than Prepetition Lender Claims and Nonconsensual Lien Claims. Class 6 Claims are Claims that arose before the Petition Date and are secured by assets of the Debtors. Each Secured Claim that is secured by different collateral shall be a separate subclass for purposes of voting and treatment under the Plan. The Plan divides Class 6 into two categories, consisting of: (a) those Class 6 Claims identified in the Plan as Impaired Class 6 Claims, which are impaired under the Plan and holders of which are entitled to vote on the Plan; and (b) those Class 6 Claims not identified as Impaired Class 6 Claims (i.e., unimpaired Class 6 Claims). Any Class 6 Claim not identified as an Impaired Class 6 Claim on Schedule 3.6(c) to the Plan shall be treated as an unimpaired Class 6 Claim.

Treatment for Unimpaired Class 6 Claims. Each holder of an Allowed Secured Claim shall, at the Debtors' option: (a) receive 100% of the allowed amount of such Claim (or at some lesser amount agreed to by the Debtors and the holder of any such Claim) in Cash on the Effective Date or as soon thereafter as reasonably practicable; (b) have such Claim reinstated (i.e., have past arrearages brought current and be paid in the future under the existing debt repayment terms); or (c) receive title to the property securing such Allowed Class 6 Claim.

To the extent a Class 6 Claim is partially an Allowed Secured Claim based on an offset right and partially an Allowed Claim of another type, such Claim shall be deemed to: (x) have been setoff only to the extent of the allowed amount of the allowed fixed, liquidated, nondisputed, non-contingent Claim owing from the relevant Debtor; and (y) be a Claim classified in another relevant Class for any excess of such Claim over the amount set off. If a Claim is fully an Allowed Secured Claim based on an offset right, then: (a) the allowance of such Claim shall not affect any obligations or liabilities due and payable (at such time) to the relevant Debtor that are in an amount in excess of the amount offset and the payment of all amounts due and owing as of the Effective Date to such Debtor; and (b) the turnover of any property of such Debtor held by such claimant on account of any unliquidated, disputed or contingent right of setoff shall be a precondition to the allowance of such Claim.

Treatment for Impaired Class 6 Claims. (See Plan Schedule 1.42) Each holder of an Allowed Secured Claim shall be paid in full as follows:

- a. Term. 10 years from the Effective Date.
- b. Amortization. Based on 20 years, payable quarterly in arrears, with any principal remaining outstanding due as a lump sum on maturity.
- c. Interest Rate. 5½% per annum, payable quarterly in arrears; provided, however, that interest accrued after the Confirmation Date but otherwise due before the Effective Date shall not be due until the end of the first quarter ending after the Effective Date.
- d. Prepayment. The Claim shall be prepayable without premium or penalty in whole or in part at any time prior to maturity.
- e. Collateral. As of the Effective Date, the Debtors' obligations to make the Plan payments on Impaired Class 6 Claims shall be secured by the applicable Class 6 Claim holder's existing collateral to the same extent as existed prior to the Confirmation Date.
- f. Documentation. As a condition to receipt of any payments under the Plan, holders of Impaired Class 6 Claims shall be required to execute any documents that the Debtors determine to be reasonably necessary or appropriate to evidence or implement any provision of section 3.6 of the Plan or any other relevant provision of the Plan or the Confirmation Order.
- g. Lump Sum Alternative. The Debtors or Reorganized Debtors, as applicable, shall be authorized to satisfy any Allowed Impaired Class 6 Claim in Cash with a discounted lump sum payment; provided, however, that: (i) any such payments (or a series of related payments) of \$1,000,000 or more in the aggregate shall be on notice to the Prepetition Agent; and (ii) if the Prepetition Agent objects to such payment (or such series of related payments) within the notice period applicable thereto, then Bankruptcy Court approval shall be required prior to the making of such payment (or such series of related payments). Subject to the

occurrence of the Effective Date, each holder of an Allowed Impaired Class 6 Claim may elect, on it's ballot for voting on the Plan, to receive a single lump sum payment equal to 50% of such Allowed Claim in lieu of any other distribution on such Allowed Claim under the Plan. Such election shall apply to such holder's entire Allowed Impaired Class 6 Claim.

Resolution of Allowed Amounts. Schedule 3.6(c) to the Plan lists: (i) each Class 6 Claim; (ii) the amount in which each such Claim is proposed to be allowed; and (iii) the additional cure amount, if any, proposed to be paid if the Claim is to be reinstated. If prior to the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order, a holder of a Class 6 Claim fails to file with the Bankruptcy Court and serve on the attorneys for the Debtors an objection to the amount(s) set forth in such Schedule 3.6(c) respecting such Claim, then such holder shall be forever barred from asserting any Claims against the Debtors exceeding the proposed allowed amount of such Claim, and Reorganized Debtors shall be entitled to rely upon such amount(s) in selecting the treatment for the relevant Class 6 Claim. If a timely objection to an amount listed on Schedule 3.6(c) to the Plan is served and filed by a holder of a Class 6 Claim, then such holder's Claim shall be deemed to be a Disputed Claim to be resolved in accordance with the Plan.

Treatment of Offset Rights. To the extent a Class 6 Claim is partially an Allowed Secured Claim based on an offset right and partially an Allowed Claim of another type, such Claim shall be deemed to: (x) have been setoff only to the extent of the allowed amount of the allowed fixed, liquidated, nondisputed, non-contingent Claim owing from the relevant Debtor; and (y) be a Claim classified in another relevant Class for any excess of such Claim over the amount set off. If a Claim is fully an Allowed Secured Claim based on an offset right, then (A) the allowance of such Claim shall not affect any obligations or liabilities due and payable (at such time) to the relevant Debtor that are in an amount in excess of the amount offset and the payment of all amounts due and owing as of the Effective Date to such Debtor and (B) the turnover of any property of such Debtor held by such claimant on account of any unliquidated, disputed or contingent right of setoff shall be a precondition to the allowance of such Claim.

7. Class 7 - General Unsecured Claims

Description. Class 7 consists of all general unsecured Claims that arose before the Petition Date except Claims classified in other Classes such as Intercompany Claims.

Treatment. Each holder of an Allowed General Unsecured Claim shall receive its Ratable Share of: (a) 10% of the New Parent Stock; and (b) 80% of certain Net Preference Recoveries. The Debtors estimate that the aggregate amount of Allowed Claims in Class 7 will be between \$260 and \$300 million.

The total amount of Allowed Claims in Class 7 may differ significantly from the range estimated above, and Allowed Class 7 Claims' Ratable share of the 10% of New Parent Stock and 80% of certain Net Preference recoveries allocated to Class 7 under the Plan may be adversely effected by the aggregate amount of Class 7 Claims ultimately allowed. Distributions to holders of Allowed Class 7 Claims will be made on an incremental basis until all Disputed Claims in Class 7 and all Committee Claims have been resolved.

a. New Parent Stock

The New Parent Stock to be distributed under the Plan will be issued by 360networks (holdings) ltd., a Canadian company that will be the post-Effective Date ultimate

parent of the companies constituting Reorganized 360. Under the Plan and the CCAA Plan, the New Parent Stock initially will be allocated 80.5% to the Prepetition Lenders, 10% to the general unsecured creditors of the Debtors, 2% to the general unsecured creditors of the CCAA Plan Debtors, and 7.5% to employees (with such allocation to employees to be in either the form of stock grants or options to purchase stock). In each case, such issuance shall be subject to dilution for future stock issuances, including pursuant to the employee stock option plan provided for under the Plan.

In the aggregate, there will be 15 million shares of New Parent Stock issued pursuant to the Plan and CCAA Plan. Subject to limited exceptions for recipients who may be deemed to be underwriters, the New Parent Stock to be issued pursuant to the plans should be exempt from registration pursuant to applicable U.S. and Canadian law. The Company will seek to have the New Parent Stock listed on the NASDAQ and the Toronto Stock Exchange, subject to the requirements of the particular exchange. There can be no assurance that the Company will be successful in that endeavor.

The future trading value of the New Parent Stock cannot be predicted with certainty. For certain limited confirmation purposes, Lazard Frères & Co. LLC, the Company's financial advisor, has estimated that the aggregate value of the New Parent Stock on the Effective Date would approximate \$150 million, which would translate into \$10 per share.⁶ There can be no assurance as to what actual trading value the New Parent Stock will have. Among the risks related to actual future valuation of the New Parent Stock are the following: (a) any valuation is premised in large part on the successful implementation of Reorganized 360's business plan, which is based on numerous assumptions that may not materialize or even be in Reorganized 360's control and which does not necessarily anticipate every event or circumstance that may impact the Debtors in the future (see also Appendix 3); (b) no established market exists for the New Parent Stock and there can be no assurance that such a market will develop or, if developed, continue to exist; (c) there may be significant volatility in the market for New Parent Stock, particularly in the near term, due to, *inter alia*, efforts by some creditors to dispose of their stock shortly after the Effective Date and the current state of the telecommunications industry specifically and the stock markets generally; and (d) due to Reorganized 360's new capital structure and fresh start accounting rules, as well as other matters, Reorganized 360's financial condition and results of operations will not be comparable to those reflected in historical financial statements.

⁶ In estimating the value of the New Parent Stock, Lazard: (i) reviewed certain historical financial information of 360 for recent years and interim periods; (ii) reviewed certain internal financial and operating data of 360 including both baseline and sensitized financial projections, prepared and provided by management relating to its business and its prospects; (iii) met with certain members of senior management of 360 to discuss 360's operations and future prospects; (iv) reviewed publicly available financial data and considered the market value of public companies that Lazard deemed generally comparable to 360; (v) considered certain economic and industry information relevant to the operating business; and (vi) conducted such other studies, analysis inquiries, and investigations as Lazard deemed appropriate. Although Lazard conducted a review and analysis of 360's business, operating assets and liabilities, and the business plans for Reorganized 360, Lazard assumed and relied on the accuracy and completeness of all: (i) financial and other information furnished to it by 360; and (ii) publicly available information. In addition, Lazard did not independently verify management's projections in connection with such estimates of the reorganization value, and no independent valuation of 360 was sought or obtained.

The valuation estimates prepared by Lazard represent the hypothetical reorganization enterprise value of the Reorganized 360. Such estimates were developed solely for purposes of the formulation and negotiation of a plan of reorganization and the analysis of implied relative recoveries to creditors thereunder. Such estimates reflect computations of the range of the estimated reorganization enterprise value of Reorganized 360 through the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict, and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimates prepared by Lazard are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than the estimates suggest. As such estimates are inherently subject to uncertainties, neither the Debtors, Lazard, nor any other person assumes responsibility for their accuracy. In addition, the valuation of newly-issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict.

b. Lump Sum Election of Cash in Lieu of New Parent Stock

Subject to the occurrence of the Effective Date and allowance of its Claim, each holder of a Class 7 Claim may elect, on such holder's ballot for voting on the Plan, to receive a cash payment of \$6.67 per share of New Parent Stock in lieu of New Parent Stock Distribution on account of such Allowed Class 7 Claim. The Lump Sum Election shall apply to such holder's entire Class 7 Claim (to the extent there is sufficient funding to exchange the claimholder's stock entitlement for Cash). The Lump Sum Election would substitute a Cash Distribution for a distribution of New Parent Stock; however, distributions of a Class 7 creditor's share of Net Preference Recoveries would not be impacted by the Lump Sum Election. Each holder of an Allowed Class 7 Claim of \$100,000 or less shall be deemed to have made the Lump Sum Election.

The Lump Sum Election price for the New Parent Stock is neither intended to provide nor necessarily would provide unsecured creditors subject to the election, with the equivalent of the value of the New Parent Stock such creditors otherwise would receive. Indeed, the Lump Sum Election price is based on an equity value for Reorganized 360 (\$100 million) that is less than the value ascribed to Reorganized 360's equity by the Debtors' financial advisor. Nonetheless, the Lump Sum Election is included in the Plan to provide unsecured creditors with an alternative for immediately liquidating all or a substantial portion of their entitlement to New Parent Stock into Cash for a fixed price and without a brokerage commission. Further, the election would eliminate any risks associated with the ability to trade the New Parent Stock in the future, particularly for small or odd lot share holdings.

Payments to satisfy the Lump Sum Election shall be funded by Reorganized 360 or Reorganized 360's designee (in either case, the "Funding Source") in an aggregate amount equal to at least \$5 million. To the extent, if any, the amount reserved to satisfy the Lump Sum Election is insufficient to satisfy all Allowed Class 7 Claims subject to the election, all such Allowed Claims of \$100,000 or less shall be satisfied first and the remaining funds shall be allocated Ratably among the other Allowed Claims subject to the election, with any Disputed Claim to be allocated its Ratable Share based on the amount of the Allowed Claim to which the Debtors assert the holder of the Disputed Claim should be entitled unless there is an order of the

Bankruptcy Court on a motion by a holder of a Disputed Class 7 Claim challenging the Debtors' determination of such holder's Ratable Share, and as to which motion such holder shall have the burden to establish there was no reasonable basis for the Debtors' determination. (The Debtors estimate that the aggregate amount payable for the Lump Sum Election to all holders of Allowed Class 7 claims of \$100,000 or less would be less than \$500,000.) The New Parent Stock allocable to any Claim subject to the Lump Sum Election shall be delivered to the Funding Source. If a holder of a Class 7 Disputed Claim makes, or is deemed to have made, the Lump Sum Election, then the lump sum payment allocable to such Claim would be held in escrow pending resolution of such Claim and paid once and to the extent such Claim becomes an Allowed Class 7 Claim, with any interest earned on such escrow to be paid to the Debtors to the extent the Disputed Claim becomes an Allowed Class 7 Claim and to the Funding Source to the extent the Disputed Claim is disallowed.

c. Net Preference Recoveries.

The Net Preference Recoveries in which Class 7 creditors will share are 80% of Cash recoveries obtained by or on behalf of the Debtors based on most Cash payments and equipment returns made by the Debtors during the 90 days preceding the Debtors' Petition Date (June 28, 2001). In essence, except to the extent set forth below, the "preference" recoveries excluded from those in which Class 7 would share are any from: (a) Netrail Inc.; (b) members of the Ledcor Group (which are affiliates of the Debtors); (c) the Debtors' current professionals; (d) present and former employees of the Debtors and their affiliates; (e) certain designated recipients of Cash payments aggregating more than \$100,000 during such 90-day period with whom the Debtors anticipate having broader settlements; and (f) a to-be-designated list of recipients of Cash payments aggregating \$100,000 or less during such 90-day period so long as the aggregate payments during the 90-day period to the recipients to be designated by the Debtors do not exceed \$5.4 million.⁷ Class 7, however, would share 80% of all net preference recoveries from the three groups described in clauses (d), (e), and (f) that are not part of broader settlements. Also, Class 7 would share 80% of all net preference recoveries above \$500,000 from the Ledcor Group if the Debtors do not reach a broader settlement with the Ledcor Group. Notably, Class 7 effectively will receive 100% of the benefit from Class 7 Claims reductions associated with any resolution of "preference claims" (because those eliminated Claims will not share in the distributions under the Plan for Class 7 creditors).

As described in greater detail in section IV.C.4 below, under the Plan, the Committee will have sole responsibility for pursuing most preference claims on behalf of the Debtors' estates (and objecting to the related Claims against the Debtors), and the Debtors will contribute \$1 million towards these efforts.⁸ To the extent that the fees and expenses of investigating, analyzing, settling, or pursuing preference claims (and objecting to the related Claims) exceeds the amount of the Debtors' contribution, the preference recoveries to be shared by Class 7 will be net of such incremental fees and expenses of the Committee (and, to the extent

⁷ Also excluded from consideration are payments that are the subject of settlements releasing the applicable claims against the recipients, including pre-July 1, 2002 settlements and settlements under the Plan (such as those involving the Prepetition Lenders and among the Debtors and their affiliates).

⁸ A substantial portion of that \$1 million will be funded by recoveries from "preference" recipients in which Class 7 does not share, including the Debtors' Professionals.

applicable, certain fees and expenses of the Debtors and Reorganized Debtors) in investigating, analyzing, settling, or pursuing such claims.

Total cash payments and the purchase prices of equipment returned by the Debtors during the 90 days preceding their Petition Date aggregate over \$300 million. Of that amount, approximately \$50 million will be excluded from those in which Class 7 creditors may share due to prior settlements or otherwise. Further, preference payment recipients will argue that they need not return their payments due to defenses such as that the payments were made in the ordinary course of business, were made in a contemporaneous exchange for or were followed by advances of new value, or were on account of secured debt. While likely Net Preference Recoveries are impossible to predict, based primarily on the Committee's review of the Committee Claims, a range of potential recoveries is approximately \$30 to \$50 million, of which Class 7 would receive 80%. The Committee believes that recovery range is conservative. Nonetheless, there can be no assurance of any minimum recovery level on such claims.

d. Prohibition on Multiple Recoveries.

As a component of the settlements embodied in the Plan, Class 7 Claims against all Debtors shall be aggregated for purposes of voting on and distribution under the Plan, but for no other purpose and none of the Debtors or their estates will be substantively consolidated. Accordingly, each holder of a Class 7 Claim shall be entitled to only one Class 7 Claim against and one recovery from the Debtors respecting the obligation or liability of any of the Debtors regardless of any legal theory that could make multiple Debtors liable for such obligation or liability. Duplicate Claims against multiple Debtors respecting a single obligation or liability shall be disallowed so that only a single obligation or liability remains. Further, to the extent, if any, that a creditor correctly asserts that one or more of the Debtors and one or more of the CCAA Plan Debtors both should be otherwise liable for a single claim, then: (i) such claim shall be allocated exclusively to the entity contractually or otherwise primarily obligated to satisfy such claim; or (ii) if no such entity exists, then to the extent at least one of the Debtors and at least one of the CCAA Plan Debtors otherwise would be jointly liable for any claim, such claim shall be allocated between the applicable Debtors and CCAA Plan Debtors based on their respective relative benefit from the transaction or occurrence giving rise to such claim and/or their respective relative degree of culpability, if any, for an event or act giving rise to such claim, as applicable.

Any allocation made pursuant to clauses (i) and (ii) above shall be made according to the following procedure: (a) based upon the criteria enumerated above, the Reorganized Debtors shall provide a recommendation to the Committee and to the monitor in the CCAA cases as to how a particular Claim should be allocated; (b) if the Committee and the CCAA monitor agree upon the allocation of a particular claim, then such agreement shall be determinative of such allocation, subject to the right of the applicable creditor to seek judicial review of such determination within ten days of notice of such determination; and (c) if the Committee and the CCAA monitor are unable to agree as to allocation of a particular claim, then any allocation of such claim between the CCAA Plan Debtors and or the Debtors shall be made by judicial determination.

8. Class 8 - Intercompany Claims

Description. Class 8 consists of all Intercompany Claims against the Debtors. Intercompany Claims are Claims that arose before the Petition Date that are held by any of the Debtors, the CCAA Plan Debtors, or their affiliates.

Treatment. Each holder of an Allowed Intercompany Claim shall receive no Distribution on account of such Claim. Allowed Intercompany Claims of the CCAA Plan Debtors or Nondebtor Affiliates shall be contributed to the capital of Holdings USA. Thereafter, Allowed Intercompany Claims held by other Debtors shall be cancelled. Notwithstanding the treatment of Class 8 Claims provided for in the Plan, each of the holders of Class 8 Claims shall be deemed to have accepted the Plan.

9. Class 9 - Equity Interests

Description. Class 9 consists of all Interests in the Debtors (but not of the CCAA Plan Debtors or non-Debtor affiliates).

Treatment. Holders of Allowed Interests shall receive no distributions under the Plan, but shall retain their Interests; *provided, however*, that in the event necessary to obtain confirmation of the Plan under section 1129(b) of the Bankruptcy Code, then such Interests shall be cancelled and replaced by matching new common stock of the applicable Debtors.

B. Compromises and Settlements Incorporated in the Plan

1. Compromises Incorporated in the Treatment of Class 4 (Prepetition Lender Claims) and Class 7 (General Unsecured Claims)

The Prepetition Lenders assert an approximately \$1.2 billion Claim against each of the Debtors based on loans to 360networks (USA) inc. that were guaranteed by each of the other Debtors. The Prepetition Lenders further assert that such Claims are secured by substantially all assets of the Debtors, with the exception of postpetition avoidance actions (generally, preference claims). Moreover, to the extent, if any, the Debtors have unliened assets, the Prepetition Lenders assert that the value of any such unliened assets: (a) should be exhausted by postpetition fees and expenses of the Debtors' chapter 11 estates; and (b) largely should flow to the Prepetition Lenders' in any event on the basis that the bulk of any remaining unliened asset values would be allocable to the Prepetition Lenders due to both the Prepetition Lenders' unsecured deficiency Claims (i.e., the excess of the Prepetition Lenders' Claims over the value of collateral securing such Claims) and the Intercompany Claims on which the Prepetition Lenders assert a lien.

The Committee has raised two major challenges to the Prepetition Lenders' position (as well as various other challenges). First, the Committee asserts that certain of the Debtors' assets are not covered by valid, binding, and perfected liens of the Prepetition Lenders and, therefore, the value of such unliened assets should be shared by all unsecured creditors. As to noncash assets, the Committee contends the value of such assets may be substantial because the assets are integral to the Debtors' network. As to the Debtors' Cash as of the Petition Date, the Committee asserts that the Prepetition Lenders did not have a lien on any of such Cash, and that the Cash Collateral Orders have preserved, in whole or in part, the value of such unencumbered Cash.

Second, the Committee asserts that a substantial portion of the Prepetition Lenders' loans, while made pursuant to binding contractual commitments, were fraudulent transfers and,

therefore, the related claims and liens may be invalidated and preserved for the benefit of general unsecured creditors. In particular, the Committee argues that: (a) when the Prepetition Lenders made all or most of their loan advances, the Debtors were in financial distress; and (b) to the extent the proceeds from such loans ultimately went to the Debtors' non-U.S. affiliates, the Debtors did not receive reasonably equivalent value from such loans. The Committee also argues that the Intercompany Claims on which the Prepetition Lenders assert a lien are based on capital contributions rather than loans and, therefore, should be subordinated or treated as equity.

Under the Plan, Class 7 would receive: (a) a percentage of the New Parent Stock having a value that should exceed Class 7's *pro rata* share of the Debtors' unencumbered reorganization value (although the Committee would argue that would not be the case if the Committee succeeded on its potential challenges to the Prepetition Lenders' position); and (b) a share of the Debtors' Net Preference Recoveries that substantially exceeds Class 7's proportionate share of such recoveries. The Debtors believe the Plan incorporates a reasonable compromise of any arguments to invalidate the Prepetition Lenders' Claims and liens for the following reasons, among others:

- Any litigation to resolve the Committee's assertions would be expensive and uncertain in outcome.
- Any such litigation would be time consuming and would substantially diminish the value of the Debtors' business by distracting management from the Debtors' reorganization and operations and by delaying the Debtors' exit from chapter 11.
- While there may be some merit to certain arguments challenging the scope of the Prepetition Lenders' perfected liens, (i) the magnitude of the Prepetition Lenders' unsecured deficiency Claims (which could be three times the aggregate amount of the valid general unsecured claims against the Debtors), and (ii) the magnitude of the Intercompany Claims on which the Prepetition Lenders assert a lien, each signify that the Prepetition Lenders probably would be entitled to most of the value attributable to any unliened assets. Also, even if not subject to liens of the Prepetition Lenders, certain assets are subject to liens (such as mechanic's liens) of creditors other than the Prepetition Lenders.
- The Debtors' reorganization (which is the best way to maximize value for all creditors) would not be possible without the cooperation of the Prepetition Lenders. In particular, the Debtors' operations are integrated with those of the CCAA Plan Debtors, whose assets secure the Prepetition Lenders' Claims pursuant to essentially unassailable charging liens.
- The value available to Class 7 Unsecured Claims under the Plan is likely to be superior to any value that might be obtained from litigation challenging the Prepetition Lenders' claims and liens.

Consequently, the Debtors believe the Plan treats the Claims in Classes 4 and 7 fairly and equitably. Moreover, the terms of the Plan were subject to intensive and often difficult negotiations among the Prepetition Agent, the Debtors, and the Committee. The resulting compromises embodied in the Plan reflect the successful conclusion of those negotiations. Accordingly, while not agreeing with each element of the Debtors' analysis, the Committee supports the Plan.

In the process of reaching such compromises, the parties exchanged draft term sheets that covered matters beyond those dealt with in the Plan, including certain agreements relating to professional fees and potential preference claims against the Debtors' professionals. As part of their settlement, the Committee and the Prepetition Agent agreed orally to recommend acceptance of the Plan to their respective constituencies. It currently is expected that such agreement to recommend will be evidenced by a written agreement among the Committee, the Prepetition Agent, and the Debtors that will, among other things, incorporate matters covered by such term sheet that are not in the Plan. If such written agreement is entered into, it will be made available to parties in interest upon request.

2. Compromises Incorporated in the Treatment of Class 7 (General Unsecured Claims), Class 8 (Intercompany Claims), and Class 9 (Equity Interests)

As among Classes 7, 8, and 9, the Plan contains several compromises, which derive in part from the treatment of Class 4 Prepetition Lender Claims as well.

First, although arguments have been made that Intercompany Claims, which are claims against the Debtors by other Debtors or their affiliates, should be treated the same as general unsecured claims in Class 7, the Plan provides that Intercompany Claims be treated separately in Class 8. That would result in the *de facto* subordination through the contribution to capital or cancellation of the Intercompany Claims. That benefit effectively is in part conferred on Class 7 by the Class 4 Prepetition Lenders, who assert a lien on the Intercompany Claims.

Second, on a related front, as part of the compromise and settlements incorporated in the Plan of Class 4 Claims of the Prepetition Lenders, and Intercompany Claims, the Class 7 General Unsecured Claims against all Debtors shall be aggregated for purposes of voting on and distributions under the Plan, but for no other purpose. (A similar approach for the CCAA Plan Debtors is proposed under the CCAA Plan.) Further, Class 7 creditors only shall be entitled to a single recovery from the Debtors or CCAA Plan Debtors, with claims to be allocated to the U.S. or Canadian entity primarily obligated on such claim or, in the absence of such primary obligation, based on the relative benefit or harm to the applicable debtors from the transaction or occurrence at issue.

Third, for simplicity purposes, the Plan provides for the existing stock of the Debtors to be classified in Class 9 and retained by the existing affiliated shareholders. Again, the retention of the stock is being done with the acquiescence of the Class 4 Prepetition Lenders, who assert a lien on the stock.

3. The CCAA Plan

The Plan effectively eliminates any need to allocate value between the U.S. Debtors and the CCAA Plan Debtors. Instead, the Plan is premised primarily on the relative rights of the Class 4 Prepetition Lenders and Class 7 General Unsecured Creditors. Correspondingly, under the CCAA Plan, holders of general unsecured claims against the CCAA Plan Debtors, which are anticipated to aggregate almost one fifth of the amount of the General Unsecured Claims against the U.S. Debtors; will receive 2% of the New Parent Stock in contrast to the 10% going to holders of Class 7 General Unsecured Claims under the Plan. Notably, there is no provision in the CCAA Plan corresponding to the Plan provision for Class 7 General Unsecured Creditors to receive 80% of most Net Preference Recoveries.

Under the CCAA Plan, the treatment of priority, tax, and secured claims other than those of the Prepetition Lenders follows the dictates of Canadian Law. The treatment of the Prepetition Lender Claims under the CCAA Plan is a joint treatment with the treatment of such Claims under the Plan. Intercompany Claims and Interests in Canada are treated the same as under the Plan.

The current ultimate parent of the Debtors, 360networks inc., is not included in the CCAA Plan.

The separate meetings for general unsecured creditors and the Prepetition Lenders required under the CCAA for voting on the CCAA Plan are scheduled for August 27, 2002. The "sanction" hearing for court approval of the CCAA Plan is scheduled for August 30, 2002.

C. Means of Plan Implementation

1. Funding.

The funds to be distributed pursuant to the Plan and the Debtors ongoing working capital needs will come from the Debtors' cash on hand (with a minimum of \$35 million of free cash to be retained by the Company).

2. Post Effective Date Management

The Debtors' existing senior management is expected to remain in place after the Effective Date. The Debtors' current senior officers are: Greg Maffei, CEO; Jimmy Byrd, COO; Vanessa Wittman, CFO, and Lin Gentemann, General Counsel.

3. Post-Effective Date Directors.

On the Effective Date, the Debtors each shall have three directors, who will be Mr. Maffei, Ms. Wittman and Ms. Gentemann. The New Parent will have seven directors appointed in connection with the Plan and the CCAA Plan. Two will be designated by management of Reorganized 360 and five will be designated by the Prepetition Lenders before the Effective Date.

4. Prosecution of Preference Claims.

a. Under the Plan, the Debtors' rights, claims, and causes of action under sections 541, 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code would be preserved for prosecution either by the Debtors or the Committee, as set forth in section 4.3 of the Plan and described below. Such prosecution shall be under U.S. law.

b. The Reorganized Debtors shall control and retain 100% of recoveries on all claims against any member of the Leducor Group, Netrail, Inc., or Debtor Professionals, including Preference Claims against any of the foregoing. Any settlement of claims against the Leducor Group shall require the waiver of all General Unsecured Claims against the Debtors asserted by each member of the Leducor Group or, absent such waiver, an alternative resolution satisfactory to the Committee. Absent a settlement of the Debtors' Preference Claims against the Leducor Group on or before April 30, 2003, such claims shall be treated in all respects as Committee Claims (and all related Committee fees and expenses shall be deemed to be Committee Preference Fees), except that the first \$500,000 of Net Preference Recoveries on such

claims against the Leducor Group shall be paid or credited to the Reorganized Debtors before the 80%/20% split for Net Preference Recoveries from Committee Claims applies.

c. The Committee shall be authorized and have the exclusive right to prosecute all Committee Claims on behalf of the Debtors' estates without further order of the Bankruptcy Court. The Committee shall deposit all proceeds from the prosecution or settlement of Committee Claims into the Preference Account. The Committee also shall be responsible for resolution of any General Unsecured Claims asserted by targets of Committee Claims. Any Committee Claim regarding which the potential defendant has asserted a General Unsecured Claim against the Debtors and with respect to which: (a) the Committee has not filed an adversary proceeding or a motion objecting to the prepetition claim of the target of the Committee Claim by 60 days after the Effective Date, or such later date as may be agreed to between the Committee and the Debtors, or ordered by the Court for cause shown; or (b) as to which on or before such date the Committee has informed the Reorganized Debtors in writing that the Committee does not intend to pursue the Committee Claim, shall revert (together with the related Claim resolution responsibility) to the Reorganized Debtors' control and thereafter be deemed to be a Carve Out Claim. On or before the Effective Date, the Debtors shall provide the Committee with a schedule of potential "books and records" objections related to Committee Claims.

d. The Preference Account. The Preference Account is to be an escrow or trust account under the sole and exclusive control of the Committee. No distributions from the Preference Account shall be made unless and until the Reorganized Debtors first have been paid from such account an amount equal to all outstanding Requested Debtor Fees (or any such fees that are disputed have been reserved for). Subject only to the limited right of set-off for the Debtors' contribution obligations to the Preference Account, the Reorganized Debtors shall receive their 20% share of Net Preference Recoveries from the Preference Account on or before the date that the 80% share of the Net Preference Recoveries are distributed to holders of Allowed Class 7 Claims. The Committee promptly shall provide the Reorganized Debtors with copies of the monthly statements for the Preference Account together with a schedule of all deposits into and withdrawals from the Preference Account. The Reorganized Debtors shall have the right to audit the Preference Account, at the Reorganized Debtors' expense, upon reasonable notice. Either the Committee or the Reorganized Debtors shall have the right to object in the Bankruptcy Court on the basis that the fees to be paid from the Preference Account, *i.e.*, Committee Preference Fees or Requested Debtor Fees, are unreasonable.

e. Debtors' Contribution. The Reorganized Debtors shall provide \$1,000,000 to cover Committee Preference Fees or as a contribution to recoveries on Committee Claims. First, for Committee Preference Fees accrued from July 1, 2002 through the Effective Date, such fees shall be paid by the Debtors in accordance with the monthly fee guidelines or final fee order applicable to such fees. Second, for Committee Preference Fees incurred and billed during the period from the Effective Date until July 1, 2003, upon receipt of such monthly bills the Reorganized Debtors promptly shall deposit an amount sufficient to pay such fees into the Preference Account so long as the aggregate amount paid by the Reorganized Debtors for Committee Preference Fees does not exceed \$1,000,000. Third, as soon as practicable after July 1, 2003, the Debtors will deposit into the Preference Account, as a contribution to the Preference Account, an amount equal to \$1,000,000 less the sum of: (a) the aggregate amount paid by the Debtors for Committee Preference Fees for the period from July 1, 2002 to June 30, 2003; plus (b) any unreimbursed Requested Debtor Fees for such period. Any additional funding to cover Committee Preference Fees shall be paid only from net recoveries on Committee Claims.

f. Reporting and Cooperation. The Plan contains provisions for cooperation between the Reorganized Debtors and the Committee in connection with the prosecution of the Preference Claims as well as mutual reporting requirements regarding settlements.

5. Retention and Enforcement of Avoidance Actions.

a. Subject to sections 4.3 and 7.5(b) of the Plan (as described in the immediately preceding subsection), on the Effective Date, all rights, claims, and causes of action of the Debtors pursuant to: (a) sections 541, 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code; and (b) all other claims and causes of action of the Debtors against any Person as of the Effective Date, shall be preserved and become property of the Reorganized Debtors. Subject to sections 4.3 and 7.5(b) of the Plan (as described in the immediately preceding subsection), on the Effective Date, the Reorganized Debtors shall be deemed the representative of the Debtors' estates under section 1123(b) of the Bankruptcy Code and will be authorized and shall have the power to commence and prosecute any and all causes of action that could have been asserted by any of the Debtors. ALL SUCH ACTIONS SHALL SURVIVE CONFIRMATION AND THE COMMENCEMENT OR PROSECUTION OF SUCH ACTIONS SHALL NOT BE BARRED OR LIMITED BY ANY ESTOPPEL, WHETHER JUDICIAL, EQUITABLE OR OTHERWISE.

b. Except as provided in Sections 4.3 and 7.5(b) of the Plan, on and after the Effective Date, the Reorganized Debtors may settle any claims of the Debtors pursuant to sections 541, 542, 544, 545, 547, 548, 549, 550, and 553 of the Bankruptcy Code held against: (i) employees of the Debtors or their Affiliates or against any Debtor Professionals, without the need for Court approval; provided however, that the Debtors' shall provide at least 10 days' prior written notice to the Committee of any such settlement, and if the Committee objects within such 10 day period, such settlement may not be implemented without Committee consent or an order of the Court; and (ii) any of the Debtors or the CCAA Plan Debtors, and any entity that is a wholly owned subsidiary of any of the Debtors or the CCAA Plan Debtors.

c. To the extent not already commenced, the Reorganized Debtors or the Committee, as the case may be, will commence or pursue actions against other parties to recover for potential preferences and fraudulent conveyances. The Debtors and the Committee are each in the process of analyzing various prepetition transactions that may give rise to Avoidance Actions and fully expect to pursue such actions.⁹

⁹ No later than 20 days before the Confirmation Hearing, the Debtors will file with the Bankruptcy Court a schedule of potential preference defendants ("Schedule of Potential Avoidance Actions") against whom the Debtors' estates could have affirmative Claims. The Schedule of Potential Avoidance Actions will include a schedule of persons that received payments from the Debtors within applicable preference periods and other potential defendants. As neither the Debtors nor the Committee have completed their analysis of all potential preferences, the Schedule of Potential Avoidance Actions will not necessarily be comprehensive and may include potential Claims that neither the Committee nor the Debtors will elect to pursue. With limited express exceptions, the Plan expressly preserves all Claims assertable on behalf of the estates, whether or not they are included in the Schedule of Potential Avoidance Actions. Neither the Debtors nor the Committee have yet initiated actions against the parties scheduled and may never initiate actions against all such parties.

6. Post-Confirmation Role of the Committee.

After the Effective Date of the Plan, the duties of the Committee shall be limited to: (a) handling Committee Claims and related General Unsecured Claims resolutions; (b) appearing in connection with any appeals or motions for reconsideration brought by any party in interest or modification of the Confirmation Order or the Plan; (c) review of and objection to Professionals Fee Claims; (d) review of any settlement of a Claim against the Debtors where such settlement would provide for an Allowed Class 7 Claim in excess of \$100,000; (e) fulfilling its role with respect to the allocation of Claims between the CCAA Plan Debtors and the Debtors pursuant to Section 3.7(d) of this Plan; and (f) objection to any General Unsecured Claim in excess of \$100,000 not otherwise covered by this section if, after providing ten (10) days' written notice to the Debtors, the Committee maintains a good faith belief that the Debtors have no valid business judgment for not objecting to such claim. As provided in section 4.3(d) of the Plan, fees related to clause (a) above shall be paid by the Debtors for the period prior to the Effective Date or from the Preference Account. The reasonable fees and expenses of the Committee in performing its role under clauses (b), (c), (d), and (e) immediately above shall be paid by the Reorganized Debtors; *provided, however*, that the Debtors also shall pay the reasonable fees and expenses for the Committee's role under clause (f) above respecting a particular claim objection if:

- (i) the Committee requests a written explanation by the Debtors of the basis for any decision not to object to a particular General Unsecured Claim in excess of \$100,000 and the Debtors fail to provide such explanation; or
- (ii) the Committee determines in good faith that the explanation provided by the Debtors for their decision not to pursue such objection does not represent sound business judgment under the standard generally applicable under section 363 of the Bankruptcy Code, and the Bankruptcy Court agrees with the Committee's determination.

Any other reasonable fees and expenses incurred by the Committee after the Effective Date in performing its authorized role with respect to clause (f) above or for any role not specified herein shall be paid from the Class 7 portion of the Net Preference Recoveries.

7. New Parent Stock

The Plan provides for the issuance (upon the Effective Date) of the New Parent Stock by the Debtors' new ultimate parent, 360networks (holdings) Ltd., which would be the only class of equity securities that would be issued under the Plan (*i.e.*, the Plan does not provide for the issuance of preferred stock or more than one class of common stock). Such stock would be distributed as follows: 80.5% to the Prepetition Lenders, 10% to holders of Allowed Class 7 Claims, 2% to general unsecured creditors of the CCAA Plan Debtors, and 7.5% to employees (with such grant to employees to be in the form of either stock grants or options to purchase stock, in either case, the "Employee Emergence Equity Awards"). The 12% of the stock allocated to U.S. and Canadian unsecured creditors may be reduced by as much as one-half, to 6%, and replaced by cash payments made pursuant to the Lump Sum Election for Class 7 and a similar option in the CCAA Plan. The Employee Emergence Equity Awards will be granted pursuant to the new 2002 Long Term Incentive and Share Award Plan (the "Incentive Plan") described below and in Appendix 4. Of the 7.5% of New Parent Stock to be issued as Employee Emergence Equity Awards, 1.875% would be distributed or vest on or immediately following the

Effective Date and the rest would be distributed or vest quarterly over the next two years. Any awards granted under the new Incentive Plan in addition to the Employee Emergence Equity Awards would have a dilutive effect on the New Parent Stock.

8. New Long Term Incentive Plan

Immediately prior to the Effective Date, the New Parent will adopt and implement the Incentive Plan. Under the Incentive Plan, in addition to the Employee Emergence Equity Awards noted above, shares of New Parent Stock will be reserved for future issuance to employees and other service providers of Reorganized 360 in connection with certain equity-based awards under the Incentive Plan, including the award of stock options. The shares to be immediately reserved under the Incentive Plan would represent 15% of the New Parent Stock. This amount would include the 7.5% for the Employee Emergence Equity Awards and an additional 7.5% for the future issuance of stock options, including 6.25% for employees and up to 1.25% for the New Parent's outside directors. The 6.25% employee stock options will be granted at fair market value, will vest semi-annually over the three years after the dates granted, and will have eight year terms. The purpose of the Incentive Plan is to encourage ownership of the New Parent Stock by employees and other service providers of New Parent and to provide additional incentives for such employees and service providers to promote the success of New Parent. For further detail regarding the Incentive Plan, see Appendix 4.

9. Value Creation Pool

The Value Creation Pool (related to certain employee incentive programs adopted during the pendency of the Chapter 11 Cases) authorized pursuant to an order of the Bankruptcy Court, dated December 20, 2001, shall be \$1,750,000 and distributions thereunder shall be payable on the Effective Date. The pool is based on the value of distributions to creditors during the Debtors' chapter 11 cases and the CCAA cases as well as under the plans in such cases. The \$1,750,000 figure is the cap on such pool set in the Bankruptcy Court's order. The Debtors believe that but for that cap, the pool probably would exceed \$1,750,000.

D. Effect of Plan on Claims and Interests

1. Discharge of Debts.

Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1141(d)(1) of the Bankruptcy Code, entry of the Confirmation Order will act as a discharge, effective as of the Effective Date, of all debts of, Claims against, liens on, and interests in each of the Debtors, their assets or properties, which debts, Claims, liens, and interests arose at any time before the entry of the Confirmation Order. The discharge of the Debtors shall be effective as to each Claim, regardless of whether a proof of claim therefore was filed, whether the Claim is an Allowed Claim or whether the holder thereof votes to accept the Plan. On the Effective Date, as to every discharged Claim and Interest, any holder of such Claim or Interest (including, without limitation, any options to purchase equity interests of any Debtor) shall be precluded from asserting against any Debtor formerly obligated with respect to such Claim or Interest, or against such Debtor's assets or properties, any other or further Claim or Interest based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

Certain putative securities class action plaintiffs maintain that the discharge provided in the Plan does not preclude such plaintiffs from pursuing their rights against any debtor in this or the CCAA cases to the extent such claims are covered by available insurance.

2. Release of Liens; Cancellation and Surrender of Instruments, Securities and Other Documentation.

Turnover of Property. Unless a particular Claim is reinstated, each holder of: (A) a Class 6 Secured Claim; (B) a Claim that is purportedly secured (other than Prepetition Lender Claims); or (C) a Class 5 Nonconsensual Lien Claim, shall, on or immediately before the Effective Date: (x) turn over and release to the Debtors any and all property of the relevant Debtor that secures or purportedly secures such Claim; and (y) execute such documents and instruments as such Debtor or Reorganized Debtor requires to evidence such claimant's release of such property.

