THIS IS NOT A SOLICITATION OF ACCEPTANCES OF THE SECOND AMENDED CHAPTER 11 PLAN OF LIQUIDATION OF DEWEY & LEBOEUF LLP IN THIS CHAPTER 11 CASE. ACCEPTANCES MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AND IS SUBJECT TO AMENDMENT PRIOR TO SUCH APPROVAL BEING GRANTED.

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Samantha J. Rothman

Counsel to the Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
DEWEY & LEBOEUF LLP,	:	Case No. 12-12321 (MG)
Debtor.	:	

DISCLOSURE STATEMENT RELATING TO THE SECOND AMENDED CHAPTER 11 PLAN OF LIQUIDATION OF DEWEY & LEBOEUF LLP, DATED JANUARY 7, 2013

DISCLAIMER

THIS DISCLOSURE STATEMENT RELATES TO THE SECOND AMENDED CHAPTER 11 PLAN OF LIQUIDATION OF DEWEY & LEBOEUF LLP (THE "PLAN") AND HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. THE DEBTOR IS THE PROPONENT OF THE PLAN. THE PLAN PROVIDES FOR THE PROPOSED METHOD OF LIQUIDATION OF THE ASSETS OF THE DEBTOR AND THE DISTRIBUTIONS CREDITORS OF THE DEBTOR WOULD RECEIVE IN THE CHAPTER 11 CASE UNDER THE PLAN.

THIS DISCLOSURE STATEMENT IS DESIGNED TO PROVIDE ADEQUATE INFORMATION TO ENABLE HOLDERS OF ELIGIBLE CLAIMS TO MAKE AN INFORMED JUDGMENT ABOUT WHETHER TO ACCEPT OR REJECT THE PLAN. ALL HOLDERS OF ELIGIBLE CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE INDICATED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT AND THE PLAN DESCRIBED HEREIN HAVE NOT BEEN REVIEWED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE THEY APPROVED, DISAPPROVED OR PASSSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THE PLAN OR HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS OF THE DEBTOR IN THIS BANKRUPTCY CASE SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED. NO PERSON MAY GIVE ANY INFORMATION ON BEHALF OF THE DEBTOR REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN, OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AND MAY NOT BE

CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTOR AND THE PARTY AGAINST WHOM SUCH INFORMATION IS SOUGHT TO BE ADMITTED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS, OR RECOMMENDATIONS OF THE DEBTOR, THE CREDITORS' COMMITTEE, THE SECURED LENDERS, OR ANY OTHER PARTY IN INTEREST HAVE BEEN PASSED UPON BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING SUCH DESCRIPTIONS.

THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED TO CONSTITUTE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE DEBTOR'S LIQUIDATION AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

TABLE OF CONTENTS

Page

Page

Page

Page

Page

Page

Page

TABLE OF ATTACHMENTS

I. INTRODUCTION

A. Executive Summary

Dewey & LeBoeuf LLP, the debtor in this Chapter 11 bankruptcy case (the "Debtor" or the "Firm"), filed its second amended Chapter 11 plan of liquidation with the Bankruptcy Court on January 7, 2013. A copy of the Plan is attached as **Exhibit 1** to this Disclosure Statement. The Debtor is the proponent of the Plan and is now seeking the votes of certain Creditors in favor of the Plan. This Disclosure Statement contains information, including a description of the terms of the Plan, to enable Creditors to make an informed decision in voting on the Plan.

The Plan is a product of certain consensual discussions among the Debtor, the Creditors' Committee, and certain of the Secured Lenders. The Debtor believes that the terms of the Plan are fair to all holders of Claims and Interests, taking into account the financial situation of the Debtor and the legal priority of such Claims and Interests. At this time, the Debtor does not believe that there is a viable alternative for completing the Bankruptcy Case other than through confirmation of the Plan. **THE DEBTOR EXPECTS THAT THE CREDITORS' COMMITTEE, AND THE SECURED LENDERS HOLDING A MAJORITY IN AMOUNT OF THE SECURED LENDER CLAIMS WILL SUPPORT CONFIRMATION OF THE PLAN. THE DEBTOR RECOMMENDS THAT CREDITORS VOTE TO APPROVE OR OTHERWISE SUPPORT THE PLAN.**

B. Considerations in Preparation of the Disclosure Statement and Plan; Disclaimers

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, HOLDERS OF ELIGIBLE CLAIMS ARE URGED TO CONSIDER CAREFULLY THE INFORMATION REGARDING TREATMENT OF THEIR CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. SEE ARTICLE XII — "CONDITIONS

PRECEDENT; CONFIRMATION AND EFFECTIVE DATE." THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.

THE DEBTOR PRESENTLY INTENDS TO SEEK TO CONSUMMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. THERE CAN BE NO ASSURANCE, HOWEVER, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR. PROCEDURES FOR DISTRIBUTIONS UNDER THE PLAN, INCLUDING MATTERS THAT ARE EXPECTED TO AFFECT THE TIMING OF THE RECEIPT OF DISTRIBUTIONS BY HOLDERS OF ALLOWED CLAIMS IN CERTAIN CLASSES AND THAT COULD AFFECT THE AMOUNT OF DISTRIBUTIONS ULTIMATELY RECEIVED BY SUCH HOLDERS, ARE DESCRIBED IN SECTION III.B — "OVERVIEW OF THE PLAN — SUMMARY OF PROPOSED DISTRIBUTIONS UNDER THE PLAN." THE WIND-DOWN COMMITTEE AND THE DEBTOR'S CHIEF RESTRUCTURING OFFICER HAVE APPROVED THE PLAN AND RECOMMEND THAT THE HOLDERS OF ELIGIBLE CLAIMS VOTE TO ACCEPT THE PLAN IN ACCORDANCE WITH THE VOTING INSTRUCTIONS SET FORTH IN ARTICLE XV — "PROCEDURES FOR VOTING ON PLAN" AND IN THE BALLOT. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF ELIGIBLE CLAIMS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT AND THE PLAN.

*****

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE BANKRUPTCY CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF ELIGIBLE CLAIMS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN THEIR ENTIRETY AS ATTACHED HERETO), STATUTORY PROVISIONS, EVENTS, OR INFORMATION. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF ELIGIBLE CLAIMS MUST RELY UPON THEIR OWN EXAMINATION OF THE DEBTOR AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH

MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

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

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. ANY ESTIMATES OF CLAIMS NOR INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR INTERESTS DETERMINED BY THE DEBTOR OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE, OF ANY KIND, SHALL NOT BE CONSTRUED AS AN ADMISSION.

C. General

This Disclosure Statement has been prepared to comply with section 1125 of the Bankruptcy Code and is hereby transmitted by the Debtor to holders of Eligible Claims for use in the solicitation of acceptances of the Plan, a copy of which is attached hereto as **Exhibit 1**. Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan. All exhibits attached to this Disclosure Statement are incorporated as if fully set forth herein and are a part of this Disclosure Statement.

For purposes of this Disclosure Statement, the following rules of interpretation shall apply: (i) whenever the words "include," "includes," or "including" are used, they shall be deemed to be followed by the words "without limitation," (ii) the words "hereof," "herein," "hereby," and "hereunder" and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, (iii) article, section, and exhibit references are to this Disclosure Statement unless otherwise specified, and (iv) with respect to any Distribution under the Plan, "on" a date means on or as soon as reasonably practicable thereafter.

The purpose of this Disclosure Statement is to provide "adequate information" to entities who hold Eligible Claims to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. By Order of the Bankruptcy Court entered on January 7, 2013, (the "Disclosure Statement Order") [Docket No. _____], this Disclosure Statement was approved and held to contain adequate information. A true and correct copy of the Disclosure Statement Order is attached hereto as **Exhibit 2**.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF HOLDERS OF ELIGIBLE CLAIMS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN WILL BE EFFECTUATED OR THAT THE PROJECTED RECOVERIES SET FORTH HEREIN WILL BE REALIZED.

D. Solicitation Package

Accompanying this Disclosure Statement for the purpose of soliciting votes on the Plan are copies of (i) the Plan, (ii) the notice of, among other things, the time for submitting a ballot (the "Ballot") to accept or reject the Plan, the date, time, and place of the hearing to consider the Confirmation of the Plan and related matters, and the time for filing objections to the Confirmation of the Plan (the "Confirmation Hearing Notice"), and (iii) a Ballot or Ballots (and return envelope(s)) that you may use in voting to accept or to reject the Plan, or a notice of non-voting status, as applicable. If you did not receive a Ballot and believe that you should have, please contact the Solicitation Agent (as defined below) at the address or telephone number set forth in the next subsection.

E. Voting Procedures, Ballots, and Voting Deadline

After carefully reviewing the Plan and this Disclosure Statement, and the exhibits thereto, and the detailed instructions accompanying your Ballot, holders of Eligible Claims in Classes 2, 3, 4 and 5 should indicate their acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Each such holder should complete and sign his, her, or its Ballot and return it in the envelope provided so that it is RECEIVED by the Voting Deadline (as defined below).

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

If you have any questions about the procedure for voting your Eligible Claim with respect to the packet of materials that you have received, please contact the Solicitation Agent (i) telephonically or (ii) in writing by (a) hand delivery, (b) overnight mail or (c) first class mail using the information below:

by hand delivery or overnight mail at:

Dewey & LeBoeuf LLP Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Telephone: (646) 282-2500

by first class mail at:

Dewey & Leboeuf LLP Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC FDR Station
P.O. Box 5014
New York, NY 10150 – 5014
Telephone: (646) 282-2500

THE SOLICITATION AGENT MUST RECEIVE THE ORIGINAL BALLOT ON OR BEFORE 5:00 P.M., PREVAILING EASTERN TIME, ON FEBRUARY 11, 2013 (THE "VOTING DEADLINE") AT THE APPLICABLE ADDRESS ABOVE. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

The Debtor reserves the right to amend the Plan, subject to the consent of the Creditors' Committee, the Collateral Agent and Secured Lenders holding a majority in amount of the Secured Lender Claims. Amendments to the Plan that do not materially and adversely affect the treatment of Claims or Interests may be approved by the Bankruptcy Court at the Confirmation Hearing without the necessity of resoliciting votes. In the event resolicitation is required, the Debtor will furnish new solicitation materials that will include new Ballots to be used to vote to accept or reject the Plan, as amended.

II. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor may reorganize its business for the benefit of its creditors, stockholders, and other parties in interest or engage in an orderly liquidation of its business. The Debtor commenced the Bankruptcy Case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on May 28, 2012. The Bankruptcy Case is being administered under Case No. 12-12321 (MG) by order of the Bankruptcy Court. *See* Section VI.A - "The Bankruptcy Case - Commencement of the Bankruptcy Case.''

The commencement of a Chapter 11 case creates an estate of all the legal and equitable interests of the debtor in possession as of the date the petition is filed.

Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and continue in possession of its property as a "debtor-in-possession'' unless the bankruptcy court orders the appointment of a trustee. In the Bankruptcy Case, the Debtor has remained in possession of its property and is winding down its business as a debtor in possession. *See* Article VI - "The Bankruptcy Case.''

Under section 362 of the Bankruptcy Code, the filing of a Chapter 11 petition, among other things, automatically stays all attempts by creditors or other third parties to collect pre-petition claims from the debtor or otherwise interfere with its property or business. Exempted from the automatic stay are governmental authorities seeking to exercise regulatory or policing powers. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization. In the Bankruptcy Case, no Creditor or party in interest has obtained relief from the automatic stay, except that certain of the Debtor's equipment lessors were granted stay relief to retrieve certain of their property, certain creditors were granted stay relief to set-off certain pre-petition amounts owing between the Debtor and those creditors, and an insurer was granted relief from the stay to permit it to advance certain defense expenses.[1]

The formulation of a Chapter 11 plan is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor's estate. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a Chapter 11 case (the "Filing Period''). However, section 1121(d) of the Bankruptcy Code permits the bankruptcy court to extend or reduce the Filing Period upon a showing of "cause.'' Following the filing of a plan, a debtor must solicit acceptances of the plan within a certain time period (the "Solicitation Period''). The Solicitation Period may also be extended or reduced by the bankruptcy court upon a showing of "cause.'' In the Bankruptcy Case, by Order dated September 21, 2012 [Docket No. 500], the Debtor's Exclusive Filing Period and the Debtor's Exclusive Solicitation Period were extended to, through and including, December 3, 2012, and March 1, 2013, respectively. *See* Section VI.E - "The Bankruptcy Case - Exclusivity Periods.''

[1] In conjunction with the rejection of certain the Debtor's non-residential real property leases, the Debtor's equipment lessors were granted stay relief to retrieve their property that the Debtor elected not to retain during the wind down pursuant to Orders of the Bankruptcy Court, dated July 26, 2012 [Docket No. 238] and August 9, 2012 [Docket No. 332]. Additionally, the Debtor (a) consented to a separate Order of the Bankruptcy Court [Docket No. 338] with Fifth Third Bank for stay relief and (b) entered into stipulations with ePlus Group, inc. [Docket No. 382], U.S. Bank National Association [Docket No. 290], Wells Fargo Equipment Finance, Inc. [Docket No. 370], Fidelity National Capital, Inc., d/b/a Winthrop Capital and Banc of America Leasing & Capital, LLC [Docket No. 460] as it applied to payment for the Debtor's continued use and future return of the equipment leased by those parties. Additionally, XL Specialty Insurance Company ("XL Specialty Insurance") was granted relief from the stay to permit it to advance certain defense expenses pursuant to the Law Firm Management Liability and Company Reimbursement Policy No. LU123088-11 for the Debtor for the period from October 2, 2011 to October 2, 2012. [Docket No. 559]. The Debtor also entered into separate stipulations with GE Asset Management Incorporated and Dell Marketing, L.P. granting those entities relief from the automatic stay to set off mutual prepetition Claims and granting related relief. [Docket Nos. 565 and 720, respectively].

B. The Plan of Liquidation

A Chapter 11 plan sets forth and governs the treatment and rights to be afforded to creditors and interest holders with respect to their claims against, and interests in, the debtor. According to section 1125 of the Bankruptcy Code, acceptances of a Chapter 11 plan may be solicited by the debtor only after a written disclosure statement has been provided to each creditor or shareholder who is entitled to vote on the plan.

The Debtor's Plan is a plan of liquidation. In general, a Chapter 11 plan of liquidation (i) divides claims and interests into separate classes, (ii) specifies the property that each Class is to receive under the plan, and (iii) contains other provisions necessary to implement the Plan. Under the Bankruptcy Code, "claims" and "interests" are classified rather than "creditors" and, in this case, "Partners," because such Persons or entities may hold claims and interests in more than one class.

III. OVERVIEW OF THE PLAN

A. Purpose of the Plan

The primary purpose of the Plan is to effectuate the completion of the orderly wind down of the Debtor's affairs. Pursuant to the Plan, the Debtor contemplates the liquidation of substantially all of its Assets and the Distribution of the related proceeds and the remainder of its Assets through two trust vehicles – a Liquidation Trust and Secured Lender Trust – established for the benefit of holders of Eligible Claims pursuant to the Plan and the Bankruptcy Code's priority scheme.

The Disclosure Statement sets forth certain detailed information regarding the Debtor's history and significant events that occurred prior to, and during, the Bankruptcy Case. The Disclosure Statement describes the Plan, effects of Confirmation and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and voting procedures that holders of Eligible Claims must follow for votes to be counted.

B. Summary of Proposed Distributions Under the Plan

Under the Plan, Claims against, and Interests in, the Debtor are divided into seven (7) Classes. Certain Claims, including Administrative Claims and Priority Tax Claims, are not classified and, if not paid prior, will receive payment in full in Cash on the later of the Effective Date or the date such Claim is Allowed, or as otherwise agreed to by the holder of such Claim. All other Claims and Interests, to the extent Allowed, will receive the Distributions described in the table below.

The table below summarizes the classification and treatment of the pre-petition Claims and Interests under the Plan. The summary is qualified in its entirety by reference to the provisions of the Plan and the estimates contained therein may be subject to change.

Class	Claim/ Interest	Treatment of Claim/Interest	Estimated Aggregate Amount of Allowed Claims or Interests	Proposed Treatment of Allowed Claims or Interests	Estimated Recovery[2]
Class 1	Non-Tax Priority Claims	Unimpaired	$1.4 million	Payment of such Claimant's Allowed amount in Cash or such other treatment agreed to by the Claimant and the Debtor or the Liquidation Trustee in writing.	100%

[2] The range of estimated recoveries contained herein are based upon, *inter alia*, the assumed effectuation of the PCPs, Receivables collection recoveries, asset disposition recoveries and the favorable resolution of certain Claims and Causes of Action, with the low end of the range of recoveries representing projected recoveries assuming low-range asset value realization estimates of the Debtor's Professionals. In addition, these estimated recoveries assume the aggregate cost of administering the Bankruptcy Case through the Effective Date and Allowed Priority Claims will be approximately $55 million. To the extent those administrative costs and Priority Claims exceed those estimates, Section 7.10 of the Plan allocates the funding of overages between Secured Lenders and holders of Allowed General Unsecured Claims. Accordingly, the actual recoveries may vary significantly from the range of estimated recoveries set forth herein.

Section 12.2 of the Plan provides that it is a condition precedent to the Effective Date that the Creditors' Committee, the Collateral Agent, and Secured Lenders holding a majority in amount of Secured Lender Claims are reasonably satisfied that those administrative costs and Priority Claims will not exceed certain agreed upon caps that will be disclosed as part of the Plan Supplement to be filed no later than seven (7) days before the Voting Deadline.

Class	Claim/ Interest	Treatment of Claim/Interest	Estimated Aggregate Amount of Allowed Claims or Interests	Proposed Treatment of Allowed Claims or Interests	Estimated Recovery
Class 2	Secured Lender Claims	Impaired	$261,897,943.72 Secured Lender Claims	Payment of such Claimant's Pro Rata share of the Secured Lender Trust Interests and the Liquidation Trust Secured Lender Interests, allowance of its Secured Lender Claim and its Pro Rata share of the Secured Lender Deficiency Claims, which shall be Allowed as, and receive the same treatment as, Class 4 General Unsecured Claims.	46.8% – 76.7%[3]

[3] Class 2 - Secured Lender Claims estimated recoveries assume that all holders of Secured Lender Claims are Releasing Secured Lenders (*i.e.*, Secured Lenders who, on their Ballots, have not opted out of the release of Participating Partners provided by Section 11.4 of the Plan). Under the Plan, Non-Releasing Secured Lenders (*i.e.*, those Secured Lenders who, on their Ballots, opt out of the release of Participating Partners provided by Section 11.4 of the Plan) are not entitled to receive proceeds from the PCPs. Accordingly, the estimated recoveries for such Claim holders may vary from those of Releasing Secured Lenders. In addition, the recovery estimates for Secured Lender Claims contained herein may be reduced if the amount of Allowed Administrative Claims and/or Priority Claims exceeds the amount projected in the Budget.

Class	Claim/ Interest	Treatment of Claim/Interest	Estimated Aggregate Amount of Allowed Claims or Interests	Proposed Treatment of Allowed Claims or Interests	Estimated Recovery
Class 3	Other Secured Claims	Impaired	N/A	Cash in the amount of such Allowed Other Secured Claim; or a non-recourse conveyance of the Estate's right, title and interest in and to the collateral securing such Allowed Other Secured Claim, or such other treatment as agreed to by the Claimant and the Debtor or the Liquidation Trustee in writing.	100%[4]
Class 4	General Unsecured Claims	Impaired	N/A	Payment of such Claimant's Pro Rata share of the Liquidation Trust General Unsecured Creditor Interests.	5.25% – 14.1%[5]

[4] Based upon its preliminary analysis of Claims raised as potential Class 3 – Other Secured Claims, the Debtor believes Allowed Claim amounts for such Class will be $0.

[5] The recovery estimates for Allowed General Unsecured Claims contained herein may be reduced if the amount of Allowed Administrative Claims and/or Priority Claims exceeds the amount projected in the Budget. Additionally, under the Plan and as discussed further herein, Secured Lender Deficiency Claims are not entitled to a Distribution from the Initial PCP/Unfinished Business Proceeds (a Distribution that such holders would otherwise be entitled to as general unsecured creditors). Accordingly, the range of recoveries for holders of Secured Lender Deficiency Claims on account of such Claims will be between 1.8% and 9.6%. These estimates also assume that all holders of Secured Lender Deficiency Claims are Releasing Secured Lenders (*i.e.*, Secured Lenders who, on their Ballots, have not opted out of the release of Participating Partners provided by Section 11.4 of the Plan). Under the Plan, Non-Releasing Secured Lenders (*i.e.*, those Secured Lenders who, on their Ballots, opt out of the release of Participating Partners provided in Section 11.4 of the Plan) are not entitled to receive proceeds from PCPs. Accordingly, the estimated recoveries for such Claim holders

(footnote continued on the following page)

Class	Claim/ Interest	Treatment of Claim/Interest	Estimated Aggregate Amount of Allowed Claims or Interests	Proposed Treatment of Allowed Claims or Interests	Estimated Recovery
Class 5	Insured Malpractice Claims	Impaired	N/A	Payment solely from the proceeds of any applicable Malpractice Policy.	100%[6]
Class 6	Subordinated Claims	Impaired	N/A	No Distribution under the Plan unless all other Classes are first paid in full.	0%
Class 7	Interests	Impaired	N/A	No Distribution under the Plan.	0%

IV. THE CONFIRMATION HEARING AND OBJECTION DEADLINE

THE BANKRUPTCY COURT HAS SET FEBRUARY 27, 2013, AT 10:00 A.M., PREVAILING EASTERN TIME, AS THE DATE AND TIME FOR THE HEARING ON CONFIRMATION AND TO CONSIDER ANY OBJECTIONS TO THE PLAN. THE CONFIRMATION HEARING WILL BE HELD AT THE UNITED STATES BANKRUPTCY COURT, ONE BOWLING GREEN, COURTROOM 501, NEW YORK, NEW YORK 10004. THE DEBTOR WILL REQUEST THE PLAN BE CONFIRMED AT THE CONFIRMATION HEARING.

THE BANKRUPTCY COURT HAS FURTHER FIXED FEBRUARY 13, 2013, AT 5:00 P.M., PREVAILING EASTERN TIME, AS THE DEADLINE (THE "OBJECTION DEADLINE") FOR FILING OBJECTIONS TO CONFIRMATION WITH THE BANKRUPTCY COURT. OBJECTIONS TO CONFIRMATION MUST BE SERVED SO AS TO BE RECEIVED BY THE FOLLOWING PARTIES ON OR BEFORE THE OBJECTION DEADLINE:

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may vary from those of other holders of General Unsecured Claims including Releasing Secured Lenders.

[6] Estimated recoveries for holders of Allowed Class 5 – Insured Malpractice Claims will be paid pursuant to, and solely from the proceeds of, any applicable Malpractice Policy with respect to the Insured Portion of such Claims.

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and Daniel Eggermann
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Attn: Michael J. Reilly and Ronald J. Silverman
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Attn: Brian Masumoto
33 Whitehall Street, 21st Fl.
New York, New York 10004

ANY OBJECTION TO CONFIRMATION MUST BE IN WRITING AND (A) MUST STATE THE NAME AND ADDRESS OF THE OBJECTING PARTY AND THE AMOUNT OF ITS CLAIM OR THE NATURE OF ITS INTEREST AND (B) MUST STATE WITH PARTICULARITY THE NATURE OF ITS OBJECTION. ANY CONFIRMATION OBJECTION NOT TIMELY FILED AND SERVED AS SET FORTH HEREIN SHALL BE DEEMED WAIVED AND SHALL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

V. GENERAL INFORMATION REGARDING THE DEBTOR

A. Background

(i) The Debtor's Pre-Petition Business

The Firm is organized and registered as a New York limited liability partnership. Its affairs are governed by the Partnership Agreement. The Firm was founded in 2007 by the combination of two prominent law firms: Dewey Ballantine LLP and LeBoeuf, Lamb, Greene & MacRae LLP. Through this combination, the Firm became one of the world's largest law firms, with over 1,300 attorneys in 12 countries and headquarters in New York City (where it had its largest office of 545 lawyers). In addition to its New York City office, the Firm had offices located in Abu Dhabi, Albany, Almaty, Beijing, Boston, Brussels, Chicago, Doha, Dubai, Frankfurt, Hong Kong, Houston,

Johannesburg, London, Los Angeles, Madrid, Milan, Moscow, Paris, Riyadh, Rome, San Francisco, Sao Paulo, Silicon Valley, Tbilisi, Warsaw and Washington, D.C.

(ii) The Debtor's Existing Capital Structure

(a) The Credit Agreement

On April 16, 2010, the Firm entered into the Credit Agreement with JPMorgan Chase Bank, N.A. ("JPMorgan"), as Administrative Agent; Citibank, N.A., as the Documentation Agent; and Bank of America, N.A., as Syndication Agent – on behalf of the lenders and issuing banks thereunder (collectively, the "Credit Agreement Lenders") pursuant to which the Credit Agreement Lenders provided the Firm with a credit facility consisting of revolving loans and letters of credit in an aggregate principal amount not to exceed $100 million.

(b) Secured Notes

On April 16, 2010, the Firm also entered into the Note Agreement pursuant to which the Firm issued: (i) $40 million aggregate principal amount of 4.49% Series A Senior Secured Notes due April 16, 2013 (the "Series A Notes"); (ii) $15 million aggregate principal amount of 5.39% Series B Senior Secured Notes due April 16, 2015 (the "Series B Notes"); (iii) $40 million aggregate principal amount of 6.10% Series C Senior Secured Notes due April 16, 2017 (the "Series C Notes"); and (iv) $55 million aggregate principal amount of 6.65% Series D Senior Secured Notes due April 16, 2020 (the "Series D Notes" and, together with the Series A Notes, the Series B Notes and the Series C Notes, the "Secured Notes," and together with the Note Agreement and all other documents, including, without limitation, loan, note and security documents related to, referenced in, or executed from time to time, in connection with the Note Agreement, the "Note Agreements").

(c) Secured Lender Claims

As of the Petition Date, the asserted amount of obligations owing by the Debtor under (i) the Credit Agreement include approximately $74,766,040.49 of principal outstanding and $1,688,658.85 face amount of letters of credit issued and outstanding thereunder (the "Credit Agreement Obligations") and (ii) the Note Agreement include an aggregate outstanding principal amount of approximately $150 million (the "Note Agreement Obligations"). In addition to the foregoing amounts, when certain other amounts are added, including amounts owed by the Debtor under certain hedging agreements, prepetition interest and make-whole claims, the total pre-petition Secured Claims asserted against the Debtor by the Secured Lenders are approximately $261,897,943.72 (together with the Credit Agreement Obligations and the Note Agreement Obligations, the "Secured Lender Claims").

(d) Other Pre-petition Obligations of the Debtor

As of the Petition Date, the Debtor's other significant purported obligations consisted of purported obligations to secured personal property lessors, landlords, and other Creditors.

(iii) The Debtor's Pre-Petition Pension Plans and 401(k) Plan

The Debtor was a contributing sponsor of the Dewey & LeBoeuf LLP Retirement Plan, the Dewey & LeBoeuf Cash Balance Retirement Plan, and the Dewey & LeBoeuf 2007 Partner Cash Balance Plan (each a "Pension Plan," and collectively, the "Pension Plans"). Each Pension Plan is covered by title IV of the Employment Retirement Income Security Act of 1974, as amended (29 U.S.C. § 1310 et seq.) ("ERISA"). The Debtor also sponsored a 401(k) Plan for certain of its Partners and Employees, which it intends to terminate.

By Order of the U.S. District Court for the Southern District of New York, dated June 13, 2012, the Pension Plans were terminated and the PBGC was appointed statutory trustee of the Pension Plans. May 11, 2012 was established for each Pension Plan as the date of plan termination. The PBGC guarantees the payment of certain pension benefits upon termination of a pension plan covered by ERISA.

The PBGC contends that the Debtor and all members of the Pension Plans' controlled group, including non-debtors, are (a) jointly and severally liable for the unfunded benefit liabilities of the Pension Plans under 29 U.S.C. § 1362(a); (b) obligated to pay the contributions necessary to satisfy the minimum funding standards under 26 U.S.C. § 412(c)(11), and 29 U.S.C. § 1082(c)(11); (c) jointly and severally liable to the PBGC for unpaid premium obligations owed by the Debtor on account of the Pension Plans under 29 U.S.C. § 1307; and (d) jointly and severally liable to the PBGC under 29 U.S.C. § 1362(c) for shortfall and waiver amortization charges.

