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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re:
WESTERN WATER COMPANY
Debtor

Case No. 05-42839
Chapter 11

**FIRST AMENDED PLAN OF REORGANIZATION
OF WESTERN WATER COMPANY
December 29, 2005**

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1 Western Water Company, debtor and debtor-in-possession (the “Debtor”), hereby
2 proposes this First Amended Plan of Reorganization of Western Water Company (the “Plan”).
3 The Debtor is the proponent of the Plan within the meaning of Section 1129 of the Bankruptcy
Code.

4 **ARTICLE I.**
5 **DEFINITIONS, RULES OF INTERPRETATION,**
6 **AND COMPUTATION OF TIME**

7 **A. Scope of Definitions; Rules of Construction**

8 For purposes of this Plan, except as expressly provided or unless the context
9 otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed
10 to them in Article I of this Plan. Any term used in this Plan that is not defined herein, but is
11 defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to it
therein. Whenever the context requires, such terms shall include the plural as well as the
singular number, the masculine gender shall include the feminine, and the feminine gender shall
include the masculine.

12 **B. Definitions**

13 1. **“Administrative Claim”** means a Claim for payment of an administrative expense
14 of a kind specified in Section 503(b) of the Bankruptcy Code and entitled to priority pursuant to
15 Section 507(a)(2) of the Bankruptcy Code, and includes (a) the actual, necessary costs and
16 expenses, incurred after the Petition Date, of preserving the Debtor’s Estate and operating its
business, including wages, salaries, or commissions for services rendered after the Petition
Date, (b) Professional Fee Claims, and (c) fees to the United States Trustee under 28 U.S.C.
§ 1930(a)(6).

17 2. **“Administrative Claims Bar Date”** means the deadline or deadlines for filing
18 Administrative Claims, including Professional Fee Claims, which date shall be the date that is
thirty (30) days after the Effective Date.

19 3. **“Allowed Claim”** means a Claim or any portion thereof (a) that has been allowed
20 by a Final Order or is allowed under the Plan; or (b) that either (i) is scheduled in the Debtor’s
21 Schedules, as amended from time to time other than a Claim that is scheduled as disputed,
contingent or unliquidated, or (ii) a Proof of Claim has been timely filed or is deemed to have
22 been timely filed, and as to which either (x) no objection to its allowance has been filed on or
before the Objection Bar Date, or (y) any objection to its allowance has been settled, withdrawn
23 or determined by Final Order.

24 4. **“Allowed . . . Claim”** means an Allowed Claim in the particular Class or category
described.

25 5. **“Allowed . . . Interest”** means an Allowed Interest in the particular Class or
26 category described.

27 6. **“Allowed Interest”** means an interest or such portion thereof: (a) that has been
28 allowed by a Final Order or is allowed under the Plan; or (b) as to which a Proof of Interest has

1 been timely filed or is deemed to have been timely filed, as to which either (i) no objection to its
2 allowance has been filed on or before the Objection Bar Date, or (ii) any objection to its
allowance has been settled, withdrawn or determined by Final Order.

3 7. **“Avoidance Actions”** means any action which may be brought pursuant to
4 Sections 510, 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code, except for those
released pursuant to the provisions of the Plan.

5 8. **“Bankruptcy Code”** means Title 11 of the United States Code, 11 U.S.C. §§ 101
6 et seq., as amended from time to time.

7 9. **“Bankruptcy Rules”** means the Federal Rules of Bankruptcy Procedure and the
8 Official Bankruptcy Forms, as amended from time to time, and as supplemented by any local
rules of procedure adopted by the Court.

9 10. **“Business Day”** means any day, excluding Saturdays, Sundays or “legal
10 holidays” (as defined in Bankruptcy Rule 9006(a)), on which commercial banks are open for
business in Oakland, California.

11 11. **“Case”** means the bankruptcy matter styled *In re Western Water Company*, Case
12 No. 05-42839, pending in the United States Bankruptcy Court for the Northern District of
13 California, Oakland Division.

14 12. **“Cash”** means cash and cash equivalents including, bank deposits, certificates of
deposits, and other similar forms of legal tender of the United States.

15 13. **“Chapter 11”** means Chapter 11 of the Bankruptcy Code.

16 14. **“Claim”** means, pursuant to Section 101(5) of the Bankruptcy Code, any right to
17 payment, or right to an equitable remedy for breach of performance if such breach gives rise to
18 a right to payment, against the Debtor or property of the Debtor, whether or not such right to
19 payment or right to an equitable remedy is reduced to judgment, liquidated, fixed, contingent,
matured, unmatured, disputed, secured or unsecured.

20 15. **“Class”** means one of the categories of Claims or Interests listed in Article III of
21 this Plan.

22 16. **“Collateral”** means any property or interest in property of the Debtor’s Estate that
is subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject
23 to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or
applicable state law.

24 17. **“Confirmation”** means entry by the Court of the Confirmation Order.

25 18. **“Confirmation Hearing”** means the hearing to consider confirmation of the Plan
26 under Section 1128 of the Bankruptcy Code, as such hearing may be adjourned or continued
27 from time to time.

1 19. “**Confirmation Order**” means the order of the Court confirming this Plan
2 pursuant to Section 1129 of the Bankruptcy Code.

3 20. “**Court**” means: (a) the United States Bankruptcy Court for the Northern District
4 of California, in which the Case is pending; (b) any successor thereof that may be established by
5 any act of Congress relating to bankruptcy; (c) such other court as may exercise original
6 jurisdiction over this Case; or (d) any court having competent jurisdiction to hear appeals or
7 certiorari proceedings therefrom.

8 21. “**Creditors Committee**” means the official committee of unsecured creditors
9 appointed pursuant to Section 1102(a) of the Bankruptcy Code in the Case.