Release of Liens, etc. On the Effective Date, all mortgages, deeds of trust, liens or other security interests against the property of any Debtor will be fully released and discharged, and all of the right, title and interests of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to the applicable Reorganized Debtor. Each holder of any Allowed Claim (other than holders of Allowed Prepetition Lender Claims) shall surrender to the Reorganized Debtors any note, instrument, or certified security evidencing such Claim. No Distribution under the Plan shall be made to or on behalf of any holder of a Claim unless and until such holder executes and delivers to the relevant Debtor or Reorganized Debtor such release of liens or other items described above, or demonstrates non-availability of such items to the satisfaction of the Reorganized Debtors, including requiring such holder to post a lost instrument or other indemnity bond; provided, however, that holders of Allowed Prepetition Lender Claims shall not be required to tender any notes or instruments evidencing Prepetition Lender Claims to receive their Distribution under the Plan, so long as the Distribution may be made to JPMorgan Chase Bank as Administrative Agent. The Reorganized Debtors reasonably may require the holder of any such Claim (other than holders of Prepetition Lender Claims so long as the Distribution may be made to JPMorgan Chase Bank as Administrative Agent) to hold the Reorganized Debtors harmless up to the amount of any Distribution made in respect of such unavailable note, instrument, or certified security evidencing such Claim. Any such holder that fails to execute and deliver such release of liens or other items described above or satisfactorily explain their non-availability to the Reorganized Debtors within 180 days of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors, or their property in respect of such Claim and shall not participate in any Distribution hereunder, and the Distribution that would otherwise have been made to such holder shall be treated as Unclaimed Property; provided that any such holder of a Disputed Claim shall not be required to execute and deliver such release of liens until the time such Claim is allowed or disallowed. To the extent any holder of a Claim fails to release the relevant liens as required above, the Reorganized Debtors may act as attorney-in-fact, on behalf of the holders of such liens, to provide any releases as may be required in connection with the Plan. Notwithstanding anything to the contrary herein, no holder of an Allowed Class 5 Claim or of an Allowed Impaired Class 6 Claim shall be required to release any mortgages, liens, deeds of trust, or other interest securing such Allowed Claim so long as such holder has not received all payments due it under the Plan on account of such holder's Allowed Class 5 Claim or Allowed Impaired Class 6 Claim, as the case may be, unless otherwise ordered by the Bankruptcy Court.

3. Satisfaction of Claims and Interests in any Debtor.

The treatment to be provided for respective Allowed Claims or Interests in each Debtor pursuant to the Plan shall be in full satisfaction, settlement, release and discharge of such respective Claims or Interests.

4. Release of the Debtors, the CCAA Plan Debtors, Affiliates, and Directors, Officers and Agents.¹⁰

AS OF THE CONFIRMATION DATE, BUT SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE: NONE OF: (i) THE DEBTORS AND THE REORGANIZED DEBTORS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS; (ii) THE CCAA PLAN DEBTORS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS; (iii) JP MORGAN CHASE BANK AS ISSUING BANK, ADMINISTRATIVE AGENT AND COLLATERAL AGENT UNDER THE PREPETITION CREDIT AGREEMENT, THE OTHER AGENTS AND THE ARRANGERS UNDER THE PREPETITION CREDIT AGREEMENT, THE STEERING COMMITTEE, AND THE HOLDERS OF PREPETITION LENDER CLAIMS (ALL SUCH PERSONS REFERRED TO IN CLAUSES (i), (ii) AND (iii) ARE REFERRED TO HEREIN COLLECTIVELY AS THE "RELEASED PERSONS"); (iv) THE RELEASED PERSONS' AND 360NETWORKS INC.'s RESPECTIVE PRESENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, PREDECESSORS, SUCCESSORS, MEMBERS, AGENTS, REPRESENTATIVES, ATTORNEYS, ADVISORS, FINANCIAL ADVISORS, ACCOUNTANTS, UNDERWRITERS, APPRAISERS, AND INVESTMENT BANKERS (IN EACH INSTANCE ACTING IN SUCH CAPACITY); AND (iv) ANY PERSON CLAIMED TO BE LIABLE DERIVATIVELY THROUGH ANY RELEASED PERSON OR 360NETWORKS INC., SHALL HAVE OR INCUR ANY LIABILITY TO ANY PERSON FOR ANY CLAIM, OBLIGATION, RIGHT, CAUSE OF ACTION OR LIABILITY (INCLUDING, BUT NOT LIMITED TO, ANY CLAIMS ARISING OUT OF ANY ALLEGED FIDUCIARY OR OTHER DUTY AND THE AVOIDANCE OF PREFERENCES OR FRAUDULENT CONVEYANCES OR ANY DERIVATIVE CLAIMS) WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, BASED ON WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION OR OCCURRENCE FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE CHAPTER 11 CASES, OR THE PLAN AS WELL AS TO THE CCAA PLAN DEBTORS, THE NONDEBTOR AFFILIATES, OR THE CCAA PLAN; AND ALL CLAIMS BASED UPON OR ARISING OUT OF SUCH ACTIONS OR OMISSIONS SHALL BE FOREVER WAIVED AND RELEASED (OTHER THAN THE RIGHT TO ENFORCE THE DEBTORS' OR THE REORGANIZED DEBTORS' OBLIGATIONS UNDER THE PLAN, OR THE CCAA PLAN DEBTORS' OBLIGATIONS UNDER THE CCAA PLAN -- INCLUDING, WITHOUT LIMITATION, ANY OBLIGATIONS CONSTITUTING ADMINISTRATIVE CLAIMS ARISING UNDER ANY SETTLEMENT AGREEMENT APPROVED BY THE BANKRUPTCY COURT IN THE CHAPTER 11 CASES OR THE CCAA COURT IN THE CCAA CASES -- AND THE CONTRACTS, INSTRUMENTS, NOTES, RELEASES, AGREEMENTS AND DOCUMENTS DELIVERED UNDER ANY SUCH PLAN); *provided, however*, THAT NO RELEASE

¹⁰ Certain parties have taken the position that a release of certain third-party claims against certain third-party non-debtors under the Plan is not appropriate.

PROVIDED UNDER THE PLAN SHALL AFFECT THE LIABILITY OF ANY PERSON: (a) THAT OTHERWISE WOULD RESULT FROM ANY ACTION OR OMISSION TO THE EXTENT THAT SUCH ACTION OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED WILLFUL MISCONDUCT; and (b) TO THE EXTENT OF ANY RECOVERIES FOR A PREPETITION CLAIM AGAINST A RELEASED PARTY THAT MAY BE OBTAINED AGAINST A THIRD-PARTY INSURER (BUT, FOR THE AVOIDANCE OF DOUBT, ANY CLAIM TO WHICH AN INSURER MAY BE SUBROGATED SHALL REMAIN SUBJECT TO THIS RELEASE); and provided further, however, THAT NOTWITHSTANDING THE RELEASES PROVIDED UNDER THE PLAN, ANY CLAIM ASSERTED AGAINST THE REORGANIZED DEBTORS PURSUANT TO SECTION 7.3 OF THE PLAN SHALL REMAIN SUBJECT TO ANY RIGHT OF SET-OFF THAT OTHERWISE WOULD BE AVAILABLE TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS IN THE ABSENCE OF ANY SUCH RELEASE.

PURSUANT TO THE PLAN, THE RELEASE DESCRIBED ABOVE WOULD BE ENFORCEABLE AS A MATTER OF CONTRACT AGAINST ANY HOLDER OF A CLAIM OR INTEREST OR OTHER PARTY TIMELY NOTIFIED OF THE PROVISIONS OF THE PLAN. CREDITORS AND INTEREST HOLDERS OF THE DEBTORS AND SUCH OTHER PARTIES WOULD BE ENJOINED FROM COMMENCING OR CONTINUING ANY ACTION, EMPLOYMENT OF PROCESS OR ACT TO COLLECT, OFFSET OR RECOVER ANY CLAIM THAT IS RELEASED UNDER THE PLAN.¹¹

Notwithstanding anything in Section 7.5 of the Plan or the Confirmation Order to the contrary, no release of non-Debtors or related injunction on behalf of non-Debtors shall apply to environmental or tax claims of the United States of America or any agency thereof.

5. Survival of Certain Indemnification Obligations.

In general, the obligations of the Debtors to indemnify individuals who serve or since the Petition Date served as their respective directors, officers, agents, employees, representatives; and others, including (without limitation) professional persons retained by any Debtor, pursuant to such Debtor's respective certificates of incorporation, by-laws, applicable statutes and preconfirmation agreements in respect of all present and future actions, suits and proceedings against any of such officers, directors, agents, employees, representatives, and others, including (without limitation) professional persons retained by any Debtor (in their capacities as such), based upon any act or omission related to service with, for, or on behalf of any of the Debtors before or after the Petition Date as such obligations were in effect at the time of any such act or omission, shall not be discharged or impaired by confirmation or consummation of the Plan but shall survive unaffected by the reorganization contemplated by the Plan and shall be performed and honored by each respective Debtor or Reorganized Debtor regardless of such confirmation, consummation, and reorganization; *provided, however*, that indemnification obligations based on any act or omission that occurred prior to the Petition Date shall be discharged by consummation of this Plan, but such discharge shall not affect the right of any indemnified Person to: (a) recover under available director and officer insurance coverage

¹¹ The putative securities class action plaintiffs maintain that this release is not enforceable as a matter of contract against them or the putative class with respect to the claims set forth in the action filed by such plaintiffs.

(but, for the avoidance of doubt, any claim of such Person to which an insurer may be subrogated is not exempt from discharge); and (b) to use such indemnification obligation as a defense or offset against any claim asserted against such indemnified Person. See Plan § 7.3.

6. **Objections to Claims.**

The Bankruptcy Court fixed May 6, 2002 as the last date for filing Claims against the Debtors (the "Filing Deadline"). Unless otherwise ordered by the Bankruptcy Court, all objections to Claims must be filed with the Bankruptcy Court and served on the applicable claimant on or before one-hundred and eighty (180) days after the later of: (a) the Effective Date; and (b) the date a Claim is filed with the Bankruptcy Court and served on counsel for the Reorganized Debtors.

7. **Limitations on Liability Regarding Chapter 11 Activities.**

UNDER SECTION 7.4 OF THE PLAN, NEITHER THE DEBTORS, REORGANIZED DEBTORS, THE CCAA PLAN DEBTORS, 360networks inc., THE COMMITTEE, JP MORGAN CHASE BANK AS ISSUING BANK, ADMINISTRATIVE AGENT AND COLLATERAL AGENT UNDER THE PREPETITION CREDIT AGREEMENT, THE OTHER AGENTS AND THE ARRANGERS UNDER THE PREPETITION CREDIT AGREEMENT, THE STEERING COMMITTEE, AND THE HOLDERS OF PREPETITION LENDER CLAIMS, NOR ANY OF THEIR RESPECTIVE PRESENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, PREDECESSORS, SUCCESSORS, MEMBERS, AGENTS, REPRESENTATIVES, ATTORNEYS, ADVISORS, FINANCIAL ADVISORS, ACCOUNTANTS, UNDERWRITERS, APPRAISERS, AND INVESTMENT BANKERS (IN EACH INSTANCE ACTING IN SUCH CAPACITY), SHALL HAVE OR INCUR ANY LIABILITY TO ANY PERSON FOR ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR RELATED TO THE FORMULATION, NEGOTIATION, PREPARATION, DISSEMINATION, IMPLEMENTATION, CONFIRMATION, OR CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT, ANY CONTRACT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO, OR ANY OTHER ACTION TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE PLAN OR THE CHAPTER 11 CASES, AND ALL CLAIMS BASED UPON OR ARISING OUT OF SUCH ACTIONS OR OMISSIONS SHALL BE FOREVER WAIVED AND RELEASED; PROVIDED, HOWEVER, THAT THE RELEASE PROVIDED BY SECTION 7.4 OF THE PLAN SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY LIABILITY OF ANY ENTITY: (a) THAT OTHERWISE WOULD RESULT FROM ANY ACTION OR OMISSION TO THE EXTENT THAT SUCH ACTION OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED WILLFUL MISCONDUCT; and (b) TO THE EXTENT OF ANY RECOVERIES FOR A PREPETITION CLAIM AGAINST A RELEASED PARTY THAT MAY BE OBTAINED AGAINST A THIRD-PARTY INSURER (BUT, FOR THE AVOIDANCE OF DOUBT, ANY CLAIM TO WHICH AN INSURER MAY BE SUBROGATED SHALL REMAIN SUBJECT TO THIS RELEASE).

E. **Executory Contracts and Unexpired Leases**

1. **Rejection.**

a. **Leases and Contracts to be Rejected.** On the Confirmation Date, but subject to the occurrence of the Effective Date, pursuant to section 365 of the Bankruptcy Code, all of the Debtors' executory contracts and unexpired leases shall be deemed rejected except those

that: (i) are the subject of motions to assume or reject pending on the Confirmation Date; (ii) were assumed or rejected before the Confirmation Date; (iii) are listed on Schedule 6.2(a)(1) to the Plan; (iv) are Underlying Rights (unless listed on Schedule 6.2(a)(2) to the Plan); (v) are agreements, obligations, security interests, or similar undertakings that the Debtors list on Schedule 3.6(c) to the Plan as a Secured Claim of the Debtors, but the Bankruptcy Court later determines are subject to assumption or rejection; and (vi) executory contracts and unexpired leases that the Debtors contend have been terminated by their terms prior to the Confirmation Date due to a breach by the non-Debtor party, but which the Bankruptcy Court later determines are still in effect; provided, however, that the Debtors shall not be required to assume or reject any executory contract or unexpired lease with any party that is a debtor under the Bankruptcy Code or similar insolvency proceeding unless and until such contract or lease has been assumed or rejected by such other party.

b. **Deadline to File Rejection Damage Claims.** Each Person who is a party to a contract or lease rejected under the Plan must file, no later than thirty (30) days after the Confirmation Date, a proof of Claim for damages alleged to arise from the rejection of the applicable contract or lease or be forever barred from filing a Claim or sharing in distributions under the Plan, related to such alleged rejection damages.

2. Assumption.

a. **Leases and Contracts to be Assumed.** Annexed to the Plan as Schedule 6.2(a)(1) is a list of the Executory Contracts (other than Underlying Rights) deemed to be assumed by the Debtors under the Plan as of the Confirmation Date (but subject to the occurrence of the Effective Date and the resolution of the related cure amount on terms satisfactory to the Debtors) pursuant to section 365 of the Bankruptcy Code, and the cure amounts necessary for such assumptions. Also to be so assumed are all Underlying Rights except those listed on Schedule 6.2(a)(2) to the Plan. Cure amounts for each Underlying Rights agreement to be assumed shall be \$0 unless otherwise set forth on Schedule 6.2(a)(3) to the Plan. The listing of a contract or lease on any schedule to the Plan does not constitute an admission by the Debtors that such contract or lease is an executory contract or unexpired lease or that the Debtors have any liability thereunder.

b. **Deadline to Object to Cure Amounts.** If prior to the Confirmation Date or such other date as the Bankruptcy Court may fix, a party to an executory contract or unexpired lease listed on Schedule 6.2(a)(1) or to an Underlying Rights agreement fails to file with the Bankruptcy Court and serve upon the attorneys for the Debtors an objection to the applicable cure amount listed on Schedule 6.2(a)(1) or 6.2(a)(3) to the Plan or to a cure amount of \$0 for Underlying Rights not listed on Schedule 6.2(a)(2) or 6.2(a)(3) to the Plan, then such party shall be forever barred from asserting any additional or other amounts against the Debtors respecting such cure amount.

c. **Method of Cure.** At the election of the relevant Debtor, any monetary defaults under each Executory Contract to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code: (a) by payment of the default amount in Cash within 30 days after the Effective Date, or such later date determined by the Court; or (b) on such other terms as agreed to by the parties to such executory contract or unexpired lease. Under the Plan, assumption of any contract or lease shall not require: (i) the delivery, reaffirmation, or assumption of any new or existing guaranty of a Debtor's obligations under such contract or lease; or (ii) the resolution of any Nonconsensual Lien Claim or Impaired Class 6 Claim whose treatment is provided for in the Plan. The Debtors shall retain their right to reject any executory contract that

is subject to a dispute concerning the cure of any defaults until 30 days after such dispute is resolved by the Bankruptcy Court.

d. Adequate Assurance of Future Performance. T-Systems USA, Inc. (“T-Systems”) has asserted that, in accordance with section 365(b)(1)(c) of the Bankruptcy Code, the Debtors must make a showing of “adequate assurance of future performance” by the Debtors under a certain Communications Services Agreement (the “Services Agreement”) to which T-Systems and certain of the Debtors are parties. If the Bankruptcy Court agrees with T-Systems’ assertion in this regard, T-Systems will have an opportunity to be heard on the issue of adequate assurance at the Confirmation Hearing and any dispute would be resolved by the Bankruptcy Court.

e. Continuation of Stay. The automatic stay provided under section 362(a) of the Bankruptcy Code shall remain in effect to stay the termination of any contract or lease listed on Schedule 6.2(a)(1), including, without limitation, any surety bond, until such time as the relative rights and obligations of the parties with respect to any such agreements have been determined by a Final Order.

F. Conditions

1. Condition to Confirmation.

Except as waived under section 8.3 of the Plan, the Plan may not be confirmed unless the Confirmation Order is reasonably acceptable in form and substance to the Debtors and the Prepetition Agent and, with respect to any provisions materially affecting Committee Claims or distributions to holders of Class 7 Claims, is reasonably acceptable to the Committee.

2. Conditions to Effective Date.

Except as waived under section 8.3 of the Plan, the Effective Date may not occur unless the following conditions have been met:

- a. The Confirmation Order shall have become a Final Order.
- b. The CCAA Plan shall have been approved by the CCAA Court by a Final Order.
- c. Reorganized 360 shall have at least \$35,000,000 of Cash on hand, exclusive of Cash to be distributed or reserved for either Distributions or other amounts due under the Plan or the CCAA Plan.
- d. All documents, instruments and agreements contemplated to be entered into, delivered and/or created in connection with the Plan and/or the CCAA Plan, including, without limitation, any amended certificates of incorporation and by-laws of the Reorganized Debtors and the CCAA Plan Debtors, the New Senior Secured Notes, the Registration Rights Agreement and the New Long Term Incentive Plan, shall be reasonably acceptable in form and substance to the Debtors and the Prepetition Agent and, with respect to any provisions materially affecting Committee Claims or distributions to holders of Class 7 Claims, is reasonably acceptable to the Committee.

- e. The Debtors shall have obtained all authorizations, consents and regulatory approvals, if any, required to be obtained, and filed all notices and reports, if any, required to be filed, by the Debtors in connection with the Plan's effectiveness, including without limitation any notification or report in compliance with, or consent or approval under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the rules and regulations thereunder and any applicable waiting period with respect to each (including extensions) shall have expired or been terminated or the requisite consent or approval required thereby shall have been obtained without any material condition or limitation.

3. Waiver of Conditions.

The conditions under which the Debtors or other parties may waive conditions to confirmation of the Plan or the occurrence of the Effective Date are set forth in section 8.3 of the Plan. Any such waiver(s) shall not affect the relevant Debtors' benefits under the "mootness doctrine." The failure to satisfy or waive any condition may be asserted by any Debtor, regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without limitation, any act, action, failure to act, or inaction by any of the Debtors). The failure of a Debtor to exercise any right shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

G. Administrative Provisions

1. Retention of Jurisdiction.

Notwithstanding confirmation of the Plan or occurrence of the Effective Date, the Bankruptcy Court will retain jurisdiction over the Chapter 11 Cases after the Effective Date as specified in section 9.1 of the Plan.

2. Plan Amendments.

The Debtors reserve the right to modify the Plan at any time prior to the entry of the Confirmation Order.

3. Continuation of Injunctions and Stays.

Unless otherwise provided in the Plan, the Confirmation Order, or any other order of the Bankruptcy Court, all injunctions or stays ordered in the Chapter 11 Cases, pursuant to section 105 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date, will remain in full force and effect unless or until subsequently modified or terminated.

ARTICLE V.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

A. Introduction

The following summarizes certain United States federal income tax consequences from implementation of the Plan to the Debtors and certain holders of Claims. The following

summary does not apply to holders whose Claims are entitled to reinstatement or payment in full in Cash under the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, judicial decisions and published rulings and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in these rules, or new interpretations of these rules, may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and subject to significant uncertainties. Also, the tax consequences to holders of Claims may vary based on a holder's individual circumstances. The Debtors have not requested a ruling from the IRS with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation the IRS will adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, and this summary does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers, such as, without limitation, foreign taxpayers, broker-dealers, banks, insurance companies, financial institutions, small business investment corporations, regulated investment companies, tax-exempt organizations, investors in pass-through entities, litigation claimants, employees of the Debtors with Claims relating to their employment, or stockholders who acquired the stock through the exercise of an employee stock option or otherwise as compensation. This discussion assumes that holders hold their Claims, and will hold any property received in exchange for such Claims, as "capital assets" within the meaning of Code section 1221.

Accordingly, the following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based on a Claim holder's individual circumstances. All holders of Claims are urged to consult their own tax advisors in determining their respective federal, state, local and other tax consequences from the Plan.

B. Tax Consequences to Creditors

1. General

a. Tax Securities

The tax consequences of the Plan to a holder of a Claim may depend in part upon whether such Claim is based on an obligation of the Debtors that constitutes a "security" for federal income tax purposes. The determination of whether a debt obligation constitutes a security for federal tax purposes is complex and depends on the facts and circumstances surrounding the origin and nature of the Claim. Generally, obligations arising out of the extension of trade credit have been held not to be tax securities, while corporate debt obligations evidenced by written instruments with original maturities of ten years or more have been held to be tax securities. It is uncertain whether the Claims will be considered securities for federal tax purposes and holders are advised to consult their tax advisors with respect to this issue.

b. "Fair Market Value"

For tax purposes, the fair market value of a New Senior Secured Note will be its "issue price," as defined in the Code. The "issue price" of any such note should be its "stated principal amount" (generally, the aggregate of all payments due under the note, excluding stated

interest), if neither the note nor the Claim for which it is exchanged is considered to be “publicly traded” within the meaning of the original issue discount (“OID”) rules of the Code within a short period before or after the Effective Date of the Plan. Otherwise, such issue price will be its actual fair market value, as determined by such public trading. For this purpose, “stated interest” does not include interest unless it is unconditionally payable in cash or other property (other than debt instruments of the issuer) at least annually at a single fixed rate (or certain qualified floating rates). The OID rules of the Code define “publicly traded” to include appearing on a “quotation medium” that provides a reasonable basis to determine fair market value by disseminating either recent price quotations of identified brokers, dealers or traders, or actual prices of recent sales transactions. As no transfer restrictions are contemplated for the New Senior Secured Notes, the Debtors cannot assure you they will not be considered “publicly traded.” The fair market value of the other property distributed in the reorganization, including the New Parent Stock, will be its actual fair market value upon issuance.

c. Character of Gain or Loss

The character of any gain or loss as ordinary or capital with respect to a Claim, or with respect to the disposition of stock or a security received in respect of a Claim, will depend on a number of factors, including, without limitation,

- the origin and nature of the Claim,
- the tax status of the holder of the Claim,
- whether the Claim is a capital asset in the hands of the holder, and
- the extent to which the holder previously claimed a loss, bad debt deduction or charge to a reserve for bad debts with respect to the Claim.

If gain or loss recognized by a holder of a Claim is capital gain or loss, it will be long-term if the holder held it for more than one year.

Special considerations apply to holders that acquired their Claim at a discount subsequent to their issuance (see “Market Discount” below), or when interest was in default. The tax consequences of the receipt of cash and property that is attributable to accrued but unpaid interest is discussed below in the section entitled “Consideration Allocable to Interest.” Each holder is urged to consult its tax advisor as to the application of these factors to its own particular circumstances.

d. Consideration Allocable to Interest

A holder of a Claim that receives a distribution under the Plan with respect to its Claim will recognize ordinary income to the extent it receives cash or property in respect of interest (including original issue discount that has accrued during the time that the holder has held such Claim) that has not already been included by the holder in income for federal income tax purposes under its method of accounting. If the cash and other property allocable to interest is less than the amount previously included as interest in the holder’s federal income tax return, the discharged portion of interest may be deducted in the taxable year in which the Effective Date occurs. The extent to which consideration distributed under the Plan is allocable to interest is uncertain, and holders of Claims are urged to consult their own tax advisors concerning that subject.

e. Market Discount

Generally, a “market discount” bond is one acquired after its original issuance for less than the issue price of such bond plus the aggregate amount, if any, of original issue discount includible in the income of all holders of such bond before such acquisition. Generally, gain realized on the disposition of a market discount bond (or on the disposition of property exchanged for such bond in certain non-taxable exchanges) will be ordinary income to the extent of “accrued market discount” at the time of such disposition (determined using either constant interest or ratable daily accrual). The market discount rules will also apply in the case of stock or a security acquired on original issuance under a non-taxable exchange for a market discount obligation.

f. Original Issue Discount

If the New Senior Secured Notes to be issued under the Plan or the Prepetition Lender Claims for which they will be exchanged are “publicly traded” within the meaning of the OID rules, the New Senior Secured Notes may have significant amounts of OID. The amount of OID would equal the difference between their “stated redemption price at maturity” (as such term is defined in the Code) and their “issue price” (determined as discussed above in the section on “Fair Market Value”). In general, a holder of a debt instrument with OID must include such OID in its income on a constant yield to maturity basis over the term of the instrument. The rules and regulations governing the calculation and taxation of OID are complex, and holders of Prepetition Lender Claims are urged to consult their tax advisors with regard to the tax consequences to them of owning New Senior Secured Notes with OID.

g. Backup Withholding

Under the Code, interest, dividends and other “reportable payments” may, under certain circumstances, be subject to “backup withholding”. Various claimants, such as corporations, are exempt from backup withholding.

Backup withholding generally applies if the payee:

- fails to furnish its social security number or other taxpayer identification number (a “TIN”);
- furnishes an incorrect TIN;
- fails to properly report interest or dividends; or
- under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding.

2. Treatment of Certain Creditors

a. Prepetition Lender Claims

Each holder of a Prepetition Lender Claim will receive, in exchange for its Claim, its *pro rata* share of:

- the Class 4 Cash Distribution to be made to holders of Prepetition Lender Claims;

- New Senior Secured Notes in a principal amount of \$215 million; and
- 80.5% of New Parent Stock.

If the Prepetition Lender Claims are securities, the exchange of a Prepetition Lender Claim would constitute a tax-free recapitalization. An exchanging holder would not recognize any loss realized on the exchange. If the holder realizes a gain on the exchange, the holder would recognize such gain only to the extent of the sum of: (a) the amount of Cash; and (b) the fair market value of the New Parent Stock. The holder's aggregate basis in its New Senior Secured Notes would equal its basis in its Prepetition Lender Claim less the sum of the amount of Cash and the fair market value of the New Parent Stock, plus the amount of gain, if any, recognized on the exchange. The holder's basis in the New Parent Stock received in the exchange would equal the stock's fair market value. The holder's holding period in the New Senior Secured Notes would include the holder's holding period in the Prepetition Lender Claim exchanged therefor. The holder's holding period in the New Parent Stock would begin on the day following the exchange.

If the Prepetition Lender Claims are not securities, the exchange of a Senior Lender Claim would be a fully taxable transaction. The holder would recognize any gain or loss realized on the exchange. The holder's basis in the property received in the exchange would equal its fair market value. Its holding period in such property would begin on the day following the exchange.

b. Nonconsensual Lien Claims and Other Secured Claims

Under the Plan, holders of Nonconsensual Lien Claims and Other Secured Claims will receive an obligation of the Debtor in exchange for their claims. The tax consequences to a holder of these Claims depend on whether the Claim held by the holder and the obligation received in the exchange are securities for US federal income tax purposes. The Debtors believe that it is unlikely that any Nonconsensual Lien Claims or Other Secured Claims are securities, but each holder is encouraged to seek advice from its own tax advisor in this regard.

If both the Claim exchanged by the holder and the obligation received are securities, the exchange would be a recapitalization. The exchanging holder would not recognize any gain or loss realized on the exchange. The holder's aggregate basis in the obligation will equal its basis in the exchanged Claim. The holder's holding period in the obligation would include its holding period in the exchanged Claim.

If either the Claim exchanged by the holder or the obligation received by the holder is not a security, the exchange would be fully taxable. The holder would recognize any gain or loss realized on the exchange. The holder's basis in the obligation would equal its fair market value. The holder's holding period in the obligation would begin on the day after the exchange.

c. General Unsecured Claims

The exchange by a holder of a General Unsecured Claim for the right to receive certain Net Preference Recoveries and either New Parent Stock or Cash will be a fully taxable exchange, but there is uncertainty concerning the treatment of the right to receive Net Preference Recoveries. First, it is unclear whether the right to receive Net Preference Recoveries will be

governed by the so-called “open transaction” doctrine. If so governed, gain (and loss) would be deferred until payments are received (or in the case of loss, no further payments can be received). Second, it is possible that the right to receive Net Preference Recoveries might be governed by the installment sales rules, again resulting in the deferral of gain (or loss), unless the holder elects out of installment sale treatment. Third, if neither installment sale treatment or open transaction treatment applies, and holders recognize immediate gain or loss based on the fair market value of the right to receive Net Preference Recoveries, it is unclear whether holders would be entitled to recover their tax basis first or whether some other treatment would be appropriate. Finally, in any event, under Section 483 of the Code, a portion of any payment received with respect to the Preference Recoveries will be characterized as interest. Holders of General Unsecured Claims are urged to consult their tax advisers.

C. Tax Consequences to the Debtors

1. Cancellation of Debt

In general, the Code provides that a taxpayer must include in gross income the amount of any cancellation of indebtedness (“COI”) income realized during the tax year, except to the extent the payment of the discharged debt would have given rise to a tax deduction. COI income is the amount by which the indebtedness discharged exceeds the cash and the fair market value of property given in exchange therefor. Such COI income is not included in taxable income, however, where the cancellation of indebtedness is accomplished through a bankruptcy plan approved by the court in a case under the Bankruptcy Code.

A debtor in a bankruptcy case generally must reduce its tax attributes, such as NOLs, tax credits, capital loss carryforwards and tax basis in its assets, by any such excluded COI income, as of the beginning of the taxable year following the year in which the COI income is realized. This tax attribute reduction rule is subject to certain exceptions, such as where the tax basis of the Debtors’ assets is less than the Debtors’ continuing liabilities (unless an election is made to reduce tax basis of depreciable property rather than reducing other tax attributes). The Debtors believe the amount of COI income will be substantial, but the precise amount of COI income, and the resulting tax attribute reduction of the Debtors, will depend on the total value of the property given in exchange for the indebtedness of the Debtors, determined as described above in the section on “Fair Market Value.”

Based on current estimates of the fair market value of such property, the Debtors anticipate that the US consolidated group of which Holdings USA is the common parent will realize, due to consummation of the Plan, approximately \$960 million of COI income from the forgiveness of non-intercompany debt. In addition, although the contribution to capital and cancellation of intercompany debt owed by Debtors to other Debtors will not result in net income for the U.S. affiliated group, the contribution to capital and cancellation of intercompany debt owed to affiliates that are not Debtors may, in some circumstances, result in COI.

2. Effects on Net Operating Loss Carryforwards and Other Tax Attributes

a. Reduction of Tax Attributes

Holdings USA is the parent of an affiliated group of corporations that files a consolidated US federal income tax return. The consolidated group has approximately \$800 million net operating loss carryforwards. The appropriate methodology for applying the attribute reduction described above to an affiliated group filing a consolidated federal income tax return is

uncertain, and, in addition, the Debtors may be entitled to make certain elections that will affect attribute reduction. The Debtors will determine the appropriate methodology and elections under their interpretation of the law as in effect when the Debtors' tax returns are filed. The Debtors cannot assure you that the IRS will agree with the methodology chosen by the Debtors. Accordingly, the NOLs of the Debtors may be substantially reduced or even eliminated. Other tax attributes may also be reduced. To the extent that asset basis is reduced, depreciation or amortization of assets would also be reduced, and gain recognized (and therefore tax imposed) in connection with a disposition of assets may be increased.

b. Code Section 382—In General

Code section 382 provides generally that corporations that undergo an "ownership change" may be limited in the amount of existing tax attributes, including NOLs, that can be used to offset income generated by the corporation after the date of the ownership change, unless an exception under Code section 382(l)(5) applies. Code section 382(l)(5) will not apply to the Debtors.

Stated simply, an ownership change occurs when aggregate changes in stock ownership by 5 percent shareholders (as defined in the Code) exceed 50 percentage points by value over a three-year "testing period." Following an ownership change, the annual amount of income that may be offset by the corporation's NOLs after the ownership change generally will be limited to an amount equal to the sum of the equity value of the corporation immediately before the ownership change (but, under Code section 382(l)(6), including any increase in value resulting from any surrender or cancellation of indebtedness under the chapter 11 case), multiplied by the long-term tax-exempt rate then in effect. This section 382 limitation may be increased by certain "recognized built-in gains" triggered during a five year "recognition period" beginning on the ownership change date. Certain "recognized built-in losses," including certain deductions, triggered during the recognition period may be limited in the same manner as if such loss were an NOL existing as of the ownership change.

c. Application of Code Section 382 to the Debtors

Any NOL remaining after the attribute reduction discussed above would be subject to the general section 382 limitation. As a result, annual usage of the NOL would be limited to the equity value of the Debtors immediately before the Effective Date (including, under Code section 382(l)(6), any increase in value resulting from the cancellation of any claims under the Plan), multiplied by the long-term tax-exempt rate in effect as of the Effective Date. The Debtors may be allowed to increase such limitation by certain built-in gains realized during the five year recognition period following the change date. In addition, certain "recognized built-in losses" realized during the recognition period may be subject to the Debtors' Code section 382 limitation as if they were NOLs.

ARTICLE VI.

PLAN ACCEPTANCE AND CONFIRMATION

A. Confirmation of the Plan

Confirmation of the Plan requires satisfaction of section 1129 of the Bankruptcy Code. Among other things, section 1129 requires that: (1) each class of impaired Claims accepts the Plan or be subject to a "cramdown"; (2) the Plan be in the "best interests" of any dissenting creditor or equity holder; and (3) the Plan be feasible. Each of these requirements is addressed below.

B. Voting Requirements

1. Acceptance.

Each impaired class of Claims must accept the Plan or be subject to a "cramdown." A class is impaired under a plan unless, under the Plan: (a) the applicable creditor's legal, equitable, and contractual rights are left unaltered and there has been no default respecting the applicable claim or interest (other than under a bankruptcy or financial condition clause); or (b) all defaults are cured, maturity dates are reinstated, the party is compensated for damages caused by the default (such as by paying reasonable attorneys' fees and collection costs) and the party's legal, equitable and contractual rights are left unaltered.

An unimpaired class is conclusively presumed to have accepted the Plan. Classes 1 through 3 and 6 (except for Impaired Class 6 Claims) are unimpaired.

Class 8 will be deemed to have accepted the Plan, and Class 9 will be deemed to have rejected the Plan.

Votes on the Plan, therefore, only are being solicited from impaired classes that would receive or retain distributions or property under the Plan. Classes 4, 5, and 7, as well as any subclasses comprised of the Impaired Class 6 Claims, are the only such impaired Classes.

An impaired class of Claims has accepted a plan if, of those voting, the holders of two thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of Claims accept. The Debtors and the Committee believe the Plan should be accepted by all voting classes.

2. Deadline.

To be counted, your ballot must be received by 5:00 p.m., Eastern time, on September 24, 2002, at the address set forth on the enclosed self-addressed envelope.

3. Eligibility.

If you hold claims in more than one class, you may receive more than one ballot. The delivery of ballots does not constitute an admission by the Debtors that the recipients of such ballots hold Claims that have been allowed for distribution or voting purposes. The Debtors reserve their right to object to any Claim.

Pursuant to an order, dated August 14, 2002, the Bankruptcy Court established the following rules for allowance of Claims for purposes of voting on the Plan:

- a. Undisputed Scheduled Claims. Respecting a Claim that appears on the Debtors' Schedules as undisputed, noncontingent, and liquidated, as to which no timely proof of claim was filed, and as to which no objection has been filed at least ten days prior to the end of the Voting period, the amount and classification of such Claim shall be that specified in the Schedules.
- b. Undisputed Filed Claims. With respect to a liquidated, non-contingent Claim as to which a proof of claim has been timely filed and as to which no objection has been filed at least ten days prior to the end of the period fixed by the Court for voting on the Plan (the "Voting Period"), the amount and classification of such Claim shall be that specified in such proof of claim as reflected in the records of Bankruptcy Services, LLC ("BSI"), as agent for the Clerk of the Court (the "Clerk"), subject to any applicable limitations set forth below.
- c. Disputed Filed Claims. With respect to a Claim that is the subject of an objection filed at least ten days prior to the end of the Voting Period, such Claim will be disallowed provisionally for voting purposes, except to the extent and in the manner that: (i) the Debtors agree the Claim should be allowed in the Debtors' objection to such Claim; or (ii) such Claim is allowed temporarily for voting purposes in accordance with Bankruptcy Rule 3018.
- d. Claims Estimated for Voting Purposes. With respect to a Claim that has been estimated or otherwise allowed for voting purposes by order of the Court, the amount and classification of such Claim will be that set by the Court.
- e. Wholly Unliquidated Claims. A Claim recorded in the Schedules or in the Clerk's records as wholly unliquidated, contingent and/or undetermined and as to which no timely proof of claim has been filed will be accorded one vote valued at one dollar for purposes of section 1126(c) of the Bankruptcy Code, unless the Claim is disputed as set forth in (c) above, or unless such Claim is allowed temporarily for voting purposes in accordance with Bankruptcy Rule 3018.
- f. Partially Unliquidated Claims. With respect to a Claim that is unliquidated, contingent and/or undetermined in part, the holder of the Claim will be entitled to vote that portion of the Claim that is liquidated, non-contingent and undisputed in the liquidated, non-contingent and undisputed amount, subject to any limitations set forth herein and unless otherwise ordered by the Court, or unless such Claim is allowed temporarily for voting purposes in accordance with Bankruptcy Rule 3018.
- g. Late Claims. With respect to a Claim as to which a proof of claim was not timely filed (i.e., was filed after the deadline set by the Court for the filing of a claim of that type), the voting amount of such Claim (subject to any applicable limitations set forth below) will be equal to: (i) the

amount listed, if any, in respect of such Claim in the Debtors' Schedules of Assets and Liabilities filed with the Court (as such schedules may be amended from time to time, the "Schedules"), to the extent such Claim is not listed as contingent, unliquidated, undetermined or disputed; or (ii) if not so listed, then the Claim respecting such proof of claim will be disallowed provisionally for voting purposes.

- h. Claims Limited to Setoffs. With respect to a Claim as to which the holder has agreed that the Claim may be asserted solely for purposes of setoff against claims the Debtors may have against such holder and not as an affirmative Claim against the Debtors' estates, such Claim will be disallowed provisionally for voting purposes.
- i. Duplicate Claims. A creditor will not be entitled to vote its Claim to the extent such Claim duplicates or has been superseded by another Claim of such creditor.

4. Tabulation.

The Bankruptcy Court also established the following rules and standards for the tabulation of ballots of creditors:

- (a) For the purpose of voting on the Plan, BSI, as balloting agent, will be deemed to be in constructive receipt of any ballot timely delivered to any address that BSI (or its authorized agent) designates for the receipt of ballots cast on the Plan;
- (b) Any ballot received by BSI after the end of the Voting Period shall not be counted;
- (c) Pursuant to Bankruptcy Rule 3018(a), whenever a holder of a Claim submits more than one ballot voting the same claim prior to the end of the Voting Period, the first such ballot sent and received shall count unless such holder has sufficient cause within the meaning of Bankruptcy Rule 3018(a) to submit, or the Debtors consent to the submission of, a superseding ballot;
- (d) If a holder of a Claim casts simultaneous duplicative ballots voted inconsistently, then such ballots shall be counted as one vote accepting the Plan;
- (e) The authority of the signatory of each ballot to complete and execute the ballot shall be presumed;
- (f) Any ballot that is not signed shall not be counted;
- (g) Any ballot received by BSI by telecopier, facsimile or other electronic communication shall not be counted;
- (h) A holder of a Claim must vote all of its Claims within a particular class under the Plan either to accept or reject the Plan and may not split its vote. Accordingly, a ballot (or multiple ballots with respect to separate Claims within a single class) that partially rejects and partially accepts the Plan, or that indicates both a vote for and against the Plan, will not be counted; and

- (i) Any ballot that is timely received and executed but does not indicate whether the holder of the relevant Claim is voting for or against the Plan shall be counted as a vote for the Plan.

5. Cramdown.

Generally. If one class of impaired Claims (without counting insiders' votes) accepts a plan or if all classes of Claims are unimpaired, then the Bankruptcy Court may confirm a plan in the absence of acceptances by each class. The procedure used to confirm a plan despite the dissent of a class, commonly known as a "cramdown," is set forth in section 1129(b) of the Bankruptcy Code. A plan may be confirmed under the cramdown provisions if, in addition to satisfying the requirements of section 1129(a) of the Bankruptcy Code other than acceptance by all classes, the plan: (1) "does not discriminate unfairly"; and (2) is "fair and equitable" respecting each class of claims or interests that is impaired under, and has not accepted, the plan.

Under the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings. The requirement that a plan not "discriminate unfairly" means that a dissenting class must be treated equally or otherwise fairly respecting other classes of equal rank and that no claim or interest will receive more than 100% distribution under the plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, for unsecured creditors, that either a dissenting class will receive full compensation for allowed claims or interests in that class or no junior class will receive or retain any distribution under the plan. For secured creditors, the "fair and equitable" standard generally requires for each holder of an allowed secured claim to: (a) retain the liens securing such allowed claim, *and* receive deferred cash payments with a present value equal to the allowed amount of such holder's claim; or (b) receive the "indubitable equivalent" of such claim. Thus, contractual or statutory rates of interest would not control the rate of interest required under the Bankruptcy Code.

