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Delta Entertainment Corporation

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re:

DELTA ENTERTAINMENT
CORPORATION,

Debtor

Case No.: LA 07-16302-EC

Chapter 11

**DEBTOR'S FIRST AMENDED DISCLOSURE
STATEMENT DESCRIBING DEBTOR'S
FIRST AMENDED LIQUIDATING PLAN OF
REORGANIZATION UNDER CHAPTER 11
OF THE BANKRUPTCY CODE**

Disclosure Statement Hearing

Date: April 22, 2008

Time: 1:30 p.m.

Plan Confirmation Hearing

Date: June 24, 2008

Time: 2:00 p.m.

Place: Courtroom 1639
255 West Temple St.
Los Angeles, CA

Judge: Honorable Ellen Carroll



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I.
INTRODUCTION

Delta Entertainment Corporation, the above-captioned debtor and debtor in possession (the “Debtor”), submits this Original Disclosure Statement (the “Disclosure Statement”) in connection with the solicitation of acceptances and rejections with respect to the *Debtor’s Original Liquidating Plan of Reorganization* (the “Plan”) under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1530, as amended (the “Bankruptcy Code”),¹ a copy of the Plan is attached hereto as **Exhibit A**. Capitalized terms used and not otherwise defined herein will have the same meanings as ascribed to them in the Plan.

The purpose of this Disclosure Statement is to set forth information (a) regarding the history of the Debtor, its business, and the chapter 11 case, (b) concerning the Plan and alternatives to the Plan, (c) advising the holders of Claims and Interests of their rights under the Plan, (d) assisting the Creditors and Interest Holders who are entitled to vote on the Plan in making an informed judgment regarding whether they should vote to accept or reject the Plan, and (e) assisting the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code, and should be confirmed.

By Order dated April __, 2008 (the “Disclosure Statement Order”), the Bankruptcy Court for the Central District of California, Los Angeles Division (the “Bankruptcy Court”), after notice and a hearing, approved this Disclosure Statement as containing “adequate information” to permit affected Creditors and Interest Holders to make an informed judgment in exercising their rights to vote to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT MEAN THAT THE COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125. In voting on the Plan, Creditors and Interest Holders should not rely on any information relating to the Debtor, other than that contained in this

¹ All references to “sections” herein are to sections of the Bankruptcy Code, unless otherwise noted.

1 Disclosure Statement, the Plan, and all exhibits hereto and thereto, or such other materials approved
2 by the Bankruptcy Court.

3 The Plan that is described in this Disclosure Statement is a liquidating plan. The Plan's
4 objective is to transfer all Assets of the Debtor, including the prosecution of Causes of Action, to the
5 Delta Liquidating Trust, which shall liquidate such Assets, including the prosecution of any Rights
6 of Action held by the Delta Liquidating Trust, and distribute the proceeds thereof to Holders of
7 Allowed Claims and Allowed Unclassified Claims in satisfaction of the Debtor's obligations. In the
8 event that: (i) all Allowed Claims (including Subordinated Allowed General Unsecured Claims),
9 Allowed Administrative Claims and Allowed Unclassified Claims are paid in full, along with any
10 and all accrued Postpetition Interest; (ii) all Post Effective Date Plan Expenses are paid in full; and
11 (iii) all amounts payable pursuant to sections 726(a)(1) through 726(a)(5), inclusive, are paid, any
12 remaining amounts in the Delta Liquidating Trust shall be turned over to the Equity Pour-over
13 Account, and the Equity Disbursing Agent shall distribute the Equity Pour-over Account to the
14 Holders of Allowed Interests. The Plan divides Creditors and Holders of Interests into Classes based
15 on their legal rights and interests and provides for the satisfaction of Claims from the Debtor's
16 Assets. The Holders of Interests will not receive or retain anything on account of their Interests,
17 except as provided for under Section IV.G of the Plan.

18 Only Holders of Claims or Interests Allowed under section 502, or temporarily allowed for
19 voting purposes under Rule 3018 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy
20 Rules"),² whose Claims or Interests are in those Classes of Claims or Interests that are "impaired"
21 (as defined in section 1124) under the Plan are entitled to vote to accept or reject the Plan. A Class
22 is Impaired if the legal, equitable, or contractual rights of the Claims or Interests in the Class are
23 altered. Classes of Claims that are not Impaired are conclusively presumed to have voted to accept
24 the Plan pursuant to section 1126(f) and, therefore, are not entitled to vote on the Plan.

25 THE DEBTOR, AS PROPONENT OF THE PLAN, RECOMMENDS THAT THE
26 HOLDERS OF CLAIMS IN CLASSES 3 AND 4 VOTE TO ACCEPT THE PLAN.
27
28

² All references to "Bankruptcy Rules" herein are to provisions of the Federal Rules of Bankruptcy Procedure.

VOTING ON THE PLAN, BY EACH HOLDER OF A CLAIM AND/OR INTEREST ENTITLED TO VOTE, IS IMPORTANT. EACH SUCH CREDITOR OR INTEREST HOLDER SHOULD READ THIS DISCLOSURE STATEMENT WITH ITS EXHIBITS, INCLUDING THE PLAN, IN ITS ENTIRETY. AFTER CAREFULLY REVIEWING THESE DOCUMENTS, PLEASE FOLLOW THE DIRECTIONS FOR VOTING CONTAINED LATER HEREIN AND ON THE BALLOT, AND RETURN THE BALLOT IN THE ENVELOPE PROVIDED. TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED BY JUNE 3, 2008, AT 5:00 P.M. (PACIFIC) (THE "VOTING DEADLINE") AT THE PACHULSKI STANG ZIEHL & JONES LLP ("PSZJ") OFFICE AT THE ADDRESS SET FORTH ON THE COVER PAGE AND ON THE PRE-ADDRESSED ENVELOPE ENCLOSED WITH YOUR BALLOT.

Votes cannot be transmitted orally or by e-mail. Accordingly, you are urged to return your signed and completed Ballot promptly. Ballots not received by the Voting Deadline and unsigned Ballots will not be counted. Any executed Ballots that are timely received, but which do not indicate either an acceptance or rejection of the Plan, will be deemed to constitute an acceptance of the Plan.

II. **DISCLAIMER**

This Disclosure Statement contains information that may bear upon your decision to accept or reject the plan. Please read this document with care. The purpose of this Disclosure Statement is to provide "adequate information" of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, that would enable a hypothetical reasonable investor, typical of holders of claims or interests of the relevant class, to make an informed judgment concerning the plan as required by section 1125(a). Unless otherwise indicated, the date of all of the financial information provided in this disclosure statement is as of January 31, 2008.

For the convenience of Creditors and Interest Holders, this Disclosure Statement summarizes the terms of the Plan, but the Plan itself qualifies any summary. If any inconsistency exists between the Plan and the Disclosure Statement, the terms of the Plan are controlling.

No representations concerning the Debtor, its financial condition, or any aspect of the Plan are authorized by the Debtor, other than as set forth in this Disclosure Statement. Any

1 representations or inducements made to secure your acceptance, which are other than as contained
2 in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your
3 decision.

4 The financial information contained herein, unless otherwise indicated, is unaudited. The
5 Debtor is unable to warrant or represent that the information contained herein is without
6 inaccuracies. Great effort, however, has been made to ensure that all such information is presented
7 fairly.

8 PSZJ has relied upon information provided by the Debtor's management and employees in
9 connection with preparation of this Disclosure Statement. Although PSZJ has performed certain
10 limited due diligence in connection with the preparation of this Disclosure Statement, it has not
11 independently verified all of the information contained herein.

12 The contents of this Disclosure Statement should not be construed as legal, business, or tax
13 advice. Any tax advice herein was not intended to be used, and it cannot be used, for the purpose of
14 avoiding any tax penalties that may be imposed on any person. There is no limitation imposed on
15 anyone reading this Disclosure Statement on disclosure of the tax treatment or tax structure of any
16 transaction. Nothing in this Disclosure Statement may be used or referred to in promoting,
17 marketing or recommending a partnership or other entity, investment plan, or arrangement to any
18 person. All Creditors and/or Interest Holders should consult their own legal counsel and/or
19 accountant(s) as to legal, tax, and other matters concerning their Claims or Interests.

20 **III.**
OVERVIEW OF THE CHAPTER 11
PROCESS AND THE PLAN

21
22 **A. The Chapter 11 Process**

23 Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of
24 which is to provide debtors with "breathing space" within which to propose a restructuring of their
25 obligations to third parties. The filing of a chapter 11 bankruptcy petition creates a bankruptcy
26 "estate" comprising all of the property interests of the debtor. Unless a trustee is appointed by the
27 bankruptcy court for cause (no trustee has been appointed in this Case), a debtor remains in
28 possession and control of all its assets as a "debtor in possession." The debtor may continue to

1 operate its business in the ordinary course on a day-to-day basis without bankruptcy court approval.
2 Bankruptcy court approval is only required for various enumerated kinds of transactions (such as
3 certain financing transactions) and transactions out of the ordinary course of a debtor's business.
4 The filing of the bankruptcy petition gives rise to what is known as the "automatic stay" which,
5 generally, enjoins creditors from taking any action to collect or recover obligations owed by a debtor
6 prior to the commencement of a chapter 11 case. The Bankruptcy Court can, however, grant relief
7 from the automatic stay, under certain specified conditions or for cause.

8 A chapter 11 debtor may propose a plan providing for the reorganization of the debtor or, as
9 the Plan contemplates, for the orderly liquidation and administration of the assets of the estate. A
10 plan may either be consensual or non-consensual and provides, among other things, for the treatment
11 of the claims of creditors and interests of shareholders.

12 **B. Overview of the Debtor's Proposed Plan**

13 The following is a brief overview of the material provisions of the Plan and is qualified in its
14 entirety by reference to the full text of the Plan. For a more detailed description of the terms and
15 provisions of the Plan, see Article VI below, entitled "The Plan of Liquidation."

16 The Plan's objective is to transfer all Assets of the Debtor, including all Causes of Action, to
17 the Delta Liquidating Trust, which will liquidate such Assets, including the prosecution of the
18 Causes of Action, and distribute the proceeds thereof to Holders of Allowed Claims and Allowed
19 Unclassified Claims in satisfaction of the Debtor's obligations. In the event that: (i) all Allowed
20 Claims (including Subordinated Allowed General Unsecured Claims), Allowed Administrative
21 Claims and Allowed Unclassified Claims are paid in full, along with any and all accrued Postpetition
22 Interest; (ii) all Post Effective Date Plan Expenses are paid in full; and (iii) all amounts payable
23 pursuant to sections 726(a)(1) through 726(a)(5), inclusive, are paid, any remaining amounts in the
24 Delta Liquidating Trust will be turned over to the Equity Pour-over Account, and the Equity
25 Disbursing Agent will distribute the Equity Pour-over Account to the holders of Allowed Interests.
26 The holders of Interests will not receive or retain anything on account of their Interests, except as
27 provided for under Section IV.G of the Plan.
28

1 The Plan designates a series of Classes of Claims and one Class of Interests, which include
2 all Claims against, and Interests in, the Debtor. These Classes take into account the differing nature
3 and priority under the Bankruptcy Code of the various Claims and Interests.

4 The following table (the "Plan Summary Table") summarizes the treatment of Claims and
5 Interests under the Plan with: (a) the Debtor's estimates of the amount of Claims in each category or
6 Class that will be finally determined to be Allowed Claims, and (b) a description of the treatment
7 provided for in the Plan for each Class of Claims and Interests. The dollar amounts included in Plan
8 Summary Table have been estimated by the Debtor as of the date of the Disclosure Statement and do
9 not constitute an admission by the Debtor as to the validity or amount of any particular Claim or
10 Interest. The Debtor reserves the right to dispute the validity or amount of any Claim or Interest that
11 has not already been Allowed by the Bankruptcy Court or by agreement of the parties.

12 The summary of estimated distributions under the Plan, set forth below and in the Plan, lists
13 both estimated Allowed Amount of Claims in each Class, and an estimated percentage recovery for
14 such Class. The estimated aggregate amounts of all Classes of Claims are based on the Debtor's
15 good faith estimates of the aggregate amount of such Claims upon resolution of all such Claims that
16 are Disputed Claims, based on all currently known information. The amount of the Pro Rata
17 Distributions of Cash that ultimately will be received by a particular Holder of an Allowed Claim
18 may be adversely or favorably affected by the aggregate amount of Administrative Claims and
19 Priority Tax Claims ultimately Allowed. These estimates also are based on good faith estimated
20 amounts of available Cash for distribution to Holders of Claims, based on all currently known
21 information. These estimates exclude any recovery on the Causes of Action to be prosecuted by the
22 Liquidating Trustee, under the supervision of the Delta Trust Committee, after the Effective Date
23 pursuant to the Plan.

24 For all of the reasons stated above, no representation can be, or is being, made with respect to
25 whether (a) the estimated Allowed amount of Claims in each Class is accurate, or (b) the estimated
26 percentage recoveries shown on the table below actually will be realized by the holder of an Allowed
27 Claim or Allowed Interest in any particular Class.
28

SUMMARY OF CLAIMS AND INTERESTS UNDER THE PLAN

Class	Claim/Interest	Treatment	Estimated Aggregate Amount of ALLOWED Claims ³	Estimated Percentage Recovery of Allowed Claims or Interests
n/a	Administrative Claims	<p>Except to the extent that any entity entitled to payment of an Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered by the Court, each Holder of an Allowed Administrative Claim will receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, and (ii) the fifteenth (15th) Business Day after such Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as soon thereafter as is practicable; provided, however, that Ordinary Course Administrative Claims will be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements or as otherwise authorized by the Court.</p> <p>Each Holder of a Professional Fee Claim seeking an award of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date will (i) file their respective interim (if applicable) and final fee applications by no later than the forty-fifth (45th) day after the Effective Date or such other date as may be fixed by the Court, and (ii) if granted such an award, be paid Cash in such amounts as are Allowed by the Court on the date such Professional Fee Claim becomes an Allowed Claim, or as soon thereafter as is practicable.</p>	<p>\$250,000 in Professional Fee Claims⁴</p> <p>\$100,000 in Administrative Claims owed to The Harry Fox Agency for postpetition royalties⁵</p> <p>Postpetition Accounts Payable of approximately \$5,000⁶</p> <p>Postpetition taxes and workers compensation fees asserted by the State of California in the amount of \$20,800</p>	100%
n/a	Priority Tax Claims	Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtor before the Effective Date or agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, discharge, exchange and release	\$11,459.00	100%

³ See Liquidation Analysis, **Exhibit B** attached hereto, for additional explanations.

⁴ This includes approximately \$150,000 owed to PSZJ (which is offset by approximately \$150,000 in the Debtor's client trust account at PSZJ); \$50,000 owed to Irell & Manella; and \$50,000 owed to Broadway Advisors (which is offset by \$44,000 in the Debtor's client trust account at Broadway Advisors).

⁵ The Debtor has put aside \$115,000 in a separate bank account earmarked for these royalty obligations.

⁶ Taken from the Debtor's February 2008 Monthly Operating Reports ("MOR").

		thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15 th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable.		
1	Secured Claims	As soon as practicable after the Effective Date, each entity holding an Allowed Secured Claim will receive, at the election of the Liquidating Trustee under the supervision of the Delta Trust Committee., in their discretion, one of the following treatments in full satisfaction, discharge, exchange and release of its Allowed Claim: (a) the Creditor will receive the Collateral in which that Person has a security interest; (b) the Creditor will receive any proceeds actually received by the Debtor or the Delta Liquidating Trust (as applicable) from the sale or disposition of the Collateral in which that Person has a security interest; (c) the Creditor will receive Cash in the amount of that Person's Allowed Secured Claim; or (d) the Creditor will receive such other Distributions or treatment as are necessary to leave the rights of said Person Unimpaired or as are necessary to otherwise satisfy the requirements of chapter 11 of the Bankruptcy Code.	\$0.00	100%
2	Priority Non-Tax Claims	Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Allowed Priority Non-Tax Claim will be paid, in full satisfaction, discharge, exchange and release thereof, in Cash in full the amount of the Allowed Priority Non-Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15 th) Business Day after such date that the Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.	\$0.00	100%
3	General Unsecured Claims	On the Effective Date, each Holder of a General Unsecured Claim will receive an allocated Delta Liquidating Trust Interest. Except to the extent that the Holder of any such Claim agrees to a different treatment, on the Effective Date or as soon thereafter as is practicable, the Holder of an Allowed Unsecured Claim and Delta Liquidating Trust Interest will receive on account of its Claim and Delta Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and release thereof, from the Delta Liquidating Trust, a Pro Rata Distribution of the net Delta Liquidating Trust Proceeds based upon the amount of its Allowed Unsecured Claim. The Liquidating Trustee, under the supervision of the Delta Trust	\$19.75 million	3%; but see Liquidation Analysis, Exhibit B hereto

	<p>Committee, will make Distributions to the holders of the Delta Liquidating Trust Interests, on account of their respective Allowed Unsecured Claims, from the net Delta Liquidating Trust Proceeds in accordance with the provisions of the Delta Liquidating Trust Agreement,⁷ and as provided for in the Plan and Confirmation Order. Upon payment by the Delta Liquidating Trust of the amount due, if any, to a holder of an Delta Liquidating Trust Interest, such interest will terminate and be of no further force and effect. The Debtor estimates that it will make only one distribution to Holders of a General Unsecured Claim, and that such distribution will occur no later than mid-2009, depending on the length of time required to liquidate Claims against the Estate.</p> <p>If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured Claim does not have an Allowed General Unsecured Claim, then such Holder's Delta Liquidating Trust Interest will terminate and be of no further force and effect.</p> <p>Allowed General Unsecured Claims will not include Postpetition Interest nor include any Penalty on such Claim, except to the extent that sufficient Delta Liquidating Trust Proceeds exist to pay, in full, all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), Allowed General Unsecured Claims, Late Filed Claims, and all Post Effective Date Plan Expenses, and if the foregoing are paid and subject to any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims, then Allowed General Unsecured Claims will also include any Penalty or Postpetition Interest component of any such Claim that is payable (and to the extent and priority payable) in accordance with sections 726(a)(4) and 726(a)(5).</p> <p>Notwithstanding any other provision in the Plan, no Cash payment will be made on account of Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee Fees,</p>		
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⁷

The Delta Liquidating Trust Agreement will be substantially in the form attached hereto as **Exhibit E**.

		Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust has been reserved.		
4	Subordinated Allowed General Unsecured Claims	On the Effective Date or as soon thereafter as is practicable, each Holder of a Subordinated Allowed General Unsecured Claim will receive an allocated Delta Subordinated Liquidating Trust Interest. No Distributions will be made to any Holder of a Subordinated Allowed General Unsecured Claim until all Allowed General Unsecured Claims in Class 3 are paid in full as set forth in Section IV.E of the Plan. Except to the extent that the Holder of any Subordinated Allowed General Unsecured Claim agrees to a different treatment, after payment in full of all Allowed General Unsecured Claims, the Holder of a Subordinated Allowed General Unsecured Claim and Delta Subordinated Liquidating Trust Interest will receive on account of its Subordinated Allowed General Unsecured Claim and Delta Subordinated Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and release thereof, from the Delta Liquidating Trust, a Pro Rata Distribution, if any, of the net remaining Delta Liquidating Trust Proceeds based upon the amount of its Subordinated Allowed General Unsecured Claim. The Liquidating Trustee, under the supervision of the Delta Trust Committee, will make Distributions, if any, to the holders of the Delta Subordinated Liquidating Trust Interests, on account of their respective Subordinated Allowed General Unsecured Claims, from the net Delta Liquidating Trust Proceeds in accordance with the provisions of the Delta Liquidating Trust Agreement, and as provided for in the Plan, the Confirmation Order, and any applicable order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims. Upon payment by the Delta Liquidating Trust of the amount due, if any, to a holder of a Delta Subordinated Liquidating Trust Interest, such interest will terminate and be of no further force	To be determined	0%; but see Liquidation Analysis, Exhibit B hereto

		and effect. Subordinated Allowed General Unsecured Claims will not include Postpetition Interest nor include any Penalty on such Claim, except as provided in any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims. Notwithstanding any other provision in the Plan, no Cash payment will be made on account of Subordinated Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), Allowed General Unsecured Claims (including Postpetition Interest and Penalty on such Claims to the extent provided for in any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust has been reserved.		
5	All Interests	On the Effective Date of the Plan, the Interests will be cancelled. Each holder of an Allowed Interest will receive, in exchange for and in full satisfaction of such Allowed Interest, Pro Rata Distributions of Cash, if any, from the Equity Pour-over Account, based upon the amount of its Allowed Interest, pursuant to Section VI.H of the Plan.	- 0 -	None; but see Liquidation Analysis, Exhibit B hereto

The treatment and distributions provided to holders of allowed Claims and Interests pursuant to the Plan are in full and complete satisfaction of the allowed Claims and Interests on account of which such treatment is given and distributions are made.

C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Bankruptcy Court has not yet confirmed the Plan described in this Disclosure Statement. In other words, the terms of the Plan are not yet binding on anyone. However, if the Bankruptcy

1 Court later confirms the Plan, then the Plan will be binding on the Debtor and on all Creditors and
2 Interest Holders in this case.

3 **1. Time and Place of the Confirmation Hearing**

4 The hearing where the Court will determine whether or not to confirm the Plan will take
5 place on June 24, 2008, at 2:00 P.M., in Courtroom 1639, 255 East Temple Street, Los Angeles,
6 California.

7 **2. Deadline For Voting For or Against the Plan**

8 If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and
9 return the ballot in the enclosed envelope to counsel for the Debtor, Pachulski Stang Ziehl & Jones
10 LLP, Attn: Samuel R. Maizel, 10100 Santa Monica Boulevard, 11th Floor, Los Angeles, California
11 90067. Your ballot must be received by 5:00 p.m. Pacific on June 3, 2008 or it will not be counted.

12 **3. Deadline For Objecting to the Confirmation of the Plan**

13 Objections to the confirmation of the Plan must be in writing and filed with the Court and
14 served upon Counsel to the Debtor, Pachulski Stang Ziehl & Jones LLP, Attn: Samuel R. Maizel,
15 10100 Santa Monica Boulevard, 11th Floor, Los Angeles, California 90067 so as to be received by
16 5:00 p.m. (Pacific) on June 3, 2008.

17 **4. Identity of Person to Contact for More Information Regarding the**
18 **Disclosure Statement or Plan**

19 Any interested party desiring further information about the Disclosure Statement or Plan
20 should contact counsel for the Debtor, PSZJ, Attn: Samuel R. Maizel, 10100 Santa Monica
21 Boulevard, 11th Floor, Los Angeles, California 90067; telephone (310) 277-6910.

22 **IV.**
BACKGROUND

23 **A. Description and History of the Debtor's Business**

24 The Debtor, a corporation, was one of the world's top independent music CD and video
25 DVD labels in the "budget" sector. It owned an extensive catalog of licensed music and movie
26 content, which it packages and sells primarily in the "budget" sector. Its CD catalog included
27 classical, pop, rock, contemporary, nature, new age, and Christmas. Its DVD catalog included a
28 wide selection of special interest, documentaries, music, children's, classic film, and TV programs.

1 The Debtor's office is located in Los Angeles, California. Its distribution center was
2 centrally located in Richmond, Indiana.

3 The Debtor has provided songs from its catalog for numerous "hit" films, including *Harry*
4 *Potter and the Prisoner of Azkaban* (2004), *My Big Fat Greek Wedding* and *Forrest Gump*. It also
5 has provided songs for numerous television shows, including, *CSI*, *The Sopranos* and *Sex and the*
6 *City*.

7 The Debtor was recognized in the industry for producing new and different products of
8 excellent quality more quickly than its competitors. It was also perceived in the industry has having
9 the best art work in the market. This combination of a broad, deep catalog, ability to quickly
10 produce timely high-quality material, supported by excellent packaging and marketing, enabled
11 Delta to remain profitable from its inception in 1987 to approximately 2004.

12 **B. Corporate History**

13 Delta was founded in the United States in 1987 and has operated continuously since that
14 time.

15 **C. Events Precipitating the Bankruptcy Filing**

16 From 1997 to approximately 2004, the Debtor generated 40% of its annual sales from
17 accounts with three major retailers, Wal-Mart, Costco and Sam's Club. However, from 2004 to
18 2006, net sales from Wal-Mart declined 65% and net sales from Sam's Club declined 83%. In
19 addition, Sam's Club ended direct sales and required all manufacturers to sell their product through a
20 separate for profit distribution, further reducing the Debtor's margins. From 2003 to 2006, net sales
21 from Costco declined 100%. Costco changed its buying policy by leaving the budget sector
22 altogether, the Debtor's niche.

23 Broad market changes contributed to these sales reductions. Consumers have been switching
24 to downloading formats, such as iPods and file sharing. Most consumers have now replaced their
25 old vinyl LP and VHS catalogs with CDs and DVDs, such that the pace of CD and DVD purchases
26 has reduced across the board. Piracy has also contributed to depressed prices.

27 Since 2005, major studios entered the DVD budget sector with special offers on front-line
28 products that the Debtor could not profitably match. Recent dissolutions of Tower Records,

1 Musicland, Ventura Distribution, Entertainment Resources and UAV have saturated the market with
2 deeply discounted merchandise including both budget and front-line products.

3 While the price that the Debtor could demand for its product declined and its margins
4 flattened, Delta could not obtain corresponding reductions in its royalty obligations. As a result, for
5 the majority of Delta's royalty-burdened products (both CD and DVD formats), Delta could not sell
6 its product for more than the royalty obligations due for each unit.

7 Delta's problems were not unique to Delta. Sales of CDs, which accounted for over 80% of
8 the total global sales of the record industry in 2006, declined in the United States by 19% in 2007
9 from the year before. Reductions in sales have caused big retailers such as Wal-Mart to cut the
10 amount of shelf space they give to music, which in turn accelerates the decline. Some experts have
11 suggested that retail floor space devoted to CDs in the United States will be cut by 30% or more in
12 2008. "From major to minor", *The Economist*, at 55 (January 12, 2008).

13 **D. Principals/Affiliates of Debtor's Business**

14 The Debtor is owned by its parent company Delta Music Unternehmensverwaltung GmbH,
15 ("Delta GmbH") which is owned by Delta Music Holding AG ("Delta AG"). Both these companies
16 are currently the subject of bankruptcy proceedings in Germany.