The PBGC has filed Claims (i) of $129 million (a portion of which seeks Administrative Claim status) in the Bankruptcy Case for the alleged unfunded benefit liabilities; (ii) in an unliquidated amount that it estimates to be at least $8,558,750 for the statutory premiums it alleges the Debtor owes to the PBGC; and (iii) in an unliquidated amount for the alleged shortfall and waiver amortization charges.

The Debtor disputes each of the above PBGC contentions and intends to contest each of the PBGC's Claims.

The Former Partners' Committee has been informed by certain of the constituents of the Former Partners' Committee (the "FPC Constituents") that they believe that they may hold Administrative Claims, arising from allegations that Cash was removed from certain FPC Constituents' 401(k) Plan accounts by the Debtor post-petititon.

As discussed in greater detail in Section XIII.H herein, the Debtor believes that certain of the FPC Constituents' allegations that the Debtor removed Cash from any of their 401(k) Plan accounts post-petition are meritless and lack any basis in fact or law.

As set forth at length in the Debtor's Opposition to (A) Motion of Ad Hoc Committee of Retired Partners of LeBoeuf, Lamb, Leiby & MacRae for Appointment of a Trustee or, in the Alternative, for the Appointment of An Examiner and (B) the Statement of the Official Committee of Former Partners for an Examiner [Docket No. 393] (the "Trustee Opposition") and the Declaration of Janis Meyer attached thereto (the

"Meyer Declaration"), the Debtor's Retirement and Investment Committee, acting as fiduciaries prior to the bankruptcy filing, appointed Gallagher Fiduciary Advisors, LLC ("Gallagher") to be the fiduciaries of the 401(k) Plan and Benefit Plans Administrative Services, Inc. ("BPAS") as administrators. *See* Meyer Decl., ¶ 21. Gallagher and BPAS took on these roles and, among other things, oversaw and are overseeing the Debtor's 401(k) Plan to ensure that the 401(k) Plans did not become disqualified, and to avoid potential adverse tax consequences to all of the 401(k) Plan's participants. *See* Meyer Decl., ¶ 21.

Gallagher and BPAS imposed a one-time 1% administrative charge on the accounts of 401(k) Plan participants to pay the costs of administering the 401(k) Plans, including their fees and those of their counsel. *See* Meyer Decl., ¶¶ 19 - 22. These actions were solely taken for the benefit of 401(k) Plan beneficiaries. The Debtor did not remove Cash from any 401(k) Plan accounts. The Debtor has been advised that the U.S. Department of Labor is aware of the charge. *See* Meyer Decl., ¶ 22.

(iv) The Debtor's Pre-Petition Malpractice Policies and Claims

The Debtor had a total of $275 million in professional indemnity coverage in place for the policy year October 2011 to October 2012. The coverage consists of a primary layer, which has a policy unit of $30 million, and six layers of excess coverage, in the amount of $20 million, $60 million, $40 million, $50 million, $25 million, and $50 million, respectively. The risk on each layer of coverage is shared among multiple carriers. The six excess policies adhere to the primary policy, whose terms and conditions apply to coverage throughout the entire $275 million in available coverage. Coverage for relevant earlier policy years ranged from $100 to $250 million.[7]

The Malpractice Policies[8] indemnify the Firm and its affiliates and predecessors, as well as its attorneys, including Partners, of counsel, and Employees of the Firm for Claims made against them during the Malpractice Policy period.

The Malpractice Policies cover assureds in their actions conducting business of the Firm in a professional capacity. Additionally, the Malpractice Policies cover assureds acting in a professional capacity generally, regardless of whether the business is conducted in the name of the Firm, as long as the work inures to the benefit of the Firm or the work was pre-authorized by the Firm. Malpractice Policy exclusions include: any Claim for which any assured had notice prior to the Malpractice Policy period; any Claim for which another insurance policy is primary; any Claim arising out of an act as a director or officer of any entity unless the assured was acting as lawyer for the Firm; any Claims arising out of ERISA liability; any judgments for fraud or deceit or on-record admissions of guilt; any bodily injury; and any Claims for fines, penalties,

[7] The professional indemnity coverage for the 2003-2004 policy year, which applies to certain pending Claims against the Debtor, totaled $100 million prior to payment of certain Claims and defense costs.

[8] In accordance with German law, the debtor also maintained a professional liability policy for its Frankfurt office with a limit of $2 million per claim, €6 million in the aggregate, and a deductible of €2,500 per Claim. This policy was purchased on a yearly basis and expired on October 1, 2012.

punitive or exemplary damages. All of the Malpractice Policies are claims-made policies. (The Debtor has separate policy coverage relating to law firm management.) Under the terms of the Malpractice Policy, the Debtor is obligated to notify carriers' representatives of Claims that may implicate the Malpractice Policy upon learning of such Claims. Any Claim arising from the same act or series of interrelated acts constitutes one single Claim under the Malpractice Policies and the Malpractice Policy limits apply to the total amount of such Claims.

Under the Malpractice Policies the assured is obligated to pay certain self-insured retention payments before it will receive benefits. Once the initial self-insured retentions are paid, benefits under the Malpractice Policy include reasonable costs, charges, and expenses, including attorneys' fees, as well as judgments, settlements or other charges relating to the Claim, subject to on-going co-insurance retention payments. The self-insured retention payments include: (a) $2 million for each and every Claim; (b) an additional annual aggregate retention amount of $2 million; and (c) a co-insurance retention amount, which is 6.67% of every dollar of the $30 million of primary coverage provided in connection with a Claim subject to Malpractice Policy coverage. The excess Malpractice Policies do not require any SIR Amounts; they become available once the primary policy and/or preceding layer is exhausted.

As of the Bar Date, thirteen (13) Claims have been filed which could impact the Debtor's Malpractice Policies. These Claims seek a total of $519 million. At this point, however, the Debtor, taking into consideration duplicate Claims, estimates that the total amount of Insured Malpractice Claims is $225,779,222.31. These Claims have been reported to the carriers, and some may have already been reported in earlier Malpractice Policy years. The Debtor disputes the validity of these Claims and intends to contest each of these Claims. Allowed Malpractice Claims shall receive recoveries solely out of proceeds of the Debtor's Malpractice Policies with respect to the Insured Portion of the Claim.

(v) <u>Pending Pre-Petition Litigation</u>

As of the Petition Date, there were thirteen (13) cases pending against the Debtor as defendant. These included three (3) district court actions, six (6) state court actions, three (3) arbitration proceedings and administrative enforcement actions, and one (1) foreign action.

A. *District Court Actions*

a) *ComUnity Collectors LLC, et al. v. Mortgage Electronic Registration Services, Inc., et al.*, No. CV 11-4777 (N.D. Cal.). In this litigation, the plaintiff ComUnity is suing multiple defendants including the Debtor, along with a Partner and associate, for breach of fiduciary duty and conspiracy, with plaintiffs seeking damages of $30 million. This case was dismissed on August 7, 2012, and has not been re-filed.

b) *Vittoria Conn v. Dewey & LeBoeuf LLP*, Case No. 12-CV-3732 (S.D.N.Y). On May 29, 2012, Vittoria Conn (the "Plaintiff"),

a former employee, filed a complaint (the "Complaint") against the Debtor on behalf of herself, and a class of former employees that she claims to be similarly situated to her and who were terminated on or about May 11, 2012, and within thirty (30) days of that date, alleging the Debtor violated the Worker Adjustment and Retraining Notification Act of 1988, 29 U.S.C. §§2101-2109 et seq. ("WARN Act"), and various state-based counterparts. Specifically, the Complaint alleges the Debtor failed to provide Ms. Conn and the members of the putative class that she seeks to represent at least 60 days advance notice of their terminations in accordance with the WARN Act. The Complaint seeks damages consisting of the amount of wages, holiday pay, vacation pay, sick leave pay and the value of any other benefits, which would have been earned and paid during the period for which notice purportedly had not been sufficiently provided. Upon the commencement of this Bankruptcy Case, the District Court action was stayed under section 362(a) of the Bankruptcy Code.

On May 29, 2012, Plaintiff commenced an adversary proceeding in the Bankruptcy Court captioned *Vittoria Conn v. Dewey & LeBoeuf LLP,* Adv. Pro. No. 12-01672, asserting substantially the same claims she had asserted in the District Court Complaint. The Debtor denies the claims and allegations, none of which it believes have merit. On December 7, 2012, Plaintiff filed a motion for class certification, which has been noticed for hearing on February 21, 2013. On December 14, 2012, the Debtor filed a motion to dismiss the adversary proceeding, which has been noticed for hearing on January 24, 2013. To the extent that the matter cannot be resolved consensually and is not dismissed, the Debtor is prepared to vigorously defend against these Claims.

c) *Pension Benefit Guaranty Corporation v. Dewey & LeBoeuf LLP*, 12-CV-3833 (S.D.N.Y.). In this matter, the PBGC commenced suit against the Debtor in connection with the termination of certain of its Pension Plans. This case has been closed pursuant to a consent order dated June 13, 2012.

B. ***State Court Actions***

a) *Bluebird Express, LLC v. Dewey & LeBoeuf LLP*, Case No. 14677/2012 (Sup. Ct. Nassau Cty.). In this litigation, Bluebird Express, LLC is suing the Debtor for breach of contract, seeking damages of $158,000.

b) *Visualex LLC v. Dewey & LeBoeuf LLP*, No. 0011412-2012 (N.Y.C. Civ. Ct.). Visualex LLC brought suit against the Debtor for breach of contract.

c) *Arnold v. Chenery Management, Inc., et al*, Case No. 1099 (Phila. County Ct. Comm. Pleas). In this matter Edward H. Arnold and Jeanne D. Arnold commenced a suit against the Debtor and a former Partner and others purporting to allege claims for professional malpractice, negligence, fraud, breach of fiduciary duty, negligent misrepresentation, breach of contract, civil conspiracy, and violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law.

d) *ABM Janitorial Services v. Dewey & LeBoeuf*, Case No. 651645/2012 (N.Y. Sup. Ct.). ABM Janitorial Services brought suit against the Debtor seeking damages of $299,000 for failure to pay for services provided.

e) *1101 New York Holdings LLC v. Dewey LeBoeuf LLP*, Case No. 2012 LTB 011976 (D.C. Super.). One of the Debtor's landlords, 1101 New York Holdings LLC, commenced an action against the Debtor based upon a failure to pay rent.

f) *Diamond Personnel, LLC v. Dewey & LeBoeuf LLP*, Case. No. 651709/2012 (N.Y. Sup. Ct.). Diamond Personnel, LLC brought suit against the Debtor seeking damages of $740,519.22 for failure to pay for services provided.

C. ***Arbitrations / Administrative Enforcement Actions***

a) *HMA Professional, Inc., et al. v. Dewey & LeBoeuf LLP and Dean Hansell*, Case No. 1220042429 (JAMS Arbitration Los Angeles). This arbitration relates to a suit by the plaintiff against the Debtor and a Partner for malpractice, breach of fiduciary duty and misrepresentation. The plaintiff has dismissed the complaint against the Debtor.

b) *James Woods v. Dewey & LeBoeuf LLP*. In this matter a former Partner brought a Claim against the Debtor for unpaid compensation, which is subject to arbitration under the New York City Bar Association's alternative dispute resolution rules pursuant to the Partnership Agreement. This case has been stayed.

c) *Aaron R. Hand v. Dewey & LeBoeuf LLP*, Case No. 12-86647 (State of California Office of the State Labor Commissioner). In this arbitration, a former associate seeks damages for an unpaid bonus.

D. *Foreign Actions*

a) *Unicredit Bank AG v. Rajon Financial Enterprises GmbH, et al*, (Frankfurt District Court). The plaintiff brought suit against the Firm, certain Partners, and former clients of the Firm seeking a declaratory judgment that plaintiff is not responsible for any amounts the German tax authorities may disallow as tax deductions for the former client. The case against the Firm has been stayed by the court in Frankfurt in deference to the automatic stay in the Bankruptcy Case.

B. Events Leading Up to the Filing

As noted above, the combination created a law firm designed to compete with the largest mega-firms dominating the market until that time. The Firm's plan was to capitalize on its scope, expand its breadth of services, and attract top talent. Over the next several years, the Firm continued to expand by hiring and promoting top talent, including new first-year associates, and by acquiring Partners and practice groups with significant books of business. With respect to the newly acquired Partners, the Firm contemplated that these "rainmakers" would expand the client base of the Firm.

In connection with its expansion, by 2012, the Firm had entered into compensation agreements with approximately 130 Partners for certain guaranteed and incentive payments. These compensation agreements were not generally disclosed to the entirety of the Firm's partners.

In 2008, the Firm missed its targeted profit by approximately $140 million. As recently as December 2011, the Firm's profit was $30 million short of expectations for the calendar year. Throughout this period, several Partners agreed to defer their compensation. By April 2012, the inability of the Firm to meet certain conditions for borrowing and the impending expiration of the Firm's line of credit used for working capital left the Firm unable to draw down further funds, which led to a liquidity crisis for the Firm.

(i) Partner Defections

As noted above, the Firm was unable to make its target profit numbers as early as 2008. Partners learned they would not receive their anticipated compensation amounts for 2008 and the Firm offered deferred bonuses to many Partners in amounts that would make up for the shortfall in target compensation.

Thereafter, the Firm was unable to earn its target profit for 2009, 2010 or 2011, and in each of those years, was unable to pay most Partners their target compensation. To further exacerbate matters, Partners learned that while certain Partners had not received their expected compensation, and had in some cases received deferred bonuses, others had received the full amount of their expected compensation. As Partners learned about amounts other Partners received, Partner dissension increased. Also, the extent of the previously undisclosed compensation agreements and the severity of the Firm's liquidity crisis was made known to the partnership and Partners

began leaving the firm in early 2012. As practice groups of Partners departed, Firm morale dwindled and Partner defections further increased.

(ii) Efforts to Save the Firm

On March 27, 2012, the Firm announced the creation of the Office of the Chairman, which became effective on April 3, 2012. The first goal of the Office of the Chairman was to attempt to preserve the Firm as a going concern. The Office of the Chairman explored the possibility of a merger with another firm or firms. The Office of the Chairman was also negotiating with many firms to acquire whole offices, groups or departments of the Firm, with or without assuming certain of the Firm's obligations. However, those negotiations eventually failed based, allegedly, on the announcement of the criminal investigation (discussed below).

In conjunction with these goals, the Firm sought to renegotiate and extend its Credit Agreement. Although the Firm's Credit Agreement was set to mature on April 16, 2012, it was extended to April 30, 2012, by agreement with the Credit Agreement Lenders, and ultimately extended to May 18, 2012.

In late April 2012, an internal memo was circulated to Partners stating that the Firm recognized that such Partners' fiduciary duties to their clients and Employees warranted pursuing other employment opportunities for as many of the Firm's lawyers and other personnel as possible. During May 2012, approximately 200 Partners departed for other firms. That same month, the Firm's litigation practice, historically one of the most profitable groups at the Firm, announced its departure. Shortly thereafter, the Firm's bankruptcy practice, also one of the most profitable groups, left as well. By the Petition Date, there were few active Partners with the Firm.

(iii) Criminal Investigation of the Firm's Chairman

On or about April 27, 2012, the Office of the Chairman learned from press reports that the Manhattan District Attorney's office was investigating allegations of wrongdoing by Steven H. Davis, the Firm's former Chairman and member of the newly formed Office of the Chairman. On or about April 29, 2012, Mr. Davis was removed from all leadership roles within the Firm.

(iv) Wind Down of the Firm's Offices Prior to Petition Date

Under the direction of the Office of the Chairman, and in connection with the wind down, almost all offices, departments, or practice groups moved to other firms. Many of the Firm's non-legal and legal staff moved with the offices, departments, and groups.

With respect to the Firm's foreign offices, prior to the Petition Date, all of the Firm's Partners had left the offices in Dubai, Tbilisi, Abu Dhabi, Madrid, Brussels, Frankfurt, Hong Kong, Beijing, and Johannesburg. The remaining Employees of those offices were terminated and the offices were wound down and closed (or were in the process of closing, winding down, and/or liquidating in accordance with local law). The separate partnership of Dewey & LeBoeuf LLP, a limited liability partnership

organized under the laws of England and Wales ("DLUK"), is in the process of winding down its business in London and Paris, under the control of insolvency administrators in England.

Prior to the Petition Date, the Firm sold its ownership interests in its practice in Warsaw for approximately $6 million, and its ownership interest in its active practices in Russia and Kazakhstan (other than the representative offices) for approximately $4.15 million.

Partners of the Firm resident in the Milan and Rome offices were also Partners in the Firm's local affiliate, Dewey & LeBoeuf Studio Legale, along with a number of Italian lawyers as local partners who were not members of the Debtor. Dewey & LeBoeuf Studio Legale was an Italian professional partnership, an autonomous and separate legal entity, and a separate Italian tax payer with its own VAT number. On May 19, 2012, the Partners in Dewey & LeBoeuf Studio Legale terminated the relationship of this affiliate with the Firm and resigned from the Firm. They began a new practice of law on May 19, 2012, under the name of Grimaldi Studio Legale, which took over the Firm's office space, assets, clients and personnel in Milan and Rome.

(a) Appointment of the Wind-Down Committee and the Hiring of Restructuring Professionals

In conjunction with the Firm's wind down efforts, the Office of the Chairman recommended to the Executive Committee of the Firm that it appoint a Wind-Down Committee, and on May 11, 2012 the Executive Committee resolved to appoint the Wind-Down Committee to oversee the Firm's wind down.[9] Ultimately, the Wind-Down Committee resolved to file the Bankruptcy Case. To advise the Firm in connection with the Bankruptcy Case, the Firm hired (i) Togut, Segal & Segal LLP (the "Togut Firm"), as bankruptcy counsel to the Firm, and (ii) Goldin Associates, LLC, a firm that regularly serves as a court-appointed fiduciary and which has significant law firm bankruptcy experience. In addition, the Wind-Down Committee determined to retain Jonathan A. Mitchell, a senior managing director of Zolfo Cooper, LLC ("Zolfo Cooper"), to serve as the Firm's Chief Restructuring Officer (the "CRO") and other professionals of Zolfo Cooper to assist the CRO and the Wind-Down Committee during the wind down.

The Wind-Down Committee and the CRO, with the assistance of the Togut Firm and Zolfo Cooper negotiated a wind-down plan with certain of the Secured Lenders

[9] The Wind-Down Committee is comprised of (a) Janis M. Meyer, Esq.; and (b) Stephen J. Horvath III, Esq. Mr. Horvath's current compensation as a Wind-Down Committee member is $20,000 per week, through Confirmation, (with additional payment of $950 per hour to the extent he exceeds 52 hours for a two week period, which aggregate amount inclusive of his $20,000 per week compensation shall not exceed $38,000 per week). Since the Petition Date, Mr. Horvath has been paid $985,872.00 in compensation by the Debtor. Ms. Meyer's current compensation as a Wind-Down Committee member is $19,000 per week through the Effective Date. Since the Petition Date, Ms. Meyer has been paid $461,507.00 in compensation.

and the Creditors' Committee, which allowed the Debtor to use Cash Collateral to fund the orderly liquidation of the Firm's Assets.

VI. THE BANKRUPTCY CASE

A. Commencement of the Bankruptcy Case

On May 28, 2012, the Debtor filed a voluntary petition in the Bankruptcy Court for relief under Chapter 11 of the Bankruptcy Code.

(i) First Day Motions

On or about the Petition Date, the Debtor sought certain relief from the Bankruptcy Court to ensure the continued and orderly wind down of the Debtor's operations for the benefit of all stakeholders. The initial hearings for such relief were held on May 29, 2012, May 30, 2012, and June 13, 2012.

The first day orders entered by the Bankruptcy Court consist of the following:

- Order Pursuant to Bankruptcy Code Section 521, Bankruptcy Rule 1007 and Local Bankruptcy Rule 1007-1 Authorizing the Debtor to: (I) Prepare a List of Creditors in Lieu of Mailing Matrix; (II) File List of 20 Largest Unsecured Creditors; and Mail Notices to Creditors. [Docket No. 23.]

- Order Authorizing Retention and Appointment of Epiq Bankruptcy Solutions, LLC as Claims and Noticing Agent for the Debtor Pursuant to 28 U.S.C. § 156(c), Bankruptcy Code 105(a), Local Bankruptcy Rule 5075-1 and General Order M-409. [Docket No. 24.]

- Revised Order Granting an Extension of Time to File (I) Statement of Financial Affairs and Schedules of Assets and Liabilities; (II) Schedules of Current Income and Expenditures; and (III) Statements of Executory Contracts and Unexpired Leases. [Docket No. 55.]

- Order Pursuant to Bankruptcy Code Sections 105, 363(b), 507(a), 541, 1107(a) and 1108, Authorizing, but Not Directing, the Debtor, *Inter Alia*, to Pay Prepetition Wages, Compensation and Employee Benefits. [Docket No. 26 (Interim Order); Docket No. 225 (Final Order).]

- Order Pursuant to Bankruptcy Code Sections 105, 363, 503, 1107(a) and 1108 Authorizing Debtor to Maintain

Existing Insurance Policies and Pay All Policy Premiums in Connection Therewith. [Docket No. 27 (Interim Order); Docket No. 223 (Final Order).]

- Order Pursuant to Bankruptcy Code Sections 105(a), 506(a), 507(a)(8), 541, 1107(a), 1108 and 1129 Authorizing, But Not Directing, the Debtor to Pay Certain Prepetition Taxes and Related Obligations. [Docket No. 28 (Interim Order); Docket No. 227 (Final Order).]

- Order Pursuant to Bankruptcy Code Sections 105(a), 345, 363, 364 and 503(b)(1) Authorizing: (I) Continued Maintenance of Existing Bank Accounts; (II) Continued Use of Existing Business Forms; (III) Continued Use of Existing Cash Management System; and (IV) Waiver of Certain Guidelines Relating to Bank Accounts. [Docket No. 29 (Interim Order); Docket No. 226 (Final Order).]

(ii) Filing of the "Next Day" Motions and Applications

In the days following the Petition Date, the Debtor filed certain motions and applications seeking entry of so-called "next day" orders that, (a) while critical in the Bankruptcy Case, did not have the same urgency or (b) required greater notice than typical "first day" orders. Since the initial hearings, the Bankruptcy Court has entered orders relating to the following:

(a) Representation of the Debtor

The Togut Firm was engaged on or about April 1, 2012 to assist the Debtor with evaluating its restructuring options and to prepare for a Chapter 11 case should a filing become necessary or desirable. [Docket No. 232.] In connection with such engagement, the Togut Firm has provided restructuring and bankruptcy advice, performed due diligence and prepared the requisite petitions, pleadings and other documents submitted in connection with the commencement and administration of the Bankruptcy Case. As lead counsel to the Debtor, the Togut Firm has been coordinating the responsibilities and activities of all of the professional firms retained in the Bankruptcy Case on behalf of the Debtor.

(b) Retention of Debtor's Other Professionals

During the pendency of the Bankruptcy Case, the Debtor filed retention applications for certain Professionals to represent and assist it in the administration of the Bankruptcy Case. Many of these Professionals have been intimately involved with developing the Plan and assisting in the Debtor in its orderly wind down. The orders by the Bankruptcy Court authorizing the retention of Professionals consist of the following:

- Order Pursuant to Section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) for Authorization to Retain and Employ Sitrick and Company as Corporate Communications Consultant for the Debtor, *Nunc Pro Tunc* to the Petition Date. [Docket No. 218.]

- Order Pursuant to Bankruptcy Code Section 327 Authorizing the Employment of Development Specialists, Inc. as Wind Down Consultant for the Debtor *Nunc Pro Tunc* to the Petition Date. [Docket No. 219.]

- Order Authorizing the Employment and Retention of Goldin Associates, LLC as Specialist Consultant to the Debtor and Debtor In Possession *Nunc Pro Tunc* to the Petition Date. [Docket No. 221.]

- Order Approving Services Agreement by and between Dewey & LeBoeuf LLP, Jonathan A. Mitchell, and Zolfo Cooper Management, LLC *Nunc Pro Tunc* to the Petition Date. [Docket No. 224.]

- Order Authorizing and Approving the Employment and Retention of Epiq Bankruptcy Solutions, LLC as Administrative Advisor for the Debtor *Nunc Pro Tunc* to the Petition Date. [Docket No. 228.]

- Order Pursuant to 11 U.S.C. §§ 327(a) and 328 Authorizing the Employment of On-Site Associates, LLC as its Collection Agent *Nunc Pro Tunc* to the Petition Date to Assist with the Liquidation of Certain of the Debtor's Accounts Receivable and Approving Compensation Structure for Such Agent. [Docket No. 230.]

- Order Authorizing the Employment and Retention of Keightley & Ashner LLP as Special Pension Benefits Counsel for the Debtor *Nunc Pro Tunc* to the Petition Date. [Docket No. 220.]

- Order for Authorization to Employ and Retain Thierhoff Muller & Partner as German Wind Down Counsel and Consultants *Nunc Pro Tunc* to June 8, 2012. [Docket No. 285.]

- Order Authorizing the Employment and Retention of Ernst & Young LLP as Tax Services Provider to the

Debtor *Nunc Pro Tunc* to October 1, 2012. [Docket No. 631.]

(c) Retention of Ordinary Course Professionals

On June 15, 2012, the Debtor filed a motion to employ professionals utilized in the ordinary course of business *nunc pro tunc* to the Petition Date. [Docket No. 105.] On July 7, 2012, the Bankruptcy Court entered an order [Docket No. 229] authorizing the Debtor to employ:

- Goulston & Storrs, P.C. to advise the Debtor on federal tax issues;
- Campos Melo as local counsel in Brazil, to advise in winding down the Debtor's Sao Paulo office; and
- Lankler Siffert & Wohl LLP as counsel in connection with the Manhattan District Attorney's investigation.

(iii) Cash Collateral Usage

On May 30, 2012, the Bankruptcy Court entered an Order Authorizing the Use of Cash Collateral and Granting Adequate Protection. [Docket No. 36]. The interim order authorized the Debtor, on an interim basis, to use the Secured Lenders' Receivables Cash Collateral in accordance with a budget submitted to the Bankruptcy Court. On June 13, 2012, the Bankruptcy Court entered a final order authorizing the Debtor's use of Receivables Cash Collateral, providing adequate protection and vacating and modifying the automatic stay through July 31, 2012 [Docket No. 91]. Based on agreements between the Debtor, the Secured Lenders and the Statutory Committees, these orders were extended on July 31, 2012, August 15, 2012, September 28, 2012, November 2, 2012, November 16, 2012, November 30, 2012 and December 20, 2012 [Docket Nos. 306, 344, 513, 610, 640, 676 and 736, respectively.] Pursuant to an Order of the Bankruptcy Court entered on December 20, 2012, the Debtor is authorized to use Receivables Cash Collateral through February 3, 2013. [Docket No. 736.]

(iv) Employee-Related Matters

As of the Petition Date, the Debtor had approximately 150 employees in the U.S. to assist with the wind down. The Debtor's wind-down staff has been further reduced to approximately 37 individuals. To stem attrition of its Employees, the Debtor filed a motion seeking Bankruptcy Court approval of an employee retention plan and employee incentive plan on July 3, 2012. [Docket No. 172.] The retention plan, which applied to all remaining Employees, sought to pay, up to $450,000 in the aggregate, additional weeks' pay to each Employee based on extra months such Employees were requested to remain with the Debtor. The incentive plan, which applied to the Debtor's billing and collections team, sought to incentivize those Employees who assisted with converting WIP into invoices, and collecting such invoices. On July 30, 2012, the Bankruptcy Court entered a memorandum opinion and order approving the retention plan and incentive plan, except for a part of the retention plan which allowed the

Debtor to have access to $100,000 of discretionary funds to pay Employees participating under that plan. [Docket No. 301.]

By motion dated September 13, 2012, the Debtor sought authorization to pay bonuses promised during the pre-petition period to certain key wind-down Employees in an effort to retain services necessary to the Estate. [Docket No. 448.] By Order dated October 4, 2012, the Bankruptcy Court approved the payment of bonuses to certain of those Employees. [Docket No. 543.]