As the Plan meets all of the foregoing requirements, the Debtors intend to seek to "cram down" the Plan on any Class of Claims or Interests that does not accept the Plan.

C. Best Interests Test

To confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of all individual dissenting creditors in each impaired class. The "best interests" test requires that the Plan provide each such holder with a recovery having a value at least equal to the value of the distribution each such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. This test is based on liquidation values.

Annexed to the Disclosure Statement as Appendix 2 is a liquidation analysis for the Debtors. The liquidation values are based on the Debtors' estimates and are subject to revision. Also included in Appendix 2 is a comparison of the recoveries of impaired creditors under the Plan and in a chapter 7 liquidation.

Due to the numerous uncertainties and time delays associated with liquidation under chapter 7, it is not possible to predict with certainty the outcome of liquidation of the Debtors or the timing of any distribution to creditors. The Debtors, however, believe that liquidation under chapter 7 of the Bankruptcy Code would result in no greater distributions than those provided for in the Plan. Indeed, in most instances, the Plan provides for much greater distributions than would be available in a chapter 7 liquidation.

D. Feasibility Requirement

The feasibility test for confirmation of the Plan requires the Bankruptcy Court to determine that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or their successors, unless such liquidation or financial reorganization is proposed in the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared financial projections for the five fiscal years ending December 31, 2002 through 2006. The projections, and the material assumptions on which they are based, are set forth in Appendix 3 to this Disclosure Statement. Based upon those projections, the Debtors believe the Plan will meet the feasibility requirement of the Bankruptcy Code.¹²

E. Alternatives to the Plan

The Debtors believe the Plan is the best alternative available to the Debtors' creditors, providing such creditors with the earliest and greatest possible values that can be realized on their respective Claims. The alternatives to confirmation are: (i) confirmation of an alternative plan or plans of reorganization; or (ii) liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code.

1. Alternative Plans.

As the Debtors structured the Plan to maximize values, any alternative plan likely would result in reduced distributions to certain creditors. Moreover, the Debtors and the Committee have negotiated significant reductions or concessions regarding certain claims, including the Prepetition Lender Claims, the result of which will provide significant, additional value to general unsecured creditors, and which would be unavailable to the proponent(s) of an alternative plan. In addition, due to the time required to negotiate, draft and obtain approval of an alternative plan, alternatives to the Plan would lead to delayed distributions to creditors.

2. Liquidation.

The Debtors believe the value of distributions under the Plan will equal or exceed the value of distributions that would be available after liquidation of the Debtors under chapter 7 of the Bankruptcy Code. A liquidation under chapter 7 of the Bankruptcy Code would require the Bankruptcy Court to appoint a trustee to conduct the liquidation of the Debtors. Such a trustee would have limited historical experience or knowledge of these Chapter 11 Cases or of the

¹² T-Systems has questioned the feasibility of the Plan on the grounds that the Services Agreement, to which T-Systems and certain of the Debtors are parties, is allegedly unassumable by the Debtors. The Services Agreement requires T-Systems to purchase \$50 million of products and services from the Debtors over a two-year period. T-Systems contends the Debtors effectively have repudiated the agreement and, in any case, are incapable of performing thereunder. The Debtors disagree, and assert that despite the fact T-Systems drafted the Services Agreement and is a sophisticated party, the Services Agreement contains none of the alleged "outs" upon which T-Systems relies. Moreover, the Debtors believe they are well able to perform under the agreement. Accordingly, the Debtors believe they will be authorized to assume the Services Agreement pursuant to the Plan. In the unlikely event T-Systems' is successful in blocking the assumption of or otherwise terminating the Services Agreement, that event would have a significant adverse impact on the Debtors' going-forward business plan.

Debtors' records, assets or former businesses. The fees charged by a chapter 7 trustee and any professionals hired by the chapter 7 trustee could impose substantial administrative costs on the Debtors' estates that would not be incurred under the Plan. Further, there is no assurance when distributions would occur in a chapter 7 liquidation. (See the discussion above regarding the "Best Interests" test.)

Thus, the Debtors believe confirmation of the Plan is preferable to the alternatives described above because the Plan should maximize value, ensure an expeditious resolution of these cases, and provide for equitable distributions to the Debtors' creditors. For many of these same reasons, the Plan is supported by the Committee.

ARTICLE VII.

CONCLUSION

THE DEBTORS URGE ALL HOLDERS OF CLAIMS IN CLASSES ENTITLED TO VOTE, AND THE COMMITTEE URGES ALL HOLDERS OF CLASS 7 CLAIMS, TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS SO THAT THEY ARE RECEIVED BY 360NETWORKS BALLOTING, c/o BANKRUPTCY SERVICES LLC., 70 EAST 55TH STREET, NEW YORK, NEW YORK 10022, ATTN: KATHY GERBER, BY 5:00 P.M. (EASTERN DAYLIGHT SAVINGS TIME) ON SEPTEMBER 24, 2002.

Dated: August 14, 2002

**360NETWORKS (USA) INC.
TELECOM CENTRAL, L.P.
360NETWORKS HOLDINGS (USA) INC.
360FIBER INC.
360FIBER (USA 2) INC.
360FIBER (USA 3) INC.
360NETWORKS (USA) OF VIRGINIA INC.
360NETWORKS LLC
360NETWORKS ILLINOIS LLC
360NETWORKS IOWA LLC
360NETWORKS KENTUCKY LLC
360NETWORKS LOUISIANA LLC
360NETWORKS MICHIGAN LLC
360NETWORKS MISSISSIPPI LLC
360NETWORKS TENNESSEE LLC
360CARRIER MANAGEMENT INC.
TRES MANAGEMENT LLC
MEET ME ROOM LLC
CARRIER CENTERS GEORGIA, INC.
CARRIER CENTER LA, INC.
TEXAS CARRIER CENTERS INC.,
360PACIFIC (USA) INC.**

By: /s/ Gregory B. Maffei
Authorized Officer

APPENDICES TO DISCLOSURE STATEMENT

- Appendix 1 First Amended Joint Plan of Reorganization
- Appendix 2 Liquidation Analysis
 - A. Liquidation Analysis for Reorganized 360
 - B. Comparison of Estimated Recoveries under the Chapter 11 Plan vs. Chapter 7 Liquidation
- Appendix 3 Financial Projections
 - A. Projected Financial Information (Fiscal Years ending December 31, 2002 through December 31, 2006)
 - B. Projected Consolidated Balance Sheet
- Appendix 4 Description of New Long Term Incentive and Share Award Plan

Appendix 1

First Amended Joint Plan of Reorganization

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re : Chapter 11 Cases
360networks (USA) inc., et al., : Case No. 01-13721 (ALG)
Debtors. : Jointly Administered
-----X

**FIRST AMENDED JOINT PLAN OF
REORGANIZATION PROPOSED
BY DEBTORS AND
360NETWORKS (HOLDINGS) LTD.**

August 14, 2002

WILLKIE FARR & GALLAGHER
Attorneys for the Debtors and Debtors in Possession
787 Seventh Avenue
New York, New York 10019
(212) 728-8000

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INTRODUCTION

360networks (USA) inc., Telecom Central, L.P., 360networks holdings (USA) inc., 360fiber inc., 360fiber (USA 2) inc., 360fiber (USA 3) inc., 360networks (USA) of Virginia inc., 360networks LLC, 360networks Illinois LLC, 360networks Iowa LLC, 360networks Kentucky LLC, 360networks Louisiana LLC, 360networks Michigan LLC, 360networks Tennessee LLC, 360carrier management inc., TRES Management LLC, Meet Me Room LLC, Carrier Centers Georgia, inc, Carrier Center LA, inc., Texas Carrier Centers Inc., and 360pacific (USA) inc., as debtors and debtors in possession (collectively, the “Debtors”) in their procedurally consolidated chapter 11 cases, and 360networks (holdings) Ltd., hereby propose this First Amended Joint Plan of Reorganization:

ARTICLE I.

DEFINITIONS

As used in this Plan, the capitalized terms set forth below shall have the respective meanings specified below, with such meaning to be equally applicable to both the singular and plural:

1.1. **Additional Security** shall have the meaning set forth in Section 3.4(h) hereto.

1.2. **Administrative Claim** means an unsecured Claim for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(1) of the Bankruptcy Code.

1.3. **Allowed Claim** means a Claim: (a) either (i) proof of which has been timely filed with the Bankruptcy Court or has been deemed timely filed by a Final Order; or (ii) if not so filed, scheduled by a Debtor other than as disputed, contingent or unliquidated; and (b) allowed by a Final Order, by the Plan, or because no party in interest timely has filed an objection, filed a motion to equitably subordinate, or otherwise sought to limit recovery on such Claim. An Allowed Claim shall not include interest accruing after the Petition Date on the amount of any Claim except as expressly provided herein.

1.4. **Allowed [Class Designation/Type] Claim or Allowed [Claim Designation/Type] Interest** means an Allowed Claim or an Allowed Interest in the specified Class.

1.5. **Bankruptcy Code** means sections 101, et seq. of title 11 of the United States Code, as now in effect or hereafter amended with retroactive applicability to the Chapter 11 Cases.

1.6. **Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of New York, or any other court exercising competent jurisdiction over the Chapter 11 Cases or any proceeding therein.

1.7. **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court (including any applicable local rules of the United States District Court for the Southern District of New York), as applicable to the Chapter 11 Cases as now in effect or hereafter amended with retroactive applicability to the Chapter 11 Cases.

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

1.9. **Carve Out Claims** means Preference Claims against the following:

(a) ADP, Inc., Cummins Rocky Mountain LLC, Anritsu Electronics Limited, Fibernet Telecom Group, Inc., ACSI Network Technologies, Charles Schwab & Co., Inc., Cigna Healthcare, GE Capital Fleet Services, Call-Net Enterprises, CNA Group Benefits, Liberty Funds Services, and Pipkin Inc. d/b/a Pipkin Construction.

(b) Encompass Electrical Technologies, except for Preference Claims based on equipment returned to or repossessed by sellers during the 90 days preceding the Petition Date;

(c) any Person that received less than an aggregate of \$100,000 from the Debtors during the 90 days preceding the Petition Date if: (i) such Person has been designated in writing by the Debtors prior to the Confirmation Date, accompanied by a written explanation of the Debtors’ rationale in so designating such entity; and (ii) the Debtors’ have a good faith belief (taking into consideration, among other things, the interests of unsecured creditors and the Debtors’ post-Effective Date enterprise) that the Committee’s pursuit of such action would be harmful to the Debtors’ ongoing operations or the Debtors elect to assume the related contract or lease; provided, however, that the aggregate payments during such 90-day period to those entities designated by the Debtors (including payments relating to assumed contracts or leases) may not exceed \$5.4 million without the consent of the Committee;

(d) Debtor Professionals;

(e) all present and former employees of the Debtors or their affiliates;

(f) the Prepetition Lenders, their professionals and all other Persons released pursuant to Section 7.5(b) of the Plan;

(g) any person or entity to the extent the Preference Claim against it previously was settled by an order of the Bankruptcy Court;

(h) any of the Debtors or the CCAA Plan Debtors, and any entity that is a wholly owned subsidiary of any of the Debtors or the CCAA Plan Debtors;

(i) any Person to the extent the Preference Claim against such Person is based on equipment returned to or repossessed by sellers during the 90 days preceding the Petition Date and not listed on Schedule 1.8(i) hereto; provided, however, that if any such unlisted equipment return is subsequently identified, then the Preference Claim based on such return shall be a Carve Out Claim only if the Debtors have a good faith belief (taking into consideration, among other things, the interests of unsecured creditors and the Debtors’ post-Effective Date enterprise) that the

Committee's pursuit of such action would be harmful to the Debtors' ongoing operations; and

(j) any Person on Schedule 1.8(j) hereto to the extent the Preference Claim against such Person is based on payments under agreements to be assumed by the Debtors, provided that such payments to Persons that received less than an aggregate of \$100,000 from the Debtors during the 90 days preceding the Petition Date shall be subject to the \$5.4 million limitation in Section 1.9(c).

1.10. **Cash** means cash and cash equivalents, including but not limited to bank deposits, checks, and other similar items in each case denominated in Dollars.

1.11. **Cash Collateral Order** means that certain Third Stipulation and Order Authorizing Use of Collateral and Providing Adequate Protection, dated December 19, 2001, approved by the Bankruptcy Court in the Chapter 11 Cases (including the predecessor Stipulations and Orders Authorizing Use of Collateral and Providing Adequate Protection insofar as they continue to govern any periods prior to December 19, 2001).

1.12. **CCAA** means Canadian Companies' Creditors Arrangement Act.

1.13. **CCAA Plan Debtors** means 360networks (holdings) Ltd.; 360fiber Ltd.; 360finance Ltd.; Carrier Centers (Canada) Ltd; 360 Urbanlink Ltd.; 360networks (CDN Fiber) Ltd.; 360network Services Ltd.; and 360Cayer Ltée;

1.14. **CCAA Plan** means the plan of arrangement, dated July 18, 2002, filed by the CCAA Debtors in the Supreme Court of British Columbia.

1.15. **Chapter 11 Case** means the chapter 11 case of each Debtor pending before the Bankruptcy Court.

1.16. **Claim** means a claim against a Debtor, whether or not asserted, known or unknown, as such term is defined in section 101(5) of the Bankruptcy Code.

1.17. **Class** means a group of Claims or Interests as classified under the Plan.

1.18. **Class 4 Cash Distribution** means \$135,000,000.

1.19. **Committee** means the Official Committee of Unsecured Creditors in the Chapter 11 Cases appointed by the Office of the United States Trustee for the Southern District of New York, as such committee may be reconstituted from time to time.

1.20. **Committee Claims** mean all Preference Claims except Carve Out Claims and claims against the Leducor Group or Netrail, Inc.

1.21. **Committee Preference Fees** mean the Committee's professional fees and expenses incurred on or after July 1, 2002 regarding: (a) Committee Claims; (b) resolution of unsecured claims against the Debtors held by the targets of Committee Claims; and (c) Carve Out Claims.

1.22. **Committee Professionals** means Sidley Austin Brown & Wood LLP; Ernst & Young Corporate Finance LLC; Bragar Wexler Eigel & Morgenstern, LLP; and Shandro Dixon Edgson.

1.23. **Confirmation Date** means the date the Clerk of the Court enters the Confirmation Order on the Bankruptcy Court's docket.

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

1.25. **Debtor Professionals** means Cahill Gordon & Reindel; Cline, Williams, Wright, Johnson & Oldfather, LLP; Davis Wright Tremaine LLP; Freshfields Bruckhaus Deringer; Lazard Frères & Co. LLC; and Willkie Farr & Gallagher.

1.26. **Debtors** has the meaning ascribed to such term on the first page of the Plan, with each of the Debtors individually referred to herein as a Debtor.

1.27. **Derivative Claim** means a claim that is property of any of the Debtors pursuant to section 541 of the Bankruptcy Code and any state or federal fraudulent conveyance, fraudulent transfer, preference, avoidance and other similar claims and causes of action for the benefit of creditors that the Debtors are authorized to pursue in accordance with the Bankruptcy Code and other applicable law.

1.28. **Disclosure Statement** means the Disclosure Statement respecting the Plan approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code; as such Disclosure Statement may be amended, modified, or supplemented (and all exhibits and schedules annexed thereto or referred to therein).

1.29. **Disclosure Statement Order** means the order of the Bankruptcy Court approving the Disclosure Statement.

1.30. **Disputed Claim** means a Claim (or portion thereof) as to which: (a) an objection has been timely filed, and such objection has not been either: (x) withdrawn, or (y) overruled or denied in whole by a Final Order; (b) before the deadline for filing an objection to the Claim, the amount of the Claim specified in the applicable proof of Claim exceeds the amount of any corresponding Claim scheduled by the Debtors in the Schedules as being neither disputed nor contingent or no such amount is scheduled as being neither disputed nor contingent; (c) there is a dispute as to the classification thereof; or (d) the amount of such Claim (or such portion) is unliquidated.

1.31. **Distribution** means a distribution of Cash or other property pursuant to the Plan.

1.32. **Distribution Date** means any date that is: (a) the Effective Date; (b) the Initial Distribution Date; (c) any Interim Distribution Date; or (d) the Final Distribution Date.

1.33. **Dollars and the symbol \$** means dollars constituting legal tender for the payment of public and private debts in the United States of America.

1.34. **Effective Date** means a date to be determined by the Debtors that will be no later than the first Business Day that is 20 days after the later of: (a) the date each of the conditions to the Effective Date has been satisfied or waived, provided no stay of the Confirmation Order is then in effect; or (b) the date any stay of the Confirmation Order is vacated or, if section 8.2(a) of the Plan has not been waived, any appeal, rehearing, remand, or petition for certiorari regarding the Confirmation Order is resolved by Final Order in a manner that does not reverse or materially modify the Confirmation Order.

1.35. **Estimation Order** means an order or orders of the Bankruptcy Court estimating for voting and/or distribution purposes (under section 502(c) of the Bankruptcy Code) the aggregate Face Amount of Disputed Claims or one or more Disputed Claims in a Class. The defined term Estimation Order includes the Confirmation Order if the Confirmation Order grants the same relief that would have been granted in a separate Estimation Order.

1.36. **Existing Security** means the Liens held by the holders of Prepetition Lender Claims (or by the Prepetition Agent on its and their behalf) in or on the assets and properties of the Debtors to secure the Prepetition Lender Claims.

1.37. **Face Amount** means respecting a Claim: (i) if the holder of such Claim has not filed a proof of Claim by the applicable bar date and there is no Final Order fixing such Claim, the amount of such Claim that is listed in the Schedules as undisputed, noncontingent and liquidated or, if no amount is listed, zero (\$0) dollars; (ii) if the holder of such Claim has filed a proof of Claim by the applicable bar date, the liquidated amount as stated in such proof of Claim, or, if no liquidated amount is listed, then zero (\$0) dollars unless such amount is allowed or estimated by Final Order; (iii) an amount fixed or estimated by a Final Order; or (iv) in all other cases, zero (\$0) dollars.

1.38. **Final Distribution Date** means: (a) respecting each Claim that is not a Class 4 or 7 Claim, the first Business Day 20 days (or such longer period as may be reasonably determined by the Reorganized Debtors) after the later of (i) the Effective Date and (ii) the date such Claim becomes an Allowed Claim; (b) respecting Class 4 Claims, the Effective Date; and (c) respecting Class 7 Claims, the first Business Day 20 days (or such longer period as may be reasonably determined by the Reorganized Debtors and the Committee) after the later of the date on which: (i) all Disputed Claims in Class 7 have been resolved by Final Order; and (ii) all of the Committee Claims have been settled or resolved by Final Order.

1.39. **Final Order** means an order or judgment, as entered on the docket of the applicable court that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari has expired and no timely-filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any appeal taken or petition for certiorari filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

1.40. **General Unsecured Claim** means any Claim that is not an: (a) Administrative Claim; (b) Priority Tax Claim; (c) Priority Claim; (d) Prepetition Lender Claim; (e) Nonconsensual Lien Claim; (f) Secured Claim; or (g) any other Claim included within any other Class other than Class 7.

1.41. **Holdings USA** means 360networks holdings (USA) inc.

1.42. **Impaired Class 6 Claims** means those Class 6 Claims to be treated under the Plan in a manner rendering such Claims impaired under section 1124 of the Bankruptcy Code, as identified on Schedule 1.42 hereto.

1.43. **Initial Distribution Date** means the first Business Day 20 days after the Effective Date, or such longer period as may be reasonably determined by the Reorganized Debtors, in consultation with the Committee, to make initial Distributions under the Plan (other than to holders of Class 4 Claims); *provided, however*, that in no event shall the Initial Distribution Date for Class 7 occur later than 45 days after the Effective Date without the Committee's consent.

1.44. **Intercompany Claim** means a Claim of any Debtor, CCAA Plan Debtor, or Nondebtor Affiliate against a Debtor.

1.45. **Interest** means an equity security, within the meaning of section 101(16) of the Bankruptcy Code, in a Debtor.

1.46. **Interim Distribution Date** means any date after the Initial Distribution Date on which the Reorganized Debtors and the Committee determine, in their sole discretion, that an interim distribution should be made to Class 7 in light of, *inter alia*, resolutions of Disputed Claims, aggregate Net Preference Recoveries, and the administrative costs of such a distribution.

1.47. **JPMorgan Chase Bank** means JPMorgan Chase Bank, a New York banking corporation (formerly known as The Chase Manhattan Bank, N.A.).

1.48. **Ledcor Group** means Ledcor Industries Inc. and its following affiliates: Ledcor Design-Build (BC) Inc., Ledcor Industries Limited, and any other Ledcor Industries, Inc. affiliate that did not receive over \$100,000 in the aggregate from the Debtors during the 90 days preceding the Petition Date identified by the Debtors in writing on or before the earlier of the Confirmation Date and October 1, 2002.

1.49. **Liens** means mortgages, deeds of trust, liens, and other security interests.

1.50. **Lump Sum Election** means the option of a holder of an Allowed Class 7 Claim to elect to receive pursuant to the Plan a Cash Distribution in lieu of New Parent Stock otherwise allocated on account of such Allowed Class 7 Claim, subject to the terms and conditions set forth in Section 3.7 of the Plan.

1.51. **Net Preference Recoveries** mean: (a) aggregate recoveries received by or on behalf of the Debtors (including all proceeds of Committee Claims) under sections 547 or 550 of the Bankruptcy Code solely from litigation or settlement of Preference Claims; less: (b) all out of pocket fees and expenses incurred by the Debtors, Reorganized Debtors, and the Committee (including, without limitation, all fees and expenses of professionals) from and after July 1, 2002, in analyzing, investigating, pursuing, or settling such claims, provided that: (i) respecting recoveries on Committee Claims, the only deductions shall be all Committee Preference Fees and Requested Debtor Fees; and (ii) respecting recoveries on Carve Out Claims, the only deductions shall be the aggregate out of pocket fees and expenses of the Debtors and Reorganized Debtors to the extent allocable to obtaining recoveries on Carve Out Claims.

1.52. **New Parent** means 360networks (holdings) ltd., which will be the ultimate parent company of the Reorganized Debtors as of the Effective Date.

1.53. **New Parent Stock** means the new common stock of the New Parent to be issued on the Effective Date.

1.54. **New Senior Secured Notes** means the notes, dated as of the Effective Date, to be issued Ratably to the holders of Allowed Prepetition Lender Claims in the aggregate principal amount of \$215,000,000, with key terms including those on Schedule 1.54 hereto.

1.55. **New Long Term Incentive Plan** means a share incentive and award plan, providing for the discretionary grant to eligible plan participants, including employees and outside directors, of various equity-based awards in the form of or relating to the New Parent Stock, including options to purchase shares of New Parent Stock.

1.56. **Nonconsensual Lien Claim** means a claim to the extent secured by a valid, binding, perfected, and enforceable (other than in respect of the stay of enforcement arising from Bankruptcy Code section 362) nonconsensual lien such as a mechanic's lien.

1.57. **Nondebtor Affiliate** means 360networks inc. and each of its wholly owned direct and indirect subsidiaries that is not a Debtor or a CCAA Plan Debtor.

1.58. **Non-Discharged Class 4 Claims** shall have the meaning set forth in Section 3.4(g) hereto.

1.59. **on notice** means, with respect to any specified act and any specified Person: (i) if such Person has consented to such act in writing, no additional notice and; (ii) otherwise, the provision to such Person of at least five business days' advance written notice of such act (which written notice must be furnished to such Person by hand, overnight courier, telecopier or other means reasonably intended to provide immediate or overnight delivery) and opportunity by such Person receiving such notice to object to such act before the Bankruptcy Court.

1.60. **Person** means any individual, corporation, partnership, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, or any other entity.

1.61. **Petition Date** means June 28, 2001.

1.62. **Plan** means this First Amended Joint Plan of Reorganization proposed by the Debtors and 360networks (holdings) ltd., together with any amendments or modifications hereto as the Debtors may file hereafter (such amendments or modifications after the Confirmation Date only being effective if approved by order of the Bankruptcy Court).

1.63. **Preference Account** means an escrow or trust account maintained by and under the sole and exclusive control of the Committee that: (a) will hold funds advanced by the Debtors or Reorganized Debtors for Committee Preference Fees incurred after the Effective Date and the proceeds from Committee Claims; (b) from which will be paid post Effective Date Committee Preference Fees, Requested Debtor Fees, and any fees associated with maintaining or making distributions from such account; and (c) which shall constitute the source of distributions to be made under the Plan with respect to Net Preference Recoveries.

1.64. **Preference Claims** means claims of the Debtors under § 547 and/or § 548 of the Bankruptcy Code based on Cash payments or equipment returns made by the Debtors during the 90 days preceding the Petition Date.

1.65. **Prepetition Agent** means JPMorgan Chase Bank, as Administrative Agent under the Prepetition Credit Agreement.

1.66. **Prepetition Credit Agreement** means that certain Credit Agreement, dated as of September 29, 2000, as amended, among 360networks inc., 360networks holdings (USA) inc., JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Chase Securities, Inc., as Joint Book Manager and Co-Lead Arranger, Credit Suisse First Boston Corporation (successor in interest to DLJ Capital Funding, Inc.), as Joint Book Manager, Co-Lead Arranger and Co-Documentation Agent, Goldman Sachs Credit Partners L.P., as Arranger and Syndication Agent and Toronto Dominion (Texas), Inc., as Arranger and Co-Documentation Agent and the lenders from time to time parties thereto.

1.67. **Prepetition Lender Claim** means any Claim against a Debtor arising under: (a) the Prepetition Credit Agreement; (b) all agreements, documents, notes, instruments, and any other agreements delivered pursuant thereto or in connection therewith, including, without limitation, loans, advances, letters of credit and other financial accommodation; or (c) the Cash Collateral Order and any other postpetition cash collateral order related thereto.

1.68. **Priority Claim** means any Claim, if allowed, entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim (including a Professional Fee Claim); or (b) a Priority Tax Claim.

1.69. **Priority Tax Claim** means any Claim, if allowed, entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

1.70. **Professional Fee Claim** means an Administrative Claim for compensation or reimbursement of expenses pursuant to section 327, 328, 330, 331 or 503(b) of the Bankruptcy Code in connection with an application made to the Bankruptcy Court in the Chapter 11 Cases.

1.71. **Ratable, Ratably or Ratable Share** means a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of: (a) Allowed Claims; plus (b) Disputed Claims (in their aggregate Face Amount or as otherwise determined by the Bankruptcy Court) in such Class as of the date of determination. For purposes of Distributions under the Plan, such calculation shall be as of the date 10 Business Days (or such other fixed period reasonably determined by the Debtors or Reorganized Debtors and, for Class 7, the Committee) prior to each Distribution Date.

1.72. **Record Date** means the date provided in the Confirmation Order for determining which holders of Claims and Interests are entitled to Distributions under the Plan.

1.73. **Registration Rights Agreement** means the registration rights agreement between New Parent and certain holders of New Parent Stock.

1.74. **Reorganized 360** means, collectively, the Reorganized Debtors and the CCAA Plan Debtors.

1.75. **Reorganized Debtors** means, collectively, the Debtors on and after the Effective Date.

1.76. **Requested Debtor Fees** means out of pocket fees and expenses reasonably incurred by the Debtors or Reorganized Debtors respecting Committee Claims at the specific request of the Committee.

1.77. **Required Class 4 Holders** shall have the meaning set forth in Section 3.4(b) hereto.

1.78. **Schedules** means a Debtor's schedule of assets and liabilities filed with the Bankruptcy Court pursuant to sections 521 and 1106(a)(2) of the Bankruptcy Code.

1.79. **Secured Claim** means a Claim that is either secured by a lien on property in which a Debtor has an interest pursuant to section 506 or 1111(b) of the Bankruptcy Code or subject to setoff under section 553 of the Bankruptcy Code.

1.80. **Steering Committee** means the steering committee of holders of Prepetition Lender Claims, as such committee may be constituted from time to time.

1.81. **Unclaimed Property** means any Distribution under the Plan unclaimed by the holder of the Allowed Claim or Interest entitled to such Distribution 180 days after the Distribution Date applicable to such Distribution.

1.82. **Underlying Rights** mean all rights, whether written or oral, express or implied, public or private, that authorize a Debtor to construct, install, operate, maintain, repair, sell, assign, transfer, remove, abandon or provide services in or upon any public or private property, both real and personal, or within any federal, state or local jurisdiction, or any agency thereof, including without limitation, all agreements, franchises, leases, licenses, certificates, encroachments, permits, rights-of-way, authorizations, notices, waivers, releases, grants, rights, and interests providing such authorization. The foregoing expressly includes, but is not limited to, all of the following:

(i) authorizations, licenses or certificates of public convenience and necessity from any state administrative agency including state public utility commissions or similar agencies with regulatory or administrative oversight of communications companies;

(ii) permits, notices, licenses, plans, authorizations or waivers from any federal, state, county, local agency, or any public or quasi-public agency required for compliance with any environmental requirements;

(iii) franchises, licenses, permits or agreements from any state, city, county, local or quasi-public entities or agencies;

(iv) easements, amended easements, communications easements, licenses, leases, agreements, consents, or letters authorizing a Debtor to operate in or upon private property or fixtures;

(v) easements, agreements, licenses or leases for real property housing communications equipment or used to interconnect with other communications providers or customers, including without limitation, point-of-presence sites, amplification and regeneration sites, collocation sites, manholes, meet-me-rooms, and building entries; and

(vi) permission from any Native American tribe or related organization, whether written or oral, for a Debtor to operate in or upon tribal lands.

ARTICLE II.

CLASSIFICATION OF CLAIMS AND INTERESTS

For purposes of the Plan, Claims and Interests are classified as follows:

2.1. **CLASS 1**: shall consist of all Administrative Claims.

2.2. **CLASS 2**: shall consist of all Priority Tax Claims.

2.3. **CLASS 3**: shall consist of all Priority Claims.

- 2.4. **CLASS 4**: shall consist of all Prepetition Lender Claims.
- 2.5. **CLASS 5**: shall consist of all Nonconsensual Lien Claims, with each such Claim secured by different collateral to be a separate subclass for all purposes under the Plan.
- 2.6. **CLASS 6**: shall consist of all Secured Claims against the Debtors other than the Prepetition Lender Claims and Nonconsensual Lien Claims, with each such Claim secured by different collateral to be a separate subclass for all purposes under the Plan.
- 2.7. **CLASS 7**: shall consist of all General Unsecured Claims.
- 2.8. **CLASS 8**: shall consist of all Intercompany Claims.
- 2.9. **CLASS 9**: shall consist of all Interests.
- 2.10. **General Rules of Classification.**

Generally, a Claim is classified in a particular Class for voting and distribution purposes only to the extent the Claim qualifies within the description of that Class, and is classified in another Class or Classes to the extent any remainder of the Claim qualifies within the description of such other Class or Classes. Unless otherwise provided, to the extent a Claim qualifies for inclusion in a more specifically defined Class and a more generally defined Class, it shall be included in the more specifically defined Class.

ARTICLE III.

TREATMENT OF CLAIMS

Each Allowed Claim or Allowed Interest shall receive the treatment specified below for such Claim or Interest's Class in full settlement of all rights of the holder of such Allowed Claim or Allowed Interest; provided, however, that the holder of such Claim or Interest may agree to and receive less favorable treatment.

- 3.1. **Class 1 – Administrative Claims.** Class 1 is not impaired.
- (a) Professional Fee Claims shall be paid in Cash in the amounts awarded on account thereof by order of the Bankruptcy Court as soon as practicable after such order is entered.
- (b) Ordinary course Administrative Claims will be paid in accordance with the terms and conditions of the particular transaction giving rise to such liabilities.
- (c) Other Administrative Claims shall be paid in Cash in full on the later of the Effective Date and the date any such Claim becomes an Allowed Claim.
- 3.2. **Class 2 – Priority Tax Claims.** Class 2 is not impaired.
- (a) On the later of the Effective Date or as soon as reasonably practicable thereafter and 10 Business Days after the date on which a Class 2 Claim becomes an Allowed Claim, such Claim shall be paid in full, in Cash; provided, however, that the Debtors shall have the option, exercisable prior to the Effective Date, to pay any Priority Tax Claim over a period not longer than six (6) years from the date of assessment of the applicable tax, with interest on the unpaid portion payable annually in arrears at the rate of 5½% per annum (or such other rate of

interest as may be ordered by the Bankruptcy Court prior to the Effective Date to provide the holders of Priority Tax Claims with deferred cash payments having a value, as of the Effective Date, equal to the allowed amount of such Priority Tax Claims, or as agreed to by the holder of the Claim and the Debtors). To the extent, if any, that a Priority Tax Claim also is secured by property of the Debtors, then the holder of such secured Priority Tax Claim shall retain its liens against such property until the relevant Priority Tax Claim is paid in full in accordance with this Section 3.2.

(b) Unless prior to the Confirmation Date the holder of a Priority Tax Claim files and serves on counsel to the Debtors a statement that the portion of any such Priority Tax Claim that is in the nature of a penalty is compensatory and not punitive, then such penalty portion shall be deemed to be disallowed and the holder of such Claim shall be entitled to no distribution on account of such penalty portion.

3.3. Class 3 – Other Priority Claims. Class 3 is not impaired.

On the later of the Effective Date or as soon as reasonably practicable thereafter and 10 Business Days after the date on which a Class 3 Claim becomes an Allowed Claim, such Claim shall be paid in full in Cash.

3.4. Class 4 – Prepetition Lender Claims. Class 4 is impaired.

Class 4 Claims shall be treated as follows:

(a) Allowance. Prepetition Lender Claims shall be Allowed Claims against each of the Debtors in the aggregate amount of \$1,206,161,903.62 (including \$700,000 in stated amount of undrawn and outstanding letters of credit issued under the Prepetition Credit Agreement). As a component of the settlements embodied in the Plan, Class 4 Claims against all Debtors shall be aggregated for voting and distribution purposes, but for no other purposes.

(b) Distributions. On the Effective Date, under the Plan in combination with the CCAA Plan, each holder of an Allowed Prepetition Lender Claim shall receive: (i) its Ratable Share of the Class 4 Cash Distribution; *provided, however*, that the holders of not less than 66-2/3% in amount of Class 4 Claims (the “Required Class 4 Holders”) shall have the right, in their sole discretion and as evidenced by the written consent of the Prepetition Agent, to agree to defer payment of up to \$30,000,000 of the Class 4 Cash Distribution to all holders of Class 4 Claims until after the Effective Date on terms and conditions acceptable to the Required Class 4 Holders (it being understood and agreed that any such agreement by the Required Class 4 Holders to defer payment of such Cash shall be binding on all holders of Class 4 Claims, and such deferral, and any indebtedness or instruments evidencing the obligation of the Debtors to pay the deferred amount, shall be allocated Ratably among all holders of Class 4 Claims); *provided, further, however*, that the Prepetition Agent shall be authorized to withhold from such Cash an amount not to exceed 105% of the maximum liability (the “L/C Exposure Amount”) with respect to letters of credit issued under the Prepetition Credit Agreement and outstanding as of the Effective Date (collectively, the “Designated Letters of Credit”). The Prepetition Agent shall be authorized to reimburse itself in its capacity as Issuing Bank under the Prepetition Credit Agreement from the L/C Exposure Amount for any drawings under a Designated Letter of Credit. Upon the expiration, cancellation, or other termination of a Designated Letter of Credit, the Prepetition Agent shall distribute any amounts remaining from the L/C Exposure Amount attributable to such Designated Letter of Credit Ratably to the holders of the Allowed Prepetition Lender Claims; (ii) its Ratable Share of \$215,000,000 in principal amount of New Senior Secured Notes; (iii) its Ratable Share of 80.5% of the New Parent Stock, subject to dilution through the exercise of options issuable

pursuant to the New Long Term Incentive Plan; and (iv) the release set forth in Sections 7.4 and 7.5 of the Plan.

(c) Each holder of an Allowed Prepetition Lender Claim shall be entitled to retain all amounts paid to it or on its behalf as adequate protection and Reorganized 360 shall continue to pay the reasonable out of pocket professional fees of the holders of the Allowed Petition Lender Claims after the Confirmation Date solely with respect to matters relating directly to the Plan (including any distributions thereunder or consummation thereof) or the Chapter 11 Cases in accordance with the Cash Collateral Order.

(d) Distributions of Cash to be made by Reorganized 360 to or for the benefit of the holders of Allowed Prepetition Lender Claims pursuant to the Plan shall be made by wire transfer of immediately available funds denominated in Dollars to the Prepetition Agent in accordance with wire transfer instructions to be provided by the Prepetition Agent to Reorganized 360.

(e) Distributions of New Parent Stock and New Senior Secured Notes to be made by Reorganized 360 to or for the benefit of the holders of Allowed Prepetition Lender Claims pursuant to the Plan shall be delivered to the Prepetition Agent in accordance with instructions to be provided by the Prepetition Agent to Reorganized 360.

(f) Nothing contained in the Disclosure Statement, the Plan (including, without limitation, Sections 7.1, 7.2, 7.4 and 7.5 of the Plan) or the Confirmation Order, shall be deemed or construed, directly or indirectly, by implication or otherwise, to discharge, affect, limit, reduce, settle, compromise, release or otherwise impair (i) the obligations of any guarantor or any other obligor (other than the Debtors and the CCAA Plan Debtors) under, in respect of, or in connection with, the Prepetition Credit Agreement, the Security Documents (as defined in the Prepetition Credit Agreement) or the Guarantee Agreements (as defined in the Prepetition Credit Agreement) or (ii) any mortgages, deeds of trust, liens or other security interests against the property of any such guarantor or any such other obligor (other than the Debtors and the CCAA Plan Debtors) securing such obligations.

(g) Notwithstanding anything to the contrary in the Plan, including, Sections 7.1 or 7.2 of the Plan, or the Confirmation Order, \$215,000,000 in aggregate Allowed Class 4 Claims (the "Non-Discharged Class 4 Claims") shall not be discharged under the Plan, the Confirmation Order, or otherwise. From and after the Effective Date, the Non-Discharged Class 4 Claims: (i) shall be evidenced by the New Senior Secured Notes; and (ii) shall constitute the legal, valid and binding obligations of the Reorganized Debtors, enforceable against the Reorganized Debtors in accordance with the terms of the New Senior Secured Notes (as such New Senior Secured Notes may be amended, supplemented or otherwise modified from time to time). The Reorganized Debtors' obligations under the New Senior Secured Notes shall not be subject to challenge, avoidance, subordination or recharacterization under any applicable fraudulent conveyance, fraudulent transfer or similar law. In the event that payment of a portion of the Class 4 Cash Distribution is deferred in accordance with Section 3.4(b) of the Plan, the amount deferred may, at the option of the Required Class 4 Holders, be designated as additional Non-Discharged Class 4 Claims.

(h) Notwithstanding anything to the contrary in the Plan, including, Sections 7.1 or 7.2 of the Plan, or the Confirmation Order, none of the Existing Security shall be released under the Plan, the Confirmation Order or otherwise. From and after the Effective Date: (i) the Existing Security, together with any new security instruments or documents that may be reasonably requested by the Prepetition Agent and delivered by the Reorganized Debtors ("Additional

Security”), shall secure the obligations of the Reorganized Debtors under (or with respect to) the New Senior Secured Notes; (ii) the Existing Security and any Additional Security shall constitute, legal, valid, binding and perfected Liens, which Liens shall be enforceable against the assets and properties of the Reorganized Debtors in accordance with their terms (as such Liens may be amended, supplemented or otherwise modified from time to time); and: (x) in the case of the Existing Security, shall be senior in priority to all other Liens against such assets and property except any valid, perfected, and unavoidable prepetition Liens that were senior in priority to the Existing Security and were not released or discharged by the Plan; and (y) in the case of the Additional Security, shall have such priority as determined by applicable nonbankruptcy law; and (iii) neither the Prepetition Agent, any holder of a Prepetition Lender Claim nor any other Person shall be required to take any actions to perfect or re-perfect the Existing Security or any Additional Security, other than any actions that are required generally under applicable laws to maintain perfection of Liens. The Existing Security and any Additional Security shall not be subject to challenge, avoidance, subordination or recharacterization under any applicable fraudulent conveyance, fraudulent transfer, or similar law.

3.5. **Class 5 – Nonconsensual Lien Claims.** Class 5 is impaired. Each Claim in Class 5 shall be treated as a separate subclass for voting and distribution purposes under the Plan.

On the later of the Effective Date and 10 Business Days after the date on which a Class 5 Claim becomes an Allowed Claim, each such Claim shall be paid in full as follows:

(a) Amount. The amount of an Allowed Class 5 Claim shall be the lesser of: (i) the value (as of the Confirmation Date) of the collateral securing such Allowed Class 5 Claim; and (ii) the sum of: (A) the amount (as of the Petition Date) of the Debtors’ obligation to the holder of such Allowed Class 5 Claim secured by a valid, binding, perfected, and enforceable Nonconsensual Lien; plus (B) interest on such amount (exclusive of interest on any prepetition interest included therein) from the Petition Date through the Confirmation Date at 5½% per annum; plus (C) reasonable attorney’s fees, if any, due to the holder of such Allowed Class 5 Claim by contract.

Resolution of Allowed Amount. The amount of each such Allowed Claim shall be as listed on Schedule 3.5(a) hereto, assuming a Confirmation Date of August 31, 2002. If prior to the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order, a holder of a Class 5 Claim fails to file with the Bankruptcy Court and serve on the attorneys for the Debtors an objection to the amount(s) set forth in such Schedule 3.5(a) respecting such Claim, then such holder shall be forever barred from asserting any Claims against the Debtors exceeding the proposed allowed amount of such Claim. If a timely objection to an amount listed on Schedule 3.5(a) to the Plan is served and filed by a holder of a Class 5 Claim, then such holder’s Claim shall be deemed to be a Disputed Claim to be resolved in accordance with the Plan.

(b) Term. 10 years from the Effective Date.

(c) Amortization. Based on 20 years, payable quarterly in arrears, with any principal remaining outstanding due as a lump sum on maturity.