10 22. “**Cure**” means the Distribution of Cash, or such other property as may be agreed
11 upon by the parties or ordered by the Court, to cure a default by the Debtor or compensate for
12 actual pecuniary loss resulting from a default by the Debtor under Section 365(b)(1) of the
13 Bankruptcy Code in connection with the assumption of an Executory Contract under
14 Section 365 of the Bankruptcy Code

15 23. “**Debenture Claims**” means the General Unsecured Claims based on the 9%
16 Convertible Subordinated Debentures issued by the Debtor on or about September 22, 1995,
17 and that were outstanding as of the Petition Date.

18 24. “**Debtor**” means Western Water Company as debtor and debtor-in-possession
19 under Sections 1107 and 1108 of the Bankruptcy Code.

20 25. “**Disclosure Statement**” means the written disclosure statement relating to the
21 Plan, as amended, supplemented or modified from time to time, and prepared pursuant to
22 Section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017.

23 26. “**Disputed Claim**” means a Claim as to which a Proof of Claim has been filed, or
24 is deemed to have been filed, as to which an objection has been or may be timely filed and
25 which objection, if timely filed, has not been settled, withdrawn or overruled or denied by a
26 Final Order. Prior to the Objection Bar Date, for the purposes of the Plan, a Claim shall be
27 considered a Disputed Claim in its entirety if: (a) the amount of the Claim specified in the
28 Proof of Claim exceeds the amount of any corresponding Claim scheduled by the Debtor in its
Schedules; (b) any corresponding Claim scheduled by the Debtor in its Schedules has been
scheduled as disputed, contingent, or unliquidated, irrespective of the amount scheduled; or
(c) no corresponding Claim has been scheduled by the Debtor in its Schedules.

 27. “**Disputed Interest**” means an Interest of a Preferred Shareholder as to which a
Proof of Interest has been filed, or is deemed to have been filed, as to which an objection has
been or may be timely filed and which objection, if timely filed, has not been withdrawn and
has not been overruled or denied by a Final Order. Prior to the Objection Bar Date, for the
purposes of the Plan, an Interest shall be considered a Disputed Interest in its entirety if the
amount or value of the Interest specified in the Proof of Interest exceeds the amount of any
corresponding value or amount for such Interest in the books and records of the Debtor.

1 28. **“Distribution”** means each payment of Cash, New Common Stock or other
2 consideration to be provided to Holders of Allowed Claims and Allowed Interests pursuant to
3 this Plan on account of such Claims and Interests.

4 29. **“Distribution Account”** means the account to be established on the Effective
5 Date and maintained by the Reorganized Debtor which will hold the Cash to be distributed or
6 reserved under the Plan.

7 30. **“Effective Date”** means the day that the Plan becomes effective, which date shall
8 be the first business day after the Confirmation Order has become a Final Order, unless the
9 Court for good cause extends the date.

10 31. **“Estate”** means the estate of Western Water Company created under Section 541
11 of the Bankruptcy Code.

12 32. **“Executory Contract”** means all contracts and unexpired leases to which the
13 Debtor is a party or in which the Debtor has an assignable interest and which are executory with
14 the meaning of Section 365 of the Bankruptcy Code.

15 33. **“Face Amount”** means (a) when used in reference to a Disputed Claim or
16 Disputed Interest, the full stated amount claimed by the Holder of such Claim in any Proof of
17 Claim or Proof of Interest filed or deemed to have been filed; (b) when used in reference to an
18 unliquidated Claim, the amount of the Claim as estimated by the Court under Section 502(c) of
19 the Bankruptcy Code, (c) when used in reference to an Allowed Claim, the allowed amount of
20 the Claim, and (d) when used in reference to an Allowed Interest, the stated value of the shares
21 comprising such Interest.

22 34. **“Final Order”** means an order or judgment of the Court, the operation or effect of
23 which has not been stayed, reversed or amended, and as to which order or judgment (or any
24 revision, modification or amendment thereof) the time to appeal or seek review of rehearing has
25 expired, and as to which no appeal or petition for review or rehearing was timely filed, or if
26 timely filed, is pending.

27 35. **“General Unsecured Claim”** means a Claim that arose, or is deemed to have
28 arisen, before the Petition Date, to the extent the amount of such Claim (a) is not secured by any
Lien on any assets of the Debtor or (b) is greater than the value of any Lien that secures such
Claim, but is not a Priority Claim, and includes Rejection Damage Claims.

 36. **“Holder”** means the Person holding the specified Lien, Claim or Interest.

 37. **“Impaired”** means, as to Claims and Interests, that a Claim or Interest is impaired
within the meaning of Section 1124 of the Bankruptcy Code.

 38. **“Interests”** means the legal, equitable, contractual and other rights of any Person
with respect to an ownership interest or equity security in the Debtor, whether or not
transferable, and includes any option, warrant or right to purchase, sell, or subscribe for an
ownership interest or other equity security in the Debtor. Interests include the Series C
Preferred Stock, Series F Preferred Stock and the Old Common Stock.

1 39. “**Lien**” has the meaning set forth in Section 101(37) of the Bankruptcy Code.

2 40. “**New Common Stock**” means the common stock of the Reorganized Debtor to be
3 issued and distributed to the Holders of Series C Preferred Stock pursuant to the Plan.

4 41. “**Objection Bar Date**” means the date by which objections to Claims or Interests
5 must be filed, which date shall be the Effective Date, unless the Court for good cause extends
6 the date.

7 42. “**Old Common Stock**” means an existing Interest in the Debtor consisting of
8 shares of the common stock of the Debtor authorized and issued in accordance with the
9 Certificate of Incorporation of the Debtor filed with the Delaware Secretary of State on or about
10 March 16, 1994, as amended from time to time, and that are outstanding as of the Petition Date,
11 and includes any rights pertaining to issued shares of Old Common Stock and any option,
12 warrant or right to purchase, sell or subscribe to Old Common Stock.

13 43. “**Other Interests**” means all Interests in the Debtor other than the Series C
14 Preferred Stock and Series F Preferred Stock, and includes the Old Common Stock.

