

*The LES Unsecured Creditors Committee is providing the following brief summary of the major, relevant features of the Plan filed by the Debtors. This summary is intended to assist you in beginning to understand the Plan and in evaluating its features. Please note that the following description is not intended to be a summary or analysis of the entire Plan. Nor is the following summary a solicitation of votes to accept or reject the Plan, as that cannot occur unless and until the Bankruptcy Court approves the Disclosure Statement. The hearing to approve the Disclosure Statement will be held on October 13, 2009. All parties are encouraged to consult with their legal counsel regarding the Plan and its potential impact on their individual claims.*

### **What Does the Plan Say?**

The Plan is the legal contract that will govern the gathering and distribution of the assets of the Debtors, including LES. If the proposed Plan is approved (or confirmed) by the Bankruptcy Court with respect to LES, all creditors of LES, including the exchangers, will be bound by the terms of the Plan even if they decide not to vote on the Plan or vote to reject the Plan. Set forth below is a brief description of anticipated distributions under the current draft of the Plan and certain key Plan provisions.<sup>1</sup>

#### Plan Distributions That We Anticipate Will Be Paid Shortly After Confirmation of the Plan

Before distributions can be made to LES Unsecured Creditors (the Exchangers), the Bankruptcy Code provides that LES must pay certain post-petition expenses, referred to as “Administrative Expenses,” in amounts approved by the Bankruptcy Court. After these Administrative Expenses are paid, we anticipate that LES will have approximately \$108.5 million cash on hand.<sup>2</sup> In addition, the claims of certain creditors entitled to priority in recovery, including the IRS<sup>3</sup> and the PBGC,<sup>4</sup> must be satisfied before distributions can be made to LES Unsecured Creditors. In this case, as a result of the settlements negotiated at the Court-ordered mediation,<sup>5</sup> the Plan limits LES’s total obligations to pay the claims of the IRS and the PBGC to

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<sup>1</sup> The Bankruptcy Code provides that the Debtors may amend the Plan.

<sup>2</sup> This includes cash from accounts designated as segregated accounts and commingled accounts, as well as interest earned on the auction rate securities and cash generated from several settlements during the LES case.

<sup>3</sup> The IRS filed a proof of claim against LES in the amount of \$127,889.14. Additionally, because the Debtors were part of a consolidated tax group pre-petition, LFG has asserted that LES may also be responsible for certain of the Debtors’ collective liabilities to the IRS. The IRS has asserted claims of more than \$55 million for such potential liabilities.

<sup>4</sup> The Pension Benefit Guaranty Corporation (“PBGC”) filed proofs of claim against LES in the aggregate amount of \$35,700,000.00.

<sup>5</sup> Counsel to the Debtors and counsel and members of the LES and LFG Committee participated in phase I of the mediation (which addressed the disputes between LFG and LES). In addition to these parties, lawyers who have asserted they represent approximately 100 individual Commingled Exchangers as well as several of their clients and lawyers representing one Segregated Exchanger and their client participated in phase II of the mediation (which addressed the allocation of LES assets between Segregated Exchangers and Commingled Exchangers).

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\$5,500,000.<sup>6</sup> We anticipate that after these obligations are satisfied and \$3 million is reserved to fund the LES Trust (discussed below), approximately \$100 million in cash will be available for immediate distribution to LES Unsecured Creditors. Of this cash, the Plan provides (again, as a result of the mediated settlement) for the immediate distribution of (a) the greater of 51% or \$50 million to the Segregated Exchangers,<sup>7</sup> and (b) the remainder to other LES Unsecured Creditors (i.e., the Commingled Exchangers<sup>8</sup> and a small amount of “trade” debt<sup>9</sup>). We believe that this initial distribution will occur on or before December 31, 2009 if the current Plan confirmation timeline is kept. If these estimates are correct, the cash held by LES that will be available for immediate distribution to Exchangers will be sufficient to satisfy approximately 70% of the principal claims<sup>10</sup> asserted by Segregated Exchangers and 25% of the principal claims asserted by Commingled Exchangers.<sup>11</sup> None of the cash will be used to satisfy the LFG estate’s alleged \$65 million claim for cash transferred from LFG to LES.<sup>12</sup>