17 **E. Management of the Debtor Before and After the Bankruptcy**

18 The Debtor's Board of Directors consists of Dr. Jurgen Richter, Phillipe Sautot, and
19 Wolfgang Fetten. The President and Chief Financial Officer of the Debtor is Wolfgang Fetten; the
20 Executive Vice President and Chief Operating Officer is Michelle Justice; the Debtor's General
21 Counsel is Kenneth Wennergren. The management of the Debtor was provided both prepetition and
22 postpetition by Mr. Fetten.

23 **F. Events Leading to Chapter 11 Filing**

24 On July 23, 2007, Sony DADC US Inc. ("Sony") filed suit against Delta in the Superior
25 Court of the State of California, County of Los Angeles (the "State Court Action") alleging that it
26 was owed approximately \$1.1 million. On July 24, 2007, it obtained a writ of attachment. That
27 same day, the Los Angeles County Sheriff's Department (the "Sheriff") executed the writ, and as a
28 result, seized \$337,251.63 of the Debtor's funds.

1 **G. Significant Events During the Bankruptcy**

2 The following is a list of significant events which have occurred during this Case.

3 **1. Real Property Leases**

4 At the commencement of the Case, the Debtor had two unexpired non-residential real
5 property leases: (1) an office lease at 1663 Sawtelle Boulevard, Los Angeles, California 90025 (the
6 "Office Lease"), and (2) a warehouse lease at Lot Number Six, Section Two, Midwest Industrial
7 Park, Richmond, Wayne County, Indiana (the "Warehouse Lease, and collectively with the Office
8 Lease, the "Leases"). The Debtor sought to obtain an order under section 365(d)(4)(B)(i) extending
9 the deadline for the Debtor to assume, assume and assign, or reject the Leases to February 21, 2008,
10 an additional 90 days beyond the general, 120-day statutory deadline under section 365(d)(4) of the
11 Bankruptcy Code, which was November 23, 2007.

12 The Debtor obtained an order extending the deadline to assume or reject the Office Lease to
13 February 21, 2008. [Docket No. 77] Thereafter the Debtor and the landlord for the Office Lease,
14 reached a settlement allowing the Debtor to move into smaller offices in the same building on a
15 month to month basis.

16 The Landlord to the Warehouse Lease, Focus Three, LLC, objected to the Debtor's effort to
17 extend the deadline, and this dispute was settled on January 16, 2008 and a stipulation and order was
18 filed on January 18, 2008. The resolution of this dispute included the parties agreeing that (a) the
19 Warehouse Lease was rejected effective as of January 16, 2008; (b) the Debtor could remain in
20 possession of the Warehouse until 5:00 p.m. Eastern, February 29, 2008; (c) Focus Three agreed to
21 waive any right to the base monthly rent coming due under the Warehouse Lease in February 2008
22 (approximately \$37, 500.00); (d) the parties reserved all rights with regard to any other claims or
23 administrative expenses arising out of the Warehouse Lease; (e) the Debtor would return the
24 Warehouse in the condition required under the terms of the Lease; and (f) the Debtor would provide
25 Focus Three or its designated representative and prospective tenants and/or purchasers of the
26 Warehouse identified by Focus Three reasonable access during normal business hours, or as
27 otherwise agreed, for the purpose of marketing the Warehouse and/or for the purpose of conducting
28 due diligence in furtherance of a sale or lease transaction.

1 **2. Employee Benefits**

2 The Debtor obtained an order authorizing, but not directing, the Debtor (a) to honor its
3 prepetition vacation and sick leave policies and to pay prepetition reimbursable expenses that are
4 entitled to a priority for payment; (b) to pay contributions to an employee benefit plan entitled to
5 priority for payment; (c) to pay tax obligations owed on account of employee wages or salaries
6 entitled to priority for payment; and (d) to pay commissions entitled to priority for payment owed to
7 an essential independent contractor who sells the Debtor's products. [Docket No. 68.] Pursuant to
8 the authority provided by this Order the Debtor paid these obligations of their employees. The
9 Debtor believes that there should not be any unpaid prepetition employee benefit priority claims.

10 **3. Professionals**

11 The Court has approved the employment of the following professionals: (1) PSZJ, general
12 bankruptcy counsel to the Debtor, commencing on July 25, 2007 [Docket No. 43]; (2) Broadway
13 Advisors, LLC, financial advisor to the Debtor, commencing on July 25, 2007 [Docket No. 44]; and
14 (3) Irell & Manella LLP, counsel to the Creditors' Committee, commencing on August 28, 2007
15 [Docket No. 58].

16 The Court approved the first interim fee applications of the various professionals paid by the
17 Debtor's estate (the "Estate Professionals") at a hearing on December 19, 2007. The compensation
18 and reimbursement approved by the Court for the Estate Professionals is as follows: (a) the PSZJ
19 Application, as counsel to the Debtor, was approved on an interim basis, in the amounts of
20 \$106,745.00 in fees incurred and \$7,287.00 in costs advanced, for a total of \$114,032.00; (b) the
21 Broadway Advisors Application, as financial advisor to the Debtor, was approved on an interim
22 basis, in the amount of \$53,362.50 in fees incurred and \$423.62 in costs advanced, for a total of
23 \$53,786.12; (c) the Irell & Manella Application, as counsel to the Creditors' Committee, was
24 approved on an interim basis, in the amounts of \$25,114.50 in fees incurred and \$336.00 in costs
25 advanced, for a total of \$25,450.50. [Docket No. 95]

26 **4. Non-Bankruptcy Legal Proceedings**

27 The Debtor is currently involved in the following nonbankruptcy legal proceedings: A state
28 court lawsuit brought by Sony DADC, Inc., which has been stayed by the automatic stay.

1 Additionally, the Debtor filed a claim asserting a right to payment of more than \$7 million in the
2 German insolvency proceeding of its parent company. After consultation with the Committee the
3 Debtor has sought Court authorization to employ Salens LLP, a noted European law firm, to assist it
4 in exploring alternatives to pursue this litigation.

5 **5. Claims Administration and Payments**

6 The Court set the deadline for prepetition creditors to file their proofs of claim as
7 December 28, 2007. [Docket No. 62] As of the filing of this Disclosure Statement, 101 claims have
8 been filed against the Debtor's estate, totaling approximately \$18,405,864.22.⁸ The largest claims
9 include (a) claim No. 81, filed by Commerzbank AG, Cologne Branch, in the amount of
10 \$8,299,485.15;⁹ (b) claims No. 75 and 76, both filed by Sparkasse Kolnbonn, in the amount of
11 \$2,603,253.16 and \$1,649,898.12 respectively;¹⁰ (c) claim No. 72, filed by Focus Three, LLC (the
12 Warehouse Landlord), in the amount of \$2,606,809.00;¹¹ (d) claim No. 77, filed by Sony DADC,
13 Inc., in the amount of \$1,136,664.90;¹² (e) claim No. 39, filed by Delta Music AG (the German
14 parent company) in the amount of \$318,453.40; (f) claim No. 86, filed by Jack Edwards Productions,
15 in the amount of \$200,000.00;¹³ (g) claims No. 66 and 67, both filed by Ralph Jungheim Associates,
16 Inc., in the amounts of \$114,140.00 and \$136,000.00 respectively;¹⁴ (h) claim No. 84, filed by H/B

17 ⁸ The Court maintained Claims Register summary lists 101 claims in the total amount of \$10,070,726 in the
18 unsecured class. However, there are many mistakes in the Claims Register. For example, the Claims Register reports
19 claim No. 86 as \$700,000.00; a review of that claim as filed shows that it only alleges a claim of \$200,000.00. Further,
the Claims Register summary lists the amount for claim No. 81 as \$0.00; a review of the claim as filed shows that it
alleges a claim of \$8,299,485.15. The amount shown herein reflects these adjustments.

20 ⁹ Of this amount, approximately \$2.2 million results from alleged borrowings by the Debtor; the remaining
21 amounts result from alleged liability incurred by the Debtor on behalf of Delta Music GmbH and Delta Music Holding
AG

22 ¹⁰ Claim No. 75 alleges a right to payment based on the principal amount of a loan and interest and related
23 expenses; Claim No. 76 alleges a right to payment based on agreements by which the Debtor allegedly assumed the
liability of its related company, Delta Music GmbH.

24 ¹¹ Claim No. 72 alleges a right to payment based on the Warehouse Lease; Focus Three acknowledged that its
25 claim will be limited by 11 U.S.C. § 502(b)(6) as a result of the rejection of the Warehouse Lease. Moreover, the Debtor
has been informed by Focus Three that it has re-leased or sold the Warehouse, which should further mitigate or even
eliminate this claim altogether.

26 ¹² Claim No. 77 alleges a right to payment based on Sony's provision of goods and services for pressing of CDs
and DVDs for the Debtor.

27 ¹³ Claim No. 86 alleges a right to payment based on royalties.

28 ¹⁴ Claims No. 66 and 67 allege a right to payment based on certain alleged mechanical and producer royalties
respectively.

1 Webman LLC, in the amount of \$107,500.00;¹⁵ and (i) claim No. 60, filed by Aubrey Mayhew, in
2 the amount of \$100,000.00.¹⁶ These claims represent more than 93% of the total amount of claims
3 asserted against the Debtor's estate.

4 Additionally, the Debtor obtained Bankruptcy Court approval of a settlement with the
5 Debtor's largest creditor – The Harry Fox Agency ("HFA") -- which resolves a controversy arising
6 out of HFA's prepetition claims against the Debtor's estate. HFA represents music publishers-
7 principals who grant HFA the authority to license musical works for their behalf. The Debtor is a
8 licensee of HFA. Based on a royalty compliance examination of the Debtor's account with HFA for
9 the period January 1998 through June 30, 2005, HFA asserted that the Debtor had an underpayment
10 of over \$9,385,000 (the "HFA Royalty Claim"). The Debtor reviewed its records and contended that
11 only approximately \$1.7 million of the HFA Royalty Claim was allowable. Additionally, the Debtor
12 admitted that it owed approximately \$690,000 for periods after that examination but before its
13 petition was filed. The Debtor and HFA agreed to settle this matter by allowing HFA a general
14 unsecured claim in the amount of \$3.5 million in full satisfaction of all prepetition claims, and
15 exchanging mutual general releases. [Docket No. 113]

16 **6. Appointment of the Committee**

17 On August 17, 2007, the Office of the U.S. Trustee formed the Creditors' Committee to
18 represent the interests of the general unsecured creditors of the Estate, and appointed five (5)
19 members thereto: (i) Latin Music Entertainment, (ii) Marsh Supermarkets, (iii) Mr. Paperback,
20 (iv) Shorewood Packaging, and (v) Sony DADC US Inc. Since the formation of the Committee, the
21 Debtor has extensively consulted and cooperated with the Committee concerning various aspects of
22 the Case. The Committee has employed Irell & Manella as its bankruptcy counsel in the Case.

23 **7. The Debtor's 401(k) Plan**

24 The Debtor filed a Motion authorizing it to terminate its 401(k) plan, releasing the funds in
25 that plan to plan participants, who are either current or former employees of the Debtor. [Docket
26

27

¹⁵ Claim No. 84 alleges a right to payment based on alleged royalties owed.

28 ¹⁶ Claim No. 60 alleges a right to payment based on the Debtor's allegedly "illegal" use of tapes and copyrights.

No. 89] The Debtor has now begun the process of terminating the 401(k) Plan and expects to have that process completed by the end of 2008.

8. Preparation of Tax Returns

The Court approved the Debtor's motion to assume its executory contract with KPMG, so that KPMG can prepare the Debtor's prepetition tax returns. [Docket No. 106] The Debtor may also ask KPMG to prepare the Debtor's final tax returns.

9. Operations

To attempt to fix the problems that led to the bankruptcy filing, Debtor reduced its workforce significantly immediately after commencing the Case, thereby reducing its operating costs. The Debtor reduced its workforce from more than 40 employees to 23 employees. However, despite improvements in operational efficiencies, the Debtor was been unable to obtain financing to continue in business, and has therefore sold its inventory and other assets, curtailed its operations, and is liquidating its few remaining assets including accounts receivables, so as to maximize its return to creditors.

At the end of February 2008 the Debtor closed its warehouse, which was its distribution center, and the CDs and DVDs which were not sold at auction, and which, because of the royalty burdens, were not marketable, were destroyed. At that time the Debtor laid off its staff associated with the warehouse/distribution operation, and moved into smaller office space at the same location it had previously occupied. At the time of the filing of this Disclosure Statement the Debtor employs only a handful of employees, all related to collection of accounts receivables, transfer of the Debtor's remaining assets, and claims administration and processing.

The identity and fair market value of the estate's remaining assets are listed in **Exhibit C** hereto. The Debtor's financial history is set forth in **Exhibit D** hereto. The Debtor's estimated wind-down budget is set forth at **Exhibit E** hereto.

10. Disposition of Assets

The Debtor, with the assistance of Thomas Paccioretti, from Broadway Advisors, had numerous discussions with numerous potential buyers and created materials to market its assets to

1 potential buyers. A website was been created with the information necessary to inform potential
2 buyers of the assets for sale.

3 On January 5, 2008 the Debtor filed and served a Motion (the "Sale Motion") asking for an
4 order (a) approving proposed sale procedures; (b) establishing January 28, 2008 as the date for
5 holding a public auction of all or substantially all of the Debtor's assets (the "Assets") including but
6 not limited to, (i) intellectual property in the form of copyrights (a) in the sound recordings for audio
7 product, (b) for derivative product created by the Debtor based upon the public domain video
8 products, and (c) for video product not in the public domain along with all goodwill associated
9 therewith; (ii) exclusive license agreements with artists, record labels and studios, (iii) leasehold
10 interests in real estate; (iv) office equipment, supplies, and furnishings and other equipment, and
11 (v) "product" in the form of completed CDs and DVDs; (c) establishing 1:30 pm on January 30,
12 2008 as the time and date of the hearing to approve the sale, (d) authorizing the Debtor to sell the
13 Assets via public auction in accordance with the terms of the Sales Procedures; (e) approving the
14 sale of some or all of the Debtor's assets (the "Assets") free and clear of all liens, claims, interests,
15 and encumbrances other than royalty obligations for future sales by a purchaser (collectively,
16 "Interests") pursuant to sections 363(b) and (f) of the Bankruptcy Code, with any such interests to
17 attach to the sale proceeds with the same validity and priority as existed prior to the sales or to be
18 paid in full; (f) limiting the notice to be provided with respect to the Motion and the procedures
19 proposed herein; (g) providing that the order hereon will be effective immediately, notwithstanding
20 the 10-day stay imposed by Bankruptcy Rule 6004(h); and (h) granting such other relief as this Court
21 deems proper and just. That motion was granted, in part. [Docket No. 115]

22 The auction was held on January 24, 2008 and the results were filed with the Bankruptcy
23 Court, as was a transcript of the auction itself. [Docket No. 117] The estate realized only
24 approximately \$33,000 from the auction.

25 Other transactions include (a) the resolution of a controversy arising out of HLC Properties,
26 Ltd., the successor in interest of Harry L. Crosby, Jr., a/k/a "Bing" Crosby (collectively, "HLCP").
27 HLCP had, allegedly, prepetition claims against the Debtor's estate for allegedly unpaid royalties
28 and disputes over the Debtor's licenses to the musical works owned by HLCP as the successor in

1 interest to the estate of Bing Crosby. HLCP asserted that it may have been underpaid for royalties
2 and that the Debtor may have sold CDs with music tracks which were not properly licensed by the
3 Debtor from HLCP. The Debtor reviewed its records and disputed those contentions. The Debtor
4 and HLCP negotiated a consensual resolution of this dispute which allowed the Debtor to resolve
5 this dispute without incurring significant litigation fees, as well as to sell approximately 22,000 CDs
6 in inventory for approximately \$16,000, which it would otherwise have to destroy for no value to the
7 estate; and (b) the resolution with H/B Webman and Associates, and certain artists or their estates,
8 trusts or representatives¹⁷ (collectively, the "Artists") with regard to certain CDs and DVDs that
9 were stored at the Debtor's warehouse, to allow the Artists additional time to resolve disputes over
10 the Debtor's rights to sell or otherwise dispose of certain licenses, masters, or CDs and DVDs,
11 utilizing names, images, likenesses or recordings of the Artists, or any of them, related to the Artists'
12 works, as well as certain claims against the Debtor by the Artists for allegedly unpaid royalties in the
13 Bankruptcy Case. The Debtor agreed to and has segregated and preserved those CDs and DVDs
14 pending resolution of the disputes with the Artists.

15 Because the Debtor had to turn over possession of the warehouse to its landlord by the end of
16 February 2008, and because there was no market to sell the CDs and DVDs which were subject to a
17 royalty burden, the Debtor filed a motion for authority to abandon and destroy more than one million
18 CDs and DVDs. [Docket No. 118]

19 **11. Asset Analysis and Recovery**

20 On January 18, 2008, the Debtor sent a claim for approximately \$7.68 million to be filed in
21 the pending German insolvency case of Delta Music GmbH, Case No. 72 IN 538/07, currently
22 pending in the court in Cologne, Germany. This claim results from the potential liability asserted
23 against the Debtor by the German Banks, for the Debtor's alleged co-liability with Delta Music
24 GmbH. As noted above, the Debtor has sought Court authorization to employ Salens LLP, a noted

25 ¹⁷ The Artists include: The Ames Brothers, The William J. Basie Trust, The Lester & Claire Brown Testamentary
26 Trust, Creative Arts by Calloway, LLC, Clooney Tunes, LLC, Como Licensing, LLC The Como Legacy, LLC, The
27 Estate of Tommy Dorsey, Percy Faith Music, LLC, The Four Lads, The Estate of Benny Goodman, The Estate of Lionel
28 Hampton, Keep Swingin', Inc., The Estate of Louis McKay, Milt Jackson, The Estate of Harry James, The Estate of Stan
Kenton, Marcia Laine, Kitty Kallen, John Lewis, The Estate of Freddy Martin, Tony Martin, The Mills Brothers, MJQ
Music, The Estate of Jerry Murad, Patti Page, Johnnie Ray, Billy Sherrill, The Dinah Shore Living Trust, Kay Starr,
Paris Vaughn-Courtнал, Fran Warren, and The Virginia W. Richardson Special Trust.

1 European law firm, to assist it in exploring alternatives to pursue this litigation. However, at this
2 time, the Debtor has insufficient information to determine whether this lawsuit might result in any
3 recovery for the estate. While the Debtor has received reports that there may be a distribution to
4 creditors in the German case, the German Trustee rejected the Debtor's claim when initially filed.
5 Therefore, any recovery is uncertain.

6 Additionally, post-confirmation the Debtor will seek to recover more than \$80,000 owed to
7 the Debtor by Mr. George Ficus, a former sales representative for the Debtor.

8 Additionally, prepetition the Debtor placed a large security deposit with regard to the Office
9 Lease, in an amount of approximately \$300,000. The Debtor believes that some or all of this money
10 may be recoverable.

11 Finally, the Debtor has significant accounts receivables. However, it was the industry
12 standard that CDs and DVDs were returnable to the Debtor, and, therefore, the Debtor expects that
13 there will be significant setoff or recoupment defenses asserted by parties that owe the Debtor funds
14 for accounts receivables.

15 **12. Actual and Projected Recovery of Preferential or Fraudulent**
16 **Transfers**

17 Approximately \$1.197 million was paid in the 90 days prior to the Petition Date to creditors
18 that would possibly be subject to recovery as fraudulent and preferential transfers; approximately
19 \$217,012 was paid to insiders in the year prior to the Petition Date. A summary of the fraudulent
20 conveyance and preference actions filed or that could be filed in this Case are at **Exhibit G** hereto.

21 **V.**
LITIGATION AND CAUSES OF ACTION

22 **A. Litigation Commenced Prepetition**

23 As of the Petition Date, the Debtor was involved in certain litigation, including the Sony
24 collection litigation (discussed above) and other actions set forth in the Bankruptcy Schedules. The
25 Debtor does not believe that any such litigation will have a material impact on the Plan and the
26 feasibility and implementation thereof, if confirmed by the Court.
27
28

1 **B. Postpetition and Other Potential Causes of Action In General**

2 After the Petition Date, the Debtor has not commenced any litigation against third parties in
3 the Bankruptcy Court or other court other than filing a claim for more than \$7 million in the German
4 insolvency proceeding of Delta AG. As discussed below, based on a preliminary review and
5 analysis by the Debtor and its professionals, the Debtor expects that certain litigation will be
6 commenced on behalf of the Estate prior to Confirmation of the Plan. As set forth in Section VII.A
7 of the Plan, the Debtor and Committee will file at least ten (10) Business Days prior to the
8 Confirmation Hearing a non-exhaustive list of potential Causes of Action; provided, however,
9 notwithstanding any otherwise applicable principle of law or equity, including, without limitation,
10 any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar
11 doctrine, the failure to list, disclose, describe, identify, analyze or refer to any Cause of Action, or
12 potential Cause of Action, in the Plan, this Disclosure Statement, or any other document filed with
13 the Bankruptcy Court will in no manner waive, eliminate, modify, release, or alter the Debtor's or
14 the Delta Liquidating Trust's right to commence, prosecute, defend against, settle, and realize upon
15 any Cause of Action that the Debtor or the Estate has or may have as of the Confirmation Date.
16 Unless otherwise provided in the Plan or Confirmation Order, to the extent any filed or to-be-filed
17 actions are not resolved, after the Effective Date, the Liquidating Trustee, under the supervision of
18 the Delta Trust Committee, will continue to prosecute, settle, or otherwise resolve or dispose of
19 those actions.

20 The discussion in this Section is for general informational purposes only. Nothing herein is
21 intended nor should be construed to be any admission or acknowledgement by the Debtor or Estate
22 of any matter. The Debtor and the Delta Liquidating Trust reserve all of their respective rights with
23 respect to any potential and/or actual claims against any Persons.

24 **1. Avoidance Actions**

25 The Debtor is still reviewing the underlying basis for the approximately \$1.197 million that
26 was paid to creditors in the 90 days prior to the filing of the Petition and the approximately
27 \$217,012.48 paid to insiders in the year prior to the filing of the Petition, and may commence an
28 avoidance action against any or all of these creditors to recover those payments shown in **Exhibit G**

1 hereto. A preliminary review by the Debtor indicates that the vast majority of these payments were
2 made in the ordinary course of business. Therefore the Debtor has not included any value from the
3 liquidation of avoidance actions in its liquidation analysis. The Debtor anticipates that avoidance
4 actions will be completed by the end of 2008.

5 **2. Claims Objections**

6 The Debtor has not completed its review, analysis and investigation of the filed Claims.
7 However, the Debtor has already begun its objections to claims and expects that it (and the
8 Liquidating Trust as successor) will file objections to various scheduled and filed Claims; a list of
9 the filed and scheduled claims which are not contingent, unliquidated or disputed is attached as
10 Exhibit I hereto. The Debtor anticipates that the claims adjudication process will be completed by
11 the end of 2008.

12 The Debtor expects to be able to significantly reduce the Claims filed against it. The
13 Debtor's mutual review of the Claims filed against it suggest that the Debtor may be able to reduce
14 the Claims to a total value of less than \$15 million. However, because any such resolution is,
15 naturally, speculative, the Debtor has used a conservative estimate of \$19.75 million for its
16 liquidation analysis.

17 **3. Subordination Actions**

18 The Debtor has not completed its review, analysis and investigation of the filed Claims with
19 regard to potential actions to subordinate those claims from Class 3 to Class 4. However, the Debtor
20 reserves the right to bring actions to subordinate the claims of former insiders, including Delta AG
21 and Delta GmbH. The Debtor also reserves the right to bring an action to subordinate the claims of
22 its two prepetition lenders, Commerzbank AG, Cologne Branch, and Sparkasse Kolnbonn. If any
23 such claims are to be brought, the Debtor expects to commence the actions by July 1, 2008 and
24 complete them within one year.

25 **VI.**

26 **THE PLAN OF LIQUIDATION**

27 **A. Overview of the Plan**

28 The following is only a brief summary of the material terms of the Plan. Creditors, Interest
Holders and other parties in interest are urged to review the Plan in its entirety.

1 The Plan's objective is to transfer all Assets of the Debtor, including all Causes of Action, to
2 the Delta Liquidating Trust, which will liquidate such Assets and distribute the proceeds thereof to
3 Holders of Allowed Claims and Allowed Unclassified Claims in satisfaction of the Debtor's
4 obligations. In the event that: (i) all Allowed Claims (including Subordinated Allowed General
5 Unsecured Claims), Allowed Administrative Claims and Allowed Unclassified Claims are paid in
6 full, along with any and all accrued Postpetition Interest; (ii) all Post Effective Date Plan Expenses
7 are paid in full; and (iii) all amounts payable pursuant to sections 726(a)(1) through 726(a)(5),
8 inclusive, are paid, any remaining amounts in the Delta Liquidating Trust will be turned over to the
9 Equity Pour-over Account, and the Equity Disbursing Agent will distribute the Equity Pour-over
10 Account to the holders of Allowed Interests. Interest Holders will not receive or retain anything on
11 account of their Interests, except as provided for under Section IV.G of the Plan.

12 **B. Treatment of Claims and Interests Under the Plan**

13 The treatment under the Plan of Allowed Claims and Allowed Interests is in full and
14 complete satisfaction of the legal, contractual, and equitable rights that each entity holding an
15 Allowed Claim or an Allowed Interest may have in or against the Debtor or its property. This
16 treatment supersedes and replaces any agreements or rights those entities have in or against the
17 Debtor or its property. All Distributions under the Plan will be tendered to the Person holding the
18 Allowed Claim or the Allowed Interest. Except as specifically set forth in the plan, no distributions
19 will be made and no rights will be retained on account of any claim or interest that is not an allowed
20 claim or allowed interest.