15 44. “**Person**” means an individual, corporation, partnership, joint venture,
16 association, joint stock company, limited liability company, limited liability partnership, trust,
17 estate, unincorporated organization, or other entity.

18 45. “**Petition Date**” means May 24, 2005, the date on which Western Water
19 Company filed its petition for relief commencing the Case.

20 46. “**Plan**” means this Chapter 11 Plan of Reorganization of Western Water
21 Company and all exhibits and schedules annexed hereto or referenced herein, as the same may
22 be amended, modified or supplemented from time to time.

23 47. “**Proof of Claim**” means a proof of claim by or on behalf of a Holder of a Claim
24 in accordance with Section 501 of the Bankruptcy Code.

25 48. “**Proof of Interest**” means a proof of interest filed by a Holder of an Interest in
26 accordance with Section 501 of the Bankruptcy Code.

27 49. “**Postpetition Interest Rate**” means 3.32% per annum, based on the federal
28 judgment interest rate applicable to the Petition Date.

 50. “**Priority Claim**” means a Claim entitled to priority pursuant to Section 507(a) of
the Bankruptcy Code, other than an Administrative Claim. Priority Claims include Priority
Wage Claims and Priority Tax Claims.

 51. “**Priority Tax Claim**” means a Claim that is entitled to priority pursuant to
Section 507(a)(8) of the Bankruptcy Code.

 52. “**Priority Wage Claim**” means a Claim that is entitled to priority pursuant to
Section 507(a)(4) or (5) of the Bankruptcy Code..

1 53. “**Professional**” means any professional employed in the Case pursuant to
2 Sections 327 or 1103 of the Bankruptcy Code or otherwise and professionals seeking
3 compensation or reimbursement of expenses in connection with the Case pursuant to
4 Section 503(b)(4) of the Bankruptcy Code.

5 54. “**Professional Fee Claim**” means a Claim of a Professional for compensation or
6 reimbursement of costs and expenses relating to services incurred after the Petition Date and
7 through the Effective Date.

8 55. “**Promissory Note Claims**” means the General Unsecured Claims based on (a) the
9 Amended Promissory Notes executed by the Debtor dated December 7, 2004, and (b) the
10 Promissory Notes executed by the Debtor dated on or about January 26, 2005.

11 56. “**Pro Rata**” means, at any time, the proportion that the Face Amount of a Claim
12 or Interest in a particular Class bears to the aggregate Face Amount of all Claims or Interests
13 (including Disputed Claims and Disputed Interests) in such Class.

14 57. “**Rejection Damage Claims**” means Claims for damages resulting from rejection
15 of Executory Contract obligations by the Debtor.

16 58. “**Reorganized Debtor**” means the Debtor after the Effective Date.

17 59. “**Retained Claims**” means all claims, rights, interests, causes of action, defenses,
18 rights of offset, counterclaims, cross-claims and third party claims, whether in law or in equity,
19 whether known or unknown, that the Debtor or its Estate may hold against any Person as of the
20 Effective Date, and shall include Avoidance Actions.

21 60. “**Schedules**” means the schedules of assets and liabilities and the statements of
22 financial affairs filed in the Court by the Debtor, as such schedules or statements may be
23 amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or
24 orders of the Court.

25 61. “**Secured Claim**” means a Claim that arose before or after the Petition Date that is
26 secured by a Lien upon property, or the proceeds of the sale of such property, in which the
27 Debtor has an interest, to the extent of the value, as of the date of Confirmation or such later
28 date as is established by the Court, of such Lien as determined by a Final Order of the Court
pursuant to Section 506 of the Bankruptcy Code or as otherwise agreed upon in writing by the
Debtor and the Holder of such Claim.

 62. “**Series C Preferred Stock**” means the Series C Convertible Redeemable
Preferred Stock of the Debtor authorized and issued by the Debtor pursuant to the Certificate of
Designations filed with the Delaware Secretary of State on or about April 21, 1997, and
outstanding as of the Petition Date, and includes any rights pertaining to the Series C Preferred
Stock and any option, warrant or right to purchase, sell or subscribe to the Series C Preferred
Stock.

 63. “**Series F Preferred Stock**” means the Series F Convertible Redeemable
Preferred Stock of the Debtor authorized and issued by the Debtor pursuant to the Certificate of
Designations filed with the Delaware Secretary of State on or about March 14, 2001, and

1 outstanding as of the Petition Date, and includes any rights pertaining to the Series F Preferred
2 Stock and any option, warrant or right to purchase, sell or subscribe to the Series F Preferred
3 Stock.

4 64. ***“Unimpaired”*** means, as to Claims or Interests, that a Claim or Interest is not
5 Impaired.

6 **C. Rules of Interpretation**

7 1. In this Plan, any reference to a contract, instrument, release, indenture, or
8 other agreement or document as being in a particular form or on particular terms and conditions
9 means the agreement or document substantially in that form or substantially on those terms and
10 conditions.

11 2. In this Plan, any reference to an existing document or exhibit means that
12 document or exhibit as it may have been or may be amended, modified, or supplemented.

13 3. Unless otherwise specified, all references to Articles, Schedules, and
14 Exhibits in this Plan are references to Articles, Schedules, and Exhibits of or to the Plan.

15 4. As used in this Plan, the words “herein” and “hereto” refer to the Plan in
16 its entirety rather than to a particular portion or paragraph of the Plan.

17 5. Captions and headings in the Plan are for convenience of reference only
18 and are not intended to be a part of or to affect the interpretation of the Plan.

19 6. As used in this Plan, “including” means “including without limitation.”

20 7. In this Plan, any reference to a Distribution to be made “on” a date means
21 the Distribution shall be made on or as soon as reasonably practicable after that date.

22 8. In this Plan, the rules of construction in Section 102 of the Bankruptcy
23 Code and in the Bankruptcy Rules shall apply

24 9. In computing any period of time prescribed or allowed by the Plan, the
25 provisions of Bankruptcy Rule 9006(a) shall apply. Any reference to “day” or “days” shall mean
26 calendar days, unless otherwise specified.