(v) Rejection of Executory Contracts

Prior to the Petition Date, the Debtor was party to hundreds of executory contracts. These contracts related to the Debtor's global law firm operations, including, *inter alia,* equipment leases, employment agreements, building maintenance services, food services, association memberships, library subscription services and IT/telecommunication services. The Debtor filed three omnibus motions seeking to reject contracts that are no longer necessary to the Debtor's wind down on July 6, 2012 and August 6, 2012. [Docket No. 196, 197, and 324, respectively.] On July 26 and August 27, 2012, the Bankruptcy Court entered Orders approving the rejection of 155 contracts in the aggregate. [Docket Nos. 284, 289, 383.] The Debtor's Professionals are continuing to review any remaining contracts, and to the extent necessary, entering into agreements with individual contract counterparties for the use of services.

(vi) Rejection of Non-Residential Real Property Leases and Personal Property Leases

The Debtor filed an omnibus motion seeking to reject substantially all of its non-residential real property leases, with the exception of a floor of subleased space in its New York Office. [Docket No. 113.] In addition, the Debtor negotiated (and in some instances, continues to negotiate) with lessors of personal property concerning the restructuring of their respective arrangements with the Debtor. On July 26, 2012 and August 9, 2012, the Bankruptcy Court entered Orders authorizing the Debtor to (i) reject certain unexpired leases and subleases of non-residential real property and (ii) abandon certain related personal property located in its closed offices. [Docket Nos. 283, 332.]

In the Firm's principal office space located in New York, the Firm's wind-down staff and operations were consolidated to a single subleased floor and have now moved to a smaller, less expensive space in another building. Following the consolidation and subsquent vacatur, the Debtor filed a motion seeking to reject the subleased office space. [Docket No. 547.] On November 1, 2012, the Bankruptcy Court entered an order authorizing the Debtor to (a) reject this certain sublease and (b) abandon certain owned and leased personal property. [Docket No. 607.]

B. Formation and Representation of the Statutory Committees.

(i) The Creditors' Committee

On May 31, 2012, the United States Trustee (the "U.S. Trustee") appointed the Official Committee of Unsecured Creditors of Dewey & LeBoeuf, LLP (the "Creditors'

Committee"). [Docket No. 43.] The Creditors' Committee retained the law firm of Brown Rudnick LLP as counsel [Docket No. 209], and Deloitte FAS as financial advisor. [Docket No. 286.]

(ii) The Former Partners' Committee

On May 31, 2012, the U.S. Trustee appointed the Former Partners' Committee to represent the interests of the Debtor's, or its Predecessor Entities', Partners with respect to their rights to payment under certain legacy pension plans, separation agreements or contracts. [Docket No. 44.] The Former Partners' Committee retained Kasowitz, Benson, Torres & Friedman LLP ("KBT&F") as counsel. [Docket No. 207.] In a letter dated June 13, 2012, directed to David M. Friedman, a member of KBT&F, the U.S. Trustee described the purpose of the Former Partners' Committee, stating "the Official Committee of Former Partners comprises former partners of the debtor or its predecessor firms who assert rights to payment either under pension plans or under separation agreements or contracts."

Many of the FPC Constituents have filed proofs of claim in the Bankruptcy Case. The Former Partners' Committee disagrees with the Debtor's assertions in the Plan, and elsewhere, that the FPC Constituents' Claims should be subordinated to General Unsecured Claims. The Former Partners' Committee believes that many of the Claims held by the FPC Constituents are properly classified as General Unsecured Claims and are entitled to receive the same treatment as other General Unsecured Claims under the Plan.

The Former Partners' Committee contends that FPC Constituents who are Non-Participating Partners under the PCP continue to hold General Unsecured Claims against the Debtor that must be administered under the Plan. Additionally, the Former Partners' Committee contends that all FPC Constituents who are also Non-Participating Partners are entitled to vote on the Plan. The Debtor estimates that the dollar amount of Claims asserted by FPC Constituents who are also Non-Participating Partners totals approximately $66.4 million, excluding any amounts asserted as unliquidated.[10]

For these reasons and others, the Former Partners' Committee may object to Confirmation of the Plan and contest Confirmation. The Former Partners' Committee's decision not to raise objections to Confirmation of the Plan prior to the Objection Deadline, including in its Disclosure Statement objection, should not be taken to be an endorsement of the Plan by the Former Partners' Committee or a waiver of any of the Former Partners' Committee's rights to assert such objections at the Confirmation Hearing.

[10] For purposes of the above-referenced estimated dollar amount regarding Claims asserted by FPC Constituents (who are also Non-Participating Partners), such amount includes the Claims of all retired Partners who are not Participating Partners. However, the actual Claim amounts for each Non-Participating Partner who is an FPC Constituent may differ from the amounts asserted by the FPC Constituents, generally, in that (a) they may not include certain portions of certain Claim amounts, or (b) they may include additional Claim amounts. Accordingly, the estimated Claim amount in this Section may vary from the actual collective Claim amount for those FPC Constituents.

(iii) The Motion to Disband the Former Partners' Committee

On October 10, 2012, the Debtor filed a motion to disband the Former Partners' Committee (the "FPC Disband Motion"). [Docket No. 539.] The FPC Disband Motion advanced four primary grounds for disbanding the Former Partners' Committee. First, that the Claims of the constituents of the Former Partners' Committee (the "FPC Constituents") for retirement and/or separation benefits would, even if allowed as Claims, be subordinated to what the Debtor estimates to be at least $500 million in Allowed Secured Lender Claims, Allowed Other Secured Claims, and Allowed General Unsecured Claims – thus, it is unlikely that the FPC Constituents have any legitimate financial stake in this Bankruptcy Case. Second, even if the FPC Constituents were holders of Allowed General Unsecured Claims to be paid pari passu with the rest of the holders of Allowed General Unsecured Claims, the Creditors' Committee has been adequately representing the interests of the FPC Constituents. Third, two of the members of the Former Partners' Committee have signed PCPs and, as a consequence, have agreed to waive any Claims they may have against the Estate. Fourth, the Former Partners' Committee has not contributed in a productive way to this Bankruptcy Case. Instead, the Former Partners' Committee has consistently taken positions that are contrary to those espoused by the Debtor's bona fide stakeholders (i.e., the Secured Lenders and general unsecured creditors), and sought to disrupt the Chapter 11 process.

The U.S. Trustee filed an objection to the FPC Disband Motion on October 23, 2012. [Docket No. 568.] The Former Partners' Committee filed an objection to the FPC Disband Motion on October 24, 2012 (the "FPC Disband Objection"). [Docket No. 572.] In the FPC Disband Objection, the Former Partners' Committee argued, among other things, that the Former Partners' Committee is necessary to adequately represent the interests of FPC Constituents and that the Bankruptcy Court does not have authority to disband a committee appointed by the U.S. Trustee under section 1102(a)(1) of the Bankruptcy Code. The Debtor filed a reply in support of the FPC Disband Motion on October 30, 2012. [Docket No. 589.] Both the Creditors' Committee and the Collateral Agent filed statements in support of the FPC Disband Motion. [Docket Nos. 591] and 588.] The Bankruptcy Court held a hearing to consider the FPC Disband Motion on November 21, 2012 (the "FPC Disband Hearing").

At the FPC Disband Hearing, the Bankruptcy Court asked the U.S. Trustee to provide a supplemental memorandum addressing "what the position of the U.S. Trustee is with respect to whether the Former Partners' Committee should remain in place." The U.S. Trustee filed a supplement to its objection to the FPC Disband Motion on November 27, 2012. [Docket No. 661.] On November 29, 2012, the Bankruptcy Court issued a memorandum and order denying the FPC Disband Motion (the "FPC Order"). [Docket No. 674.] In the FPC Order, the Bankruptcy Court found that the Former Partners' Committee continues to serve an important purpose and that the Former Partners' Committee's functions include prosecuting the appeal of the PCP 9019 Order and playing a role in the efforts to reach a consensual plan of liquidation of the Debtor.

C. Other Significant Filings.

(i) Schedules of Assets and Liabilities, Statement of Financial Affairs

On July 26, 2012, the Debtor filed schedules of assets and liabilities and a statement of financial affairs (collectively the "Schedules"). [Docket Nos. 293, 294.] As a result, unless (a) the Schedules indicate that a particular Creditor's Claim is disputed, contingent or unliquidated, or (b) a timely objection is filed by the Claims Objection Bar Date, the Debtor admits to that Creditor's scheduled Claim as being held against the Debtor generally.

(ii) Wind-Down of Certain of the Firm's Foreign Offices after the Petition Date

The Doha office closed around May 31, 2012, and the Abu Dhabi office closed around July 14, 2012. United Arab Emirates courts have ordered a local liquidation proceeding in Dubai and appointed a liquidator, and bank accounts have been frozen. As a result, little or no recovery is expected from the United Arab Emirates, absent the settlement discussed below in Section XVII.B. The wind down of the Tbilisi office has been completed, and the local entity dissolved. Certification of the dissolution has been received from the relevant governmental authorities.

The Sao Paulo local entity has been dissolved, as has the intermediate Delaware holding company that was a subsidiary of the Debtor established in connection with the Sao Paulo office.

As of the Petition Date, all of the Partners resident in the Firm's Madrid, Brussels, Frankfurt, Hong Kong, Beijing and Johannesburg offices left those offices. The remaining Employees of those offices were terminated and the offices have been shut down or are in the process of shutting down, winding down, and/or liquidating in accordance with local law, as detailed further below with respect to each office.

In Madrid, litigation was initiated by Olleros Abogados, the Firm's former local counsel in Spain with whom the Firm partnered and shared office space. Local insolvency proceedings are likely and no recovery is expected from the Madrid office.

In Frankfurt, the Firm vacated its previous office space on or about July 16, 2012, and has been winding down its operations with the assistance of its German restructuring advisor Thierhoff Muller and Partner ("TMP"), who the Debtor retained by Order of the Bankruptcy Court dated July 26, 2012. [Docket No. 285.] On July 26, 2012, the local court in Frankfurt (the "Local Court") issued a preliminary administration order which began secondary insolvency proceedings (the "Secondary Insolvency Proceedings"). The Debtor appealed the administration order with the Local Court, but the appeal was rejected. The appeal was further considered by the District Court in Frankfurt, but subsequently rejected by that court on October 30, 2012. The Debtor's request for a further appeal to the German Federal Supreme Court was also rejected. As a result of the continuation of the Secondary Proceedings, the Debtor is

unsure whether a recovery will be available to the Estate following the wind down of the Frankfurt office.

In Hong Kong, the cessation agent completed the wind down of the Hong Kong office, having begun the process pre-petition. Currently, all that remains to be completed in this office is the filing of wind-down documents with certain Hong Kong governmental entities, plus certain post-wind-down accounts and record management.

The Beijing office has been closed, and the Firm has communicated with former Partners from that office on the formal de-registration of the Beijing office and collection of remaining receivables.

The former Partners in the Johannesburg office joined Baker & McKenzie LLP. A liquidation proceeding was filed in South Africa and Hans Klopper of Corporate Recovery Advisors was subsequently appointed as liquidator. The liquidator is in the process of assessing local Assets and Claims for the Johannesburg office.

By Order dated September 21, 2012, the Bankruptcy Court approved the Debtor's wind down of the Russia and Kazakhstan representative offices. [Docket No. 498.] The representative offices are no longer conducting business and are under the control of liquidators. The total cost of wind down for both offices will approximate $11,480 with a potential return – after taxes and costs of wind down – of as high as $158,000, if all receivables are collected. The wind-down process could take anywhere from six to eighteen months, contingent upon the timing and issuance of approvals by the relevant government authorities. The Debtor has received a recovery from the wind down of the Kazakhstan representative office of approximately $12,000.00.

As of the Petition Date, the members of the separate partnership of DLUK were in the process of winding down business in London and Paris and had begun administration proceedings in England. Currently, DLUK is in a UK administration where BDO is the administrator. The Debtor has been cooperating and communicating with BDO. The space used in the London office was reduced to one floor, which was vacated at the end of September 2012. The Paris office, which operates as a branch of DLUK, is subject to the UK administration proceeding handled by BDO, but local proceedings also were instituted by the Paris Bar.

(iii) *De Minimis* Asset Sales

To further maximize value to the Estate, the Debtor filed a motion to establish procedures allowing the Debtor to sell or transfer certain *de minimis* assets free and clear of liens, claims and encumbrances and without seeking further Bankruptcy Court approval for each sale. [Docket No. 386.] The motion allows the Debtor to avoid significant legal fees while efficiently disposing of personal property of the Estate valued at less than $50,000. This motion was approved by Order of the Bankruptcy Court, dated September 21, 2012. [Docket No. 499.]

(iv) Retention of Auctioneer and Sale of Artwork

Based on the Debtor's books and records, the Debtor has a collection of artwork, both owned and leased, currently stored at a storage facility in Washington, D.C. In order to reduce the administrative expense of continuing to store such artwork, as well as to obtain value from them, the Debtor filed a motion on October 5, 2012 [Docket No. 534] to retain Adam A. Weschler & Son, Inc. as auctioneer and sell the artwork pursuant to private auctions. The motion was granted by Order of the Bankruptcy Court dated November 1, 2012. [Docket No. 608.]

(v) Bar Date for Filing of Claims Arising Prior to the Petition Date

To facilitate its claims reconciliation and administration process, the Debtor filed a motion with the Bankruptcy Court seeking, among other things, a Bar Date for Creditors to file Claims in the Bankruptcy Case. [Docket No. 257.]

On July 30, 2012, the Bankruptcy Court entered an Order Establishing the Deadline for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof (the "Bar Date Order"). [Docket No. 303.] Among other things, the Bar Date Order established September 7, 2012 at 5:00 P.M. Eastern Time, the Bar Date, as the last date and time for all Persons and entities, and November 26, 2012 at 5:00 P.M. Eastern Time (the "Governmental Bar Date", and together with the Bar Date, the "Bar Dates") as the last date and time for all governmental entities, to file proofs of claim based on pre-petition Claims against the Debtor.

On August 15, 2012, notice of the Bar Date was published in the Wall Street Journal (Global Edition) and on July 31, 2012, August 14, 2012, and August 23, 2012, the Claims Agent provided notice of the Bar Dates by mailing a notice approved by the Bankruptcy Court (the "Bar Date Notice"), together with a proof of claim form upon (a) the U.S. Trustee for the Southern District of New York, (b) attorneys for the Statutory Committees, (c) all known holders of Claims listed on the Schedules at the addresses stated therein, (d) all parties known to the Debtor as having potential Claims against the Estate, (e) all counterparties to the Debtor's executory contracts and unexpired leases listed on the Schedules at the addresses stated therein, (f) all parties to litigation with the Debtor, and (g) all parties who have requested notice pursuant to Bankruptcy Rule 2002. *See* Affidavits of Service dated July 31, 2012, August 14, 2012, and August 23, 2012. [Docket Nos. 310, 342, and 374, respectively.]

In accordance with Federal Rule 3003(c)(2), holders of Claims who fail to comply with the terms of the Bar Date Order and whose Claims are either not listed in the Schedules or are listed as disputed, contingent or unliquidated are forever barred from (a) filing a proof of claim with respect to such Claim; (b) asserting such Claims against the Debtor or its Estate and/or property; (c) voting on any plan filed in this Bankruptcy Case; and (d) participating in any Distribution in the Bankruptcy Case on account of such Claims.

(vi) Disposition of Client Files

After considering the applicable rules of professional responsibility, the Debtor filed a motion with the Bankruptcy Court requesting approval of a procedure for the disposal of certain of the Debtor's client files stored at its former offices and off-site storage facilities. [Docket No. 121.] The proposed procedures included: (a) sending copies of a notice of intent to dispose of client files to all former Partners of the Debtor and all former Partners of the DLUK; (b) making reasonable efforts to send the notice to former clients whose files may be included; (c) publishing the notice in the global edition of the Wall Street Journal; (d) providing a file retrieval form through the Debtor's Claims agent on the internet or by mail if requested; (e) deeming all files abandoned for which no form is received within a 45-day period, subject to certain exceptions; and (f) granting the Debtor authorization to dispose of abandoned files as it deems fit. The Debtor was concerned about the administrative costs to destroy unclaimed files.

On July 13, 2012, the Bankruptcy Court approved certain of the proposed procedures (the "Client File Disposition Procedures") and adjourned the balance of the motion. [Docket No. 237.] In connection with the adjournment, the Bankruptcy Court requested the submission of an opinion by a recognized authority on professional ethics on the Debtor's request to abandon unclaimed files without providing for their destruction.

The Debtor then, through its claims agent, served notice of the Client File Disposition Procedures to over 700 former Partners and 4,800 former clients, primarily in the United States, explaining the process to retrieve their client files by submitting a file retrieval form on or before September 11, 2012. The file retrieval form provided former clients and Partners with an option to retrieve either physical or electronic files or both and included an acknowledgment that by electing not to take custody of files, they authorized the Debtor to abandon such files.

Prior to the applicable deadlines imposed by the Client File Disposition Procedures, the Debtor received approximately 1,286 requests for files.[11] Pursuant to Section 7.6 of the Plan, the Liquidation Trustee will be responsible for the further disposition or destruction of client files.

The Debtor's aggregate file storage costs are currently approximately $100,000 per month. The Debtor estimates that destruction and/or preservation of the files that are not claimed by former clients could cost in the range of $1.2 million to $1.5 million.

[11] As of January 3, 2013, the Debtor had received approximately 2,500 requests for files relating to approximately 37,000 client matters contained within approximately 82,000 boxes of off-site files and approximately 1,500 requests for electronic records. Notwithstanding the passing of the Bankruptcy Court's approved deadline (of September 11, 2012) for submission of retrieval forms, the Debtor continued to accept requests through the end of December 2012. The Debtor estimates that approximately 345,000 boxes of off-site files remain at the storage facilities.

The Debtor has negotiated the Budget with the Secured Lenders and the Creditors' Committee which includes the costs to destroy (shred) unclaimed files. Accordingly, the Debtor intends to promptly seek an Order from the Bankruptcy Court authorizing the Debtor or, after the Plan Effective Date, the Liquidating Trustee to destroy, with the Debtor's off-site storage facilities' cooperation, unclaimed files that are unnecessary to wind-down the Estate.

D. Executory Contract and Unexpired Lease Charges

Section 365 of the Bankruptcy Code grants the Debtor the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is assumed, the rights of the Debtor to such agreement continue as property of its Estate.

A subsequent breach of an assumed lease or executory contract creates an administrative claim in favor of the non-debtor party, entitling it to an administrative claim for pre-petition obligations as well as post-petition obligations arising as a result of the breach. If an executory contract or unexpired lease is rejected, the non-debtor counterparty to the agreement may file a claim for damages incurred by reason of the rejection, which is treated as a pre-petition Claim. In the case of rejection of leases of real property, such damage claims are subject to certain claim amount limitations imposed by the Bankruptcy Code.

Generally, debtors have until the confirmation of a plan to assume executory contracts and personal property leases and the earlier of 120 days from the petition date or plan confirmation to assume unexpired leases of nonresidential real property to which they are a party.

E. Exclusivity Periods

Pursuant to sections 1121(b) and (c)(3) of the Bankruptcy Code, the Filing Period and Solicitation Period within which the Debtor could exclusively file and solicit its plan of liquidation were initially due to expire on September 25, 2012, and November 24, 2012, respectively. By motion dated August 29, 2012, the Debtor requested that those periods be extended. [Docket No. 404.] By Order dated September 21, 2012, the Bankruptcy Court extended the initial Filing Period and the Solicitation Period through December 3, 2012 and March 1, 2013, respectively. [Docket No. 500.]

F. The PCP 9019 and Ad Hoc Committee Motion to Appoint a Trustee or Examiner

On August 8, 2012, the Ad Hoc Committee filed a motion with the Bankruptcy Court seeking the appointment of a Chapter 11 trustee, or alternatively, an examiner (the "Examiner Motion"). [Docket No. 329.] The Former Partners' Committee joined the Examiner Motion, in part, on August 16, 2012. [Docket No. 348.] By the Examiner Motion, the Ad Hoc Committee sought appointment of an examiner pursuant to section 1104(c) of the Bankruptcy Code to investigate potential Claims against, among others,

former Partners of the Debtor who had influence over the affairs of the Debtor. The Examiner Motion claimed that the appointment of an examiner was required primarily because the Debtor's management was conflicted and, alternatively, because the Debtor's "fixed, liquidated, unsecured debts, other than debts for goods, services, or taxes, or owing to an insider, exceed $5,000,000." 11 U.S.C. § 1104(c)(2).

On August 29, 2012, the Debtor filed a Motion for entry of an order approving the PCPs (the "PCP 9019 Motion"). [Docket No. 399.] The Former Partners' Committee and Ad Hoc Committee filed objections to the PCP 9019 Motion [Docket Nos. 464 and 439, respectively.] Six (6) other parties filed limited objections to the PCP Motion. Both the Secured Lenders and Creditor' Committee supported the PCP 9019 Motion.[12]

On September 13, 2012, the Ad Hoc Committee "withdrew" its request for the appointment of a Trustee. The Bankruptcy Court held an evidentiary hearing to consider the Examiner Motion and PCP 9019 Motion on September 20-21, 2012.

On October 9, 2012, the Bankruptcy Court entered the PCP 9019 Order. [Docket No. 538.] The PCP Order granted the PCP 9019 Motion and denied the Examiner Motion. By approving the PCP 9019 Motion, the Bankruptcy Court approved the terms of the PCP, and approved the form of injunction described in those PCPs, which will become effective upon the Effective Date.

On October 11, 2012, the Former Partners' Committee filed a notice of appeal (the "FPC Appeal") of the PCP 9019 Order. [Docket No. 545.] The Ad Hoc Committee filed a notice of appeal (the "Ad Hoc Appeal") to the PCP 9019 Order on October 22, 2012. [Docket No. 587.] The appeals challenge the denial of the Examiner Motion, and the decision to grant the PCP 9019 Motion. According to the Appellants, the issues on appeal include whether the Bankruptcy Court applied the correct standard to its analysis of the PCPs under Bankruptcy Rule 9019, whether a sufficient evidentiary record was established to support approval of the PCP, and whether the Bankruptcy Court erred when it denied appointment of an examiner under section 1104(c)(1) or (2) of the Bankruptcy Code.

On December 6, 2012, the United States District Court for the Southern District of New York ("District Court") entered an order consolidating the FPC Appeal with the Ad Hoc Appeal (the "PCP Appeal") and setting a briefing schedule with respect to the PCP Appeal. On December 17, 2012, the Former Partners' Committee and the Ad Hoc Committee filed their opening briefs in support of reversal of the PCP 9019 Order. According to the Former Partners' Committee, the appellants' arguments include (i) that the Debtor's failure to provide the Bankruptcy Court with sufficient evidence as to the merits, value and probabilities of success for claims against more than 400 of its present and former partners that are to be settled and released under the PCP prevented satisfaction of the requirements of *Prot. Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968), and (ii) that the PCP should have been subject to strict scrutiny and the entire-fairness standard, rather than the ordinary

[12] The Creditors' Committee objected to certain aspects of the PCP 9019 Motion, which objections were sufficiently addressed before the hearing on the PCP 9019 Motion.

"reasonableness" standard, because the PCP, as an agreement between the Debtor and its former Partners, is a related party transaction. The Debtor believes that the PCP Appeal is without merit and that the Bankruptcy Court's decision will be affirmed on appeal.

Briefing of the PCP Appeal is scheduled to conclude on January 14, 2013. The Former Partners' Committee is hopeful that it will obtain a decision by the District Court shortly thereafter, and prior to the Confirmation Hearing. The Former Partners' Committee contends that if the PCP Order is reversed on appeal, there will be increased doubt as to whether the Plan can be confirmed and the Confirmation Hearing may be delayed.

G. Alternative Dispute Resolution

To facilitate the collection of Receivables from former clients, the Debtor filed a motion to (i) issue subpoenas for the production of documents and examination of persons and (ii) implement alternative dispute resolution procedures concerning outstanding accounts receivable. [Docket No. 549.] The motion allows the Debtor to use alternative dispute resolution, which includes, but is not limited to, facilitative mediation, or to pursue settlement. The motion was granted by Order of the Bankruptcy Court, dated November 7, 2012 (the "ADR Procedures Order"). [Docket No. 620.]

VII. PARTNER CONTRIBUTION PLAN; RELEASE AND INJUNCTION

A. Plan Releases and Injunctive Provisions Generally

The Plan contains a number of release and injunctive provisions as described below. With the exception of the Claims enjoined by the Bar Order (described below) and the Claims released by Releasing Secured Lenders pursuant to Section 11.4 of the Plan, nothing in the Plan shall be deemed to release, enjoin, bar or impair (i) any Claim or Cause of Action that is not derivative of a Claim or right assertable by or belonging to the Debtor or its Estate; or (ii) any Unfinished Business Claims, *provided, however*, that any Claims between or among any Participating Partners relating to the affairs of the Debtor shall be deemed released, and any Unfinished Business Claims against Participating Partners executing PCPs that include a release of such Unfinished Business Claims shall be deemed released and Persons seeking to assert such Claims shall be permanently barred and enjoined from doing so.

Nothing in the Plan shall be deemed to enjoin, bar, or restrain any of the Non-Releasing Parties from asserting or establishing that such Non-Released Party is only liable for its proportionate share of any harm, or asserting or establishing any other right of set-off, to the extent permitted under any applicable legal principle, including, but not limited to, New York General Obligations Law 15-108, indemnity, or contribution.

B. Partner Contribution Amounts Sought and Obtained

Based upon a review of the Debtor's records and the facts and circumstances attendant to individual Partners and categories of Partners, the Debtor determined that it would be appropriate and in the best interest of the Estate to seek an aggregate Partner Contribution Amount from Partners of approximately $89 million, consisting of: (i) approximately $74.5 million based, largely, on the payments received by the Partners during 2011 and 2012; (ii) a tax advance reimbursement amount of $9.8 million, and; (iii) an unpaid capital contribution amount of $4.8 million. As of August 29, 2012, approximately $71 million[13] of the requested aggregate Partner Contribution Amount had been committed by Partners, constituting approximately 80% of the total Partner Contribution Amount sought from Partners in conjunction with the PCPs. In addition to obtaining commitments of approximately 80% by amount, the Debtor obtained PCP commitments from more than 400 of the Debtor's 670 Partners.[14]

C. Compromise of Controversies

Pursuant to the PCP 9019 Order, and in consideration for the classification, Distribution, and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including, without limitation, Claims and controversies resolved pursuant to the PCPs and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, Creditors, and other parties in interest, and are fair, equitable, and within the range of reasonableness. The form of injunction included in the PCPs has been approved by the Bankruptcy Court. However, the injunction will only become effective through implementation of the Plan. If the Plan does not become effective, the PCPs will be null and void.

D. Releases

Upon the Effective Date, the Participating Partners and the Debtor each provide broad mutual releases. The releases do not extend to Steven H. Davis, the Firm's former Chairman ("Davis"), Stephen DiCarmine, the Firm's former Executive Director ("DiCarmine"), Joel Sanders, the Firm's former Chief Financial Officer ("Sanders"), or a Partner who does not become a Participating Partner. The Debtor releases contemplated under the PCP (the "Debtor Releases") are to the fullest extent of any right or interest of the Debtor or its Estate. However, there are two main forms of Debtor Release. In one form, the term "Debtor Released Claims" includes

[13] The aggregate Partner Contribution Amount of $71,507,768 (as of August 29, 2012) is currently $71,731,496. Such amount, net of incentive discounts ($3,925,419), is $67,806,807.07. The increase was the result of further reconciliation of initial commitments relating to the payment of Partner Contribution Amounts and finalizing the Bennett Group Stipulation.

[14] A schedule of Participating Partners, including those who received Unfinished Business Claim releases are attached hereto as Exhibit 4.

Unfinished Business Claims or Causes of Action.[15] In the other form, the term "Debtor Released Claims" excludes such Unfinished Business Claims.

Additionally, upon the Effective Date, the Participating Partner releases Claims against other Participating Partners that in any way relate to, among other things, the Debtor, the Predecessor Entities, or a Related Entity. If the Plan does not become effective, all releases described in the PCPs will be null and void.