21 **C. Allowance and Treatment of Unclassified Claims (Administrative**
22 **Claims and Priority Tax Claims)**

23 Certain types of Claims are not placed into Classes that are entitled to vote to accept or
24 reject the Plan; instead, such Claims are unclassified. Such Claims are not considered impaired and
25 they do not vote on the Plan because they are automatically entitled to specific treatment provided
26 for them in the Bankruptcy Code. As such, the Debtor has not placed the following Claims in a
27 Class. The respective treatments for these Claims are provided below.
28

1 **D. Administrative Claims**

2 Administrative Claims are claims for administrative costs or expenses that are allowable
3 under section 503(b) of the Bankruptcy Code or 28 U.S.C. § 1930, which costs or expenses may
4 include: (a) actual, necessary costs and expenses of preserving the Debtor's Estate after the Petition
5 Date; (b) Ordinary Course Administrative Claims; (c) Professional Fee Claims; (d) Administrative
6 Tax Claims; and (e) U.S. Trustee Fees. Except to the extent that any entity entitled to payment of
7 any Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered
8 by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive in full
9 satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed
10 Administrative Claim on the later of (i) the Effective Date, and (ii) the fifteenth (15th) Business Day
11 after such Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as
12 soon thereafter as is practicable; provided, however, that Ordinary Course Administrative Claims
13 (*i.e.*, claims for administrative costs or expenses that are allowable under section 503(b) of the
14 Bankruptcy Code that are incurred in the ordinary course of the Debtor's operations or the Case, or
15 are provided for in an order of the Bankruptcy Court) will be paid in full in accordance with the
16 terms and conditions of the particular transactions and any applicable agreements or as otherwise
17 authorized by the Bankruptcy Court.

18 (i) **Administrative Claim Reserve**

19 On the Effective Date, the Administrative Claims Reserve¹⁸ will be funded in Cash and held
20 by the Disbursing Agent. Distributions will be made to Holders of Allowed Administrative Claims
21 from the Administrative Claims Reserve by the Disbursing Agent, as approved by the Liquidating
22 Trustee, under the supervision of the Delta Trust Committee. The Liquidating Trustee is expected
23 to be the same entity as the Disbursing Agent.

24 ¹⁸ The Administrative Claims Reserve is a Cash reserve which will be maintained by the Disbursing Agent, as
25 directed by either the Debtor, with the consent of the Committee prior to the Effective Date, or the Liquidating Trustee,
26 under the supervision of the Delta Trust Committee, after the Effective Date, in the estimated amount necessary to pay
27 all Administrative Claims outstanding as of the Effective Date, including Professional Fee Claims and Ordinary Course
28 Administrative Claims, in full. Prior to the Effective Date, the Debtor, with the consent of the Committee, or the
Bankruptcy Court, will determine the estimated amount necessary to fund the Administrative Claims Reserve and, after
the Effective Date, the Liquidating Trustee, under the supervision of the Delta Trust Committee, will determine any
supplemental amounts needed to fund the Administrative Claims Reserve. The same entity may serve as both
Liquidating Trustee and Disbursing Agent.

1 To the extent the Administrative Claims Reserve has insufficient funds to pay all Allowed
2 Administrative Claims in full, the Liquidating Trustee, under the supervision of the Delta Trust
3 Committee, is authorized and directed to use net Delta Liquidating Trust Proceeds to ensure
4 payment, in full, of all Allowed Administrative Claims. Any amounts remaining in Administrative
5 Claims Reserve after payment of all Allowed Administrative Claims will be turned over to the
6 Delta Liquidating Trust and will be Delta Trust Assets.

7 (ii) Administrative Claim Bar Dates

8 All requests for payment of an Administrative Claim that accrued between the filing of the
9 Petition through and including the date the Bankruptcy Court enters the Disclosure Statement
10 Order, or other such date selected by the Bankruptcy Court (the "First Administrative Claim Bar
11 Date"), except for (i) U.S. Trustee Fees and (ii) Professional Fee Claims, must be filed with the
12 Bankruptcy Court no later than thirty (30) days after the entry of the Disclosure Statement Order
13 (the "First Administrative Claim Bar Date") or be forever barred. The Debtor will serve notice of
14 the entry of the Disclosure Statement Order and the First Administrative Claim Bar Date on all
15 creditors and parties in interest.

16 All requests for payment of an Administrative Claim that accrued since the expiration of the
17 First Administrative Claim Bar Date through the Effective Date, except for (i) U.S. Trustee Fees
18 and (ii) Professional Fee Claims, must be filed with the Bankruptcy Court no later than thirty (30)
19 days after the Effective Date (the "Second Administrative Claim Bar Date") or be forever barred.
20 Within five (5) business days after the Effective Date, the Liquidating Trustee, under the
21 supervision of the Delta Trust Committee, will serve notice of the Effective Date and the Second
22 Administrative Claim Bar Date on all creditors and parties in interest.

23 (iii) Deadline for Objections

24 All objections to allowance of Administrative Claims (excluding Professional Fee Claims)
25 must be filed by any parties in interest no later than thirty (30) days after the First or Second
26 Administrative Claim Bar Date (the "Administrative Claim Objection Deadline"). The
27 Administrative Claim Objection Deadline may be extended for a one-time thirty (30) day period by
28 the Liquidating Trustee, under the supervision of the Delta Trust Committee, by filing a notice of

the extended Administrative Claim Objection Deadline with the Bankruptcy Court. Thereafter, the Administrative Claim Objection Deadline may be further extended only by an order of the Bankruptcy Court. If no objection to the applicable Administrative Claim is filed on or before that date, such Administrative Claim will be deemed Allowed as of that date.

(iv) U.S. Trustee Fees

Quarterly fees owed to the Office of the U.S. Trustee will be paid prior to the Effective Date by the Debtor, and after the Effective Date by the Delta Liquidating Trust, in each case, when due in accordance with applicable law and the Debtor and the Delta Liquidating Trust, respectively as applicable, will continue to file reports to show the calculation of such fees for the Estate until the Case is closed under section 350 of the Bankruptcy Code.

(v) Professional Fee Claims

Each Holder of a Professional Fee Claim seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date must (i) file their respective interim (if applicable) and final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the forty-fifth (45th) day after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (ii) if granted such an award by the Bankruptcy Court, be paid in full satisfaction, discharge, exchange and release thereof, Cash in such amounts as are Allowed by the Bankruptcy Court on the date such Professional Fee Claim becomes an Allowed Claim, or as soon thereafter as is practicable. All objections to allowance of Professional Fee Claims through the Effective Date must be timely filed and served in accordance with Local Bankruptcy Rule 2016-1(b)(4).

The following chart shows the estimated Administrative Expenses of the Estate:

Name	Amount Owed	Treatment
Pachulski Stang Ziehl & Jones LLP	\$150,000	Paid in full on the later of the Effective Date or after approval by the Bankruptcy Court after a hearing
Broadway Advisors	\$50,000	Paid in full on the later of the Effective Date or after approval by the Bankruptcy Court after a hearing
Irell & Manella	\$50,000	Paid in full on the later of the Effective Date or after approval by the Bankruptcy Court after a hearing

The Harry Fox Agency	\$100,000	Paid in full in the ordinary course of business at the end of the quarter
Clerk's Office Fees	Unknown	Paid in full on Effective Date
Office of the U.S. Trustee Fees	Unknown	Paid in full on Effective Date
Ordinary Course Trade Obligations	\$5,000	Paid in full on the Effective Date or in the Ordinary Course of Business as those obligations become due
	TOTAL: \$355,000	

E. Priority Tax Claims

Priority Tax Claims are Claims entitled to priority against the Estate under section 507(a)(8) of the Bankruptcy Code. Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid by the Debtor before the Effective Date or agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, discharge, exchange and release thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable.

On the Effective Date, the Priority Tax Reserve¹⁹ will be funded in Cash and held by the Disbursing Agent. Distributions will be made to Holders of Allowed Priority Tax Claims from the Priority Tax Claim Reserve by the Disbursing Agent, as approved by the Liquidating Trustee, under the supervision of the Delta Trust Committee.

To the extent the Priority Tax Claim Reserve has insufficient funds to pay all Priority Tax Claim Claims in full, the Liquidating Trustee, under the supervision of the Delta Trust Committee, is authorized and directed to use net Delta Liquidating Trust Proceeds to ensure payment, in full, of all Allowed Priority Tax Claims. Any amounts remaining in the Priority Tax Reserve after payment of all Allowed Priority Tax Claims will be turned over to the Delta Liquidating Trust and will be Delta Trust Assets.

¹⁹ The Priority Tax Claims Reserve is a Cash reserve which will be maintained by the Disbursing Agent, as directed by either the Debtor with consent of the Committee prior to the Effective Date, or the Liquidating Trustee, under the supervision of the Delta Trust Committee, after the Effective Date, in the estimated amount necessary to pay in full all Priority Tax Claims outstanding as of the Effective Date. Prior to the Effective Date, the Debtor, with the consent of the Committee, or the Bankruptcy Court, will determine the estimated amount necessary to fund the Priority Tax Claims Reserve and, after the Effective Date, the Liquidating Trustee, under the supervision of the Delta Trust Committee, will determine any supplemental amounts needed to fund the Priority Tax Claims Reserve.

The following chart lists all of the Debtor's Section 507(a)(8) priority tax claims and their treatment under the Plan:

Description	Amount Owed	Treatment
<ul style="list-style-type: none">Name = Los Angeles County Treasurer & Tax CollectorType of tax = property taxDate tax assessed = Jan. 1, 2007	\$123.62	Paid in full at confirmation or after final approval or denial of claim
<ul style="list-style-type: none">Name = State of Washington, Dept. of RevenueType of tax = Sales and businessDate tax assessed = July 27, 2007	\$64.94	Paid in full at confirmation or after final approval or denial of claim
<ul style="list-style-type: none">Indiana Department of RevenueType of tax = corporationsDate tax assessed = Mar.-Apr. 2007	\$10,472.20	Paid in full at confirmation or after final approval or denial of claim
<ul style="list-style-type: none">	Total: \$10,660.76	

F. Classification and Treatment of Secured Claims (Class 1)

Class 1 consists of all Secured Claims which are Claims that are secured by a valid and unavoidable lien against property in which the Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code. A Claim is a Secured Claim only to the extent of the value of the claimholder's interest in the Collateral securing the Claim or to the extent of the amount subject to setoff, whichever is applicable, and as determined under section 506(a) of the Bankruptcy Code.

To the extent that there is more than one Holder of a Class 1 Claim, the Claim of each such Holder will be deemed to be classified in a separate sub-class of Class 1, each such sub-class of Class 1 will be deemed to be a separate Class under the Plan.

As soon as practicable after the Effective Date, each entity holding an Allowed Class 1 Claim will receive, at the election of the Liquidating Trustee, under the supervision of the Delta Trust Committee, one of the following treatments in full satisfaction, discharge, exchange and release of its Allowed Class 1 Claim:

(a) the Holder of the Class 1 Claim will receive the Collateral in which that Person has a security interest; or

(b) the Holder of the Class 1 Claim will receive any proceeds actually received by the Debtor or Delta Liquidating Trust (as applicable) from the sale or disposition of the Collateral in which that Person has a security interest; or

(c) the Holder of the Class 1 Claim will receive Cash in the amount of that Person's Allowed Class 1 Claim; or

(d) the Holder of the Class 1 Claim will receive such other Distributions or treatment as are necessary to leave the rights of said Person Unimpaired or as are necessary to otherwise satisfy the requirements of chapter 11 of the Bankruptcy Code.

The Debtor or Liquidating Trustee, under the supervision of the Delta Trust Committee, (as applicable) will have ten (10) Business Days after the date on which the Class 1 Claim is Allowed or deemed Allowed, to elect which treatment to provide to such Holder of an Allowed Class 1 Claim. To the extent that any such Holder of an Allowed Class 1 Claim is deemed to have a beneficial interest in the Delta Liquidating Trust, such beneficial interest will be governed by the terms of the Plan and will not be evidenced by any type of certificate or other instrument.

Class 1 is unimpaired, and the Holders of Claims in Class 1 are presumed to have accepted the Plan.

The Debtor has two allegedly secured claims:

Class	Description	Amount Owed	Impaired (Y/N)	Treatment
1a	Agricredit Acceptance LLC	\$30,645.79	Not impaired; claims in this class are not entitled to vote on the Plan, class is deemed to have accepted the Plan	Paid in full at confirmation or after final approval or denial of claim
1b	Toyota Motor Credit Corporation	\$4,506.15	Not impaired; claims in this class are not entitled to vote on the Plan, class is deemed to have accepted the Plan	Paid in full at confirmation or after final approval or denial of claim

G. Classification and Treatment of Priority Non-Tax Claims (Class 2)

Class 2 consists of all Priority Non-Tax Claims which are Claims, other than Administrative Claims or Priority Tax Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Allowed Priority Non-Tax Claim will be paid, in full satisfaction,

discharge, exchange and release thereof, in Cash in full the amount of the Allowed Priority Non-Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15th) Business Day after such date that the Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

Class 2 is unimpaired, and the Holders of Claims in Class 2 are presumed to have accepted the Plan.

The following chart lists all classes containing Debtor's section 507(a)(3), (a)(4), (a)(5), (a)(6), and (a)(7) priority unsecured claims and their treatment under this Plan.

CLASS	DESCRIPTION	IMPAIRED (Y/N)	TREATMENT
2a	Priority unsecured claims pursuant to section 507(a)(4) Total amt of claims = \$5,689.96	Not impaired; claims in this class are not entitled to vote on the Plan, class is deemed to have accepted the Plan	Paid in full at confirmation or after final approval or denial of claim
2b	Priority unsecured claims pursuant to section 507(a)(5) Total amt of claims = \$4,698.14	Not impaired; claims in this class are not entitled to vote on the Plan, class is deemed to have accepted the Plan	Paid in full at confirmation or after final approval or denial of claim

The Debtor believes all claims in Class 2 have already been paid. A complete list of all non-tax priority claims, whether filed or scheduled is attached hereto as Exhibit H.

H. Classification and Treatment of General Unsecured Claims (Class 3)

Class 3 consists of all General Unsecured Claims which are any Claims that are not an Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, or a Secured Claim. In the Bankruptcy Schedules, the Debtor scheduled approximately \$2.55 million in General Unsecured Claims. However, the Debtor notes that approximately \$18 million in asserted General Unsecured Claims, as set forth in proofs of Claim, have been filed against the Debtor. Based on a preliminary review, the Debtor believes that this high-end figure is extremely inflated and, ultimately after Claims litigation, the actual aggregate amount of Allowed General Unsecured Claims will be lower.

1 On the Effective Date, each Holder of a General Unsecured Claim will receive an allocated
2 Delta Liquidating Trust Interest which is a beneficial interest in the Delta Liquidating Trust,
3 entitling the holder thereof to the distribution from the Delta Liquidating Trust as provided for in
4 the Plan and in the Delta Liquidating Trust Agreement, which will be substantially in the form
5 attached hereto as **Exhibit F**.

6 As soon as is practicable after the Effective Date, each Holder of an Allowed General
7 Unsecured Claim will receive on account of its Allowed General Unsecured Claim and Delta
8 Liquidating Trust Interest, in full satisfaction, discharge, exchange and release thereof, as a
9 Distribution under the Plan, the treatment provided for therein. Except to the extent that the Holder
10 of any such Claim agrees to a different treatment, the Holder of an Allowed General Unsecured
11 Claim and Delta Liquidating Trust Interest will receive on account of its Allowed General
12 Unsecured Claim and Delta Liquidating Trust Interest, in full and complete satisfaction, discharge,
13 exchange and release thereof, from the Delta Liquidating Trust, a *Pro Rata* Distribution²⁰ of the net
14 Delta Liquidating Trust Proceeds based upon the amount of its Allowed General Unsecured Claim.
15 The Liquidating Trustee, under the supervision of the Delta Trust Committee, will make
16 Distributions to the holders of the Delta Liquidating Trust Interests, on account of their respective
17 Allowed General Unsecured Claims, from the net Delta Liquidating Trust Proceeds in accordance
18 with the provisions of the Delta Liquidating Trust Agreement, and as provided for in the Plan and
19 Confirmation Order. The Debtor anticipates making only a single distribution in this case and that
20 the Distribution will occur no later than mid-2009. Upon payment by the Delta Liquidating Trust of
21 the amount due, if any, to a holder of an Delta Liquidating Trust Interest, such interest will
22 terminate and be of no further force and effect.

23 If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured
24 Claim does not have an Allowed General Unsecured Claim, then such Holder's Delta Liquidating
25 Trust Interest will terminate and be of no further force and effect.

26
27 ²⁰ "Pro Rata" means proportionately so that the ratio of (a) the amount of consideration distributed on account of
28 an Allowed Claim to (b) the amount of the Allowed Claim is the same as the ratio of (x) the amount of consideration
available for distribution on account of all Allowed Claims in the Class in which that Allowed Claim is included to (y)
the amount of all Allowed Claims in that Class.

Allowed General Unsecured Claims will not include Postpetition Interest nor include any Penalty on such Claim, except to the extent that sufficient Delta Liquidating Trust Proceeds exist to pay, in full, all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election described above), Allowed General Unsecured Claims, Late Filed Claims, and all Post Effective Date Plan Expenses, and if the foregoing are paid and subject to any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims, then Allowed General Unsecured Claims will also include any Penalty or Postpetition Interest component of any such Claim that is payable (and to the extent and priority payable) in accordance with sections 726(a)(4) and 726(a)(5).

Notwithstanding any other provision, no Cash payment will be made on account of Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election discussed above), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust has been reserved.

The following chart identifies this Plan's treatment of the class containing all of Debtor's general unsecured claims:

CLASS	DESCRIPTION	IMPAIRED (Y/N)	TREATMENT
3	General unsecured claims • Total amt of claims = approximately \$19.75 million	Impaired; claims in this class are entitled to vote on the Plan	Claims will be paid a pro rata distribution after all administrative expenses, priority tax claims and senior classes are paid in full. The Debtor currently estimates that Creditors will be paid 3% in this category.

1 **I. Classification and Treatment of Subordinated Allowed General**
2 **Unsecured Claims (Class 4)**

3 Class 4 consists of all Subordinated Allowed General Unsecured Claims, which are any
4 Allowed General Unsecured Claims that are subordinated to Allowed Class 3 Claims.

5 On, or as soon thereafter as is practicable after, the Effective Date, each Holder of a
6 Subordinated Allowed General Unsecured Claim will receive an allocated Delta Subordinated
7 Liquidating Trust Interest. No Distributions will be made to any Holder of a Subordinated Allowed
8 General Unsecured Claim until *all Allowed General Unsecured Claims in Class 3 are paid in full as*
9 *set forth in Section IV.E of the Plan.* Except to the extent that the Holder of any Subordinated
10 Allowed General Unsecured Claim agrees to a different treatment, after payment in full of all
11 Allowed General Unsecured Claims as set forth in Section IV.E of the Plan, the Holder of a
12 Subordinated Allowed General Unsecured Claim and Delta Subordinated Liquidating Trust Interest
13 will receive on account of its Subordinated Allowed General Unsecured Claim and Delta
14 Subordinated Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and
15 release thereof, from the Delta Liquidating Trust, a Pro Rata Distribution, if any, of the net
16 remaining Delta Liquidating Trust Proceeds based upon the amount of its Subordinated Allowed
17 General Unsecured Claim. The Liquidating Trustee, under the supervision of the Delta Trust
18 Committee, will make Distributions, if any, to the holders of the Delta Subordinated Liquidating
19 Trust Interests, on account of their respective Subordinated Allowed General Unsecured Claims,
20 from the net Delta Liquidating Trust Proceeds in accordance with the provisions of the Delta
21 Liquidating Trust Agreement, and as provided for in the Plan, the Confirmation Order, and any
22 applicable order subordinating Claims to the Allowed Class 3 Claims such that they become
23 Subordinated Allowed General Unsecured Claims. Upon payment by the Delta Liquidating Trust
24 of the amount due, if any, to a holder of a Delta Subordinated Liquidating Trust Interest, such
25 interest will terminate and be of no further force and effect.

26 Subordinated Allowed General Unsecured Claims will not include Postpetition Interest nor
27 include any Penalty on such Claim, except as provided in any order subordinating Claims to the
28 Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims.

Notwithstanding any other provision herein or in the Plan, no Cash payment will be made on account of Subordinated Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election discussed above), Allowed General Unsecured Claims (including Postpetition Interest and Penalty on such Claims to the extent provided for in any order subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust has been reserved.

Class 4 is Impaired, and the Holders of Subordinated Allowed General Unsecured Claims in Class 4 are entitled to vote to accept or reject the Plan.

There are currently no Creditors in Class 4; however, the Debtor reserves the right to bring an action to subordinate any claims in Class 3, which could result in Creditors being placed in Class 4 in the future. The Creditors who could be placed in Class 4 include Delta GmbH and Delta AG (former insiders of the Debtor); and Sparkasse KölnBonn and Commerzbank (the former Lenders to the Debtor).

J. Classification and Treatment of Interests (Class 5)

Class 5 consists of all Interests. "Interests" means the interest – as the term "interest" is defined in section 101(17) of the Bankruptcy Code – of any entity who holds an equity security in the Debtor no matter how held, including issued and outstanding shares of common stock, preferred stock, stock options, warrants, membership interests, or other evidence of interests in securities of the Debtor. The Debtor's stock was held entirely by Delta GmbH, so that party is the sole party in this Class.

On the Effective Date of the Plan, the Interests will be cancelled. Each holder of an Allowed Interest will receive, in exchange for and in full satisfaction of such Allowed Interest, Pro

1 Rata Distributions of Cash, if any, from the Equity Pour-over Account, based upon the amount of
2 its Allowed Interest, pursuant to Section VI.H of the Plan.

3 Class 5 is Impaired, and the holders of Allowed Interests in Class 5 are entitled to vote to
4 accept or reject the Plan.

5 The following chart identifies the Plan's treatment of the class 5 of interest holders:

CLASS	DESCRIPTION	IMPAIRED (Y/N)	TREATMENT
5	Interest Holders	Impaired, and interest holders in this class are deemed to have rejected the Plan	Paid from the Equity Pour-over Account if all administrative expenses, and senior classes are paid in full

9 **K. Executory Contracts and Unexpired Leases**

10 Effective upon the Effective Date, the Debtor will reject all executory contracts and
11 unexpired leases that exist between the Debtor and any other Person which have not previously
12 been rejected, except the Debtor will not reject those executory contracts and unexpired leases
13 (a) which are listed in Exhibit "1" to the Plan and assumed on the Effective Date, or (b) which are
14 or have been specifically assumed, or assumed and assigned, by the Debtor with the approval of the
15 Court by separate proceeding in the Case. The Debtor does not expect to assume any contracts
16 pursuant to the Plan.

17 All Allowed Claims arising from the rejection of executory contracts or unexpired leases,
18 whether under the Plan or by separate proceeding, will be treated as General Unsecured Claims in
19 Class 3, unless subordinated, in which case such Allowed Claims will be treated as Subordinated
20 Allowed General Unsecured Claims in Class 4.

21 If the rejection of an executory contract or unexpired lease by the Debtor pursuant to the
22 preceding provision results in damages to the counterparty to such contract or lease, then a Claim
23 for damages or any other amounts related in any way to such contract or lease will be forever barred
24 and will not be enforceable against the Debtor, the Estate or their property, unless a proof of claim
25 is filed with the Bankruptcy Court and served on the Liquidating Trustee within thirty (30) days
26 after the Effective Date; provided, however, the rejection claim bar date for leases and contracts
27 rejected prior to the Effective Date, outside of the Plan, will be, as applicable, (i) the date(s) set
28 forth in the applicable order(s) rejecting such lease or contract or (ii) the Claims Bar Date.

1 **L. Provisions Governing Plan Implementation**

2 On the Effective Date, the following will occur in implementation of the Plan:

3 (i) all actions, documents and agreements necessary to implement the Plan will have
4 been effected or executed;

5 (ii) the Debtor will have received all authorizations, consents, rulings, opinions or other
6 documents that are determined by the Debtor, with the consent of the Committee, to be necessary to
7 implement the Plan;

8 (iii) the Disbursing Agent will make all Distributions required to be made on the Effective
9 Date to Holders of Allowed Claims pursuant to the Plan; and

10 (iv) the Reserves will be funded.

11 The Plan will not be consummated or become binding unless and until the Effective Date
12 occurs. The Effective Date will be the first Business Day, as determined by the Debtor in its
13 reasonable discretion with the consent of the Committee, on which the following conditions have
14 been satisfied:

15 (1) At least ten (10) days have passed since the Confirmation Date;

16 (2) The Confirmation Order is not stayed;

17 (3) All documents, instruments and agreements, in form and substance reasonably
18 satisfactory to the Debtor and Committee, provided for under or necessary to implement the
19 Plan have been executed and delivered by the parties thereto, unless such execution or
20 delivery has been waived by the parties benefited thereby;

21 (4) The Debtor, with the consent of the Committee, has determined in its
22 reasonable discretion that sufficient Cash and/or Reserves exist to satisfy all Administrative
23 Claims, Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, and Secured
24 Claims, which are Allowed Claims; and

25 (5) The Delta Liquidating Trust Agreement is final and approved and the Delta
26 Liquidating Trust is funded in accordance with the Plan.

27 The Debtor, with the consent of the Committee, may in its reasonable discretion waive any
28 of the conditions set forth above without notice and a hearing. Additionally, the Debtor's rights

1 under the “mootness doctrine” will be unaffected by any provision hereof or the Plan. The failure
2 to satisfy any condition may be asserted by the Debtor regardless of the circumstances giving rise to
3 the failure of such condition to be satisfied (including, without limitation, any act, action, failure to
4 act, or inaction by the Debtor). If the Debtor fails to assert the non-satisfaction of any such
5 conditions, such failure will not be deemed a waiver of any other rights thereunder.

6 **M. Corporate Action**

7 Upon the Effective Date, all transactions and applicable matters provided for under the Plan
8 will be deemed to be authorized and approved by the Debtor without any requirement of further
9 action by the Debtor, the Debtor’s shareholders, or the Debtor’s board of directors.

10 **N. Vesting of Assets**

11 Unless otherwise dealt with under the Plan, on the Effective Date, the Delta Trust Assets
12 will vest in the Delta Liquidating Trust, including an assignment of all of the Causes of Action, free
13 and clear of all claims, liens, encumbrances, charges and other interests, subject to the provisions of
14 the Plan. On and after the Effective Date, the transfer of the Delta Trust Assets from the Estate to
15 the Delta Liquidating Trust will be deemed final and irrevocable and distributions may be made
16 from the Delta Liquidating Trust. Distributions from the Delta Liquidating Trust will be made in
17 accordance with the terms of the Delta Liquidating Trust Agreement and the Plan. In connection
18 with the foregoing:

19 (i) From and after the Effective Date, the Liquidating Trustee, under the supervision of
20 the Delta Trust Committee, may administer the Estate pursuant to the terms of the Plan and may use,
21 acquire and dispose of property free of any restrictions imposed under the Bankruptcy Code.

22 (ii) The Confirmation Order will provide the Liquidating Trustee, under the supervision
23 of the Delta Trust Committee, with express authority to convey, transfer and assign any and all of
24 the Delta Trust Assets and to take all actions necessary to effectuate same.