27 **D. References to Sections of the Bankruptcy Code**

28 All references to the numerical sections and subsections of the Bankruptcy Code
are based on the Bankruptcy Code as amended by the Bankruptcy Abuse Prevention and
Consumer Protection Act of 2005, regardless of whether the amendments in such Act are
applicable to the Debtor and the Case.

1 **ARTICLE III.**
2 **CLASSIFICATION OF CLAIMS AND INTERESTS**

3 All Claims and Interests, except Administrative Claims and Priority Tax Claims,
4 are placed in the Classes set forth below. In accordance with Section 1123(a)(1) of the
5 Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. A
6 Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls
7 within the description of that Class, and is classified in other Classes to the extent that any
8 portion of the Claim or Interest falls within the description of such other Classes.

9 **A. Priority Claims**

10 1. **Class 1** consists of all Priority Wage Claims. Class 1 Claims are
11 Unimpaired.

12 **B. Secured Claims**

13 1. **Class 2-A** consists of the Secured Claims of the Yuba County Tax
14 Collector, or other government official responsible for the collection of real property taxes in
15 Yuba County, for real property taxes assessed against and secured by a Lien on the land, water
16 rights or mineral rights owned by the Debtor in Yuba County, and more particularly described as
17 Assessors Parcel Nos: 006-160-099-000, 006-160-131-000, 605-270-119-000, 605-270-150-000,
18 606-100-090-000, 606-150-035-000, 606-160-061-000, 606-160-066-000, 606-160-112-000,
19 606-170-059-000, 606-170-063-000, 606-170-064-000, 606-170-103-000, 606-170-106-000,
20 606-180-025-000, 705-270-136-000, 705-270-138-000, 705-370-029-000, 706-100-099-000,
21 706-160-076-000, 706-160-077-000, 706-160-078-000, 706-160-079-000, 706-160-080-000,
22 706-160-081-000, 706-160-082-000, 706-160-084-000, 706-160-088-000, 706-170-079-000,
23 706-170-082-000, 706-170-083-000, 706-170-084-000, 706-170-085-000, 706-180-033-000, and
24 706-380-019-000. Class 2-A Claims are Unimpaired.

25 2. **Class 2-B** consists of all other Secured Claims, other than Allowed Claims
26 in Class 2-A, secured by a Lien on any property of any kind of the Debtor. Class 2-B Claims are
27 Unimpaired.

28 **C. Unsecured Claims**

1 **Class 3-A** consists of all General Unsecured Claims other than Debenture
2 Claims and Promissory Note Claims. Class 3-A Claims are Unimpaired.

3 **Class 3-B** consists of all Debenture Claims. Class 3-B Claims are
4 Unimpaired.

5 **Class 3-C** consists of all Promissory Note Claims. Class 3-C Claims are
6 Unimpaired.

7 **D. Equity Interests**

8 1. **Class 4-A** consists of all Interests of Holders of Series F Preferred Stock.
9 Class 4-A Interests are Impaired.

1 Claim, Cash in an amount equal to 100% of the Allowed Class 3-A Claim plus interest at the
2 Postpetition Interest Rate from the Petition Date through the date of Distribution on such Claim.

3 **2. Class 3-B. Debenture Claims**

4 On the later of (a) the Effective Date or (b) the date the Class 3-B Claim becomes
5 an Allowed Class 3-B Claim, each Holder of an Allowed Class 3-B Claim shall receive, in full
6 satisfaction, settlement, release, and discharge of and in exchange for its Allowed Class 3-B
7 Claim, Cash in an amount equal to 100% of the Allowed Class 3-B Claim plus interest at the
8 Postpetition Interest Rate from the Petition Date through the date of Distribution on such Claim.

9 **3. Class 3-C. Promissory Note Claims**

10 On the later of (a) the Effective Date or (b) the date the Class 3-C Claim becomes
11 an Allowed Class 3-C Claim, each Holder of an Allowed Class 3-C Claim shall receive, in full
12 satisfaction, settlement, release, and discharge of and in exchange for its Allowed Class 3-C
13 Claim, Cash in an amount equal to 100% of the Allowed Class 3-C Claim plus interest at the
14 Postpetition Interest Rate from the Petition Date through the date of Distribution on such Claim.
15 Each Holder of an Allowed Class 3-C Claim shall be required, as a condition to payment on the
16 Allowed Class 3-C Claim to surrender to the Reorganized Debtor the Promissory Note held by
17 such Holder, or if the Promissory Note has been lost or stolen, to execute and deliver to the
18 Reorganized Debtor, a certification that the note has been lost or stolen, in form and containing
19 indemnification provisions satisfactory to the Reorganized Debtor.

20 **D. Equity Interests**

21 **1. Class 4-A. Series F Preferred Stock Interest**

22 On the Effective Date, all Series F Preferred Stock shall be cancelled and all
23 rights of and interests of the Holder of Class 4-A Interest in the Series F Preferred Stock shall be
24 extinguished and terminated. On the later of (a) the Effective Date or (b) the date the Class 4-A
25 Interest becomes an Allowed Class 4-A Interest, the Holder of an Allowed Class 4-A Interest
26 shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for its
27 Allowed Class 4-A Interest and its shares of Series F Preferred Stock, 24.74% of the New
28 Common Stock to be issued by the Reorganized Debtor, *provided, however*, that the Holder of
the Allowed 4-A Interest may elect, by written notice delivered to the Debtor on or before the
date and time of the Confirmation Hearing, to receive, in lieu of New Common Stock, Cash in
the amount of \$260,000, in which event the Holder of the Allowed 4-A Interest shall receive, in
full satisfaction, settlement, release, and discharge of and in exchange for its Allowed Class 4-A
Interest and its Series F Preferred Stock, Cash in the amount of \$260,000.