(d) Interest Rate. 5½% per annum, payable quarterly in arrears; provided, however, that interest accrued after the Confirmation Date but otherwise due before the Effective Date shall not be due until the end of the first quarter ending after the Effective Date.

(e) Prepayment. The Claim shall be prepayable without premium or penalty in whole or in part at any time prior to maturity.

(f) Collateral. As of the Effective Date, the Debtors' obligations to make the Plan payments on Nonconsensual Lien Claims shall be secured by the applicable Nonconsensual Lienholder's existing collateral to the same extent as existed on the Confirmation Date. To the extent, if any, that prior to the Confirmation Date or in the Confirmation Order, the collateral securing any of the Nonconsensual Lien Claims was transferred to one or more segregated Cash accounts by order of the Bankruptcy Court, then such Nonconsensual Lien Claims shall continue to be secured by such segregated cash accounts to the same extent as provided in the applicable order.

(g) Documentation. As a condition to receipt of any payments under the Plan, Nonconsensual Lienholders shall be required to execute any documents that the Debtors determine to be reasonably necessary or appropriate to evidence or implement any provision of this Section 3.5 or any other relevant provision of the Plan or the Confirmation Order.

(h) Lump Sum Alternative. The Debtors or Reorganized Debtors, as applicable, shall be authorized to satisfy any Allowed Nonconsensual Lien Claim in Cash with a discounted lump sum payment; provided, however, that (i) any such payments (or a series of related payments) of \$1,000,000 or more in the aggregate shall be on notice to the Prepetition Agent and (ii) if the Prepetition Agent objects to such payment (or such series of related payments) within the notice period applicable thereto, then Bankruptcy Court approval shall be required prior to the making of such payment (or such series of related payments). Subject to the occurrence of the Effective Date, each holder of an Allowed Nonconsensual Lien Claim may elect, on its ballot for voting on the Plan, to receive a single lump sum payment equal to 50% of such Allowed Claim in lieu of any other distribution on such Allowed Claim under the Plan. Such election shall apply to such holder's entire Allowed Class 5 Claim. Any Cash settlement payable on a Nonconsensual Lien Claim secured by a segregated Cash account shall be paid from such account.

(i) Debtors' Option to Return Collateral. In lieu of the treatment described in subsections (a) through (h) above, the Debtors may satisfy any Allowed Class 5 Claim by transferring title to the property securing such Allowed Class 5 Claim to the holder of such Claim. Within thirty (30) days after mailing by the Debtors or Reorganized Debtors of notice of the election of this option, the holder of an Allowed Class 5 Claim shall be entitled to amend in writing or file a proof of claim for any unsecured deficiency Claim respecting such Claim (to the extent such holder has recourse to a Debtor respecting such Class 5 Claim, and provided the holder has timely filed a proof of claim respecting such Class 5 Claim or whose Class 5 Claim was listed in the Schedules as nondisputed, noncontingent, and liquidated). To the extent, if any, that any such unsecured deficiency Claim is or becomes an Allowed Claim, then such deficiency Claim shall be treated as an Allowed Class 7 Claim.

3.6. **Class 6 – Other Secured Claims**. Class 6 is not impaired, except for the Impaired Class 6 Claims (see Plan Schedule 1.42). Each Claim in Class 6 shall be treated as a separate subclass for voting and distribution purposes under the Plan.

(a) Election of Alternative Treatments. At the election of Reorganized Debtors, on or before the later of the Effective Date and 10 Business Days after the date on which a Class 6 Claim becomes an Allowed Claim, each such Claim, except for Impaired Class 6 Claims, shall be paid in full by either:

- (1) reinstating the Claim, that is, leaving unaltered the legal, equitable, and contractual rights respecting such Claim in accordance with section 1124

of the Bankruptcy Code, including: (A) curing all pre- and postpetition defaults other than defaults relating to the insolvency or financial condition of the relevant Debtor or its status as a debtor under the Bankruptcy Code; and (B) reinstating the maturity date of the Claim;

- (2) paying such Claim in full, in Cash, in an amount equal to such Allowed Class 6 Claim; or
- (3) transferring title to the property securing such Allowed Class 6 Claim to the holder of such Claim. Within thirty (30) days after mailing by the Debtors or Reorganized Debtors of notice of the election of this option (3), the holder of an Allowed Class 6 Claim shall be entitled to amend in writing or file a proof of claim for any unsecured deficiency Claim respecting such Claim (to the extent such holder has recourse to a Debtor respecting such Class 6 Claim, and provided the holder has timely filed a proof of claim respecting such Class 6 Claim or whose Class 6 Claim was listed in the Schedules as nondisputed, noncontingent, and liquidated). To the extent, if any, that any such unsecured deficiency Claim is or becomes an Allowed Claim, then such Allowed Claim shall be treated as an Allowed Class 7 Claim.

(b) Impaired Class 6 Claims. Notwithstanding anything to the contrary contained in this Section 3.6, each Impaired Class 6 Claim shall be paid in full as follows:

- (i) Term. 10 years from the Effective Date.
- (ii) Amortization. Based on 20 years, payable quarterly in arrears, with any principal remaining outstanding due as a lump sum on maturity.
- (iii) Interest Rate. 5½% per annum, payable quarterly in arrears; provided, however, that interest accrued after the Confirmation Date but otherwise due before the Effective Date shall not be due until the end of the first quarter ending after the Effective Date.
- (iv) Prepayment. The Claim shall be prepayable without premium or penalty in whole or in part at any time prior to maturity.
- (v) Collateral. As of the Effective Date, the Debtors' obligations to make the Plan payments on Impaired Class 6 Claims shall be secured by the applicable Class 6 Claim holder's existing collateral to the same extent as existed prior to the Confirmation Date.
- (vi) Documentation. As a condition to receipt of any payments under the Plan, holders of Impaired Class 6 Claims shall be required to execute any documents that the Debtors determine to be reasonably necessary or appropriate to evidence or implement any provision of this Section 3.6 or any other relevant provision of the Plan or the Confirmation Order.
- (vii) Lump Sum Alternative. The Debtors or Reorganized Debtors, as applicable, shall be authorized to satisfy any Allowed Impaired Class 6 Claim in Cash with a discounted lump sum payment; provided, however, that: (i) any such payments (or a series of related payments) of \$1,000,000 or more in the aggregate shall be on notice to the Prepetition Agent; and (ii) if the Prepetition Agent objects to such payment (or such series of related payments) within the notice period applicable thereto, then Bankruptcy Court approval shall be required prior to the making of such payment (or such series of related payments). Subject to the

occurrence of the Effective Date, each holder of an Allowed Impaired Class 6 Claim may elect, on its ballot for voting on the Plan, to receive a single lump sum payment equal to 50% of such Allowed Claim in lieu of any other distribution on such Allowed Claim under the Plan. Such election shall apply to such holder's entire Allowed Impaired Class 6 Claim.

(c) Resolution of Allowed Amounts. Schedule 3.6(c) to the Plan lists: (i) each Class 6 Claim; (ii) the amount in which each such Claim is proposed to be allowed; and (iii) the additional cure amount, if any, proposed to be paid if the Claim is to be reinstated. If prior to the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order, a holder of a Class 6 Claim fails to file with the Bankruptcy Court and serve on the attorneys for the Debtors an objection to the amount(s) set forth in such Schedule 3.6(c) respecting such Claim, then such holder shall be forever barred from asserting any Claims against the Debtors exceeding the proposed Allowed amount of such Claim, and Reorganized Debtors shall be entitled to rely upon such amount(s) in selecting the treatment for the Claim under this section. If a timely objection to an amount listed on Schedule 3.6(c) to the Plan is served and filed by a holder of a Class 6 Claim, then such holder's Claim shall be deemed to be a Disputed Claim to be resolved in accordance with the Plan.

(d) Treatment of Offset Rights. To the extent a Class 6 Claim is partially an Allowed Secured Claim based on an offset right and partially an Allowed Claim of another type, such Claim shall be deemed to (x) have been setoff only to the extent of the allowed amount of the allowed fixed, liquidated, nondisputed, non-contingent Claim owing from the relevant Debtor and (y) be a Claim classified in another relevant Class for any excess of such Claim over the amount set off. If a Claim is fully an Allowed Secured Claim based on an offset right, then (A) the allowance of such Claim shall not affect any obligations or liabilities due and payable (at such time) to the relevant Debtor that are in an amount in excess of the amount offset and the payment of all amounts due and owing as of the Effective Date to such Debtor and (B) the turnover of any property of such Debtor held by such claimant on account of any unliquidated, disputed or contingent right of setoff shall be a precondition to the allowance of such Claim.

3.7. **Class 7 – General Unsecured Claims.** Class 7 is impaired.

(a) **Distributions.** On the later of the applicable Distribution Date and ten Business Days after the date on which a Class 7 Claim becomes an Allowed Claim, each holder of an Allowed General Unsecured Claim shall receive its Ratable Share of: (i) 10% of the New Parent Stock; and (ii) 80% of the Net Preference Recoveries available for distribution on such Distribution Date after an appropriate reserve to cover the already incurred and anticipated future fees and expenses to be paid from the Preference Account; provided, however, that instead of such New Parent Stock, Allowed Class 7 Claims subject to the Lump Sum Election shall receive the applicable Cash payment on the later of the Initial Distribution Date and ten Business Days after the date on which a Class 7 Claim becomes an Allowed Claim. Subsequent distributions shall be made on any applicable Interim Distribution Date or the Final Distribution Date for Class 7.

(b) **Lump Sum Cash Payment Election.** Subject to the occurrence of the Effective Date, the allowance of its Claim, and the funding limitations described in Subsection (c) below, each holder of a Class 7 Claim may elect, on such holder's ballot for voting on the Plan, to receive a single lump sum Cash payment of \$6.67 per share of New Parent Stock (based on a \$100 million ascribed value for the New Parent Stock of Reorganized 360 and 15 million shares of New Parent Stock) in lieu of the New Parent Stock distributions described above and in full satisfaction of any and all distributions of New Parent Stock to be made under the Plan for such Allowed Class 7 Claim. Each holder of an Allowed Class 7 Claim of \$100,000 or less shall be deemed to have made the Lump Sum Election. The Lump Sum Election shall apply to such holder's entire

Allowed Class 7 Claim; *provided, however*, that holders of Class 7 Claims in excess of \$100,000 who make the Lump Sum Election may nonetheless receive only a Ratable distribution of Cash plus a partial distribution of New Parent Stock to the extent that the aggregate dollar amount of Class 7 Claims for which the Lump Sum Election is made or deemed to have been made exceeds \$5 million (or such higher amount as the Funding Source (as defined below) may agree to fund).

(c) Funding of Lump Sum Election Payments. Payments to satisfy the Lump Sum Election shall be funded by Reorganized 360 or Reorganized 360's designee (in either case, the "Funding Source") in an aggregate amount equal to \$5,000,000 (or such higher amount as the Funding Source may agree to fund; *provided, however*, that if the Funding Source is Reorganized 360, then it shall not fund or agree to any such higher amount without the consent of the Prepetition Agent). To the extent, if any, such amount is insufficient to satisfy all Allowed Class 7 Claims subject to the election, all such Allowed Claims of \$100,000 or less shall be satisfied first and the remaining funds shall be allocated Ratably among the other Claims subject to the election with: (i) the holders of all such Allowed Claims retaining any New Parent Stock not so satisfied pursuant to the Lump Sum Election; and (ii) any holder of a Disputed Class 7 Claim making the Lump Sum Election to be allocated its Ratable Share based on the amount of the Allowed Class 7 Claim to which the Debtors in good faith believe the holder of such Disputed Claim should be entitled or based on an order of the Bankruptcy Court on a motion by a holder of a Disputed Class 7 Claim challenging the Debtors' determination of such holder's Ratable Share, and as to which motion such holder shall have the burden to establish there was no reasonable basis therefor. The New Parent Stock allocable to any Claim subject to the Lump Sum Election shall be delivered to the Funding Source. If a holder of a Class 7 Disputed Claim makes, or is deemed to have made, the Lump Sum Election, then the lump sum payment allocable to such Claim shall be held in escrow pending resolution of such Claim and paid once and to the extent such Claim becomes an Allowed Class 7 Claim, with any interest earned on such escrow to be paid to the Debtors to the extent the Disputed Claim becomes an Allowed Class 7 Claim and to the Funding Source to the extent the Disputed Claim is disallowed.

(d) Prohibition on Multiple Recoveries. As a component of the settlements embodied in the Plan, Class 7 Claims against all Debtors shall be aggregated for purposes of voting on and distribution under the Plan, but for no other purpose, and the Debtors' estates shall not be substantively consolidated. Accordingly, each holder of a Class 7 Claim shall be entitled to only one Class 7 Claim against and one recovery from the Debtors respecting the obligation or liability of any of the Debtors regardless of any legal theory that could make multiple Debtors liable for such obligation or liability. Duplicate Claims against multiple Debtors respecting a single obligation or liability shall be disallowed hereby so that only a single obligation or liability remains. Further, to the extent, if any, that a creditor correctly asserts that one or more of the Debtors and one or more of the CCAA Plan Debtors both should be otherwise liable for a single claim, then: (i) such claim shall be allocated exclusively to the entity contractually or otherwise primarily obligated to satisfy such claim; or (ii) if no such entity exists, then to the extent at least one of the Debtors and at least one of the CCAA Plan Debtors otherwise would be jointly liable for any claim, such claim shall be allocated between the applicable Debtors and CCAA Plan Debtors based on their respective relative benefit from the transaction or occurrence giving rise to such claim and/or their respective relative degree of culpability, if any, for an event or act giving rise to such claim, as applicable.

Any allocation made pursuant to clauses (i) and (ii) above shall be made according to the following procedure: (a) based upon the criteria enumerated above, the Reorganized Debtors shall provide a recommendation to the Committee and to the monitor under the CCAA Plan as to how a particular Claim should be allocated; (b) if the Committee and the CCAA monitor agree upon the allocation of a particular claim, then such agreement shall be determinative of such

allocation, subject to the right of the affected creditor to seek judicial review of such determination within ten days of receipt of notice of such determination; and (c) if the Committee and the CCAA monitor are unable to agree as to allocation of a particular claim, then any allocation of such claim to either the CCAA Plan Debtors or the Debtors shall be made by judicial determination.

(e) **Subordinated Claims.** Any Claim subordinated as provided in sections 510(b) or (c) of the Bankruptcy Code or otherwise to Class 7 Claims shall be provisionally in Class 7, but receive no Distributions on account of such Claim.

3.8. Class 8 – Intercompany Claims

Class 8 is impaired. Holders of Allowed Intercompany Claims shall not receive a Distribution on account of such Claims pursuant to the Plan. Allowed Intercompany Claims of the CCAA Plan Debtors or Nondebtor Affiliates shall be contributed to the capital of Holdings USA. Thereafter, Allowed Intercompany Claims held by other Debtors shall be cancelled. Notwithstanding the treatment of Class 8 Claims provided for herein, each of the holders of Class 8 Claims shall be deemed to have accepted the Plan.

3.9. Class 9 – Interests

Class 9 is impaired. Holders of Allowed Interests are not entitled to and shall not receive a Distribution on account of such Interests pursuant to the Plan. Instead, such Interests shall be retained; provided, however, that in the event necessary to obtain confirmation of the Plan under section 1129(b) of the Bankruptcy Code, then such Interests shall be cancelled and replaced by matching new common stock of the applicable Debtors.

ARTICLE IV.

MEANS OF IMPLEMENTATION OF THE PLAN

4.1. New Parent Stock

(a) **Issuance.** The New Parent Stock shall be issued by the New Parent and be a single class. Holdings USA shall issue shares of its stock to the New Parent in exchange for the shares of New Parent Stock to be distributed pursuant to the Plan.

(b) **Non-Voting Stock.** The certificate of incorporation and by-laws of each of the Reorganized Debtors shall, inter alia, prohibit the issuance of nonvoting stock to the extent required by section 1123(a) of the Bankruptcy Code.

(c) **Exemption From Securities Laws.** The Confirmation Order will provide that the offer and sale of the New Parent Stock and the New Senior Secured Notes that are issued pursuant to the Plan, including, without limitation, New Parent Stock issued pursuant to the New Long Term Incentive Plan, are exempt from registration pursuant to section 1145(a) of the Bankruptcy Code and that such New Parent Stock and New Senior Secured Notes may be resold by the holders thereof without restriction, except to the extent that any such holder is deemed to be an “underwriter” as defined in section 1145(b)(1) of the Bankruptcy Code with respect to the New Parent Stock or the New Senior Secured Notes.

4.2. Corporate Actions

(a) Corporate Powers. The Debtors shall continue to exist as subsidiaries of the New Parent after the Effective Date, with all of the powers of corporations under applicable law. After the Effective Date, each Reorganized Debtor may amend or modify its certificate of incorporation and by-laws in any manner consistent with the Plan, as permitted under applicable law and/or such certificate of incorporation and by-laws.

(b) Employee Issues. As of the Effective Date, the Reorganized Debtors will have authority, as determined by New Parent's board of directors, to: (a) maintain, amend or revise existing employment, retirement, welfare, incentive, severance, indemnification and other agreements with their active directors, officers and employees, subject to the terms and conditions of any such agreement; and (b) enter into new employment, retirement, welfare, incentive, severance, indemnification and other agreements for active and retired employees; provided, however, that the Debtors' severance policy approved pursuant to the order of the Bankruptcy Court, dated September 5, 2001, shall remain in place for at least one year after the Effective Date unless replaced by a policy no less favorable to officers, directors, and employees.

(c) New Long Term Incentive Plan. Immediately prior to the Effective Date, the Reorganized Debtors shall adopt and implement the New Long Term Incentive Plan without the need for any further corporate action in connection therewith.

(d) Authorization. The adoption of new or amended and restated certificates of incorporation and by-laws or similar constituent documents for the Reorganized Debtors; the initial slate of directors and officers for the Reorganized Debtors; the distribution of Cash pursuant to the Plan; the issuance and distribution of New Parent Stock and New Senior Secured Notes pursuant to the Plan; the adoption, execution, delivery and implementation of all contracts, leases, instruments, notes, guarantees, releases and other agreements or documents related to any of the foregoing; the adoption, execution and implementation of employment, retirement and indemnification agreements, incentive compensation programs, retirement income plans, welfare benefit plans and other employee plans and related agreements, including the New Long Term Incentive Plan; and the other matters provided for under the Plan involving corporate action to be taken by or required of any Debtor or Reorganized Debtor will occur and be effective as of the Effective Date, and will be authorized and approved in all respects and for all purposes without any requirement of further action by stockholders or directors of any of the Debtors.

4.3. Pursuit of Preference Actions.

(a) Allocation of Proceeds. Holders of Allowed Class 7 Claims will receive 80% and the Reorganized Debtors will receive 20% of Net Preference Recoveries from Committee Claims; *provided, however*, that solely if and to the extent the Debtors fail to provide the \$1,000,000 as and when provided in Subsection 4.3(d) below, the Debtors' 20% share shall be setoff by such unfunded amount and such setoff funds shall be applied to satisfy the Debtors' related obligation under Subsection 4.3(d). Net Preference Recoveries from Carve Out Claims that may be incorporated in any broader settlement with the preference recipient shall belong entirely to the Debtors, provided that the Debtors shall represent to the Committee that any such settlement was negotiated in good faith. Net Preference Recoveries from Carve Out Claims that are resolved individually, rather than as part of a broader settlement, shall be split on the 80%/20% basis.

(b) Prosecution of Preference Claims.

- (1) The Reorganized Debtors shall control and retain 100% of recoveries on all claims against any member of the Leducor Group, Netrail, Inc., or Debtor Professionals, including Preference Claims against any of the foregoing. Any settlement of claims against the Leducor Group shall require the waiver of all General Unsecured Claims against the Debtors asserted by each member of the Leducor Group or, absent such waiver, an alternative resolution satisfactory to the Committee. Absent a settlement of the Debtors' Preference Claims against the Leducor Group on or before April 30, 2003, such claims shall be treated in all respects as Committee Claims (and all related Committee fees and expenses shall be deemed to be Committee Preference Fees), except that the first \$500,000 of Net Preference Recoveries on such claims against the Leducor Group shall be paid to the Reorganized Debtors (or applied against the \$1 million payable by the Reorganized Debtors under Subsection 4.3(d) below) before the 80%/20% split for Net Preference Recoveries from Committee Claims applies.
- (2) The Committee shall be authorized and have the exclusive right to prosecute all Committee Claims on behalf of the Debtors' estates without further order of the Bankruptcy Court. The Committee shall deposit all proceeds from the prosecution or settlement of Committee Claims into the Preference Account. The Committee also shall be responsible for resolution of any General Unsecured Claims asserted by targets of Committee Claims. Any Committee Claim regarding which the potential defendant has asserted a General Unsecured Claim against the Debtors and with respect to which: (a) the Committee has not filed an adversary proceeding or a motion objecting to the prepetition claim of the target of the Committee Claim by 60 days after the Effective Date, or such later date as may be agreed to between the Committee and the Debtors, or ordered by the Court for cause shown; or (b) as to which on or before such date the Committee has informed the Reorganized Debtors in writing that the Committee does not intend to pursue the Committee Claim, shall revert (together with the related claims resolution responsibility) to the Reorganized Debtors' control and thereafter be deemed to be a Carve Out Claim. On or before the Effective Date, the Debtors shall provide the Committee with a schedule of potential "books and records" objections related to Committee Claims.

(c) The Preference Account. No distributions from the Preference Account shall be made unless and until the Reorganized Debtors first have been paid from such account an amount equal to all outstanding Requested Debtor Fees (or any such fees that are disputed have been reserved for). Subject only to the limited right of set-off provided herein, the Reorganized Debtors shall receive their 20% share of Net Preference Recoveries from the Preference Account on or before the date that any of the 80% share of the Net Preference Recoveries are distributed to holders of Allowed Class 7 Claims. The Committee promptly shall provide the Reorganized Debtors with copies of the monthly statements for the Preference Account together with a schedule of all deposits into and withdrawals from the Preference Account. The Reorganized Debtors shall have the right to audit the Preference Account, at the Reorganized Debtors' expense, upon reasonable notice. Either the Committee or the Reorganized Debtors shall have the right to object in the Bankruptcy Court on the basis that the Committee Preference Fees or Requested Debtor Fees are unreasonable.

(d) Debtors' Contribution. The Reorganized Debtors shall provide \$1,000,000 to cover Committee Preference Fees or as a contribution to recoveries on Committee Claims. For Committee Preference Fees incurred and billed during the period from the Effective Date until July 1, 2003, upon receipt of such monthly bills the Reorganized Debtors promptly shall deposit an amount sufficient to pay such fees into the Preference Account so long as the aggregate amount paid by the Reorganized Debtors for Committee Preference Fees does not exceed \$1,000,000. As soon as practicable after July 1, 2003, the Debtors will deposit into the Preference Account, as a contribution to the Preference Account, an amount equal to \$1,000,000 less the sum of: (a) the aggregate amount paid by the Debtors for Committee Preference Fees for the period from July 1, 2002 to June 30, 2003; plus (b) any unreimbursed Requested Debtor Fees for such period. Any additional funding to cover Committee Preference Fees shall be paid only from net recoveries on Committee Claims.

(e) Committee Reporting Requirements. Every two weeks for the period through June 30, 2003, and monthly thereafter, the Committee shall provide the Reorganized Debtors with a written grid/chart that lists any settlement proposal made or received by the Committee respecting every Committee Claim. Upon request, the Committee promptly shall provide the Reorganized Debtors with a copy of any such written settlement proposal. The Reorganized Debtors shall keep all such information confidential and all such information shall be deemed shared pursuant to a joint defense agreement with the Committee so as to preserve the confidential nature of such information and the attorney-client and attorney work product privileges with respect to such information.

(f) Reorganized Debtors Reporting Requirements. Each month, the Reorganized Debtors shall provide the Committee with a written grid/chart that lists any settlement proposal made or received by the Reorganized Debtors respecting every Carve Out Claim. Upon request, the Reorganized Debtors promptly shall provide the Committee with a copy of any such written settlement proposal. The Committee shall keep all such information confidential and all such information shall be deemed shared pursuant to a joint defense agreement with the Reorganized Debtors so as to preserve the confidential nature of such information and the attorney-client and attorney work product privileges with respect to such information.

(g) Cooperation. The Debtors and Reorganized Debtors shall use their reasonable best efforts to timely cooperate with the Committee in its analysis, investigation, and pursuit of Committee Claims.

4.4. Postconfirmation Operations.

As of the Effective Date, the Reorganized Debtors may operate their businesses and use, acquire and settle and compromise claims or interests without supervision of the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order, including Section 4.3 hereof. Without limiting the foregoing, the Reorganized Debtors may pay the charges they incur for professional fees, disbursements, expenses or related support services after the Confirmation Date (including any Professional Fee Claims) without any application to the Court.

4.5. Directors of Reorganized Debtors

(a) Initial Directors. On the Effective Date, the authority, power and incumbency of the persons then acting as directors of the Debtors shall be terminated and such directors shall be deemed to have resigned and the following three individuals shall become the directors of each of

the Debtors with responsibility for the management, control and operations of each Reorganized Debtor:

- (1) Greg Maffei
- (2) Vanessa Wittman
- (3) Lin Gentemann

(b) Term. Each director will serve from and after the Effective Date until his or her successor is duly elected and qualified or until their earlier death, resignation or removal in accordance with the terms of the certificates of incorporation and by-laws or similar constituent documents of the applicable Reorganized Debtor and applicable state law.

4.6. Debtors' Retention of Causes of Action

(a) Except as provided in Sections 4.3 above and 7.4 and 7.5(b) below, on the Effective Date, all rights, claims, and causes of action of the Debtors pursuant to: (a) sections 541, 542, 544, 545, 547, 548, 549, 550, and 553 of the Bankruptcy Code; and (b) all other claims and causes of action of the Debtors against any Person (other than rights, claims and causes of action expressly released by the Debtors in the Plan or pursuant to a Final Order) shall be preserved and become property of the Reorganized Debtors. Except as provided in Section 4.3 above, on the Effective Date, the Reorganized Debtors shall be deemed the representative of their respective estates under section 1123(b) of the Bankruptcy Code and will be authorized and shall have the power to commence and prosecute any and all causes of action (other than rights, claims and causes of action expressly released by the Debtors in the Plan or pursuant to a Final Order) that could have been asserted by any of the Debtors respectively. ALL SUCH ACTIONS SHALL SURVIVE CONFIRMATION AND THE COMMENCEMENT OR PROSECUTION OF SUCH ACTIONS SHALL NOT BE BARRED OR LIMITED BY ANY ESTOPPEL, WHETHER JUDICIAL, EQUITABLE, OR OTHERWISE.

(b) Except as provided in Sections 4.3 above and 7.5(b) below, on and after the Effective Date, the Reorganized Debtors may settle any claims of the Debtors pursuant to sections 541, 542, 544, 545, 547, 548, 549, 550, and 553 of the Bankruptcy Code held against: (i) employees of the Debtors or their Affiliates or against any Debtor Professionals, without the need for Court approval; provided however, that the Debtors shall provide at least 10 days' prior written notice to the Committee of any such settlement, and if the Committee objects within such 10 day period, such settlement may not be implemented without Committee consent or an order of the Court; and (ii) any of the Debtors or the CCAA Plan Debtors, and any entity that is a wholly owned subsidiary of any of the Debtors or the CCAA Plan Debtors.

4.7. Effectuating Documents and Further Transactions

Each Debtor and Reorganized Debtor shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, releases, and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan.

4.8. Withdrawal of the Plan

The Debtors reserve the right to withdraw or amend the Plan prior to the Confirmation Date. If the Debtors withdraw or amend the Plan, or if confirmation of the Plan does

not occur, then the Plan and related Disclosure Statement shall be null and void, and nothing contained therein shall: (i) constitute a waiver or release of any Claims by or against, liens in property of, the Debtors; or (ii) serve as an admission of fact or conclusion of law or otherwise prejudice in any manner the rights of the Debtors in any further proceedings involving the Debtors.

4.9. Value Creation Pool

The Value Creation Pool authorized pursuant to an order of the Bankruptcy Court, dated December 20, 2001, shall be \$1,750,000 and distributions thereunder shall be payable on the Effective Date.

4.10. Registration Rights Agreement

On and after the Effective Date, New Parent, recipients of the New Parent Stock under the Plan, and the participants in the New Long Term Incentive Plan shall be bound by and have the benefit of the provisions of the Registration Rights Agreement.

ARTICLE V.

CLAIMS RESOLUTION AND DISTRIBUTIONS

5.1. Distributions to Holders of Class 7 Claims

(a) **Initial Distributions.** On the Initial Distribution Date or as soon as reasonably practicable thereafter, the Reorganized Debtors shall distribute the New Parent Stock (or cash for Allowed Class 7 Claims subject to the Lump Sum Election) and Net Preference Recoveries allocable to Allowed Claims held by members of Class 7. For the purpose of calculating the amount of New Parent Stock and Net Preference Recoveries to be distributed to holders of Allowed Claims in Class 7 on the Initial Distribution Date, all Disputed Claims in Class 7 will be treated as though such Claims will be Allowed Claims in the amounts asserted or as estimated by the Court pursuant to section 502(c) of the Bankruptcy Code, as applicable.

(b) Upon any Interim Distribution Date, the Reorganized Debtors may make interim Distributions of New Parent Stock to holders of Allowed Class 7 Claims pursuant to and consistent with resolutions of Disputed Claims since the date of the immediately prior Distribution.

(c) On the Final Distribution Date or as soon as reasonably practicable thereafter, the Reorganized Debtors shall make the balance of all Distributions required under the Plan.

5.2. Compensation for Services Related to Distributions.

(a) The Reorganized Debtors may employ or contract with other entities to assist it in making the Distributions required by the Plan.

(b) In consideration for providing services related to Distributions, any entity employed by the Reorganized Debtors for such services shall receive from the Reorganized Debtors, without the need for further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with Reorganized Debtors and shall not be deducted from distributions to be made pursuant to the Plan to holders of Allowed Claims and Interests.

5.3. Miscellaneous Distribution Provisions

(a) Method of Cash Distributions. Except as set forth in Section 3.4(e) of the Plan, any Distribution of Cash to be made by the Reorganized Debtors pursuant to the Plan may be made by draft, check, wire transfer, or as otherwise required or provided in any relevant agreement or applicable law.

(b) Fractional Plan Securities. Notwithstanding any other provision of the Plan, only whole numbers of shares of New Parent Stock will be issued. When any Initial Distribution or Interim Distribution on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Parent Stock that is not a whole number, the actual distribution of shares of such stock only will include the next lower whole number. When any Distribution on a Final Distribution Date on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Parent Stock that is not a whole number, the actual distribution of shares of such stock will be rounded to the next higher or lower whole number as follows: (i) fractions equal to or greater than $\frac{1}{2}$ will be rounded to the next higher whole number; and (ii) fractions less than $\frac{1}{2}$ will be rounded to the next lower number. The total number of shares of New Parent Stock specified to be distributed to a Class of Claims will be adjusted as necessary to account for the rounding provided for herein. If, as a result of such rounding, the amount of shares of New Parent Stock to be distributed to a particular Class differs from the aggregate number of shares of New Parent Stock specified to be distributed pursuant to the Plan to that Class, the aggregate number of shares of New Parent Stock specified with respect to such Class will be adjusted upward or downward to provide for the appropriate distribution of New Parent Stock, as the case may be. No consideration will be provided in lieu of fractional shares that are rounded down, except that with respect to Initial Distributions or Interim Distributions, such fractional shares shall, with respect to each Allowed Claim, be deemed held by the Reorganized Debtors, in trust, for the benefit of the holder of such Allowed Claim, to be aggregated with the remaining Distribution to be allocated to such holder on the Final Distribution Date.

(c) Distributions on Non-Business Days. Any payment or Distribution due on a day other than a Business Day shall be made, without interest, on the next Business Day.

(d) No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary herein, no holder of an Allowed Claim shall receive in respect of such Claim any Distribution (with non-Cash distributions ascribed the value set forth herein or in the Disclosure Statement) in excess of the allowed amount of such Claim plus interest at the rate of 5½% per annum. Except as expressly provided herein, no Claim shall be allowed to the extent that it is for postpetition interest.

(e) Disputed Payments. If any dispute arises as to the identity of the holder of an Allowed Claim entitled to receive any Distribution under the Plan, the Reorganized Debtors may retain such Distribution, in trust, until its disposition is determined by a Final Order or written agreement among the interested parties to such dispute and withhold from such Distribution an amount equal to the reasonable fees and costs incurred by the Reorganized Debtors in resolving such dispute.

(f) De Minimis Distributions. No: (i) Cash payment of less than \$100.00; or (ii) distribution of less than ten shares of New Parent Stock, shall be required to be made to the holder of any Claim until the Final Distribution Date for the relevant class.

(g) Withholding Taxes. Any federal or state withholding taxes or other amounts required to be withheld under any applicable law shall be deducted and withheld from any Distributions hereunder.

(h) Estimation of Disputed Claims. Unless otherwise provided for herein, upon notice and a hearing, the Court shall estimate the aggregate Face Amount of all Disputed Claims in any Class that are disputed, contingent and/or unliquidated. The aggregate Face Amount of: (a) Disputed Claims and (b) Allowed Claims shall set the maximum allowable aggregate amount of Claims in each relevant Class that is eligible to receive Distributions hereunder. The existence of a Disputed Claim in any Class shall not impair or impede the making of a Distribution to Allowed Claims in the same or other Classes. If the allowed amount of any particular Disputed Claim is reconsidered under section 502(j) of the Bankruptcy Code and Bankruptcy Rule 3008 and/or is allowed in an amount that is greater than the estimated amount of such Claim, or the ultimately allowed amount of all Disputed Claims in a particular Class is greater than the estimated aggregate Face Amount of such Claims, no claimant shall have recourse against the Reorganized Debtors (or any property thereof), any Distribution made to a creditor in any other Class herein, or any Distribution, previously made on account of any Allowed Claim (however, nothing herein shall modify any right of a holder of a reconsidered Claim under the penultimate sentence of section 502(j) of the Bankruptcy Code).

(i) Distribution When a Disputed Claim Becomes an Allowed Claim. Promptly after a Disputed Claim becomes an Allowed Claim, unless a later time is provided for in the Plan or by agreement of the parties, the Reorganized Debtors shall make a Distribution to the holder of such Allowed Claim as if such Claim had been an Allowed Claim on the Effective Date.

(j) Allocation of Distributions. Distributions hereunder made in respect of any Allowed Claim that includes an interest component shall be allocated *pro rata* to the principal and interest components of such Allowed Claim.

5.4. Objections to Claims.

Unless otherwise ordered by the Bankruptcy Court, all objections to Claims shall be filed with the Bankruptcy Court and served on the applicable claimant on or prior to one-hundred and eighty (180) days after the later of: (a) the Effective Date; and (b) the date a Claim is filed with the Bankruptcy Court and served on counsel for the Reorganized Debtors and the Committee.

5.5. Settlement of Claims.

Subsequent to the Effective Date, the Reorganized Debtors shall have the authority to resolve any Disputed Claim (except if such Disputed Claim is a Committee Claim) for an Allowed Claim of less than \$1,000,000 without further Court order and subject only to the filing of a notice of such settlement with the Court. Any such settlement shall be binding upon all parties in interest in the Chapter 11 Cases; *provided, however*, that with respect to any settlement that provides for an Allowed Class 7 Claim in excess of \$100,000, the Reorganized Debtors shall provide the Committee with a written explanation of the basis for the proposed settlement and any relevant documentation and such settlement shall be subject to objection by the Committee within ten days of service of such a notice of settlement, in which case such settlement only may be consummated with the Committee's consent or after entry of an order by the Court approving such settlement.

5.6. Unclaimed Property.

After 180 days following the relevant date of a Distribution, the holders of Allowed Claims and Interests otherwise entitled to receive the Distribution on such date shall cease to be entitled thereto, and such Unclaimed Property shall be retained by the Reorganized Debtors; except with respect to any unclaimed Cash distributed from the Preference Account, which shall be redeposited into the Preference Account and distributed as if it were the proceeds of a Committee Claim.

5.7. Voting of Certain New Parent Stock.

New Parent Stock that is Unclaimed Property or held for Disputed Claims shall not be voted at any meeting of the stockholders of New Parent.

5.8. Setoffs and Recoupment.

Reorganized Debtors may, but shall not be required to, set off or recoup against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim, claims of any nature that the Debtors or Reorganized Debtors may have against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim against the Debtors or Reorganized Debtors shall constitute a waiver or release by the Debtors or Reorganized Debtors of any claim that the Debtors or Reorganized Debtors may possess against such holder.

Notwithstanding the foregoing, upon request of the Committee, the Debtors shall not unreasonably withhold the waiver of their right to set off or recoup against any Allowed Claim held by a target of a Committee Claim, any claims of the Reorganized Debtors arising after the Effective Date.

5.9. Professional Fee Claims.

The Confirmation Order shall provide for a bar date for the filing of Professional Fee Claims. Notice of entry of the Confirmation Order shall be served on all professionals employed by the Debtors or other parties in interest. Any Person that fails to file a proof of such Claim or application on or before the time and date established in the Confirmation Order shall be forever barred from asserting such Claim against any of the Debtors or their successors or property and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Claim.

ARTICLE VI.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1. Rejection of Executory Contracts and Unexpired Leases.

(a) Leases and Contracts to be Rejected. On the Confirmation Date, but subject to the occurrence of the Effective Date, pursuant to section 365 of the Bankruptcy Code, all of the Debtors' executory contracts and unexpired leases shall be deemed rejected except those that: (i) are the subject of motions to assume or reject pending on the Confirmation Date; (ii) were assumed or rejected before the Confirmation Date; (iii) are listed on Schedule 6.2(a) annexed hereto; (iv) are Underlying Rights; (v) are agreements, obligations, security interests, or similar undertakings that the Debtors list on Schedule 3.6(b) hereto as a Secured Claim of the Debtors, but the Bankruptcy Court later determines are subject to assumption or rejection; and (vi) executory

contracts and unexpired leases that the Debtors contend have been terminated by their terms prior to the Confirmation Date due to a breach by the non-Debtor party, but which the Bankruptcy Court later determines are still in effect; provided, however, that the Debtors shall not be required to assume or reject any executory contract or unexpired lease with any party that is a debtor under the Bankruptcy Code or similar insolvency proceeding unless and until such contract or lease has been assumed or rejected by such other party.

(b) Effect of Post-Confirmation Rejection. The entry by the Bankruptcy Court after the Confirmation Date of an order authorizing the rejection of an executory contract or unexpired lease shall result in such rejection being a prepetition breach under sections 365(g) and 502(g) of the Bankruptcy Code.

(c) Deadline to File Rejection Damage Claims. Each Person who is a party to a contract or lease rejected under the Plan must file with the Bankruptcy Court and serve on the Debtors' attorneys and the Committee's attorneys, not later than thirty (30) days after the Confirmation Date, a proof of Claim for damages alleged to arise from the rejection of the applicable contract or lease or be forever barred from filing a Claim, or sharing in distributions under the Plan, related to such alleged rejection damages.

6.2. Assumption of Executory Contracts and Unexpired Leases

(a) Leases and Contracts to be Assumed. As of the Confirmation Date, but subject to the occurrence of the Effective Date, the Debtors shall be deemed to have assumed pursuant to section 365 of the Bankruptcy Code: (i) all executory contracts and unexpired leases listed on Schedule 6.2(a)(1) hereto based on the cure amounts listed in such Schedule; and (ii) all unexpired Underlying Rights agreements to which any of the Debtors are a party (except those on Schedule 6.2(a)(2) hereto, which lists those Underlying Rights agreements to be rejected), with the applicable cure amounts for each Underlying Rights agreement to be assumed pursuant to the Plan to be \$0 unless an amount is listed for such agreement on Schedule 6.2(a)(3) hereto. The listing of a contract or lease on any schedule to the Plan will not constitute an admission by the Debtors that such contract or lease is an executory contract or unexpired lease or that the Debtors have any liability thereunder.

(b) Deadline to Object to Cure Amounts. If prior to the Confirmation Date or such other date as the Bankruptcy Court may fix, a party to an executory contract or unexpired lease listed on Schedule 6.2(a)(1) or to a Underlying Rights agreement fails to file with the Bankruptcy Court and serve upon the attorneys for the Debtors an objection to the applicable cure amount listed on Schedule 6.2(a)(2) or 6.2(a)(3) or \$0 for Underlying Rights not listed on Schedule 6.2(a)(2) or 6.2(a)(3), then such party shall be forever barred from asserting any additional or other amounts against the Debtors respecting such cure amount.

(c) Method of Cure. At the election of the Reorganized Debtors, any monetary defaults under each executory contract and unexpired lease to be assumed under the Plan shall be satisfied pursuant to section 365(b)(1) of the Bankruptcy Code, in one of the following ways: (a) by payment of the default amount in Cash within thirty (30) days after the Effective Date or such longer period ordered by the Bankruptcy Court; or (b) on such other terms as may be agreed to by the parties to such executory contract or unexpired lease. If a dispute occurs regarding: (x) the cure amount; (y) the ability of the applicable Debtor to provide adequate assurance of future performance under the contract or lease to be assumed; or (z) any other matter pertaining to assumption, then the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving assumption. Notwithstanding any provision of an executory contract or unexpired lease to the

contrary, assumption of any such contract or lease shall not require: (i) the delivery, reaffirmation, or assumption of any new or existing guaranty of a Debtor's obligations under such contract or lease; or (ii) the resolution of any Nonconsensual Lien Claim or Impaired Class 6 Claim whose treatment is provided for in the Plan. Notwithstanding anything herein to the contrary, the Debtors shall retain their right to reject any executory contract or unexpired lease that is subject to a dispute concerning the cure of any defaults until 30 days after such dispute is resolved by a Final Order.

(d) Continuation of Stay. The automatic stay provided under section 362(a) of the Bankruptcy Code shall remain in effect to stay the termination of any contract or lease listed on Schedule 6.2(a)(1), including, without limitation, any surety bonds, until such time as the relative rights and obligations of the parties with respect to any such agreements has been determined by a Final Order.

ARTICLE VII.