E. <u>The Participating Partner Injunctions</u>

In connection with the PCP 9019 Motion, the Debtor was obligated to, and did, obtain approval of a form of injunction from the Bankruptcy Court. The injunction provides that upon the Effective Date, all Persons and entities, are enjoined and barred from commencing or continuing any and all past, present or future Claims or Causes of Action and from asserting any and all allegations of liability or damages, of whatever kind, nature or description, direct or indirect, in law, equity or arbitration, absolute or contingent, in tort, contract, statutory liability or otherwise, whether or not based on strict liability, negligence, gross negligence, fraud, breach of fiduciary duty or otherwise (including attorneys' fees, costs or disbursements), against a Participating Partner based on, relating to, or arising from, the Debtor Released Claims, including any Claim that is duplicative of any Claim of the Debtor, is derivative of any Claim of the Debtor, or could have been brought by or on behalf of the Debtor or its Estate including, subject to the limitations set forth in the PCPs, Claims based on alter ego or veil piercing or similar doctrine or otherwise based on the contention that the Partners of the Debtor or its Predecessor Entities or Related Entities are liable for the debts of the Debtor, and further including:

> **(i) The commencement or continuation in any manner, directly or indirectly, of any suit, action or other proceeding against or affecting a Participating Partner;**

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[15] As part of the PCPs, the Debtor granted releases to certain Participating Partners for Unfinished Business Claims if: (a) the Participating Partner had left the Firm prior to 2012 or (b) the Participating Partner was not the relationship or billing Partner for an open, active client matter at his or her time of departure from the Firm in 2012, because the Debtor determined that under relevant authority such Participating Partners had no liability for Unfinished Business Claims. In addition, the Debtor granted releases of such Claims to Participating Partners if such Participating Partner was a client or relationship Partner with client matters that were open and active as of the time of his or her departure from the Firm in 2012, but the potential future profit on such matters, and thus the resulting potential Unfinished Business Claim, was estimated to be less than $100,000 (before taking into account any cost of investigation or litigation, or any adjustments for defenses permitted under relevant authority). In those circumstances, the Debtor determined that it was not reasonable or worthwhile for the Estate to pursue these de minimis Claims and offered those releases to further incentivize Partners to participate in the PCPs.

The original period to settle Unfinished Business Claims was September 30, 2012, which was extended until November 9, 2012. No settlements of Unfinished Business Claims for Participating Partners occurred during the extension to settle such Claims. No Participating Partner opted out of his or her PCP as a result of the non settlement of Unfinished Business Claims by the extension deadline.

(ii) The enforcement, levy or attachment, collection or other recovery by any means in any manner, whether directly or indirectly on any judgment, award, decree or other order against a Participating Partner;

(iii) The creation, perfection or other enforcement in any manner directly or indirectly, of any encumbrance against a Participating Partner;

(iv) The set-off or assertion in any manner of a right to seek reimbursement, indemnification, contribution from or subrogation against or otherwise recoup in any manner, directly or indirectly, any amount against a Participating Partner; and

(v) Any act to obtain possession of property or exercise control over the property of a Participating Partner.

F. Bar Order

The Plan *contemplates* a Bar Order to be enforced with respect to the PCPs, which provides as follows:

(i) Any and all Persons (including any Non-Participating Partners) shall be permanently barred, enjoined, and restrained from commencing, prosecuting, or asserting any Claim against any Participating Partner or his or her estate, family members, administrators, successors, and assigns (collectively, the "Releasees") arising under any federal, state, or foreign statutory or common-law rule, however styled, whether for indemnification or contribution or otherwise denominated, where such Claim is, or arises from, the Debtor Released Claims and the alleged injury to such Person arises from that Person's alleged liability to the Debtor, including any such Claim in which a Person seeks to recover from any of the Releasees (a) any amounts that such Person has or might become liable to pay to the Debtor and/or (b) any costs, expenses, or attorneys' fees from defending any Claim by the Debtor. All such Claims are hereby extinguished, discharged, satisfied, and unenforceable. The provisions herein are intended to preclude any liability of any of the Releasees to any Person for indemnification, contribution, or otherwise, on any such Claim that is, or arises from, the Debtor Released Claims and where the alleged injury to such Person arises from that Person's alleged liability to the Debtor; *provided, however*, that if the Debtor obtains any judgment against any such Person based upon, arising out of, or relating to the Debtor Released Claims for which such Person and any of the Releasees are found to be jointly liable, such Person shall be entitled to a judgment credit equal to an amount that corresponds to the Releasees' percentage of responsibility for the loss to the Debtor.

(ii) Each and every Releasee is permanently barred, enjoined, and restrained from commencing, prosecuting, or asserting any Claim against any other Person(including any other Releasee and any Non-Participating Partner) arising under any federal, state, or foreign statutory or common-law rule, however styled, whether for indemnification or contribution or otherwise denominated, including Claims for breach of contract and for misrepresentation, where the Claim is or arises from the Debtor Released Claims and the alleged injury to such Releasee arises from that Releasee's alleged liability to the Debtor, including any Claim in which any Releasee seeks to recover from any Person(including another Releasee) (a) any amounts any such Releasee has or might become liable to pay to the Debtor and/or (b) any costs, expenses, or attorneys' fees from defending any Claim by the Debtor. All such Claims are hereby extinguished, discharged, satisfied and unenforceable.

(iii) Notwithstanding anything stated in the Plan, if any Person (for purposes of this Subsection (iii), a "Petitioner") commences against any of the Releasees any action either (a) asserting a Claim that is, or arises from, the Debtor Released Claims and where the alleged injury to such Person arises from that Person's alleged liability to the Debtor or (b) seeking contribution or indemnity for any liability or expenses incurred in connection with any such Claim, and if such action or Claim is not barred by a court pursuant to the provisions of this Section, neither this Section nor the PCPs shall bar Claims by that Releasee against (x) such Petitioner, (y) any Person who is or was controlled by, controlling, or under common control with the Petitioner, whose assets or estate are or were controlled, represented, or administered by the Petitioner, or as to whose Claims the Petitioner has succeeded, and (z) any Person that participated with any of the preceding Persons described in items (i) and (ii) of this Subsection (c) in connection with the assertion of the Claim brought against the Releasee(s).

(iv) The Debtor and following the Effective Date, the Liquidation Trustee shall use reasonable efforts in settling any Claim with any other Person who is not a Participating Partner, to obtain from such Person a release of any and all Claims based upon, arising out of, or relating to the Debtor Released Claims that the Person might have against any of the Releasees.

(v) If any term of Section 11.3 of the Plan is held to be unenforceable, such provision shall be substituted with such other provision as may be necessary to afford all of the Releasees the fullest protection permitted by law from any Claim that is based upon, arises out of, or relates to the Debtor Released Claims.

G. Secured Lender Releases of Participating Partners

Upon the PCP Effective Date, Releasing Secured Lenders (*i.e.*, Secured Lenders who, on their Ballots, have not opted out of the release of Participating Partners provided by Section 11.4 of the Plan), solely in their capacity as holders of Claims under the Credit Agreement and Note Agreement, shall be deemed to have released each Participating Partner from any and all Claims that the Releasing Secured Lenders hold against such Participating Partners, solely to the extent such Claims relate to the Debtor, Predecessor Entities, or a Related Entity.

Non-Releasing Secured Lenders (*i.e.*, those Secured Lenders who, on their ballots opt out of the release of Participating Partners provided by Section 11.4 of the Plan) are not entitled to receive proceeds from the PCPs.

Any Secured Lender who fails to submit a ballot or make an election thereon shall be deemed a Releasing Secured Lender.

H. Wind-Down Committee Treatment

Each member of the Wind-Down Committee shall be deemed a Participating Partner and afforded the benefit of, and subject to, each of the release, injunction, covenant, assignment, cooperation and other related conditions (excluding payment obligations) set forth in each of the PCPs. The Wind-Down Committee members are not required to pay Partner Contribution Amounts for their Participating Partner designations as part of their consideration for serving as Wind-Down Committee members.[16]

I. Covenants and Assignment of Claims

Pursuant to their respective PCPs, the Participating Partners have covenanted that they will not file any Claim against the Debtor (except for proofs of claim against the Debtor in the Bankruptcy Case, which will be deemed withdrawn upon the PCP Effective Date). Moreover, to the extent Participating Partners have any direct Claims against Non-Participating Partners, those Claims are irrevocably assigned to the Debtor (with certain exceptions as described further in the PCPs), and upon the Effective Date, to the Liquidation Trustee.

J. PCP Effective Date

The PCP Effective Date will occur when the last of the following events has occurred:

(i) the Bankruptcy Court shall have entered a Final Order confirming the Plan that incorporates and implements the terms of the PCPs,

[16] Ms. Meyer and Mr. Horvath's Partner Contribution Amounts would have been $93,285 and $339,975, respectively, but for their service to the Debtor as Wind-Down Committee members. There are no Unfinished Business Claims with respect to either Ms. Meyer or Mr. Horvath.

including the releases and injunctions provided for therein, and provides that no holder of a Claim arising under the Credit Agreement or under the Note Agreement, shall be entitled to a Distribution of any amounts paid to the Estate by the Participating Partners unless such holder releases any and all Claims that such holder may hold against such Participating Partners, in such holder's capacity as a holder of a Claim under the Credit Agreement or Note Agreement, relating to the Debtor, the Predecessor Entities or a Related Entity;

(ii) the Effective Date of the Plan shall have occurred; and

(iii) the Debtor, in consultation with its advisors, shall have provided the Creditors' Committee and the Collateral Agent a certificate certifying that the Debtor believes, in good faith, that, as of the day that is five (5) days prior to the Disclosure Statement Hearing, the Participating Partner has complied with his/her obligations with respect to unbilled time and outstanding accounts receivable for the benefit of the Estate.

K. Payment

The Participating Partners shall within ten (10) Business Days of the publication of the Notice of Effective Date of the Plan: (i) pay to the Liquidation Trustee the Partner Contribution Amount in Cash; or (ii) execute and deliver to the Liquidation Trustee a fully completed PCP Note in a principal amount equal to the Partner Contribution Amount.

L. Related Agreements

(i) The Grimaldi PCP

Grimaldi Studio Legale, the successor entity to the Firm's Italian affiliate, Dewey & LeBoeuf Studio Legale, continues operations in Rome and Milan. On August 16, 2012, Grimaldi executed the Grimaldi PCP, pursuant to which, *inter alia*, Grimaldi agreed to pay, as primary obligor, €5,324,751 to settle Claims against its individual Partners related to the PCP. The Grimaldi Partners each agreed to give a personal guarantee of their respective individual PCP payment amount. The Grimaldi PCP is conditioned on the execution and approval of a settlement that resolves a dispute regarding the Firm's interest in certain property: (i) unbilled work in progress generated by Dewey & LeBoeuf Studio Legale and its predecessors; (ii) the cash proceeds of Receivables collections; (iii) certain claims asserted under the Unfinished Business Doctrine; (iv) furniture, fixtures and equipment in possession, custody or control of Grimaldi; and (v) other tangible and intangible property of every kind. The Debtor and Grimaldi came to an agreement in principal (the "Grimaldi Settlement Agreement"), whereby Grimaldi would be obligated to pay an additional $1,000,000 (in three installments), in exchange for, *inter alia*, the Debtor's release of its Claims related to the disputed property described above.

Grimaldi has informed the Debtor that approximately one third of its partners (the "Gattai Partners") have disassociated from Grimaldi and formed a new Italian legal

entity, Gattai Minoli & Partners ("Gattai") to continue the practice of law, but that the Gattai Partners as well as the remaining Grimaldi Partners remain committed to the Grimaldi PCP and the Grimaldi Settlement Agreement. Although the economics of the Grimaldi PCP and the Grimaldi Settlement Agreement will remain unchanged, the Debtor and legal counsel for Grimaldi are in the process of finalizing a Gattai PCP, a revised Grimaldi PCP and Grimaldi Settlement Agreement to reflect the changes in the composition of the Grimaldi partnership and the creation of Gattai. As a result of the Grimaldi-Gattai breakup, the Grimaldi PCP has been altered to, among other things, reduce the Grimaldi PCP Amount to €3,414,737, with €1,910,014 to be paid by Gattai pursuant to the Gattai PCP.

On December 31, 2012, the Debtor filed a motion with the Bankruptcy Court to approve the Grimaldi Settlement Agreement. [Docket No. 787.]

M. 1301 Objection to the PCP

(i) The 1301 Lease and Related PCP Objection

On September 4, 2012, 1301 Properties, the landlord of the Debtor's former New York City head office, filed an objection to the PCP 9019 Motion (the "Landlord's PCP Objection"). [Docket No. 463.] In support of the Landlord's PCP Objection, 1301 Properties asserted that, under the 1989 lease entered into by one of the Debtor's Predecessor Entities which at the time was a general partnership (the "Lease"), "each of [the Debtor's] partners is jointly and severally liable to 1301 Properties for [the Debtor's] non-payment of its obligations." 1301 Properties has also filed a proof of claim against the Debtor seeking sums greatly in excess of those even arguably due under the terms of the Lease.

1301 Properties has not provided any compelling support for its contentions and its proof of claim merely attaches the text of the Lease and a one page summary worksheet showing how it calculates its lease termination damage claim. Moreover, the Debtor has investigated 1301 Properties' contentions by initiating a dialogue with representatives of 1301 Properties and reviewing the Lease, multiple amendments to the Lease, supplements to the Lease, the partnership agreements of the Debtor and its various Precedessor Entities, and related documents, as well as relevant principles of law. Based on its investigation to date, the Debtor has concluded that the terms of the Lease and applicable law do not support either (i) 1301 Properties' assertion that each of the Debtor's Partners is jointly and severally liable for the Debtor's Lease obligations or (ii) 1301 Properties' computation of damages in its proof of claim.

The Debtor believes that Partners are not jointly and severally liable for Lease obligations because the Lease provision upon which 1301 Properties relies simply states that Partners will be "jointly and severally liable" without stating what Partners will be liable for. It does not state, for example, that they will be jointly and severally liable for partnership debts, for Lease obligations, or for any other specific obligation. Also, the Lease only purports to impose personal liability for Lease obligations on newly admitted Partners, and newly admitted partners do not appear to have ever authorized or agreed to personal liability. In addition, the Debtor believes section 28 of the New York Partnership Law limits the personal liability of new partners for pre-existing

obligations, such as the Lease, to their respective partnership contributions. The partnership agreements of the Debtor and its relevant Predecessor Entities are a further bar to 1301 Properties' attempt to impose personal liability – the Debtor has found no evidence that the steps necessary under those agreements to impose joint and several liability on Partners were ever taken. The Debtor, therefore, believes that 1301 Properties' contention that the Debtor's Partners are subject to joint and several liability for the Debtor's obligation to pay sums allegedly due under the Lease is without merit.

However, 1301 Properties disagrees with the Debtor's view of the merits of 1301 Properties' claims against the Partners. 1301 Properties' view is that a court reviewing (what the landlord views as) the plain, unambiguous language of Article 29.1 of the Lease will enforce that provision according to its terms, and thus find that "the liability of each of the parties comprising the Partnership Tenant shall be joint and several." It is thus 1301 Properties' view that each of the Partners is jointly and severally liable for all damages resulting from the Debtor's breach of the Lease.

The Debtor has also concluded that 1301 Properties' computation of damages is vastly overstated for two principal reasons. First, 1301 Properties has failed to reduce its Claim to account for the fact that it has apparently re-let 65% of the leased premises for as much, or more, than the Debtor was paying. Second, 1301 Properties has not credited the Debtor with sums that appear to be due to the Debtor based on past overcharges for "escalation rent." For these reasons, the Debtor maintains that 1301 Properties' $45 million alleged Claim should be reduced by, at a minimum, $12 million.

The views stated in this Section VII.M(i) by the Debtor are the Debtor's own, and as such they have not been approved or endorsed in any manner by the Bankruptcy Court.

N. Other Litigation Matters

(i) The Bunsow Litigation

On June 12, 2012, Henry Bunsow ("Bunsow"), a former Partner of the Firm, filed a complaint (the "Bunsow Complaint") in the Superior Court of California against Davis, Sanders, DiCarmine, Jeffrey L. Kessler ("Kessler"), James R. Woods, and John Does 1 through 200 (collectively, the "Dewey Defendants"). The Bunsow Complaint alleges that the Dewey Defendants improperly induced Bunsow to join the Firm in January 2011, pleading, *inter alia*, claims of fraud and deceit, negligent misrepresentation, breach of fiduciary duties, conversion, and unjust enrichment. On July 19, 2012, Davis, DiCarmine, and Sanders, by their counsel, filed notice of removal of the Bunsow Complaint to the Bankruptcy Court for the Northern District of California.

On August 10, 2012, Davis, DiCarmine, and Sanders filed a motion to transfer [Docket No. 23.] venue of the Bunsow Complaint from the Bankruptcy Court for the Northern District of California to the Bankruptcy Court for the Southern District of New York (the "Transfer Motion"). On the same day, Bunsow filed a motion to remand the Bunsow Complaint to the Superior Court of California (the "Remand Motion").

On October 31, 2012, the Bankruptcy Court for the Northern District of California granted the Transfer Motion, leaving the Remand Motion to be decided by this Bankruptcy Court.

Bunsow, Denise De Mory, Brian Smith and Craig Allison (collectively, the "BDSA Partners") all former Partners of the Debtor, have agreed, in principle and subject to definitive documentation and Bankruptcy Court approval, to execute PCPs (in the form approved by the Bankruptcy Court), including a release by the Debtor of all Unfinished Business Claims, at the amounts previously calculated by the Debtor (subject only to correction, prior to signing the PCPs, for data or calculation errors). The aggregate amount of the BDSA Partners' PCP contribution is $435,169. As part of that agreement in principle, the Debtor will assign to BDSA all of the Debtor's interest in certain engagements that were open at the Firm (the "Harris Engagements"), including all rights in respect of WIP, A/R and earned or unearned contingent fees, provided that BDSA will remit to the Debtor (or the Debtor's post-confirmation trust, as directed) 50% (fifty percent) of all fees recovered by BDSA after the Petition Date on the Harris Engagements that were open at the Firm as of the Petition Date in excess of $4.0 million (four million dollars) in aggregate over all cases. The agreement in principle further provides that: (i) Bunsow and each other of the BDSA Partners will assign their claims against the former Partners and Employees to the Debtor or to the Debtor's assignee; (ii) each BDSA Partner and the Debtor will exchange mutual releases; and (iii) BDSA Partners and the Debtor authorize the Creditors' Committee and/or the Liquidation Trust to pursue and otherwise prosecute any claims of BDSA Partners against any person that is not a participant in the PCP. The foregoing is a summary of anticipated material terms. The final settlement agreements will be publicly filed with the Bankruptcy Court and will include additional provisions.

(ii) The Creditors' Committee's Motion to Obtain Standing to Prosecute Mismanagement Claims

On November 12, 2012, the Creditors' Committee filed a motion to obtain derivative standing to prosecute, and potentially settle, certain Estate Claims and Causes of Action against Davis, DiCarmine, and Sanders for, among other things, breaches of their fiduciary duties to the Firm and its Creditors (the "Standing Motion"). [Docket No. 628.] The Debtor consented to the relief sought in the Standing Motion. On November 29, 2012, the Bankruptcy Court issued a memorandum opinion and order granting the Standing Motion. [Docket No. 675.]

O. Bennett Receivables Collection & Settlement

On October 5, 2012, the Bankruptcy Court approved a Comprehensive Settlement Agreement and Stipulation, Including Terms Relating to Retention of Jones Day as Special Counsel to Debtor for Limited Purpose of Filing Final Fee Application (the "Bennett Group Stipulation"). Pursuant to the Bennett Group Stipulation, the Debtor reached agreement with certain Partners (the "Bennett Group") that are now employed by Jones Day LLP ("Jones Day") for Jones Day to prepare and prosecute a final fee application to recover fees and expenses incurred by the Debtor prior to the

Petition Date as counsel to the Los Angeles Dodgers LLC and its debtor affiliates in their Chapter 11 cases.

An Order Approving the Interim and Final Fee Application of Dewey & LeBoeuf LLP and Request for Fee Enhancement was entered on December 18, 2012 (the "Fee Order"), which approved, *inter alia*, final compensation for the Debtor in the amount of $12,939,682.50, consisting of $12,439,682.50 in lodestar based fees and a fee enhancement of $500,000 (the "Fee Enhancement"). Pursuant to the Bennett Group Stipulation, 15% of the Fee Enhancement ($75,000) has been paid to the Debtor, which payment was authorized by the Fee Order.

Additionally, the Bennett Group Stipulation provides for the Bennett Group to assign their Claims for fraud, misrepresentation, breach of fiduciary duty and other Claims against the Debtor and members of the Debtor's executive committee and certain other Persons to the Estate and to participate in the PCP, in exchange for certain mutual releases set forth in the Bennett Group Stipulation.

VIII. THE CHAPTER 11 PLAN

A. General Description of the Treatment of Claims and Interests

Each of the Classes established under the Plan is grounded in factual and legal differences between the Claims and Interests, which comprise the Class.

(i) Unclassified Claims

Pursuant to Section 4.1 of the Plan, Administrative Claims and Priority Tax Claims shall be treated in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively.

(ii) Administrative Claims

Pursuant to Sections 4.2 and 7.10(a) of the Plan, an Administrative Claim (other than a Professional Fee Claim) with respect to which notice has been properly filed and served pursuant to Section 7.15 of the Plan shall become an Allowed Administrative Claim if no objection is filed within one hundred eighty (180) days after the later of (a) the Effective Date, or (b) the date of service of the applicable notice of Administrative Claim. If an objection is filed within such 180-day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. On the later of the Effective Date or the date such Claim is allowed, each holder of an Allowed Administrative Claim shall receive (a) the amount of such holder's Allowed Claim which shall be paid pursuant to and in accordance with Section 7.10(a) of the Plan, or (b) such other treatment as may be agreed upon in writing by the Debtor or the Liquidation Trustee and the holder of such Allowed Administrative Claim. In the event there exist any Disputed Administrative Claims on the Effective Date, the Liquidation Trustee shall at all times hold and maintain Cash in an amount equal to that portion of the Disputed Claims Reserve attributable to all Disputed Administrative Claims.

Pursuant to the Application, the Debtor has proposed Administrative Bar Dates that would be set after the filing of this Disclosure Statement. Accordingly, Administrative Claims of which the Debtor is presently unaware may be asserted in the future.

(iii) Priority Tax Claims

Pursuant to Sections 4.3 and 7.10 (b) of the Plan, at the election of the Debtor or the Liquidation Trustee, each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of such holder's Allowed Priority Tax Claim, (a) the amount of such holder's Allowed Priority Tax Claim, with Post-Confirmation Interest thereon, in equal annual Cash payments on each anniversary of the Effective Date, until the sixth anniversary of the date of assessment of such Priority Tax Claim (provided that the Liquidation Trustee may prepay the balance of any such Allowed Priority Tax Claim at any time without penalty); (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder; *provided*, *however,* that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Priority Tax Claim. In the event there exists from time to time any Disputed Priority Tax Claims, the Liquidation Trustee shall at all such times hold and maintain an appropriate reserve to be determined by the Liquidation Trustee, unless otherwise ordered by the Bankruptcy Court, for such Disputed Priority Tax Claims. Provided that Allowed Priority Tax Claims are paid in full, the Confirmation Order shall enjoin any holder of a Priority Tax Claim from commencing or continuing any action or proceeding against any responsible Person, Partner, officer of the Debtor that otherwise would be liable to such holder for payment of a Priority Tax Claim.

As of the filing of the Disclosure Statement, an aggregate amount of approximately $392,500 of Priority Tax Claims has been asserted by Creditors. Additional Claims may be filed prior to the Bar Date with respect to such Priority Tax Claims. The Debtor, however, cannot predict the amount of such additional Claims at this time. The actual aggregate amount of Priority Tax Claims may vary from the Debtor's estimates set forth herein.

(iv) Class 1 – Non-Tax Priority Claims

(a) Claims in Class:

Section 5.1(a) of the Plan classifies Class 1 Claims as Non-Tax Priority Claims. Class 1 consists of Claims which are entitled to priority treatment under the Bankruptcy Code, excluding tax claims of governmental units.

(b) Treatment:

In accordance with Sections 5.1(a) and 7.10(b) of the Plan, on the later of the Effective Date or the date such Claim is Allowed, or as soon thereafter as is reasonably practicable, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 1 - Non-Tax Priority Claim, each holder of an Allowed Non-Tax

Priority Claim against the Debtor shall receive (i) an amount in Cash equal to the Allowed amount of such Non-Tax Priority Claim, which shall be paid pursuant to and in accordance with Section 7.10(b) of the Plan; or (ii) such other treatment as to which the Debtor or the Liquidation Trustee and such holder shall have agreed upon in writing. In the event there exists, from time to time, any Disputed Non-Tax Priority Claims, the Liquidation Trustee shall at all such times hold and maintain an appropriate reserve to be determined by the Liquidation Trustee, unless otherwise ordered by the Bankruptcy Court, for such Disputed Non-Tax Priority Claims.

The Debtor listed an aggregate amount of approximately $345,000 Non-Tax Priority Claims on its Schedules, which, for the most part, are Employee-related claims. On or before the Bar Date, Claims in an aggregate amount of approximately $14.2 million, which are classified as Non-Tax Priority Claims under the Plan amount, were filed against the Debtor, excluding Claims made by Partners. The actual aggregate amount of Allowed Non-Tax Priority Claims remains to be determined.

(c) Voting:

Class 1 is unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each holder of a Non-Tax Priority Claim in Class 1 is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(v) Class 2 – Secured Lender Claims

(a) Claims in Class:

Sections 5.1(b), 7.4 and 7.10(c) of the Plan classify Class 2 Claims as Secured Lender Claims. Class 2 consists of Claims, which are entitled to secured status under the Bankruptcy Code.

(b) Treatment:

On the Effective Date, the Secured Lender Claims will be deemed Allowed in the aggregate amount of $261,897,943.72. In accordance with Section 5.1(b) of the Plan, on the later of the Effective Date, or as soon thereafter as is reasonably practicable, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Class 2 - Secured Lender Claims, each holder of an Allowed Secured Lender Claim shall receive its Pro Rata share of (i) the Secured Lender Trust Interests and (ii) Liquidation Trust Secured Lender Interests; *provided, however*, that on the Effective Date, holders of Allowed Secured Lender Claims will be deemed to have waived any diminution in value claims arising under the Final Cash Collateral Order. In addition, on the Effective Date, the Secured Lender Deficiency Claim shall be deemed Allowed General Unsecured Claims in the amount of $100 million and shall be included in and treated as a Class 4 -General Unsecured Claim; *provided, however,* the holders of Secured Lender Deficiency Claims shall waive or otherwise forego any Distributions from Initial PCP/Unfinished Business Proceeds that they would otherwise receive as general unsecured creditors by virtue of their Secured Lender Deficiency Claims.

(c) Voting:

Class 2 is impaired by the Plan. Each holder of a Secured Lender Claim in Class 2 is entitled to vote to accept or reject the Plan.

(vi) Class 3 – Other Secured Claims

(a) Claims in Class:

Section 5.1(c) of the Plan classifies Class 3 Claims as Other Secured Claims. Class 3 consists of Claims which are entitled to secured status under the Bankruptcy Code.

(b) Treatment:

In accordance with Sections 5.1(c) and 7.10(d) of the Plan, on the later of the Effective Date, or the date such Claim is Allowed, or as soon thereafter as is reasonably practicable, in full satisfaction, settlement, release, and discharge, of and in exchange for, such Allowed Class 3 - Other Secured Claims, each holder of an Allowed Other Secured Claim shall receive at the option of the Liquidation Trustee (i) Cash in the amount of such Allowed Other Secured Claim, (ii) a non-recourse conveyance of the Estate's right, title and interest in and to the collateral securing such Allowed Other Secured Claim, or (iii) such other, less favorable treatment as may be agreed to by the holder of such Allowed Other Secured Claim and the Debtor or the Liquidation Trustee in writing. Any Deficiency Claim resulting from the aforesaid treatment shall be included in and treated as a Class 4 - General Unsecured Claim. In the event there exists, from time to time, any Disputed Other Secured Claims on the Effective Date, the Liquidation Trustee shall (x) at all such times hold and maintain an appropriate reserve to be determined by the Liquidation Trustee, unless otherwise ordered by the Bankruptcy Court, for such Disputed Other Secured Claims at such times or (y) maintain and preserve the collateral securing such Other Secured Claims. The Debtor's failure to object to any Other Secured Claim shall be without prejudice to the Debtor's or the Liquidation Trustee's right to contest or otherwise defend against such Claim in the appropriate forum when and if such Claim is sought to be enforced by the Other Secured Claim holder. Nothing in this Section or in the Plan shall preclude the Debtor, or the Liquidation Trustee, or the secured lender from challenging the validity of any alleged lien on any Asset of the debtor or the value of the property that secures any alleged lien allegedly securing another secured claim.