2. Class 4-B. Series C Preferred Stock Interests

On the Effective Date, all Series C Preferred Stock shall be cancelled and all
rights and interests of Holders of Class 4-B Interests in the Series C Preferred Stock shall be
extinguished and terminated. On the later of (a) the Effective Date or (b) the date the Class 4-B
Interest becomes an Allowed Class 4-B Interest, each Holder of an Allowed Class 4-B Interest
shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for its
Allowed Class 4-B Interest and its shares of Series C Preferred Stock, a Pro Rata share of

1 75.26% percent of the New Common Stock to be issued by the Reorganized Debtor under the
2 Plan. In the event that the Holder of the Class 4-A Interest elects to receive a Distribution of
3 Cash instead of New Common Stock for its Class 4-A Interest, and no New Common Stock is
4 issued to the Holder of the Class 4-A Interest, then each Holder of an Allowed Class 4-B Interest
5 shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for its
6 Allowed Class 4-B Interest and its shares of Series C Preferred Stock, a Pro Rata share of 100%
7 percent of the New Common Stock to be issued by the Reorganized Debtor under the Plan.

6 **3. Class 4-C. Other Interests**

7 On the Effective Date, all Other Interests, including the Old Common Stock, shall
8 be cancelled and all rights and interests of Holders of Class 4-C Interests shall be extinguished
9 and terminated. Holders of Other Interests shall receive no Distributions or any other
10 consideration on account of such Other Interests under the Plan.

10 **ARTICLE V. MEANS FOR IMPLEMENTATION OF THE PLAN**

11 **A. Continuation of the Debtor; Corporate Governance**

12 1. On and after the Effective Date, the Debtor shall continue in existence as
13 the Reorganized Debtor and shall continue to be organized and incorporated under the laws of
14 the State of Delaware. On and after the Effective Date, the Reorganized Debtor may operate its
15 business free of any restrictions of the Bankruptcy Code or supervision of the Court, other than
16 as expressly imposed by the Plan or the Confirmation Order.

17 2. The existing directors and officers of the Debtor shall serve initially in
18 their current capacities as directors and officers of the Reorganized Debtor after the Effective
19 Date, until they are replaced or their services are terminated pursuant to the provisions of the
20 Certificate of Incorporation or Bylaws of the Reorganized Debtor or applicable state corporation
21 law.

19 **B. Cancellation of Old Common Stock; Issuance of New Common Stock**

20 1. On the Effective Date, all Old Common Stock of the Debtor shall be
21 automatically cancelled and be of no further force or effect, without the necessity of surrender of
22 the stock certificates reflecting the Old Common Stock to the Debtor or Reorganized Debtor or
23 any transfer agent or other agent thereof.

24 2. On the Effective Date, the Reorganized Debtor shall issue and distribute
25 the New Common Stock to the Holders of the Series C Preferred Stock with Allowed Interests in
26 Class 4-B, and, as applicable, the Series F Preferred Stock with an Allowed Interest in Class 4-A,
27 as provided in Article IV.D. The total number of shares of New Common Stock to be issued
28 shall be determined by the Board of Directors.

26 **C. Cancellation of Series C Preferred Stock and Series F Preferred Stock**

27 1. On the Effective Date, all Series C Preferred Stock and Series F Preferred
28 Stock of the Debtor shall be automatically cancelled and be of no further force or effect, without

1 regard to surrender of the stock certificates reflecting the Series C Preferred Stock and Series F
2 Preferred Stock to the Debtor or Reorganized Debtor or any transfer agent or other agent thereof.

3 2. The Reorganized Debtor, in its discretion, may require, as a condition to
4 the Distribution of New Common Stock to a Holder of Series C Preferred Stock, or Cash or New
5 Common Stock to the Holder of the Series F Preferred Stock, as applicable, that such Holder
surrender to the Reorganized Debtor the stock certificate(s) evidencing the Series C Preferred
Stock or Series F Preferred Stock held by such Holder and cancelled under the Plan.

6 **D. Restrictions on Transfer of New Common Stock**

7 The New Common Stock shall contain a legend that no transfers of New
8 Common Stock, and no agreements providing for the transfer of New Common Stock or any
9 option, warrant or other right to acquire the New Common Stock, shall be permitted within three
10 (3) years of the Effective Date unless either (1) a more likely than not opinion of tax counsel of
11 the transferor, satisfactory to the Reorganized Debtor, is rendered that such transfer of New
12 Common Stock will not result in a change of ownership under the provisions of Section 382 of
13 the Internal Revenue Code and regulations thereunder, or (2) the Board of Directors waives the
14 foregoing condition. The Board of Directors of the Reorganized Debtor may, from time to time,
adopt such additional procedures with respect to and impose such further limitations on the
transferability of the New Common Stock, or any other classes of common stock that are
authorized and issued, as it may in good faith deem reasonable and desirable to protect and
maintain the tax attributes of the Reorganized Debtor.

15 **E. Amendment of Charter**

16 1. On or before the Effective Date, the Debtor shall cause the Certificate of
17 Incorporation of the Debtor to be amended and restated as necessary or appropriate (1) to
18 effectuate and implement any provisions of the Plan, and (2) as required by Section 1123(a)(6) of
19 the Bankruptcy Code, to prohibit the issuance of nonvoting equity securities and providing as to
20 any classes of securities possessing voting power, an appropriate distribution of such power
among such classes, including, in the case of any class of equity securities having a preference
over another class of equity securities with respect to dividends, adequate provisions for the
election of directors representing such preferred class in the event of default in payment of such
dividends.

21 2. Prior to the Confirmation Hearing, the Debtor shall file as a supplement to
22 this Plan its proposed Amended and Restated Certificate of Incorporation and Amended and
23 Restated Bylaws that will govern the Reorganized Debtor, which documents shall be subject to
approval of the Court in the Confirmation Order or supplement to the Confirmation Order.