### Anticipated Longer Term Distributions

At the mediations, the parties settled claims between LES and LFG, resolved how to jointly pursue third-party claims held by both LES and LFG to maximize recoveries, and resolved how to share any recoveries between the creditors of LES and LFG. As a result of the mediations, the Plan creates two litigation trusts: one for LES and one for LFG (the “LES Trust” and the “LFG Trust,” and together, the “Trusts”). The LES Trust will be administered by a trustee selected by the LES Committee and the LFG Trust will be administered by a trustee selected by the LFG Committee (collectively, the “Trustees”). Each of the Trustees will be supervised by oversight committees.<sup>13</sup>

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<sup>6</sup> The amount to be distributed on account of the claim of the PBGC against LES is the lesser of: (a) \$5 million or (b) 25% of any amount paid by the Debtors on account of allowed claims of the PBGC. To the extent the IRS has an allowed claim against the Debtors’ consolidated tax group, LES is obligated to pay \$500,000 on account of such claim. If the IRS or PBGC has an allowed claim against LES in excess of these stated amounts, LFG has agreed to indemnify LES on a dollar-for-dollar basis.

<sup>7</sup> According to the Debtors’ schedules, on the day LES filed chapter 11, there were approximately \$76.5 million of principal claims held by Segregated Exchangers.

<sup>8</sup> According to the Debtors’ schedules, on the day LES filed chapter 11, there were approximately \$191.5 million of principal claims held by Commingled Exchangers.

<sup>9</sup> Based on a review of the timely filed proofs of claim, we believe trade claims to be approximately \$4.2 million (inclusive of the \$3.2 million claim asserted by LFG and discussed in footnote 12 herein).

<sup>10</sup> Principal claims are defined by the Plan to mean the principal amount of the exchange funds received by LES from an exchanger, including accrued interest, if any, if specifically provided for in the relevant exchange agreement.

<sup>11</sup> These are current estimates only.

<sup>12</sup> In addition to the alleged claim for \$65 million for cash transferred from LFG to LES, LFG has asserted a claim in the amount of approximately \$3.2 million for LES operating expenses paid by LFG. The financial advisor for the LES Committee has reviewed the \$3.2 million claim for operating expenses and has determined that such claim is likely valid. As a result, the LFG claim against LES for \$3.2 million, which is defined as the “Operating I/C Claim” in the Plan, will be paid the same way other “trade” claims against LES will be paid.

<sup>13</sup> We will send out and publish further information in the near future regarding the terms of the LES Trust, the identity of the proposed LES Trustee, and the proposed makeup of the oversight committee of the LES Trust.

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The LES Trust will be responsible for prosecuting causes of action related to the auction rate securities (“ARS”) that could be asserted by either LES or LFG. The law firm of Jenner & Block has been retained to pursue the ARS litigation, and they have begun their analysis of causes of action related to the ARS and are preparing the case to be filed. Any proposed settlement and/or resolution of the causes of action related to the ARS must be approved by the Bankruptcy Court. The LES Trust has also retained the right to pursue claims of LES against the insurers that issued certain 2008 errors and omission insurance policies.

The LFG Trust will be responsible for prosecuting causes of action against the Debtors’ directors and officers and other professionals that relate to bad acts that occurred prior to the Debtors’ chapter 11 cases that could be asserted by either LES or LFG. Any proposed settlement and/or resolution of these causes of action must also be approved by the Bankruptcy Court.

As money is obtained from recoveries (the “Proceeds”)<sup>14</sup> under any of these causes of action, it will be distributed in the following order:

- **First**, \$8 million of Proceeds will be distributed to the LFG Trust
- **Second**, \$65 million of Proceeds will be distributed to the LES Trust
- **Third**, \$3 million of Proceeds will be distributed to the LFG Trust
- **Fourth**, 65% of the next \$159 million of Proceeds will be distributed to the LES Trust, and the remaining 35% of such Proceeds will be distributed to the LFG Trust
- **Fifth**, any Proceeds received in excess of \$235 million will be split evenly (i.e., 50% each) between the LES Trust and the LFG Trust

Any Proceeds received by the LES Trust pursuant to the splits described above will then be distributed to the Unsecured Creditors of LES as follows:<sup>15</sup>

- **First**, 25% to the Segregated Exchangers and 75% to other LES Unsecured Creditors until the Segregated Exchangers have received 100% of their principal claims

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<sup>14</sup> The LFG estate is receiving a portion of the Proceeds because, among other reasons, (a) it contributed causes of actions that are unique to the LFG estate including claims related to the auction rate securities; (b) the Proceeds are anticipated to include recoveries from available insurance proceeds under insurance policies that would be available to satisfy claims of both the LFG and the LES estate; and (c) it agreed to delay its recovery on account of the \$65 million transferred from LES to LFG and not seek such recovery from LES’s liquid assets (absent this agreement the LES estate would have likely incurred significant cost in connection with any effort to subordinate or recharacterize this claim asserted by LFG and defend against LFG’s claim that the transfer was a fraudulent conveyance).