As of the Bar Date, an aggregate amount of approximately $44.5 million of liquidated Other Secured Claims had been scheduled by the Debtor or filed by Creditors.

(c) Voting:

Class 3 is impaired by the Plan. Each holder of an Other Secured Claim in Class 3 is entitled to vote to accept or reject the Plan.

(vii) Class 4 – General Unsecured Claims

(a) Claims in Class:

Section 5.1(d) of the Plan classifies the Class 4 Claims as General Unsecured Claims. Claims in Class 4 include any Claim against the Debtor that is not an Administrative Claim, Priority Tax Claim, Non-Tax Priority Claim, Insured Malpractice Claim, Subordinated Claim, or Interest.

(b) Treatment:

In accordance with Sections 5.1(d) and 7.10(e) of the Plan, on the later of the Effective Date, or the date such Claim is Allowed, or as soon thereafter as is reasonably practicable, in full satisfaction, settlement, release, and discharge, of and in exchange for, such Allowed Class 4 - General Unsecured Claim, each holder of an Allowed General Unsecured Claim (including the Secured Lender Deficiency Claims and other Deficiency Claims, if any) shall receive its Pro Rata share of the Liquidation Trust General Unsecured Creditor Interests; *provided, however*, the holders of Secured Lender Deficiency Claims shall waive or otherwise forego any Distributions from Initial PCP/Unfinished Business Proceeds that they would otherwise receive as general unsecured creditors by virtue of their Secured Lender Deficiency Claims. In the event there exists from time to time any Disputed General Unsecured Claims, the Liquidation Trustee shall at all such times hold and maintain an appropriate reserve to be determined by the Liquidation Trustee, unless otherwise ordered by the Bankruptcy Court, for such Disputed General Unsecured Claims at such times.

As of the Bar Date, and without accounting for duplicates, an aggregate amount of $284.9 million of liquidated General Unsecured Claims had been scheduled by the Debtor or filed by Creditors. In addition, certain Creditors filed unliquidated General Unsecured Claims. The Debtor has not attempted to quantify the unliquidated portions of such General Unsecured Claims for purposes of this Disclosure Statement.

(c) Voting:

Class 4 is impaired by the Plan. Each holder of a General Unsecured Claim in Class 4 is entitled to vote to accept or reject the Plan.

(viii) Class 5 – Insured Malpractice Claims

(a) Claims in Class:

Section 5.1(e) of the Plan classifies Class 5 Claims as Insured Malpractice Claims. Malpractice Claims are any unsecured, non-priority Claims against the Debtor or any Partner or Employee which arise out of alleged acts, errors or omissions in connection with the Debtor or a Partner or an Employee rendering or failing to render professional legal services or other potential or actual liability or costs arising in connection therewith, whether or not covered by a Malpractice Policy. Class 5 consists only of Insured Malpractice Claims, which are the Insured Portions of any Malpractice Claims covered by a Malpractice Policy or Policies.

(b) Treatment:

In accordance with Sections 5.1(e) and 7.10(f) of the Plan, on the later of the Effective Date, or the date such Claim is Allowed, or as soon thereafter as is reasonably practicable, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Class 5 - Insured Malpractice Claim, each holder of an Allowed Insured Malpractice Claim shall be paid to the extent there is coverage, solely from the proceeds of any applicable Malpractice Policy with respect to the Insured Portion of the Claim. Any Claim, or portion of a Claim, that is an Allowed Uninsured Malpractice Claim shall be treated in the same manner as a Class 4 - General Unsecured Claim.

Although the results of litigation cannot be predicted with any degree of certainty, the Debtor estimates that Allowed Insured Malpractice Claims will not exceed the maximum value of insurance coverage of $275 million available to the Debtor through the Malpractice Policies. The actual aggregate amount of Allowed Insured Malpractice Claims may vary from the Debtor's estimates set forth herein. To the extent any Allowed Insured Malpractice Claims exceed available coverage, such portions will be treated as General Unsecured Claims.

(c) Voting:

Class 5 is impaired by the Plan. Each holder of an Insured Malpractice Claim in Class 5 is entitled to vote to accept or reject the Plan.

(ix) Class 6 – Subordinated Claims

Class 6 consists of claims that are subordinated to General Unsecured Claims by a Final Order of the Bankruptcy Court in accordance with section 510 of the Bankruptcy Code or otherwise. The Debtor expects that either it or the Liquidation Trustee will seek to reclassify Claims asserted by Non-Participating Partners as Class 6 Subordinated Claims.

The Former Partners' Committee believes that many of the FPC Constituents who are Non-Participating Partners hold General Unsecured Claims to be paid *pari passu* with the rest of the Debtor's general unsecured creditors, and that the FPC Constituents' Claims should be classified and treated as such under the Plan.

(a) Claims in Class:

Section 5.1(f) of the Plan classifies Class 6 Claims as Subordinated Claims.

(b) Treatment:

In accordance with Sections 5.1(f) and 7.10(g) of the Plan, holders of Allowed Subordinated Claims shall not receive any Distributions on account of such Claims unless and until all holders of Allowed Claims against the Debtor are satisfied in full with post-petition interest, in which case each holder of an Allowed Subordinated Claim shall receive its Pro Rata share of any remaining Liquidation Trust Assets. Claims of Participating Partners will be disallowed and expunged per the terms of the PCPs.

(c) Voting:

Holders of Allowed Class 6 – Subordinated Claims shall receive no Distribution under the Plan, unless all other Classes are first paid in full. Pursuant to section 1126(g) of the Bankruptcy Code, each holder of a Subordinated Claim in Class 6 is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(x) Class 7 – Interests

(a) Interests in Class:

Section 5.1(g) of the Plan classifies Class 7 Interests. Interests are the rights and interests of a Partner or other Person in the Debtor pursuant to the Partnership Agreement or any applicable law concerning the Debtor. Former Partners of the Debtor may possess residual ownership rights and interests in the Debtor, which are classified in the Plan as Class 7 Interests.

(b) Treatment:

In accordance with Sections 5.1(g) and 7.10(h) of the Plan, on the Effective Date, the legal, equitable, and contractual rights of each holder of an Interest in the Debtor shall be extinguished, canceled and discharged, and such holders of Interests shall not receive any Distribution or consideration in connection with such Interests.

(c) Voting:

Interest holders shall receive no Distribution under the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, each holder of a Interest in Class 7 is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

B. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtor's or the Liquidation Trustee's rights, defenses, and counterclaims, both legal and equitable, with respect to any Claims (other than Secured Lender Claims and Secured Lender Deficiency Claims), including, but not limited to, all rights of setoff or recoupment.

C. Separate Classification of Certain Claims

Section 1122(a) of the Bankruptcy Code states that "a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class." Various courts have held that section 1122(a) only governs which claims can be grouped together in the same class but does not address whether all similar claims must be grouped together in the same class. Courts in the Second Circuit have held that claims need not be classified together so long as the debtor has a legitimate business reason. *In re Boston Post Road Ltd. Partnership*, 154 B.R. 617, 622 (D. Conn. 1993).

(i) Secured Claims

The Plan classifies and treats Secured Lender Claims differently than Other Secured Claims. Secured Lender Claims consist of debt relating to the Secured Notes and the Credit Agreement. Other Secured Claims potentially relate to various personal property and equipment leases and contracts that the Debtor believes may be classified as disguised financing agreements.

(ii) Insured Malpractice Claims

Insured Malpractice Claims against the Debtor are classified separately from General Unsecured Claims because such Claims have a separate source of recovery and shall be paid pursuant to, and solely from, the proceeds of any applicable Malpractice Policy with respect to the Insured Portion of the Claim. To the extent any Allowed Insured Malpractice Claims exceed available coverage, such portions will be treated as General Unsecured Claims.

IX. MEANS OF IMPLEMENTATION OF THE PLAN

A. Plan Funding Mechanism

The Bankruptcy Case will continue to be funded through the use of Receivables Cash Collateral pursuant to the terms and conditions set forth in the Final Cash Collateral Order in accordance with the Budget, which will cover certain expenses as well as the payment of certain Claims under the Plan, as discussed further below. To the extent that the use of Receivables Cash Collateral beyond the Budget is necessary, the Collateral Agent may agree, in consultation with Secured Lenders holding a majority of Secured Lender Claims, and with the consent of the Creditors' Committee, to continue the use of Receivables Cash Collateral on the terms and conditions set forth in the Final Cash Collateral Order and in accordance with a revised Budget.

Proceeds from Assets other than Receivables, WIP and Foreign Office Recoveries will be segregated and set aside for Distribution in accordance with the Plan, and will be excluded from the calculation of "Excess Cash Collateral," as defined in the Final Cash Collateral Order. The purpose of this segregation is to ensure that no Assets that would otherwise be shared with holders of Allowed General Unsecured Claims pursuant to the allocations set forth in the Plan are swept to the Secured Lenders pursuant to the Final Cash Collateral Order.

The Secured Lender Trust and the Liquidation Trust will be funded with $1 million and $2.5 million from Receivables Cash Colllateral, respectively.

B. Secured Lender Trust

In accordance with Section 7.1 of the Plan, as of the Effective Date, the Secured Lender Trust shall be formed to liquidate the Secured Lender Trust Assets and to enable the Secured Lender Trustee to distribute the proceeds thereof to holders of Secured Lender Claims. The activities of the Secured Lender Trust shall be funded out of the Secured Lender Trust Funding Reserve and not from the Liquidation Trust, Liquidation

Trust Assets or Liquidation Trust Funding Reserve. The Secured Lender Trust shall be established for the sole purpose of liquidating and distributing its assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The terms of the Secured Lender Trust Agreement shall be satisfactory in form and substance to the Debtor, the Collateral Agent and Secured Lenders holding a majority in amount of the Secured Lender Claims, and shall control to the extent of any conflict or inconsistency among the Plan, the Intercreditor Agreement and the Secured Lender Trust Agreement.

As of the Effective Date, the Secured Lender Trust Agreement shall be executed by the Debtor and the Secured Lender Trustee and shall become effective without further action by any party.

The Secured Lender Trust shall consist of the Secured Lender Trust Assets. On the Effective Date, the Debtor shall, and shall direct the Collateral Agent to, transfer all of the Secured Lender Trust Assets to the Secured Lender Trust subject to the liens of the Secured Lenders. Thereafter, the Collateral Agent shall transfer and assign its liens on the Secured Lender Trust Assets to the Secured Lender Trustee for the benefit of the Secured Lenders.

The Secured Lender Trustee shall report to an oversight committee the ("Secured Lender Trust Oversight Committee"), which committee shall be selected by Secured Lenders holding a majority in amount of the Secured Lender Claims, in consultation with the Debtor, pursuant to the terms of the Secured Lender Trust Agreement and the members of which will be identified prior to the Confirmation Hearing.

Consistent with the principles of Revenue Procedure 94-45, 1994-2 C.B. 684, as of the Effective Date, for federal income tax purposes, (i) the Debtor will be deemed to transfer the Secured Lender Trust Assets to the holders of Secured Lender Claims, (ii) the holders of Secured Lender Claims will be deemed to transfer such Assets to the Secured Lender Trust, (iii) the Secured Lender Trust will be treated as a "liquidating trust," as defined in Treasury Regulation section 301.7701-4(d), and as a "grantor trust" within the meaning of Internal Revenue Code sections 671-679 and (iv) the holders of Secured Lender Claims will be treated as the "grantors" of the Secured Lender Trust.

As of the Effective Date, the Secured Lender Trustee shall be appointed, and shall serve in such capacity and shall have comparable authority as a bankruptcy trustee of the Debtor, as the exclusive representative of the Estate under section 1123(b)(3)(B) of the Bankruptcy Code or any corresponding provision of federal or state laws with respect to the Secured Lender Trust Assets and shall succeed to all of the Debtor's rights and powers with respect thereto, including, without limitation, those provided under the ADR Procedures Order. The powers, rights, and responsibilities of the Secured Lender Trustee, all of which shall arise upon the occurrence of the Effective Date, shall be specified in the Secured Lender Trust Agreement and shall include, but not be limited to, the power and authority to collect and liquidate the Secured Lender Trust Assets under the jurisdiction of the Bankruptcy Court. The Secured Lender Trustee shall consult with and report to members of the Secured Lender Oversight Committee regarding the collection and liquidation of the Secured Lender Trust Assets, as set forth in the Secured Lender Trust Agreement. The Secured Lender Trustee shall cooperate

with the Liquidation Trustee in good faith and make available to the Liquidation Trustee, on reasonable terms and conditions, documents and data in the possession or control of the Secured Lender Trustee, as needed by the Liquidation Trustee to carry out the purposes and activities of the Liquidation Trust.

The Secured Lender Trustee may collect the proceeds of the Receivables and other Secured Lender Trust Assets and may retain one or more collection agents to continue to pursue collections after the Effective Date, to the extent set forth in the Secured Lender Trust Agreement.

The Secured Lender Trustee shall be authorized to negotiate, resolve and enter into settlements with respect to the Secured Lender Trust Assets, subject to the consent of the Secured Lender Trust Oversight Committee, as applicable, to the extent set forth in the Secured Lender Trust Agreement and without further order of the Bankruptcy Court.

The Secured Lender Trustee shall be authorized to take such actions as he or she deems appropriate in the Secured Lender Trustee's reasonable business judgment against any Person with respect to any of the Secured Lender Trust Assets, to the extent set forth in the Secured Lender Trust Agreement.

The Secured Lender Trustee shall be entitled to proceed with and employ all discovery devices permitted under applicable law, including Rule 2004 of the Bankruptcy Rules, in order to investigate any Secured Lender Trust Assets, and shall be entitled to rights provided to the Debtor under the ADR Procedures Order.

The Secured Lender Trustee shall be authorized to enter into a settlement with any Person upon terms and conditions which he or she deems appropriate in the Secured Lender Trustee's reasonable business judgment, to the extent set forth in the Secured Lender Trust Agreement, and without further order of the Bankruptcy Court.

The Secured Lender Trustee may employ, without further order of the Bankruptcy Court, professionals or other persons to assist it in carrying out its duties hereunder, including former counsel and advisors to the Debtor and/or the Secured Lender Parties and former Wind-Down Committee members or Employees of the Debtor, and may compensate and reimburse the expenses of those professionals and other persons, on the terms to be agreed to by the Secured Lender Trustee and such professionals and other persons, without further order of the Bankruptcy Court, to the extent set forth in the Secured Lender Trust Agreement.

The Secured Lender Trustee shall be authorized, without further order of the Bankruptcy Court, to dispose or abandon Secured Lender Trust Assets where the Secured Lender Trustee deems appropriate in the Secured Lender Trustee's reasonable business judgment upon proper notice to relevant third parties that may have an interest in the property to be abandoned, including the disposition of client files and records or other files and records of the Debtor and its Estate (to the extent such files and records are Secured Lender Trust Assets) in accordance with the File Disposition Procedures and/or governing law, as applicable, to the extent set forth in the Secured Lender Trust Agreement.

The Secured Lender Trustee shall be authorized to commence any process or proceeding in the Bankruptcy Court or in any court of competent jurisdiction in accordance with applicable law, to the extent set forth in the Secured Lender Trust Agreement.

C. Liquidation Trust

In accordance with Section 7.5 of the Plan, on the Effective Date, the Liquidation Trust shall be formed pursuant to the Plan and established and become effective in accordance with the Liquidation Trust Agreement to liquidate the Liquidation Trust Assets, including, without limitation, the prosecution of Causes of Action of and retained by the Estate (except those that are Secured Lender Trust Assets) under the jurisdiction of the Bankruptcy Court and to enable the Liquidation Trustee to distribute the proceeds thereof to holders of Allowed Claims in accordance with the Plan and the Liquidation Trust Agreement. The Liquidation Trust shall be established for the sole purpose of liquidating and distributing its assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The terms of the Liquidation Trust Agreement shall be satisfactory in form and substance to the Debtor, the Collateral Agent, Secured Lenders holding a majority in amount of the Secured Lender Claims and the Creditors' Committee, and shall control to the extent of any conflict or inconsistency among the Plan, the Intercreditor Agreement, and the Liquidation Trust Agreement.

On the Effective Date, the Liquidation Trust Agreement shall be executed by the Debtor and the Liquidation Trustee and shall become effective without further action by any party.

The Liquidation Trust shall consist of the Liquidation Trust Assets. On the Effective Date, the Debtor shall transfer all of the Liquidation Trust Assets to the Liquidation Trust

The Liquidation Trustee shall be jointly selected by the Secured Lenders holding a majority in amount of the Secured Lender Claims and the Creditors' Committee, in consultation with the Debtor, and identified prior to the Confirmation Hearing as set forth in the Plan Supplement.

The Liquidation Trustee shall report to an oversight committee the ("Liquidation Trust Oversight Committee"), which committee shall be comprised of (i) an individual selected by the Collateral Agent and Secured Lenders holding a majority in amount of the Secured Lender Claims, (ii) an individual selected by the Creditors' Committee and (iii) an individual selected jointly by the Collateral Agent, Secured Lenders holding a majority in amount of the Secured Lender Claims and the Creditors' Committee, in consultation with the Debtor, pursuant to the terms of the Liquidation Trust Agreement, and which individuals shall be identified prior to the Confirmation Hearing.

As of the Effective Date, the Liquidation Trustee shall be appointed, and shall serve in such capacity, and shall have comparable authority as a bankruptcy trustee of the Debtor, as the exclusive representative of the Estate under section 1123(b)(3)(B) of

the Bankruptcy Code or any corresponding provision of federal or state laws with respect to the Liquidation Trust Assets and the wind down of the Debtor and shall succeed to all of the Debtor's and the Estate's rights with respect thereto. The powers, rights, and responsibilities of the Liquidation Trustee, all of which shall arise upon the occurrence of the Effective Date, shall be specified in the Liquidation Trust Agreement and shall include, but not be limited to: (i) collect and liquidate the Liquidation Trust Assets under the jurisdiction of the Bankruptcy Court, (ii) assert, prosecute, pursue, compromise and settle in accordance with the Liquidation Trustee's reasonable business judgment, all Claims and Causes of Action (other than those that are Secured Lender Trust Assets), including against Non-Participating Partners and any Causes of Action for which the Creditors' Committee has obtained standing to prosecute, and assert and enforce all legal or equitable remedies and defenses belonging to the Debtor or its Estate, including, without limitation, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code, (iii) collect all sums due from Participating Partners and enforce all rights under and in connection with any PCP, (iv) object to Claims in accordance with the Liquidation Trustee's reasonable business judgment, (v) make Distributions to holders of Liquidation Trust Interests and (vi) take all other actions required under the Plan to complete the dissolution and wind-down of the Debtor under applicable non-bankruptcy law and in accordance with the Plan, to the extent set forth in the Liquidation Trust Agreement and, except as provided therein, without further order of the Bankruptcy Court.

The Liquidation Trustee shall be authorized to negotiate, resolve and enter into settlements on all matters affecting the Estate, including, without limitation, Reconciliation Amounts, Disputed Claims, and/or other Causes of Action (other than those that are Secured Lender Trust Assets), subject to the consent of the Liquidation Trust Oversight Committee as applicable, to the extent set forth in the Liquidation Trust Agreement and except as provided therein, without further order of the Bankruptcy Court.

The Liquidation Trustee shall be authorized to take such actions as he or she deems appropriate in the Liquidation Trustee's reasonable business judgment against any Person with respect to a Cause of Action (other than a Cause of Action that is a Secured Lender Trust Asset), to the extent set forth in the Liquidation Trust Agreement.

The Liquidation Trustee shall be entitled to proceed with and employ all discovery devices permitted under applicable law, including Rule 2004 of the Bankruptcy Rules, in order to investigate any Causes of Action (other than those that are Secured Lender Trust Assets).

The Liquidation Trustee shall be authorized to enter into a settlement with any Party upon terms and conditions, which he or she deems appropriate in the Liquidation Trustee's reasonable business judgment, to the extent set forth in the Liquidation Trust Agreement and except as provided therein, without further order of the Bankruptcy Court.

The Liquidation Trustee shall be authorized to take or cause to be taken all actions pursuant to the provisions of the Liquidation Trust Agreement and the PCPs as necessary to secure the effective implementation of the Plan and the continued

effectiveness of the Participating Partner Injunction, to the extent set forth in the Liquidation Trust Agreement.

The Liquidation Trustee may employ, without further order of the Bankruptcy Court, professionals or other persons to assist it in carrying out its duties hereunder, including former counsel and advisors to the Debtor, the Creditors' Committee and/or the Secured Lender Parties and former Wind-Down Committee members and Employees of the Debtor, and may compensate and reimburse the expenses of those professionals and other persons, on the terms to be agreed to by the Liquidation Trustee and such professionals and other persons, without further order of the Bankruptcy Court, to the extent set forth in the Liquidation Trust Agreement.

The Liquidation Trustee shall be authorized, without further order of the Bankruptcy Court, to dispose or abandon the Liquidation Trust Assets when it deems appropriate in the Liquidation Trustee's reasonable business judgment upon proper notice to relevant third parties that may have an interest in the property to be abandoned, including the disposition of client files and records or other files and records of the Debtor and its Estate in accordance with the File Disposition Procedures and/or governing law as, applicable, to the extent set forth in the Liquidation Trust Agreement and in consultation with the Secured Lender Trustee.

The Liquidation Trustee shall be authorized to commence any process or proceeding in the Bankruptcy Court or in any court of competent jurisdiction in accordance with applicable laws, to the extent set forth in the Liquidation Trust Agreement.

The Liquidation Trustee shall (i) consult with members of the Liquidation Trust Oversight Committee regarding the prosecution and/or settlement of Causes of Action (other than those that are Secured Lender Trust Assets) and report to the Liquidation Trust Oversight Committee regarding such matters; and (ii) seek approval from the Liquidation Trust Oversight Committee regarding the prosecution and/or settlement of each Cause of Action, to the extent set forth in the Liquidation Trust Agreement.

The Liquidation Trustee shall cooperate with the Secured Lender Trustee in good faith and make available to the Secured Lender Trustee, on reasonable terms and conditions, documents and data in the possession or control of the Liquidation Trustee as needed by the Secured Lender Trustee to carry out the purposes and activities of the Secured Lender Trust.

The terms of the Liquidation Trust Agreement, which shall be satisfactory in form and substance to the Debtor, the Collateral Agent, Secured Lenders holding a majority in amount of the Secured Lender Claims and the Creditors' Committee and shall control to the extent of any conflict or inconsistency with the Plan and the Liquidation Trust Agreement.

D. Issuance of Liquidation Trustee and Secured Lender Interests

(i) Issuance of Secured Lender Trust Interests

On the Effective Date or as soon as practicable thereafter, the Collateral Agent shall deliver to the Secured Lender Trustee a list of each Person entitled to receive Secured Lender Trust Interests pursuant to the Plan, including the Allowed amount of such Person's Secured Lender Claim and the address of each such Person. In so doing, the Collateral Agent (without any independent investigation), shall be entitled to rely solely upon and shall not incur any liability for relying upon, information provided to the Collateral Agent by the Secured Lenders under the Intercreditor Agreement. The Secured Lender Trustee shall maintain a register of the holders of Secured Lender Trust Interests. Upon notice to the Secured Lender Trustee by any holder of a Secured Lender Trust Interest, the Secured Lender Trustee shall amend the register to reflect any transfer of a Secured Lender Trust Interest by such holder to a transferee as set forth in the notice; ***provided, however*, that the Secured Lender Trustee need not reflect any transfer (or make any distribution to any transferee) and will give notice to such holder that no transfer has been recognized in the event the Secured Lender Trustee reasonably believes that such transfer (or the distribution to such transferee) may constitute a violation of applicable laws or might cause the Secured Lender Trust to be required to register Secured Lender Trust Interests, or to become a reporting company, under the Securities Exchange Act of 1934, as amended.**

(ii) Issuance of Liquidation Trust Interests

(a) Liquidation Trust Secured Lender Interests

On the Effective Date or as soon as practicable thereafter, the Collateral Agent shall deliver to the Liquidation Trustee a list of each Person entitled to receive Liquidation Trust Secured Lender Interests pursuant to the Plan, including the Allowed amounts of such Person's Secured Lender Claim and the address of each such Person. In so doing, the Collateral Agent (without any independent investigation), shall be entitled to rely solely upon, and shall not incur any liability for so relying upon, information provided to the Collateral Agent under the Intercreditor Agreement.

(b) Liquidation Trust General Unsecured Creditor Interests

On the Effective Date or as soon as practicable thereafter, the Debtor shall deliver to the Liquidation Trustee a list of each Person to receive Liquidation Trust General Unsecured Creditor Interests as of the Effective Date pursuant to the Plan, including the Allowed amounts of the General Unsecured Claims of, and the address of, each such Person, *provided that*, with respect to the Secured Lender Deficiency Claims, such list shall be provided by the Collateral Agent and the Collateral Agent (without any independent investigation), shall be entitled to rely solely upon and shall not incur any liability for so relying upon, information provided to the Collateral Agent under the Intercreditor Agreement. On the Effective Date, the Debtor shall also deliver to the Liquidation Trustee (i) a list of each holder of a General Unsecured Claim that is a Disputed Claim as of the Effective Date, including the maximum amount of each such Claim, and the address of the holder thereof and (ii) in consultation with the Collateral

Agent, a list containing the identities of Secured Lenders who are Releasing Secured Lenders and those who are Non-Releasing Secured Lenders.

(c) Transfer of Liquidation Trust Interests

The Liquidation Trustee shall maintain a register of the holders of Liquidation Trust Interests and shall adjust the register from time to time as General Unsecured Claims that are Disputed Claims become Allowed. To the extent permitted in the Liquidation Trust Agreement, upon notice to the Liquidation Trustee by any holder of a Liquidation Trust Interest, the Liquidation Trustee shall amend the register to reflect any transfer of a Liquidation Trust Lender Interest by such holder to a transferee as set forth in the notice; ***provided, however*, that the Liquidation Trustee need not reflect any transfer (or make any distribution to any transferee) and will give notice to such holder that no transfer has been recognized in the event the Liquidation Trustee reasonably believes that such transfer (or the distribution to such transferee) may constitute a violation of applicable laws or might cause the Liquidation Trust to be required to register Liquidation Trust Interests, or to become a reporting company, under the Securities Exchange Act of 1934, as amended.**

E. Liquidation Trustee and Secured Lender Distributions

(i) Distribution of Secured Lender Trust Assets

Subject in all cases to the terms of the Secured Lender Trust Agreement, the Secured Lender Trustee shall distribute to holders of Allowed Secured Lender Claims on account of their Secured Lender Trust Interests, on a quarterly basis (or such other basis as determined by the Secured Lender Trustee in consultation with the Secured Lender Trust Oversight Committee), all Cash on hand in the Secured Lender Trust (including any Cash received from the Debtor on the Effective Date), except the Secured Lender Trust Funding Reserve which shall be used to fund the activities of the Secured Lender Trust and such additional reserves as the Secured Lender Trustee deems necessary to fund (i) any additional amounts required to be funded with Secured Lender Trust Assets pursuant to Sections 7.10(a) and (b) of the Plan and (ii) any other costs, fees, and expenses, and other amounts owing and payble to the Collateral Agent or the Administrative Agent under the Intercreditor Agreement or any of the other Financing Agreements (as defined in the Intercreditor Agreement).