24 **F. Revesting and Disposition of Assets**

25 On the Effective Date the property of the Debtor's Estate, except for the Cash to
26 be held in the Distribution Account, shall revert in the Reorganized Debtor, free and clear of all
27 Claims and Interests and Liens, except as specifically provided in the Plan or the Confirmation
28 Order. After the Effective Date, the Reorganized Debtor may use sell, liquidate, abandon or
otherwise dispose of any assets of the Debtor (or decline to do any of the foregoing), without
approval of the Court or notice to any Persons.

1 **G. Preservation of Retained Claims**

2 Except as otherwise provided in this Plan or the Confirmation Order, all Retained
3 Claims, including Avoidance Actions, shall be retained by and shall be enforceable by the
4 Reorganized Debtor, and any recoveries from Retained Claims will be retained by the
5 Reorganized Debtor. From and after the Effective Date, the Reorganized Debtor may enforce,
6 sue on, settle, compromise, abandon or release (or decline to do any of the foregoing) all
7 Retained Claims of the Debtor without approval of the Court or notice to any Persons.

6 **H. Effectuating Documents; Further Transactions**

7 The Reorganized Debtor shall be authorized to execute, deliver, file, or record
8 such contracts, instruments, releases and other agreements or documents and take such actions as
9 may be necessary or appropriate to effectuate and further evidence the terms and conditions of
10 the Plan.

10 **I. Employment and Payment of Professionals**

11 After the Effective Date, the Reorganized Debtor may, without review or
12 approval of the Court, retain, employ and pay compensation to professionals as may be
13 reasonably necessary to carry out the duties of the Reorganized Debtor under the Plan.

13 **J. Creditors Committee**

14 The Creditors Committee shall continue in place until the Effective Date. On the
15 Effective Date, the Creditors Committee shall be dissolved and the duties and powers of the
16 Creditors Committee shall terminate, except with respect to any applications for award of
17 compensation and reimbursement of expenses to the members of the Committee and any
18 Professionals retained by the Creditors Committee for services rendered prior to the Effective
19 Date.

18 **K. Notices After the Effective Date**

19 From and after the Effective Date, all notices, motions or applications for which
20 creditors and parties in interest may be entitled to notice under Bankruptcy Rules 2002 shall be
21 required to be served only on (a) the United States Trustee, (b) the Reorganized Debtor, (c)
22 counsel for the Reorganized Debtor, and (d) those Persons who file with the Court and serve on
23 the Reorganized Debtor a request, which includes such Person's name, contact person, address,
24 telephone number and facsimile number, that such Person receive notices of post-Effective Date
25 matters. Persons who had previously filed with the Court requests for special notice of the
26 proceedings and other filings in the Case will not receive notice of post-Effective Date matters
27 unless such Persons file a new request in accordance with this paragraph.

25 **L. Exemption From Certain Transfer Taxes**

26 Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers from a Debtor
27 to any Person pursuant to the Plan shall not be subject to any document recording tax, stamp tax,
28 conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax,
29 mortgage recording tax or other similar tax or governmental assessment, and the Confirmation

1 Order shall direct the appropriate state or local governmental officials or agents to forego the
2 collection of any such tax or governmental assessment and to accept for filing and recordation
3 any of the foregoing instruments or other documents without the payment of any such tax or
4 governmental assessment.

4 **ARTICLE VI.**
5 **DISTRIBUTIONS UNDER THE PLAN**

6 **A. Means of Cash Payment**

7 The Reorganized Debtor shall be responsible for making Distributions pursuant to
8 the Plan. Cash payments made pursuant to this Plan shall be in U.S. funds, by such
9 commercially reasonable manner as determined in the discretion of the Reorganized Debtor.

10 **B. Distribution Account**

11 On or before the Effective Date, the Debtor or Reorganized Debtor shall establish
12 the Distribution Account, which shall be maintained by the Reorganized Debtor and shall hold
13 sufficient Cash to (1) make all Distributions of Cash required under the Plan; and (2) reserve for
14 Disputed Claims pursuant to Article VII.C. The Distribution Account shall be held in trust
15 solely for the benefit of Holders of Allowed Claims and Disputed Claims, and, if applicable, the
16 Holder of the Allowed Class 4-A Interest, and shall require two signatures for all withdrawals
17 over \$10,000. Upon (1) completion of Distributions to Holders of Allowed Claims, and if
18 applicable, the Cash Distribution to the Holder of the Allowed Class 4-A Interest, (2) resolution
19 of all Disputed Claims under Article VII and (3) if any Distributions of Cash have been returned
20 to the Reorganized Debtor as undeliverable or unclaimed, the expiration of the deadline for
21 asserting a claim for an undeliverable or unclaimed Distribution under Article VI.C.2, any
22 remaining amounts in the Distribution Account shall be returned to and vest in the Reorganized
23 Debtor.

24 **C. Delivery of Distributions**

25 Distributions to Holders of Allowed Claims and Allowed Interests shall be made
26 by the Reorganized Debtor (1) at the addresses set forth in the Proofs of Claim or Proofs of
27 Interest filed by such Holders (or at the last known addresses of such Holders if no Proof of
28 Claim or Proof of Interest is filed or if the Debtor or Reorganized Debtor has been notified of a
change of address), (2) at the addresses set forth in any written notices of address changes
delivered to the Debtor or Reorganized Debtor after the date of any related Proof of Claim or
Proof of Interest, (3) at the addresses reflected in the Schedules if no Proof of Claim has been
filed and the Debtor or Reorganized Debtor has not received a written notice of a change of
address, or (4) in the case of the Holder of a Claim that is governed by an indenture or other
agreement and is administered by an indenture trustee, agent, or servicer, at the addresses
contained in the official records of such indenture trustee, agent, or servicer.

1 **D. Undeliverable and Unclaimed Distributions**

2 **1. Holding of Undeliverable and Unclaimed Distributions**

3 If any Holder's Distribution is returned as undeliverable, no further Distributions
4 to such Holder shall be made unless and until the Reorganized Debtor is notified of such
5 Holder's then current address, at which time the Distributions shall be made to such Holder.
6 Amounts in respect of undeliverable Distributions of Cash shall be returned to the Distribution
7 Account until such Distributions are claimed.