EFFECT OF THE PLAN ON CLAIMS AND INTERESTS

7.1. Discharge.

(a) **Scope**. Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1141(d)(1) of the Bankruptcy Code, entry of the Confirmation Order acts as a discharge, effective as of the Effective Date, of all debts of, Claims against, liens on, and Interests in each of the Debtors, their assets or properties, which debts, Claims, liens, and Interests arose at any time before the entry of the Confirmation Order. The discharge of the Debtors shall be effective as to each Claim, regardless of whether a proof of claim therefore was filed, whether the Claim is an Allowed Claim or whether the holder thereof votes to accept the Plan. On the Effective Date, as to every discharged Claim and Interest, any holder of such Claim or Interest (including, without limitation, any options to purchase stock of any Debtor) shall be precluded from asserting against any Debtor formerly obligated with respect to such Claim or Interest, or against such Debtor's assets or properties, any other or further Claim or Interest based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

(b) **Injunction**. In accordance with section 524 of the Bankruptcy Code, the discharge provided by this section and section 1141 of the Bankruptcy Code, *inter alia*, acts as an injunction against the commencement or continuation of any action, employment of process or act to collect, offset or recover the Claims and Interests discharged hereby.

(c) **Release of Liens; Cancellation and Surrender of Instruments, Securities and Other Documentation.**

(i) Turnover of Property. Unless a particular Claim is reinstated, each holder of: (A) a Class 6 Secured Claim; (B) a Claim that is purportedly secured (other than Prepetition Lender Claims); or (C) a Class 5 Nonconsensual Lien Claim, shall, on or immediately before the Effective Date: (x) turn over and release to the Debtors any and all property of the relevant Debtor that secures or purportedly secures such Claim; and (y) execute such documents and instruments as such Debtor or Reorganized Debtor requires to evidence such claimant's release of such property.

(ii) Release of Liens, etc. On the Effective Date, except for liens securing claims in Classes 4, 5, or 6 expressly provided to be retained pursuant to the Plan, all mortgages, deeds of trust, liens or other security interests against the property of any Debtor will be fully released and discharged, and all of the right, title and interests of any holder such mortgages, deeds

of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to the applicable Reorganized Debtor. Each holder of any Allowed Claim (other than holders of Allowed Prepetition Lender Claims) shall surrender to the Reorganized Debtors any note, instrument, or certified security evidencing such Claim. No Distribution hereunder shall be made to or on behalf of any holder of a Claim unless and until such holder executes and delivers to the relevant Debtor or Reorganized Debtor such release of liens or other items described above, or demonstrates non-availability of such items to the satisfaction of the Reorganized Debtors, including requiring such holder to post a lost instrument or other indemnity bond; provided, however, that holders of Allowed Prepetition Lender Claims shall not be required to tender any notes or instruments evidencing Prepetition Lender Claims to receive their Distribution hereunder, so long as the Distribution may be made to JPMorgan Chase Bank as Administrative Agent. The Reorganized Debtors reasonably may require the holder of any such Claim (other than holders of Prepetition Lender Claims so long as the Distribution may be made to JPMorgan Chase Bank as Administrative Agent) to hold the Reorganized Debtors harmless up to the amount of any Distribution made in respect of such unavailable note, instrument, document, certificate, agreement, certified security or other item evidencing such Claim. Any such holder that fails to execute and deliver such release of liens or other items described above or satisfactorily explain their non-availability to the Reorganized Debtors within 180 days of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors, or their property in respect of such Claim and shall not participate in any Distribution hereunder, and the Distribution that would otherwise have been made to such holder shall be treated as Unclaimed Property; provided that any such holder of a Disputed Claim shall not be required to execute and deliver such release of liens until the time such Claim is allowed or disallowed. To the extent any holder of a Claim fails to release the relevant liens as required above, the Reorganized Debtors may act as attorney-in-fact, on behalf of the holders of such liens, to provide any releases as may be required in connection with the Plan.

(d) Satisfaction of Claims and Interests in any Debtor. The treatment to be provided for respective Allowed Claims or Interests in each Debtor pursuant to the Plan shall be in full satisfaction, settlement, release and discharge of such respective Claims or Interests.

7.2. Revesting and Vesting

Except as otherwise provided in the Plan, on the Effective Date all property comprising the estates of the Debtors shall vest in the applicable Reorganized Debtor, free and clear of all claims, liens, charges, encumbrances and interests of creditors and equity security holders (except to the extent that such claims, liens, charges, encumbrances and/or interests have been reinstated, or as otherwise expressly provided herein).

7.3. Survival of Certain Indemnification Obligations.

Except as otherwise specifically provided in the Plan, the obligations of the Debtors to indemnify individuals who serve or since the Petition Date served as their respective directors, officers, agents, employees, representatives, and others, including (without limitation) professional persons retained by any Debtor, pursuant to such Debtor's respective certificates of incorporation, by-laws, applicable statutes and preconfirmation agreements in respect of all present and future actions, suits and proceedings against any of such officers, directors, agents, employees, representatives, and others, including (without limitation) professional persons retained by any Debtor (in their capacities as such), based upon any act or omission related to service with, for, or on behalf of any of the Debtors before or after the Petition Date as such obligations were in effect at the time of any such act or omission, shall not be discharged or impaired by confirmation or consummation of the Plan but shall survive unaffected by the reorganization contemplated by the

Plan and shall be performed and honored by each respective Debtor or Reorganized Debtor regardless of such confirmation, consummation, and reorganization; *provided, however*, that indemnification obligations based on any act or omission that occurred prior to the Petition Date shall be discharged by consummation of the Plan, but such discharge shall not affect the right of any indemnified Person to: (a) recover under available director and officer insurance coverage (but, for the avoidance of doubt, any claim of such Person to which an insurer may be subrogated is not exempt from discharge); and (b) to use such indemnification obligation as a defense or offset against any claim asserted against such indemnified Person.

7.4. Limitation of Liability.

NEITHER THE DEBTORS, REORGANIZED DEBTORS, THE CCAA PLAN DEBTORS, 360NETWORKS INC., THE COMMITTEE, JP MORGAN CHASE BANK AS ISSUING BANK, ADMINISTRATIVE AGENT AND COLLATERAL AGENT UNDER THE PREPETITION CREDIT AGREEMENT, THE OTHER AGENTS AND THE ARRANGERS UNDER THE PREPETITION CREDIT AGREEMENT, THE STEERING COMMITTEE, AND THE HOLDERS OF PREPETITION LENDER CLAIMS, NOR ANY OF THEIR RESPECTIVE PRESENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, PREDECESSORS, SUCCESSORS, MEMBERS, AGENTS, REPRESENTATIVES, ATTORNEYS, ADVISORS, FINANCIAL ADVISORS, ACCOUNTANTS, UNDERWRITERS, APPRAISERS, AND INVESTMENT BANKERS (IN EACH INSTANCE ACTING IN SUCH CAPACITY), SHALL HAVE OR INCUR ANY LIABILITY TO ANY PERSON FOR ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR RELATED TO THE FORMULATION, NEGOTIATION, PREPARATION, DISSEMINATION, IMPLEMENTATION, CONFIRMATION, OR CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT, ANY CONTRACT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO, OR ANY OTHER ACTION TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE PLAN OR THE CHAPTER 11 CASES, AND ALL CLAIMS BASED UPON OR ARISING OUT OF SUCH ACTIONS OR OMISSIONS SHALL BE FOREVER WAIVED AND RELEASED; PROVIDED, HOWEVER, THAT THIS SECTION SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY: (a) THAT OTHERWISE WOULD RESULT FROM ANY ACTION OR OMISSION TO THE EXTENT THAT SUCH ACTION OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED WILLFUL MISCONDUCT; and (b) TO THE EXTENT OF ANY RECOVERIES FOR A PREPETITION CLAIM AGAINST A RELEASED PARTY THAT MAY BE OBTAINED AGAINST A THIRD-PARTY INSURER (BUT, FOR THE AVOIDANCE OF DOUBT, ANY CLAIM TO WHICH AN INSURER MAY BE SUBROGATED SHALL REMAIN SUBJECT TO THIS RELEASE).

7.5. Release and Waiver of Claims.

(a) Release by Holders of Claims or Interests. The following releases and waiver shall be valid, binding, and enforceable and shall supplement any benefits from sections 524 and 1141 of the Bankruptcy Code to the Debtors or Reorganized Debtors and to other parties involved in these Chapter 11 Cases:

AS OF THE CONFIRMATION DATE, BUT SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE: NONE OF: (i) THE DEBTORS AND THE REORGANIZED DEBTORS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS; (ii) THE CCAA PLAN DEBTORS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS; (iii) JP MORGAN CHASE BANK AS ISSUING BANK, ADMINISTRATIVE AGENT AND COLLATERAL AGENT UNDER THE PREPETITION CREDIT

AGREEMENT, THE OTHER AGENTS AND THE ARRANGERS UNDER THE PREPETITION CREDIT AGREEMENT, THE STEERING COMMITTEE, AND THE HOLDERS OF PREPETITION LENDER CLAIMS (ALL SUCH PERSONS REFERRED TO IN CLAUSES (i), (ii) AND (iii) ARE REFERRED TO HEREIN COLLECTIVELY AS THE "RELEASED PERSONS"); (iv) THE RELEASED PERSONS' AND 360NETWORKS INC.'s RESPECTIVE PRESENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, PREDECESSORS, SUCCESSORS, MEMBERS, AGENTS, REPRESENTATIVES, ATTORNEYS, ADVISORS, FINANCIAL ADVISORS, ACCOUNTANTS, UNDERWRITERS, APPRAISERS, AND INVESTMENT BANKERS (IN EACH INSTANCE ACTING IN SUCH CAPACITY); AND (v) ANY PERSON CLAIMED TO BE LIABLE DERIVATIVELY THROUGH ANY RELEASED PERSON OR 360NETWORKS INC., SHALL HAVE OR INCUR ANY LIABILITY TO ANY PERSON FOR ANY CLAIM, OBLIGATION, RIGHT, CAUSE OF ACTION OR LIABILITY (INCLUDING, BUT NOT LIMITED TO, ANY CLAIMS ARISING OUT OF ANY ALLEGED FIDUCIARY OR OTHER DUTY AND THE AVOIDANCE OF PREFERENCES OR FRAUDULENT CONVEYANCES OR ANY DERIVATIVE CLAIMS) WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, BASED ON WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION OR OCCURRENCE FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE CHAPTER 11 CASES, OR THE PLAN AS WELL AS TO THE CCAA PLAN DEBTORS, THE NONDEBTOR AFFILIATES, OR THE CCAA PLAN; AND ALL CLAIMS BASED UPON OR ARISING OUT OF SUCH ACTIONS OR OMISSIONS SHALL BE FOREVER WAIVED AND RELEASED (OTHER THAN THE RIGHT TO ENFORCE THE DEBTORS' OR THE REORGANIZED DEBTORS' OBLIGATIONS UNDER THE PLAN, OR THE CCAA PLAN DEBTORS' OBLIGATIONS UNDER THE CCAA PLAN -- INCLUDING, WITHOUT LIMITATION, ANY OBLIGATIONS CONSTITUTING ADMINISTRATIVE CLAIMS ARISING UNDER ANY SETTLEMENT AGREEMENT APPROVED BY THE BANKRUPTCY COURT IN THE CHAPTER 11 CASES OR THE CCAA COURT IN THE CCAA CASES -- AND THE CONTRACTS, INSTRUMENTS, NOTES, RELEASES, AGREEMENTS AND DOCUMENTS DELIVERED UNDER ANY SUCH PLAN); *provided, however,* THAT NO RELEASE PROVIDED UNDER THE PLAN SHALL AFFECT THE LIABILITY OF ANY PERSON: (a) THAT OTHERWISE WOULD RESULT FROM ANY ACTION OR OMISSION TO THE EXTENT THAT SUCH ACTION OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED WILLFUL MISCONDUCT; and (b) TO THE EXTENT OF ANY RECOVERIES FOR A PREPETITION CLAIM AGAINST A RELEASED PARTY THAT MAY BE OBTAINED AGAINST A THIRD-PARTY INSURER (BUT, FOR THE AVOIDANCE OF DOUBT, ANY CLAIM TO WHICH AN INSURER MAY BE SUBROGATED SHALL REMAIN SUBJECT TO THIS RELEASE); and *provided further, however,* THAT NOTWITHSTANDING THE RELEASES PROVIDED UNDER THE PLAN, ANY CLAIM ASSERTED AGAINST THE REORGANIZED DEBTORS PURSUANT TO SECTION 7.3 OF THE PLAN SHALL REMAIN SUBJECT TO ANY RIGHT OF SET-OFF THAT OTHERWISE WOULD BE AVAILABLE TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS IN THE ABSENCE OF ANY SUCH RELEASE.

(b) General Release by Debtors Related to Prepetition Lenders.

As of the Confirmation Date, but subject to the occurrence of the Effective Date, pursuant to Bankruptcy Rule 9019 and in consideration for, among other things, the concessions by the holders of Prepetition Lender Claims made pursuant to the Plan and otherwise, the Debtors and the Reorganized Debtors will be deemed to forever release, waive and discharge all claims

(including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases or the Plan that such entity has, had or may have against JPMorgan Chase Bank as issuing bank, administrative agent and collateral agent under the Prepetition Credit Agreement, the other agents and the arrangers under the Prepetition Credit Agreement, the Steering Committee, the holders of Prepetition Lender Claims and each of their respective present or former directors, officers, employees, predecessors, successors, members, attorneys, accountants, underwriters, investment bankers, financial advisors, appraisers, representatives and agents, acting in such capacity in connection with the Debtors; provided, however, that the Debtors shall retain the right to review and object to any fees and expenses sought to be reimbursed by any such Person.

(c) Injunction Related to Releases.

As further provided in Section 7.1(b) of the Plan, the Confirmation Order will permanently enjoin the commencement or prosecution by any entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan.

(d) No Third Party Release of U.S.A. Environmental or Tax Claims.

Notwithstanding anything in this Article VII or the Confirmation Order to the contrary, no release of non-Debtors or related injunction on behalf of non-Debtors shall apply to environmental or tax claims of the United States of America or any agency thereof.

7.6. Retention and Enforcement of Claims.

Except as otherwise provided in the Plan (including Section 4.3 hereof), or in any contract, instrument, release or other agreement entered into in connection with the Plan or by order of the Court, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors, on behalf of each of the Debtors, shall retain and may enforce any claims, rights and causes of action that any Debtor or estate may hold. The Reorganized Debtors or any successor to it may pursue those claims, rights and causes of action in accordance with what is in its best interests.

ARTICLE VIII.

CONDITIONS TO CONFIRMATION AND EFFECTIVE DATE

8.1. Conditions to Confirmation.

The Bankruptcy Court will not enter the Confirmation Order unless and until the following conditions have been satisfied or duly waived pursuant to Section 8.3 of the Plan:

(a) The Confirmation Order shall be reasonably acceptable in form and substance to the Debtors and the Prepetition Agent and, with respect to any provisions materially affecting the Committee, Committee Claims or distributions to holders of Class 7 Claims, shall be reasonably acceptable to the Committee.

8.2. Conditions to Effective Date.

The Effective Date will not occur and the Plan will not be consummated unless and until each of the following conditions have been satisfied or duly waived pursuant to Section 8.3 of the Plan:

(a) The Confirmation Order shall have become a Final Order.

(b) The CCAA Plan shall have been approved by the CCAA Court by a Final Order.

(c) Reorganized 360 shall have at least \$35,000,000 of Cash on hand, exclusive of Cash to be distributed or reserved for either Distributions or other amounts due under the Plan or the CCAA Plan.

(d) All documents, instruments and agreements contemplated to be entered into, delivered and/or created in connection with the Plan and/or the CCAA Plan, including, without limitation, any amended certificates of incorporation and by-laws of the Reorganized Debtors and the CCAA Plan Debtors, the New Senior Secured Notes, the Registration Rights Agreement and the New Long Term Incentive Plan, shall be reasonably acceptable in form and substance to the Debtors and the Prepetition Agent and, with respect to any provisions materially affecting Committee Claims or distributions to holders of Class 7 Claims, shall be reasonably acceptable to the Committee.

(e) The Debtors shall have obtained all authorizations, consents and regulatory approvals, if any, required to be obtained, and filed all notices and reports, if any, required to be filed, by the Debtors in connection with the Plan's effectiveness, including without limitation any notification or report in compliance with, or consent or approval under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and the rules and regulations thereunder and any applicable waiting period with respect to each (including extensions) shall have expired or been terminated or the requisite consent or approval required thereby shall have been obtained without any material condition or limitation.

8.3. Waiver of Conditions to Confirmation Date and Effective Date.

(a) **Waiving Party.** Other than the requirements set forth in Section 8.1(a) of the Plan, each of the conditions to confirmation of the Plan or the occurrence of the Effective Date may be waived in whole or part by the Debtors with the consent of the Prepetition Agent and, with respect to any provisions materially affecting the Committee, Committee Claims or distributions to holders of Class 7 Claims, the Committee, with such Committee consent not to be unreasonably withheld.

(b) **Effect of Waiver or Failure to Waive.** Any such waiver(s) shall not affect the relevant Debtors' benefits under the "mootness doctrine." The failure to satisfy or waive any condition may be asserted by any Debtor, regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without limitation, any act, action, failure to act, or inaction by any of the Debtors). The failure of a Debtor to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

(c) **Method of Waiver.** To be effective, any such waiver(s) must be in writing and filed with the Bankruptcy Court.

8.4. **Effect of Nonoccurrence of the Conditions to Effective Date.**

If each of the conditions to the occurrence of the Effective Date has not been satisfied or duly waived on or before the first Business Day that is more than 179 days after the Confirmation Date (or by such later date as the Debtors propose and the Bankruptcy Court approves, after notice and a hearing), upon motion by any party in interest, the Confirmation Order may be vacated by the Bankruptcy Court; *provided, however*, that notwithstanding the filing of such a motion, the Confirmation Order shall not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting the relief requested in such motion. If the Confirmation Order is vacated pursuant to this section, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall:

- (a) constitute a waiver or release of any Claims against, liens on property of the Debtors; or
- (b) prejudice in any manner the rights of any of the Debtors, including (without limitation) the right to seek further extensions of the exclusivity periods under section 1121(d) of the Bankruptcy Code, which exclusivity periods shall be deemed to have been extended to the date sixty (60) days after the date of entry of any order vacating the Confirmation Order, subject to the rights of any party to seek to shorten the exclusivity periods after notice and hearing.

ARTICLE IX.

ADMINISTRATIVE PROVISIONS

9.1. **Retention of Jurisdiction.**

Notwithstanding confirmation of the Plan or occurrence of the Effective Date, the Court shall retain jurisdiction for the following purposes:

- (a) Determination of the allowability of Claims and Interests upon objection to such Claims or Interests by a Debtor, Reorganized Debtors, other successors to any of the Debtors or any other party in interest and the validity, extent, priority and nonavoidability of consensual and nonconsensual liens and other encumbrances;
- (b) Determination of any Debtor's tax liability pursuant to section 505 of the Bankruptcy Code;
- (c) Determination of Professional Fee Claims and any disputes regarding Committee Preference Fees or Requested Debtor Fees;
- (d) Approval, pursuant to section 365 of the Bankruptcy Code, of all matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease of any of the Debtors;
- (e) Determination of requests for payment of administrative expenses entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation of parties entitled thereto;
- (f) Resolution of controversies and disputes regarding the interpretation of the Plan;
- (g) Implementation of the provisions of the Plan and entry of orders in aid of confirmation and consummation of the Plan, including, without limitation, appropriate orders to protect the Debtors and their successors from actions by creditors and/or interest holders of the

Debtors or any of them and resolving disputes and controversies regarding property of the Estates and Reorganized Debtors that is subject to restructuring negotiations on and after the Confirmation Date;

- (h) Modification of the Plan pursuant to section 1127 of the Bankruptcy Code;
- (i) Adjudication of any causes of action that arose preconfirmation or in connection with the implementation of the Plan, including avoidance actions, brought by a Debtor, Reorganized Debtor, other successor of any of the Debtors as the representative of the Debtors' estates or party in interest (as a representative of any Debtor's estate);
- (j) Adjudication of Committee Claims;
- (k) Entry of a Final Order closing the Chapter 11 Cases;
- (l) Resolution of disputes concerning any Claims for disputed Distributions;
- (m) Resolution of any disputes concerning any release of a nondebtor hereunder or the injunction against acts, employment of process or actions against such nondebtor arising hereunder;
- (n) Resolution of any disputes concerning whether a Person had sufficient notice of: (i) the Chapter 11 Cases; (ii) the applicable Claims' bar date; (iii) the hearing on the approval of the Disclosure Statement as containing adequate information; (iv) the hearing on confirmation of the Plan for the purpose of determining whether a Claim is discharged hereunder; or (v) for any other purpose;
- (o) Issuance of injunctions, grant and implementation of other orders, or taking such other actions as may be necessary or appropriate to restrain interference by any Person with consummation or enforcement of the Plan;
- (p) Resolution of controversies and disputes regarding settlement agreements, orders, injunctions, judgments, and other matters entered or approved by the Bankruptcy Court in connection with any adversary proceeding, discovery, or contested matter in any of the Chapter 11 Cases;
- (q) Correction of any defect, cure of any omission or reconcile any inconsistency in the Plan, the Confirmation Order, organizational documents of Reorganized Debtors or any other documents relating to the Plan, as may be necessary to carry out the purposes or intent of the Plan;
- (r) Adjudication of any pending adversary proceeding, or other controversy or dispute, in any of the Chapter 11 Cases, which arose pre-confirmation and over which the Bankruptcy Court had jurisdiction prior to confirmation of the Plan;
- (s) Entry and implementation of such orders as may become necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated; and
- (t) Determination of any other matters that may arise in connection with or related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument,

release, or other agreement or document created in connection with the Plan or Disclosure Statement.

9.2. Governing Law.

Except to the extent the Bankruptcy Code, Bankruptcy Rules, or other federal laws apply, the rights and obligations arising under the Plan shall be governed by the laws of the State of New York, without giving effect to principles of conflicts of law.

9.3. Amendments.

(a) Pre-Confirmation Amendments. The Debtors reserve the right to modify the Plan at any time prior to the Confirmation Date.

(b) Postconfirmation Amendment Not Requiring Resolicitation. After the entry of the Confirmation Order, the Debtors may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plan or in the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided that: (i) the Debtors obtain approval of the Court for such modification, after notice and a hearing; and (ii) such modification shall not materially and adversely affect the interests, rights, treatment or Distributions of any Class of Allowed Claims or Allowed Interests under the Plan or the Committee. Any waiver under Section 8.3 hereof shall not be considered to be a modification of the Plan.

9.4. Successors and Assigns.

The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor, or assign of such Person.

9.5. Severability.

Should any provision in the Plan be determined to be unenforceable following the Confirmation Date, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of the Plan; provided that the Plan, as modified, meets the requirements of the Bankruptcy Code, including, without limitation, section 1127 of the Bankruptcy Code.

9.6. Confirmation Order and Plan Control.

To the extent the Confirmation Order and/or the Plan is inconsistent with the Disclosure Statement, any other agreement entered into between or among any Debtor(s), or any of them and any third party, the Plan shall control. To the extent of any inconsistencies between the Plan and the Confirmation Order, the Confirmation Order shall control.

9.7. Payment of Statutory Fees.

All fees payable pursuant to section 1930 of title 28, United States Code, due and payable through the Effective Date shall be paid by the Debtors or the Reorganized Debtors on or before the Effective Date and amounts due thereafter shall be paid by the Reorganized Debtors in the ordinary course.

9.8. Continuation of Injunctions and Stays.

Unless otherwise provided, all injunctions or stays ordered in the Chapter 11 Cases, pursuant to section 105 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date shall remain in full force and effect unless or until subsequently modified or terminated.

9.9. Application of 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 shall be entitled to the tax treatment provided by sections 1146(c) of the Bankruptcy Code and each recording or other agent of any governmental office shall record any such documents of issuance, transfer, or exchange without any further direction or order from the Court.

9.10. Rules of Construction.

(a) Undefined Terms. Any term used herein that is not defined herein shall have the meaning ascribed to any such term used in the Bankruptcy Code and/or the Bankruptcy Rules, if used therein.

(b) Interpretation. (i) The words “herein,” “hereof,” “hereunder,” and other words of similar import refer to the Plan as a whole, not to any particular section, subsection, or clause, unless the context requires otherwise; (ii) whenever it appears appropriate from the context, each term stated in the singular or the plural includes the singular and the plural and each pronoun stated in the masculine, feminine, or neuter includes the masculine, feminine, and the neuter; (iii) captions and headings to articles and sections of the Plan are inserted for convenience or reference only and are not intended to be a part or to affect the interpretation of the Plan; and (iv) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply, unless superseded herein or in the Confirmation Order.

9.11. Creditors’ Committee.

After the Effective Date of the Plan, the duties of the Committee shall be limited to: (a) handling Committee Claims and related General Unsecured Claims resolutions; (b) appearing in connection with any appeals or motions for reconsideration brought by any party in interest or modification of the Confirmation Order or the Plan; (c) review of Professionals Fee Claims; (d) review of and objection to any settlement of a Claim against the Debtors where such settlement would provide for an Allowed Class 7 Claim in excess of \$100,000; (e) fulfilling its role with respect to the allocation of Claims between the CCAA Plan Debtors and the Debtors pursuant to Section 3.7(d) of the Plan; and (f) objection to any General Unsecured Claim in excess of \$100,000 not otherwise covered by this section if, after providing ten (10) days’ written notice to the Reorganized Debtors, the Committee maintains a good faith belief that the Reorganized Debtors have no valid business judgment for not objecting to such claim. As provided in Section 4.3(d) hereof, fees related to clause (a) above shall be paid by the Debtors for the period prior to the Effective Date or from the Preference Account. The reasonable fees and expenses of the Committee in performing its role under clauses (b), (c), (d) and (e) of this Section 9.11 shall be paid by the Reorganized Debtors; *provided, however*, that Debtors also shall pay the reasonable fees and expenses for the Committee’s role under clause (f) of this section respecting a particular claim objection if:

- (1) the Committee requests a written explanation by the Reorganized Debtors of the basis for any decision not to object to a particular General Unsecured Claim in excess of \$100,000 and the Reorganized Debtors fail to provide such explanation; or
- (2) the Committee determines in good faith that the explanation provided by the Reorganized Debtors for their decision not to pursue such objection does not represent sound business judgment under the standard generally applicable under section 363 of the Bankruptcy Code, and the Bankruptcy Court agrees with the Committee's determination.

Any other reasonable fees and expenses incurred by the Committee after the Effective Date in performing its authorized role with respect to clause (f) of this section or for any role not specified herein shall be paid from the Class 7 portion of the Net Preference Recoveries. Post Confirmation, the fees and expenses of the Committee and Committee Professionals (including any additional professionals retained by the Committee) may be paid by the Debtors or from the Preference Account, as the case may be, without application to or order from the Court.

Respectfully submitted,

360networks (USA) inc.
Debtor and Debtor in Possession

360networks Michigan LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

Telecom Central, L.P.
Debtor and Debtor in Possession

360networks Mississippi LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks holdings (USA) inc.
Debtor and Debtor in Possession

360networks Tennessee LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei

Title: Authorized Officer

Title: Authorized Officer

360fiber inc.
Debtor and Debtor in Possession

360carrier management inc.
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360fiber (USA 2) inc.
Debtor and Debtor in Possession

TRES Management LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360fiber (USA 3) inc.
Debtor and Debtor in Possession

Meet Me Room LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks (USA) of Virginia inc.
Debtor and Debtor in Possession

Carrier centers Georgia, inc.
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

Carrier Center LA, Inc.
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks Illinois LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

Texas Carrier Centers Inc.
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks Iowa LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360pacific (USA) inc.
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks Kentucky LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

360networks Louisiana LLC
Debtor and Debtor in Possession

By: /s/ Gregory B. Maffei
Name: Gregory B. Maffei
Title: Authorized Officer

PLAN SCHEDULE 1.9(i)

EQUIPMENT REPOSSESSED/RETURNED DURING PREFERENCE PERIOD

EQUIPMENT RETURNED DURING PREFERENCE PERIOD
(Section 1.9(l))

Name and Address of Creditor or Seller	Date of Repossession, Foreclosure, Sale, Transfer or Return	Description and Value of Property
Nortel Networks 2250 - 1066 West Hastings Vancouver, BC Canada V6E 2E6	Within 90 days prior to June 28, 2001	\$43,743,000.00
Cisco Systems Canada 1050 W. Pender Street #2150 Vancouver, BC Canada	Within 90 days prior to June 28, 2001	\$1,833,121.51
Encompass Electrical Technologies 2911 West Fairmount Avenue Phoenix, AZ USA 85017-4614	Within 90 days prior to June 28, 2001	\$5,033,392.00
Emerson C/O Liebert Corporation 1050 Dearborn Drive Columbus, OH 43229	Within 90 days prior to June 28, 2001	\$3,298,108.90
Total	\$53,907,622.41	

PLAN SCHEDULE 1.9(j)

PREFERENCE PERIOD PAYMENTS MADE IN CONNECTION WITH ASSUMED CONTRACTS

Schedule 1.9(j)

Recipients of Potential Preference Payment Related to Assumed Contracts

1. ADP, Inc.
2. Charles Schwab & Co., Inc.
3. CIGNA Healthcare
4. W9/MTN Real Estate Limited Partnership
5. CNA Group Benefits
6. Herndon Lincoln LLC
7. Flight Options, Inc.
8. Cummins Rocky MT-8211-PO
9. Liberty Funds Services
10. HCC Benefits Corporation
11. Connecticut General Life Insurance Co.
12. Niagara Mohawk
13. Selig Real Estate Holdings
14. SPALJ Construction Co.
15. Flex-Plan Services, Inc.
16. General Excavating – Lincoln
17. Sorenson Construction
18. Cannon Construction, Inc.
19. Vision Service Plan (WA)
20. Services Resources Corporation
21. American Fire Equipment Sales, Inc.
22. Noble's Inspection & Locator
23. Pilchuck Diversified Service

Note: For the purposes of this Schedule 1.9(j), it is assumed that Underlying Rights agreements are not executory contracts subject to assumption or rejection under section 365 of the Bankruptcy Code.

PLAN SCHEDULE 1.42
IMPAIRED CLASS 6 CLAIMS

360networks (USA) inc.	Permit	SHERIDAN COUNTY	MURRAY, SHIRLEY	P.O. BOX 636		MCCLUSKY	ND	58463
360networks (USA) inc.	Permit	STUTSMAN COUNTY	MEIER, JOHN	1508 4TH STREET NW		JAMESTOWN	ND	58401
360networks (USA) inc.	Permit	STUTSMAN COUNTY	KRAMER, KENNETH	8148 10TH STREET SE		KENSAL	ND	58455
360networks (USA) inc.	Permit	TOWN OF ENDERLIN	MORROW, ED	P.O. BOX 65		ENDERLIN	ND	58027
360networks (USA) inc.	Permit	WARD COUNTY	NARUM, GAILEN	900 13TH STREET SE		MINOT	ND	58701
360networks (USA) inc.	Permit	CITY OF GLENVILLE	WEBB, WES	221 WEST MAIN STREET		GLENVILLE	MN	55953
360networks (USA) inc.		CITY OF GLENWOOD	PERRYMAN, DAVE	137 EAST MINNESOTA		GLENWOOD	MN	56334
360networks (USA) inc.	Permit	CITY OF HOFFMAN	PETERSON, CARMEN	P.O. BOX 227		HOFFMAN	MN	56339
360networks (USA) inc.	License	CITY OF KENSINGTON	SPROULS, DUANE	P.O. BOX 149		KENSINGTON	MN	56343
360networks (USA) inc.	Permit	CITY OF MAPLE LAKE	LEINTZ, SHARON L	P.O. BOX 227		MAPLE LAKE	MN	55358
360networks (USA) inc.	Permit	CITY OF MEDINA	DILLMAN, JIM	2052 COUNTY ROAD 24		MEDINA	MN	55340
360networks (USA) inc.	Ordinance	CITY OF ROCKFORD	PETERSON, DENNIS	6031 MAIN STREET		ROCKFORD	MN	55373
360networks (USA) inc.	Permit	CITY OF SOUTH HAVEN	BANKEN, CAROL	521 OAK AVENUE SOUTH P.O. BOX 97		SOUTH HAVEN	MN	55382
360networks (USA) inc.	Permit	FREEBORN COUNTY	KLUKOW, MIKE	P.O. BOX 11478		ALBERT LEA	MN	56007-1147
360networks (USA) inc.	Permit	GRANT COUNTY HWY. DEPT.	BUXTON, OTHO	COUNTY COURTHOUSE, 10 NE 2ND ST.		ELBOW LAKE	MN	56531
360networks (USA) inc.	Permit	KANDIYOHI COUNTY	KROSSMAN, RAY	1801 EAST HIGHWAY 12		WILLMAR	MN	56201
360networks (USA) inc.	Permit	MANANNAH TOWNSHIP	REGENSCHEID, GORDON	325 SIBLEY AVENUE NORTH		LITCHFIELD	MN	55355
360networks (USA) inc.	Permit	MEEKER COUNTY HIGHWAY DEPARTMENT	REGENSCHEID, GORDON	325 SIBLEY AVENUE NORTH		LITCHFIELD	MN	55355
360networks (USA) inc.	Permit	POPE COUNTY HIGHWAY DEPARTMENT	WEGNER, JR, DALE	114 WEST MINNESOTA AVE		GLENWOOD	MN	56334
360networks (USA) inc.	Permit	STEARNS COUNTY HIGHWAY DEPT.	SCHREIBER, SCOTT	705 COURTHOUSE SQUARE		ST. CLOUD	MN	56303
360networks (USA) inc.	Permit	TOWN OF GREENFIELD	BERTHIAUME, PAT	6390 TOWN HALL DRIVE		LORETTO	MN	55357
360networks (USA) inc.	Permit	TOWN OF PAYNSEVILLE	MERGEN, RON	221 WASHBURNE AVE		PAYNESVILLE	MN	56362
360networks (USA) inc.	Permit	WILKIN COUNTY	RICHELS, THOMAS	515 SOUTH 8TH STREET		BRECKENRIDGE	MN	56520
360networks (USA) inc.	Permit	WRIGHT COUNTY HIGHWAY DEPT.	CORDELL, BILL	1901 HIGHWAY 25 NORTH		BUFFALO	MN	55313
360networks (USA) inc.	Tidal River Crossing	DEPARTMENT OF THE ARMY	NEW ENGLAND DISTRICT, CORPS OF ENGINEERS	OSTERNDORF, BRIAN E.	696 VIRGINIA ROAD	CONCORD	MA	01742-2751
360V	License	FLORIDA EAST COAST RAILROAD	MANAGER, INDUSTRIAL DEVELOPMENT	P.O. DRAWER1048		ST. AUGUSTINE	FL	332085-1048
360networks (USA) inc.	Permit	SHIV.VYAS	CITY OF ONTARIO	SUPERVISING CIVIL ENGINEER	303 EAST B STREET	ONTARIO	CA	91764

360networks (USA) inc.	Verbal Permission	U.S. ARMY CORPS OF ENGINEERS	HUBBARD, BRAD			SACRAMENTO	CA	95814-2922
360networks (USA) inc.	Permit	ADOT PHOENIX DIST	2140 W HILTON AVE	ATTN: DAVID ZIMBRO, MANNY SANCHEZ		PHOENIX	AZ	85009
360networks (USA) inc.	Permit	ADOT SAFFORD DIST	2082 E HWY 70	ATTN: ARMANDO MEMBRILA		SAFFORD	AZ	85546
360networks (USA) inc.	Permit	ADOT SAFFORD DIST	2082 E HWY 70	ATTN: ARMANDO MEMBRILA		SAFFORD	AZ	85546
360networks (USA) inc.	Permit	AZ BLM	MICHAEL TAYLOR	21605 NORTH 7TH AVENUE		PHOENIX	AZ	85027
360networks (USA) inc.	Permit	AZ STATE LANDS	1616 W ADAMS	ATTN: JIM GROSS		PHOENIX	AZ	85007
360networks (USA) inc.	Permit	DEPARTMENT OF THE ARMY	ATTN: CITY LESTER	CORPS OF ENGINEERS, STE. 760	3636 NORTH CENTRAL AVENUE	PHOENIX	AZ	85012-1936
360networks (USA) inc.	Permit	ADOT TUCSON DIST	1221 SOUTH 2ND AVE	ATTN: SYLVIA HANNA		TUCSON	AZ	85713
360networks (USA) inc.	Permit	ADOT TUCSON DIST	1221 SOUTH 2ND AVE	ATTN: SYLVIA HANNA		TUCSON	AZ	85713
360networks (USA) inc.	Agreement	CIRTANO-MARANA IRRIGATION DISTRICT	CORTARO WATER USERS' ASSOCIATION	12253 W. GRIER ROAD		MARANA	AZ	85653-9367
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER	PAT FOE		MESA	AZ	
360networks (USA) inc.	ROW Grant	CITY OF QUEEN CREEK	22350 S ELISWORTH RD	ATTN: JANET MILLER		QUEEN CREEK	AZ	85242
360networks (USA) inc.	Permit	CITY OF TOMBSTONE	P.O. BOX 339			TOMBSTONE	AZ	85638-0339
360networks (USA) inc.	Permit	CITY OF TOMBSTONE	PO BOX 339	ATTN: TOM WRIGHT		TOMBSTONE	AZ	85638
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	CITY OF TUCSON	201 N STONE AVE	ATTN: DAVE DOTSON		TUCSON	AZ	85726
360networks (USA) inc.	Permit	COCHISE COUNTY	1415 WEST MELODY LANE	ATTN: CHRUCK WIRTZ		BISBEE	AZ	
360networks (USA) inc.	Permit	COCHISE COUNTY	1415 WEST MELODY LANE	ATTN: CHRUCK WIRTZ		BISBEE	AZ	
360networks (USA) inc.	Permit	COCHISE COUNTY	1415 WEST MELODY LANE	ATTN: CHRUCK WIRTZ		BISBEE	AZ	

360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	PINAL COUNTY	NORTH PINAL ST, BLD F	ATTN: LOUIE RAMIREZ		FLORENCE	AZ	85232
360networks (USA) inc.	Permit	ROOSEVELT WATER CONSERVATION DISTRICT	MIKE LEONARD	15400 SOUTH HIGLEY ROAD		HIGLEY	AZ	
360networks (USA) inc.	Permit	SALT RIVER PROJECT	BOB MAURER	P.O. BOX 52025	ATTN: SR ENGINEER TECH	PHOENIX	AZ	85072-2025
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER					
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER					
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER					
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER					
360networks (USA) inc.	Permit	CITY OF MESA	55 NORTH CENTER					
360networks (USA) inc.	Permit	CITY OF TOMBSTONE	PO BOX 339	ATTN: TOM WRIGHT				
360networks (USA) inc.	Permit	CITY OF TOMBSTONE	PO BOX 339	ATTN: TOM WRIGHT				
360networks (USA) inc.	Permit	CITY OF TOMBSTONE	PO BOX 339	ATTN: TOM WRIGHT				

Date of Agreement / Permit	360 Debtor Party	Contract Title /Permit (exact title)	Non-Debtor Party Name and Address	ADDRESS 1	ADDRESS 2	ADDRESS 3	CIT Y	ST	ZIP
03/23/2001	360networks (USA) inc.	Right-of-Way and Public Easement Permit # 100	City of Mesa, Arizona	Town Manager	P.O. Box 1466		Mesa	AZ	85211
03/26/2001	360networks (USA) inc.	Right-of-Way and Public Easement Permit # 101	City of Mesa, Arizona	Town Manager	P.O. Box 1466		Mesa	AZ	85211
04/03/2001	360networks (USA) inc.	Right-of-Way and Public Easement Permit # 102	City of Mesa, Arizona	Town Manager	P.O. Box 1467		Mesa	AZ	85211
04/09/2001	360networks (USA) inc.	Right-of-Way and Public Easement Permit # 103	City of Mesa, Arizona	Town Manager	P.O. Box 1468		Mesa	AZ	85211
04/09/2001	360networks (USA) inc.	Right-of-Way and Public Easement Permit # 104	City of Mesa, Arizona	Town Manager	P.O. Box 1469		Mesa	AZ	85211
01/31/2001	360networks (USA) inc.	Permit # 82666	Arizona DOT	David Zimbro	Phoenix Maint. Dist-Permits 2140 W. Hilton Ave.		Phoenix	AZ	85009
03/26/2001	360networks (USA) inc.	Salt River License to use Right-of-Way # 0100077	SRP Water Engineering	Susana Ortega	Salt River Project P.O. Box 52025		Phoenix	AZ	85072
03/09/2001	360networks (USA) inc.	Evacuation and Construction Permit (off site) # 001-00403	Town of Gilbert, AZ.	Town Engineer	Community Development		Gilbert	AZ	85296
03/20/2001	360networks (USA) inc.	Contractor's Right of Entry Agreement Folder # 1934-44	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
11/29/2000	360networks (USA) inc.	Wireline Crossing Agreement Folder # 1934-44	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
03/20/2001	360networks (USA) inc.	Contractor's Right of Entry Agreement Folder # 1934-46	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
12/14/2000	360networks (USA) inc.	Wireline Crossing Agreement Folder # 1934-46	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
03/20/2001	360networks (USA) inc.	Contractor's Right of Entry Agreement Folder # 1934-45	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
12/14/2000	360networks (USA) inc.	Wireline Crossing Agreement Folder # 1934-45	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
12/12/2000	360networks (USA) inc.	Encroachment Permit # PW00-156	Town of Queen Creek	Janet Miller	22350 So. Ellsworth Rd.		Queen	AZ	85242
02/02/2001	360networks (USA) inc.	Permit to use Right-of-Way # 0058	Pinal County, AZ.	Public Works Office	31 No. Penal St.-Bldg."F"		Flore	AZ	85232
03/03/2001	360networks (USA) inc.	Utility Easement (Pinal Co., AZ.)	BHP Copper Inc. (Copper Basin RR)	Jake Jacobson	P.O. Box # 1		Hayden	AZ	85235
11/03/2000	360networks (USA) inc.	Permit for Construction in County Right-of-Way Permit # L-27873	Maricopa Co., AZ.	J.Patrick Mertz	2901 West Durango		Phoenix	AZ	85009
06/20/2000	360networks (USA) inc.	Permit for Construction in County Right-of-Way Permit # 20000624	Cochise Co., AZ	Co Engineer	1415 Melody Lane		Bisbee	AZ	85603

12/07/2000	360networks (USA) inc.	Revocable Permit # 120600-01	Cortaro-Marana Irrigation Dist.	Robert Condit	12253 W. Grier Rd.		Mar	AZ	85653
04/25/2001	360networks (USA) inc.	Air Quality Activity Permit # 359/100510	Pima Co. Dept. of Environmental Quality	Bill Maxwell	130 West Congress St.		Tucs	AZ	85701
03/21/2001	360networks (USA) inc.	Building Permit # 01RW1- 00003	City of Las Cruces	Christine Ochs	Public Works Department - City Office Center 575 So. Alameda Blvd.		Las	NM	88005
02/14/2001	360networks (USA) inc.	Right of Use Permit	Elephant Butte Irrigation District	Gary Esslinger	P.O. Drawer 1509		Las	NM	88004
07/17/2000	360networks (USA) inc.	Wireline Crossing Agreement Folder # 1896-49	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102
03/20/2001	360networks (USA) inc.	Contractor's Right-of Entry Agreement Folder # 1896- 49	Union Pacific Railroad	Ron Trauger	Contracts 1800 Farnam St.		Oma	NE	68102

PLAN SCHEDULE 6.2(a)(3)

CURE AMOUNTS (OTHER THAN \$0) FOR UNDERLYING RIGHTS

NONE

Appendix 2

Liquidation Analysis

- A. Liquidation Analysis for Reorganized 360**
- B. Comparison of Estimated Recoveries under Chapter 11 Plan vs. Chapter 7 Liquidation**

APPENDIX 2A

LIQUIDATION ANALYSIS

Pursuant to section 1129(a)(7) of the Bankruptcy Code (often called the “Best Interests Test”), the Bankruptcy Code requires that each holder of an impaired Claim or equity Interest either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan’s Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interest Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors’ assets in chapter 7. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the cash held by the Debtors at the commencement of their chapter 7 cases. Such amount then would be reduced by the costs and expenses of the liquidation. Prior to determining whether the Best Interests Test has been met for General Unsecured Creditors, further reductions would be required to eliminate cash and asset liquidation proceeds that would be applied to secured claims and amounts necessary to satisfy chapter 11 Administrative, Tax, and Priority Claims that are senior to General Unsecured Claims, including any incremental Administrative Claims that may result from the termination of the Debtors’ business and the liquidation of their assets. Any remaining cash would be available for distribution to general unsecured creditors and shareholders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The Liquidation Analysis below reflects the estimated cash proceeds, net of liquidation-related costs that would be available to the Debtors’ creditors if they were to be liquidated in chapter 7 cases. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by management and Lazard, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Company and its management. **ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.**

The Liquidation Analysis was prepared by Lazard with the assistance of management, based on the Company’s preliminary unaudited balance sheet as of March 31, 2002 (reflecting a consolidation of the U.S. Debtors and CCAA Plan Debtors and excluding the 360americas, 360atlantic, and 360pacific entities) and on the assumption that the Company ceased operations on September 30, 2002. The Liquidation Analysis assumes the preliminary unaudited March 31, 2002, balance sheet, on which the analysis is based, is a proxy for the September 30, 2002, balance sheet.