25 (iii) As of the Effective Date, the Delta Trust Assets will be free and clear of all liens,
26 claims and interests of holders of Claims and Interests, except as otherwise provided in the Plan.

1 **O. Dissolution of the Debtor and Termination of Current Officers,**
2 **Directors, Employees and Counsel**

3 From and after the Effective Date, the Debtor shall be dissolved and the Liquidating Trustee
4 shall be authorized to take all action necessary to dissolve the Debtor under the supervision of the
5 Delta Trust Committee. Except as otherwise retained by the Delta Liquidating Trust, the Debtor's
6 officers, sole director, employees and counsel will be terminated and relieved of any responsibilities
7 to the Debtor as of the Effective Date.

8 **P. Delta Liquidating Trust**

9 **1. Effectiveness of the Delta Liquidating Trust**

10 On the Effective Date: (i) the Delta Liquidating Trust Agreement will become effective,
11 and, if not previously signed, the Liquidating Trustee and the Delta Trust Committee will execute
12 the Delta Liquidating Trust Agreement. The Delta Liquidating Trust is organized and established
13 as a trust for the benefit of the Beneficiaries, as defined below, and is intended to qualify as a
14 liquidating trust within the meaning of Treasury Regulation Section 301.7701-4(d).

15 **2. Beneficiaries**

16 In accordance with Treasury Regulation Section 301.7701-4(d), the beneficiaries
17 ("Beneficiaries") of the Delta Liquidating Trust will be the Holders of Allowed General Unsecured
18 Claims and Subordinated Allowed General Unsecured Claims. The Holders of Allowed General
19 Unsecured Claims and Subordinated Allowed General Unsecured Claims will receive an allocation
20 of Delta Liquidating Trust Interests and Delta Subordinated Liquidating Trust Interests,
21 respectively, as provided for in the Plan and the Delta Liquidating Trust Agreement. The holders of
22 Delta Liquidating Trust Interests and Delta Subordinated Liquidating Trust Interests will receive
23 distributions from the Delta Liquidating Trust as provided for in the Plan and the Delta Liquidating
24 Trust Agreement.

25 **3. Implementation of the Liquidating Trust**

26 On the Effective Date, the Debtor, on behalf of the Estate, and the Liquidating Trustee, under
27 the supervision of the Delta Trust Committee, will be authorized to, and will, take all such actions as
28 required to transfer from the Debtor and the Estate the Delta Trust Assets, to the Delta Liquidating
Trust. From and after the Effective Date, the Liquidating Trustee, under the supervision of the Delta

Trust Committee, will be authorized to, and will take all such actions as required to implement the Delta Liquidating Trust and the provisions of the Plan as are contemplated to be implemented by the Liquidating Trustee, under the supervision of the Delta Trust Committee, including, without limitation, directing Distributions to Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, objecting to Claims, administering the Causes of Action and Rights of Action, and causing Distributions from the Delta Liquidating Trust to be made to the Beneficiaries.

4. Transfer of Delta Trust Assets

On the Effective Date, pursuant to the Plan and sections 1123, 1141 and 1146(a) of the Bankruptcy Code, the Debtor and its Estate are authorized and directed to transfer, grant, assign, convey, set over, and deliver to the Delta Trust Committee and the Liquidating Trustee, for the benefit of the Delta Liquidating Trust, all of the Debtor's and the Estate's right, title and interest in and to the Delta Trust Assets, free and clear of all liens, Claims, encumbrances or interests of any kind in such property of any other or holders of Claims against or Interests in the Debtor, except as otherwise expressly provided for in the Plan.²¹ To the extent required to implement the transfer of the Delta Trust Assets from the Debtor and its Estate to the Delta Liquidating Trust, the Delta Trust Committee, and the Liquidating Trustee as provided for herein, all Persons will cooperate with the Delta Trust Committee and the Liquidating Trustee to assist to implement said transfers.

5. Representative of the Estate

The Delta Trust Committee will be, and hereby is, appointed as the representative of the Estate pursuant to sections 1123(a)(5), (a)(7) and (b)(3)(b) of the Bankruptcy Code and as such will be vested with the authority and power (subject to the Delta Liquidating Trust Agreement and through the Liquidating Trustee) to: (i) administer, investigate, prosecute, settle and abandon all Causes of Action in the name of, and for the benefit of, the Estate, subject to the limitations set forth in Section VII.A of the Plan; (ii) administer, investigate, prosecute, settle and abandon all Rights of Action; (iii) make Distributions provided for in the Plan, including, but not limited to, on account of Allowed Claims and make Distributions on account of Delta Liquidating Trust Interests

²¹ See Section V.B.17 with respect to litigation and dispute regarding certain funds being held by the Debtor.

1 and Delta Subordinated Liquidating Trust Interests; and (iv) take such action as required to
2 administer, wind-down, and close the Case. As the representative of the Estate, the Delta Trust
3 Committee will succeed to all of the rights and powers of the Debtor and the Estate with respect to
4 all Causes of Action, and the Delta Trust Committee will be substituted and will replace the Debtor,
5 the Estate and the Committee, as applicable, as the party in interest in all such litigation pending as
6 of the Effective Date.

7 **6. No Liability of Delta Trust Committee and the Liquidating Trustee**

8 To the maximum extent permitted by law, the Delta Trust Committee, the Liquidating
9 Trustee and their employees, officers, directors, agents, members, representatives, or professionals
10 employed or retained by the Liquidating Trustee or the Delta Trust Committee (the "Agents") will
11 not have or incur liability to any Person for an act taken or omission made in good faith in
12 connection with or related to the administration of the Delta Trust Assets, the implementation of the
13 Plan and the Distributions made thereunder or Distributions made under the Delta Liquidating
14 Trust, subject to the provisions of the Delta Liquidating Trust Agreement, including, without
15 limitation, sections 4.11 and 8.2.1 thereof. The Delta Trust Committee, the Liquidating Trustee and
16 the Agents will in all respects be entitled to reasonably rely on the advice of counsel with respect to
17 their duties and responsibilities under the Plan and the Delta Liquidating Trust. Entry of the
18 Confirmation Order constitutes a judicial determination that the exculpation provision contained in
19 Section VI.E.6 is necessary to, *inter alia*, facilitate Confirmation and feasibility and to minimize
20 potential claims arising after the Effective Date for indemnity, reimbursement or contribution from
21 the Estate, or the Delta Liquidating Trust, or their respective property. Notwithstanding the
22 foregoing, nothing herein or in Section VI.E.6 of the Plan will alter any provision in the Delta
23 Liquidating Trust Agreement that provides for the potential liability of the Delta Trust Committee
24 or the Liquidating Trustee to any Person.

25 **7. Funding of Post Effective Date Plan Expenses**

26 All Post Effective Date Plan Expenses incurred from and after the Effective Date will be
27 expenses of the Delta Liquidating Trust, and the Liquidating Trustee, under the supervision of the
28

Delta Trust Committee, will disburse funds from the Delta Trust Assets for purposes of funding such expenses.

8. Provisions Relating to Federal Income Tax Compliance

A transfer to the Delta Liquidating Trust shall be treated for all purposes of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), as a transfer to creditors to the extent creditors are beneficiaries of the Delta Liquidating Trust. For example, such treatment shall apply for purposes of sections 61(a)(12), 483, 1001, 1012 and 1274 of the Internal Revenue Code. Any such transfer shall be treated for federal income tax purposes as a deemed transfer to the beneficiary-creditors followed by a deemed transfer by the beneficiary-creditors to the Delta Liquidating Trust. The beneficiaries of the Delta Liquidating Trust shall be treated for federal income tax purposes as the grantors and deemed owners of the Delta Liquidating Trust.

As soon as practicable after the Effective Date, and thereafter as may be required, the Liquidating Trustee, under the supervision of the Delta Trust Committee shall, if reasonably deemed necessary or desirable, make a good faith valuation of the Delta Trust Assets, or cause a good faith valuation of the Delta Trust Assets to be made by such professionals as the Liquidating Trustee, under the supervision of the Delta Trust Committee, may, in its sole discretion, retain for such purposes, and the Liquidating Trustee shall, upon written request, make available, through means adopted by the Delta Trust Committee in its sole and absolute discretion, to the Beneficiaries the general results of such valuation. Notwithstanding anything in the Plan or the Delta Liquidating Trust Agreement to the contrary, the Liquidating Trustee, under the supervision of the Delta Trust Committee, shall distribute at least annually to the beneficiaries of the Delta Liquidating Trust all of the Delta Liquidating Trust's net income plus all net proceeds from the sale of assets, except that the Liquidating Trustee may retain an amount of net proceeds or net income that the Delta Trust Committee determines in its discretion is necessary to maintain the value of the Delta Liquidating Trust assets or to meet claims and contingent liabilities, including Disputed Claims.

9. The Committee and the Delta Trust Committee

Until the Effective Date, the Committee will continue in existence. As of Effective Date, the Committee will terminate and disband and the members of the Committee and the Committee

1 will be released and discharged of and from all further authority, duties, responsibilities and
2 obligations related to and arising from their service as Committee members. As of the Effective
3 Date, the Committee will be replaced by the Delta Trust Committee, which will be comprised of
4 members of the Committee. The Delta Trust Committee will have the rights and responsibilities
5 and other functions identified in the Plan and the Delta Liquidating Trust Agreement. In the event
6 of death or resignation of any member of the Delta Trust Committee, the remaining members of the
7 Delta Trust Committee will have the right, but is not required as long as its membership is at least 3
8 members, to designate a successor from among the Holders of Allowed General Unsecured Claims.
9 If a Delta Trust Committee member assigns its Claim in full or releases the Debtor from payment of
10 the balance of its Claim, such act will constitute a resignation from the Delta Trust Committee.
11 Until a vacancy on the Delta Trust Committee is filled, the Delta Trust Committee will function in
12 its reduced number. Following all Distributions being made to the Holders of Allowed General
13 Unsecured Claims, Late Filed Claims (if applicable), and Subordinated Allowed General Unsecured
14 Claims (if applicable), under the Plan, the Delta Trust Committee will be dissolved and the
15 members thereof will be released and discharged of and from all further authority, duties,
16 responsibilities and obligations related to and arising from their service as Delta Trust Committee
17 members.

18 The members of the Delta Trust Committee will undertake their duties as specified in the
19 Plan and the Delta Liquidating Trust Agreement. In serving as a member of the Delta Trust
20 Committee, such members will not assume or be deemed to have assumed any liability to Creditors,
21 the Debtor, or any other parties in interest in the Case and will not be liable for any acts or
22 omissions while acting in that capacity, except for bad faith and acts or omissions constituting
23 malfeasance or gross negligence.

24 **10. Designation and Role of the Disbursing Agent**

25 Unless otherwise determined by the Liquidating Trustee under the supervision of the Delta
26 Trust Committee, the Disbursing Agent will be the Liquidating Trustee and will not be required to
27 be bonded in connection with its obligations under the Plan. The appointment and compensation of
28 the Disbursing Agent will be approved by the Bankruptcy Court in accordance with the Plan and

confirmed by the Bankruptcy Court as part of the Confirmation Order. The fees, expenses and any bond premiums incurred by the Disbursing Agent in connection with its duties hereunder will be paid by the Debtor's Estate, either through the Reserves or by the Delta Liquidating Trust. Subject to the discretion of the Liquidating Trustee under the supervision of the Delta Trust Committee, the Disbursing Agent will make all Distributions required under the Plan. The Disbursing Agent, after consultation with the Liquidating Trustee and the Delta Trust Committee, will be authorized to implement such procedures as it deems necessary to make Distributions pursuant to the Plan so as to efficiently and economically assure prompt and proportionate Distributions. In the event the Disbursing Agent resigns, is removed at the discretion of the Liquidating Trustee, under the supervision of the Delta Trust Committee, or otherwise is rendered unable or is unwilling to perform its duties and responsibilities as agent under the Plan, then the Liquidating Trustee, under the supervision of the Delta Trust Committee, will designate and appoint a successor agent and file notice of such successor with the Bankruptcy Court.

11. Funding of the Equity Pour-over Account

Upon payment in full of (i) all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C of the Plan), Allowed General Unsecured Claims, Subordinated Allowed General Unsecured Claims, Late Filed Claims, and any Postpetition Interest or Penalty component of any such Claim that is payable in accordance with section 726(a)(4) and 726(a)(5) of the Bankruptcy Code (or a reserve established providing for such full payment), and (ii) all Post Effective Date Plan Expenses (or a reserve established providing for such full payment), any Cash remaining in the Delta Liquidating Trust, if any, will be transferred and deposited into the Equity Pour-over Account. Subject to retaining a sufficient amount that is reasonably necessary to pay the costs and expenses of the Equity Disbursing Agent, the Equity Disbursing Agent will make Pro Rata Distributions of such Cash, if any, to the holders of Allowed Interests.

1 **12. Allowance of Equity Interests**

2 Each Holder of Delta Common Stock as of the Effective Date will be deemed to have an
3 Allowed Interest for the number of such shares of record and need not file a proof of Interest with
4 respect thereto. The Equity Disbursing Agent may be the same person as the Liquidating Trustee
5 and the Disbursing Agent.

6 **13. The Source of Distributions**

7 The sources of all Distributions and payments under the Plan are and will be Cash, including
8 Cash in any Reserves, and Delta Liquidating Trust Proceeds.

9 **14. Distribution of Property Under the Plan**

10 **a. Manner of Cash Payments**

11 Cash Distributions made pursuant to the Plan will be in United States funds, by check drawn
12 on a domestic bank, or, if the Disbursing Agent so elects in its discretion for Distributions to certain
13 large claimants, by wire transfer from a domestic bank.

14 **b. Setoff and Recoupment**

15 Notwithstanding anything to the contrary in the Plan, the Liquidating Trustee, under the
16 supervision of the Delta Trust Committee and/or the Disbursing Agent may set off, recoup, or
17 withhold against the distributions to be made on account of any allowed claim any claims that the
18 debtor or the estate may have against the entity holding the allowed claim. The Debtor, the Estate,
19 the Liquidating Trustee and the Delta Liquidating Trust will not waive or release any claim against
20 those entities by failing to effect such a setoff or recoupment, by allowing any claim against the
21 debtor or the estate, or by making a distribution on account of an allowed claim.

22 **c. No De Minimis Distributions**

23 Notwithstanding anything to the contrary in the Plan, no Distribution of less than \$5.00 will
24 be made to any Holder of an Allowed Claim on account thereof. No consideration will be provided
25 in lieu of the de minimis Distributions that are not made hereunder and corresponding Section
26 VI.K.3 of the Plan.

27 **d. No Distributions With Respect to Disputed**
28 **Claims and Interests**

1 Distributions will be made on account of a Disputed Claim only after, and only to the extent
2 that, the Disputed Claim either becomes or is deemed to be an Allowed Claim for purposes of
3 Distributions.

4 **e. Undeliverable or Unclaimed Distributions**

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

6 (i) Distributions will be sent to the address, if any, set forth on a filed proof of
7 claim as amended by any written notice of address change that is received by the Delta Trust
8 Committee or Liquidating Trustee no later than ten (10) Business Days prior to the date of any
9 Distribution; or

10 (ii) If no such address is available, Distributions will be sent to the address set
11 forth on the Bankruptcy Schedules.

12 If no address is available either on a proof of claim or on the Bankruptcy Schedules, the
13 Distribution will be deemed to be undeliverable. If a Distribution is returned to the Disbursing
14 Agent as an undeliverable Distribution or is deemed to be an undeliverable Distribution, the Delta
15 Trust Committee and/or the Liquidating Trustee (through the Disbursing Agent) will make no
16 further Distribution to the entity holding the Claim on which the Distribution is being made unless
17 and until the Delta Trust Committee and/or the Liquidating Trustee is timely notified in writing of
18 that entity's current address. Subject to the following paragraph, until they become deliverable, the
19 Liquidating Trustee, under the supervision of the Delta Trust Committee, may create a separate
20 Reserve for undeliverable Distributions for the benefit of the entities entitled to the Distributions.
21 These entities will not be entitled to any interest on account of the undeliverable Distributions.

22 Any entity that is otherwise entitled to an undeliverable Distribution and that does not,
23 within one (1) year after a Distribution is returned as undeliverable, provide the Delta Trust
24 Committee and/or the Liquidating Trustee or Disbursing Agent with a written notice asserting its
25 claim to or interest in that undeliverable Distribution and setting forth a current, deliverable address
26 will be deemed to waive any claim to or interest in that undeliverable Distribution and will be
27 forever barred from receiving that undeliverable Distribution or asserting any Claim against the
28 Debtor, the Estate, or their property. Any undeliverable Distributions that are not claimed

1 hereunder will be distributed Pro Rata to other Holders of Allowed Class 3 Claims. Nothing in the
2 Plan requires the Delta Trust Committee, the Liquidating Trustee and/or the Disbursing Agent to
3 attempt to locate any entity holding an Allowed Claim and whose distribution is undeliverable.

4 **f. Record Date**

5 The record date for purposes of Distributions under the Plan will be the date the Bankruptcy
6 Court enters its order approving the Disclosure Statement. The Disbursing Agent will rely on the
7 register of proofs of claim filed in the Case except to the extent a notice of transfer of Claim or
8 Interest has been filed with the Court prior to the record date pursuant to Bankruptcy Rule 3001.

9 **g. Fractional Cents**

10 When any payment of a fraction of a cent would otherwise be called for, the actual payment
11 will reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less
12 than \$0.005 and rounding up in the case of \$0.005 or more); provided, however, that, in no event,
13 will a Distribution of less than \$5.00 will be made to any Holder of an Allowed Claim on account
14 thereof as set forth above.

15 **h. Release of Reserved Funds**

16 Any Cash remaining in any Reserve, after all applicable Distributions or other payments
17 have been made from said Reserve, will be released therefrom and be turned over to the Delta
18 Liquidating Trust for distribution in accordance with the Plan.

19 **Q. Litigation and Claims Objections**

20 **1. Preservation of Causes of Action**

21 As of the Effective Date, the Delta Trust Committee and the Liquidating Trustee will retain
22 all rights on behalf of the Delta Liquidating Trust to commence, pursue and settle, as appropriate,
23 any and all Causes of Action (including Avoidance Actions), whether arising before or after the
24 Petition Date, in any court or other tribunal, including, without limitation, a bankruptcy court
25 adversary proceeding filed in the Case. The failure to explicitly list any Causes of Action and other
26 potential or existing claims of the Debtor or Estate is not intended to limit the rights of the Delta
27 Liquidating Trust, through the Liquidating Trustee, under the supervision of the Delta Trust
28 Committee, to pursue any Causes of Action and such claims not so identified. The Debtor will file

1 a non-exhaustive list of Causes of Action at least ten (10) Business Days prior to the Confirmation
2 Hearing; provided, however, notwithstanding any otherwise applicable principle of law or equity,
3 including, without limitation, any principles of judicial estoppel, res judicata, collateral estoppel,
4 issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, analyze or
5 refer to any Cause of Action, or potential Cause of Action, in the Plan, this Disclosure Statement, or
6 any other document filed with the Bankruptcy Court will in no manner waive, eliminate, modify,
7 release, or alter the Debtor's or the Delta Trust Committee's right to commence, prosecute, defend
8 against, settle, and realize upon any Cause of Action that the Debtor or the Estate has or may have
9 as of the Confirmation Date. Subject to the limitations expressly set forth in the Delta Liquidating
10 Trust Agreement, the Liquidating Trustee under the supervision of the Delta Trust Committee, may
11 commence, prosecute, defend against, recover on account of, and settle all Causes of Action in its
12 sole discretion in accordance with what is in the best interests, and for the benefit, of the Delta
13 Liquidating Trust.

14 Unless a Cause of Action against a Person is expressly waived, relinquished, released,
15 compromised, or settled in the Plan or any Final Order, the Debtor expressly reserves such Causes
16 of Action for later adjudication (including, without limitation, Causes of Action of which the
17 Debtor may presently be unaware, or which may arise or exist by reason of additional facts or
18 circumstances unknown to the Debtor at this time, or facts or circumstances which may change or
19 be different from those which the Debtor now believes to exist) and, therefore, no preclusion
20 doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue
21 preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches will
22 apply to Causes of Action upon, or after, the Confirmation or consummation of the Plan based on
23 the Disclosure Statement, the Plan, or the Confirmation Order, except where such Causes of Action
24 have been expressly released by virtue of the Plan or other Final Order.

25 As of the Effective Date, subject to the Delta Liquidating Trust Agreement, the Liquidating
26 Trustee, under the supervision of the Delta Trust Committee, be authorized to exercise and perform
27 the rights, powers and duties held by the Debtor's Estate with respect to the Causes of Action,
28 including, without limitation, the authority under section 1123(b)(3) of the Bankruptcy Code to

1 provide for the settlement, adjustment, retention and enforcement of claims and interests of the
2 Estate, without the consent or approval of any third party, and without any further order of the
3 Bankruptcy Court, except as otherwise provided in the Plan.

4 Any Person with respect to whom the Debtor has incurred an obligation (whether on
5 account of services, purchase or sale of property, or otherwise), or who has received services from
6 the Debtor or a transfer of money or property of the Debtor, or who has transacted business with the
7 Debtor, or leased equipment or property from the Debtor should assume that such obligation,
8 transfer, or transaction may be reviewed by the Liquidating Trustee, under the supervision of the
9 Delta Trust Committee, subsequent to the Effective Date and may, if appropriate, be the subject of
10 an action after the Effective Date, whether or not (i) such Person has filed a proof of Claim against
11 the Debtor; (ii) such Person's proof of Claim has been objected to by the Debtor; (iii) such Person's
12 Claim was included in the Bankruptcy Schedules; or (iv) such Person's scheduled Claims have been
13 objected to by the Debtor or has been identified by the Debtor as disputed, contingent, or
14 unliquidated.

15 Subject to the Delta Liquidating Trust Agreement, the Liquidating Trustee, under the
16 supervision of the Delta Trust Committee, will make the decision of whether or not to pursue any
17 causes of action. This decision will be based upon their review of the merits of the various claims as
18 well as the costs required to prosecute such claims in light of the limited resources available for the
19 Distribution to Creditors. Subject to the Delta Liquidating Trust Agreement, the Liquidating
20 Trustee, under the supervision of the Delta Trust Committee, may seek to retain counsel on a
21 contingency basis to prosecute some or all of such claims, may seek to finance any costs relating to
22 the prosecution of such litigation, or may decide not to pursue such claims at all.

23 **2. Disputed Claims**

24 **a. Reserves for Claims Other Than General**
25 **Unsecured Claims**

26 On the Effective Date, the Secured Claims Reserve, Administrative Claims Reserve, Priority
27 Tax Claims Reserve and Priority Non-Tax Claims Reserve will be funded with sufficient monies to
28 pay for, as applicable, all Allowed Administrative Claims, Allowed Claims, and Disputed Claims

1 (in the event such claims become Allowed Claims), in such categories. Any Cash remaining in
2 these Reserves, after all applicable Distributions or other payments have been made from said
3 Reserve, will be released therefrom and turned over to the Delta Liquidating Trust for distribution
4 in accordance with the Plan.

5 **b. Disputed Unsecured Claims Reserve**

6 Prior to any Distributions being made to Holders of Allowed Unsecured Claims, the Delta
7 Liquidating Trust will deposit into the Disputed Unsecured Claims Reserve an amount equal to the
8 Pro Rata share of the Distribution allocable to Disputed Unsecured Claims, as if such Claims were
9 Allowed Claims, and will release or cause to have released from this Reserve monies to fund
10 Distributions to Holders of Disputed Unsecured Claims as, and if and to the extent, Disputed
11 Claims become Allowed Claims, and any Cash remaining in Disputed Unsecured Claims Reserve,
12 after any such Distributions, will be released therefrom and turned over to the Delta Liquidating
13 Trust for distribution in accordance with the Plan.

14 **c. Objections to and Resolution of Disputed Claims**

15 On and after the Effective Date, the Liquidating Trustee, under the supervision of the Delta
16 Trust Committee, will have the right to make and file objections to Claims and Administrative
17 Claims and to prosecute, settle and/or withdraw such objections. The Liquidating Trustee, under
18 the supervision of the Delta Trust Committee, will have the authority to compromise, settle,
19 withdraw or otherwise resolve any objections for any Claim without approval of the Bankruptcy
20 Court; provided, however, that the Liquidating Trustee, under the supervision of the Delta Trust
21 Committee, may in their discretion seek relief before the Bankruptcy Court with respect to any
22 Disputed Claim. The Liquidating Trustee, under the supervision of the Delta Trust Committee, will
23 file and serve all objections to Claims upon the Holder of the Claim as to which the objection is
24 made no later than 90 days after the later of (i) the Effective Date or (ii) the date on which a proof
25 of claim or request for payment is filed with the Bankruptcy Court (the "Claims Objection
26 Deadline"). The Liquidating Trustee, under the supervision of the Delta Trust Committee, may
27 extend the Claims Objection Deadline for a single 60 day period by filing a notice of the extended
28 deadline with the Bankruptcy Court; provided, however, that nothing herein and in the Plan will

1 modify the statute of limitations for any affirmative Cause of Action that the Liquidating Trustee,
2 under the supervision of the Delta Trust Committee, may assert against any third party. Thereafter,
3 the deadline may be further extended only by an order of the Bankruptcy Court.

4
5 **VII.**
OTHER PLAN PROVISIONS

6 **A. Exculpatation and Release of Debtor, Committee and Professionals**

7 Except to the extent arising from willful misconduct or gross negligence, any and all
8 Claims, liabilities, causes of action, rights, damages, costs and obligations held by any party against
9 the Debtor, the Committee and their respective attorneys, accountants, agents and other
10 professionals, and their officers, directors and employees, whether known or unknown, matured or
11 contingent, liquidated or unliquidated, existing, arising or accruing, whether or not yet due in any
12 manner related to the post-Petition Date administration of the Case or the formulation, negotiation,
13 prosecution or implementation of the Plan, will be deemed fully waived, barred, released and
14 discharged in all respects, except as to rights, obligations, duties, claims and responsibilities
15 preserved, created or established by terms of the Plan; provided, however, that, notwithstanding the
16 foregoing, this provision does not limit the nature of any objection to the allowance and
17 compensation of any Professional Fees.

18 Pursuant to section 1125(e) of the Bankruptcy Code, the Debtor and the Committee and its
19 present and former members, officers, directors, employees, agents, advisors, representatives,
20 successors or assigns, and any Professionals (acting in such capacity) employed by any of the
21 foregoing entities will neither have nor incur any liability to any Person for their role in soliciting
22 acceptance or rejection of the Plan.