8 **2. Failure to Claim Undeliverable Distributions**

9 Any Holder of an Allowed Claim or Interest which does not assert a claim for an
10 undeliverable or unclaimed distribution within four (4) months after the Distribution is returned
11 to the Reorganized Debtor as undeliverable or unclaimed shall be deemed to have forfeited its
12 claim for such undeliverable or unclaimed Distribution and shall be forever barred and enjoined
13 from asserting any such claim for an undeliverable or unclaimed Distribution against the Debtor,
14 the Estate, the Reorganized Debtor, or their property. Nothing contained in the Plan shall require
15 the Reorganized Debtor to attempt to locate any Holder of an Allowed Claim whose Distribution
16 is undeliverable or unclaimed.

17 **E. De Minimis Distributions**

18 The Reorganized Debtor shall not be required to make any payment of less than
19 ten dollars (\$10.00) with respect to any Claim unless a request therefor is made in writing to the
20 Reorganized Debtor.

21 **F. Withholding and Reporting Requirements**

22 In connection with this Plan and all Distributions hereunder, the Reorganized
23 Debtor shall be entitled to deduct any federal, state, local or foreign withholding taxes from any
24 Cash payments made with respect to Allowed Claims, as appropriate. The Reorganized Debtor
25 shall be authorized to take any and all actions that may be necessary or appropriate to comply
26 with withholding and reporting requirements. Notwithstanding any other provision of this Plan,
27 each Holder of an Allowed Claim or an Allowed Interest that receives a Distribution shall have
28 sole and exclusive responsibility for satisfaction or payment of any tax obligation imposed by
any governmental unit, including income, withholding and other tax obligation on account of
such Distribution.

29 **G. Setoffs**

30 The Reorganized Debtor may, but shall not be required to, set off against any
31 Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such
32 Claim, claims of any nature whatsoever that the Debtor may have against the Holder of the
33 Claim, *provided, however*, that neither the failure to do so nor the allowance of any Claim
34 hereunder shall constitute a waiver or release of any claim that the Debtor may have against such
35 Holder.

1 **ARTICLE VII.**
2 **DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS**

3 **A. Objection Deadline; Prosecution of Objections**

4 No later than Objection Bar Date (unless extended by an order of the Court), the
5 Debtor or the Reorganized Debtor, or any other party entitled by the Bankruptcy Code to object
6 to Claims or Interests, shall file any objections to any Claims or Interests with the Court and
7 serve such objections upon the Holders of each of the Claims or Interests to which objections are
8 made. Any Claims or Interests to which no timely objection has been filed on or before the
9 Objection Bar Date shall be deemed an Allowed Claim or Allowed Interest. Nothing contained
herein, however, shall limit the right of the Debtor, Reorganized Debtor or other party in interest
to object to Claims or Interests, if any, filed or amended more than sixty (60) days after the
Effective Date. After the Effective Date, the Reorganized Debtor shall be authorized to settle all
Disputed Claims and Disputed Interests without approval of the Court or notice to any Persons

10 **B. No Distributions Pending Allowance**

11 The Reorganized Debtor shall only make Distributions to Holders of Allowed
12 Claims and Allowed Interests. No Distributions shall be made with respect to all or any portion
13 of a Disputed Claim or Disputed Interest unless and until all objections to such Disputed Claim
14 or Disputed Interest have been settled or withdrawn or have been determined by Final Order, and
the Disputed Claim or Disputed Interest, or some portion thereof, has become an Allowed Claim
or Allowed Interest.

15 **C. Reserve for Disputed Claims**

16 The presence of a Disputed Claim or Disputed Interest in any Class shall not be a
17 cause to delay distribution to Allowed Claims or Allowed Interests in that Class or junior classes.
18 The Reorganized Debtor shall deposit into and maintain in the Distribution Account a Cash
19 reserve for Disputed Claims based on the Face Amount of the Disputed Claims as asserted in a
timely filed Proof of Claim or such lesser amount as the Court shall determine to be sufficient,
after notice to the Holders of the Disputed Claims and Disputed Interests.

20 **ARTICLE VIII.**
21 **TREATMENT OF EXECUTORY AND OTHER CONTRACTS**

22 **A. Assumption and Rejection of Executory Contracts**

23 Except as otherwise provided in the Plan, as of the Effective Date the Debtor shall
24 be deemed to have rejected each Executory Contract to which it is a party, unless such Executory
25 Contract (1) was previously assumed or rejected by the Debtor, (2) previously expired or
26 terminated pursuant to its own terms, (3) is the subject of a motion to assume filed on or before
27 Confirmation, or (4) is listed on a schedule of assumed Executory Contracts attached in Schedule
28 A attached hereto, or in any supplement or amendment to Schedule A filed prior to the
Confirmation Hearing. The Confirmation Order shall constitute an order of the Court under
Section 365 of the Bankruptcy Code approving the Executory Contract assumptions and
rejections described above, as of the Effective Date.

1 members, officers, directors, employees, advisors, attorneys or agents, arising out of or related to
2 the conduct of the Case, whether before or after the Effective Date, shall be commenced only in
3 the Court.

4 **ARTICLE XI.**
MODIFICATIONS, AMENDMENTS AND WITHDRAWAL OF PLAN

5 **A. Amendments to Plan**

6 The Debtor shall retain the exclusive right to amend or modify the Plan, and to
7 solicit acceptances of any amendments to or modifications of the Plan at any time prior to
8 Confirmation. After Confirmation of the Plan and prior to substantial consummation of the Plan
9 as defined in Section 1101(2) of the Bankruptcy Code, the Debtor may, under Section 1127(b) of
10 the Bankruptcy Code, institute proceedings in the Court to remedy any defect or omission or
11 reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order,
and such matters as may be necessary to carry out the purposes and effects of the Plan so long as
such proceedings do not materially adversely affect the treatment of Holders of Claims or
Interests under the Plan; *provided, however*, that prior notice of such proceedings shall be served
in accordance with the Bankruptcy Rules or order of the Court.