(ii) Distribution of Liquidation Trust Assets

The Liquidation Trustee shall distribute to the holders of Liquidation Trust Interests, on a quarterly basis (or such other basis as determined by the Liquidation Trustee in consultation with the Liquidation Trust Oversight Committee), the proceeds of the Liquidation Trust Assets (except the Liquidation Trust Funding Reserve) which shall be used to fund the activities of the Liquidation Trust, as follows:

(a) Distributions on Account of Liquidation Trust Secured Lender Interests

The Liquidation Trustee shall distribute to holders of Allowed Secured Lender Claims on account of their Liquidation Trust Secured Lender Interests, net of related legal fees and related expenses, (i) 80% of the Initial PCP/Unfinished Business Proceeds, (ii) 49.5% of Subsequent PCP/Unfinished Business Proceeds, (iii) 65% of Mismanagement Claims Proceeds, (iv) 50% of Initial Insurance Company Proceeds, (v) 60% of Subsequent Insurance Company Proceeds, (vi) 65% of Non-PCP Avoidance Action Proceeds, (vii) 50% of Harris Contingency Fee Claims Proceeds and (viii) 70% of the proceeds from all other Liquidation Trust Assets, including artwork and litigation claims (other than Mismanagement Claims, PCP-Related Claims and Non-PCP Avoidance Actions). **Notwithstanding the foregoing, Non-Releasing Secured Lenders shall not be entitled to any Initial PCP/Unfinished Business Proceeds or Subsequent/Unfinished Business Proceeds, to the extent such proceeds are the proceeds of a PCP, and such proceeds to which such Non-Releasing Secured Lenders would otherwise be entitled shall be distributed Pro Rata to Releasing Secured Lenders.**

(b) Distributions on Account of Liquidation Trust General Unsecured Creditor Interests

The Liquidation Trustee shall distribute to holders of Allowed General Unsecured Claims, other than holders of the Secured Lender Deficiency Claims, on account of their Liquidation Trust General Unsecured Creditor Interests, net of related legal fees and related expenses, 20% of the Initial PCP/Unfinished Business Proceeds. In addition, the Liquidation Trustee shall distribute to holders of Allowed General Unsecured Claims, including holders of the Secured Lender Deficiency Claims, on account of their Liquidation Trust General Unsecured Creditor Interests, net of related legal fees and related expenses, (i) 50.5% of Subsequent PCP/Unfinished Business Proceeds, (ii) 35% of Mismanagement Claims Proceeds, (iii) 50% of Initial Insurance Company Proceeds, (iv) 40% of Subsequent Insurance Company Proceeds, (v) 35% of Non-PCP Avoidance Action Proceeds, (vi) 50% of Harris Contingency Fee Claims Proceeds and (vii) 30% of the proceeds from all other Liquidation Trust Assets, including artwork and litigation claims (other than Mismanagement Claims, PCP-Related Claims and Non-PCP Avoidance Actions). **Notwithstanding the foregoing, Non-Releasing Secured Lenders shall not be entitled to any Initial PCP/Unfinished Business Proceeds or Subsequent/Unfinished Business Proceeds on account of their Secured Lender Deficiency Claims, to the extent such proceeds are the proceeds of a PCP, and such proceeds to which such Non-Releasing Secured Lenders would otherwise be entitled shall be distributed Pro Rata to holders of Allowed General Unsecured Claims (including Secured Lender Deficiency Claims to the extent held by Releasing Secured Lenders).**

(c) Liquidation Trust Funding

On the Effective Date or as soon as practicable thereafter, the Liquidation Trust Funding Reserve shall be established with Receivables Cash Collateral. Subject to the provisions of the Liquidation Trust Agreement, the Liquidation Trust Funding reserve

shall be used to pay the expenses of the Liquidation Trust, including without limitation, costs and expenses of counsel or other advisors. The Liquidation Trust Agreement shall provide for an allocation of the Liquidation Trust Funding across projected expenditures agreed to by the Collateral Agent, Secured Lenders holding a majority in amount of Secured Lender Claims and the Creditors' Committee in consultation with the Liquidation Trustee. Such expenses shall be paid as they are incurred without the need for Bankruptcy Court approval. Additional funding of the Liquidation Trust Funding Reserve may only be authorized by the Liquidation Trust Oversight Committee in accordance with the terms of the Liquidation Trust Agreement. Subject to the provisions of the Liquidation Trust Agreement, to the extent additional funding is so authorized in connection with General Unsecured Claims objections, 100% of the cost of such funding shall be paid only out of Liquidation Trust Assets that would otherwise be distributed to the holders of Liquidation Trust General Unsecured Creditor Interests hereunder. The costs of all other additional funding shall be paid only out of Liquidation Trust Assets, 65% of which would otherwise be distributed to the holders of Liquidation Trust Secured Lender Interests and 35% of which would otherwise be distributed to the holders of Liquidation Trust General Unsecured Creditor Interests.

(iii) Distributions to Administrative, Priority and Certain Other Claims

Following the Effective Date, in accordance with Article VIII of the Plan, Distributions shall be made as follows:

On the Effective Date or as soon as practicable thereafter, the Administrative Claims Reserve shall be established out of Receivables Cash Collateral. After the Effective Date, the Liquidation Trustee shall, to the extent required under the Plan, make Distributions from the Administrative Claims Reserve to all holders of Allowed Administrative Claims. To the extent there are any excess funds in the Administrative Claims Reserve after all Allowed Administrative Claims have been paid, such excess shall be returned to the Secured Lender Trustee for the benefit of the holders of the Secured Lender Trust Interests. To the extent there are any Excess Administrative Claims, such Excess Administrative Claims shall be funded as follows: (i) Excess Administrative Claims attributable to Professionals retained by the Secured Lenders, the Collateral Agent or the Administrative Agent shall be paid by the Secured Lender Trustee out of the Secured Lender Trust Assets; (ii) Excess Administrative Claims attributable to Professionals retained by the Creditors' Committee shall be paid Pro Rata out of Distributions that would otherwise be made to holders of Liquidation Trust General Unsecured Creditor Interests and (iii) 65% of all other Excess Administrative Claims shall be paid by the Secured Lender Trustee out of the Secured Lender Trust Assets and 35% shall be paid Pro Rata out of Distributions that would otherwise be made to holders of Liquidation Trust General Unsecured Creditor Interests, *provided, however*, that if there are insufficient Distributions that would otherwise be made to holders of Liquidation Trust General Unsecured Interests available to satisfy the funding of Excess Administrative Claims as provided for herein, the Secured Lender Trustee shall to the extent reasonably practicable advance sufficient Receivables Cash Collateral to the Liquidation Trustee to cover any deficiency in the form of a loan on terms substantially similar to those set forth in the Plan Supplement.

On the Effective Date or as soon as practicable thereafter, the Priority Claims Reserve shall be established out of Receivables Cash Collateral. After the Effective Date, the Liquidation Trustee shall, to the extent required under the Plan, make Distributions from the Priority Claims Reserve to all holders of Allowed Priority Tax Claims and Allowed Class 1 - Non-Tax Priority Claims. To the extent there are any excess funds in the Priority Claims Reserve after all Allowed Priority Claims have been paid, such excess shall be returned to the Secured Lender Trustee for the benefit of the holders of the Secured Lender Trust Interests. To the extent there are Excess Priority Claims, 65% of such Excess Priority Claims shall be paid by the Secured Lender Trustee out of the Secured Lender Trust Assets and 35% shall be paid Pro Rata out of Distributions that would otherwise be made to holders of Liquidation Trust General Unsecured Creditor Interests, *provided, however,* that if there are no such Distributions that would otherwise be made to holders of Liquidation Trust General Unsecured Interests available to satisfy the funding of Excess Priority Claims as provided herein, the Secured Lender Trustee shall to the extent reasonably practicable advance sufficient Receivables Cash Collateral to the Liquidation Trustee to cover any deficiency in the form of a loan on terms substantially similar to those set forth in the Plan Supplement.

Distributions to holders of Allowed Class 2 – Secured Lender Claims shall be made by the Secured Lender Trustee in accordance with the provisions of Sections 5.1(b), 7.4 and 7.10(c) of the Plan.

Distributions to holders of Allowed Class 3 – Other Secured Claims shall be made by the Liquidation Trustee in accordance with the provisions of Sections 5.1(c), and 7.7(d) of the Plan.

Distributions to holders of Allowed Class 4 – General Unsecured Claims shall be made in accordance with the provisions of Sections 5.1(d) and 7.7(e) of the Plan.

Distributions to holders of Allowed Class 5 – Insured Malpractice Claims shall be made solely from the proceeds of the Debtor's Malpractice Policies in accordance with the provisions of Sections 5.1(e) and 7.7(f) of the Plan.

Distributions to holders of Allowed Class 6 – Subordinated Claims, if any, shall be made in accordance with Sections 5.1(f) and 7.7(g) of the Plan.

Distributions to holders of Allowed Class 7 – Interests, shall receive no Distribution in accordance with the provisions of sections 5.1(g) and 7.7(h) of the Plan.

(iv) <u>No Distributions from Litigation Recoveries to Defendants</u>

If a litigation recovery on account of a Cause of Action arising from a defendant's bad faith, willful misconduct, or gross negligence is obtained by the Liquidation Trustee, such defendant shall not be entitled to share directly or indirectly in the proceeds from such litigation recovery.

F. Preservation of Causes of Action

On the Effective Date, all Causes of Action, rights of setoff and other legal and equitable defenses of the Debtor and Estate are preserved for the benefit of holders of the Liquidation Trust Interests and Secured Lender Interests and shall be transferred to and vested in the Liquidation Trust and Secured Lender Trust, respectively, as set forth in the Plan unless expressly released, waived, or relinquished under the Plan, the Confirmation Order or other order of the Bankruptcy Court. No Person may rely on the absence of a specific reference in the Plan or this Disclosure Statement to any Cause of Action against them as an indication that the Liquidation Trustee or the Secured Lender Trustee, as applicable, will not pursue a Cause of Action against them.

The Liquidation Trustee shall exclusively retain and may prosecute and enforce, and the Debtor expressly reserves and preserves for these purposes, in accordance with sections 1123(a)(5)(B) and 1123(b)(3) of the Bankruptcy Code, any Claims, demands, rights and Causes of Action solely to the extent they are Liquidation Trust Assets.

The Secured Lender Trustee shall be appointed representative of the Estate, and shall have comparable authority as a bankruptcy trustee of the Debtor, and exclusively retain and may prosecute and enforce, and the Debtor expressly reserves and preserves for these purposes, in accordance with sections 1123(a)(5)(B) and 1123(b)(3) of the Bankruptcy Code, any Claims, demands, rights and Causes of Action solely to the extent they are Secured Lender Trust Assets.

No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, Claim preclusion, estoppel (judicial, equitable or otherwise), Claim splitting or laches shall apply to such Claims and Causes of Action by virtue of or in connection with the Confirmation, consummation or effectiveness of the Plan; *provided, however*, that no Claims, demands, rights or Causes of Action that the Debtor or its Estate may hold against the members of the Wind-Down Committee or Non-Management Personnel shall be retained or preserved for prosecution by the Liquidation Trustee, Secured Lender Trustee, or any other Person on behalf of the Debtor or its Estate, except for Claims, demands, rights or Causes of Action arising as a result of wilful misconduct or gross negligence.

G. Preservation of Records

The Debtor, the Liquidation Trustee and the Secured Lender Trustee shall preserve for the benefit of the Estate, all documents and files in their respective possession necessary to the prosecution of the Causes of Action.

H. General Disposition of Assets

Pursuant to section 1123(a)(5) of the Bankruptcy Code and subject to the terms of the Liquidation Trust Agreement and the Plan, (i) the Liquidation Trustee shall sell or otherwise dispose of, and liquidate or otherwise convert to Cash, any non-Cash Liquidation Trust Assets as expeditiously and in such manner as is in the best interests of the Liquidation Trust and (ii) the Secured Lender Trustee shall sell or otherwise dispose of, and liquidate, or otherwise convert to Cash any non-Cash Secured Lender

Trust Assets as expeditiously and in such manner, as is in the best interests of the Secured Lender Trust.

I. Debtor's Pre-Confirmation Period Operations

During the period prior to the Effective Date, the Debtor shall, in all respects in accordance with the Budget, continue to wind down its business, and financial affairs, including, but not limited to, paying normal operating expenses, preparing and filing tax returns and statements, collecting Receivables and filing U.S. Trustee reports, as a debtor in possession with the authority granted under sections 1107 and 1108 of the Bankruptcy Code and subject only to those restrictions imposed upon the Debtor pursuant to the Bankruptcy Code, the Bankruptcy Rules, and orders of the Bankruptcy Court.

J. Administrative Claims Bar Dates

The Administrative Bar Date Order sets the Administrative Claims Bar Dates (defined below) as follows: (i) Administrative Claims arising on the Petition Date through December 31, 2012 shall be filed by January 18, 2013 (the "Initial Administrative Claims Bar Date") and (ii) Administrative Claims arising on January 1, 2013 through the Effective Date shall be filed within thirty (30) days after the date the Notice of Effective Date is filed and served (the "Supplemental Administrative Claims Bar Date" and, together with the Initial Administrative Claims Bar Date, the "Administrative Claims Bar Dates"). The Administrative Bar Date Order provides, *inter alia*, that such notices of Administrative Claims must include at a minimum (i) the name of the holder of the Administrative Claim, (ii) the amount of the Administrative Claim, and (iii) the basis of the Claim. The Administrative Bar Date Order, however, provides that Administrative Claims (a) arising from post-petition obligations incurred or assumed by the Debtor in the ordinary course of business, (b) arising from fees payable to the U. S. Trustee pursuant to 28 U.S.C. § 1930, (c) that have already been approved by Order of the Bankruptcy Court, (d) that constitute Professional Fee Claims, or (e) of governmental units subject to section 503(b)(1)(D) (collectively, the "Excluded Administrative Claims") shall not be subject to the Administrative Bar Dates, except Administrative Claims in subsection (a) hereof shall be required to file a Supplemental Administrative Claim to the extent not paid in the ordinary course prior to the Supplemental Administrative Claims Bar Date. Pursuant to the Administrative Bar Date Order, failure of a party to file and serve notices of their Administrative Claim (except the Excluded Administrative Claims) timely and properly shall result in such Administrative Claim being forever barred and discharged.

K. Deadline for Filing Professional Fee Applications

Each Professional who holds or asserts a Professional Fee Claim shall be required to file with the Bankruptcy Court and serve on all parties required to receive notice (a) a Professional Fee Estimate within 10 days of entry of the Confirmation Order and (b) unless such Professional is not otherwise required to file a Fee Application pursuant to an order of the Bankruptcy Court, a Fee Application within forty-five (45) days after the Effective Date which such Fee Application shall not assert, and such Professional shall not at any time seek compensation for, Professional Fee Claims in excess of the

Professional Fee Estimate. Failure to timely and properly file and serve either a Professional Fee Estimate or a Fee Application shall result in the Professional Fee Claim being forever barred and discharged.

L. Execution of Documents to Effectuate Plan

Prior to the Effective Date, the Debtor shall execute any instruments or documents that are necessary to effectuate the provisions of the Plan. Secured Creditors and all other necessary parties shall execute or deliver, or join in the execution and delivery of, any instrument required to effect a transfer of property under the Plan, and shall perform any other act, including the satisfaction, release or assignment of any lien that is necessary for the consummation of the Plan. Subject to the provisions of the Plan, all related agreements and the Confirmation Order, from and after the Effective Date, the Liquidation Trustee and/or the Secured Lender Trustee, as applicable, shall have the exclusive power and authority to execute any instrument or document to effectuate the provisions of the Plan.

M. Authorization of Debtor's Action

Entry of the Confirmation Order shall authorize (i) the Debtor to take, or cause to be taken, all actions necessary or appropriate to consummate and implement the provisions of the Plan and (ii) the Liquidation Trustee and Secured Lender Trustee, as applicable, to take, or cause to be taken, all actions necessary or appropriate to consummate and implement the provisions of the Plan after the Effective Date. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action.

N. Dissolution of Debtor

On the Effective Date, the Debtor shall be deemed dissolved and shall not be required to take any further steps with respect to such dissolution. The Liquidation Trustee shall wind up the Debtor's affairs, and prepare appropriate partnership dissolution and de-registration filings, and file all appropriate tax returns.

O. Post-Confirmation Reports and Fees

Following the Confirmation Date, the Liquidation Trustee and the Secured Lender Trustee shall be responsible for the filing of post-Confirmation reports required during such periods with the U.S. Trustee and payment from the assets of the Liquidation Trust and Secured Lender Trust of all post-Confirmation fees charged or assessed against the Estate under 28 U.S.C. §1930 during such periods. The Liquidation Trust and Secured Lender Trust shall be jointly and severally liable for such post-Confirmation fees.

P. Cancellation of Interests

On the Effective Date, all existing Interests, including Interests of the Debtor's Partners in the Debtor, shall, without any further action, be cancelled, annulled, and

extinguished, and any certificates representing such canceled, annulled, and extinguished Interests shall be null and void.

Q. Statutory Committees

On the Effective Date, the Statutory Committees, to the extent not already dissolved or otherwise disbanded, shall be dissolved and the members of the Statutory Committees will be released and discharged from all duties and obligations arising from or related to the Bankruptcy Case, except for the purpose of (a) any appeal or request for reconsideration, stay pending appeal, other disputes, or litigation regarding the Plan, the Confirmation Order, or the PCP 9019 Order; and (b) only with respect to the Creditors' Committee objecting to Fee Applications described in Section 7.16 of the Plan.

R. Insurance Preservation

Nothing in the Plan shall diminish or impair the enforceability of any Insurance Policies or Malpractice Policies that may cover Claims against the Debtor, its Employees, its Partners or any other Person.

S. Substantial Consummation

Substantial consummation of the Plan under section 1101(2) of the Bankruptcy Code shall be deemed to have occurred on the Effective Date.

T. Termination of the Pension Plans and 401(k) Plan

Prior to the Petition Date, each the Pension Plans were terminated by the PBGC.

The Liquidation Trustee will perform such acts as the Liquidation Trustee in consultation with the Liquidation Trust Oversight Committee, deems to be necessary and appropriate with respect to the 401(k) Plan, including, but not limited to, responding to requests of the 401(k) Plan's administrator and named fiduciary, acting on behalf of the Plan and the Debtor pursuant to the agreement with the 401(k) Plan's named fiduciary (including appointing a replacement for the named fiduciary if the agreement with the 401(k) Plan's named fiduciary terminates), and performing any acts necessary or appropriate with respect to terminating the 401(k) Plan.

U. Wind-Down Employees

To the extent deemed necessary by the Liquidation Trustee or the Secured Lender Trustee, in each of their respective reasonable business judgment, the Liquidation Trustee, in accordance with the Liquidation Trust Agreement, or Secured Lender Trustee in accordance with the Secured Lender Trust Agreement, may hire or otherwise retain the services of the Debtor's Non-Management Personnel and members of the Wind-Down Committee.

V. Release of Collateral Agent and Administrative Agent

Upon the transfer of all Secured Lender Trust Assets, and the transfer and assignment of the Collateral Agent's liens and security interests therein to the Secured Lender Trustee as contemplated herein, (i) the Administrative Agent shall be released from all further responsibility and obligations under the Credit Agreement and all other Facility Documents as defined therein and (ii) the Collateral Agent shall be released from all further responsibility and obligations under the Intercreditor Agreement and all other Financing Agreements as defined therein.

X. DISTRIBUTION PROVISIONS

Article VIII of the Plan establishes the procedures and guidelines for Distributions to be made pursuant to the terms of the Plan to the holders of Claims, including the timing, procedures and notice provisions related to same. Distributions shall be made under the Plan as follows:

A. Plan Distribution

As set forth in Section 7.8 of the Plan, the Liquidation Trustee shall make all Distributions, other than Distributions to Secured Lenders from the Secured Lender Trust (in which case such Distributions shall be made by the Secured Lender Trustee). Whenever any Distribution shall be due on a day other than a Business Day, such Distribution shall instead be made, without interest, on the immediately succeeding Business Day, but shall be deemed to have been made on the date due. For federal income tax purposes, a Distribution will be allocated to the principal amount of a Claim first and then to the extent the Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interests.

B. Timing of Distributions

Each Distribution shall be made on the relevant Distribution Date therefore and shall be deemed to have been timely made if made on such date or within ten (10) days thereafter.

C. Address for Delivery of Distributions

Subject to Bankruptcy Rule 9010, any Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth on the registers maintained by the Liquidation Trustee and the Secured Lender Trustee as provided in Sections 7.3 and 7.7 of the Plan. If any Distribution is returned to the Liquidation Trustee or the Secured Lender Trustee, as applicable, as undeliverable, no Distributions shall be made to such holder unless the Liquidation Trustee or the Secured Lender Trustee, as applicable, is notified of such holder's then current address within one hundred twenty (120) days after such Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited its right to such Distribution, and the undeliverable Distributions shall be reallocated and distributed to holders of Allowed Claims in accordance with the Plan.

D. Distributions under Twenty-Five Dollars

No Plan Distribution of less than twenty-five dollars ($25.00) shall be made by the Liquidation Trustee or the Secured Lender Trustee, as applicable, to the holder of any Claim and such Distributions will be reserved by the Liquidation Trustee or Secured Lender Trustee, as applicable, and distributed to such holder on either (i) a Distribution Date on which such holder would be entitled to Distributions totaling at least twenty-five dollars ($25.00) (including any amounts previously reserved hereunder) or (ii) the final Distribution Date.

E. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within one hundred twenty (120) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to the Liquidation Trustee or the Secured Lender Trustee, as applicable, by the holder of the Allowed Claim to whom such check was originally issued. Any Claim in respect of such voided check shall be made on or before the first anniversary of 120 days of the date on which such Distribution was made. If no Claim is made as provided in the preceding sentence, any Claims in respect of such void check shall be discharged and forever barred and such unclaimed Distribution shall be reallocated and distributed to those holders of Allowed Claims in accordance with the Plan.

F. Unclaimed Distributions at Closing of Bankruptcy Case

In the event that any unclaimed Distributions exist on the date the Bankruptcy Court enters a Final Order and decree closing the Bankruptcy Case pursuant to section 350(a) of the Bankruptcy Code and Rule 3022 of the Federal Rules of Bankruptcy Procedures, the Liquidation Trust Agreement and the Secured Lender Trust Agreement, as applicable, may provide that the Liquidation Trustee and Secured Lender Trustee, as applicable, in consultation with their respective Oversight Committee, shall donate such unclaimed Distributions to any not for profit, non-religious organization, including, but not limited to, the American Bankruptcy Institute.

G. Manner of Payments under the Plan

Unless the Person or Entity receiving a Distribution agrees otherwise, any Distribution to be made in Cash under the Plan shall be made, at the election of the Liquidation Trustee or the Secured Lender Trustee, as applicable, by check drawn on a domestic bank or by wire transfer from a domestic bank. Cash payments to foreign Creditors may be made, at the option of the Liquidation Trustee or the Secured Lender Trustee, as applicable, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

H. Expenses Incurred on or after the Effective Date and Claims of the Liquidation Trustee and Secured Lender Trustee

Except as otherwise ordered by the Bankruptcy Court or as provided herein or in the Secured Lender Trust Agreement or the Liquidation Trust Agreement, as applicable,

the amount of any reasonable fees and expenses incurred (or to be incurred) by the Liquidation Trustee on or after the Effective Date (including, but not limited to, taxes) shall be paid when due without further notice to Creditors or Bankruptcy Court approval. Professional fees and expenses incurred by the Liquidation Trustee from and after the Effective Date in connection with the effectuation of the Plan shall be paid in the ordinary course of business. Any dispute regarding compensation shall be resolved by agreement of the parties or if the parties are unable to agree, as determined by the Bankruptcy Court. All fees and expenses incurred or to be incurred by the Secured Lender Trustee or the Secured Lender Trust on or after the Effective Date in connection with the effectuation of the Plan shall be funded by the Secured Lenders.

I. Setoffs and Recoupment

Except as otherwise provided in the Plan, the Debtor and the Liquidation Trustee may, but shall not be required to, setoff against or recoup from any Claim or Claims of any nature whatsoever that the Debtor may have against the Creditor holding such Claim(s) and such Creditor shall have the right to object to any such setoff or recoupment made by the Debtor or Liquidation Trustee, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor or the Liquidation Trustee of any such Claim it may have against such Creditor. Notwithstanding the foregoing, nothing in this provision shall provide the Debtor or the Liquidation Trustee with any rights with respect to, or authorize the Debtor or the Liquidation Trustee to take any action in respect of, Secured Lender Trust Assets.

J. No Interest

Unless otherwise specifically provided for in the Plan (including with respect to the Allowed amount of any Claims hereunder), required under applicable bankruptcy law, or agreed to by the Debtor or Liquidation Trustee, the Confirmation Order, or a postpetition agreement in writing between the Debtor or the Liquidation Trustee and a holder of a Claim, postpetition interest shall not accrue or be paid on Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim or right. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim with respect to the period from the Effective Date to the date a final distribution is made on account of such Disputed Claim, if and when such Disputed Claim becomes an Allowed Claim.

K. Expungement or Adjustment to Paid, Satisfied or Superseded Claims and Interests

Any Claim that has been paid, satisfied or superseded or any Claim that has been amended or superseded, may be adjusted or expunged on the claims register by the Liquidation Trustee without a claim objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

XI. PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

A. Objection Deadline

On and after the Effective Date, the Liquidation Trustee and any Creditor may continue to attempt to consensually resolve any disputes regarding the amount of any Claim and the Liquidation Trustee shall have the right, but not the obligation, to object to the allowance of any Claim (other than a Secured Lender Claim, a Secured Lender Deficiency Claim or a Claim that has already been Allowed) and may file with the Bankruptcy Court any other appropriate motion or adversary proceeding with respect thereto. All such objections may be litigated to Final Order. The Liquidation Trustee shall retain the rights and defenses the Debtor or its Estate had with respect to any Claim or Interest immediately prior to the Effective Date, subject to the provisions of the Plan. Notwithstanding the foregoing, nothing in this provision shall provide the Debtor or Liquidation Trustee with any rights with respect to, or authorize the Debtor or the Liquidation Trustee to take any action in respect of, Secured Lender Trust Assets.

As soon as practicable, but in no event later than the Claims Objection Bar Date (subject to extension by the Bankruptcy Court upon notice and motion of the Liquidation Trustee), objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made.

B. Prosecution of Disputed Claims and Voting on the Plan

The Liquidation Trustee may object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability is disputed in whole or in part. All objections that are filed and prosecuted relating to Claims shall be litigated to Final Order or compromised and settled in accordance with Section 9.3 of the Plan. No holder of a Disputed Claim shall be entitled to vote on the Plan.

C. Claims Settlement

Notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date and subject to the provisions of the Plan, the Liquidation Trustee and Secured Lender Trustee, as applicable, shall have authority to settle or compromise all Claims and Causes of Action relating to the Liquidation Trust Assets and Secured Trust Assets, respectively, without further review or approval of the Bankruptcy Court in accordance with the Liquidation Trust Agreement and the Secured Lender Trust Agreement.

D. No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no Plan Distribution shall be made with respect to any Claim to the extent it is a Disputed Claim, unless and until such Disputed Claim becomes an Allowed Claim.

E. Estimation of Claims

The Liquidation Trustee may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code

regardless of whether such Claim was previously objected to or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the claims register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated for Distribution purposes at zero dollars ($0), unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute the Allowed amount of such Claim for all purposes under the Plan (including for purposes of Distributions). All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

F. Limitations on Funding of Disputed Claims Reserve

Except as expressly set forth in the Plan and the Liquidation Trust Agreement, the Liquidation Trustee shall have no duty to fund the Disputed Claims Reserve.

G. Tax Requirements for Income Generated by Disputed Claims Reserve

The Liquidation Trustee shall pay, or cause to be paid, out of the funds held in accounts for the Disputed Claims Reserve, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in, or on account of, such Disputed Claims Reserve. The Liquidation Trustee shall file, or cause to be filed, any tax or information return related to the Disputed Claims Reserve that is required by any federal, state, or local taxing authority.

H. Assumption and Rejection of Executory Contracts and Unexpired Leases

The Bankruptcy Code entitles the Debtor, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. The Bankruptcy Code further entitles the Debtor, subject to satisfaction of certain conditions, to assign assumed executory contracts and unexpired leases to another entity. Rejection or assumption and assignment may be effected under a plan of liquidation.