The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under the direction of Court-appointed chapter 7 trustee (with a similar

process for the CCAA Plan Debtors) and continue for 12 months, during which time all of the Company's major assets either would be sold or conveyed to the applicable lienholders and the cash proceeds, net of liquidation-related costs, would be distributed to creditors. Although some assets might be liquidated in less than 12 months, other assets would be more difficult to collect or sell, thus requiring a liquidation period longer than 12 months. The liquidation period would allow for the collection of receivables, sales of assets, and wind-down of daily operations.

For certain assets, estimates of the liquidation proceeds were made for each asset individually. For other assets, liquidation values were assessed for general classes of assets by estimating the percentage recoveries that a chapter 7 trustee might achieve through their disposition. The Liquidation Analysis was performed on a consolidated basis and assumes that the Debtors' liquidation proceeds would be distributed in accordance with Bankruptcy Code sections 726 and 1129(b). The major assumptions underlying the Liquidation Analysis are listed in the footnotes below.

Estimated Liquidation Proceeds

(US \$ in millions)

	<u>Book Value (a)</u>	<u>Recovery</u>	<u>Amount</u>
Cash and Equivalents (b)	\$189.0	100.0%	\$189.0
Accounts Receivable, Net (c)	17.3	50.0%	8.7
Other Current Assets (d)	20.0	0.0%	0.0
Network Assets (e)	1,073.0	7.0%	75.1
Other Long-Term Assets (f)	2.0	62.5%	1.3
Total Liquidation Proceeds	<u>\$1,301.3</u>	21.1%	<u>\$274.0</u>
Less: Liquidation Fees and Expenses (g)			<u>(\$73.2)</u>
Net Estimated Proceeds Available for Distribution for Entire Company			\$200.8
Less: 50% Allocable to Canadian Debtors (h)			<u>(\$100.4)</u>
Net Liquidation Proceeds Allocable to US Debtors			\$100.4
Less: 80% of US Liquidation Proceeds Allocable to Secured Portion of Prepetition Lenders' Claims (i)			<u>(\$80.3)</u>
Net Liquidation Proceeds After Payments on Secured Claims			\$20.1
Plus: Estimated Net Recoveries on Avoidance Actions (j)			<u>\$45.0</u>
Net Liquidation Proceeds Available for Priority and Unsecured Claims			\$65.1
Less: Estimated Aggregate Unpaid Administrative, Priority and Tax Claims (k)			(\$20.0)
Net Liquidation Proceeds Available For All Unsecured Non-Priority Claims			\$45.1
Less: Amount Allocable to Prepetition Lenders' Deficiency Claims (l)			(\$31.3)
NET AVAILABLE FOR GENERAL UNSECURED CLAIMS (i.e., exclusive of Prepetition Lender, Secured, Administrative, Tax and Priority Claims)			\$13.8
<i>% Recovery</i>			3%

FOOTNOTES TO LIQUIDATION ANALYSIS

A summary of the assumptions used by the Company's management and Lazard in preparing the Liquidation Analysis is set forth below.

Note A – Book Values as of March 31, 2002

Unless otherwise stated, the book values used in this liquidation analysis are the preliminary unaudited book values as of March 31, 2002, and are assumed to be representative of the Company's assets and liabilities as of an assumed Effective Date of September 30, 2002.

Note B – Cash and Cash Equivalents

Cash consists of all cash in banks or operating accounts and liquid investments with maturities of three months or less. Cash is assumed to be fully recoverable. The amount of cash reflects the Company's cash balance as of June 30, 2002.

Note C – Accounts Receivable

The accounts receivable analysis assumes that a chapter 7 trustee would retain a staff to process the collection of outstanding accounts receivable. Proceeds from the collection of trade receivables were estimated by management taking into account the credit quality of the counterparty and the aging of each receivable. The Liquidation Analysis assumes a recovery rate of 50% for receivables on a net basis (i.e., after reserves). The value of accounts receivable used in the Liquidation Analysis reflects the Company's net accounts receivable balance as of June 30, 2002.

Note D – Other Current Assets

Other current assets include unbilled and other revenue and prepaid assets. These are projected to have no value in a liquidation.

Note E – Network Assets

Network Assets consist of lit fiber, dark fiber, conduit and associated equipment. In a liquidation, the Company estimates that metro area conduit would sell at an 85% discount to current market prices, long-haul conduit would sell at a 93-97% discount, metro fiber would sell at an 85% discount and long-haul fiber would sell at a 90-95% discount. Also, substantial portions of the Network Assets are assumed to have no buyers at any price.

In addition, Network Assets comprise other assets related to operating the network, such as fiber, network and switching gear, HVAC equipment, computer equipment, and office furniture and fixtures. These assets are assumed to have a liquidation value equal to 10% of book value. Network Assets include estimated

proceeds from the sale of selected collocation facilities in North America. Proceeds were estimated based on appraisals or indications of interest received by the Company.

Note F – Other Long Term Assets

Other long-term assets consist primarily of equity holdings in three companies, one of which is private and two of which are public, with an assumed aggregate liquidation value of approximately \$1 million. These assets also include deferred financing costs, with an estimated liquidation value of \$0.

Note G – Liquidation Fees and Expenses

Liquidation fees would include chapter 7 trustee fees, legal fees, wind-down costs and other expenses. Chapter 7 trustee fees are estimated at 3% of liquidation proceeds (excluding cash). Wind-down costs would include maintenance costs on the network during the assumed 12-month liquidation period, salaries of financial and operating employees, severance pay, stay bonuses, payments to remove liens from assets sold, and other related costs that would be incurred during a chapter 7 liquidation. Other costs include costs to cover contingencies and other miscellaneous items.

Note H – U.S./Canada Allocation

The allocation of liquidation asset values and expenses is assumed to be 50/50 between the Company's U.S. and Canadian debtor subsidiaries.

Note I – Secured Claims

Secured Claims are assumed to exclude any mechanic's or other liens, which the analysis treats as liquidation expenses, and to include only secured claims of the Prepetition Lenders. This analysis assumes the Prepetition Lenders have valid liens on U.S. assets of the Debtors representing 80% of such U.S. assets' liquidation value.

Note J – Avoidance Actions

The Debtors' claims for avoidance actions such as preferences and fraudulent transfers are assumed to be unliened and to generate aggregate net proceeds of \$45 million. Note that estimated net proceeds from avoidance actions are somewhat higher than the projections for Net Preference Recoveries under the Plan because, *inter alia*, certain avoidance actions will be resolved under the Plan due to contract or lease assumptions or due to settlements related to the Company's ongoing business. Those factors should be partially offset, however, by the \$1 million the Debtors will contribute under the Plan to fund preference litigation as well as the likely enhanced efficacy of preference actions brought on behalf of an ongoing enterprise rather than a chapter 7 trustee.

Note K – Administrative, Tax and Priority Claims

The unpaid Administrative, Tax and Priority Claims Against the Debtors for the period through September 30, 2002 are assumed to aggregate \$20 million. The amount of unpaid chapter 11 Administrative Claims included in that amount is approximately \$10 million greater than that estimated under the Plan due to Administrative Claims that would arise from certain lease and contract rejections in the Debtors' chapter 7 cases. The \$10 million estimated under the Plan consists of priority tax claims (\$6 million) and other priority claims (\$4 million).

Note L – Unsecured Claims

The Prepetition Lenders' unsecured deficiency claims in chapter 7 are assumed to aggregate \$1,010 million (\$1,191 less the sum of (i) the \$100.1 recoverable by the Prepetition Lenders in Canada plus (ii) the \$80.1 recoverable by the Prepetition Lenders as secured lenders in the US). Aggregate General Unsecured Claims against the Debtors are assumed to be \$400 million (which is \$100 million higher than estimated in connection with the Plan due to, *inter alia*, numerous additional prepetition lease and contract rejection claims in chapter 7). Intercompany Claims against the Debtors are assumed to be subordinated to General Unsecured Claims or otherwise eliminated.

PLAN APPENDIX 2B

Comparison of Estimated Recoveries Under Chapter 11 vs. Chapter 7 Liquidation

	Plan of Reorganization			Chapter 7		
	Recovery (\$)	Assumed Claims	Recovery (%)	Recovery (\$)	Assumed Claims	Recovery (%)
Class 4	\$471 ¹	\$1,191	40%	\$212 ²	\$1,191	18%
Class 5	\$12	\$12	100%	\$12	\$12	100%
Class 6		TBD	100%		TBD	100%
Class 7	\$47 ³	\$280 ⁴	17%	\$14	\$400 ⁵	3%

¹ Reflects cash of \$135, debt of \$215, and equity of \$121

² Reflects \$100 allocable to Canadian debtors, \$80 reflecting assumed secured portion of Prepetition Lenders' claim and \$31 allocable to Prepetition Lenders' deficiency claims

³ Includes 80% of Net Preference Recoveries, which are estimated at \$40.

⁴ Represents midpoint of estimated range

⁵ Increase over assumed claims under Plan of Reorganization due to additional prepetition lease and contract rejection claims in chapter 7

All dollars in millions

Appendix 3

Financial Projections

- A. Projected Financial Information (Fiscal Years ending December 31, 2002 through December 31, 2006)**
- B. Projected Consolidated Balance Sheet**

APPENDIX 3A FINANCIAL PROJECTIONS

A. Projected Financial Information (Fiscal Years Ending December 31, 2002 through December 31, 2006)

The summary financial projections were not prepared with a view to complying with the guidelines for prospective certified public accountants. The Company's independent accountants, PricewaterhouseCoopers LLP, have neither compiled nor examined the accompanying prospective financial information to determine the reasonableness thereof and, accordingly, have not expressed an opinion or any other form of assurance with respect thereto.

The Company does not, as a matter of course, publish their financial projections. Accordingly, the Company does not intend, and disclaims any obligation to: (A) furnish updated projections to holders of Claims or equity Interests at any time in the future; (B) include updated information in any filings with the SEC; or (C) otherwise make updated information or projections publicly available. The summary financial projections and related information provided in the Disclosure Statement and the exhibits thereto have been prepared exclusively by 360networks' management with the assistance of Lazard. These projections, while presented with numerical specificity, are necessarily based on a variety of estimates and assumptions which, though considered reasonable by management, may not be realized, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. The Company cautions that no representations can be made as to the accuracy of these financial projections and related information or as to Reorganized 360's ability to achieve the projected results. Some assumptions inevitably will not materialize and events and circumstances occurring subsequent to the date on which these projections were prepared may be different from those assumed or may be unanticipated, and thus may affect financial results in a material and possibly adverse manner. The projections and related information, therefore, may not be relied upon as a guaranty or other assurance of the actual results that will occur.

SUMMARY PROJECTED INCOME STATEMENT

(United States Dollars in thousands)

	Projected				
	Three Months Ended December 31,	Fiscal Year Ended December 31,			
	2002	2003	2004	2005	2006
Cash Revenues:					
Infrastructure Sales	\$17,801	\$75,940	\$63,384	\$53,354	\$38,175
Network Services	9,386	104,967	195,476	266,066	343,072
Offnet Revenues	2,240	30,279	47,110	68,108	96,042
Total Cash Revenues	\$29,427	\$211,185	\$305,970	\$387,528	\$477,290
Expenses:					
O&M Expense	\$17,458	\$62,009	\$78,188	\$85,658	\$93,361
SG&A Expense	9,332	42,570	57,832	64,340	71,031
Offnet Expense	2,240	30,279	47,110	68,108	96,042
Total Expenses	\$29,030	\$134,859	\$183,130	\$218,106	\$260,435
Adjusted EBITDA	\$397	\$76,326	\$122,839	\$169,423	\$216,855
Depreciation & Amortization	(1,463)	(7,131)	(10,583)	(12,993)	(15,362)
One-Time Items	21,674	48,000	0	0	0
Net Interest Income (Expense)	(4,006)	(15,932)	(17,362)	(17,307)	(14,777)
Earnings Before Taxes	\$16,602	\$101,263	\$94,895	\$139,123	\$186,715
Income Tax Expense	0	(14,699)	(16,441)	(24,595)	(33,414)
Net Income	\$16,602	\$86,563	\$78,454	\$114,528	\$153,301

SUMMARY PROJECTED BALANCE SHEET

(United States Dollars in thousands)

	Projected					
	September 30,	December 31,				
	2002	2002	2003	2004	2005	2006
Assets:						
Cash	\$58,833	\$56,245	\$42,952	\$15,000	\$15,000	\$43,551
Accounts Receivable	20,808	30,483	41,622	48,931	54,462	63,437
Network Assets	337,359	349,967	448,758	562,377	644,904	724,144
Other	6,000	6,000	6,000	6,000	6,000	6,000
Total Assets	\$423,000	\$442,695	\$539,332	\$632,309	\$720,366	\$837,132
Liabilities:						
Accounts Payable	0	3,093	13,166	10,790	8,683	8,683
Deferred Revenue	58,000	57,463	55,315	53,167	51,019	48,870
Debt:						
Senior Secured Notes	215,000	215,000	215,000	215,000	195,000	171,000
Exit Facility Revolver	0	0	0	16,899	12,535	0
Deferred Taxes	0	0	0	0	0	0
Total Liabilities	273,000	275,556	283,481	295,856	267,237	228,554
Shareholders Equity:						
Common Equity	150,000	167,139	255,851	336,453	453,129	608,578
Total Liabilities & Shareholders Equity	\$423,000	\$442,695	\$539,332	\$632,308	\$720,366	\$837,132

SUMMARY PROJECTED CASH FLOW STATEMENT

(United States Dollars in thousands)

	Projected				
	Three Months Ended December 31,	Fiscal Year Ended December 31,			
	2002	2003	2004	2005	2006
Cash Flows From Operations:					
Net Income	\$16,602	\$86,563	\$78,454	\$114,528	\$153,301
Depreciation and Amortization	1,463	7,131	10,583	12,993	15,362
Changes in Working Capital:					
Accounts Receivable	(\$9,675)	(\$11,139)	(\$7,309)	(\$5,531)	(\$8,975)
Accounts Payable	3,093	10,074	(2,377)	(2,106)	0
Net Cash Provided (Used)	\$11,483	\$92,629	\$79,351	\$119,883	\$159,689
Cash Flows From Investment:					
Capital Expenditures	(\$14,071)	(\$105,922)	(\$124,203)	(\$95,519)	(\$94,603)
Net Cash Provided (Used)	(\$14,071)	(\$105,922)	(\$124,203)	(\$95,519)	(\$94,603)
Cash Flows From Financing:					
Repayment of Senior Secured Notes	0	0	0	(20,000)	(24,000)
Revolver Drawdown (Repayment)	0	0	16,899	(4,364)	(12,535)
Net Cash Provided (Used)	\$0	\$0	\$16,899	(\$24,364)	(\$36,535)
Beginning of Period Cash	\$58,833	\$56,245	\$42,952	\$15,000	\$15,000
Ending Cash Position	\$56,245	\$42,952	\$15,000	\$15,000	\$43,551

NOTES TO FINANCIAL PROJECTIONS

1. Methodology

In July 2002, the Company's management prepared a detailed financial forecast for the years 2002 through 2006 which assumes that the Company will exit from Chapter 11 on or around September 30, 2002. Generally, the forecast assumes that the Company operates on a smaller scale than its pre-petition business plan, operating entirely in the United States and Canada with vastly reduced employee and capital expenditure levels. The forecast is prepared on a "cash" basis and is not intended to conform to GAAP accounting standards. The forecast reflects the financial performance of the ongoing enterprise, which includes both U.S. and Canadian Debtor entities and excludes the 360pacific, 360atlantic, and 360americas entities.

2. Income Statement

a. Revenues

The Company's revenue is generated from sales of lit fiber, also known as network services, and sales of dark (unlit) fiber, which are also referred to as infrastructure sales.

Lit fiber projections assume sales on 19 of the Company's existing high demand routes. Lit services prices are expected to decline 17.5% per year and all sales are expected to be generated by short-term leases, as opposed to indefeasible rights of usage ("IRUs"). Approximately 70% of lit services sales are anticipated to be in the form of

wavelengths. The remaining 30% are assumed to be in the form of optical transport services (“OC-Ns”).

The Company’s forecast anticipates the sale of 33% of its long haul conduit inventory and 33% of its metro conduit inventory over the next three years. The forecast also anticipates the sale of 33% of the Company’s long haul fiber inventory and 33% of its metro fiber inventory over the next six years. Initial price assumptions for dark fiber sales are based on a slight discount to market rates. All prices are forecasted to decline 20% per year. O&M revenue is assumed to be \$350 per route mile for each year in the forecast. The model excludes backlog revenues from customers in distress. All existing network service inventory is forecast to be sold by the end of 2003.

Revenues shown reflect cash revenue, which consists of revenue adjusted for changes in deferred revenue. Adjusted EBITDA is EBITDA adjusted to reflect changes in deferred revenue and non-cash cost of sales.

b. Non-Recurring Cash Items

In addition to infrastructure and lit fiber sales, the Company is projecting certain non-recurring inflows. In the last quarters of 2002, \$24 million of receipts are projected to be generated by a combination of tax refunds (\$15 million) and the release of funds in escrow (\$9 million). In 2003, the forecast includes \$48 million of one-time inflows, reflecting estimated proceeds from the resale of pre-purchased capacity on third-party networks and other amounts.

The Company is also projecting approximately \$36 million of restructuring expenses related to emergence from the Chapter 11 and CCAA cases that will be incurred upon plan confirmation.

c. Selling, General and Administrative Expense

SG&A costs (including capital taxes) are assumed to be \$9 million in the initial quarter post-emergence and approximately \$43 million in 2003. In subsequent years, base SG&A is anticipated to increase by 5% per year. Additional SG&A costs of 4% of incremental revenues (not presently contracted for) are projected to be incurred through the end of 2003. In 2004 and thereafter, additional SG&A costs of 8% of incremental revenues are projected to be incurred.

d. O&M Expense

O&M costs (including property taxes) are assumed to be \$17 million in the initial quarter post-emergence and \$62 million in 2003. In subsequent years, base O&M expense is anticipated to increase by 5% per year. Additional O&M costs of 4% of incremental revenues (not presently contracted for) are projected to be incurred as well through the end of 2003. In 2004 and thereafter, additional O&M costs of 8% of incremental revenues are projected to be incurred.

e. *Taxes*

The Company forecasts an effective tax rate of approximately 19.5%. Approximately 50% of Reorganized 360's revenue is forecasted to be generated in Canada, where the tax benefit of substantial net operating loss carryforwards is predicted to shelter income. The effective tax rate in the United States is assumed to be 39%, which is consistent with the Company's previous experience. For assets located in the United States, the depreciable base is estimated to be written down to \$100 million and depreciated over 20 years. One time inflows comprise both taxable and nontaxable items and are taxed as applicable.

3. Balance Sheet

a. *Accounts payable*

The Company forecasts accounts payable equal to 20 days of capital expenditures outstanding for the first two quarters after emergence. Following this, accounts payable increase to 25 days for one quarter and then 30 days of capital expenditures outstanding thereafter. Accounts payable are assumed to be minimal at September 30 given the elimination of prepetition payables on emergence.

b. *Accounts receivable*

The Company forecasts accounts receivable equal to 30 days sales outstanding.

c. *Debt*

Senior secured notes outstanding correspond to the proposed capital structure set forth in this Disclosure Statement and the Plan. Amortization occurs in 2005 and 2006 as required. The projections assume that the Company gains access to a \$25 million revolving credit facility as presented under the terms of the senior secured notes.

4. Cash Flow Statement

a. *Capital Expenditures*

The Company estimates that approximately \$26 million of capital expenditures remain to finalize initial network construction and make right of way and lien payments. Capital expenditures are largely success-based thereafter and projected to be \$14 million for the fourth quarter of 2002, \$106 million in 2003, \$124 million in 2004, \$96 million in 2005 and \$95 million in 2006. Equipment costs are expected to decline by 10-15% per year beginning in 2003.

APPENDIX 3B PROJECTED BALANCE SHEET

The following projected, unaudited pro forma consolidated balance sheet of Reorganized 360 has been adjusted to give effect to the Restructuring as if it had occurred on September 30, 2002. The projected balance sheet reflects the financial position of the ongoing enterprise, which includes both U.S. and Canadian debtor and non-debtor entities. The projected balance sheet makes certain reorganization assumptions, operating assumptions and assumes the adoption of "fresh start" reporting in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." The fresh start accounting treatment is applicable because holders of existing voting shares of 360networks (holdings) Ltd. common stock immediately before filing and confirmation of the Plan will receive less than 50% of the voting shares of Reorganized 360, thereby resulting in a new control group, and the reorganization value of Reorganized 360 is less than the aggregate pre-petition liabilities and allowed claims.

The projected balance sheet is based on the latest currently available information and on certain assumptions that the Company's management believes are reasonable under the circumstances. This projection, while presented with numerical specificity, is necessarily based on a variety of estimates and assumptions which, though considered reasonable by management, may not be realized, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. The Company cautions that no representations can be made as to the accuracy of this projected balance sheet. Some assumptions inevitably will not materialize and events and circumstances occurring subsequent to the date on which these projections were prepared may be different from those assumed or may be unanticipated, and thus may materially affect amounts disclosed in this projected balance sheet. The projected balance sheet, therefore, may not be relied upon as a guaranty or other assurance of the actual results that will occur.

The projected balance sheet was prepared to give effect to the Plan as if it became effective on September 30, 2002 and includes (a) the exchange of approximately \$1.2 billion in principal amount of prepetition secured indebtedness for New Senior Secured Notes, New Parent Stock and other consideration, (b) the exchange of prepetition unsecured claims for New Parent Stock and other consideration, (c) the write-down of network assets, (d) the write-down of certain other assets and liabilities, (e) the payment of fees and other Administrative Claims related to the Plan and the CCAA Plan, and (f) other estimates and assumptions including transactions and events prior to the effective date.

The amount of shareholders' equity in the projected balance sheet is not an estimate of the trading value of the Parent Stock after confirmation of the Plan, which value is subject to many uncertainties and cannot be reasonably estimated at this time. The Company does not make any representation as to the trading value of shares of New Parent Stock to be issued pursuant to the Plan.

THE PROJECTED BALANCE SHEET INCLUDES ESTIMATES AND ASSUMPTIONS AS TO THE VALUES OF REORGANIZED 360'S ASSETS AND LIABILITIES AS OF THE EFFECTIVE DATE.

Projected Balance Sheet				
<i>(USD in millions)</i>				
	Pre-confirmation Balance sheet (1) (2)	Adjustments to Record Plan Confirmation		Reorganized 360 Balance Sheet (2)
		Debt Discharge (2)	Fresh Start and Other (2)	
Assets				
Non-network Assets				
Cash and cash equivalents	\$177.0	\$0.0	(\$118.0)	\$59.0
Accounts receivable - Current	28.0	0.0	(7.0)	21.0
Prepays and other assets	6.0	0.0	0.0	6.0
Total current assets	211.0	0.0	(125.0)	86.0
<u>Network assets</u>	<u>974.0</u>	<u>0.0</u>	<u>(637.0)</u>	<u>337.0</u>
Total Assets	<u>\$1,185.0</u>	<u>\$0.0</u>	<u>(\$762.0)</u>	<u>\$423.0</u>
Liabilities & Shareholders Equity				
Liabilities				
Accounts payable	\$445.0	(\$389.0)	(\$56.0)	\$0.0
Deferred revenue	262.0	0.0	(204.0)	58.0
Long-term debt	1,191.0	(976.0)	0.0	215.0
Total liabilities	1,898.0	(1,365.0)	(260.0)	273.0
<u>Intercompany accounts payable</u>	<u>1,987.0</u>	<u>(1,987.0)</u>	<u>0.0</u>	<u>0.0</u>
Shareholder's Equity				
Preferred stock	312.0	0.0	(312.0)	0.0
Share capital	1,184.0	150.0	(1,184.0)	150.0
Deficit (pre-reorganization)	(4,207.0)	3,202.0	1,005.0	0.0
Other capital accounts	11.0	0.0	(11.0)	0.0
Total shareholder's equity	(2,700.0)	3,352.0	(502.0)	150.0
	<u>\$1,185.0</u>	<u>\$0.0</u>	<u>(\$762.0)</u>	<u>\$423.0</u>

(1) Based on September 30, 2002 projected balance sheet

(2) This preliminary unaudited consolidated balance sheet includes certain estimates and assumptions. Actual results could differ from those estimates.

Appendix 4

APPENDIX 4

Description of the 2002 Long Term Incentive and Share Award Plan

General

The New Parent 2002 Long Term Incentive and Share Award Plan (the "Incentive Plan") will permit the discretionary grant of various equity-based awards in the form of or relating to the New Parent Stock, including non-qualified stock options, incentive stock options, share appreciation rights, restricted shares, restricted share units, performance shares, performance units, dividend equivalents and other share-based awards. Employees and directors of New Parent and its affiliates and subsidiaries would be eligible to receive such grants. In addition, any other person who provides ongoing services to New Parent or its affiliates or subsidiaries also would be eligible to receive awards under the Incentive Plan.

New Parent intends to reserve a maximum of 2.25 million shares of New Parent Stock for issuance under the Incentive Plan, including the grants of stock and options noted in Sections IV.C.7 and 8 of the Disclosure Statement. The maximum number of shares of New Parent Stock for which options and share appreciation rights may be granted during a calendar year to any eligible individual under the Incentive Plan will be 2.25 million. The number of shares of New Parent Stock reserved pursuant to the Incentive Plan (or pursuant to outstanding awards) will be subject to adjustment on account of share splits, share exchanges, mergers and other changes in the New Parent Stock, in order to prevent dilution or enlargement of a participant's rights under the Incentive Plan. If any awards under the Incentive Plan are cancelled, surrendered or otherwise terminated without a distribution of New Parent Stock, then the shares covered by those awards again will be available for awards under the Incentive Plan.

Administration

The Incentive Plan will be administered by a committee of the board of directors of New Parent, which under certain circumstances may delegate its duties and powers to officers or managers of New Parent or its affiliates and subsidiaries. The administrative committee will have the sole discretion to determine the eligible persons to whom awards may be granted, the type and number of awards to be granted, and the extent to which an award may be settled in cash, New Parent Stock, property, or other awards.

Options

The Incentive Plan permits the administrative committee to grant rights to purchase New Parent Stock. The exercise price for each option granted under the Incentive Plan will be set by the administrative committee. Unless otherwise determined by the administrative committee, the term of each option will be ten years from the date of the grant and the option will become exercisable in installments over four years beginning on the first anniversary of the date of the grant and continuing every three months thereafter. Incentive stock options may be granted to employees of New Parent and those of its subsidiaries, while non-qualified stock options may be issued to all eligible individuals. Any incentive stock option that is awarded under the Incentive Plan will comply in all respects with Section 422 of the U.S. Internal Revenue Code.

Share Appreciation Rights

The administrative committee may grant share appreciation rights independent of or in connection with each option. Upon exercise, each share appreciation right will entitle a grantee to an amount equal to the excess of (i) the fair market value on the exercise date of one share of New Parent

Stock over (ii) the exercise price of the share appreciation right as determined by the administrative committee as of the date of grant of the share appreciation right. Payment may be made in shares of New Parent Stock, cash or property, as specified in the award agreement or as determined by the administrative committee.

Restricted Shares

Restricted shares awarded under the Incentive Plan will be subject to restrictions on transferability and other restrictions. The restrictions will lapse as the administrative committee determines. If the employment of a holder of restricted shares is terminated during a restriction period, any New Parent Stock then subject to restrictions, and any accrued and unpaid dividends, or dividend equivalents, will be forfeited unless the administrative committee waives the forfeiture. Except to the extent restricted by the award agreement, holders of restricted shares will have the right to vote the restricted shares.

Restricted Share Units

The administrative committee may grant awards in the form of restricted share units giving grantees the right to receive New Parent Stock or cash at the end of a specified period. The administrative committee may impose additional restrictions on the restricted share units. If employment of a grantee is terminated, or upon failure to satisfy other conditions precedent to the delivery of cash or New Parent Stock under the grant, all restricted share units still subject to a restriction will be forfeited unless the administrative committee waives the forfeiture.

Performance Shares and Performance Units

Performance shares and performance units are awards based on the attainment of performance objectives set by the administrative committee for a performance period of one or more years. At the beginning of a performance period, the administrative committee will determine the range of New Parent Stock, in the case of performance shares, and the range of dollar values, in the case of performance units, that will be paid if the relevant measure of performance is met.

Dividend Equivalents

The administrative committee may grant dividend equivalents that give the holder the right to receive cash, New Parent Stock or other property equal in value to dividends paid with respect to a specified number of shares of New Parent Stock. Dividend equivalents may be awarded by the administrative committee alone or in connection with another type of award and may be paid concurrently or on a deferred basis.

Other Share-Based Awards

The Incentive Plan also allows for the grant of any other equity-based award, which may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, the New Parent Stock as determined by the administrative committee in its sole discretion, including the grant of unrestricted New Parent Stock as a bonus without any conditions or limitations.

Transferability

Unless otherwise determined by the administrative committee, subject to receipt of necessary regulatory approvals, awards granted under the Incentive Plan are not transferable other than by will or by the laws of descent and distribution.

Amendment and Termination

The board of directors may amend, alter, suspend, discontinue or terminate the Incentive Plan in any respect, at any time, without the consent of holders of awards or the shareholders of New Parent (except to the extent shareholder approval is required by Section 422 of the U.S. Internal Revenue Code).

PLAN SCHEDULE 1.54

Summary of Terms and Conditions

of

New Senior Secured Notes

I. <u>Issuer:</u>	The Notes will be joint and several obligations of all of the Debtors and CCAA Plan Debtors (collectively, "Reorganized 360"). The Issuer is to be determined.
II. <u>Principal Amount:</u>	\$215,000,000
III. <u>Maturity:</u>	The fifth anniversary of the Effective Date.
IV. <u>Interest Rate:</u>	LIBOR <u>plus</u> 5%, subject to downward adjustment based on the Reorganized 360's debt/EBITDA ratio measured periodically during the term of the Notes. Interest shall be payable in cash quarterly in arrears.
V. <u>Amortization:</u>	
A. <u>Optional Prepayments:</u>	The New Senior Secured Notes shall be prepayable at any time, in whole or in part, without premium, penalty or discount, on 30 days' prior written notice, at 100% of the principal amount of the New Senior Secured Notes to be prepaid, plus accrued interest thereon through the date of prepayment.
B. <u>Mandatory Prepayments:</u>	\$20,000,000 on third anniversary of the Effective Date, and \$24,000,000 on the fourth anniversary of the Effective Date.
VI. <u>Collateral and Ranking:</u>	Secured by all of the assets of Reorganized 360, including cash.

VII. <u>Financial/Performance Covenants</u>	<p>Financial Covenants may include:</p> <ul style="list-style-type: none"> ▪ Minimum EBITDA ▪ Minimum Capex ▪ Minimum recurring service revenue
VIII. <u>Representations, Warranties, Covenants and Events of Default:</u>	Customary for notes of this type.
IX. <u>Third Party Credit Facility</u>	<p>After the sixth month anniversary of the Effective Date, the Plan Debtors will be permitted to obtain a credit facility from a third-party lender, provided that the maximum principal amount of the commitments and outstanding borrowings under such credit facility do not exceed \$25,000,000. The Debtors will be permitted to grant liens and security interests on their accounts receivable and other assets to the extent necessary to obtain the credit facility, with such liens and security interests having a priority senior to the priority of the liens and security interests on such accounts receivable and such other assets securing the notes.</p>
X. <u>Amendments</u>	<p>The New Senior Secured Notes may be amended by a vote of the holders of 51% of such notes, other than with respect to matters that customarily require the consent of 100% of the holders of notes of this type.</p>

PLAN SCHEDULE 1.54

SUMMARY OF TERMS AND CONDITIONS OF NEW SENIOR SECURED NOTES

Schedule of Impaired Class 6 Claims

State	Entity	Additional Debtors listed	Lienholder	Lienholder Address	Date Recorded	Recorded Document #	**Value of Claim in \$
Louisiana	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind Pkwy., Suite 216, Marietta GA 30066	09/26/2001	26-257682	\$0
Louisiana	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind. Pkwy., Suite 216, Marietta GA 30066	06/26/2001	26-257683	\$0
Massachusetts	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind. Pkwy., Suite 216, Marietta GA 30066	09/25/2001	200105590130	\$0
New York	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind Pkwy., Suite 216, Marietta GA 30066	09/24/2001	182034	\$0
New York	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind. Pkwy., Suite 216, Marietta GA 30066	10/09/2001	192248	\$0
Tennessee	360networks (USA) inc.	n/a	Automated Logic	1800 Sandy Plains Ind. Pkwy., Suite 216, Marietta GA 30066	11/29/2001	301-114432	\$0
California	360networks (USA) inc.	1) 360networks Services, Inc. f/k/a Worldwide Fiber Network Services, Inc.	Nortel Networks, Inc	5405 Windward Parkway, Alpharetta, GA 30004	05/22/2001	0114261261	\$0
Colorado	360networks (USA) inc.	1) 360network Services, Inc. f/k/a Worldwide Fiber Networks	Nortel Networks, Inc	5405 Windward Parkway, Alpharetta, GA 30004	05/24/2001	20012041059	\$0
Florida	360networks (USA) inc.	1) 360networks Services, Inc. f/k/a Worldwide Fiber Network Services, Inc.	Nortel Networks, Inc.	5405 Windward Parkway, Alpharetta, GA 30004	05/29/2001	200100117810	\$0
Georgia	360networks services, inc.	n/a	Nortel Networks, Inc.	5405 Windward Parkway, Alpharetta, GA 30004	05/30/2001	60200112124	\$0
Illinois	360networks (USA) inc	1) 360networks Services, Inc.	Nortel Networks, Inc.	5405 Windward Parkway, Alpharetta, GA 30004	06/05/2001	4393515	\$0
Iowa	360networks (USA) inc.	n/a	Nortel Networks, Inc	5405 Windward Parkway, Alpharetta, GA 30004	06/04/2001	P191651	\$0
Nebraska	360networks (USA) inc.	n/a	Nortel Networks, Inc.	5405 Windward Parkway, Alpharetta, GA 30004	06/01/2001	9901145851	\$0
New York	360networks (USA) inc	1) 360network Services, Inc. f/k/a Worldwide Fiber Networks	Nortel Networks, Inc	5405 Windward Parkway, Alpharetta, GA 30004	06/18/2001	118140	\$0
Ohio	360networks (USA) inc.	1) 360networks Services, Inc. f/k/a Worldwide Fiber Network Services, Inc.	Nortel Networks, Inc	5405 Windward Parkway, Alpharetta, GA 30004	05/22/2001	AP339920	\$0

**All UCC liens of Automated Logic and Nortel were recorded within 90 days of the Petition Date.

PLAN SCHEDULE 3.5(a)

AMOUNTS OF NONCONSENSUAL LIEN CLAIMS

Schedule of Nonconsensual Lien Claims

Company	360 Party	Property	Assessed Amount	Proposed Allowance Class & Chain
DCB		17100 E. 32nd Place Aurora, CO	\$442,846	\$442,846.25
Mosser		1545 Clay Street Detroit, MI	\$344,015.00	\$344,015.00
Retzke/Snyder Electrical Contractors Inc. (sub of Mosser?)		1545 Clay Street Detroit, MI	\$16,507.99	\$0.00
Erie Welding & Mechanical Contractors Inc. (sub of Mosser?)		1545 Clay Street Detroit, MI	\$45,376.00	\$0.00
Peak		17100 E. 32nd Place Aurora, CO	\$214,587.00	\$160,940.00
Berthel Lewis	360networks (USA) inc	351 E. 21st Street Chicago, IL	\$75,466.80	\$115,050.00
	360networks (USA) inc	351 E. 21st Street Chicago, IL	\$68,678.94	
	360networks (USA) inc.	600 S. Federal St Chicago, IL	\$20,211.71	
McLier	360networks (USA) inc	600 S. Federal St Chicago, IL	\$64,400.00	\$64,400.00
Rohn, Inc	360networks (USA) inc.	10481 North Route 50 Manteno, IL	\$49,374.00	\$0.00
	360networks (USA) inc.	1524 N. State Highway 115 Roberts, IL	\$50,347.00	
	360networks (USA) inc.	1445 84 N. Clinton, IL	\$45,999.00	
	360networks (USA) inc.	2820 Fox Bridge Road Springfield, IL	\$46,988.00	
	360networks (USA) inc.	13087 Rinaker Road Carlinville, IL	\$50,421.00	
McLaughlin		13087 Rinaker Road Carlinville, IL	\$27,180.10	\$130,000.00
		1445 84 N. Clinton, IL	\$18,721.10	
		10481 N Route 50 Manteno, IL	\$118,651.30	
		1524 N State Hwy. 115 Roberts, IL	\$21,524.90	
		2820 Fox Bridge Road Springfield, IL	\$124,839.90	
Kellogg General Engineering (sub of McLaughlin)		2820 Fox Bridge Road Springfield, IL	\$17,499.97	\$0.00
		13087 Rinaker Road Carlinville, IL	\$9,662.44	
		10481 N Route 50 Manteno, IL	\$13,588.83	
		1445 84 N Clinton, IL	\$10,288.73	
		1524 N. State Hwy. 115 Roberts, IL	\$14,598.44	
Graybar Electric Company, Inc (sub of Kellogg)		2820 Fox Bridge Road Springfield, IL	\$40,333.47	\$0.00
Schooley Caldwell	360networks (USA) inc.	401 N Broad Street Philadelphia, PA	\$24,916.05	\$0.00
Coleman Floor (sub of Kajima)	360networks, inc	350 E Cermak Road Chicago, IL	\$31,112.00	\$0.00
Rominger (sub of Kajima)	360networks (USA) inc	350 E Cermak Road Chicago, IL	\$88,000.00	\$0.00
S Mechanical (sub of Kajima)	360networks, Inc.	351 E 21st Street Chicago, IL	\$470,301.00	\$0.00
Kajima		351 E. 21st Street Chicago, IL	\$2,707,484.00	\$929,864.00
CHA Tech Services LLC		46 Erie Station Road Henrietta, NY	\$56,520.50	\$0.00
Clough Harbor & Associates LLP		46 Erie Station Road Henrietta, NY	\$9,232.50	\$0.00
Ledcor		46 Erie Station Road Henrietta, NY	\$216,974.00	\$0.00
Ledcor		Scottsville, NY	\$40,000.00	\$0.00
CHA Tech Services LLC		4250 Route 5S Montgomery County, NY	\$39,881.71	\$0.00
Clough Harbor & Associates LLP		4250 Route 5S Montgomery County, NY	\$9,534.01	\$0.00
Ledcor		Sprakers, NY	\$40,000.00	\$0.00
Lehigh Construction Group, Inc		Syracuse Regen Erie County, NY	\$39,296.00	\$0.00
Lehigh Construction Group, Inc.		Syracuse Regen Erie County, NY	\$68,350.00	\$0.00
Clough Harbor & Associates LLP		6720 Bockley Road Salina, NY	\$9,911.59	\$0.00
Lehigh Construction Group, Inc		Town of Salina County of Onondaga, NY aka Buckley Road	\$54,722.00	\$0.00