23 **B. Exemption from Stamp, Transfer and Other Taxes**

24 Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of
25 assets under the Plan by the Debtor, the creation of any mortgage, deed of trust, or other security
26 interest, the making or assignment of any lease or sublease, or the making or delivery of any deed
27 or instrument of transfer under, in furtherance of, or in connection with the Plan, will not be subject
28 to any stamp, real estate transfer, mortgage recording, or other similar tax.

1 **C. Injunction Enjoining Holders of Claims Against Debtor**

2 The Plan is the sole means for resolving, paying or otherwise dealing with Claims and
3 Interests. To that end, except as expressly provided in the Plan, at all times on and after the
4 Effective Date, all Persons who have been, are, or may be holders of Claims against or Interests in
5 the Debtor arising prior to the Effective Date, will be permanently enjoined from taking any of the
6 following actions, on account of any such Claim or Interest, against the Debtor, its Estate, or its
7 property (other than actions brought to enforce any rights or obligations under the Plan):

8 (i) commencing, conducting or continuing in any manner, directly or
9 indirectly any suit, action, or other proceeding of any kind against the Debtor, its
10 Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating
11 Trustee, their successors, or their respective property or assets (including, without
12 limitation, all suits, actions, and proceedings that are pending as of the Effective Date
13 which will be deemed to be withdrawn or dismissed with prejudice);

14 (ii) enforcing, levying, attaching, executing, collecting, or otherwise
15 recovering by any manner or means whether directly or indirectly any judgment,
16 award, decree, or order against the Debtor, its Estate, the Delta Liquidating Trust, the
17 Delta Trust Committee, or the Liquidating Trustee, their successors, or their
18 respective property or assets;

19 (iii) creating, perfecting, or otherwise enforcing in any manner, directly or
20 indirectly, any lien, security interest or encumbrance against the Debtor, its Estate, the
21 Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating Trustee, their
22 successors, or their respective property or assets; and

23 (iv) proceeding in any manner in any place whatsoever against the Debtor,
24 its Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating
25 Trustee, their successors, or their respective property or assets, that does not conform
26 to or comply with the provisions of the Plan.

1 **D. Nondischarge of the Debtor**

2 In accordance with section 1141(a)(3) of the Bankruptcy Code, the Confirmation Order will
3 not discharge Claims. However, no Holder of a Claim may receive any payment from, or seek
4 recourse against, any assets that are to be distributed under the Plan other than assets required to be
5 distributed to that Holder pursuant to the Plan. As of the Confirmation Date, all Persons are
6 enjoined from asserting against any property that is to be distributed under the Plan any Claims,
7 rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other
8 activity that occurred before the Confirmation Date except as expressly provided in the Plan or the
9 Confirmation Order.

10 **E. Entry of a Final Decree**

11 Promptly following the liquidation or other disposition of all remaining Assets, including
12 the Causes of Action, Rights of Action, and distribution of all net Delta Liquidating Trust Proceeds
13 and monies in the Reserves pursuant to the Plan and Delta Liquidating Trust Agreement, the
14 Liquidating Trustee, under the supervision of the Delta Trust Committee, will file a motion with the
15 Bankruptcy Court to obtain entry of a final decree closing the Case. Upon the entry of the final
16 decree, the Liquidating Trustee, under the supervision of the Delta Trust Committee, on behalf of
17 the Delta Liquidating Trust, will be authorized in its sole and absolute discretion to have discarded
18 or destroyed any and all pre-Effective Date books and records of the Debtor in said parties' custody
19 or control. The Delta Trust Committee will continue to preserve their respective post-Effective
20 Date books and records, subject to further Court order.

21 **F. Post-Effective Date Quarterly Fees**

22 After the Effective Date, the Liquidating Trustee, under the supervision of the Delta Trust
23 Committee, on behalf of the Delta Liquidating Trust, will pay all U.S. Trustee Fees.

24 **G. Post-Effective Date Status Reports**

25 The Liquidating Trustee, under the supervision of the Delta Trust Committee, will file status
26 reports regarding the status of implementation of the Plan and the review, prosecution and
27 resolution of Causes of Action, respectively, every 120 days following the entry of the
28

1 Confirmation Order through entry of a final decree closing the Case, or as otherwise ordered by the
2 Bankruptcy Court.

3 **H. Withholding and Reporting Requirements**

4 In connection with the consummation of the Plan, the Delta Trust Committee, the
5 Liquidating Trustee and Disbursing Agent will comply with all withholding and reporting
6 requirements imposed by any federal, state, local or foreign taxing authority and all Distributions
7 hereunder will be subject to any such withholding and reporting requirements. The Delta Trust
8 Committee, the Liquidating Trustee and Disbursing Agent may reasonably request tax reporting
9 information from persons entitled to receive Distributions under the Plan and may withhold the
10 payment of such Distributions pending the receipt of such tax reporting information.

11 **I. Evidence of Claims**

12 As of the Effective Date, notes and any other evidence of Claims will represent only the
13 right to receive the Distributions contemplated under the Plan.

14 **J. Cancellation of Interests**

15 On the Effective Date, all Interests will be cancelled, annulled, and extinguished, and any
16 issued and outstanding shares of common stock, preferred stock, stock options, warrants,
17 membership interests, or other evidence of Interests in securities of the Debtor will be deemed to be
18 cancelled and of no further force or effect without any further action by the Debtor or any other
19 entity. Holders of Allowed Interests will retain no rights and receive no consideration on account of
20 these Interests, and entities holding any evidence of Interests in the Debtor will have no rights
21 arising from or relating to such evidence of their Interests or their cancellation; provided, however,
22 that holders of Allowed Interests will receive payment from the Equity Pour-over Account, if any,
23 in accordance with section VI.H of the Plan.

24 **K. Injunctions or Stays**

25 Unless otherwise provided, all injunctions or stays arising under or entered during the Case
26 under section 105 or section 362 of the Bankruptcy Code, or otherwise, and in existence on the
27 Confirmation Date, will remain in full force and effect until the Effective Date.
28

1 **L. No Admissions**

2 Except as specifically provided in the Plan, nothing contained in the Plan will be deemed or
3 construed in any way as an admission by the Debtor or its Estate with respect to any matter set forth
4 in the Plan, including the amount or allowability of any claim, or the value of any property of the
5 Estate.

6 Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the
7 Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan
8 will: (a) be deemed to be an admission by the Debtor with respect to any matter discussed in the
9 Plan, including liability on any Claim or the propriety of any Claim's classification; (b) constitute a
10 waiver, acknowledgement, or release of any Claims, Interests, or any claims held by the Debtor; or
11 (c) prejudice in any manner the rights of the Debtor or the Estate in any further proceedings.

12 **M. Revocation of the Plan**

13 The Debtor reserves the right to withdraw the Plan before the Confirmation Date.

14 **N. Retention of Jurisdiction**

15 The Bankruptcy Court will retain and have exclusive jurisdiction over any matter arising
16 under the Bankruptcy Code, arising in or related to the Case or the Plan, or that relates to the
17 matters set forth in Section VIII.P of the Plan.

18 **O. Successors and Assigns**

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

21 **P. Nonconsensual Confirmation**

22 In the event that the Classes not entitled to vote to accept or reject the Plan fail to accept the
23 Plan in accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtor reserves the right to
24 modify the Plan in accordance with section 1127(a) of the Bankruptcy Code. In accordance with
25 section 1127 of the Bankruptcy Code, the Debtor reserves the right to alter, amend, modify, revoke
26 or withdraw the Plan or any Plan exhibit or schedule, including amending or modifying it to satisfy
27 the requirements of the Bankruptcy Code.
28

1 **Q. Saturday, Sunday, or Legal Holiday**

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

6 **R. No Waiver**

7 Neither the failure to list a Claim in the Schedules filed by the Debtor, the failure of any
8 Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim
9 or Administrative Expense Claim prior to Confirmation or the Effective Date, the failure of any
10 Person to assert a Right of Action prior to Confirmation or the Effective Date, the absence of a
11 proof of Claim having been Filed with respect to a Claim, nor any action or inaction of any Person
12 with respect to a Claim, Administrative Expense Claim, or Right of Action other than a legally
13 effective express waiver or release will be deemed a waiver or release of the right of the Debtor or
14 its successors or representatives, before or after solicitation of votes on the Plan or before or after
15 Confirmation or the Effective Date to (a) object to or examine such Claim or Administrative
16 Expense Claim, in whole or in part or (b) retain and either assign or exclusively assert, pursue,
17 prosecute, utilize, otherwise act or otherwise enforce any Right of Action.

18 **S. Plan Modification**

19 Subject to the restrictions set forth in section 1127 of the Bankruptcy Code, the Debtor
20 reserves the right to alter, amend, or modify the Plan before it is substantially consummated.

21 **T. Post-Effective Date Notice**

22 From and after the Effective Date, any Person who desires notice of any pleading or
23 document filed in the Case, or of any hearing in the Court, or of any matter as to which the
24 Bankruptcy Code requires notice to be provided, will file a request for post-confirmation notice and
25 will serve the request on counsel for the Debtor, counsel for the Delta Trust Committee, and the
26 Liquidating Trustee; provided however, the U.S. Trustee, the Delta Trust Committee and the
27 Liquidating Trustee will be deemed to have requested post-confirmation notice.

28 **VIII.**
CERTAIN RISK FACTORS TO BE CONSIDERED

1 Holders of Impaired Claims and Impaired Interests entitled to vote on the Plan should read
2 and consider carefully the factors set forth below, as well as other information set forth in this
3 Disclosure Statement and the documents delivered together herewith and/or incorporated by
4 reference herein, prior to voting to accept or reject the Plan.

5 **A. Risk that the Debtor Will Have Insufficient Cash for the Plan to**
6 **Become Effective**

7 The Plan cannot be confirmed by the Bankruptcy Court unless the Debtor has sufficient
8 funds by the Effective Date to pay or reserve for all Allowed Administrative Claims, Allowed
9 Priority Tax Claims and Allowed Priority Non-Tax Claims, unless particular Holders of such Claims
10 agree to a deferred payment of their Claims. The Debtor believes that at the time of Confirmation it
11 will have sufficient Cash to satisfy or reserve for all such Claims.

12 **B. Risk Regarding the Distributions to Be Made to Creditors and**
13 **Interest Holders**

14 While the Debtor has endeavored to project what it believes are likely to be the distributions,
15 if any, to be made to parties holding Allowed Claims and Allowed Interests, there can be no
16 certainty that the Debtor's projections will be accurate, and that Creditors and Interest Holders will
17 receive the distributions described in the Plan. The Debtor's projections will necessarily be affected
18 by, among other things: (1) recoveries that the Liquidating Trustee generates from the Causes of
19 Action; (2) recoveries that the Liquidating Trustee generates in connection with the liquidation of all
20 other assets; (3) the outcome of objections to Claims; and (4) the cost and expenses of such actions.

21 **C. Bankruptcy Risks**

22 Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in
23 a particular class only if such claim or interest is substantially similar to the other claims or interests
24 of such class. The Debtor believes that the classification of Claims and Interests under the Plan
25 complies with the requirements set forth in the Bankruptcy Code. However, there can be no
26 assurance that the Bankruptcy Court would reach the same conclusion.

27 Even if all Classes of Claims and Interests that are entitled to vote accept the Plan, the Plan
28 might not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth
the requirements for confirmation and requires, among other things, that the value of distributions to

1 dissenting creditors and equity security holders not be less than the value of distributions such
2 creditors and equity security holders would receive if the debtor were liquidated under chapter 7 of
3 the Bankruptcy Code. The Debtor believes that the Plan satisfies all of the requirements for
4 confirmation of a plan under section 1129.

5 **IX.**
6 **VOTING PROCEDURES AND REQUIREMENTS**

7 IT IS IMPORTANT THAT HOLDERS OF CLAIMS AND INTERESTS EXERCISE
8 THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known Holders of Claims
9 and Interest Holders entitled to vote on the Plan have been sent a Ballot together with this Disclosure
10 Statement. Such Persons should read the Ballot carefully and follow the instructions contained
11 therein. Please use only the Ballot (or Ballots) that accompanies this Disclosure Statement.

12 BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING
13 PROVIDED ONLY TO HOLDERS OF CLAIMS AND INTERESTS IN CLASSES LISTED IN
14 THE ABOVE CHART WHICH ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE
15 PLAN. If you are the holder of a Claim and/or Interest in said Class(es), and (a) did not receive a
16 Ballot, (b) received a damaged or illegible Ballot, or (c) lost your Ballot, please contact Pachulski
17 Stang Ziehl & Jones LLP, Attn: Beth Dassa, 10100 Santa Monica Boulevard, Suite 1100, Los
18 Angeles, California 90067; Telephone: (310) 277-6910; E-mail: bdassa@pszjlaw.com.

19 FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST BE ACTUALLY RECEIVED
20 BY COUNSEL FOR THE DEBTOR NO LATER THAN 5:00 P.M., PACIFIC TIME, ON JUNE 3,
21 2008.

22 ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT
23 INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED AN
24 ACCEPTANCE OF THE PLAN.

25 **A. Parties Entitled to Vote**

26 Subject to the provisions of the Disclosure Statement Order, any Holder of a Claim against,
27 or Interest in, the Debtor as of the Petition Date, which Claim or Interest has not been disallowed by
28 order of the Bankruptcy Court and is not disputed, is entitled to vote to accept or reject the Plan if (1)

such Claim or Interest is Impaired under the Plan and is not of a Class that is deemed to have accepted the Plan pursuant to sections 1126(f) of the Bankruptcy Code, and (2) either (a) such Holder's Claim or Interest has been scheduled by the Debtor (and such Claim is not scheduled as disputed, contingent, or unliquidated), or (b) such Holder has filed a proof of Claim or Interest on or before the Claims Bar Date. Unless otherwise permitted in the Plan, the Holder of any Disputed Claim or Disputed Interest is not entitled to vote on the Plan on account of such Disputed Claim or Disputed Interest unless the Bankruptcy Court, upon application by such Holder, temporarily allows such Disputed Claim or Disputed Interest for the limited purpose of voting to accept or reject the Plan. A vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. A LIST OF ALL FILED CLAIMS AND SCHEDULED CLAIMS WHICH WERE NOT SCHEDULED AS CONTINGENT, UNMATURED OR UNLIQUIDATED IS ATTACHED HERETO AS EXHIBIT I.

The following chart summarizes which Classes of Claims and Interests are Impaired and which Classes of Claims are Unimpaired under the Plan.

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1	Secured Claims	Unimpaired	Deemed to Accept Plan
Class 2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept Plan
Class 3	General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 4	Subordinated Allowed General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 5	Interests	Impaired	Deemed to Reject the Plan

If you are a Holder of a Claim in Class 3 and/or Class 4 accompanying this Disclosure Statement is a Ballot for casting your vote(s) on the Plan and a pre-addressed envelope for the return of the Ballot.

1 The Debtor intends to file a motion to estimate or otherwise dispose of various disputed,
2 contingent and unliquidated claims for voting purposes. In particular, many Claims filed on account
3 of "Royalty Claims" are contingent, unliquidated and disputed Claims. In its Schedules, the Debtor
4 estimated its potential exposure for such claims. The Debtor believes that allowing such creditors to
5 vote based upon such amounts listed in its Schedules is a fair and efficient method for determining
6 such creditors' Claims for voting purposes.

7 **B. Standards for Acceptance of a Class**

8 The Bankruptcy Code defines acceptance of a Plan by a class of claims as acceptance by
9 holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that
10 class that actually cast ballots for acceptance or rejection of the Plan. Thus, acceptance by a Class of
11 Claims occurs only if at least two-thirds in dollar amount and a majority in number of the Holders of
12 such Claims voting cast their Ballots in favor of acceptance.

13 CREDITORS, INTEREST HOLDERS AND OTHER PARTIES IN INTEREST ARE
14 CAUTIONED TO REVIEW THE DISCLOSURE STATEMENT ORDER FOR A FULL
15 UNDERSTANDING OF VOTING REQUIREMENTS, INCLUDING, WITHOUT LIMITATION,
16 COMPLETION AND SUBMISSION OF BALLOTS.

17 **X.**
18 **CONFIRMATION OF THE PLAN**

19 Under the Bankruptcy Code, the following steps must be taken to confirm the Plan.

20 **A. Confirmation Hearing**

21 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold
22 a hearing on confirmation of a Plan. By order of the Bankruptcy Court, the Confirmation Hearing
23 has been scheduled for June 24, 2008 at 2:00 p.m. (Pacific Time) at the United States Bankruptcy
24 Court for the Central District of California, 255 East Temple Street, Courtroom 1639, Los Angeles,
25 California. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court
26 without further notice except for an announcement made at the Confirmation Hearing or any
27 adjournment thereof.
28

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth the name of the objecting party, the nature and amount of the Claim or Interest held or asserted by the objecting party against the Debtor's Estate, the basis for the objection, and the specific grounds therefor. The objection, together with proof of service thereof, must then be filed no later than June 3, 2008 at 5P00 p.m. (Pacific Time) with the Bankruptcy Court, and served upon: (1) counsel to the Debtor, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Boulevard, 11th Floor, Los Angeles, California 90067, Attn: Samuel R. Maizel; (2) Office of the United States Trustee, 725 S. Figueroa Street, Suite 2600, Los Angeles, CA 90017, Attn: Alvin Marr; and (3) counsel to the Official Committee of Unsecured Creditors, Irell & Manella LLP, 840 Newport Center Drive, Suite 400, Newport Beach, CA 92660, Attn: Jeffrey M. Reisner, Esq. and Kerri Lyman, Esq.

Objections to confirmation of the Plan are governed by Rule 9014 of the Federal Rules of Bankruptcy Procedure. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

B. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (1) is accepted by all Impaired Classes of Claims and Interests or, if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (2) is feasible, and (3) is in the "best interests" of holders of Claims and Interests Impaired under the Plan.

1. Acceptance

Claims in Classes 3 and 4 are Impaired, the holders of such Claims and Interests are entitled to vote on the Plan and, therefore, these Classes must accept the Plan in order for the Plan to be confirmed without application of the "fair and equitable test," described below, to such Class. As stated above, a Class of Claims will have accepted the Plan if the Plan is accepted by at least two-

1 thirds in dollar amount, and a majority in number of the Claims of each such Class (other than any
2 Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to
3 accept or reject the Plan. An Impaired Class of Interests that votes will have accepted the Plan if
4 holders (other than those designated under section 1126(e) of the Bankruptcy Code) of at least two-
5 thirds in amount of the Allowed Interests actually voting in such Class have voted to accept the Plan.

6 Claims in Classes 1 and 2 are Unimpaired by the Plan, and the holders thereof are
7 conclusively presumed to have accepted the Plan.

8 Interests in Class 5 are deemed to have rejected the Plan.

9 **2. Fair and Equitable Test**

10 The Debtor will seek to have the Plan confirmed notwithstanding the rejection or deemed
11 rejection of the Plan by any Impaired Class of Claims or Interests. To obtain such confirmation, it
12 must be demonstrated to the Bankruptcy Court that the Plan “does not discriminate unfairly” and is
13 “fair and equitable” with respect to such dissenting Impaired Class. A plan does not discriminate
14 unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment
15 of other classes whose legal rights are substantially similar to those of the dissenting class, and if no
16 class receives more than it is entitled to for its claims or interests. The Debtor believes that the Plan
17 satisfies this requirement.

18 The Bankruptcy Code establishes different “fair and equitable” tests for secured claims,
19 unsecured claims and interests, as follows:

20 **a. Secured Claims**

21 Either the Plan must provide (i) that the Holders of such Claims retain the liens securing such
22 claims, whether the property subject to such liens is retained by the Debtor or transferred to another
23 entity, to the extent of the Allowed amount of such Claims, and each Holder of a Claim receives
24 deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the
25 Effective Date of the Plan, of at least the value of such Holder’s interest in the Estate’s interest in
26 such property; (ii) for the sale of any property that is subject to the liens securing such Claims, free
27 and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the
28 realization by such Holders of the indubitable equivalent of such Claims.

1 **b. Unsecured Claims**

2 Either (i) each Holder of an Impaired Unsecured Claim receives or retains under the Plan
3 property of a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and
4 Interests that are junior to the Claims of the dissenting Class will not receive any property under the
5 Plan.

6 **c. Interests**

7 Either (i) each Interest Holder will receive or retain under the Plan property of a value equal
8 to the greater of (y) the fixed liquidation preference or redemption price, if any, of such Interests;
9 (z) the value of the Interests, or (ii) the holders of Interests that are junior to the Interests will not
10 receive any property under the Plan.

11 THE DEBTOR BELIEVES THAT THE PLAN MAY BE CONFIRMED ON A
12 NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS
13 VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTOR WILL DEMONSTRATE
14 AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS
15 OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

16 **3. Feasibility**

17 The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the
18 liquidation, or the need for further financial reorganization of a debtor, unless such liquidation or
19 reorganization is proposed in the plan. The Plan contemplate that all Assets of the Debtor ultimately
20 will be liquidated, sold, transferred, abandoned, or otherwise disposed of, and all proceeds of the
21 Assets will be distributed to the Holders of Claims and, if and to the extent there is sufficient value,
22 Interest Holders pursuant to the terms of the Plan. Since no further financial reorganization of the
23 Debtor will be possible or is contemplated, the Debtor believes that the Plan meets the feasibility
24 requirement. In addition, subject to the discussion of "Risk Factors" set forth in Article VIII, the
25 Debtor believes that sufficient funds will exist at the Effective Date to make all payments required to
26 be made on said date under the Plan.

4. “Best Interests” Test

With respect to each Impaired Class of Claims and Interests, confirmation of the Plan requires that each such holder either (a) accepts the Plan, or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the holders of Allowed Claims and Allowed Interests in each Impaired Class would receive from the liquidation of the Debtor's Assets in the context of a chapter 7 liquidation case. In a chapter 7 liquidation, it is highly unlikely that there would be more money available for distribution to Creditors and Interest Holders than under the Plan, and as further discussed below, distributions to Creditors in a chapter 7 case would likely be materially delayed, given the substantial time that a chapter 7 trustee would require to become familiar with the Debtor's financial affairs, Assets and Causes of Action. As further set forth below, the Estate's administrative costs would likely be higher if the Case were converted to a chapter 7 proceeding because, among other things, (i) the chapter 7 trustee and his or her professionals and agents would incur substantial fees and costs in "getting up to speed" regarding the Debtor, and (ii) under section 326(a) of the Bankruptcy Code, a chapter 7 trustee is entitled to compensation based upon a percentage of all monies disbursed or turned over in the case to parties in interest (excluding the debtor) and thus, recovery to Creditors and Interest Holders would also be decreased by such cost. Accordingly, the Debtor believes that if Creditors and Interest Holders could or would receive anything in a chapter 7 liquidation, such Persons may be expected to receive smaller distributions pursuant to a chapter 7 liquidation than under the Plan.

XI. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtor has evaluated all alternatives to the Plan. After studying these alternatives, the Debtor has concluded that the Plan is the best alternative, and will maximize recoveries by parties in interest, assuming confirmation of the Plan.

Congress expressly permitted liquidating chapter 11 plans, and did not limit the kinds of plans that would satisfy section 1112(b). *See* 11 U.S.C. §§ 1123(b)(4), 1141(d)(3) (providing for liquidation under chapter 11); *see, e.g., In re Dominguez*, 51 F.3d 1502, 1507-08 (9th Cir. 1995)

1 (discussing liquidating plan standards for chapter 11 debtor); *In re T-H New Orleans L.P.*, 116 F.3d
2 790, 803 (5th Cir. 1997) (discussing elements of liquidating plan for chapter 11 debtor); *Rosenberg*
3 *Real Estate Equity Fund v. Air Beds (In re Air Beds, Inc.)*, 92 B.R. 419, 423 (9th Cir. BAP
4 1988)(liquidating plans allowed in chapter 11 cases); Ali M.M. Mojdehi and Janet Dean Gertz, *The*
5 *Implicit “Good Faith” Requirement In Chapter 11 Liquidations: A Rule In Search of a Rationale?*,
6 *ABI Law Review*, Vol. 14, 143, at 152 (Noting that “there has been general judicial recognition of
7 liquidating reorganizations since 1944,” which is now codified in section 1123 of the Bankruptcy
8 Code.).

9 Among other things, the administrative costs associated with converting the Case to a chapter
10 7 liquidation would be higher than if the Debtor’s Assets were liquidated pursuant to the Plan. See
11 Exhibit B (Liquidation Analysis). The Debtor believes that the Plan fairly adjusts the rights of
12 various Classes of Creditors and Interest Holders consistent with the distribution scheme embodied
13 in the Bankruptcy Code and enables such Persons to realize the most possible under the
14 circumstances. In a chapter 7 liquidation, holders of Allowed Claims receive distributions based on
15 the liquidation or collection of the Debtor’s assets. Such assets would include the same assets being
16 sold or collected under the Plan – or which have already been sold or collected during the Chapter 11
17 Case. However, the net proceeds from the collection and sale of property of the Estate available for
18 distribution to Creditors would be reduced by the commission payable to the chapter 7 trustee and
19 the trustee’s attorneys and accounting fees, as in addition to the administrative costs of the
20 Chapter 11 case.

21 The Debtor has few remaining assets to reduce to Cash, and those are primarily accounts
22 receivable. Therefore, the Debtor has already absorbed the costs of operating or winding down the
23 Debtor’s business to realize upon these and other assets. In a chapter 7 case, the trustee would be
24 entitled to seek a sliding scale commission based upon the funds distributed by such trustee to
25 Creditors, even though the Debtor has already accumulated the funds and the Estate has already
26 incurred the expense associated with generating those funds or will shortly and inevitably incur
27 them. Although under section 326 of the Bankruptcy Code the trustee’s compensation is capped by
28 this sliding scale, and the trustee should be required to demonstrate the reasonableness of his or her

1 commissions in relation to work actually performed or results obtained, the Debtor cannot predict
2 whether the trustee will seek or obtain a straight commission based solely on distributions or some
3 lesser amount. Nonetheless, whatever the amount of compensation for a trustee, there is a
4 reasonable likelihood that Creditors would “pay again” for the funds accumulated by the Debtor
5 because the chapter 7 trustee would be entitled to receive a commission in some amount for
6 distributing the funds “handed over” to the trustee by the Debtor.