On the Effective Date, all executory contracts and unexpired leases of the Debtor shall be deemed rejected by the Debtor pursuant to the provisions of section 365 of the Bankruptcy Code, except: (a) any executory contracts and unexpired leases that are the subject of separate motions to assume or assume and assign filed pursuant to section 365 of the Bankruptcy Code by the Debtor before the Effective Date; (b) contracts and leases listed in the "Schedule of Assumed and Assumed and Assigned Executory Contracts and Unexpired Leases" to be filed by the Debtor with the Bankruptcy Court before the entry of the Confirmation Order; (c) all executory contracts or unexpired leases assumed or assumed and assigned under the Plan or by order of the Bankruptcy Court entered before the Effective Date; and (d) any executory contract or unexpired lease that is the subject of a dispute over the amount or manner of cure pursuant to

Section 10.2 of the Plan and for which the Debtor or Liquidation Trustee makes a motion to reject such contract or lease based upon the existence of such dispute filed at any time. Any agreement, obligation, security interest, transaction or similar undertaking that the Debtor believes is not executory or a lease that is later determined by the Bankruptcy Court to be an executory contract or unexpired lease that is subject to assumption or rejection under section 365 of the Bankruptcy Code. Any order entered post-Confirmation by the Bankruptcy Court, after notice and a hearing, authorizing the rejection of any executory contract or unexpired lease shall cause such rejection to be a pre-petition breach under sections 365(g) and 502(g) of the Bankruptcy Code, as if such relief were granted and such order were entered pre-Confirmation.

The Plan shall constitute a motion to reject such executory contracts and unexpired leases rejected pursuant to this Section, and the Debtor shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interests of the Debtor and its Estate.

I. Cure

At the election of the Debtor or Liquidation Trustee, 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: (i) by payment of the default amount in Cash on the Effective Date or as soon thereafter as practicable; or (ii) on such other terms as agreed to by the parties to such executory contract or unexpired lease. In the event of a dispute regarding: (x) the amount of any cure payments; (y) the ability to provide adequate assurance of future performance under the contract or lease to be assumed or assigned; or (z) any other matter pertaining to assumption or assignment, 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 or assignment, as applicable. The Debtor hereby gives notice that the cure amounts for each such contract and lease shall be zero ($0) dollars unless otherwise noticed on a schedule filed by the Debtor hereafter.

J. Claims Arising from Rejection, Expiration or Termination

Claims created by the rejection of executory contracts or unexpired leases or the expiration or termination of any executory contract or unexpired lease must be filed with the Bankruptcy Court and served on the Liquidation Trustee (a) in the case of an executory contract or unexpired lease rejected by the Debtor prior to Confirmation, in accordance with the Bar Date Notice, or (b) in the case of an executory contract or unexpired lease that (i) was terminated or expired by its terms prior to Confirmation, or (ii) is rejected pursuant to Section 10.1 of the Plan, no later than thirty (30) days after Confirmation. Any such Claims for which a proof of Claim is not filed and served within such time will be forever barred from assertion and shall not be enforceable against the Debtor, its Assets or the Liquidation Trustee.

XII. CONDITIONS PRECEDENT; CONFIRMATION AND EFFECTIVE DATE

A. Conditions Precedent to Confirmation of the Plan

Pursuant to the Plan, the following conditions must be satisfied, or otherwise waived, in accordance with Section 12.3 of the Plan, prior to Confirmation:

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

The Final Cash Collateral Order (as modified or extended with the consent of the Collateral Agent) shall be in full force and effect and there shall be no ongoing event of default;

The Confirmation Order, which shall be in form and substance satisfactory to the Debtor, the Creditors' Committee, the Collateral Agent, and Secured Lenders holding a majority in amount of the Secured Lender Claims, shall be entered by the Bankruptcy Court; and

The Confirmation Date shall occur on or before March 15, 2013.

B. Conditions Precedent to the Effective Date

Under the Plan, the Effective Date shall not occur and no obligations and rights set forth in the Plan and set to occur as of the Effective Date or thereafter shall come into existence, unless each of the following conditions is met or, alternatively, is waived in accordance with Section 12.3 of the Plan, on or before the Effective Date:

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

The Confirmation Order shall have authorized and approved the appointment of the Secured Lender Trustee and the Liquidation Trustee;

The Debtor shall have sufficient Cash on hand to pay all Administrative Claims and fund the Administrative Claims Reserve;

The PCP 9019 Order shall not be the subject of any stay;

The Creditors' Committee, the Collateral Agent and Secured Lenders holding a majority in amount of the Secured Lender Claims are reasonably satisfied that the aggregate amount of Excess Administrative Claims, if any, will not exceed the Excess Administrative Claim Cap;

The Creditors' Committee, the Collateral Agent and Secured Lenders holding a majority in amount of the Secured Lender Claims are reasonably satisfied that the aggregate amount of Excess Priority Claims, if any, will not exceed the Excess Priority Claim Cap; and

The Effective Date shall occur on or before April 1, 2013.

C. Waiver of Conditions Precedent

Each of the conditions precedent in Sections 12.1 and 12.2 of the Plan may be waived or modified without further Bankruptcy Court approval, in whole or in part, but only with the written consent of each of the Debtor, the Collateral Agent (with the consent of the Secured Lenders holding a majority in amount of the Secured Lender Claims), and the Creditors' Committee.

D. Effect of Non-Occurrence of the Effective Date

If the Effective Date shall not have occurred on or before April 1, 2013, and such condition to effectiveness has not been waived in accordance with Section 12.3 of the Plan, the Plan shall be null and void and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against or Interests in the Debtor; (b) prejudice in any manner the rights of the Debtor, including, without limitation, the right to seek a further extension of the exclusivity periods under section 1121(d) of the Bankruptcy Code; or (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtor.

XIII. INJUNCTION; RELEASE; EXCULPATION

A. General Injunctions

In addition to the Participating Partner Release and Participating Partner Injunction set forth in Article XI of the Plan, and the PCP 9019 Order, the following provisions shall apply and shall be fully set forth in the Confirmation Order.

B. Injunctions Against Interference with Consummation or Implementation of Plan

Upon the Effective Date all holders of Claims or Interests shall be enjoined from commencing or continuing any judicial or administrative proceeding or employing any process against the Debtor, the Estate, the Wind-Down Committee, the Collateral Agent, the Administrative Agent, the Liquidation Trustee or the Secured Lender Trustee, the Liquidation Trust or the Secured Lender Trust, with the intent or effect of interfering with the consummation and implementation of the Plan and the transfers, payments and Distributions to be made hereunder.

C. Injunction Against Prosecution of Causes of Action

Except as otherwise specifically provided for by the Plan, as and from the Effective Date, all Persons shall be enjoined from (i) the commencement or continuation of any action, employment of process, or act to collect, offset, or recover any Claim or Cause of Action (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order; (iii) the creation, perfection or enforcement of any encumbrance of any kind; and/or (iv) the assertion of any right of setoff, counterclaim, exculpation, subrogation or recoupment of any

kind; in each case against the Debtor, its Estate, the Wind-Down Committee, the Secured Lender Parties, the Statutory Committees, the Liquidation Trust, the Secured Lender Trust, the Liquidation Trustee, the Secured Lender Trustee or any of their respective agents, members, employees and professionals (acting in such capacity) to the extent satisfied, or released, or enjoined elsewhere under the Plan, to the fullest extent authorized or provided by the Bankruptcy Code; *provided, however*, that (a) nothing in the Plan is intended to impair, alter or affect any valid right of set off, counterclaim, exculpation, subrogation or recoupment that a Person may have under the Bankrupcy Code or other applicable law, and (b) this provision shall not limit the rights and powers vested in the Liquidation Trustee or Secured Lender Trustee under any other provisions of the Plan.

D. Releases by the Debtor and its Estate

Except for the right to enforce the Plan, the Debtor shall, on its own behalf and on behalf of its Estate, effective upon occurrence of the Effective Date, be deemed to forever release, waive and discharge the Released Parties of and from any and all Claims, demands, Causes of Action and the like, existing as of the Effective Date or thereafter arising from any act, omission, event, or other occurrence that occurred on or prior to the Effective Date, whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, known or unknown, foreseen or unforeseen, at law, in equity or otherwise; *provided, however,* other than with respect to the Secured Lender Parties, the foregoing releases, waivers and discharges shall not extend to liability that results from willful misconduct or gross negligence (as determined by a Final Order). Such release, waiver and discharge shall not operate as a release, waiver or discharge of any Released Party in respect of any express contractual obligation of any such party effective from and after the Effective Date.

E. Wind-Down Committee

On the Effective Date, the Wind-Down Committee shall be deemed to be dissolved and disbanded. Notwithstanding anything contained herein to the contrary, each member of the Wind-Down Committee shall be deemed a Participating Partner and afforded the benefit of, and subject to, each of the release, injunction, covenant, assignment, cooperation and other related conditions set forth in the form of PCP approved by the PCP 9019 Order; including, but not limited to, the Partner Release and the Participating Partner Injunctions.

F. All Distributions Received in Full and Final Satisfaction

Except as provided in the Plan, all payments and all Distributions to be made in accordance with the Plan on account of Claims (including Administrative Claims) shall be received in full and final satisfaction, settlement, release and discharge of such Claims as against the Debtor, its property and the Estate. On and after the Effective Date, the Debtor is released from all Claims and other liabilities in existence one day prior to the Effective Date, subject to the continuing obligations of the Liquidation Trustee and Secured Lender Trustee under the Plan.

G. No Modification of Res Judicata Effect

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

H. Exculpation

To the extent permitted by applicable law and approved by the Bankruptcy Court, the Debtor, the Wind-Down Committee and the Statutory Committees, and their respective agents, members, managers, officers, directors, employees (in all cases, excluding Steven H. Davis, Stephen DiCarmine, and Joel Sanders) and Professionals (acting in such capacity), shall not have any liability to any Person for any act taken or omitted to be taken in connection with or related to the formulation, preparation dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement, Plan Supplement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or any act taken or omitted to be taken with respect to, or any contract, instrument, release or other agreement or document created or entered into in connection with, the Debtor during the Bankruptcy Case, provided, however, the foregoing releases and exculpations shall not extend to acts of willful misconduct or gross negligence. Nothing in Section 13.6 of the Plan shall be construed to alter, impair, or affect any release, waiver, or injunction provided elsewhere in the Plan or with respect to the terms approved relating to, inter alia, waivers and releases afforded under the PCPs.

The Former Partners' Committee may object to Confirmation of the Plan to the extent the Plan provides exculpation to individuals for acts that may have been taken in connection with the alleged removal of cash from certain of the FPC Constituents' 401(k) Plan accounts post-petition.

As stated above, in Section V.A.(iii) above, the Debtor believes that certain of the FPC Constituents' allegations that the Debtor removed Cash from any of their 401(k) Plan accounts post-petition are meritless and lack any basis in fact or law. The Debtor did not remove any Cash from any 401(k) Plan accounts. The 401(k) Plan's fiduciaries, Gallagher and administrators, BPAS, were selected pre-petition by the Debtor's Retirement and Investments Committee to oversee the Debtor's pension and 401(k) plans. Gallagher and BPAS have carried out their respective responsibilties with respect to the 401(k) Plan and imposed a one-time 1% administrative charge on the accounts of 401(k) Plan participants to ensure payment of their fees and those of their attorneys. These actions were taken solely for the benefit of 401(k) Plan beneficiaries. The Debtor has been advised that the U.S. Department of Labor is aware of such administrative charge.

I. Governmental Carve-Out

Nothing in the Plan or the Confirmation Order shall (i) effect a release of any Claim of, (ii) enjoin from bringing any Claim, suit, action or other proceedings by, or

(iii) exculpate any party from any liability to, the United States Government or any of its agencies or any state or local government within the United States, arising under (v) the federal securities laws, (w) the Employment Retirement Income Security Act of 1974, as amended, (x) the Internal Revenue Code, (y) the environmental laws or (z) any criminal laws of the United States.

XIV. CONFIRMATION OF PLAN – REQUIREMENTS

In order for the Plan to be confirmed, the Bankruptcy Code requires, among other things, that the Plan be proposed in good faith, that the Debtor disclose specified information concerning payments made or promised to insiders, and that the Plan comply with the applicable provisions of Chapter 11 of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code also requires that at least one Class of Claims has accepted the Plan ("Minimum Voting Threshold"), that Confirmation of the Plan is not likely to be followed by the need for further financial reorganization, and that the Plan be fair and equitable with respect to each Class of Claims or Interests which is impaired under the Plan. The Bankruptcy Court can confirm the Plan if it finds that all of the requirements of section 1129(a) have been met. The Debtor believes that the Plan meets all of these required elements. With respect to the so-called "feasibility" test (i.e., that the Plan is not likely to be followed by the need for further financial reorganization), the Plan provides for an orderly liquidation of the Assets and the Debtor believes that it will be able to consummate the Plan fully.

In the event that a Class of Claims votes to reject the Plan, the Plan does not satisfy all of the requirements of section 1129(a) of the Bankruptcy Code. Although the Minimum Voting Threshold is not met, the Bankruptcy Court nevertheless may confirm the Plan under the "cram down" provisions of section 1129(b) of the Bankruptcy Code if all of the other provisions of section 1129(a) of the Bankruptcy Code are met. Thus, the Debtor presently intends, to the extent necessary, (i) to undertake to have the Bankruptcy Court confirm the Plan under the "cram down" provisions of Section 1129(b) of the Bankruptcy Code, and (ii) to amend the Plan to the extent necessary to obtain entry of the Confirmation Order.

In order for "cramdown" to be available, at least one impaired Class of Claims (excluding the votes of insiders), must accept the Plan and all other requirements of section 1129(a) of the Bankruptcy Code must be satisfied.

The Bankruptcy Court must also find that, as to each impaired Class that has not accepted the Plan, the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to such non-accepting Class. Generally, the Plan does not "discriminate unfairly" within the meaning of the Bankruptcy Code if the dissenting Class will receive value relatively equal to the value given to all other similarly situated Classes. The Plan is "fair and equitable" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its Claims or Interests.

Under the Plan, no holder in a Class of Claims is to receive Cash or other property in excess of the full amount of its Allowed Claim. Moreover, no Claim that is junior to Class 4 – General Unsecured Claims will receive any Distribution under the

Plan until such Claims are paid in full, and Interests will not receive any Distribution under the Plan.

Accordingly, the Debtor believes that the Plan does not discriminate unfairly as to any impaired Class of Claims or Interests and is fair and equitable with respect to each such Class under section 1129(b) of the Bankruptcy Code.

A. Best Interest of Creditors Test; Liquidation Analysis[17]

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

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

The Plan contemplates the creation of a Liquidation Trustee to administer the Debtor's Assets and pursue the Causes of Action (except those that are Secured Lender Trust Assets) including any Causes of Action against any Non-Participating Partner. The proceeds obtained by the Liquidation Trustee will then be distributed to holders of Allowed Claims in accordance with the payment priority hierarchy established under the Plan and the Bankruptcy Code. The Debtor believes that a Chapter 7 liquidation case would simply derail an orderly plan process, and that Creditors would be harmed by the delay and expense that would result.

The Debtor's business operations were very complicated and involve foreign jurisdictions. Liquidation under Chapter 7 would require considerable time and effort, and knowledge of the Debtor's business operations which a trustee would not possess. Therefore, in addition to the customary Chapter 7 expenses, the trustee would need the assistance of experts and consultants.

The costs of liquidation under Chapter 7 would include the fees and expenses payable to the Chapter 7 trustee appointed in the case, as well as those fees and expenses that might be payable to other professionals employed by the trustee. Costs of

[17] A schedule providing financial details and notes regarding the Debtor's liquidation analysis is attached hereto as Exhibit 5.

administration in the liquidation case would also include any unpaid expenses incurred by the Debtor during the Bankruptcy Case, such as compensation for Professionals, as well as costs and expenses of members of the Statutory Committees.

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

In applying the best interest test, it is possible that Claims in a Chapter 7 case may not be classified in the same manner as provided for by the Plan. Priorities and order of distribution of Estate Assets are established by the applicable provisions of Chapter 7. Under those provisions, each Class of Claims is paid in a descending order of priority. No junior Classes of Claims are paid until all senior Classes have received payment in full. In the event that available Assets are insufficient to pay all members of such Class in full, then each member of the Class shares on a Pro Rata basis.

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

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

XV. PROCEDURES FOR VOTING ON PLAN

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

An impaired Class that would receive nothing under a plan is presumed to have rejected such a plan. An impaired Class that is proposed to receive any distribution (whether in Cash, securities or other property) has the right to vote, as a class, to accept or reject the plan. A Class of creditors accepts a plan if more than one-half (1/2) of the ballots that are timely received from members of such class, representing at least two-thirds (2/3) of the dollar amount of Claims for which ballots are timely received, vote in favor of such plan. Section 1126(e) of the Bankruptcy Code provides that a Creditor's vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the creditor's vote either to accept or reject a plan was not solicited or cast in good faith, or in compliance with the Bankruptcy Code. A plan under which any Class of claims is impaired may be confirmed by the Bankruptcy Court only if it has been accepted by at least one such class.

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

Holders of Claims in an impaired Class entitled to vote – Classes 2, 3, 4, and 5 – will receive, together with this Disclosure Statement, a Ballot to be used in voting to accept or reject the Plan. Voting instructions will accompany the Ballot.

Each Creditor should first carefully review this Disclosure Statement and the Plan. The Creditor should then complete the portions of the Ballot indicating the total dollar amount of the Claim.

Next, the Creditor should mark in the space provided on the Ballot whether the Creditor wishes to (i) accept or to reject the Plan and (ii) opt in or out, as applicable, of any provisions in the Plan as specified on the Ballot.

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

Completed and signed Ballots should be returned to:

IF SENT BY MAIL

Dewey & LeBoeuf LLP Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
FDR Station
P.O. Box 5014
New York, NY 10150 – 5014

IF SENT BY MESSENGER OR OVERNIGHT COURIER

Dewey & LeBoeuf LLP Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Telephone: (646) 282-2500

in the enclosed self addressed return envelopes. Completed Ballots should be returned as soon as possible, and in any event so that they are **RECEIVED NO LATER THAN FEBRUARY 11, 2013 AT 5:00 P.M. ANY BALLOTS THAT ARE RECEIVED BY EPIQ BANKRUPTCY SOLUTIONS, LLC AFTER FEBRUARY 11, 2013 AT 5:00 P.M. SHALL NOT BE COUNTED IN DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.**

XVI. CONFIRMATION HEARING

The **CONFIRMATION HEARING** will be held by the Honorable Martin Glenn, United States Bankruptcy Judge, on **February 27, 2013, at 10:00 a.m.**, in the United States Bankruptcy Court, Southern District Of New York, Courtroom 501, One Bowling Green, New York, New York 10004. At that hearing, the Bankruptcy Court will decide whether the Plan should be confirmed, and will hear and decide any and all objections to the Plan. Any Creditor, or other party in interest who wishes to object to Confirmation of the Plan, or to the classification of Claims and Interests provided in the Plan, must, not later than 5:00 p.m. on **February 13, 2013**, file an objection with the Clerk's Office, United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, New York 10004, and serve a copy of the objection on the following persons:

(i) counsel to the Debtor:

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza
Suite 3335
New York, New York 10119
Attn: Albert Togut, Scott E. Ratner

(ii) counsel to the Creditors' Committee:

BROWN RUDNICK LLP
7 Times Square
New York, New York 10036
Attn: Edward S. Weisfelner, Howard S. Steel

(iii) counsel to the Collateral Agent and Administrative Agent:

KRAMER LEVIN NAFTALIS & FRANKEL LLP
1177 Avenue of the Americas
New York, New York 10036
Attn: Kenneth Eckstein, Robert Schmidt and Daniel Eggermann

(iv) counsel to the Former Partners' Committee:

KASOWITZ, BENSON, TORRES & FRIEDMAN LLP
1633 Broadway
New York, New York 10019
Attn: David M. Friedman, Jeffrey R. Gleit

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

If the Plan is confirmed, its provisions will bind the Estate and any and all entities, including all Creditors, Partners, and other parties in interest whether or not the Claim or Interest is impaired under the Plan and whether or not the holder has, either individually or by a Class, voted to accept the Plan.

XVII. SETTLEMENT AND COMPROMISES

A. Settlement of Secured Lenders' Collateral Coverage

In consideration for the Distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromises and settlements under Bankruptcy Rule 9019.

(i) Issues Subject to Compromise

The Plan proposes, and its terms embody, a compromise and settlement of issues relating to the Secured Lenders' collateral coverage.

(ii) Effect of Settlement

The Plan provides for an allocation of the Assets between holders of Allowed General Unsecured Claims and Allowed Secured Lender Claims for Distribution purposes. The amount of Distributions that are subject to the allocation in the Plan reflects the joint determination by the Creditors' Committee and Secured Lenders holding a majority in amount of Secured Lender Claims that there are risks to both sides if these issues are fully litigated. To avoid those risks, a compromise on the issues is appropriate and in the best interest of all economic stakeholders.

(iii) Approval of Settlement

The Plan is deemed to be a motion under sections 105 and 1123 of the Bankruptcy Code and Rule 9019 of the Bankruptcy Rules for approval of the compromise and settlement of the issues described above. The Confirmation of the Plan shall constitute approval of this motion by the Bankruptcy Court, and the

Confirmation Order shall contain findings supporting and conclusions approving the compromise and settlement as fair and equitable and within the bounds of reasonableness.

(iv) Considerations Regarding the Chapter 11 Plan

The Plan represents a settlement of all disputes between the Creditors' Committee and Secured Lenders regarding the Secured Lenders' collateral coverage. The Creditors' Committee conducted an investigation of the perfection and priority of the liens which secured the approximately $75 million of the outstanding revolving loans advanced by JPMorgan Chase Bank, N.A. and the other banks who are lenders under the Credit Agreement and the approximately $150 million in outstanding notes issued pursuant to the Note Agreement. The Creditors' Committee analyzed the extent to which the secured facilities are secured by valid, perfected and unavoidable liens on: (a) specific categories of the Assets; and (b) whether the grants of certain liens prior to the bankruptcy filing may be subject to avoidance pursuant to the Bankruptcy Code as a preference, fraudulent conveyance or otherwise.

One of the guiding principles in formulating the Plan has been the settlement of the Secured Lenders' collateral coverage in order to expedite, insofar as practical, Distributions to holders of Allowed Claims. An important consideration in evaluating the settlement was the fact that the Secured Lenders have funded and continue to fund the administrative costs of this case through a series of cash collateral orders and related budgets. Litigation of these various collateral coverage issues would be costly, complex and time consuming. Accordingly, the Plan includes a settlement and compromise of such issues that will provide holders of Claims recoveries that reflect the relative risks and benefits of the prosecution of the potential litigation to final judgment. Although litigation regarding these issues could produce different absolute or relative recoveries from those proposed by the Plan, such litigation may materially delay and erode the value of ultimate Distributions to all Creditors.

(v) Description of Settlement and Compromise Regarding Secured Lenders' Collateral Coverage

The Plan includes a compromise of all disputes regarding the Secured Lenders' collateral coverage. The Plan provides for an allocation of the Debtor's Assets between holders of Allowed General Unsecured Claims and Allowed Secured Lender Claims for Distribution purposes. The amount of Distributions that are subject to the allocation in the Plan reflects the joint determination by the Creditors' Committee and Secured Lenders holding a majority of Secured Lender Claims that there are risks to both sides if these issues are fully litigated. To avoid those risks, a compromise on the issues is appropriate and in the best interest of all economic stakeholders.

The key elements of the settlement are set forth in the Plan and summarized herein. The Bankruptcy Case will continue to be funded through the use of Receivables Cash Collateral pursuant to the terms and conditions set forth in the Final Cash Collateral Order in accordance with the Budget. To the extent the use of Receivables Cash Collateral beyond what is provided for in the Budget is necessary, the Collateral Agent may agree, in consultation with the Secured Lenders and with the consent of the

Creditors' Committee, to continue the use of Receivables Cash Collateral on the terms and conditions set forth in the Final Cash Collateral Order and in accordance with a revised Budget. Proceeds from Assets other than Receivables, WIP and Foreign Office Recoveries will be segregated and set aside for Distribution in accordance with the Plan, and will be excluded from the calculation of "Excess Cash Collateral," as defined in the Final Cash Collateral Order. Receivables Cash Collateral also will be available to fund: (a) Administrative Claims subject to certain limitations set forth in the Plan; and (b) Priority Claims subject to certain limitations set forth in the Plan.

A Liquidation Trust will be formed to liquidate the Liquidation Trust Assets and distribute the proceeds thereof to holders of Allowed General Unsecured Claims and Allowed Secured Lender Claims in accordance with the Plan. The Liquidation Trust Assets will be transferred to the Liquidation Trust on the Effective Date of the Plan. The Creditors' Committee and Secured Lenders holding a majority in amount of Secured Lender Claims have jointly selected Alan Jacobs to serve as Liquidation Trustee. If Mr. Jacobs is unwilling or ineligible to serve as Liquidation Trustee, a replacement will be jointly selected by Secured Lenders holding a majority in amount of Secured Lender Claims and the Creditors' Committee. The Liquidation Trustee will report to the Liquidation Trust Oversight Committee comprised of: (a) an individual selected by the Collateral Agent (with consent of Secured Lenders holding a majority in amount of Secured Lender Claims); (b) an individual selected by the Creditors' Committee; and (c) an individual jointly selected by the Collateral Agent (with the consent of Secured Lenders holding a majority in amount of Secured Lender Claims) and the Creditors' Committee. The Liquidation Trust will be funded with a $2.5 million contribution out of Receivables Cash Collateral – the Liquidation Trust Funding – to be allocated by task pursuant to procedures to be agreed upon by the Secured Lenders and the Creditors' Committee. To the extent the Liquidation Trust requires additional funding, such funding can be approved only by the Liquidation Trust Oversight Committee in accordance with the terms of the Liquidation Trust Agreement. To the extent the Liquidation Trust Oversight Committee authorizes additional funding, the cost of such funding shall be allocated 65% out of recoveries to holders of Allowed Secured Lender Claims and 35% out of recoveries to holders of Allowed General Unsecured Claims; provided, that 100% of any additional funding attributable to objections to unsecured claims shall be allocated out of recoveries to holders of Allowed General Unsecured Claims.

As part of the compromise of the Secured Lenders' collateral coverage, the Plan provides the following allocation of the Assets among holders of Allowed Secured Lender Claims and Allowed General Unsecured Claims.

Asset	**Secured Lender Allocation**	**General Unsecured Creditor Allocation**
Accounts Receivable	100%	0%
Foreign Office Recoveries	100%	0%

Asset	Secured Lender Allocation	General Unsecured Creditor Allocation
Initial PCP/Unfinished Business Recoveries[18]	80%	20%
Subsequent PCP/Unfinished Business Proceeds[19]	49.5%	50.5%
Mismanagement Claims Proceeds[20]	65%	35%
Initial Insurance Company Proceeds[21]	50%	50%
Subsequent Insurance Company Proceeds[22]	60%	40%
Non-PCP Avoidance	65%	35%

[18] The Initial PCP/Unfinished Business Proceeds are the first $67.5 million of proceeds received by the Debtor, through settlement, litigation, or otherwise, on account of: (i) the Claims against Partners who were not excluded by the Debtor from participation in the PCP; and (ii) Unfinished Business Claims; provided that the Secured Lenders shall waive (or otherwise forego) any Distributions of Initial PCP/Unfinished Business Proceeds that they would otherwise receive as general unsecured creditors by virtue of the Secured Lender Deficiency Claims. To the extent the Initial PCP/Unfinished Business Proceeds are proceeds of a PCP, Non-Releasing Secured Lenders (i.e., Secured Lenders who have chosen on their Ballots not to release Participating Partners) shall not be entitled to any distribution thereof.

[19] Subsequent PCP/Unfinished Business Proceeds are any proceeds received by the Debtor through settlement, litigation or otherwise on account of PCP-Related Claims and Unfinished Business Claims that are in excess of the Initial PCP/Unfinished Business Proceeds. To the extent the Subsequent PCP/Unfinished Business Proceeds are proceeds of a PCP, Non-Releasing Secured Lenders (i.e., Secured Lenders who have chosen on their Ballots not to release Participating Partners) shall not be entitled to any distribution thereof.

[20] Mismanagement Claims Proceeds are any proceeds received by the Debtor through settlement, litigation or otherwise (including proceeds from Insurance Policies) on account of Claims for mismanagement, breach of fiduciary duty or similar Claims against Davis and any non-partner management executive of the Debtor.

[21] Initial Insurance Company Proceeds are the first $5 million in proceeds received by the Debtor on account of its interest in Bar Assurance & Reinsurance Limited.