Company	360 Party	Property	Asserted Amount of Lien	Proposed Allowed Class 5 Claim
Lehigh Construction Group, Inc.		Buckley Road Town of Salina, NY	\$14,737.00	\$0.00
Clough Harbor & Associates LLP		North Genessee Street Utica, NY	\$11,667.69	\$0.00
Ledcor		302 N. Genessee Street Utica, NY	\$48,487.00	\$0.00
Lehigh Construction Group, Inc.		302 N. Genessee Street Utica, NY	\$12,120.00	\$0.00
Lehigh Construction Group, Inc.		302 N. Genessee Street Utica, NY	\$202,257.00	\$0.00
CHA Tech Services LLC		1301 Stone Church Road Waterloo, NY	\$130,601.00	\$0.00
Clough Harbor & Associates LLP		1301 Stone Church Road Waterloo, NY	\$6,210.00	\$0.00
Ledcor		Waterloo, NY	\$40,000.00	\$0.00
First Choice Construction, Inc.		Picacho, AZ	\$81,454.00	\$0.00
Marco Crane & Riggin Co		Picacho, AZ	\$1,174.00	\$0.00
Omni Duct Systems		Picacho, AZ	\$5,650.00	\$0.00
Brookstone Telecom, Inc.		Picacho, AZ	\$832,211.00	\$0.00
Empire Southwest LLC		Queen Creek, AZ	\$9,946.00	\$0.00
First Choice Construction, Inc.		Queen Creek, AZ	\$86,492.00	\$0.00
Omni Duct Systems		Queen Creek, AZ	\$2,910.00	\$0.00
RMI Ready Mix, Inc.		Queen Creek, AZ	\$7,550.00	\$0.00
Brookstone Telecom, Inc.		Queen Creek, AZ	\$884,974.00	\$0.00
Kellogg General Engineering & Electric		Tucson/Marana	\$391,246.00	\$0.00
Desert Security Services		Guatay, CA	\$12,122.00	\$0.00
Brookstone Telecom, Inc.		Sonoma	\$5,752.00	\$0.00
First Choice Construction, Inc.		Yuma	\$60,565.00	\$0.00
TAC Building Contractors		Yuma	\$11,617.00	\$0.00
Brookstone Telecom, Inc.		Yuma	\$269,306.00	\$0.00
Walters Wholesale Electric		Yuma	\$33,937.00	\$0.00
Carrier Center Liens				
Kajima		1200 White Street Atlanta, GA	\$1,927,092.00	\$0.00
Jones & Lanier Electric (sub of Kajima)		1200 White Street Atlanta, GA	\$525,401.00	\$0.00
Martin Concrete Construction (sub of Kajima)		1200 White Street Atlanta, GA	\$269,314.00	\$0.00
PW Heard Incorporated (sub of Kajima)		1200 White Street Atlanta, GA	\$318,457.00	\$0.00
Skilled Services Corporation (sub of Kajima)		1200 White Street Atlanta, GA	\$6,391.00	\$0.00
Top's Services Inc. (sub of Kajima)		1200 White Street Atlanta, GA	\$153,397.00	\$0.00
Batson-Cook Company		1200 White Street Atlanta, GA	\$3,352,692.00	\$0.00
Adams Construction Service (sub of Batson - Cook)		1200 White Street Atlanta, GA	\$437,052.00	\$0.00
Gorman Construction (sub of Batson - Cook)		1200 White Street Atlanta, GA	\$86,971.00	\$0.00

Company	360 Party	Property	Assessed Amount	Proposed Allowed Class 5 Charge of Lien
M&J Material (sub of Batsou - Cook)		1200 White Street Atlanta, GA	\$361,966.00	\$0.00
Peach State Roofing (sub of Batsou - Cook)		1200 White Street Atlanta, GA	\$161,919.00	\$0.00
Ragan Mechanical Contractors (sub of Batsou - Cook)		1200 White Street Atlanta, GA	\$30,615.00	\$0.00
Hughes Supply (sub of Batsou - Cook)		1200 White Street Atlanta, GA	\$7,465.00	\$0.00
Southeast Restoration & Fire (sub of Batsou - Cook)		1200 White Street Atlanta, GA	\$99,172.00	\$0.00
Rays & Co		1200 White Street Atlanta, GA	\$36,511.00	\$0.00
DCPRO Powercom, Inc.		1200 White Street Atlanta, GA	\$158,735.00	\$0.00
RAMC Allied ReadyMix, Inc.		1200 White Street Atlanta, GA	\$4,655.00	\$0.00
Kajima Construction		600 W 7th Street Los Angeles	\$3,473,823.00	\$0.00
American Woven Wire Corp (sub of Kajima)		600 W 7th Street Los Angeles	\$27,870.00	\$0.00
Carpetland, Inc (sub of Kajima)		600 W 7th Street Los Angeles	\$764.00	\$0.00
Construction Protective Services (sub of Kajima)		600 W 7th Street Los Angeles	\$67,128.00	\$0.00
Fast Forward Concrete Cut (sub of Kajima)		600 W 7th Street Los Angeles	\$12,758.00	\$0.00
SASCO Electric (sub of Kajima)		600 W 7th Street Los Angeles	\$1,572,074.00	\$0.00
Smith Emery Company (sub of Kajima)		600 W 7th Street Los Angeles	\$29,669.00	\$0.00
Southeast Industries (sub of Kajima)		600 W 7th Street Los Angeles	\$477,400.00	\$0.00
Fluor Global Services (sub of Kajima)		600 W 7th Street Los Angeles	\$120,372.00	\$0.00
MMK Consulting		600 W 7th Street Los Angeles	\$47,500.00	\$0.00
PSA Advanced Technology		600 W 7th Street Los Angeles	\$5,692.00	\$0.00
Muhlhäuser Steel, Inc.		600 W 7th Street Los Angeles	\$835,957.00	\$0.00
M.C. Erectors		600 W 7th Street Los Angeles	\$131,785.00	\$0.00
Cadence-McShane		6110 Trade Center Drive Austin, TX	\$372,287.00	\$0.00
Design Electric (sub of Cadence)		6110 Trade Center Drive Austin, TX	\$196,254.00	\$0.00
BG Metals (sub of Ideal National Mechanical)		6110 Trade Center Drive Austin, TX	\$9,608.00	\$0.00
Intertech Flooring (sub of Cadence)		6110 Trade Center Drive Austin, TX	\$3,241.00	\$0.00
JGR Tile & Stone		6110 Trade Center Drive Austin, TX	\$6,055.00	\$0.00
ACRS 2000 Corp		6110 Trade Center Drive Austin, TX	\$51,920.00	\$0.00
Black & Veatch		6110 Trade Center Drive Austin, TX	\$123,591.00	\$0.00
Fluor Global Services, a division of Fluor Enterprises, Inc.		6110 Trade Center Drive Austin, TX	\$114,384.00	\$0.00
Ideal National Mechanical		6110 Trade Center Drive Austin, TX	\$32,430.00	\$0.00
StorageDum		6110 Trade Center Drive Austin, TX	\$19,980.00	\$0.00
D & W Painting, Inc		6110 Trade Center Drive Austin, TX	\$15,272.00	\$0.00
Lone Star Interiors, Inc		6110 Trade Center Drive Austin, TX	\$13,720.00	\$0.00
S & S Steel Co, Inc		6110 Trade Center Drive Austin, TX	\$12,750.00	\$0.00

Company	360 Party	Property	Asserted Amount of Lien	Proposed Allowed Class of Claim
Turner Construction Co.		400 S. Akard Street Dallas, TX	\$784,515.00	\$588,386.00
Turner Construction Co		400 S. Akard Street Dallas, TX	\$232,763.00	\$174,572.00
Bratton Steel (sub of Turner)		400 S. Akard Street Dallas, TX	\$50,036.00	\$0.00
Encompass Industrial/Mechanical (sub of Turner)		400 S. Akard Street Dallas, TX	\$19,100.00	\$0.00
Encompass Industrial/Mechanical (sub of Turner)		400 S. Akard Street Dallas, TX	\$114,562.00	\$0.00
Unistrut Corporation (sub of Turner)		400 S. Akard Street Dallas, TX	\$104,667.00	\$0.00
Fishel Company		400 S. Akard Street Dallas, TX	\$73,318.00	\$0.00
Future Telecom		400 S. Akard Street Dallas, TX	\$9,172.00	\$0.00
Black & Veatch		400 S. Akard Street Dallas, TX	\$14,095.00	\$0.00
Fluor Global Services		400 S. Akard Street Dallas, TX	\$153,278.00	\$0.00
Adolphson & Peterson		5430 Greatfare Drive San Antonio, TX	\$2,835,200.00	\$0.00
Anchor Posts (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$32,865.00	\$0.00
Buell Door Company (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$53,419.00	\$0.00
CEI Roofing (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$444,824.00	\$0.00
Consolidated Interior Systems (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$44,253.00	\$0.00
Consolidated Interior Systems (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$16,623.00	\$0.00
Consolidated Interior Systems (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$21,168.00	\$0.00
Encompass Electrical (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$1,163,235.00	\$0.00
Bonded Lightening Protect (sub of Encompass)		5430 Greatfare Drive San Antonio, TX	\$17,904.00	\$0.00
George D. Alan Company (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$25,270.00	\$0.00
Global Erectors (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$125,169.00	\$0.00
Paramount Construction (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$54,754.00	\$0.00
Project Development Group (sub of Adolphson)		5430 Greatfare Drive San Antonio, TX	\$19,780.00	\$0.00
Sherwin Williams Paint (sub Able's Custom)		5430 Greatfare Drive San Antonio, TX	\$8,471.00	\$0.00
SHHS Corporation (sub Adolphson)		5430 Greatfare Drive San Antonio, TX	\$44,068.00	\$0.00
SHHS Corporation		5430 Greatfare Drive San Antonio, TX	\$64,218.00	\$0.00
Capital Industries (sub SHHS)		5430 Greatfare Drive San Antonio, TX	\$1,272.00	\$0.00
Equipment Depot (sub SHHS)		5430 Greatfare Drive San Antonio, TX	\$2,581.00	\$0.00
Lynwood Building Materials (sub SHHS)		5430 Greatfare Drive San Antonio, TX	\$1,699.00	\$0.00
TD Industries (sub Adolphson)		5430 Greatfare Drive San Antonio, TX	\$387,387.00	\$0.00
Thad Ziegler Glass (sub Adolphson)		5430 Greatfare Drive San Antonio, TX	\$13,105.00	\$0.00
Fire Alarm Control Systems, Inc.		5430 Greatfare Drive San Antonio, TX	\$81,203.00	\$0.00
Able's Custom Painting		5430 Greatfare Drive San Antonio, TX	\$73,103.00	\$0.00
Total Opening Systems Company		5430 Greatfare Drive San Antonio, TX	\$53,419.00	\$0.00
Argosy Floor Covering, Inc.		5430 Greatfare Drive San Antonio, TX	\$23,361.00	\$0.00
Southwest Concrete Products, L.P.		5430 Greatfare Drive San Antonio, TX	\$3,449.00	\$0.00
Builders Equipment and Tool Co., Inc		5430 Greatfare Drive San Antonio, TX	\$1,356.00	\$0.00
Ingram ReadyMix, Inc		5430 Greatfare Drive San Antonio, TX	\$918.00	\$0.00
Western States Fire Protection (sub Adolphson)		5430 Greatfare Drive San Antonio, TX	\$123,710.00	\$0.00

Company	360 Party	Property	Asserted Amount of Lien	Proposed Allowed Class / Claim
Kenner, LA Liens				
A-1 Glass Services		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$4,646.00	\$3,485.00
All South Subcontractors		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$76,177.00	\$57,133.00
American Sprinklers		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$13,774.00	\$10,331.00
Arrow Fence & Patio		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$4,743.00	\$3,557.00
Block Dickson		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$15,284.00	\$11,463.00
Charvet's Garden Center		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$19,878.00	\$14,909.00
Durr Heavey Construction LLC		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$99,194.00	\$74,396.00
Hennessy Contract Hardware		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$18,977.00	\$14,233.00
K.B Kaufmann & Co Inc.	360networks (USA), inc	1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$44,020.79	\$33,016.00
Mechanical Construction Co.	360networks (USA), inc	1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$302,820.00	\$227,115.00
Overhead Door Co		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$1,349.00	\$1,012.00
Sherwin Williams		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$20,504.00	\$15,378.00
Sun Interiors Ltd.		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$8,225.00	\$6,169.00
Thrasher Waterproofing		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$19,470.00	\$14,603.00
Ellis Steel Company, Inc.		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$34,700.00	\$26,025.00
Walter J. Barnes		1100 Industrial Road, Airport Industrial Park, Lot 16 Kenner, LA	\$778,854.00	\$584,141.00
Salt Lake City, UT Liens				
Big D Construction		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$1,590,050.00	\$795,025.00
CDR Enterprises, Inc (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$35,828.00	\$0.00
Sherwin Williams (sub of CDR)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$9,108.00	\$0.00
Floor Styles, Inc (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$20,013.00	\$0.00
KOH Mechanical Contractors (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$289,260.00	\$0.00
Harris & Hart, Inc (sub of KOH)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$95,931.00	\$0.00

Company	360 Party	Property	Assessed Amount of Lien	Proposed Allowance Class 3 Claim
Westover Corporation (sub of KOH)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$8,864.00	\$0.00
Lockwood Greene Engineers (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah		\$0.00
Monarchy Contracting & Design (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$64,371.00	\$0.00
Capitol Building Materials (sub of Monarchy)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$1,123.00	\$0.00
Rex W Williams & Sons (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$2,220.00	\$0.00
Tabor Insulation, Inc. (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$9,981.00	\$0.00
Taylor Hunt Electric (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$610,824.00	\$0.00
Utah Tile & Roofing, Inc (sub of Big-D)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$64,330.00	\$0.00
Randy Sorenson & Assoc Corp (General Contractor)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$212,840.00	\$106,420.00
Westfire (General Contractor)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$89,516.00	\$44,758.00
Taylor Hunt Electric (sub of Westfire)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$21,200.00	\$0.00
PSA Advanced Technology Group (General Contractor)		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$12,059.00	\$6,030.00
Long Building Technologies		5146 West Amelia Earhart Drive Salt Lake City, Utah	\$102,552.00	\$51,261.00
Bakersfield, CA				
Big D Construction		314 California Avenue Bakersfield, CA	\$1,754,525.20	\$877,262.00
Kern Steel Fabrication		314 California Avenue Bakersfield, CA	\$525,903.50	\$0.00
Medford Construction		314 California Avenue Bakersfield, CA	\$513,632.12	\$0.00
Rex Moore		314 California Avenue Bakersfield, CA	\$275,013.00	\$0.00
Architectural Building Supplies		314 California Avenue Bakersfield, CA	\$4,080.00	\$0.00
Jacksonville, FL				
Schooley Caldwell	360networks (USA) inc	425 Union Street W. Jacksonville, FL	\$24,723.44	\$0.00
Post Buckley		Jacksonville, FL	\$128,732.50	\$0.00
Fishel	360networks (USA) inc.	192 Washington Avenue Albany, NY	\$20,792.72	
	360networks (USA) inc	360 Main Street Buffalo, NY	\$10,499.40	
	360networks (USA) inc	3600 Oak Run Road Oak Run, CA	\$7,257.62	
	360networks (USA) inc	40633 Red Mountain Road Fall River Mills, CA	\$7,257.62	

PLAN SCHEDULE 3.6(c)

**CLASS 6 CLAIMS ALLOWED AMOUNTS AND, IF APPLICABLE,
CURE AMOUNTS FOR REINSTATEMENT**

NONE (OTHER THAN IMPAIRED CLASS 6 CLAIMS)

PLAN SCHEDULE 6.2(a)(1)

UNEXPIRED LEASES AND EXECUTORY CONTRACTS (OTHER THAN
UNDERLYING RIGHTS) TO BE ASSUMED
UNDER THE PLAN AND RELATED CURE AMOUNTS

PLAN EXHIBIT 6.2 (a) (1)

360 Debtor Party	Contract Title	Site	Landlord	Landlord Address 1	Landlord Address 2	Landlord Address 3	City	ST	ZIP	Assume
360networks (USA) inc.	Lease	Somerville, MA	WXIII/CGS YALE REAL ESTATE LTD PNRSHP	C/O YALE CONGRESS MANAGERS, L.L.C.	451 D. STRÉET		BOSTON	MA	02211	Assume
360networks (USA) inc.	Lease	Cheyenne, Wyoming Office Lease	TRIPOLI SQUARE, LLC	514 SO. GREELEY HIGHWAY			CHEYENNE	WY	82007	Assume
Ledcor Industries, Inc.	Lease	Chantilly, Virginia Office Lease	ARG @ Avion, LLC (formerly Trammell Crow Co.)	Lockbox #4657	PO BOX 85080		Richmond	VA	23285-4657	Assume
360networks (USA) inc.	Lease	Snohomish, Washginton Office Lease	Corstone Enterprises (formerly K-C Partnership)	PO Box 2280			SNOHOMISH	WA	98291	Assume
360networks (USA) inc.	Lease	Herndon, Virginia Office Lease	Herndon Lincoln LLC C/O Lincoln Property Co.	13900 Lincoln Park Drive	Suite 101		Herndon	VA	20171	Assume
360networks (USA) inc.	Lease	Oakdale, Minnesota Office Lease	JCS Properties	1260 Helmo Ave. N.			Oakdale	MN	55128	Assume
360networks (USA) inc.	Lease	Eugene, Oregon Office Lease	K&T Land Development	1040 Tylnn Street	#8		Eugene	OR	97402	Assume
360networks (USA) inc.	Lease	Seattle, Washington Office Lease	Selig Real Estate Holdings	PO Box 3661			Seattle	WA	98124-3661	Assume
360networks (USA) inc.	Lease	Denver, Colorado Office Lease	W9/Mtn Real Estate Limited Partnership	101 Lincoln Center Drive	4th Floor		Foster City	CA	94404-1167	Assume

Bond No.	Name/Build Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Cure
5944612/ VM0003001245A	Pacific Fiber Link, LLC	City of Vancouver, Washington	05/28/98-99	Permit Bond	\$0
5949124/ VM0003001284	Pacific Fiber Link, LLC	City of Redmond, Washington	03/1/99-00	Franchise Bond	\$0
5949135/ VM0003001295	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation I - 80, Henry/MP 148.72	05/19/99-04	Permit Bond	\$0
5949136/ VM0003001296	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL-29, Bureau	05/19/99-04	Permit Bond	\$0
5949137/ VM0003001297	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation I -80, Henry/MP 168.90	05/19/99-04	Permit Bond	\$0
5962536/ VM0003001408	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL 84, Rock Island	05/19/99-04	Permit Bond	\$0
5962537/ VM0003001409	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation I-74, Rock Island	05/19/99-04	Permit Bond	\$0
5962538/ VM0003001410	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL-5/92	05/19/99-04	Permit Bond	\$0
5962539/ VM0003001411	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL-82, Henry	05/19/99-04	Permit Bond	\$0
5962540/ VM0003001412	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL-78, Henry	05/19/99-04	Permit Bond	\$0
5962541/ VM0003001413	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation US-6 & 34, Bureau	05/19/99-04	Permit Bond	\$0
5962542/ VM0003001414	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL-40, Bureau	05/19/99-04	Permit Bond	\$0

Bond No.	Name/Bullo Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Cost
5962543/ VM0003001415	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation US-34, Bureau	05/19/99-04	Permit Bond	\$0
5962544/ VM0003001416	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation I-180, Bureau	05/19/99-04	Permit Bond	\$0
5962548/ VM0003001420	Pacific Fiber Link, LLC	Pierce County, Washington	06/8/99-00	Performance Bond	\$0
5962550/ VM0003001422	Pacific Fiber Link, LLC	King County, Washington - 206-296-0887	06/10/99-00	Permit/ Franchise Bond	\$0
6009453/ VM0003001461	Worldwide Fiber Networks, Inc.	Illinois Department of Transportation IL- 89, Bureau	06/16/99-04	Permit bond	\$0
6009463/ VM0003001471	Pacific Fiber Link, LLC	City of Coralville Iowa 319-351-5915	07/15/99-04	Permit Bond	\$0
6009466/ VM0003001474	Pacific Fiber Link, LLC	Washington Department of Transportation	07/29/99-01	Permit Bond	\$0
6009471/ VM000301479	Worldwide Fiber Networks, Inc.	Winema National Forest US Forest Service 541-883-6722	09/02/99-00	Performance Bond	\$0
6021530/ VM0003001507	Pacific Fiber Link, LLC	Washington DOT	10/12/99-01	Permit Bond	\$0
6009477/ VM0003001518	IC Fiber Illinois, LLC	Illinois DOT #6-26756 217-782-7301	11/30/99-04	Permit Bond	\$0
6009478/ VM0003001519	IC Fiber Illinois, LLC	Illinois DOT #6-26764 217-782-7301	11/30/99-04	Permit Bond	\$0
6009482/ VM0003001523	IC Fiber Illinois, LLC	Illinois DOT #6-26758 217-782-7301	12/09/99-04	Permit Bond	\$0
6009483/ VM0003001524	IC Fiber Illinois, LLC	Illinois DOT #6-26768 217-782-7745	12/15/99-04	Permit Bond	\$0

Bond No.	Name/Build Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Cure
6009484/ VM0003001525	IC Fiber Illinois, LLC	Illinois DOT #6-26754 217- 782-7745	12/15/99-04	Permit Bond	\$0
6009485/ VM0003001526	IC Fiber Illinois, LLC	Illinois DOT #6-26799 217- 782-7745	12/15/99-04	Permit Bond	\$0
6009486/ VM0003001527	IC Fiber Illinois, LLC	Illinois DOT #6-26755 217- 782-7745	12/15/99-04	Permit Bond	\$0
6009488/ VM0003001529	Pacific Fiber Link, LLC	City of Tukwila Washington 206- 433-0179	12/15/99-01	Surety Bond	\$0
6009493/ VM0003001534	IC Fiber Illinois, LLC	Illinois DOT #6-26835 217-782-7301	01/10/00-05	Permit Bond	\$0
6009494/ VM0003001535	IC Fiber Illinois, LLC	Illinois DOT #6-26806 217-782-7301	01/10/00-05	Permit Bond	\$0
6009498/ VM0003001539	Worldwide Fiber Networks, Inc.	US Department of Agriculture Jayne Biggerstaff 530-233-8740	01/19/00-01	Road Use Permit	\$0
6009499/ VM0003001540	Worldwide Fiber Networks, Inc.	US Department of Agriculture Jayne Biggerstaff 530-233-8740	01/19/00-01	Special Use Permit Bond	\$0
6021547/ VM0003001613	IC Fiber Illinois, LLC	Illinois DOT 9U-557 618-549-2171	02/23/00-05	Permit Bond	\$0
6021548/ VM0003001614	IC Fiber Illinois, LLC	Illinois DOT 6-26884 217-782-7745	02/29/00-05	Permit Bond	\$0
6021552/ VM0003001618	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Newhall Street	04/27/00-04	Permit Bond	\$0

Bond No	Name/Build Segment	Entity/Requesting Bond	Initial Bill Term	Type of Bond	Cure
6021553/ VM0003001619	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Broad Street	04/27/00-04	Permit Bond	\$0
6021554/ VM0003001620	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Exchange Street	04/27/00-04	Permit Bond	\$0
6021555/ VM0003001621	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Central Square	04/27/00-04	Permit Bond	\$0
6021556/ VM0003001622	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Central Avenue	04/27/00-04	Permit Bond	\$0
6021557/ VM0003001623	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Oxford Street	04/27/00-04	Permit Bond	\$0
6021558/ VM0003001624	Worldwide Fiber Networks, Incl	City of Lynn Department of Public Works Massachusetts 781-586-6778 Market Street	04/27/00-04	Permit Bond	\$0

Bond No.	Name/Build Segment	Entity/Requesting Bond	Initial Bill Term	Type of Bond	Cost
6021559/ VM0003001625	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 State Street	04/27/00-04	Permit Bond	\$0
6021560/ VM0003001626	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Wheeler Street	04/27/00-04	Permit Bond	\$0
6021561/ VM0003001627	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Neptune Boulevard	04/27/00-04	Permit Bond	\$0
6021562/ VM0003001628	Worldwide Fiber Networks, Inc.	City of Lynn Department of Public Works Massachusetts 781-586-6778 Commercial Street	04/27/00-04	Permit Bond	\$0
6065178/ VM0003001648	IC Fiber Iowa, LLC	City of St. Ansgar Iowa 515-736-4921	06/06/00-04	Permit Bond	\$0
6065182/ VM0003001652	Worldwide Fiber Networks, Inc.	Wright County Highway Department Minnesota 612-682-7391	06/08/00-02	Permit Bond	\$0
6065239/ VM0003001696	360networks (USA) inc.	County of Sacramento California 916-874-6544	09/01/00-01	Encroachment Permit Bond	\$0

Bond No.	Name/Buld Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Amount
6065241/ VM0003001698	360networks (USA) inc.	Wandering Creek Homes Assoc. Washington. 425-488-6983	09/12/00-05	Maintenance Bond	\$0
6065249/ VM0003001706	360networks (USA) inc.	State of Tennessee Tony Cooke 770-232-9200	10/03/00-01	Surety Bond	\$0
6087003/ VM0003001715	360networks (USA) inc.	State of South Dakota Tony Cooke 770-232-9200	10/31/00-01	Indemnity Bond	\$0
6087009/ VM0003001721	360networks (USA) inc.	Louisiana Public Service Commission Tony Cooke 770-232-9200	11/09/00-01	Permit Bond	\$0
60870010/ VM0003001722	360networks (USA) inc.	South Carolina Public Service Tony Cooke 770-232-9200	11/09/00-01	Indemnity Bond	\$0
60870011/ VM0003001723	360networks (USA) inc.	West Virginia Public Service Tony Cooke 770-232-9200	11/09/00-01	Permit Bond	\$0
6087012/ VM0003001724	360networks (USA) inc.	City of Miami Florida 305-416-1223	11/10/00-01	Permit Bond	\$0
6087014/ VM0003001726	GST Telecom California, Inc.	County of San Joaquin California 209-468-3023	11/21/00-01	Permt Bond	\$0
	1727	County of Tulare			\$0
6087018/ VM0003001730	GST Telecom California, Inc.	City of Union City California 510-471-3232	11/21/00-01	Performance Encroachment	\$0

Bond No.	Name/Build Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Cure
6087020/ VM0003001732	360networks (USA) inc.	Delaware Public Service Commission Tony Cooke 770-232-9200	12/06/00-01	Indemnity Bond	\$0
6087021/ VM0003001733	360networks (USA) inc.	Minnesota Public Utilities Tony Cooke 770-232-9200	12/06/00-01	Reseller's Bond	\$0
6087023/ VM0003001735	360networks (USA) inc.	Vermont Public Service Commission Tony Cooke 770-232-9200	12/7/00-01	Indemnity Bond	\$0
6097462/ VM0003001811	GST Telecom California, Inc.	City of Fresno California 559-498-4733	01/04/01-02	Streetwork and Excavation Bond	\$0
6097463/ VM0003001812	IC Fiber Louisiana, LLC	City of New Orleans Louisiana 504-565-6266	01/11/01-02	Franchise Bond	\$0
6097464/ VM0003001813	360networks (USA) inc.	City of Atlanta Georgia 404-330-6004	01/17/01-02	Performance Bond	\$0
6097475/ VM0003001824	360networks (USA) inc.	City of Redmond Washington 425-556-2861	04/05/01- 12/10/03	Performance Bond	\$0
6097476/ VM0003001825	360networks (USA) inc.	Borough of Tuckerton New Jersey 609-296-5058	04/11/01-02	Performance Guarantee Bond	\$0
6097477/ VM0003001826	360networks (USA) inc.	Township of Little Egg Harbor New Jersey 609-296-3600	04/11/01-02	Surety Bond	\$0
6097478/ VM0003001827	360networks (USA) inc.	Ocean County New Jersey 732-929-2130	04/11/01-02	Surety Bond	\$0

Bond No.	Name/Build Segment	Entity Requesting Bond	Initial Bill Term	Type of Bonds	Clire
6097479/ VM0003001828	360networks (USA) inc.	City of Pacific Washington	04/19/01- 11/11/02	Maintenance Bond	\$0
6097485/ VM0003001834	360networks (USA) inc.	City of Issaquah Washington 425-837-3400	06/20/01- 03/08/03	Restoration Bond	\$0
6097486/ VM0003001835	360networks (USA) inc.	City of Bothell Washington 425-486-2768	06/12/01-04	Surety Bond	\$0
6065220/ VM0003001842	Allen Beaudry	State of California	03/21/01-04	Qualifying Individual	\$0
6065221/ VM0003001843	360fiber inc.	State of California	03/21/01-04	Contractors License Bond	\$0
6097491/ VM0003001870	360networks (USA) inc.	City of Omaha	02/08/02-03	Maintenance Bond	\$0
					\$0
5929550/ VV0003000176	Ledcor Industries Inc./FOTS	State of Indiana	06/09/98-99	Blanket Permit Bond	\$0
5929571/ VV0003000197	Ledcor Industries Inc./FOTS	Board of County Road Commissioners County of Oakland, Minnesota	06/24/98-99	Construction Bond	\$0
5944577/ VM0003001243	Ledcor Industries Inc./FOTS	State of New York	06/10/98-99	Surety Bond	\$0
5944574/ VM0003001189A	Fonorola Fibre Development Inc.	Department of Transportation Michigan	06/18/98-99	Blanket Permit Bond	\$0
5944611/ VM0003001244	Pacific Fiber Link, LLC	District of Transportation, Washington	06/30/98-99	Blanket Permit Bond	\$0
6065175/ VM0003001645	Worldwide Fiber Networks, Inc.	E-470 Highway Authority Colorado 303- 537-3724	05/01/00-	Payment Perform & Warranty Bond	\$0

Bond No.	Name/Bid Segment	Entity/Regulating Bond	Initial Bill Term	Type of Bond	Coll.
6065179/ VM0003001649	Worldwide Fiber Networks, Inc.	State of Minnesota Commission of Trans 507-455- 5805	06/01/00-03	Permit Bond	\$0
6065183/ VM0003001653	Worldwide Fiber Networks, Inc.	City of Everett Massachusetts 617-394-2286	06/14/00-01	Permit Bond	\$0
6087005/ VM0003001717	360networks (USA) inc.	Michigan DOT Michigan 517-335-2211	11/06/00-01	Blanket Permit Bond	\$0
6087006/ VM0003001718	360networks (USA) inc.	City of Toledo Ohio 419-936-2851	11/06/00-01	Permit Bond	\$0
6087022/ VM0003001734	360networks (USA) inc.	City of Monroe Michigan 734-243-0700	12/06/00-01	Permit Bond	\$0
6087024/ VM0003001736	360networks (USA) inc.	Township of Erie Michigan 734-848-5915	12/18/00-01	Performance Bond	\$0
6087025/ VM0003001737	360networks (USA) inc.	Township of Berlin Michigan 734-586-2187	12/20/00-01	Performance Bond	\$0
6097466/ VM0003001815	360networks (USA) inc.	City of Goshen Indiana 219-534-2512	02/02/01-02	Security Bond	\$0
6097468/ VM0003001817	360networks (USA) inc.	Indiana DOT Indiana 219-484-9541	02/19/01-02	Permit Blanket Bond	\$0
6097469/ VM0003001818	360networks (USA) inc.	Elkhart County Indiana 219-534-9394	02/19/01-02	Bond	\$0
6097471/ VM0003001820	360networks (USA) inc.	City of Monroe Michigan 734-243-0700	03/09/01-02	Performance Bond	\$0
					\$0

Bond No.	Name/Build Segment	Entity/Requesting Bond	Initial Bill Term	Type of Bond	Cure
5949119/ VM0003001279	Pacific Fiber Link, LLC	County of Clackamas, Oregon	02/08/99-00	Performance Bond	\$0
5949123/ VM0003001283	Pacific Fiber Link, LLC	Butte County, California	02/17/99-00	Install/Perf Bond	\$0
5949126/ VM0003001286	Ledcor Industries Inc.	Department of Transportation, Michigan	03/11/99-01	Blanket Permit Bond	\$0
5949130/ VM0003001290	Pacific Fiber Link, LLC	City of Springfield, Oregon	04/1/99-00	License Bond	\$0
6009465/ VM0003001473	Pacific Fiber Link, LLC	City of Renton Washington 425-430-7216	07/27/99-00	Construction Bond	\$0
6009467/ VM0003001475	Pacific Fiber Link, LLC	Tehama County California 530-385-1189	08/4/99-02	Encroach Permit	\$0
6021538/ VM0003001515	Pacific Fiber Link, LLC	City of Mountlake Terrace Washington 425-776-1161	11/17/99-00	Performance Bond	\$0
6021539/ VM0003001516	Worldwide Fiber Networks, Inc.	City of Lake Forest Park Washington 206-368-5440	11/24/99-00	Performance Bond	\$0
6009495/ VM0003001536	Worldwide Fiber Networks, Inc.	City of Kelso	01/10/00-01	Permit Bond	\$0
6065184/ VM0003001654	Worldwide Fiber Networks, Inc.	Pacific Bell California 619-574-4252	06/21/00-03	Faithful Performance	\$0
6065185/ VM0003001655	360networks (USA) inc.	State of Minnesota Commission of Trans 612-296-8655	06/22/00-03	Utility Permit Bond	\$0
6065225/ VM0003001682	360networks (USA) inc.	City of Mountlake Terrace Washington 425-776-1161	08/01/00-02	Maintenance Bond	\$0

Bond No.	Name/Build Segment	Entity Requesting Bond	Initial Bill Term	Type of Bond	Cure
6065243/ VM0003001700	360networks (USA) inc.	New York City New York 718-403-8505	09/12/00-01	Contract Bond	\$0
					\$0
5962545/ VM0003001417	Worldwide Fiber Networks, Inc	City of Davenport, Iowa	05/26/99-00	Permit Bond	\$0
6021522/ VM0003001499	Worldwide Fiber Networks, Inc.	City of Davenport Iowa 319- 327-5182	10/06/99-00	Utility Bond	\$0
6021542/ VM0003001608	Worldwide Fiber Networks, Inc.	Department of Fish and Game California 916 653-6590	02/01/00-01	Permit Bond	\$0
6065180/ VM0003001650	Worldwide Fiber Networks, Inc.	City of Chelsea Massachusetts 617-889-8376	06/05/00-01	Permit Bond	\$0
6087004/ VM0003001716	IC Fiber Illinois, LLC	Cook County Illinois 312-603-1600	10/31/00-01	Permit Bond	\$0
6097484/ VM0003001833	360networks (USA) inc.	Town of Munster Indiana 219-836-8810	05/10/01- 12/31/01	Performance Bond	\$0
					\$0
6065188/ VM0003001658	360networks (USA) inc.	City of Phoenix Arizona 602-262-4970	07/10/00-01	Permit Bond	\$0
6065236/ VM0003001693	360networks (USA) inc.	Snohomish County Washington 425-388-3385	08/31/00-02	Improvement Guarantee Bond	\$0
6087026/ VM0003001738	360networks (USA) inc.	City of Mesa Arizona 480-644-3333	12/21/00-01	Performance Bond	\$0
6097470/ VM0003001819	360networks (USA) inc.	Town of Gilbert Arizona 480-503-6841	02/26/01-02	Contract Bond	\$0
6097481/ VM0003001830	360networks (USA) inc.	Town of Marana Arizona 520-297-2920	05/09/01-02	Performance Bond	\$0

Bond No.	Name/Build Segment	Entity/Requesting Bond	Initial Bill Term	Type of Bond	Cure
6097482/ VM0003001831	360networks (USA) inc.	Town of Marana Arizona 520-297-2920	05/09/01-02	Performance Bond	\$0
6097483/ VM0003001832	360networks (USA) inc.	Snohomish County Washington 425-388-3670	05/09/01-02	Improvement Bond	\$0

360 Entity Name	PARTY NAME	Route/Asset Location	Asset (Fiber/Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP Code	COUNTRY	Cost
360networks (USA) inc.		Seattle, WA ring and the metropolitan Redmond, WA ring	74 Mi., 2, 1 1/4" HDPE Conduit	09/23/1999		Agreement for Construction and Sale of Conduit System	4001 MAIN STREET		VANCOUVER	WA	98663		0.00
360networks (USA) inc.	ADC OSS SOLUTIONS				Service/Network Inventory Agreement	7055 TROY HILL DRIVE			ELKRIDGE	MD	21075		0.00
360networks (USA) inc.	AMERICAN FIRE EQUIPMENT SALES & SERVICES	Minneapolis - Winnipeg	Fire Suppression - provide system check out & put on-line	10/17/2001	Services Agreement	MICHAEL ANGSTADT	3107 W VIRGINIA AVE		PHOENIX	AZ	85009-1504		4,824.46
360networks (USA) inc.	C-2 UTILITY CONTRACTORS, INC.	Oregon	Emergency Restoration & General Maintenance	09/26/2000	Services Agreement	CURTIS SAUNDERS	3698 FRANKLIN BLVD		EUGENE	OR	97440		6,556.00
360networks (USA) inc.	CANNON CONSTRUCTION, INC	Castle Rock, WA between MP49 & MP 52	Emergency Response Services	02/01/2000	Services Agreement (ERS)	MIKE CANNON	406 PORTER WAY		MILTON	WA	98354-9638		0.00
360networks (USA) inc.	CAPROCK TELECOMMUNICATIONS CORP	Houston, Texas - 12061 North Freeway and I-45 North and leading around the Greenspoint Technology Center	2, 1 25" HDPE Conduits Approximately 4,300'	11/02/2000	Agreement for Construction and Sale of Conduit	MCLEODUSA TECHNOLOGY PARK,	ATTN LEGAL STAFF, P O BOX 3177		CEDAR RAPIDS	IA	52406-3177		
Meet Me Room LLC	CB RICHARD ELLIS					Property Management and Accounting Services	355 SOUTH GRAND	SUITE 1200	LOS ANGELES	CA	90071-1549		0.00
Telecom Central, L P.	CB RICHARD ELLIS					Property Management and Accounting Service	355 SOUTH GRAND	SUITE 1200	LOS ANGELES	CA	90071-1549		0.00
Carner Centers L A inc	CB RICHARD ELLIS					Property Management and Accounting Services	355 SOUTH GRAND	SUITE 1200	LOS ANGELES	CA	90071-1549		0.00
360networks (USA) inc.	CITIZENS COMMUNICATIONS	Between Round Mountain, CA and Palo Cedro, CA	1, 1 1/2" conduit containing 24 fibers	06/22/1999		Agreement/ Sale of Conduit & Fiber	880 NORTH CENTRAL EXPRESSWAY		DALLAS	TX	75231		0.00
360networks (USA) inc.	CITIZENS TELECOMMUNICATIONS COMPANY OF CALIFORNIA, INC	Palo Cedro, CA to Anderson, CA near Oak Run Road and centro Lane in Palo Cedro, CA to Deschutes Road and the Union Pacific RR in Anderson, CA	12 Fibers, Approximately 11.36 miles	09/14/2000		IRU Agreement	5600 HEADQUARTERS DRIVE,	MAIL STOP CIW-BSS	PLANO	TX	75024		0.00
360networks (USA) inc.	Copenhagen Utilities & Construction Inc	OR & WA	Emergency Response Services	10/01/2000	Service Agreement	J. Michael Morris	13600 Ambler Rd		Clackamas	OR	97015		7,885.90
360networks (USA) inc.	Culpepper Enterprises	Memphis - New Orleans, State of Mississippi, Louisiana	Maintenance	04/18/2001	Maintenance Services Agreement	William R Culpepper Jr	PO BOX 155 900 Beach St		Collins	MS	39428-0155		0.00
360networks (USA) inc.	CUMMINS ROCKY MOUNTAIN, INC	Various locations	Maintenance	01/01/2000	Maintenance Services Agreement	JAY SIEGEL	5100 E 58TH AVENUE		COMMERCE CITY	CO	80022		0.00
360networks (USA) inc.	Custom Underground, Inc.	Illinois	Emergency restoration & general maintenance all company areas in Illinois	08/04/2000	Construction Maintenance Services Agreement	Jim Feuchter	10209 West Bridgeportway		Hanna City	IL	51536		2,985.00