7 In addition, a chapter 7 trustee would employ legal counsel and perhaps accountants that
8 would add additional administrative expenses and would be paid ahead of Allowed General
9 Unsecured Creditors. The Debtor already has legal counsel that is knowledgeable about this case
10 and the legal issues surrounding the Assets of the Estate. The Debtor also has its own accounting
11 and administrative personnel who are best qualified to resolve outstanding claims and issues related
12 to medical coverage. The invaluable advice of the Committee -- which will continue to supervise
13 the Liquidating Trustee -- would be lost. The costs of familiarizing a trustee, new counsel, and
14 perhaps new staff with issues relating to the Case will also increase the administrative expenses that
15 are paid ahead of unsecured creditors.

16 It must also be noted that the accounting related to the Debtor’s business was complex and its
17 claims adjudication process will remain complex. Arcane matters of accounting and account
18 reconciliation related to royalty payments and obligations are best handled by the Debtor’s own
19 experienced staff. These persons are especially important because of their knowledge of the Debtor
20 and their collective memory of events and issues that cannot easily be accessed by a trustee reading
21 “cold” records. In addition, there is no assurance the staff would remain available in a chapter 7
22 liquidation. Several critical employees remain (or make themselves available on an hourly basis) out
23 of loyalty to the Debtor.

24 Because the Plan is a common fund plan (i.e., a plan that places all of the funds accumulated
25 or collected by the Debtor into a common fund to be shared in by all General Unsecured Creditors
26 holding Allowed Claims), by receiving its Pro Rata Share of the Net Plan Proceeds, all General
27 Unsecured Creditors will receive under the Plan proposed by the Debtor property of a value that is
28 not less than the amount such Creditors would receive in a chapter 7 case. But the Plan proposed by

1 the Debtor presents a better alternative to Creditors than a chapter 7 liquidation because the Debtor
2 can realize upon their own assets more quickly and cheaply than a trustee who is unfamiliar with the
3 Debtor's business and its assets and liabilities.

4 Generally, liquidation under chapter 7 is not faster or less expensive than liquidation under
5 chapter 11. To the contrary, experts who have studied the issue have conclusively debunked that
6 myth, stating that "Chapter 7 liquidations appear to be no faster or cheaper ... than Chapter 11
7 reorganizations. However, Chapter 11 seems to preserve assets better, thereby allowing creditors to
8 recover relatively more." Arturo Bris, Ivo Welch, and Ning Zhu, *The Costs of Bankruptcy:
9 Chapter 7 Liquidation versus Chapter 11 Reorganization*, The Journal of Finance, Vol. LXI, No. 3,
10 pp. 1253-1303 (June 2006).²² This study concludes that the typical chapter 7 case has a more
11 detrimental impact on the value of assets than the typical chapter 11 case. In other words, they
12 conclude that the value of assets declines more in a chapter 7 case than in a chapter 11 case, which
13 can only result in a lower distribution for creditors. *Id.* at 1264. They also note that "the typical
14 chapter 7 case takes 2 years to unwind" and that this is virtually the same amount of time as the
15 average chapter 11. *Id.* at 1266, 1270. Particularly noteworthy is their conclusion that "conversions
16 from chapter 11 to chapter 7 take longer" than pure cases. *Id.* at 1271. Further, they conclude that
17 the "median expense ratio in Chapter 7 is a slightly higher 2.5% than the 1.9% in Chapter 11." *Id.* at
18 1279. In other words, they conclude that Chapter 7 cases cost more than chapter 11 cases (although
19 they caution that the difference is not "statistically significant"). They further conclude that
20 "Chapter 11 unequivocally seems better for creditors from the perspective of total recovery rate"
21 which they conclude is based on the advantages "of the [chapter 11] procedure itself" that results in
22 that recovery rate. *Id.* at 1290. In sum, these experts conclude: "Chapter 7 seems to offer few
23 advantages: It takes almost as long to resolve, requires similar fees, and in the end provides creditors
24 with lower recovery rates . . . than a comparable Chapter 11 procedure." *Id.* at 1301.

25 Experienced bankruptcy attorneys have recognized that there are logical reasons why
26 chapter 11 cases produce better results than chapter 7 cases: "Indeed, there are many advantages of a
27

28 ²² This article is available on the internet at many websites, including:
<http://welch.econ.brown.edu/academics/journalcopy/2006-jf.pdf>.

chapter 11 liquidation over a chapter 7 liquidation. First, chapter 11 provides additional flexibility, with less rigid procedures than those found in chapter 7. Second, in a chapter 11 liquidation, preexisting management may remain in place to conduct the liquidation, which helps to maximize value by virtue of management's historical knowledge of the business and familiarity with the assets. Additionally, chapter 11 has distinct advantages where third-party interests must be protected. . . . [F]acilitators for collective action are absent . . . from chapter 7 . . . procedures." Mojdehi and Gertz, *supra*, at 153.

Thus, "the inquiry in a chapter 11 liquidation should more properly focus on the liquidation purpose of the filing and thus be subject to the same standard of review as is applicable in a chapter 7 liquidation." *Id.* at 154. In other words, the question should not be whether reorganization is the goal of the proceeding as opposed to liquidation, but whether a liquidation under chapter 11 is advantageous to creditors over liquidation in chapter 7.

It is also anticipated that a chapter 7 liquidation would result in a significant delay in the payments to Creditors. Among other things, a chapter 7 case would trigger a new bar date for filing Claims that would be more than 90 days following conversion of the Case to chapter 7. Fed. R. Bankr. P. 3002(c). Hence, a chapter 7 liquidation would not only delay distribution but raise the prospect of additional claims that were not asserted in the Chapter 11 Case.

Based on the foregoing, the Debtor and, subsequently, the Liquidating Trustee, under the supervision of the Delta Trust Committee, is in the best position to bring the greatest return to Creditors. Because under the circumstances here it will be advantageous to creditors to finish the liquidation in chapter 11, the Creditors should vote in favor of the Plan.

XII.
CERTAIN U.S. FEDERAL TAX
CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Holders of General Unsecured Claims. The following summary does not address the federal income tax consequences to Holders of any other Claims and Claims that are not Impaired by the Plan, or to Interest Holders. The following summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below. Further, any discussion of the Delta Liquidating Trust and the powers, obligations and/or actions of the Litigating Trustee that may be set forth below is subject to the applicable provisions of the Plan and the Delta Liquidating Trust Agreement; if and to the extent that there is any inconsistency between such discussion on the one hand and the Plan and the Delta Liquidating Trust Agreement on the other hand, the terms of the latter documents shall control. Creditors and Interest Holders should read the Plan and the Delta Liquidating Trust Agreement in their entirety.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS or a reviewing court might adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, investors in pass-through entities, Holders that hold Claims as part of a hedge, straddle or conversion, Holders who acquired their Claims as compensation, and Holders who do not hold their Claims as capital assets).

1 Accordingly, the following summary of certain federal income tax consequences is for
2 informational purposes only and is not a substitute for careful tax planning and advice based upon
3 the individual circumstances pertaining to a holder of a claim or interest. All holders of claims or
4 interests are urged to consult their own tax advisors for the federal, state, local and other tax
5 consequences applicable under the plan.

6 IRS Circular 230 notice: to ensure compliance with requirements imposed by the IRS, please
7 be advised that any written U.S. tax advice contained in this disclosure statement (including any
8 attachment) is not intended or written to be used, and cannot be used, for the purpose of (1) avoiding
9 penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another
10 party any transaction or matter addressed herein.

11 **B. Consequences to the Debtor**

12 In general, the Code provides that a debtor in a bankruptcy case is not taxable on cancellation
13 of debt ("COD") income, but must reduce certain of its tax attributes (such as its net operating loss
14 (NOL) carryforwards and its tax basis in its assets) by the amount of COD income. COD income
15 results when the amount of debt discharged exceeds the consideration given in exchange therefor,
16 and is equal to such excess amount. Notwithstanding the absence of a bankruptcy discharge, it is
17 likely that a cancellation of debt will be deemed to have occurred on the Effective Date. Any
18 reduction in tax attributes does not occur, however, until the end of the taxable year or, in the case of
19 asset basis reduction, the first day of the taxable year following the taxable year in which the COD is
20 incurred.

21 As discussed below, under the Plan, the Debtor will be treated for U.S. federal income tax
22 purposes as transferring the Assets directly to the Holders of Allowed General Unsecured Claims,
23 who will then be treated as transferring such assets to the Delta Liquidating Trust. Accordingly, the
24 Debtor's transfer of Assets may result in the Debtor recognizing gain or income, depending in part
25 on the value of such assets on the Effective Date and the adjusted basis of such assets on the
26 Effective Date.

1 **C. Consequences to Holders of General Unsecured Claims**

2 **1. Recognition of Gain or Loss Generally**

3 Pursuant to the Plan, on the Effective Date, each Holder of a General Unsecured Claim
4 (Class 3) will receive an allocated Delta Liquidating Trust Interest which is a beneficial interest in
5 the Delta Liquidating Trust, entitling the holder thereof to distributions from the Delta Liquidating
6 Trust as provided for in the Plan and in the Delta Liquidating Trust Agreement. Except to the extent
7 that the holder of any such Claim and beneficial interest agrees to a different treatment, said Persons
8 will receive on account of its Allowed General Unsecured Claim and Delta Liquidating Trust
9 Interest, in full and complete satisfaction thereof, from the Delta Liquidating Trust, one or more Pro
10 Rata Distributions of the net Delta Liquidating Trust Proceeds based upon the amount of the
11 respective Holder's Allowed General Unsecured Claim. In general, each holder of an Allowed
12 Claim will recognize gain or loss in an amount equal to the difference between (i) the sum of the
13 amount of any Cash and the fair market value of any other property (including, as discussed below,
14 its undivided interest in the Delta Trust Assets) that such holder receives in satisfaction of its Claim
15 (other than in respect of any Claim for accrued but unpaid interest, and excluding any portion
16 required to be treated as imputed interest due to the post-Effective Date Distribution of such
17 consideration upon the resolution of Disputed Claims), and (ii) such holder's adjusted tax basis in its
18 Claim (other than any Claim for accrued but unpaid interest). For a discussion of the U.S. federal
19 income tax consequences of any Claim for accrued interest, see Section XIII.B.2 below.

20 As discussed below, the Delta Liquidating Trust has been structured to qualify as a "grantor
21 trust" for U.S. federal income tax purposes. Accordingly, each holder of an Allowed Claim
22 receiving a beneficial interest in the Delta Liquidating Trust will be treated for U.S. federal income
23 tax purposes as directly receiving and as a direct owner of its allocable percentage of the Delta Trust
24 Assets (see section XIII.B.3 below). As set forth in the Delta Liquidating Trust Agreement, as soon
25 as practicable after the Effective Date, and thereafter as may be required, the Liquidating Trustee,
26 under the supervision of the Delta Trust Committee, will (if reasonably deemed necessary or
27 desirable by the Liquidating Trustee, under the supervision of the Delta Trust Committee) make or
28 have caused to be made a good faith valuation of the Delta Trust Assets, and all parties, including

1 the Holders of General Unsecured Claims, must consistently use such valuation for all federal
2 income tax purposes.

3 Due to the possibility that a holder of an Delta Liquidating Trust Interest may receive more
4 than one Distribution subsequent to the Effective Date (due to the subsequent disallowance of certain
5 Disputed Claims or unclaimed Distributions), the imputed interest provisions of the Code may apply
6 to treat a portion of such later Distributions to such holders as imputed interest. In addition, it is
7 possible that any loss realized by a holder in satisfaction of an Allowed Claim in Class 3 may be
8 deferred until all subsequent Distributions relating to Disputed Claims are determinable, and that a
9 portion of any gain realized may be deferred under the "installment method" of reporting. Holders
10 are urged to consult their tax advisors regarding the possibility for deferral, and the potential ability
11 to elect out of the installment method of reporting any gain realized in respect of their Claims.

12 After the Effective Date, any amount a holder receives as a Distribution from the Delta
13 Liquidating Trust in respect of its beneficial interest therein (other than as a result of the subsequent
14 disallowance of Disputed Claims) should not be included for federal income tax purposes in the
15 holder's amount realized in respect of its Allowed Claim, but should be separately treated as a
16 distribution received in respect of such holder's beneficial (ownership) interest in the Delta
17 Liquidating Trust.

18 Where a holder recognizes gain or loss in respect of its Claim, the character of such gain or
19 loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined
20 by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital
21 asset in the hands of the holder and how long it has been so held, whether the holder had acquired
22 the Claim at a market discount, and whether and to what extent the holder had previously claimed a
23 bad debt deduction. A holder that purchased its Claim from a prior holder at a market discount may
24 be subject to the market discount rules of the Code. Under those rules, assuming that the holder has
25 made no election to amortize the market discount into income on a current basis with respect to any
26 market discount instrument, any gain recognized on the exchange of such Claim (subject to a de
27 minimis rule) generally would be characterized as ordinary income to the extent of the accrued
28 market discount on such Claim as of the date of the exchange.

1 In general, a holder's tax basis in any beneficial interest received (and undivided interest in
2 Delta Trust Assets deemed owned) will equal the fair market value of its proportionate share of the
3 Delta Trust Assets on the Effective Date. The holding period for such assets generally will begin the
4 day following the Effective Date.

5 **2. Distributions in Payment of Accrued But Unpaid Interest**

6 Distributions to any Holder of an Allowed Claim will be allocated first to the original
7 principal portion of such Claim as determined for federal income tax purposes, and then, to the
8 extent the consideration exceeds such amount, to the portion of such Claim representing accrued but
9 unpaid interest. However, there is no assurance that the IRS would respect such allocation for
10 federal income tax purposes.

11 To the extent a holder of debt receives an amount of Cash or property in satisfaction of
12 interest accrued during its holding period, such holder generally recognizes taxable interest income
13 in such amount (if not previously included in the holder's gross income). Conversely, a holder
14 generally recognizes a deductible loss to the extent any accrued interest claimed was previously
15 included in its gross income and is not paid in full. Each holder is urged to consult its tax advisor
16 regarding the allocation of consideration and the deductibility of unpaid interest for U.S. federal
17 income tax purposes.

18 **3. Tax Treatment of the Delta Liquidating Trust and Holders of**
19 **Beneficial Interests Therein**

20 On the Effective Date, the Delta Liquidating Trust will be established for the benefit of
21 Holders of Allowed Unsecured Claims. The Delta Liquidating Trust is intended to qualify as a
22 liquidating trust for federal income tax purposes. In general, a liquidating trust is not a separate
23 taxable entity but rather is treated for federal income tax purposes as a "grantor" trust (i.e., a pass-
24 through entity). However, merely establishing a trust as a liquidating trust does not ensure that it
25 will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue
26 Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the
27 grantor trust status of a liquidating trust under a chapter 11 plan. The Delta Liquidating Trust has
28 been structured with the intention of complying with such general criteria. Pursuant to the Plan, and

1 in conformity with Revenue Procedure 94-45, all parties (including the Debtor, the D Delta Trust
2 Committee, the Liquidating Trustee, and the Beneficiaries of the Delta Liquidating Trust) are
3 required for federal income tax purposes to treat the Delta Liquidating Trust as a grantor trust of
4 which the Persons receiving interests therein are the owners and grantors. The following discussion
5 assumes that the Delta Liquidating Trust will be so respected for U.S. federal income tax purposes.
6 However, no ruling has been requested from the IRS and no opinion of counsel has been requested
7 concerning the tax status of the Delta Liquidating Trust as a grantor trust. Accordingly, there can be
8 no assurance that the IRS would not take a contrary position. If the IRS were to challenge
9 successfully such classification, the federal income tax consequences to the Delta Liquidating Trust
10 and the Beneficiaries could vary from those discussed herein.

11 For all U.S. federal income tax purposes, all parties (including the Debtor, the Delta Trust
12 Committee, the Liquidating Trustee, and the Beneficiaries) must treat the transfer of the Delta Trust
13 Assets to the Delta Liquidating Trust, in accordance with the terms of the Plan and the Delta
14 Liquidating Trust Agreement, as a transfer of such Delta Trust Assets directly to the Beneficiaries,
15 followed by such Beneficiaries' transfer of the Delta Trust Assets to the Delta Liquidating Trust.
16 Consistent therewith, all parties must treat the Delta Liquidating Trust as a grantor trust of which the
17 Beneficiaries are the owners and grantors. Thus, such Beneficiaries will be treated as the direct
18 owners of their respective undivided interests in the Delta Trust Assets for all U.S. federal income
19 tax purposes. Each such Person will have a tax basis in its proportionate share of the Delta Trust
20 Assets deemed owned equal to the fair market value thereof on the Effective Date. As set forth in
21 the Delta Liquidating Trust Agreement, as soon as practicable after the Effective Date, and thereafter
22 as may be required, the Liquidating Trustee, under the supervision of the Delta Trust Committee,
23 will (if reasonably deemed necessary or desirable by the Liquidating Trustee, under the supervision
24 of the Delta Trust Committee) make or have caused to be made a good faith valuation of the Delta
25 Trust Assets, and all parties, including the Beneficiaries, must consistently use such valuation for all
26 federal income tax purposes.

27 Accordingly, except as discussed below (in connection with pending Disputed Claims), each
28 holder of a General Unsecured Claim receiving a beneficial interest in the Delta Liquidating Trust

1 will be required to report on its U.S. federal income tax return its allocable share of any income,
2 gain, loss, deduction, or credit recognized or incurred by the Delta Liquidating Trust, in accordance
3 with its relative beneficial interest.²³ The character of items of income, deduction, and credit to any
4 holder and the ability of such holder to benefit from any deduction or losses may depend on the
5 particular situation of such holder.

6 The U.S. federal income tax reporting obligations of a holder is not dependent upon the Delta
7 Liquidating Trust distributing any Cash or other proceeds. Therefore, a holder may incur a federal
8 income tax liability with respect to its allocable share of the income of the Delta Liquidating Trust
9 regardless of the fact that holder has not received any prior or concurrent Distribution. Other than in
10 respect of Cash retained on account of Disputed Claims and subsequently distributed, the Delta
11 Liquidating Trust's Distribution of Cash to Beneficiaries generally will not be taxable to said
12 Beneficiaries because they already are regarded for federal income tax purposes as owning the
13 underlying Delta Trust Assets.

14 Subject to the Delta Liquidating Trust Agreement, absent definitive guidance from the IRS or
15 a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury
16 Regulations, the receipt by the Delta Trust Committee or the Liquidating Trustee of a private letter
17 ruling if the Delta Trust Committee or the Liquidating Trustee so requests one, or the receipt of an
18 adverse determination by the IRS upon audit if not contested by the Delta Trust Committee), the
19 Liquidating Trustee, under the supervision of the Delta Trust Committee, will:

20 (i) treat all Delta Trust Assets allocable to, or retained on account of, Disputed Claims,
21 as a discrete trust for federal income tax purposes, consisting of separate and independent shares to
22 be established in respect of each Disputed Claim, in accordance with the trust provisions of the Code
23 (sections 641 et seq. of the Code);

24
25 ²³ Among other notices and information that may be provided by the Liquidating Trustee, under the supervision of
26 the Delta Trust Committee, in accordance with the Plan and Delta Liquidating Trust Agreement, pursuant to the Delta
27 Liquidating Trust Agreement, following the end of each calendar year, the Liquidating Trustee, under the supervision of
28 the Delta Trust Committee, will promptly submit to each Beneficiary appearing in its records during such year a separate
statement setting forth the information necessary for such Beneficiary to determine its share of items of income, gain,
loss, deduction, or credit and will instruct each Beneficiary to report such items on its federal income tax returns (and
state and local tax returns, as applicable).

1 (ii) treat as taxable income or loss of this separate trust with respect to any given taxable
2 year the portion of the taxable income or loss of the Delta Liquidating Trust that would have been
3 allocated to the holders of such Disputed Claims had such Claims been Allowed on the Effective
4 Date (but only for the portion of the taxable year with respect to which such Claims are unresolved);

5 (iii) treat as a distribution from this separate trust any increased amounts distributed by the
6 Delta Liquidating Trust as a result of any Disputed Claim resolved earlier in the taxable year, to the
7 extent such distribution relates to taxable income or loss of this separate trust determined in
8 accordance with the provisions hereof, and

9 (iv) to the extent permitted by applicable law, report consistently for state and local
10 income tax purposes.

11 In addition, pursuant to the Delta Liquidating Trust Agreement, all Beneficiaries are required
12 to report consistently with such treatment. Accordingly, subject to issuance of definitive guidance,
13 the Liquidating Trustee, under the supervision of the Delta Trust Committee, will report on the basis
14 that any amounts earned by this separate trust and any taxable income of the Delta Liquidating Trust
15 allocable to it are subject to a separate entity level tax, except to the extent such earnings are
16 distributed during the same taxable year. Any amounts earned by or attributable to the separate trust
17 and distributed to a Beneficiary during the same taxable year will be includible in such Beneficiary's
18 gross income.

19 **4. Withholding**

20 All Distributions to Holders of Allowed General Unsecured Claims are subject to any
21 applicable tax withholding, including employment tax withholding. Under federal income tax law,
22 interest, dividends, and other reportable payments may, under certain circumstances, be subject to
23 "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding
24 generally applies if the holder (a) fails to furnish its social security number or other taxpayer
25 identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or
26 dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under
27 penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup
28 withholding. Backup withholding is not an additional tax but merely an advance payment, which

1 may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from
2 backup withholding, including, in certain circumstances, corporations and financial institutions.

3 THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL
4 PURPOSES ONLY. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO
5 CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL
6 AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

7
8 **XIII.**
SECURITIES LAW MATTERS

9 **A. In General**

10 The Plan provides for the establishment of the Delta Liquidating Trust and for the issuance of
11 beneficial interests therein. Beneficial interests in trusts may be deemed to be “securities” under
12 applicable federal and state securities laws. However, as discussed herein, the Debtor does not
13 believe that either the Delta Liquidating Trust Interests or the Delta Subordinated Liquidating Trust
14 Interests (collectively, “Trust Interests”) constitute “securities” for purposes of applicable
15 nonbankruptcy law. Alternatively, even if the Trust Interests constitute “securities,” the Debtor
16 believes that these would be exempt from registration pursuant to section 1145(a)(1) of the
17 Bankruptcy Code. Finally, the Debtor does not believe that the Investment Company Act of 1940,
18 as amended (the “Investment Company Act”) is applicable in that the Delta Liquidating Trust will
19 not be, and is not controlled by, an “investment company” for purposes of that Act.

20 **1. Initial Issuance**

21 Unless an exemption is available, the offer and sale of a security generally is subject to
22 registration with the United States Securities and Exchange Commission (the “SEC”) under Section
23 5 of the Securities Act of 1933, as amended (the “Securities Act”). In the opinion of the Debtor, the
24 Trust Interests do not constitute “securities” within the definition of Section 2(11) of the Securities
25 Act and corresponding definitions under state securities laws and regulations (“Blue Sky Laws”) because
26 generally they are non-transferable. Accordingly, the Trust Interests should be issuable in
27 accordance with the Plan without registration under the Securities Act or any Blue Sky Law.

28 Alternatively, in the event that the Trust Interests are deemed to constitute securities,
section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of

1 reorganization from registration under the Securities Act and Blue Sky Laws if three principal
2 requirements are satisfied:

3 A. The securities are offered and sold under a plan of reorganization and are
4 securities of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of
5 a successor to the debtor under the plan;

6 B. The recipients of the securities hold a pre-petition or administrative claim
7 against the debtor or an interest in the debtor; and

8 C. The securities are issued entirely in exchange for recipient's claim against or
9 interest in the debtor, or principally in such exchange and partly for cash or property.

10 If and to the extent that the Trust Interests may constitute securities, the Debtor believes that
11 these beneficial interests issued in respect of Allowed Class 3 and Class 4 Claims will qualify as
12 securities "of the debtor ... or of a successor to the debtor" pursuant to section 1145(a)(1). In
13 addition, the Trust Interests will be issued entirely in exchange for Claims. Thus, the Debtor
14 believes that the issuance of the Trust Interests pursuant to the Plan will satisfy the applicable
15 requirements of section 1145(a)(1) of the Bankruptcy Code, and that such issuance should be exempt
16 from registration under the Securities Act and any applicable Blue Sky Law.

17 The Debtor believes that its reliance upon the foregoing exemptions in respect of the issuance
18 of the Trust Interests is consistent with positions taken by the SEC with respect to similar
19 transactions and arrangements by other chapter 11 debtors in possession. However, the Debtor has
20 not sought any "no-action" letter by the SEC with respect to any such matters, and therefore no
21 assurance can be given regarding the availability of any exemptions from registration with respect to
22 any securities, if any, issued pursuant to the Plan.

23 **2. Resales**

24 The Trust Interests are subject to transfer restrictions under the terms of the Delta Liquidating
25 Trust Agreement. The Trust Interests cannot be assigned or transferred other than by death, by
26 operation of law or otherwise in compliance with the securities laws (as more specifically set forth in
27 Section 2.6 of the Delta Liquidating Trust Agreement), and will not be represented by certificates.

1 **3. Exchange Act Compliance**

2 Section 12(g) of the Exchange Act applies only to a company that has both (a) total assets in
3 excess of \$10 million and (b) a class of equity securities held by more than 500 persons as of the end
4 of its fiscal year. The Delta Liquidating Trust does not have either total assets in excess of \$10
5 million nor a class of equity securities held by more than 500 persons, so it is not be required to
6 register under Section 12(g) of the Exchange Act. The Debtor has been advised that the staff of the
7 SEC has issued no-action letters with respect to the non-necessity of Exchange Act registration of a
8 bankruptcy plan trust when the following are true:

9 A. the beneficial interests in the trust are not represented by certificates or, if they
10 are, the certificates bear a legend stating that the certificates are transferable only upon death or by
11 operation of law;

12 B. the trust exists only to effect a liquidation and will terminate within a
13 reasonable period of time; and

14 C. the trust will issue annual unaudited financial information to all beneficiaries.

15 Based on the foregoing, the Debtor believes that the Delta Liquidating Trust will not
16 be subject to registration under the Exchange Act. However, the views of the SEC on the matter
17 have not been sought by the Debtor and, therefore, no assurance can be given regarding this matter.

18 **4. Investment Company Act**

19 As the assets of the Delta Liquidating Trust do not consist of securities issued by the Debtor
20 or any other person, and this trust is organized as a liquidating Person in the process of liquidation,
21 the Debtor does not believe that the Delta Liquidating Trust falls within the definition of “investment
22 company” in any manner requiring such entity to register under the Investment Company Act.