12 **B. Withdrawal of Plan**

13 The Debtor reserves the right to revoke or withdraw the Plan at any time prior to
14 Confirmation and to file subsequent plans of reorganization. If the Debtor revokes or withdraws
15 the Plan, or if Confirmation or the Effective Date does not occur, then (1) the Plan shall be null
16 and void in all respects, (2) any settlement or compromise embodied in the Plan (including the
17 fixing or limiting to an amount certain any Claim or Class of Claims), any assumption or
18 rejection of Executory Contracts effected by the Plan, and any document or agreement executed
19 pursuant to the Plan, shall be deemed null and void, and (3) nothing contained in the Plan, and no
acts taken in preparation for consummation of the Plan, shall (a) constitute or be deemed to
constitute a waiver or release of any Claims or Interests, (b) prejudice in any manner the rights of
the Debtor or any Person in any further proceedings involving a Debtor, or (c) constitute an
admission of any sort by the Debtor or any other Person.

20 **ARTICLE XII.**
RETENTION OF JURISDICTION

21 Under Sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding
22 entry of the Confirmation Order and occurrence of the Effective Date, the Court shall retain
23 exclusive jurisdiction over all matters arising out of, and related to, the Case and the Plan, to the
24 fullest extent permitted by law, including, without limitation, jurisdiction to:

25 1. Allow, disallow, determine, liquidate, classify, estimate or establish the
26 priority or secured or unsecured status of any Claim or Interest, including the resolution of any
27 request for payment of any Administrative Claim and the resolution of any objections to the
28 allowance or priority of Claims or Interests, whether or not such objection was filed before or after
Confirmation;

1 2. Hear and determine all applications for compensation and reimbursement of
2 expenses of Professionals under the Plan or under Sections 330, 331, 503(b), 1103 and 1129(a)(4) of
the Bankruptcy Code;

3 3. Hear and determine all matters with respect to the assumption or rejection of
4 any Executory Contract including, if necessary, the nature or amount of any required Cure or the
liquidation or allowance of any Claims arising therefrom;

5 4. Effectuate performance of and payments under the provisions of the Plan;

6 5. Hear and determine any and all adversary proceedings, motions, applications,
7 and contested or litigated matters arising out of, under, or related to, the Case, including, without
8 limitation, all Avoidance Actions and turnover requests;

9 6. Enter such orders as may be necessary or appropriate to execute, implement, or
10 consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements
or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation
11 Order;

12 7. Hear and determine disputes arising in connection with the interpretation,
13 implementation, consummation, or enforcement of the Plan, including disputes arising under
agreements, documents or instruments executed in connection with the Plan;

14 8. Hear and determine any request to (i) modify the Plan, (ii) cure any defect or
15 omission, or (iii) reconcile any inconsistency in any order of the Court, including, without limitation,
the Confirmation Order;

16 9. Issue and enforce injunctions, enter and implement other orders, or take any
17 other action as may be necessary or appropriate to restrain any interference by any entity with the
implementation, consummation, or enforcement of the Plan or the Confirmation Order;

18 10. Enter and implement such orders as may be necessary or appropriate if the
19 Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated or distributions
pursuant to the Plan are enjoined or stayed;

20 11. Hear and determine any matters arising in connection with or relating to the
21 Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other
22 agreement or document created in connection with the Plan, the Disclosure Statement or the
Confirmation Order and the interpretation thereof;

23 12. Hear and determine matters concerning state, local, and federal taxes in
24 accordance with Sections 346, 505, and 1146 of the Bankruptcy Code;

25 13. Hear and determine such other matters as may be provided in the Confirmation
26 Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code,
Bankruptcy Rules, Title 28 of the United States Code or any other relevant title of the U.S. Code; and

27 14. Enter a final decree closing the Case.
28

1 With copy to:

2 Morrison & Foerster LLP
3 425 Market Street
4 San Francisco, CA 94105
5 Tel: 415-268-6157
6 Fax: 415-268-7522
7 Attention: Patricia S. Mar
8 e-mail: pmar@mof.com

9 **E. Governing Law**

10 Except to the extent that the Bankruptcy Code or other federal law is applicable,
11 (1) the laws of the State of California shall govern the construction and implementation of the
12 Plan and any agreements, documents, and instruments executed in connection with the Plan and
13 (2) the laws of the State of Delaware shall govern corporate governance matters with respect to
14 such Debtor, in either case without giving effect to the principles of conflicts of law thereof.

15 **F. Conflict of Terms**

16 In the event of a conflict between the terms of this Plan and the Disclosure
17 Statement, the terms of this Plan shall control.

18 December 29, 2005

19 WESTERN WATER COMPANY

20 By: /s/ Michael Patrick George
21 Michael Patrick George, its Chief Executive
22 Officer

23 ADAM A. LEWIS
24 PATRICIA S. MAR
25 MORRISON & FOERSTER LLP

26 By: /s/ Patricia S. Mar
27 Patricia S. Mar

28 Attorneys for WESTERN WATER
COMPANY
Debtor and Debtor-in-Possession

1 **SCHEDULE A**

2 **EXECUTORY CONTRACTS TO BE ASSUMED**

3
4 1. Commercial Lease dated February 4, 2003, between Martin B. and Janis McNair
and Western Water Company.

5 2. Yuba Goldfields Water and Easement Agreement, dated May 1, 1991, among
6 Yuba County Water Agency, YC Development Company (predecessor in interest to Western
Water Company) and Western Aggregates, Inc.

7 3. Agreement dated June 23, 1998 between City of San Bernardino Municipal Water
8 Department and Western Water Company

9 4. Account Agreement dated October 20, 2004, between Celico Partnership, a
10 Delaware General Partnership, doing business as Verizon Wireless and Western Water Company

11 5. Lease Agreement dated June 14, 2002 between Xerox Corporation and Western
Water Company

12
13
14
15 *sf-2058800*