<sup>15</sup> The LES Trust will also retain certain other assets, including causes of action to compel the return of payments made to exchangers during the 90 days prior to LES filing for chapter 11 relief. It is important to note that to the extent an exchanger who is a current Unsecured Creditor of LES votes to accept the Plan, the LES Trust will not pursue such causes of action against that exchanger.

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- **Second**, 100% to the Commingled Exchangers and trade debt until these parties have received 100% of their principal claims
- **Third**, to the holders of allowed claims against LES based on damages caused by the failure to complete their exchange (“LES Damage Claims”) on a pro rata basis

What does all of this mean for you? In addition to the \$100 million initial cash distribution discussed above, LES Unsecured Creditors will receive in excess of \$167 million of the first \$233 million of Proceeds received by the Trusts in connection with the prosecution of the various causes of action described above. In other words, if the Trusts obtain \$233 million in net Proceeds and if our estimated cash available for distribution is correct, Segregated Exchangers and Commingled Exchangers will recover approximately 100% of their principal claims.

We cannot predict with any certainty how long it will take the LES Trust and the LFG Trust to resolve the causes of action discussed above, nor the amount of total Proceeds. We would note, however, that because the Plan proposes to pool the Proceeds for distribution between the LES and LFG estates, LES Unsecured Creditors now have multiple sources of potential recovery (previously the LES Unsecured Creditors could only look to those causes of action that could be brought by LES).

#### Claims of Exchangers with Notes

Certain exchangers’ exchange transaction included a note or similar instrument as some or all of the consideration (“Note Exchangers”). The collection of each Note Exchanger’s note will be addressed on an individualized basis. To the extent that each Note Exchanger’s note is collected, the Note Exchanger will receive a distribution similar to that described above for Segregated Exchangers.

#### Guaranty Claims Against LFG

Exchangers with a claim (the “Guaranty Claims”) against LFG based on a written Guaranty agreement with LFG (the “Guaranty Exchangers”) will have allowed claims against LFG. Exchangers who have asserted Guaranty claims against LFG but who do not have a written Guaranty agreement will not have an allowed claim against LFG. The aggregate total of written Guaranty Claims held by Segregated Exchangers is limited to \$8.2 million. The aggregate total of written Guaranty Claims held by Commingled Exchangers is limited to \$6.4 million.

The Guaranty Exchangers may also elect, prior to the Confirmation Hearing, to vote in favor of the Plan and receive a distribution equal to 30% of their Guaranty Claim when initial distributions are made. If a Guaranty Exchanger does not make such election, the Guaranty Exchanger will receive distributions on account of its Guaranty Claim at the same time other creditors of LFG receive distributions. We cannot predict with any certainty when such distribution may be made by the LFG Trustee, and/or whether such distributions will be greater or less than 30%.

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### Injunction Against Individual Actions

To ensure that all the assets of LES are distributed equitably among all LES exchangers, the Plan proposes to temporarily stop individual creditors of any of the Debtors and shareholders of LFG from asserting claims against the Debtors' directors and officers to the extent that such claims would deplete the Debtors' insurance policies. This injunction is intended to prevent the proceeds of the Debtors' insurance policies from being depleted on a first come-first serve basis.

In any action brought against the Debtors' directors and officers, the directors and officers likely will be entitled to reimbursement from the Debtors' insurance companies for the cost of defending actions brought by the Trusts, as well as any actions brought by individual creditors or shareholders. Since the insurance policies contemplate the advancement of legal costs to defend causes of action against directors and officers, we believe the available policy proceeds could be significantly depleted by many millions of dollars in defense costs if individual claims are allowed to proceed against directors and officers in multiple forums. Reimbursements paid to a director or officer for defense costs would therefore reduce the amount of insurance coverage available to satisfy any judgment obtained against such director or officer. As a result, without the temporary injunction serving to limit and control the number of actions brought against directors and officers, a substantial portion of the proceeds of the Debtors' insurance policies would be utilized to pay for defense costs incurred in multiple lawsuits filed around the country, therefore leaving less to distribute to the creditors of these estates.

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