23 **B. Compliance if Required**

24 Notwithstanding the preceding discussion, if the Liquidating Trustee determines, under the
25 supervision of the Delta Trust Committee and with the advice of counsel, that the Delta Liquidating
26 Trust is required to comply with the registration and reporting requirements of the Exchange Act or
27 the Investment Company Act, then prior to the registration of the Liquidating Trust under the
28 Exchange Act or the Investment Company Act, the Delta Trust Committee shall seek to amend the

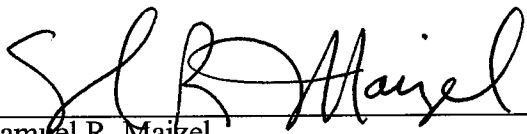
Delta Liquidating Trust Agreement to make such changes as are deemed necessary or appropriate to ensure that the Delta Liquidating Trust is not subject to registration or reporting requirements of the Exchange Act, or the Investment Company Act, and the Delta Liquidating Trust Agreement, as so amended, shall be effective after notice and opportunity for a hearing provided to the Post Effective Date Service List, and the entry of a Final Order of the Bankruptcy Court. If the Delta Liquidating Trust Agreement, as amended, is not approved by Final Order of the Bankruptcy Court or the Bankruptcy Court otherwise determines in a Final Order that registration under one or both of the Exchange Act or Investment Company Act is required, then the Delta Liquidating Trust shall take such actions as may be required to satisfy the registration and reporting requirements of the Exchange Act and/or the Investment Company Act, as applicable.

XIV.
RECOMMENDATION

The Debtor recommends that all Creditors and Interest Holders receiving a Ballot vote in favor of the Plan. The Debtor believes that the Plan maximizes recoveries to all Creditors and Interest Holders and, thus, is in their best interests. The Plan as structured, among other things, allows said parties to participate in distributions in excess of those that would be available if the Debtor were liquidated under chapter 7 of the Bankruptcy Code, and minimizes delays in recoveries to all Creditors and Interest Holders.

Dated: April 25, 2008

PACHULSKI STANG ZIEHL & JONES LLP



Samuel R. Maizel
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EXHIBIT A
The Liquidating Plan

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Delta Entertainment Corporation

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re

DELTA ENTERTAINMENT
CORPORATION,

Debtor

Case No.: LA-07-16302-EC

Chapter 11

**DEBTOR'S FIRST AMENDED
LIQUIDATING PLAN OF
REORGANIZATION UNDER CHAPTER
11 OF THE BANKRUPTCY CODE**

Confirmation Hearing:

Date: June 24, 2008
Time: 2:00 p.m. Pacific
Location: Courtroom 1639
255 East Temple St.
Los Angeles, California
Judge: The Honorable Ellen Carroll

00083

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I. DEFINITIONS

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

“Administrative Claim” means a claim for administrative costs or expenses that are allowable under 11 U.S.C. §503(b) or 28 U.S.C. § 1930. These costs or expenses may include: (a) actual, necessary costs and expenses of preserving the Debtor’s Estate after the Petition Date; (b) Ordinary Course Administrative Claims; (c) Professional Fee Claims; (d) Administrative Tax Claims; and (e) U.S. Trustee Fees.

“Administrative Claim Bar Date” means: (a) with respect to Administrative Claims relating to or arising out of the period between the Petition Date through and including the date the Court enters the Disclosure Statement Order (or such other Postpetition date selected by the Bankruptcy Court) the First Administrative Claim Bar Date Order; (b) with respect to Administrative Claims relating to or arising out of any period after the date the Court enters the Disclosure Statement Order (or such other Postpetition Date selected by the Bankruptcy Court pursuant to the First Administrative Claim Bar Date Order) through and including the Effective Date, the Second Administrative Claim Bar Date; provided, however, that the Administrative Claim Bar Date for Professional Fee Claims is the date set forth in Section IV.A.1(f) of the Plan.

“Administrative Claim Objection Deadline” means the deadline set forth in Section IV.A.1 hereof.

“Administrative Claims Reserve” means a Cash reserve which shall be maintained by the Disbursing Agent, as directed by either the Debtor, with the consent of the Committee prior to the Effective Date, or the Liquidating Trustee, under the supervision of the Delta Trust Committee after the Effective Date, in the estimated amount necessary to pay all Administrative Claims outstanding as of the Effective Date, including Professional Fee Claims and Ordinary Course Administrative Claims, in full. The Debtor, with the consent of the Committee, or the Bankruptcy Court, shall determine the estimated amount necessary to fund the Administrative Claims Reserve.

1 **“Administrative Tax Claim”** means a Claim other than an Allowed Secured Claim that a
2 government unit asserts against the Debtor either for taxes or for related interest or penalties for any
3 tax period that—in whole or in part—falls within the period beginning on the Petition Date and
4 ending on the Effective Date.

5 **“Allowed Administrative Claim”** means an Administrative Claim that is allowed as set
6 forth in Section IV.A.1 hereof or otherwise by a Final Order.

7 **“Allowed Claim”** or **“Allowed Interest”** means a Claim or Interest, other than an
8 Administrative Claim, to the extent that:

9 (a) Either: (1) a proof of claim or proof of interest was timely filed prior to the
10 Claims Bar Date; or (2) a proof of claim or proof of interest is deemed timely filed either
11 under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and

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

14 Any portion of a Claim that is satisfied or released during the Case is not an Allowed Claim.

15 **“Allowed Class ‘***’ Claim”** means an Allowed Claim classified in the specified Class.

16 **“Assets”** means all assets of the Debtor’s Estate including “property of the estate” as
17 described in section 541 of the Bankruptcy Code.

18 **“Avoidance Action”** means an adversary proceeding, lawsuit or other proceeding with
19 respect to Causes of Action arising under, relating to, or similar to sections 502(d), 506, 510, 542,
20 543, 544, 545, 547, 548, 549, 550, 551, 552 or 553 of the Bankruptcy Code, or any fraudulent
21 conveyance, fraudulent transfer or preference laws, or any Cause of Action arising under, or
22 relating to, any similar state law or federal law that constitutes property of the Estate under
23 section 541 of the Bankruptcy Code, whether or not an action is initiated on or before the Effective
24 Date.

25 **“Ballot”** means the Ballot for accepting or rejecting the Plan.

26 **“Ballot Date”** means the date set by the Bankruptcy Court by which all Ballots with respect
27 to the Plan must be received.
28

1 **“Bankruptcy Code”** means the United States Bankruptcy Code, as set forth in 11 U.S.C.
2 §§ 101-1530, as amended.

3 **“Bankruptcy Court”** means the United States Bankruptcy Court for the Central District of
4 California, Los Angeles Division.

5 **“Bankruptcy Rules”** means, collectively, (a) the Federal Rules of Bankruptcy Procedure,
6 as amended from time to time, and (b) the Local Bankruptcy Rules applicable to cases pending
7 before the Bankruptcy Court, as now in effect or hereafter amended.

8 **“Bankruptcy Schedules”** means the Schedules of Assets and Liabilities and Statement of
9 Financial Affairs filed by the Debtor in the Case, as may have been amended from time to time.

10 **“Business Day”** means any day other than a Saturday, Sunday or a legal holiday (as defined
11 in Bankruptcy Rule 9006(a)).

12 **“Case”** means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor
13 and bearing Case Number LA 07-16302-EC.

14 **“Cash”** means cash or cash equivalents including, but not limited to, bank deposits, checks
15 or other similar items.

16 **“Causes of Action”** means any and all claims, demands, rights, actions, Rights of Action,
17 causes of action and suits of the Debtor or the Estate, of any kind or character whatsoever, known
18 or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in
19 contract or in tort, at law or in equity or under any other theory of law, that the Debtor or the
20 Debtor’s Estate has or asserts or may have or assert against third parties, whether or not brought as
21 of the Effective Date, and which have not been settled or otherwise resolved by Final Order as of
22 the Effective Date, including but not limited to (1) rights of setoff, counterclaim or recoupment, and
23 claims on contracts or for breaches of duties imposed by law, (2) the right to object to claims or
24 interests, (3) such claims and defenses as fraud, mistake, duress and usury, (4) Avoidance Actions,
25 (5) claims for tax refunds and (6) claims to recover outstanding accounts receivable, and (7) any
26 other claims which may be asserted against third parties.

27 **“Claim”** means a claim — as the term “claim” is defined in section 101(5) of the
28 Bankruptcy Code — against the Debtor.

1 **"Claims Bar Date"** means December 28, 2007, which was the last date for filing Claims
2 against the Estate pursuant to the Court's Order entered on November 2, 2007 [Docket No. 62].

3 **"Claims Objection Deadline"** means the deadline for the Liquidating Trustee, under the
4 supervision of the Delta Trust Committee and parties in interest to file objections to Claims as set
5 forth in Section VII.B.3 hereof.

6 **"Class"** means a group of Claims or Interests as classified in Section IV.

7 **"Collateral"** means any property or interest in property of the Estate subject to a lien or
8 security interest that is not subject to avoidance under the Bankruptcy Code or otherwise invalid
9 under the Bankruptcy Code or applicable federal and/or state law.

10 **"Committee"** means the Official Committee of Unsecured Creditors appointed in the Case
11 by the Office of the U.S. Trustee for the Central District of California.

12 **"Confirmation"** means the entry of the Order by the Bankruptcy Court confirming the Plan
13 pursuant to section 1129 of the Bankruptcy Code.

14 **"Confirmation Date"** means the date on which the Bankruptcy Court enters the
15 Confirmation Order on its docket.

16 **"Confirmation Hearing"** means the hearing before the Court to consider the confirmation
17 of the Plan pursuant to section 1128(a) of the Bankruptcy Code, as such hearing may be continued
18 from time to time.

19 **"Confirmation Hearing Date"** means the first date on which the Bankruptcy Court holds
20 the Confirmation Hearing.

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

23 **"Court"** means the United States Bankruptcy Court for the Central District of California or
24 any other court that exercises jurisdiction over the Case.

25 **"Creditor"** means the Holder of a Claim against the Debtor.

26 **"Debtor"** means Delta Entertainment Corporation.

27 **"Delta Common Stock"** means the issued and outstanding shares of common stock of the
28 Debtor prior to the Effective Date, and all rights and interests arising thereunder, and all rights to

1 acquire Delta Common Stock pursuant to options, warrants, agreements, contracts, plans, employee
2 plans, or similar agreements or instruments, provided such rights are exercised on or prior to the
3 Effective Date.

4 **“Delta Liquidating Trust”** means that certain trust formed pursuant to the Plan,
5 Confirmation Order, and Delta Liquidating Trust Agreement, and created for Holders of Allowed
6 General Unsecured Claims under the Plan.

7 **“Delta Liquidating Trust Agreement”** means that certain “Liquidating Trust Agreement
8 and Declaration of Trust,” by and between, Delta Entertainment Corporation, the Delta Trust
9 Committee, and the Liquidating Trustee, to be entered into pursuant to the Plan and the
10 Confirmation Order, substantially in the form appended as an exhibit to the Disclosure Statement,
11 as may be amended from time to time.

12 **“Delta Liquidating Trust Interest”** means a beneficial interest in the Delta Liquidating
13 Trust entitling the holder thereof to the distribution from the Delta Liquidating Trust as provided for
14 in the Plan and in the Delta Liquidating Trust Agreement.

15 **“Delta Liquidating Trust Proceeds”** means any and all Cash, property and other proceeds
16 derived from the Delta Trust Assets.

17 **“Delta Subordinated Liquidating Trust Interest”** means a beneficial interest in the Delta
18 Liquidating Trust entitling the holder thereof to a distribution, if any, from the Delta Liquidating
19 Trust after distributions have been made in full to holders of Delta Liquidating Trust Interests as
20 provided for in the Plan, in the Delta Liquidating Trust Agreement, and any applicable order of the
21 Bankruptcy Court subordinating a Claim to the Allowed Class 3 Claims.

22 **“Delta Trust Assets”** mean all assets of the Debtor’s Estate, including Cash, non-cash
23 proceeds, Causes of Action, and Rights of Action, all of which shall be transferred or assigned to
24 the Delta Liquidating Trust, respectively, on the Effective Date of the Plan, free and clear of any
25 liens or claims that might otherwise have existed in favor of any party, minus the Cash used to
26 make the payments required to be made on the Effective Date pursuant to the Plan or used to fund
27 the Reserves required to be established on the Effective Date.
28

1 **“Delta Trust Committee”** means the Committee as it shall be reconstituted and function
2 after the Effective Date in accordance with Section VI.E hereof.

3 **“Disbursing Agent”** means the party appointed by the Liquidating Trustee to serve as the
4 Disbursing Agent or any successor Disbursing Agent which is appointed by the Liquidating Trustee
5 in accordance with the Delta Liquidating Trust Agreement, but not in its capacity as the Equity
6 Disbursing Agent. The Liquidating Trustee may and is expected to serve as Disbursing Agent.

7 **“Disclosure Statement”** means the disclosure statement relating to the Plan, including,
8 without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant
9 to section 1125 of the Bankruptcy Code.

10 **“Disclosure Statement Order”** means the Order entered by the Bankruptcy Court
11 approving the Disclosure Statement.

12 **“Disputed Claim”** means any Claim: (a) as to which a proof of claim has been filed and the
13 dollar amount of such Claim, respectively, is not specified in a fixed amount; (b) prior to the
14 deadline to object to such Claim, as to which a proof of claim has been filed and the dollar amount
15 of such Claim is specified in a fixed liquidated amount, the extent to which the stated amount of
16 such Claim exceeds the amount of such Claim listed in the Schedules; (c) prior to the deadline to
17 object to such Claim, as to which a proof of claim has been filed and such Claim is not included in
18 the Schedules; (d) with respect to a proof of claim that is filed or is deemed filed under Bankruptcy
19 Rule 3003(b)(1) and is listed as contingent, disputed or liquidated; (e) as to which an objection has
20 been filed or is deemed to have been filed pursuant to any order approving procedures for objecting
21 to Claims and such objection has neither been overruled nor been denied by a Final Order and has
22 not been withdrawn; or (f) with respect to an Administrative Claim, as to which an objection:
23 (1) has been timely filed (or the deadline for objection to such Administrative Claim has not
24 expired) and (2) has neither been overruled nor been denied by a Final Order and has not been
25 withdrawn; provided, however, that in each case, a Claim or Administrative Claim shall not be
26 deemed to be a Disputed Claim to the extent that the Delta Trust Committee, otherwise agrees with
27 any such Claim or Administrative Claim, and such Claim or Administrative Claim is Allowed under
28 the Bankruptcy Code or by Final Order, as applicable.

1 **“Disputed Interest”** means any Interest, as to which an objection: (a) has been timely filed
2 and (b) has neither been overruled nor been denied by a Final Order and has not been withdrawn.

3 **“Disputed Unsecured Claim Reserve”** means a Cash reserve which shall be maintained by
4 the Liquidating Trustee, under the supervision of the Delta Trust Committee, in the estimated
5 amount necessary to pay all Disputed Claims which are General Unsecured Claims (**“Disputed**
6 **Unsecured Claims”**) in accordance with the provisions of this Plan, if such Disputed Claims
7 become Allowed Claims.

8 **“Distribution(s)”** means any transfer under the Plan of Cash or other property or
9 instruments to either a Holder of an Administrative Claim or a Holder of an Allowed Claim.

10 **“Distribution Date(s)”** means the date(s) selected for making Distributions to Holders of
11 Allowed Class 3 Claims in accordance with Section IV.D hereof.

12 **“Effective Date”** means the date that is determined in accordance with Section VI.A hereof.

13 **“Equity Disbursing Agent”** means the party appointed by the Liquidating Trustee, under
14 the supervision of the Delta Trust Committee, to serve as the Equity Disbursing Agent or any
15 successor Equity Disbursing Agent which is appointed by the Delta Trust Committee. The
16 Disbursing Agent may and is expected to serve as the Equity Disbursing Agent.

17 **“Equity Reserve”** means a Cash reserve which may be established in accordance with the
18 Section VI.H. of this Plan and maintained by the Equity Disbursing Agent.

19 **“Estate”** means the estate created in the Case under section 541 of the Bankruptcy Code.

20 **“Final Order”** means an order or judgment of the Court or other applicable court, as
21 entered on the applicable docket, that has not been reversed, stayed, modified or amended, and as to
22 which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired
23 and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing
24 shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehearing
25 shall have been waived in writing in form and substance satisfactory to the Debtor, after
26 consultation with the Committee prior to the Effective Date, or to the Liquidating Trustee, under the
27 supervision of the Delta Trust Committee after the Effective Date, as applicable, or, in the event
28 that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order or

1 judgment of the Court or other applicable court shall have been affirmed by the highest court to
2 which such order or judgment was appealed, or certiorari has been denied, or from which
3 reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari
4 or move for reargument or rehearing shall have expired.

5 **"First Administrative Claim Bar Date"** means the deadline, if any, established by the
6 Bankruptcy Court for the filing of requests for payment of Administrative Claims arising in or
7 during the Case from the Petition Date through the date the Court enters the Disclosure Statement
8 Order or such other Postpetition date selected by the Bankruptcy Court.

9 **"First Administrative Claim Bar Date Order"** means the Order, if any, of the Bankruptcy
10 Court establishing the First Administrative Claim Bar Date.

11 **"General Unsecured Claim"** or **"Unsecured Claim"** means any Claim that is not an
12 Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, or a Secured Claim.

13 **"Holder"** means the holder of a Claim against the Debtor.

14 **"Impaired"** means, when used with reference to a Claim or Interest, a Claim or Interest that
15 is impaired within the meaning of section 1124 of the Bankruptcy Code.

16 **"Interest"** means the interest — as the term "interest" is defined in section 101(17) of the
17 Bankruptcy Code — of any entity who holds an equity security in the Debtor no matter how held,
18 including issued and outstanding shares of common stock, preferred stock, stock options, warrants,
19 membership interests, or other evidence of interests in securities of the Debtor.

20 **"Interest Holder(s)"** means a Holder of an Interest.

21 **"Late Filed Claim"** means any Unsecured Claim described in sections 726(a)(2) or
22 726(a)(3) of the Bankruptcy Code.

23 **"Liquidating Trustee"** means the trustee of the Delta Liquidating Trust, which has the
24 powers and responsibilities set forth in the Plan, the Confirmation Order and the Delta Liquidating
25 Trust Agreement, or any successor trustee appointed pursuant to the Delta Liquidating Trust
26 Agreement.

27 **"Liquidating Trustee Disclosure"** means a written disclosure, to be filed with the
28 Bankruptcy Court at least ten (10) Business Days prior to the Confirmation Hearing, disclosing the

1 identity of the Liquidating Trustee, his/her credentials, any and all relevant affiliations, connections
2 or actual or potential conflicts of interest and an engagement letter setting forth the terms of the
3 Liquidating Trustee's retention.

4 **"Local Bankruptcy Rules"** means the Local Bankruptcy Rules for the United States
5 Bankruptcy Court for the Central District of California, as now in effect or hereafter amended.

6 **"Ordinary Course Administrative Claim"** means a claim for administrative costs or
7 expenses that are allowable under section 503(b) of the Bankruptcy Code that are incurred in the
8 ordinary course of the Debtor's operations or the Case, or are provided for in an order of the
9 Bankruptcy Court.

10 **"Penalty"** means any Claim for any fine, penalty, or forfeiture, or for multiple, exemplary,
11 or punitive damages, arising before the Petition Date, to the extent that such fine, penalty,
12 forfeiture, or damages are not compensation for actual pecuniary loss suffered by the holder of such
13 claim as set forth in section 726(a)(4) of the Bankruptcy Code.

14 **"Person"** means any natural person or entity.

15 **"Petition Date"** means July 25, 2007, the date on which the Debtor filed its voluntary
16 petition commencing the Case.

17 **"Plan"** means this liquidating plan of reorganization under chapter 11 of the Bankruptcy
18 Code, including, without limitation, all exhibits, supplements, appendices, and schedules hereto,
19 either in its present form or as it may be altered, amended, or modified from time to time.

20 **"Post Effective Date Plan Expense(s)"** means all voluntary and involuntary, costs,
21 expenses, charges, obligations, or liabilities of any kind or nature, whether unmatured, contingent,
22 or unliquidated (collectively, the **"Expenses"**) incurred by the Liquidating Trustee, the Delta
23 Liquidating Trust or the Delta Trust Committee after the Effective Date of or related to the
24 implementation of the Plan, including, but not limited to: (i) the Expenses of the Delta Trust
25 Committee and the Liquidating Trustee in connection with administering and implementing the
26 Plan, including any taxes incurred by the Delta Liquidating Trust or on the Delta Trust Assets and
27 accrued on or after the Effective Date; (ii) all fees which accrue after the Effective Date which are
28 payable to the U.S. Trustee under 28 U.S.C. § 1930(a)(6); (iii) the Expenses of the Delta Trust

Committee and/or Liquidating Trustee in making the Distributions required by the Plan, including paying taxes, filing tax returns, and paying professionals' fees with respect to such Distributions; (iv) any Expenses incurred by the Delta Liquidating Trust, the Delta Trust Committee, the Liquidating Trustee, and the members of the Delta Trust Committee, but excluding the attorneys' fees or other professional fees, if any, incurred by members of the Delta Trust Committee; (v) the Expenses of independent contractors and professionals (including, without limitation, attorneys, advisors, accountants, brokers, consultants, experts, professionals and other Persons) providing services to the Liquidating Trustee or the Delta Trust Committee; (vi) the Expenses related to the Delta Liquidating Trust indemnity obligations, the purchase of errors and omissions insurance and/or other form of indemnification; and (vii) the fees and expenses of the Disbursing Agent as set forth in the compensation agreement for the Disbursing Agent as approved by the Bankruptcy Court, or with respect to any successor Disbursing Agent approved by the Delta Trust Committee, in the compensation agreement approved by the Delta Trust Committee.

"Postpetition" means the time after the filing of the voluntary chapter 11 petition in the Debtor's Case, specifically, July 25, 2007.

"Postpetition Interest" means interest accrued on any Allowed Claim from the Petition Date until the date of payment at the federal judgment rate as set forth in 28 U.S.C. § 1961(a), in effect as of the Petition Date.

"Priority Non-Tax Claims" means Claims, other than Administrative Claims or Priority Tax Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

"Priority Non-Tax Claims Reserve" means a Cash reserve which shall be maintained by the Disbursing Agent, as directed by either the Debtor with consent of the Committee prior to the Effective Date, or the Delta Trust Committee after the Effective Date, in the estimated amount necessary to pay in full all Priority Non-Tax Claims outstanding as of the Effective Date. The Debtor, with the consent of the Committee, or the Bankruptcy Court, shall determine the estimated amount necessary to fund the Priority Non-Tax Claims Reserve.

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

1 **“Priority Tax Claims Reserve”** means a Cash reserve which shall be maintained by the
2 Disbursing Agent, as directed by either the Debtor with consent of the Committee prior to the
3 Effective Date, or the Delta Trust Committee after the Effective Date, in the estimated amount
4 necessary to pay in full all Priority Tax Claims outstanding as of the Effective Date. The Debtor
5 with the consent of the Committee, or the Bankruptcy Court, shall determine the estimated amount
6 necessary to fund the Priority Tax Claims Reserve.

7 **“Professionals”** means those Persons (i) retained pursuant to an order of the Bankruptcy
8 Court in accordance with sections 327, 1103 and/or 1106 of the Bankruptcy Code and to be
9 compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329,
10 330 and 331 of the Bankruptcy Code or (ii) for which compensation and reimbursement has been
11 allowed by the Bankruptcy Court pursuant to sections 330 and 503(b)(2) of the Bankruptcy Code.

12 **“Professional Fee Claim”** means:

13 (a) A claim under sections 327, 328, 330, 331, 503(b), 1103 or 1106 of the
14 Bankruptcy Code for compensation for professional services rendered or expenses incurred
15 prior to the Effective Date on the Estate’s behalf; or

16 (b) A claim either under section 503(b)(4) of the Bankruptcy Code for
17 compensation for professional services rendered or under section 503(b)(3)(D) of the
18 Bankruptcy Code for expenses incurred prior to the Effective Date in making a substantial
19 contribution to the Estate.

20 **“Pro Rata”** means proportionately so that the ratio of (a) the amount of consideration
21 distributed on account of an Allowed Claim to (b) the amount of the Allowed Claim is the same as
22 the ratio of (x) the amount of consideration available for distribution on account of all Allowed
23 Claims in the Class in which that Allowed Claim is included to (y) the amount of all Allowed
24 Claims in that Class.

25 The Pro Rata ratio or formula is illustrated as follows:

(a) Amount of consideration distributed to Holder of Allowed Claim _____	=	(x) Total consideration available for distribution to Holders of Allowed Claims, as applicable, of that Class
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(b) Amount of such Allowed Claim

(y) Amount of all Allowed Claims, as applicable, in that Class or group of Classes

For purposes of the application of this definition, the amount of any Disputed Claim shall be the stated liquidated "face amount" of such claim, unless such claim is estimated by order of the Bankruptcy Court. If a Disputed Claim does not set forth a stated liquidated "face amount" of such claim, then the "face amount" of such Disputed Claim shall be estimated by the Bankruptcy Court for purposes of this definition. If the Disputed Claim is estimated, the amount of such Disputed Claim shall be the estimated amount and such estimated amount shall set the maximum amount of the distribution on account of such Disputed Claim.

"Reserves" means all reserve accounts established by the Disbursing Agent, pursuant to the Plan, including, without limitation, the Secured Claims Reserve, Administrative Claims Reserve, Priority Tax Claims Reserve, Priority Non-Tax Claims Reserve, and Disputed Unsecured Claims Reserve, but specifically excluding the Equity Reserve. For purposes of the application of this definition, the amount of any Disputed Claim shall be the stated liquidated "face amount" of such Claim, unless such Claim is estimated by order of the Bankruptcy Court. If a Disputed Claim does not set forth a stated liquidated "face amount" of such Claim, then the "face amount" of such Disputed Claim shall be estimated by the Bankruptcy Court for purposes of this definition. If the Disputed Claim is estimated, the amount of such Disputed Claim shall be the estimated amount and such estimated amount shall set the maximum amount of the distribution on account of such Disputed Claim.

"Rights Of Action" means any and all actions, causes of action, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, and whether commenced or arising before or after the Effective Date.

1 **“Second Administrative Claim Bar Date”** means the Administrative Claim Bar Date set
2 forth in Section IV.A.1(c) hereof.