360 Entity Name	PARTY NAME	Route/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTY	Value
360networks (USA) inc.	DEPARTMENT OF THE ARMY US Army Corps	Portland to Sacramento	1.25" Conduit	01/01/1999		Conduit Sale	ATTN CITY LESTER	CORPS OF ENGINEERS STE. 760	REDDING	CA	96003	85012-1936	0.00
360networks (USA) inc	DOELKER CONSTRUCTION, INC	SAC - Portland & Oak Run - Fall River	Maintenance	05/03/2001	Maintenance Services Agreement	KEN DOELKER	11203 OLD OREGON TRAIL		RICHMOND	VA	23219		0.00
360networks (USA) inc	DOMINION TELECOM		Private Line Services MSA Agreement	05/02/2001	Agreement for Construction & Sale of Conduit system	701 EAST CARY STREET, 9TH FLOOR			VANCOUVER	WA	98662		0.00
360networks (USA) inc.	ELECTRIC LIGHTWAVE, INC	Portland to Seattle - between Gateway Drive to Monster Road	2, 4" schedule 40 PVC Conduit, 10 manholes	03/23/1999		Memorandum of Understanding	4400 NE 77TH AVENUE		MOUNTAIN VIEW	CA	94043		0.00
Carrier Centers L.A. inc	EQUINIX, INC	Los Angeles				Lessor Camer Center LA	2450 BAYSHORE PKWY		WOODINVILLE	WA	98072-0686		13,799.00
360networks (USA) inc	EVERGREEN UTILITY CONTRACTORS, INC.	WA & OR	Emergency restoration & general maintenance	10/08/2000	Maintenance Services Agreement	RAY PEDERSON	22823 HWY #9 SE		TUSCALOOSA	AL	35401		0.00
360networks (USA) inc	FAIRCHILD CONSTRUCTION	States of Alabama Areas, General Maintenance, States of Alabama Mississippi, Alabama, New Orleans area of Louisiana, and the Panhandle of Florida Areas; All Company Areas	Emergency restoration & general maintenance	04/18/2001	Maintenance Services Agreement (ERS)	FRED GRABOWSKY	2800 39TH STREET						0.00
Meet Me Room LLC	FIBERNET EQUAL	Los Angeles				Lessor Meet Me Room	EQUAL ACCESS, LLC	770 LEXINGTON AVENUE, 3RD FLOOR	ATTN KEVIN MAHONEY	NEW YORK	NY	10022	0.00
360networks (USA) inc	FIRE & SAFETY EQUIPMENT CO, INC	Washington		10/19/1999	Work Order Agreement	ERIC FRY	1017 54TH AVENUE EAST		TACOMA	WA	98424		778.00
Worldwide Fiber Networks, Inc	FORNOROLA FIBER DEVELOPMENT INC	Denver, CO	7, 1 25" Duct and ROW	1/3/00		User Agreement	1200 LANDMARK CENTER, SUITE 1300		OMAHA	NE	68102-1892		
360networks (USA) inc.	FORNOROLA FIBER DEVELOPMENT INC	6th Street, SE Corner of 2001 6th Ave., Seattle, WA to 707 Washington St., Portland, OR	1 SDR 11 HDPE 1 5" inside diameter	04/21/1998		Agreement for Construction and Sale of Conduit System	500, BOUL RENE-LEVESQUE OUEST,	5E ETAGE	MONTREAL	QU	H2Z 1W7		
360networks (USA) inc	GENERAL EXCAVATING	Nebraska	Emergency restoration & general maintenance	04/05/2001	Services Agreement (ERS)	LYNN SIEDSCHLAG, DIVISION MANAGER	6701 CORNHUSKER HIGHWAY		LINCOLN	NE	68507		0.00
360networks holdings (USA) inc	GTE GLOBAL NETWORKS, INCORPORATED	Manhole on SW Washington Street to Broadway Street, and in intersection of Broadway and SW Washington	1 4" conduit and 4 1" interducts and 1 24 strand fiber optic cable	02/17/1999		IRU Agreement	5800 CAMPUS CIRCLE DR. EAST		IRVING	TX	95063		0.00
360networks holdings (USA) inc.	GTE GLOBAL NETWORKS, INCORPORATED	Manhole on SW Washington Street to Broadway Street, and in intersection of Broadway and SW Washington	1 4" conduit and 4 1" interducts and 1 24 strand fiber optic cable	02/17/1999		IRU Agreement	5800 CAMPUS CIRCLE DR. EAST		IRVING	TX	95063		0.00

360 Entity Name	PARTY NAME	Route/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTRY	Cost
360networks (USA) inc	GTE NORTHWEST INCORPORATED	148th Avenue, Redmond, WA via Southern Route on the Seattle Ring to 228th and 23rd Avenue, Bothell Washington	4 Strands of Dark Fiber	11/09/1999		IRU Agreement	1800 41ST STREET			EVERETT	WA	98206-1003	0.00
Meet Me Room LLC	ICG TELECOM GROUP, INC	Los Angeles				Lessor Meet Me Room	161 INVERNESS DRIVE WEST	ATTN DIRECTOR OF REAL ESTATE		ENGLEWOOD	CO	80112	0.00
360networks (USA) inc	L T BLACK CONSTRUCTION CO	E St Louis to Memphis	Emergency Restoration Services	09/01/2000	Services Agreement (ERS)	LANCE BLACK	RT 2		BARDELL	KY	42023		0.00
Meet Me Room LLC	LEVEL 3	Dallas				Lessor Meet Me Room	COMMUNICATIONS, LLC	1025 EL DORADO BLVD	BROOMFIELD	CO	80027		0.00
Meet Me Room LLC	LEVEL 3	Los Angeles				Lessor Meet Me Room	COMMUNICATIONS LLC	1025 EL DORADO BLVD	BROOMFIELD	CO	80027		0.00
360networks holdings (USA) inc	LEVEL 3 COMMUNICATIONS	49th avenue SE Bothel, WA and proceeding south to intersection of Monster Road and Interurban avenue in Tukwila, WA - Seattle Ring	198,000 feet 18 interducts at a minimum of 1.25 inch inside diameter	02/22/1999		Agreement for Construction and Sale of Conduit System	1025 ELDORADO DRIVE		BROOMFIELD	CO	80021		0.00
360networks holdings (USA) inc	LEVEL 3 COMMUNICATIONS	Continuing north across and under the Multnomah Channel in Sauvie Island	10 1.25" conduits	02/26/1999		Agreement for Construction and Sale of Conduit System	1025 ELDORADO DRIVE		BROOMFIELD	CO	80021		0.00
360networks (USA) inc.	LEVEL 3 COMMUNICATIONS, LLC	Metro Denver, CO	6 dark fibers	01/09/2001		MOU							0.00
360networks (USA) inc	LEVEL 3 COMMUNICATIONS, LLC	Metro Denver, CO	6 dark fibers	01/09/2001		Metro IRU Agreement	1025 ELDORADO BOULEVARD		BROOMFIELD	CO	80021		0.00
360networks (USA) inc	LEVEL 3 COMMUNICATIONS, LLC	13th and Canal Street downtown Chicago, IL and proceed southwest	8 Conduits - 4.61 miles	07/22/1999		Conduit Purchase Agreement	1025 ELDORADO DRIVE		BROOMFIELD	CO	80021		0.00
360networks (USA) inc	LEVEL 3 COMMUNICATIONS, LLC	Phase I - N/A, Phase II - Seg 1, Northup to 112th Ave NE & NE 12 Ave (7 114ft), Phase II - Seg 2, 112th Ave, NE & NE 112th to 112 Ave, NE & Main (10 281 ft) Phase II - Seg 3 Bellevue Way & NE 8th to 110th Ave, NE & NE 4th (3 448ft), Phase III - 112th Ave, NE & Main to SE Gateway & 156th Ave, SE (22 380ft)		09/29/2000		Master Joint Build Agreement	1025 ELDORADO BOULEVARD		BROOMFIELD	CO	80021		0.00
360networks holdings (USA) inc	LEVEL 3 COMMUNICATIONS, LLC	Terry avenue and proceeding north to the intersection of 228th street NW and 49th avenue SE in Seattle	108,000 feet 18 interducts at a minimum of 1.25" inside diameter	02/22/1999		Agreement for Construction and Sale of Conduit System	1450 INFINITE DRIVE		LOUISVILLE	CO	80027		0.00
Meet Me Room LLC	LOOKING GLASS	Dallas				Lessor Meet Me Room	NETWORKS, INC.	1111 W 22ND ST, STE 600	ATTN: REAL ESTATE	OAK BROOK	IL	60523	0.00
Meet Me Room LLC	LOOKING GLASS	Los Angeles				Lessor Meet Me Room	NETWORKS, INC.	1111 W 22ND ST., SUITE 600	ATTN REAL ESTATE & GENERAL COUNSEL	OAK BROOK	IL	60523	0.00

360 Entity Name	PARTY NAME	Route/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTRY	Cost
360networks (USA) inc	MADISON RIVER COMMUNICATIONS, LLC	Mobile, AL to Pensacola, FL	1 continuous conduit which will consist in part of 1, 2" conduit and in part 1, 1 25" conduit and improvements	05/24/2000	Conduit Purchase Agreement	103 S 5TH			MEBANE	NC	27302		12,082.00
360networks (USA) inc.	MANUEL BROS, INC	California	Maintenance	12/26/2000	Maintenance Service Agreement	GARY SMITH	908 TAYLORVILLE ROAD, SUITE 104		GRASS VALLEY	CA	95949		0.00
360networks (USA) inc	MCI WORLDCOM NETWORK SERVICES, INC.	913 feet from approximately 3" from a manhole near the intersection of SW7th Street and Iowa Interstate Railroad, north along SW 7th Street to west side of 666 Walnut Street, Des Moines, IA	2, 1 25" HDPE innerducts within an 8" duct along the Segment	8/24/00		Agreement for Construction and Sale of Conduit and Access to Conduits	2270 LAKESIDE BOULEVARD		RICHARDSON	TX		75082	0.00
360networks (USA) inc.	MCI WORLDCOM NETWORK SERVICES, INC	4,500 feet from the NW corner of SE Eastgate Way and 156th Avenue SE to Buyer's existing manhole near the NW corner of SE Eastgate Way and 139th Avenue SE in Bellevue, WA	1 duct bank of quadlock pipe consisting of 4, 1 1/4" PVC Schedule 40 conduits and 1, 4" PVC Schedule 40 conduit within the Segment			Agreement for Construction and Sale of Conduit and Manholes	2270 LAKESIDE BOULEVARD		RICHARDSON	TX		75082	0.00
	MCLEODUSA TELECOMMUNICATIONS	7,899 feet in Tukwila, WA - Manhole on Interurban Ave., S proceeding W on S 133rd to E Marginal Ways, then continuing N. on E Marginal Ways to Interurban Ave., S., terminating at the shared manhole to be installed at E Marginal Way and Interurban Ave., S	1, 4" PVC conduit	11/21/00	Bill of Sale and Conduit Agreement	SERVICES, INC	6400 C STREET SW		CEDAR RAPIDS	IA		52406-3177	
Worldwide Fiber Networks, Inc	MCI WORLDCOM NETWORK SERVICES, INC	Des Moines, IA to Omaha, NE - handhole/vault of RR ROW on public property at intersection of 30th Street/Mile Post 354 65 on the S side of tracks in Des Moines to handhole/vault of RR ROW on public property at Mile Post 505 on the E. side of tracks in Omaha	24 or 36 Strands of Corning SMF	11/24/99		IRU Agreement	2270 LAKESIDE BLVD, DEPT 1103-642		RICHARDSON	TX		75082	
Worldwide Fiber Networks, Inc	MCLEODUSA TELECOMMUNICATIONS	84 Miles (71 miles for Seattle ring, 3 miles for Redmond ring and 10 miles for the Bellevue ring)	Conduit	1/24/00	Agreement for Construction and Sale of Conduit System	SERVICES, INC	6400 C STREET SW		CEDAR RAPIDS	IA	52406-3177		
Telecom Central, L.P.	MEETME ROOM LLC	Dallas Carrier Center				Lessor Camer Center Dallas	C/O 360NETWORKS, INC	2401 4TH AVE #1100		SEATTLE	WA	98121	0.00
Carrier Centers L.A. inc	MEETMEROOM, LLC	Los Angeles				Lessor Camer Center LA	C/O 360NETWORKS, INC	2401 4TH AVE #100		SEATTLE	WA	98121	0.00
360networks (USA) inc.	METROMEDIA FIBER NETWORK SERVICES, INC	1950 Stemmons Freeway, Dallas, TX and 400 South Akard, Dallas, TX	12 TruWave dark fiber strands	09/13/2000	Private Network Agreement	360 HAMILTON AVENUE			WHITE PLAINS	NY	10601		
Worldwide Fiber Networks, Inc	METROPOLITAN FIBER	Kent, WA between manhole at approx 196th Ave to manhole at approx 190th Ave	1, 4" Schedule 40 PVC Conduit and 3 manholes	6/28/99		Agreement for Construction and Sale of Conduit System	SYSTEMS OF SEATTLE, INC	2270 LAKESIDE BOULEVARD		RICHARDSON	TX	75082	0.00

360 Entity Name	PARTY NAME	Port/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTRY	Price
360networks (USA) inc.	MICROSOFT CORPORATION			12/12/2000	MSA	1065 LA AVENIDA STREET			MOUNTAIN VIEW	CA	94043		0.00
360networks inc	MI-LINK LLC	Along the Mi-Link system from Windsor Station, Montreal, Quebec to 11 N Pearl St, Albany, NY which is along the CP and B&M Railway Corridors	66 Dark Fibers, 2, 4" Ducts	5/12/00		Agreement	C/O CHAMPLAIN NETWORKS INC	1118 MAIN STREET, P O BOX 762	ATTN. CHRISTOPHER RENO	CHAMPLAIN NY		12919-0782	45,583.00
360networks (USA) inc.	MOHAWK INTERNET TECHNOLOGIES	CN Segment - Montreal to Rouses Point, Est. Miles, 55 - CP Segment - Montreal to Kahnawake, Est. Miles, 45 and Kahnawake to Rouses Point, Est Miles 10	4 dark fibers along CN Segment and 2 Dark Fibers along CP Segment			IRU Agreement	ROUTE 138, BOX 1470		KAHNAWAKE MOHAWK TERR	QU	QC J01 1B0		0.00
360networks (USA) inc	MOHAWK INTERNET TECHNOLOGIES	2 Fibers Kahnawake to Rouses Point, 2 Fibers Kahnawake to Central Station and 4 Fiber Central Station to Rouses Point	2 Fibers Kahnawake to Rouses Point, 2 Fibers Kahnawake to Central Station and 4 Fiber Central Station to Rouses Point	4/25/00		Memorandum of Understanding	ROUTE 138, BOX 1470		KAHNAWAKE MOHAWK TERR	QU	QC J01 1B0		0.00
360networks (USA) inc.	MOHAWK INTERNET TECHNOLOGIES			11/7/01		MSA	ROUTE 138, BOX 1470		KAHNAWAKE MOHAWK TERR.	QU	QC J01 1B0		0.00
360networks (USA) inc	NIAGARA MOHAWK POWER CORPORATION		conduit	14-Apr-00	Conduit Occupancy Agreement	300 ERIE BOULEVARD WEST			SYRACUSE	NY	13202		15,458.00
360networks (USA) inc	NOBLES INSPECTION AND	Illinois, Iowa, Nebraska, Colorado	Maintenance & General & Emergency Restoration	09/18/2000	Maintenance Service Agreement	LOCATING SERVICES, INC.	TERRY SMITH	126 CAMPGROUND ROAD	BEEBE	AR	72012		0.00
360networks (USA) inc	NORTHWEST OPEN ACCESS NETWORK	From the 20th Floor in the Westin Building (6th and Virginia) Seattle, WA to 360's CSE at 4420 180th Street East, Spanaway, WA	4 Dark Fibers	14-Sep-00	Fiber Optic Lease & IRU Agreement	2327 GRAND AVENUE			EAST WENATCHEE	WA	98802-8219		0.00
360networks (USA) inc	NSTAR COMMUNICATIONS, INC	Route A - 70 Innerbelt Road to 230 Congress Street through Somerville, Cambridge and Route B - A point-to-point Route from 70 Innerbelt Road to 230 Congress Street to One Summer Street	Route A - 6, single mode (SMF-28) fibers, Route B - 24 LEAF fibers	18-Aug-00	Fiber Use Agreement	800 BOYLSTON STREET			BOSTON	MA	02199		0.00
360networks (USA) inc	PACIFIC BELL			22-May-00	Pole and Conduit License Agreement	4220 ARIZONA ST., ROOM 100			SAN DIEGO	CA	92104		0.00
360networks (USA) inc	PACIFIC BELL TELEPHONE CO.				Pole and Conduit License Agreement	MCCORDUCK, RON	P O BOX 5038		SACRAMENTO	CA	95851-1038		0.00
360networks (USA) inc	PACWEST TELECOM INC			04-Dec-00	MSA	4210 CORONADO AVE.			STOCKTON	CA	95204		0.00
360networks (USA) inc.	PATHNET, INC.	Between Aurora, CO and Chicago, IL	1 conduit and 50% of total fibers	5/3/99	Agreement	1015 31ST ST., N.W			WASHINGTON	DC	20007		
360networks services ltd/360networks services inc.	PEER1 NET (F.K.A COLOBROKERS COM)			10/09/2000	MSA	888-515 WEST HASTINGS STREET			VANCOUVER	BC	V6B 4N5	CANADA	0.00

360 Equity Name	PARTY NAME	Route/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTRY	Cost
360networks (USA) inc	PILCHUCK DIVERSIFIED SERVICES	Seattle to Portland	7/13/98 Phase III - Monster Road, King County to Olympic Pipeline MP 133 1 @ Pioneer Road, Pierce County \$1,532,792 21 10/8/98 Phase V - segment B - Directional Bore, city of Portland	01/12/2000	Construction Maintenance Services Agreement (maintenance services only)	MIKE TERRY	11711 NORTHCREEK PKWY.S. #D103		BOTHELL	WA	98011		0.00
360networks (USA) inc	Q9 NETWORKS INC	Toronto, Ontario - 151 Front Street, Chicago, Illinois - 600 South Federal Street	Capacity	29-Aug-00	Capacity Lease Agreement	100 WELLINGTON STREET WEST, SUITE 900			TORONTO	ON	M5K 1J3	CANADA	0.00
Meet Me Room LLC	QWEST	Los Angeles				Lessor Meet Me Room	COMMUNICATIONS	555 SEVENTEENTH ST	DENVER	CO	80202		0.00
Meet Me Room LLC	QWEST COMMUNICATIONS	Dallas				Lessor Meet Me Room	LOCAL SVCS PLANNING & DEV	1670 BROADWAY 29TH FLOOR	ATTN: MGR STANDARDS & LEASE ADMIN	DENVER	CO	80202	0.00
Carner Centers L.A. inc.	QWEST COMMUNICATIONS CORP	Los Angeles				Lessor Carner Center LA	555 17TH STREET, 7TH FLOOR		DENVER	CO	80202		0.00
360networks (USA) inc	RACO INTERNATIONAL INC			02/06/2001	MSA	MAIN PLACE TOWER 17TH FL #1709			BUFFALO	NY	14202		0.00
360networks (USA) inc	RAW CONSTRUCTION, INC	Manteno, IL to E St Louis	Emergency restoration services \$2,500/yr	09/01/2000	General Maintenance and Service Agreement	ROBERT WILLIAMS, JR	3535 S MACARTHUR		SPRINGFIELD	IL	62704		0.00
360networks (USA) inc	RCN TELECOM SERVICES OF WASHINGTON, INC		Maintenance	9/8/00		Telecommunications System Maintenance Agreement	1400 FASHION ISLAND BLVD, STE 100		SAN MATEO	CA	94404		0.00
360networks (USA) inc.	RCN TELECOM SERVICES OF WASHINGTON, INC	71 miles from the Westin Building in Seattle, WA and circling back to the Westin Building	1, 1 25" HDPE conduit	9/8/00		Agreement for Construction and Sale of a Conduit	1400 FASHION ISLAND BLVD., STE 100		SAN MATEO	CA	94404		0.00
360networks (USA) inc	RCS DIGITAL SERVICES		48 Dark Fibers	9/27/00		IRU Agreement	200 VERNON STREET		ROSEVILLE	CA	95678		0.00
360networks (USA) inc.	SERVICE RESOURCES CORP.	Various - West Coast	Consultant \$450/day to provide company w/deliverables & act as Manager for ROW & permits	09/01/2000	Short Form Service Agreement	MARK JUDSON	5605 GLENRIDGE DRIVE, SUITE 870		ATLANTA	GA	30342		23,728.00
360networks (USA) inc	SORENSEN CONSTRUCTION	OR & WA		01/12/2000	Construction & Maintenance Services Agreement	CARIG SORENSON	13619 NE 10TH AVENUE		VANCOUVER	WA	98685		0.00
360networks (USA) inc	SORENSEN CONSTRUCTION	Keiso, WA		01/12/2000	Construction Service Agreement								0.00
360networks (USA) inc.	SORENSEN CONSTRUCTION	Seattle, WA to Portland, OR		01/10/2000	Work Order Agreement								0.00
Meet Me Room LLC	SOUTHERN CALIFORNIA	Los Angeles				Lessor Meet Me Room	EDISON COMPANY	2244 WALNUT GROVE AVE.	ATTN: EDISON CARRIER SOL. CONTACT MGR.	ROSEMEAD	CA	91770	0.00
360networks (USA) inc	SOUTHWEST TENNESSEE ELECTRIC	Covington, TN	Run power from Hwy 51 to our Covington, TN site on Lovelace Crossing Rd. 208V - 3 Phase	06/01/2000	Power Service Agreement	MEMBERSHIP CORPORATIO	ALLAN GLIDEWELL	1009 E. MAIN STREET	BROWNSVILLE	TN	38012		778.00

Entity Name	Party Name	Location	Asset Description	Effective Date	Asset Type	Address 1	Address 2	Address 3	City	State	Zip	County	Value
360networks (USA) inc.	SOUTHWEST TENNESSEE ELECTRIC	Henning, TN	AMP site at Lovelace Crossing, Henning, Lauderdale County, Tennessee	07/15/2000	Electric Power Service Agreement	MEMBERSHIP CORP	HAROLD COLMAN	P.O BOX 959	BROWNSVILLE	TN	38012		0.00
360networks (USA) inc.	SPALJ CONSTRUCTION	Minnesota, MN	Emergency Restoration & General Maintenance	12/17/2001	Maintenance Service Agreement	ATTN: MARK ANDERSON	PO BOX 428	2236 COUNTY ROAD	DEERWOOD	MIN	56444		0.00
360networks (USA) inc.	SPRINT COMMUNICATIONS COMPANY L.P.	East St. Louis, IL to Carbondale, IL - Carbondale, IL to Memphis, TN	6 dark fibers	10/12/2000	Fiber Optic Lease Agreement	6100 SPRINT PARKWAY, KSOPHK0210-2A718			OVERLAND PARK	KS	66251		0.00
360networks (USA) inc.	SPRINT COMMUNICATIONS COMPANY L.P.	Directional Bore under Cottonwood Creek at the Shasta-Tehama County Line	2, 1.5 HDPE conduits	08/18/2000	Agreement to Construct and Install Conduit System	6100 SPRINT PARKWAY, KSOPHK0210-2A718			OVERLAND PARK	KS	66251		0.00
Pacific Fiber Link, LLC.	SPRINT COMMUNICATIONS COMPANY LP	from Sprint's POP Site at 2001 6th Ave., Seattle, WA to Sprint's POP site at 2210 S. 35th St., Tacoma, WA (8.4 MI Aerial) to Sprint's POP site at 2953 St. Helens Rd., Portland, OR (7.4 MI Buried)	12 single mode non-dispersion shifted fibers within a fiber optic cable installed on the Seattle Route and 24 single mode non-dispersion shifted fibers within a fiber optic cable installed on the Tacoma Route	07/20/1998	Fiber Optic Agreement	1200 MAIN STREET			KANSAS CITY	MO	64105		0.00
Meet Me Room LLC	TCG DALLAS	Dallas				Lessor Meet Me Room	717 N. HARWOOD	SUITE 510	DALLAS	TX	75201		0.00
Meet Me Room LLC	TCG LOS ANGELES	Los Angeles				Lessor Meet Me Room	700 S. FLOWER ST.		LOS ANGELES	CA	90017		0.00
360networks (USA) inc.	TCG OREGON	Portland - Taylor Street and 6th to Taylor Street and Broadway	3, 1.25" HDPE conduit	6/7/01		Agreement for Construction and Sale of a Conduit	10340 SW NIMBUS AVENUE, BUILDING N		TIGARD	OR	97223		0.00
360networks (USA) inc.	TCI CABLEVISION OF WASHINGTON, INC	Approximately 100 Ft. S of 6th Ave., and Virginia St, County of King, Seattle, WA and terminating at the manhole approx. 156 Ft. N. of 196th St. and West Valley Hwy., King County, Kent, WA	2, 1" HDPE Innerducts	06/24/1999	Agreement for Construction and Sale of Conduit System	22025 30TH AVE., SE			BOTHELL	WA	98021-4444		0.00
Carrier Centers L.A. inc.	THE ICG COMPANIES	Los Angeles				Lessor Carrier Center LA	161 INVERNESS DR. W		ENGLEWOOD	CO	80112		0.00
Carrier Centers L.A. inc.	THRIFTY PAYLESS INC	Los Angeles				Lessor Carrier Center LA	30 HUNTER LANE		CAMP HILL	PA	17011		0.00
360networks holdings (USA) inc.	TOLEDO TELEPHONE COMPANY, INC.	Between handhole at north side of Cowlitz River and handhole at south side of Cowlitz River	1 1 25" HDPE conduit and 2 handholes	03/18/1999		Agreement for Construction and Sale of Conduit System	P O BOX 4005, 116 S 2ND STREET		TOLEDO	WA	98591		0.00
360networks (USA) inc.	TOUCH AMERICA	Facilities in Oregon & California	Nortel 192 MOR Plus System OPTera LH Repeater	2/27/02 NOT EXECUTED	Telecommunications System Maintenance Agreement	130 N. MAIN STREET			BUTTE	MT	59701		0.00
360networks (USA) inc.	T-Systems, Inc. F.K.A Deutsche Telekom, Inc	Customer is co-located at 360 POP	Wavelength	12/19/2000	MSA	1020 19TH ST, NW, SUITE 850			WASHINGTON	DC	20036		0.00
360networks (USA) inc.	T-Systems, Inc F.K.A Deutsche Telekom, Inc	Atlanta, GA - Chicago, IL; Atlanta, GA - Houston, TX; Atlanta, GA - New York, NY, Dallas - Houston, TX	IRU - Dark Fiber and Lease - Wavelength	12/15/2000	Agreement for Communication Services (IRU)	280 PARK AVENUE, 26TH FLOOR			NEW YORK	NY	10017		0.00

340 Entity Name	PARTY NAME	Route/Asset Location	Asset (Fiber, Conduit)	Effective Date	Agreement Type	ADDRESS1	ADDRESS2	ADDRESS3	CITY	STATE	ZIP	COUNTRY	Cost
Meet Me Room LLC	TXU COMMUNICATIONS	Dallas				Lessor Meet Me Room	ATTN: REAL ESTATE SERVICES	1601 BRYAN STREET	DALLAS	TX	75201		0.00
Telecom Central, L.P.	TXU COMMUNICATIONS, INC.	Dallas Carrier Center				Lessor Carrier Center Dallas	1601 BRYAN STREET		DALLAS	TX	77520		0.00
360networks (USA) inc	U S ARMY CORPS		1.25" Conduit	11/1/99		Conduit Sale	PORTLAND DISTRICT, P.O. BOX 2946		PORTLAND	OR	97208-2946		0.00
Meet Me Room LLC	UNIVERSAL ACCESS	Dallas				Lessor Meet Me Room	100 N. RIVERSIDE PLAZA	SUITE 2200	CHICAGO	IL	60606		0.00
Telecom Central, L.P.	UNIVERSAL ACCESS	Dallas Carrier Center				Lessor Carrier Center Dallas	100 N. RIVERSIDE DR.	SUITE 2200	CHICAGO	IL	60606		0.00
360networks (USA) inc.	UNIVERSAL ACCESS, INC.			03/28/2001	Master Service Agreement	233 SOUTH WACKER DRIVE, SUITE 600			CHICAGO	IL	60606		700.00
360networks (USA) inc.	VECTONE			02/20/2001	Master Service Agreement	REGATTA HOUSE - 58 MARSH WALL			LONDON		E14 9TP	UK	0.00
Meet Me Room LLC	VERADO HOLDINGS, INC.	Dallas				Lessor Meet Me Room	8390 E. CRESCENT PKWY	SUITE 300	GREENWOOD	CO	80111		0.00
	VISIONAEL CORPORATION				Software Agreement	410 CAMBRIDGE AVE.			PALO ALTO	CA	94306		1,676.16
	VITRIA TECHNOLOGY, INC.				Software Agreement	945 STEWART DRIVE			SUNNYVALE	CA			0.00
360networks (USA) inc	WCI CABLE, INC.	City Pair Portland, OR and Burlington, OR - 63rd Street in Burlington and south to vault located on Washington Street in front of the Union Bank of California Building at 707 Washington Street, Portland	1, 1.25" HDPE Conduit	03/29/1999	Conduit IRU Agreement	19720 NW TANASBOURNE DRIVE			HILLSBORO	OR	97124-9073		0.00
360networks (USA) inc	WCI CABLE, INC.	Westin Building, Seattle, WA to California Building, 707 Washington Street, Portland, OR	12 individual dark fiber strands (coming LEAF) (185 route miles)	03/29/1999	Fiber IRU Agreement	19720 NW TANASBOURNE DRIVE			HILLSBORO	OR	97124-9073		0.00
Telecom Central, L.P	WILLIAMS COMMUNICATIONS, INC.	Dallas Carrier Center				Lessor Carrier Center Dallas	WILLIAMS HEADQUARTERS BUILDING	BANK OF OKLAHOMA TOWER	ONE WILLIAMS CENTER, STE. 2200	TULSA	OK	74172	0.00
360networks (USA) inc.	WILSHIRE CONNECTION, LLC	2, 4" conduits and ZERO 1-inch innerducts (one 4" conduit exiting the Originating Building near the west (Hope St.) and one 4" conduit exiting the Originating Building near the east (Grand Avenue) as described further in the attached Schedule A	2, 4 Inch conduits and ZERO 1-inch innerducts (one 4" conduit exiting the Originating Building near the west (Hope St.) and one 4" conduit exiting the Originating Building near the east (Grand Avenue) as described further in the attached Schedule A	10/25/2000	License Agreement for USA of Cable Connection Areas and Conduit	633 W. FIFTH STREET, 56TH FLOOR			LOS ANGELES	CA	90071		5,000.00

Entity	Company	Location	Description	Effective Date	Contract	Address	City	State	Zip	Quantity	Value		
360networks services ltd/360 networks services inc	WISPR NETWORKS / NEXTLINK			11/13/2000	MSA	100 ALEXIS-NIHON, SUITE 593			ST. LAURANT	QU	H4M 2P1	CANADA	0.00
Meet Me Room LLC	WORLDCOM	Los Angeles				Lessor Meet Me Room	750 THE CITY DRIVE	SUITE 200		ORANGE	CA	92868	0.00
Meet Me Room LLC	WORLDCOMM	Dallas				Lessor Meet Me Room	METROPOLITAN FIBER	SYSTEMS OF DALLAS, INC	2477 GATEWAY DR.	IRVING	TX	75063	0.00
Meet Me Room LLC	XO CALIFORNIA, INC.	Los Angeles				Lessor Meet Me Room	1924 E. DEERE AVE	ATTN: VICE PRESIDENT & GENERAL MGR.	SANTA ANA	CA	92705		0.00
Carver Centers L.A. inc.	XO COMMUNICATIONS, INC.	Los Angeles				Lessor Carver Center LA	11111 SUNSET HILLS RD		RESTON	VA	20190		0.00
Meet Me Room LLC	XO COMMUNICATIONS, INC.	Dallas				Lessor Meet Me Room	11111 SUNSET HILLS RD		RESTON	VA	20190		0.00
360networks (USA) inc.	GST TELECOM, INC.	Between Los Angeles, CA and Ontario, CA and Between Mira Mesa, CA and San Diego, CA	2, 1 1/4" Conduit	09/23/1999		IRU Agreement	4001 MAIN STREET		VANCOUVER	WA	98663		0.00
360networks (USA) inc.	LEVEL 3 COMMUNICATIONS, LLC	Springfield, Or to Anderson, CA		05/17/1999		Agreement to Construct and Install Conduit System	1025 ELDORADO BOULEVARD		BROOMFIELD	CO	80021		0.00
360networks (USA) inc.	LEVEL 3 COMMUNICATIONS, LLC	Railroad Milepost 3 to a location near Railroad Milepost 8 at Yolo County Road 102 along railroad corridor between Woodland, CA and West Sacramento CA	Multiple Conduit System - Joint Build - Yolo County, CA 5 Miles	05/17/1999		Conduit Purchase Agreement	1025 ELDORADO BOULEVARD		BROOMFIELD	CO	80401		0.00
360networks (USA) inc.	GST TELECOM, INC.	San Jose to Oakland to Los Angeles	1 Conduit	01/10/2000		IRU Agreement	4001 MAIN STREET		VANCOUVER	WA	98663-1896		0.00

Schedule 6.2(a)(1) continued

All agreements required to be assumed pursuant to the following orders:

- Order Pursuant to Bankruptcy Rule 9019: (a) Authorizing and Approving Debtors' Entry Into Settlement Agreement Between Certain of the Debtors and their Canadian Affiliates On the One Hand, and Big Pipe, Inc., Big Pipe U.S., Inc., and Shaw Communications, Inc. On the Other Hand, dated February 21, 2002;
- Order: (a) Pursuant to Bankruptcy Rule 9019 Authorizing and Approving the Debtors' Entry Into a Settlement Agreement Between Certain of the Debtors and their Canadian Affiliates On the One Hand and Telus Communications, Inc., 3554864 Canada Ltd., and PSINet Canada Limited On the Other Hand; and (b) Granting Related Relief, dated June 7, 2002; and
- Order: (a) Pursuant to Bankruptcy Rule 9019 Authorizing and Approving Certain of the Debtors' Entry Into a Settlement Agreement Between Such Debtors and their Canadian Affiliates On the One Hand and Canadian Pacific Railway, Soo Line Railroad Company, and Delaware and Hudson Railway Company Inc. On the Other Hand; and (b) Granting Related Relief, dated June 28, 2002;

in each of the foregoing cases, subject to any conditions precedent as may be set forth in the relevant orders or underlying settlement agreements.

PLAN SCHEDULE 6.2(a)(2)

UNDERLYING RIGHTS TO BE REJECTED UNDER THE PLAN

EXHIBIT 6.2 (a)(2)

360 Debtor Party	Contract Title	Non-Debtor Party Name and Address	ADDRESS 1	ADDRESS 2	ADDRESS 3	CITY	ST	ZIP
360networks (USA) inc.	Permit	CITY OF BELLINGHAM PUBLIC WORKS DEPT.	DEPARTMENT OF PUBLIC WORKS	210 LOTTIE STREET		BELLINGHAM	WA	98225
360networks (USA) inc.	Permit	CITY OF BELLINGHAM PUBLIC WORKS DEPT.	DEPT OF PUBLIC WORKS	210 LOTTIE STREET		BELLINGHAM	WA	98225
360networks (USA) inc.	Permit	CITY OF BLAINE	STEWART, MONSEN, P.E.	1200 YEW STREET		BLAINE	WA	98226
360networks (USA) inc.	Business License	CITY OF EVERSON	111 MAIN STREET			EVERSON	WA	98247
360networks (USA) inc.	Permit	CITY OF EVERSON	111 WEST MAIN			EVERSON	WA	98247
360networks (USA) inc.	Permit	CITY OF EVERSON	111 WEST MAIN			EVERSON	WA	98247
360networks (USA) inc.	Permit	CITY OF SUMAS	P.O. BOX 9			SUMAS	WA	98295
360networks (USA) inc.	Permit	CITY OF SUMAS	PO BOX 9			SUMAS	WA	98295
360networks (USA) inc.	Hearing Report/Decision	PIERCE COUNTY				TACOMA	WA	98405
360networks (USA) inc.	Permit	WHATCOM COUNTY PUBLIC WORKS DEPT	5280 NORTHWEST DRIVE	SUITE C		BELLINGHAM	WA	98226
360networks (USA) inc.	Permit	WHATCOM COUNTY PUBLIC WORKS DEPT.	5280 NORTHWEST DRIVE	SUITE C		BELLINGHAM	WA	98226
360networks (USA) inc.	License	CONRAIL	JOHN K ENRIGHT	2001 MARKET ST, STE 16A		PHILADELPHIA	PA	19103
360networks (USA) inc.		CITY OF TOLEDO	SCOTT SIBLEY	401 SOUTH ERIE STREET		TOLEDO	OH	43602
360networks (USA) inc.	Permit	CITY OF RENO	JIM ZERR	PUBLIC WORKS DEPT	350 SOUTH CENTER STREET, SUITE 400	RENO	NV	89505
360networks (USA) inc.	Permit	ADOLPH LUCERO	PO BOX 1149			SANTA FE	NM	87504-1149
360networks (USA) inc.	Permit	CITY OF DEMING	LOUIS JENKINS	P.O. BOX 706		DEMING	NM	88031
360networks (USA) inc.	Permit	CITY OF LAS CRUCES	P.O. BOX 20000			LAS CRUCES	NM	88004
360networks (USA) inc.	Permit	CITY OF LAS CRUCES	PO BOX 20000			LAS CRUCES	NM	88004-1509
360networks (USA) inc.		CITY OF LAS CRUCES	CHRISTINE OCHS	P.O. BOX 20000		LAS CRUCES	NM	88004
360networks (USA) inc.	Permit	ELEPHANT BUTTE IRRIGATION DISTRICT	P.O. DRAWER 1509			LAS CRUCES	NM	88004-1509
360networks (USA) inc.	Permit	ELEPHANT BUTTE IRRIGATION DISTRICT	P. O. DRAWER 1509			LAS CRUCES	NM	88004
360networks (USA) inc.	Permit	ELEPHANT BUTTE IRRIGATION DISTRICT	GARY ESSLINGER	P.O. DRAWER 1509		LAS CRUCES	NM	88004-1509
360networks (USA) inc.	Permit	ELEPHANT BUTTE IRRIGATION DISTRICT	GARY ESSLINGER	P.O. DRAWER 1509		LAS CRUCES	NM	88004-1509
360networks (USA) inc.	Permit	NM DOT DIST 1	LESTER CISNEROS	P.O. BOX 231		DEMING	NM	88031-0231
360networks (USA) inc.	Permit	NM STATE LANDS	ADOLPH LUCERO	P.O. BOX 1149		SANTA FE	NM	87504-1149
360networks (USA) inc.	Agreement	REBECCA VIGIL-GIRON	325 DON GASPAR, SUITE 300			SANTA FE	NM	87503
360networks (USA) inc.	Permit	BELFORD TOWNSHIP BOARD	PANKOW, KENDALL	16643 89 ST SE		HANKINSON	ND	58041
360networks (USA) inc.	Permit	CASS COUNTY	RANDY WILKINS	346 MAIN STREET		FARGO	ND	58078
360networks (USA) inc.	Verbal Agreement	CASS COUNTY	BERNDT, KEITH	1201 MAIN AVENUE WEST		FARGO	ND	58078
360networks (USA) inc.	Permit	CITY OF MINOT	HAUGEN, KATHY	1025 31ST STREET SE		MINOT	ND	58701
360networks (USA) inc.	Consent to Cross	DEPARTMENT OF THE AIR FORCE	LARSEN, JIM	330 BOMBER BOULEVARD		MINOT AIR FORCE BASE	ND	58705-5008

360networks (USA) inc.	Permit	N.D. DEPT. OF TRANS. DIST. 3	PLUMMER, JUDY	316 6TH STREET SOUTH		DEVILS LAKE	ND	8301-3628
360networks (USA) inc.	Permit	N.D. DEPT. OF TRANS. DIST. 4	REGAN, PAUL	1305 HIGHWAY 2 BYPASS EAST		MINOT	ND	8701-7922
360networks (USA) inc.	Permit	N.D. DEPT. OF TRANS. DIST. 5	JEWETT, KEN	1524 8TH AVENUE S.W.		VALLEY CITY	ND	58072
360networks (USA) inc.	Permit	N.D. DEPT. OF TRANS. DIST. 7	WALTER PEDERSON	P.O. BOX 698		WILLISTON	ND	58802-0698
360networks (USA) inc.	Permit	N.D. DEPT. OF TRANS. DIST. 8	JERRY HALMRAFT	508 38TH STRET SOUTH		FARGO	ND	58103
360networks (USA) inc.	Permit	NORTH DAKOTA DEPT. OF HEALTH	DENNIS FEWLESS	1200 MISSOURI AVENUE	ROOM 203	BISMARCK	ND	58506-5210
360networks (USA) inc.	Permit	NORTH DAKOTA WATER COMMISSION	RAYMOND E. OLIGER	900 EAST BLVD.		BISMARCK	ND	58505
360networks (USA) inc.	Verbal Agreement	PIERCE TOWNSHIP	KOLL, LESLIE	1316 97TH AVENUE S.E.		WIMBLEDON	ND	58492
360networks (USA) inc.	Permit	RANSOM COUNTY	LAND, JERRY	P.O. BOX 668		LISBON	ND	58054
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN	RAILROAD COMPANY (BN)	DIRECTOR OF ADMINISTRATIO N	P.O. BOX 608	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN	RAILROAD COMPANY (BN)	DIRECTOR OF ADMINISTRATIO N	P.O. BOX 608	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD	COMPANY (BN)	DIRECTOR OF ADMINISTRATIO N	P.O. BOX 608	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD	& THE BURLINGTON NORTHERN & SANTA FE	RAILWAY COMPANY - MCLEOD, MARY BETH	116 4TH STREET	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD	& THE BURLINGTON NORTHERN AND SANTA FE	RAILWAY COMPANY - MCLEOD, MARY BETH	116 4TH STREET	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD CO	& THE BURLINGTON NORTHERN & SANTA FE	RAILWAY COMPANY - MCCLEOD, MARY BETH	116 4TH STREET	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD CO	& THE BURLINGTON NORTHERN AND SANTA FE	RAILWAY COMPANY - MCLEOD, MARY BETH	116 4TH STREET	WAHPETON	ND	58074
360networks (USA) inc.	License	RED RIVER VALLEY & WESTERN RAILROAD CO	& THE BURLINGTON NORTHERN & SANTA FE	RAILWAY COMPANY - MCCLEOD, MARY BETH	116 4TH STREET	WAHPETON	ND	58074
360networks (USA) inc.	Verbal Agreement	RENVILLE COUNTY	MAU, MARVIN	205 MAIN STREET		MOHALL	ND	58761
360networks (USA) inc.	Permit	RICHLAND COUNTY	SCHULATE, TIM	418 2ND AVENUE NORTH		WAHPETON	ND	58075
360networks (USA) inc.	Verbal Agreement	ROGERS TOWNSHIP	MARLER, ALLEN	11220 24 R STREET S.E.		SANBORN	ND	58480
360networks (USA) inc.	Regulatory Authority	SHARON HELBLING/MR. JOHN MIELKE,	EXEC. SECRETARY	NORTH DAKOTA PUBLIC SERVICE COMMISSION	600 E. BOULEVARD AVE. DEPT. 408	BISMARCK	ND	58505-0480