[22] Subsequent Insurance Company Proceeds are any proceeds received by the Debtor on account of its interest in Bar Assurance & Reinsurance Limited in excess of the Initial Insurance Company Proceeds.

Asset	Secured Lender Allocation	General Unsecured Creditor Allocation
Actions[23]		
Harris Contingency Fee Claims Proceeds[24]	50%	50%
All Other Assets	70%	30%

(vi) The Settlement and Compromise is in the Best Interests of the Estate and its Creditors.

The Plan seeks approval of the proposed settlement and compromise pursuant to Bankruptcy Rule 9019. The Bankruptcy Court may approve a compromise and settlement under Bankruptcy Rule 9019, if it determines that the proposed settlement is in the best interests of the estate. *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968). In the context of evaluating a settlement, the Bankruptcy Court may approve a settlement so long as the settlement does not "fall below the lowest point in the range of reasonableness." *Cosoff v. Rodman (In re W.T Grant Co.)*, 699 F.2d 599, 608 (2d Cir. 1983). A court must "evaluate … all … factors relevant to a fair and full assessment of the wisdom of the proposed compromise." *TMT Trailer Ferry*, 390 U.S. at 424-25. In considering a settlement, a court need not conduct a "mini-trial" of the merits of the claims being settled or conduct an extended full independent investigation. *In re Drexel Burnham Lambert Group, Inc.*, 134 B.R. 493, 496 (Bankr. S.D.N.Y. 1991). The Creditors' Committee and Secured Lenders holding a majority in amount of the Secured Lender Claims each considered the relevant facts and applicable legal principles in connection with the proposed settlement and resolution of the issues. The proposed settlement complies with established judicial standards.

The Secured Lender Claims as compared to their undersecured Claims are a function of the Secured Lenders' collateral coverage. The Secured Lenders have taken the position that all of the Assets are subject to fully perfected and non-avoidable liens on behalf of the Secured Lenders. The Creditors' Committee undertook a detailed review of the Debtor's security agreements. Based on that review, the Creditors' Committee determined that successfully challenging the Secured Lenders' liens with respect to domestic accounts receivable and WIP was highly unlikely. While the Creditors' Committee felt there may be a basis to challenge the Secured Lenders' liens on certain of the Debtor's other Assets, the Creditors' Committee recognized there was litigation risk with such a challenge. The Creditors' Committee also analyzed possible

[23] Non-PCP Avoidance Actions are any proceeds received by the Debtor on account of Avoidance Actions (to the extent not included in PCP-Related Claims).

[24] Harris Contingency Fee Proceeds are proceeds from any of the Debtor's Claims and Causes of Action arising out of services rendered by the Debtor to Harris Corporation on a contingency fee basis.

avoidance actions, including avoidance of unperfected security interests, preferential transfers, fraudulent transfers and rights to setoff which may be available to the Estate in respect of the Secured Lenders' liens. It is the Creditors' Committee's position that the Debtor may be able to avoid the additional collateral granted to the Collateral Agent in April and May 2012, but recognized there was litigation risk with such a challenge. Litigation over the Secured Lenders' collateral coverage would be protracted and expensive. It may significantly delay Distributions to Creditors holding Allowed Claims. Litigation by its nature is uncertain and all parties have significant risk if litigation is pursued. Under the Final Cash Collateral Order, the Creditors' Committee and the Former Partners' Committee were budgeted up to an aggregate amount of $100,000 of Receivables Cash Collateral for allowed Professionals' fees and expenses incurred directly in investigating the Secured Lenders' collateral coverage. However, the Final Cash Collateral Order did not provide the Creditors' Committee and the Former Partners' Committee with any funds to litigate any challenge to the Secured Lenders' collateral coverage. And importantly, the Final Cash Collateral Order provided the Secured Lenders with liens on all Assets (including avoidance actions) as adequate protection for Diminution in Value (as defined in the Final Cash Collateral Order), which Diminution is estimated to exceed $54 million. As part of the settlement with the Secured Lenders, the Plan provides that the Secured Lenders shall be deemed to have waived their Diminution in Value Claims in consideration for, among other things, the asset allocations described above. The Plan also provides that the Secured Lenders shall also be deemed to waive (or otherwise forego) any distributions of Initial PCP/Unfinished Business Claim Proceeds that they would otherwise receive as general unsecured creditors by virtue of the Secured Lender Deficiency Claims. That provides general unsecured creditors with greater certainty with respect to their Distributions and enable them to receive Distributions much sooner. The Secured Lenders have also agreed to fund the Liquidation Trust with $2.5 million of their Receivables Cash Collateral.

In considering whether to approve a compromise and settlement, the Bankruptcy Court is required to consider the "complexity, expense and likely duration of such litigation." *TMT Trailer Ferry*, 390 U.S. at 424. Litigation over the Secured Lenders' collateral coverage may take significant time to conclude and would likely be appealed, causing further expense and delay. The Debtor's estate would bear significant expense exposure related to the participation in the litigation by the Creditors' Committee, the Debtor and potentially other third parties, including the Former Partners' Committee that would significantly delay Distributions to Creditors. Since the Bankruptcy Court is not required to hold a "mini-trial" of the merits of the claims being settled, approval of the compromise and settlement pursuant to Bankruptcy Rule 9019 is more efficient and advisable than full scale litigation on the issue of the Secured Lenders' collateral coverage.

The proposed compromise and settlement embodied in the Plan gives due consideration to the strengths and weaknesses of potential arguments made by each of the Creditors' Committee and the Secured Lenders. The Debtor believes the compromise embodied in the Plan is within the range of likely results if the Secured Lenders' collateral coverage was litigated to judgment. The proposed settlement falls well above the lowest point in the range of reasonableness and adequately reflects the probability of the results of such litigation, the complexity, expense and likely duration

of litigation. The proposed settlement is fair, reasonable and equitable to the Debtor and its creditors and satisfies the requirements of Bankruptcy Rule 9019 and all applicable legal principles.

B. Proposed Settlement with Certain Partners of the Debtor's Former Dubai Office

On December 31, 2012, the Debtor filed a motion for approval under Bankruptcy Rule 9019 of a (i) proposed settlement and compromise of claims among the Debtor, Gavin Watson ("Watson") and Chris Sioufi ("Sioufi," together with Watson, the "Settling Dubai Partners"), Partners formerly resident in the Debtor's Dubai office, and (ii) a modification of the PCPs for the Settling Dubai Partners (the "Dubai Settlement Motion"). [Docket No. 790.] The Settling Dubai Partners are also Participating Partners.

As noted in Section IV.B. of this Disclosure Statement, the Debtor's former Dubai office is being wound down under local law and is now the subject of a Dubai insolvency proceeding, pursuant to which a liquidator was appointed. The liquidator has frozen the only remaining Asset of the Dubai office – a funded bank account from which severance and other local Claims will be paid, including pre-petition severance Claims filed individually by the Settling Dubai Partners of approximately $923,000 each against the Debtor. The Debtor does not anticipate a meaningful recovery, if any, to the Estate following the payment of Claims in the Dubai insolvency proceeding.

Accordingly, the Debtor and the Settling Dubai Partners have reached an agreement subject to Bankruptcy Court approval, whereby, pursuant to the Dubai Settlement Motion, (i) those Partners will withdraw their severance Claims against the Debtor in the Dubai insolvency proceeding (which may result in excess proceeds of between $250,000 and $300,000 available to the Estate); (ii) the Settling Dubai Partners will receive a credit in the amount of 50% of the excess proceeds against their respective Partner Contribution Amounts; (iii) 50% of the excess proceeds (not to exceed the Settling Dubai Partners' aggregate Partnership Contribution Amounts) will be allocated to Initial PCP/Unfinished Business Proceeds or Subsequent Initial PCP/Unfinished Business Proceeds; and (iv) the balance of the excess proceeds will be allocated to Foreign Office Recoveries. The Debtor believes that the proposed compromise and modification to the Settling Dubai Partners' PCPs are fair, reasonable and in the best interest of the Estate, given the costs and delay associated with recovering proceeds, if any, from the Dubai office liquidation in the absence of an agreement with the Settling Dubai Partners.

XVIII. RETENTION OF JURISDICTION BY BANKRUPTCY COURT

From the Effective Date until entry of a final decree closing the Bankruptcy Case, the Bankruptcy Court shall retain such jurisdiction as is legally permissible over the Bankruptcy Case, the Debtor, and the Participating Partners, as applicable, for the following purposes:

to hear and determine any and all objections to the allowance of any Claim or Administrative Claim, or any controversy as to the classification of Claims or any

matters which may directly, indirectly or contingently affect the obligations of the Debtor, the Liquidation Trustee or the Secured Lender Trustee to any Creditors, holders of Claims, or other parties in interest;

to hear and determine any and all applications for compensation and reimbursement of expenses by Professionals or other Persons;

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

to adjudicate such contested matters and adversary proceedings as may be pending or subsequently initiated in the Bankruptcy Court including, but not limited to Causes of Action or Claims captured within the Plan;

to enforce and interpret the provisions of the Plan, the Confirmation Order and the Liquidation Trust Agreement and Secured Lender Trust Agreement;

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

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

to correct any defect, cure any omission, or reconcile any inconsistency in the Plan, the Liquidation Trust Agreement, Secured Lender Trust Agreement or in the Confirmation Order as may be necessary to carry out the purpose and the intent of the Plan;

to resolve tax matters contemplated under the Plan, including the tax closing agreement requested by the Debtor from the Internal Revenue Service in connection with the Bankruptcy Case;

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

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

XIX. CERTAIN TAX CONSEQUENCES OF THE PLAN

A. General

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO FEDERAL INCOME TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER FEDERAL INCOME TAX LAW. SUCH

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

THE DESCRIPTION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN PROVIDED BELOW IS SOLELY FOR THE PURPOSE OF COMPLIANCE WITH SECTION 1125(a) OF THE BANKRUPTCY CODE. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE") TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION MAY HAVE RETROACTIVE EFFECT, WHICH MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. EXCEPT AS PROVIDED BELOW, NO RULING HAS BEEN REQUESTED FROM THE IRS AND NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION OR ADVICE IS GIVEN BY THIS DISCLOSURE STATEMENT. AS DISCUSSED MORE FULLY BELOW, THE DEBTOR HAS ENTERED INTO DISCUSSIONS WITH THE INTERNAL REVENUE SERVICE AND REQUESTED THAT IT ENTER INTO A CLOSING AGREEMENT (AS DEFINED BELOW) WITH, OR PROVIDE OTHER GUIDANCE TO, THE DEBTOR. IT IS EXPECTED THAT ANY CLOSING AGREEMENT WITH OR OTHER GUIDANCE FROM THE INTERNAL REVENUE SERVICE WILL ADDRESS NUMEROUS FEDERAL INCOME TAX MATTERS ARISING OUT OF THE PLAN AND ITS CONSUMMATION AS TO WHICH THE LAW WOULD OTHERWISE BE UNCLEAR. IT IS HOPED THAT ANY CLOSING AGREEMENT WILL BE BINDING UPON THE DEBTOR AND ANY PARTICIPATING PARTNER EXECUTING IT.

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

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

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

(i) Recognition of Gain or Loss

In general, a holder of an Allowed Claim or Interest should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the holder's tax basis in the Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Allowed Claim and the holder, the length of time the holder held the Claim and whether the Claim was acquired at a market discount. If the holder realizes a capital loss, the holder's deduction of the loss may be subject to limitation. The holder's tax basis for any property received under the Plan generally will equal the amount realized. The holder's amount realized generally will equal such holder's share, as of the Effective Date, of the sum of the Cash and the fair market value of any other property transferred to the Secured Lender Trust or the Liquidation Trust, as the case may be. To the extent that such Claim is a Disputed Claim, the amount of the holder's gain or loss will not be determined as of the Effective Date and will only be determined at the time such holder's share of the Liquidation Trust is determined. At such time, the holder should recognize gain or loss, computed in the manner described above, based on such holder's share of the Cash and the fair market value of the property then held by the Liquidation Trust.

(ii) Bad Debt or Worthless Securities Deduction

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

C. Treatment of the Secured Lender Trust, the Liquidation Trust and their Beneficial Owners

Except to the extent allocable to disputed claims (as discussed more fully below), consistent with the principles of Revenue Procedure 94-45, 1994-2 C.B. 684, as of the Effective Date, there will be a deemed transfer of the Assets from the Debtor to the holders of Claims and Interests (after such transfer, each a "Beneficiary," and collectively, the "Beneficiaries"), and then from the Beneficiaries to the Secured Lender

Trust or Liquidation Trust, as the case may be. The Trustee of each of such Trusts will have the obligation to make Distributions to the Beneficiaries (including holders of Disputed Claims, once resolved) from the Secured Lender Trust or the Liquidation Trust in accordance with the Plan. The Secured Lender Trust and the Liquidation Trust instruments will each provide for a valuation of the assets transferred to each and each Beneficiary will be obligated under the terms of such instrument to use such valuation in connection with any federal income tax reporting related thereto. The Debtor believes that the Secured Lender Trust and the Liquidation Trust will qualify as "liquidating trusts," as defined in Treasury Regulation § 301.7701-4(d), and as "grantor trusts" within the meaning of Internal Revenue Code §§ 671-679 and would, therefore, be taxed as a grantor trusts, of which their respective Beneficiaries will be treated as the grantors. Unless provided otherwise in the Liquidation Trust Agreement, the Liquidation Trust shall make a timely election pursuant to Treasury Regulation § 1.468B-9(c)(2)(ii) pursuant to which any portion of the Liquidation Trust's (or the Secured Lender Trust's) Assets that are properly allocable to Disputed Claims shall be treated as a disputed ownership fund.

Except to the extent that the income of the Liquidation Trust is properly allocated to Disputed Claims (as discussed more fully below), no federal income tax should be imposed on the Secured Lender Trust or the Liquidation Trust itself on the income earned or gain recognized by such Trust and, instead, the Beneficiaries of such Trust would be taxed for federal income tax purposes on their allocable shares of such income and gain in each taxable year, whether or not they received any Distributions from such Trust in such taxable year.

The Liquidation Trustee shall pay, or cause to be paid, out of the funds held in accounts for the Disputed Claims Reserve, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in, or on account of, such Disputed Claims Reserve. The Liquidation Trustee shall file, or cause to be filed, any tax or information return related to the Disputed Claims Reserve that is required by any federal, state, or local taxing authority. When such Disputed Claims were ultimately resolved, (i) holders of such Disputed Claims that were determined to be Allowed Claims would receive Distributions from the Liquidation Trust net of taxes which the Liquidation Trust had previously paid in respect of such funds or property and (ii) if such Disputed Claims are disallowed, holders of previously Allowed Claims would receive such net of tax Distribution.

If the Internal Revenue Service successfully seeks to require a different characterization of the Secured Lender Trust or the Liquidation Trust, such Trust could be subject to tax on all of its net income and gains, with the result that the amounts distributable to the Beneficiaries could be reduced.

D. Information Reporting and Withholding

Under the Internal Revenue Code's backup withholding rules, the holder of an Allowed Claim may be subject to backup withholding with respect to Distributions or payments made pursuant to the Plan unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under

penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

E. Treatment of Holders of Interests

The federal income tax treatment of a holder of an Interest in the Debtor is unclear in many respects. As a partnership, the Debtor is not subject to federal income tax and its Partners are required to report their respective shares of the Debtor's income, gain, loss, deduction or credit for any portion of the Debtor's taxable year that such Interest holder was a Partner for federal income tax purposes. It is not clear, however, whether Partners of the Debtor who have resigned prior to the Effective Date should be treated as Partners for federal income tax purposes through that date or whether their resignation should be recognized by the Debtor at some time prior to the Effective Date. In addition, certain Partners in the Debtor have indicated that they may claim that their Interests in the Debtor became worthless or that they abandoned their Interests at some point in time prior to the Effective Date, possibly even prior to January 1, 2012, or that as Salaried Partners they were employees for tax purposes (and nothing in the Plan or this Disclosure Statement is intended to alter the status of Salaried Partners for tax purposes). The manner in which such Partners have reported or may report their respective interests in the Debtor on their personal federal income tax returns and the extent to which such treatment is accepted or rejected by the Internal Revenue Service may affect the manner in which the Debtor's taxable income or loss is allocated among the Interest holders.

The Debtor has initiated discussions with the Internal Revenue Service with a view to obtaining guidance on the treatment of various matters as to which the federal income tax treatment is uncertain. This guidance may take the form of a closing agreement or a private letter ruling (collectively, the "Closing Agreement"). Generally, and subject to the resolution of negotiations with the Internal Revenue Service in connection with the Closing Agreement, the Debtor intends to treat its taxable year as ending on the Effective Date, when it transfers all of its Assets to the Secured Lender Trust and the Liquidation Trust and all further Claims against the Debtor are enjoined by the Bankruptcy Court.[25] The Debtor intends to report cancellation of debt ("COD") income as of the Effective Date to the extent that any debt of the Debtor is not satisfied in full on the Effective Date (taking into account the fair market value of property transferred to the Secured Lender Trust and the Liquidation Trust), except to the extent that a specific exception applies. One exception expected to apply and result in a material reduction in the Debtor's COD income provides that no COD income is recognized to the extent that the payment of a debt would give rise to a tax deduction to

[25] The Debtor understands that the Internal Revenue Service continues to actively consider the relevant substantive and procedural issues relating to the Debtor's wind down and the Plan. The Debtor's advisors are scheduled to meet with the Internal Revenue Services's national office in January 2013.

the Debtor. Since the Debtor reports its income or loss for federal income tax purposes on the cash method of accounting, the payment of most of its accrued expenses and accounts payable will give rise to a deduction and, as a result, the Debtor should not recognize any COD income to the extent that the holders of Claims with respect to such expenses or payables are not paid in full.

The Debtor is expected to recognize significant taxable income as the result of collection of its cash method Receivables and any recoveries it obtains with respect to WIP, but none of these funds will be distributed to Interest holders to defray their personal federal income tax liabilities. As a result, it is expected that, in addition to COD income, the Debtor will recognize a material amount of so-called "phantom" or "dry" income that must be allocated among, and will be taxable to, the Partners.

A taxpayer is required to report COD income as taxable income in the year in which realized, unless an exception applies. Generally, a taxpayer in bankruptcy is permitted to exclude from taxable income any COD income arising out of the bankruptcy, and a taxpayer that is not in bankruptcy but who or which is insolvent may exclude COD income, but only to the extent of such taxpayer's insolvency. In the case of a partnership, both the bankruptcy and insolvency exception must be determined and applied at the partner level. Thus, even though the Debtor is both insolvent and in bankruptcy, a Partner will be permitted to exclude his or her share of any COD income properly allocated to such Partner from the Debtor only to the extent such Partner is personally insolvent or only if (a) such Partner is personally under the jurisdiction of the Bankruptcy Court in a case under the Bankruptcy Code (*viz.*, a case under title 11 of the United States Code), and (b) the relevant debt is discharged by the Bankruptcy Court or pursuant to a plan approved by the Bankruptcy Court. Although the Plan contemplates that each Participating Partner will be subject to the jurisdiction of the Bankruptcy Court it is unclear whether relief afforded to the Debtor under the Plan can properly be treated as a discharge of a Partner's allocable share of that debt. The Internal Revenue Service has recently ruled in Rev. Rul. 2012-14, 2012-24 IRB 1012, that, for the purpose of determining the extent of a partner's insolvency, the partner generally should include in his or her liabilities an amount of partnership non-recourse liabilities equal to such partner's share of partnership COD income arising from such debt.

To the extent that a Partner is entitled to exclude any COD income properly allocated to him or her by the Debtor from such Partner's income as a result of the insolvency or bankruptcy exception, that Partner is required to reduce the amount of certain of such Partner's tax attributes, including any net operating loss carryforwards and, subject to certain limitations, the tax basis of such Partner's assets held as of the beginning of the Partner's next succeeding taxable year.

Generally, under section 346(j)(1) of the Bankruptcy Code, for state and local income tax purposes a Partner is to be treated in substantially the same manner as such Partner is treated for federal income tax purposes with respect to any COD income reportable by the Partner.

The manner in which the Debtor's taxable income or loss should be allocated among its Partners is uncertain and the Partnership Agreement provides little guidance

in the matter. Under such circumstances, the allocation of the Debtor's income or loss among its Partners is required to be determined under facts and circumstances principles and the application of these principles to insolvency and bankruptcy cases involving partnerships is highly uncertain.

It is the intention of the Debtor to seek guidance from the Internal Revenue Service in connection with this Bankruptcy Case. While the Debtor is requesting that the guidance be in the form of a Closing Agreement, it is possible that such guidance, if obtained, may take another form, such as a private letter ruling. There can be no assurance that the Internal Revenue Service will be willing to enter into a Closing Agreement with the Debtor or that any such Closing Agreement acceptable to the Internal Revenue Service will be acceptable to the Debtor or to the Participating Partners. The Debtor will endeavor to cause the Closing Agreement to apply to those Participating Partners wishing to come within its terms, but there can be no assurance that the Internal Revenue Service will be willing to permit this. If bound by the Closing Agreement, it is expected that a Participating Partner will be required to report his or her taxable income or loss from the Debtor in a manner consistent with the Closing Agreement and the Internal Revenue Service will be barred from challenging such treatment by such Participating Partner.

It is the Debtor's intention to request that the Closing Agreement provide generally as follows for federal income tax purposes:

i. On the Effective Date, all of the Debtor's outstanding liabilities will be deemed satisfied for the amount of money and the fair market value of property transferred to the Secured Lender Trust and the Liquidation Trust;

ii. Each Person who is or was a Partner of the Debtor on January 1, 2012 will be treated as a Partner of the Debtor through the Effective Date;

iii. The COD income, any "phantom" or "dry" income and any other taxable income or loss of the Debtor will be allocated among the Partners so as to cause the amount in their respective tax capital accounts, computed on a cash basis, to be adjusted to zero, reflecting the fact that no Interest holder will be entitled to any recovery from the Debtor on account of such Interest; and

iv. Each Partner who is a Participating Partner and who properly executes or otherwise becomes subject to the Closing Agreement will be treated as a Person under the jurisdiction of the Bankruptcy Court under the Bankruptcy Code and the Debtor's COD income allocated to such Partner pursuant to the Closing Agreement will be treated as a "discharge" for tax

> purposes granted by the Bankruptcy Court pursuant to a plan approved by the Bankruptcy Court (*viz*., a case under title 11 of the United States Code), all within the meaning of section 108(d)(2) of the Internal Revenue Code.

There is little guidance on how COD income must be allocated among partners in a partnership where, as here, the Partnership Agreement is silent on how the allocation should be made. There is a risk that the Internal Revenue Service could take the position that such COD income must be allocated solely to Partners who, in its view, have not ceased to be Partners in the partnership for tax purposes. The Debtor expects that its COD income and other "dry" or "phantom" income could be as much as $84,000,000 and there remains the possibility that the Internal Revenue Service may claim that certain Partners should be allocated disproportionately large shares of such "dry" or "phantom" income.

The Debtor is aware of many disparate federal income tax positions that the Partners may claim on their respective federal income tax returns. Whether these positions are ultimately approved by the Internal Revenue Service or the statute of limitations for assessment of a Partner expires without a successful challenge of any such position by the Internal Revenue Service may, to the extent the Debtor is aware of such position, affect the manner in which the Debtor should compute its taxable income or loss in its final taxable year. For example, the Debtor intends to file an election under section 754 of the Internal Revenue Code under which, in general terms, the Debtor will be entitled to increase its tax basis in certain of its assets to the extent that any Partner successfully claims that he or she ceased to be a Partner prior to the Effective Date. Generally, any such increase in tax basis would be required to be allocated among the partnership's depreciable property held for more than one year and specifically assets that are capital assets based on their relative fair market values on the date such Partner ceased to hold an interest in the Debtor for federal income tax purposes. To the extent that such increase in tax basis is allocable to capital assets, such as artwork held by the Debtor, such increase in tax basis will either decrease any capital gain or increase any capital loss incurred by the Debtor on such capital assets. Any increase in tax basis allocable to depreciable property held by the Debtor for more than one year will increase the loss expected to be incurred by the Debtor with respect to so-called "section 1231 assets." Generally, if a Partner has overall section 1231 of the Internal Revenue Code losses for a taxable year, such losses will be allowable as an ordinary (rather than a capital) loss on such Partner's personal federal income tax return. Although net section 1231 gains are generally treated as capital gains, to the extent that a Partner has an overall section 1231 gain in any of his or her next five taxable years after the year in which the Effective Date occurs, any such gain will be treated as an ordinary gain (rather than a capital gain) to the extent of such Partner's share of the section 1231 loss recognized by the Debtor (or any other section 1231 loss from other sources recognized by such Partner during the preceding 5 taxable years).

Partners should be aware that the Internal Revenue Service may challenge the manner in which they choose to report their respective shares of the Debtor's taxable income or loss and the manner in which they characterize any gain, income, loss or deduction arising out of any purported worthlessness or abandonment of their Interests

in the Debtor. Any such challenge by the Internal Revenue Service may give rise to substantial costs and expenses to such Partners, in addition to any taxes, interest and penalties assessed by the Internal Revenue Service. It is expected that any Closing Agreement, if obtained, will mitigate these uncertainties significantly for any Partners joining in that agreement.

XX. MISCELLANEOUS PROVISIONS

A. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtor on or before the Effective Date.

B. Third Party Agreements; Subordination

The Distributions to the various Classes of Claims under the Plan shall not affect the right of any Person to levy, garnish, attach, or employ any other legal process with respect to such Distributions by reason of any claimed subordinated rights or otherwise. All of such rights and any agreements relating thereto shall remain in full force and effect. Distributions shall be subject to and modified by any Final Order directing distributions other than as provided in the Plan. The right of the Debtor to seek subordination of any Claim (other than the Secured Lender Claims and the Secured Lender Deficiency Claims) pursuant to section 510 of the Bankruptcy Code is fully reserved, and the treatment afforded any Claim that becomes a subordinated Claim at any time shall be modified to reflect such subordination.

C. No Discharge

The Debtor will not receive a discharge under the Plan in accordance with section 1141 of the Bankruptcy Code.

D. Headings

The headings used in the Plan are inserted for convenience only, and neither constitute a portion of the Plan nor in any manner affect the construction of provisions of the Plan.

E. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws of the state of New York, without giving effect to the conflicts of laws principles thereof, shall govern the construction of the Plan, and any agreements, documents, and instruments executed in connection with the Plan, except as otherwise expressly provided in such instruments, agreements or documents.

F. Expedited Determination

The Liquidation Trustee will be authorized under the Plan to file a request with the Bankruptcy Court for expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed with respect to the Debtor.

G. Exemption from Transfer Taxes

Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust, lien, pledge, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

H. Exemption from Securities Laws

To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance under the Plan of the Secured Lender Trust Interests and the Liquidation Trust Interests will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder, and all applicable state and local securities laws and regulations.

I. Notice of Entry of Confirmation

Promptly upon entry of the Confirmation Order, the Debtor shall publish as directed by the Bankruptcy Court and serve on all known parties in interest and holders of Claims and Interests, notice of the entry of the Confirmation Order and all relevant deadlines and dates under the Plan, including, but not limited to, the deadline for filing Administrative Claims, and the deadline for filing rejection damages Claims.

J. Interest and Attorneys' Fees

Post-petition interest will accrue and be paid on Claims only to the extent specifically provided for in the Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. No award or reimbursement of attorneys' fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim, except as ordered by the Bankruptcy Court.

K. Rates

The Plan does not provide for the change of any rate that is within the jurisdiction of any governmental or regulatory commission after the occurrence of the Effective Date.

L. Severability

Should the Bankruptcy Court determine that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Interest or transaction, the

Debtor may modify the Plan in accordance with Section 14.2 of the Plan so that such provision shall not be applicable to the holder of any such Claim or Interest or transaction. Such a determination of unenforceability shall not (a) limit or affect the enforceability and operative effect of any other provision of the Plan; or (b) require the re-solicitation of any acceptance or rejection of the Plan.

XXI. RECOMMENDATION

The Debtor believes that the Plan provides for the fair and equitable treatment to Creditors and therefore recommends that Creditors vote to accept the Plan.

DATED: New York, New York
January 7, 2013

DEWEY & LEBOEUF LLP
Debtor and Debtor in Possession

By:

/s/ Jonathan A. Mitchell
Jonathan A. Mitchell
Chief Restructuring Officer

Approved as to Form:

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