3 **“Secured Claim”** means a Claim that is secured by a valid and unavoidable lien against
4 property in which the Estate has an interest or that is subject to setoff under section 553 of the
5 Bankruptcy Code. A Claim is a Secured Claim only to the extent of the value of the claimholder’s
6 interest in the Collateral securing the Claim or to the extent of the amount subject to setoff,
7 whichever is applicable, and as determined under section 506(a) of the Bankruptcy Code.

8 **“Secured Claims Reserve”** means a Cash reserve which shall be maintained by the
9 Disbursing Agent, as directed by either the Debtor, with the consent of the Committee prior to the
10 Effective Date, or the Liquidating Trustee, under the supervision of the Delta Trust Committee after
11 the Effective Date, in the estimated amount necessary to pay in full all Secured Claims that are
12 outstanding as of the Effective Date. The Debtor in consultation with the Committee, or with the
13 consent of the Bankruptcy Court, shall determine the estimated amount necessary to fund the
14 Secured Claims Reserve. The determination of the amount required to fund the Secured Claims
15 Reserve shall be subject to any election pursuant to Section IV.C hereof to treat Allowed Secured
16 Claims other than Cash payment.

17 **“Subordinated Allowed General Unsecured Claims”** means Allowed General Unsecured
18 Claims that are subordinated to Allowed Class 3 Claims.

19 **“Unclassified Claim”** means any Claim which is not part of any Class.

20 **“Unimpaired”** means, when used with reference to a Claim or Interest, a Claim or Interest
21 that is not Impaired within the meaning of section 1124 of the Bankruptcy Code.

22 **“U.S. Trustee”** means the Office of the United States Trustee for the Central District of
23 California.

24 **“U.S. Trustee Fees”** means all fees and charges assessed against the Estate by the U.S.
25 Trustee and due pursuant to section 1930 of title 28 of the United States Code.

II. RULES OF INTERPRETATION

The rules of construction in section 102 of the Bankruptcy Code apply to this Plan.

1. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) applies when computing any time period under the Plan.
2. A term that is used in this Plan and that is not defined in this Plan has the meaning attributed to that term, if any, in the Bankruptcy Code or the Bankruptcy Rules.
3. The definition given to any term or provision in the Plan supersedes and controls any different meaning that may be given to that term or provision in the Disclosure Statement.
4. Whenever it is appropriate from the context, each term, whether stated in the singular or the plural, includes both the singular and the plural.
5. Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms or as amended by the terms thereof.
6. Any reference to an existing document means the document as it has been, or may be, amended or supplemented.
7. Unless otherwise indicated, the phrase "under the Plan" and similar words or phrases refer to this Plan in its entirety rather than to only a portion of the Plan.
8. Unless otherwise specified, all references to Sections or Exhibits are references to this Plan's Sections or Exhibits.
9. Section captions and headings are used only as convenient references and do not affect this Plan's meaning.

III. PLAN OBJECTIVES

The Plan's objective is to transfer all Assets of the Debtor, including the prosecution of Causes of Action, to the Delta Liquidating Trust, which shall liquidate such Assets, including the prosecution of any Rights of Action held by the Delta Liquidating Trust, and distribute the proceeds thereof to Holders of Allowed Claims and Allowed Unclassified Claims in satisfaction of the Debtor's obligations. In the event that: (i) all Allowed Claims (including Subordinated Allowed General Unsecured Claims), Allowed Administrative Claims and Allowed Unclassified Claims are paid in full, along with any and all accrued Postpetition Interest; (ii) all Post Effective Date Plan Expenses are paid in full; and (iii) all amounts payable pursuant to sections 726(a)(1) through

726(a)(5) of the Bankruptcy Code, inclusive, are paid, any remaining amounts in the Delta Liquidating Trust shall be turned over to the Equity Reserve, and the Equity Disbursing Agent shall distribute the Equity Reserve to the Holders of Allowed Interests. The Plan divides Creditors and Holders of Interests into Classes based on their legal rights and interests and provides for the satisfaction of Claims from the Debtor's Assets. The Holders of Interests will not receive or retain anything on account of their Interests, except as provided for under Section IV.F hereof.

IV. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

This Section classifies Claims—except for Administrative Claims and Priority Tax Claims, which are not classified—for all purposes, including voting, Confirmation, and distribution under the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests under this Plan:

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1	Secured Claims	Unimpaired	Deemed to Accept Plan
Class 2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept Plan
Class 3	General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 4	Subordinated Allowed General Unsecured Claims	Impaired	Entitled to Vote on Plan
Class 5	Interests	Impaired	Deemed to Reject the Plan

As set forth above, Classes 1 and 2 are Unimpaired by the Plan, and Holders of Claims in these Classes are conclusively presumed to have accepted the Plan. Classes 3 and 4 are Impaired by the Plan, and Holders of Class 3 and Class 4 Claims shall be entitled to vote to accept or reject this Plan. Interests in Class 5 are Impaired, and Holders of Interests are deemed to reject the Plan.

The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or

1 against the Debtor or its property. This treatment supersedes and replaces any agreements or rights
2 those entities have in or against the Debtor or its property. All Distributions under the Plan will be
3 tendered to the Person holding the Allowed Claim. **EXCEPT AS SPECIFICALLY SET FORTH**
4 **IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE**
5 **RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.**

6 **A. Allowance and Treatment of Unclassified Claims (Administrative**
7 **Claims and Priority Tax Claims).**

8 Certain types of Claims are not placed into Classes that are entitled to vote to accept or
9 reject this Plan; instead, such Claims are unclassified. Such Claims are not considered impaired and
10 they do not vote on the Plan because they are automatically entitled to specific treatment provided
11 for them in the Bankruptcy Code. As such, the Debtor has not placed the following Claims in a
12 Class. The respective treatments for these Claims are provided below.

13 **1. Administrative Claims.**

14 Except to the extent that any entity entitled to payment of any Allowed Administrative
15 Claim agrees to a less favorable treatment or unless otherwise ordered by the Bankruptcy Court,
16 each holder of an Allowed Administrative Claim shall receive in full satisfaction, discharge,
17 exchange and release thereof, Cash in an amount equal to such Allowed Administrative Claim on
18 the later of (i) the Effective Date, and (ii) the fifteenth (15th) Business Day after such
19 Administrative Claim becomes an Allowed Administrative Claim, or, in either case, as soon
20 thereafter as is practicable; provided, however, that Ordinary Course Administrative Claims shall be
21 paid in full in accordance with the terms and conditions of the particular transactions and any
22 applicable agreements or as otherwise authorized by the Bankruptcy Court.

23 **a. Administrative Claim Reserve.**

24 On the Effective Date, the Administrative Claims Reserve shall be funded in Cash and held
25 by the Disbursing Agent. Distributions shall be made to Holders of Allowed Administrative Claims
26 from the Administrative Claims Reserve by the Disbursing Agent, as approved by the Delta Trust
27 Committee.
28

1 To the extent the Administrative Claims Reserve has insufficient funds to pay all Allowed
2 Administrative Claims in full, the Liquidating Trustee, under the supervision of the Delta Trust
3 Committee, is authorized and directed to use net Delta Liquidating Trust Proceeds to ensure
4 payment, in full, of all Allowed Administrative Claims. Any amounts remaining in Administrative
5 Claims Reserve after payment of all Allowed Administrative Claims shall be turned over to the
6 Delta Liquidating Trust and shall be Delta Trust Assets.

7 b. First Administrative Claim Bar Date

8 All requests for payment of an Administrative Claim that accrued between the Petition Date
9 and the entry of the Disclosure Statement Order, except for (i) U.S. Trustee Fees and
10 (ii) Professional Fee Claims, shall be filed with the Bankruptcy Court no later than thirty (30) days
11 after the entry of the Disclosure Statement Order (the "First Administrative Bar Date") or be forever
12 barred. Within five (5) business days after entry of the Disclosure Statement Order, the Debtor
13 shall serve notice of the entry of the Disclosure Statement Order and the First Administrative Claim
14 Bar Date on all creditors and parties in interest.

15 c. Second Administrative Claim Bar Date.

16 All requests for payment of an Administrative Claim that accrued since the expiration of the
17 First Administrative Claim Bar Date through the Effective Date, except for (i) U.S. Trustee Fees
18 and (ii) Professional Fee Claims, shall be filed with the Bankruptcy Court no later than thirty (30)
19 days after the Effective Date (the "Second Administrative Claim Bar Date") or be forever barred.
20 Within five (5) business days after the Effective Date, the Liquidating Trustee shall serve notice of
21 the Effective Date and the Second Administrative Claim Bar Date on all creditors and parties in
22 interest.

23 d. Deadline for Objections.

24 All objections to allowance of Administrative Claims (excluding Professional Fee Claims)
25 must be filed by any parties in interest no later than thirty (30) days after the First or Second
26 Administrative Claim Bar Date (the "Administrative Claim Objection Deadline"). The
27 Administrative Claim Objection Deadline may be extended for a one-time thirty (30) day period by
28 the Liquidating Trustee, under the supervision of the Delta Trust Committee, by filing a notice of

1 the extended Administrative Claim Objection Deadline with the Bankruptcy Court. Thereafter, the
2 Administrative Claim Objection Deadline may be further extended only by an order of the
3 Bankruptcy Court. If no objection to the applicable Administrative Claim is filed on or before that
4 date, such Administrative Claim shall be deemed Allowed as of that date.

5 e. U.S. Trustee Fees.

6 Quarterly fees owed to the Office of the U.S. Trustee shall be paid prior to the Effective
7 Date by the Debtor, and after the Effective Date by the Delta Liquidating Trust, in each case, when
8 due in accordance with applicable law and the Debtor and the Liquidating Trustee, under the
9 supervision of the Delta Trust Committee, respectively as applicable, shall continue to file reports
10 to show the calculation of such fees for the Estate until the Case is closed under section 350 of the
11 Bankruptcy Code.

12 f. Professional Fee Claims.

13 Each holder of a Professional Fee Claim seeking an award by the Bankruptcy Court of
14 compensation for services rendered or reimbursement of expenses incurred through and including
15 the Effective Date shall (i) file their respective interim (if applicable) and final applications for
16 allowances of compensation for services rendered and reimbursement of expenses incurred through
17 the Effective Date by no later than the forty-fifth (45th) day after the Effective Date or such other
18 date as may be fixed by the Bankruptcy Court and (ii) if granted such an award by the Bankruptcy
19 Court, be paid in full satisfaction, discharge, exchange and release thereof, Cash in such amounts as
20 are Allowed by the Bankruptcy Court on the date such Professional Fee Claim becomes an Allowed
21 Claim, or as soon thereafter as is practicable. All objections to allowance of Professional Fee
22 Claims through the Effective Date must be timely filed and served in accordance with Local
23 Bankruptcy Rule 2016-1(b)(4).

24 **B. Priority Tax Claims.**

25 Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the
26 Debtor before the Effective Date or agrees to a less favorable treatment, each holder of an Allowed
27 Priority Tax Claim shall receive in full satisfaction, discharge, exchange and release thereof, Cash
28 in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and

(ii) the fifteenth (15th) Business Day after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable. On the Effective Date, the Priority Tax Reserve shall be funded in Cash and held by the Disbursing Agent. Distributions shall be made to Holders of Allowed Priority Tax Claims from the Priority Tax Claim Reserve by the Disbursing Agent, as approved by the Delta Trust Committee.

To the extent the Priority Tax Claim Reserve has insufficient funds to pay all Priority Tax Claim Claims in full, the Liquidating Trustee and/or the Disbursing Agent, under the supervision of the Delta Trust Committee is authorized and directed to use net Delta Liquidating Trust Proceeds to ensure payment, in full, of all Allowed Priority Tax Claims. Any amounts remaining in Priority Tax Claim Reserve after payment of all Allowed Priority Tax Claims shall be turned over to the Delta Liquidating Trust.

Any amounts remaining in the Priority Tax Reserve after payment of all Allowed Priority Tax Claims shall be turned over to the Delta Liquidating Trust and shall be Delta Trust Assets.

C. Classification and Treatment of Secured Claims (Class 1).

Classification: Class 1 consists of all Secured Claims. To the extent that there is more than one Holder of a Class 1 Claim, the Claim of each such Holder shall be deemed to be classified in a separate sub-class of Class 1, each such sub-class of Class 1 shall be deemed to be a separate Class under the Plan.

Treatment: As soon as practicable after the Effective Date, each entity holding an Allowed Class 1 Claim will receive, at the election of the Liquidating Trustee, under the supervision of the Delta Trust Committee, one of the following treatments in full satisfaction, discharge, exchange and release of its Allowed Class 1 Claim:

(a) The Holder of the Class 1 Claim will receive the Collateral in which that Person has a security interest; or

(b) The Holder of the Class 1 Claim will receive any proceeds actually received by the Debtor or Delta Liquidating Trust (as applicable) from the sale or disposition of the Collateral in which that Person has a security interest; or

(c) The Holder of the Class 1 Claim will receive Cash in the amount of that Person's Allowed Class 1 Claim; or

(d) The Holder of the Class 1 Claim will receive such other Distributions or treatment as are necessary to leave the rights of said Person Unimpaired or as are necessary to otherwise satisfy the requirements of Chapter 11 of the Bankruptcy Code.

The Debtor or the Liquidating Trustee, under the supervision of the Delta Trust Committee (as applicable), shall have ten (10) Business Days after the date on which the Class 1 Claim is Allowed or deemed Allowed, to elect which treatment to provide to such holder of an Allowed Class 1 Claim. To the extent that any such holder of an Allowed Class 1 Claim is deemed to have a beneficial interest in the Delta Liquidating Trust, such beneficial interest shall be governed by the terms of this Plan and shall not be evidenced by any type of certificate or other instrument.

Class 1 is unimpaired, and the Holders of Claims in Class 1 are presumed have accepted the Plan.

D. Classification and Treatment of Priority Non-Tax Claims (Class 2).

Classification: Class 2 consists of all Priority Non-Tax Claims.

Treatment: Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, each Allowed Priority Non-Tax Claim will be paid, in full satisfaction, discharge, exchange and release thereof, in Cash in full the amount of the Allowed Priority Non-Tax Claim on the later of (i) the Effective Date and (ii) the fifteenth (15th) Business Day after such date that the Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

Class 2 is unimpaired, and the Holders of Claims in Class 2 are presumed to have accepted the Plan.

E. Classification of Unsecured Claims (Class 3).

Classification: Class 3 consists of all General Unsecured Claims.

Treatment: On the Effective Date, each Holder of a General Unsecured Claim shall receive an allocated Delta Liquidating Trust Interest. As soon as practicable after the Effective Date, each holder of an Allowed General Unsecured Claim shall receive on account of its Allowed

1 General Unsecured Claim and Delta Liquidating Trust Interest, in full satisfaction, discharge,
2 exchange and release thereof, as a Distribution under the Plan, the treatment provided for herein.
3 Except to the extent that the holder of any such Claim agrees to a different treatment, the holder of
4 an Allowed General Unsecured Claim and Delta Liquidating Trust Interest shall receive on account
5 of its Allowed General Unsecured Claim and Delta Liquidating Trust Interest, in full and complete
6 satisfaction, discharge, exchange and release thereof, from the Delta Liquidating Trust, a *Pro Rata*
7 Distribution of the net Delta Liquidating Trust Proceeds based upon the amount of its Allowed
8 General Unsecured Claim. The Delta Trust Committee shall make Distributions to the holders of
9 the Delta Liquidating Trust Interests, on account of their respective Allowed General Unsecured
10 Claims, from the net Delta Liquidating Trust Proceeds in accordance with the provisions of the
11 Delta Liquidating Trust Agreement, and as provided for in this Plan and the Confirmation Order.
12 Upon payment by the Delta Liquidating Trust of the amount due, if any, to a holder of an Delta
13 Liquidating Trust Interest, such interest shall terminate and be of no further force and effect.

14 If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured
15 Claim does not have an Allowed General Unsecured Claim, then such Holder's Delta Liquidating
16 Trust Interest shall terminate and be of no further force and effect.

17 Allowed General Unsecured Claims will not include Postpetition Interest nor include any
18 Penalty on such Claim, except to the extent that sufficient Delta Liquidating Trust Proceeds exist to
19 pay, in full, all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority
20 Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election
21 made pursuant to Section IV.C above), Allowed General Unsecured Claims, Late Filed Claims, and
22 all Post Effective Date Plan Expenses, and if the foregoing are paid and *subject to any order*
23 *subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed*
24 *General Unsecured Claims*, then Allowed General Unsecured Claims shall also include any Penalty
25 or Postpetition Interest component of any such Claim that is payable (and to the extent and priority
26 payable) in accordance with section 726(a)(4) and 726(a)(5) of the Bankruptcy Code.

27 Notwithstanding any other provision herein, no Cash payment shall be made on account of
28 Allowed General Unsecured Claims until (i) all Allowed Administrative Claims, Allowed

Professional Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to Section IV.C above), and all Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust has been reserved.

Class 3 is Impaired, and the Holders of Claims in Class 3 are entitled to vote to accept or reject the Plan.

F. Classification and Treatment of Subordinated Allowed General Unsecured Claims (Class 4).

Classification: Class 4 consists of all Subordinated Allowed General Unsecured Claims.

Treatment: On, or as soon thereafter as is practicable after, the Effective Date, each Holder of a Subordinated Allowed General Unsecured Claim shall receive an allocated Delta Subordinated Liquidating Trust Interest. No Distributions shall be made to any holder of a Subordinated Allowed General Unsecured Claim until all Allowed General Unsecured Claims in Class 3 are paid in full as set forth in Section IV.E of the Plan. Except to the extent that the holder of any Subordinated Allowed General Unsecured Claim agrees to a different treatment, after payment in full of all Allowed General Unsecured Claims as set forth in Section IV.E of the Plan, the holder of a Subordinated Allowed General Unsecured Claim and Delta Subordinated Liquidating Trust Interest shall receive on account of its Subordinated Allowed General Unsecured Claim and Delta Subordinated Liquidating Trust Interest, in full and complete satisfaction, discharge, exchange and release thereof, from the Delta Liquidating Trust, a *Pro Rata* Distribution, if any, of the net remaining Delta Liquidating Trust Proceeds based upon the amount of its Subordinated Allowed General Unsecured Claim. The Delta Trust Committee shall make Distributions, if any, to the holders of the Delta Subordinated Liquidating Trust Interests, on account of their respective Subordinated Allowed General Unsecured Claims, from the net Delta Liquidating Trust Proceeds in accordance with the provisions of the Delta Liquidating Trust

1 Agreement, and as provided for in this Plan, the Confirmation Order, and any applicable order
2 subordinating Claims to the Allowed Class 3 Claims such that they become Subordinated Allowed
3 General Unsecured Claims. Upon payment by the Delta Liquidating Trust of the amount due, if
4 any, to a holder of a Delta Subordinated Liquidating Trust Interest, such interest shall terminate and
5 be of no further force and effect.

6 Subordinated Allowed General Unsecured Claims will not include Postpetition Interest nor
7 include any Penalty on such Claim, except as provided in any order subordinating Claims to the
8 Allowed Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims.

9 Notwithstanding any other provision herein, no Cash payment shall be made on account of
10 Subordinated Allowed General Unsecured Claims until (i) all Allowed Administrative Claims,
11 Allowed Professional Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed
12 Priority Non-Tax Claims, Allowed Secured Claims (subject to the election made pursuant to
13 Section IV.C above), Allowed General Unsecured Claims (including Postpetition Interest and
14 Penalty on such Claims to the extent provided for in any order subordinating Claims to the Allowed
15 Class 3 Claims such that they become Subordinated Allowed General Unsecured Claims), and all
16 Post Effective Date Plan Expenses have been paid in full (or a reserve established providing for
17 such full payment); (ii) if applicable, Cash to pay all estimated Administrative Claims (including
18 Professional Fee Claims), and Disputed Claims in any such Class or category has been deposited
19 into the applicable Reserve; and (iii) Cash to pay all anticipated costs of the Delta Liquidating Trust
20 has been reserved.

21 Class 4 is Impaired, and the holders of Subordinated Allowed General Unsecured Claims in
22 Class 4 are entitled to vote to accept or reject the Plan.

23 **G. Classification and Treatment of Interests (Class 5).**

24 **Classification:** Class 5 consists of all Interests.

25 **Treatment:** On the Effective Date of the Plan, the Interests will be cancelled. Each holder
26 of an Allowed Interest shall receive, in exchange for and in full satisfaction of such Allowed
27 Interest, Pro Rata Distributions of Cash, if any, from the Equity Reserve, based upon the amount of
28 its Allowed Interest, pursuant to Section VI.H of the Plan.

1 Class 5 is Impaired, and the holders of Interests in Class 5 are deemed to have rejected the
2 Plan.

3 **V.**
4 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

5 Effective upon the Effective Date, the Debtor hereby rejects all executory contracts and
6 unexpired leases that exist between the Debtor and any other Person which have not previously
7 been rejected, except the Debtor does not reject those executory contracts and unexpired leases
8 (a) which are listed in **Exhibit "1"** hereto and assumed on the Effective Date, or (b) which are or
9 have been specifically assumed, or assumed and assigned, by the Debtors with the approval of the
10 Court by separate proceeding in the Case.

11 All Allowed Claims arising from the rejection of executory contracts or unexpired leases,
12 whether under the Plan or by separate proceeding, shall be treated as General Unsecured Claims in
13 Class 3, unless subordinated, in which case such Allowed Claims shall be treated as Subordinated
14 Allowed General Unsecured Claims in Class 4.

15 If the rejection of an executory contract or unexpired lease by the Debtor pursuant to the
16 preceding Section V.A results in damages to the counterparty to such contract or lease, then a Claim
17 for damages or any other amounts related in any way to such contract or lease shall be forever
18 barred and shall not be enforceable against the Debtor, the Estate or their property, unless a proof of
19 claim is filed with the Bankruptcy Court and served on the Delta Trust Committee within thirty (30)
20 days after the Effective Date. The rejection claim bar date for leases and contracts rejected prior to
21 the Effective Date, outside of the Plan, shall be, as applicable, (i) the date(s) set forth in the
22 applicable order(s) rejecting such lease or contract or (ii) the Claims Bar Date.

23 **VI.**
24 **PLAN IMPLEMENTATION**

25 **A. Implementing Actions In General; Conditions to Plan Effectiveness**

26 On the Effective Date, the following shall occur in implementation of the Plan:

- 27 (i) all actions, documents and agreements necessary to implement the Plan shall
28 have been effected or executed;

(ii) the Debtor shall have received all authorizations, consents, rulings, opinions or other documents that are determined by the Debtor, in consultation with the Committee, to be necessary to implement the Plan;

(iii) the Disbursing Agent shall make all Distributions required to be made on the Effective Date to holders of Allowed Claims pursuant to the Plan; and

(iv) the Reserves shall be funded.

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

(i) At least ten (10) days have passed since the Confirmation Date;

(ii) The Confirmation Order is not stayed;

(iii) All documents, instruments and agreements, in form and substance reasonably satisfactory to the Debtor and Committee, provided for under or necessary to implement the Plan have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby;

(iv) The Debtor, in consultation with the Committee, has determined in its reasonable discretion that sufficient Cash and/or Reserves exist to satisfy all Administrative Claims, Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, and Secured Claims, which are Allowed Claims; and

(v) The Delta Liquidating Trust Agreement is final and approved and the Delta Liquidating Trust is funded in accordance with the Plan.

The Debtor, in consultation with the Committee, may in its reasonable discretion waive any of the conditions set forth above without notice and a hearing. Additionally, the Debtor's rights under the "mootness doctrine" shall be unaffected by any provision hereof. The failure to satisfy any condition may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without limitation, any act, action, failure to act,

1 or inaction by the Debtor). If the Debtor fails to assert the non-satisfaction of any such conditions,
2 such failure shall not be deemed a waiver of any other rights thereunder.

3 **B. Corporate Action.**

4 Upon the Effective Date, all transactions and applicable matters provided for under the Plan
5 shall be deemed to be authorized and approved by the Debtor without any requirement of further
6 action by the Debtor, the Debtor's shareholders, or the Debtor's board of directors.

7 **C. Vesting of Assets.**

8 Unless otherwise dealt with under the Plan, on the Effective Date, the Delta Trust Assets
9 will vest in the Delta Liquidating Trust, including an assignment of all of the Causes of Action, free
10 and clear of all claims, liens, encumbrances, charges and other interests, subject to the provisions of
11 the Plan. On and after the Effective Date, the transfer of the Delta Trust Assets from the Estate to
12 the Delta Liquidating Trust shall be deemed final and irrevocable and distributions may be made
13 from the Delta Liquidating Trust. Distributions from the Delta Liquidating Trust shall be made in
14 accordance with the terms of the Delta Liquidating Trust Agreement and the Plan. In connection
15 with the foregoing:

16 (i) From and after the Effective Date, the Liquidating Trustee, under the
17 supervision of the Delta Trust Committee, may administer the Estate pursuant to the terms
18 of the Plan and may use, acquire and dispose of property free of any restrictions imposed
19 under the Bankruptcy Code.

20 (ii) The Confirmation Order shall provide the Liquidating Trustee, under the
21 supervision of the Delta Trust Committee, with express authority to convey, transfer and
22 assign any and all of the Delta Trust Assets and to take all actions necessary to effectuate
23 same.

24 (iii) As of the Effective Date, the Delta Trust Assets shall be free and clear of all
25 liens, claims and interests of Holders of Claims and Interests, except as otherwise provided
26 in this Plan.
27
28

D. Termination of Current Officers, Director, Employees and Counsel.

Except as otherwise retained by the Delta Liquidating Trust, the Debtor's officers, directors, employees and counsel will be terminated and relieved of any responsibilities to the Debtor as of the Effective Date.

E. Delta Liquidating Trust.

1. Effectiveness of the Delta Liquidating Trust.

On the Effective Date: (i) the Delta Liquidating Trust Agreement shall become effective, and, if not previously signed, the Debtor, the Delta Trust Committee, and the Liquidating Trustee shall execute the Delta Liquidating Trust Agreement. The Delta Liquidating Trust is organized and established as a trust for the benefit of the Beneficiaries, as defined below, and is intended to qualify as a liquidating trust within the meaning of Treasury Regulation Section 301.7701-4(d).

2. Beneficiaries.

In accordance with Treasury Regulation Section 301.7701-4(d), the beneficiaries ("Beneficiaries") of the Delta Liquidating Trust are the holders of Allowed General Unsecured Claims. The Holders of Allowed General Unsecured Claims shall receive an allocation of Delta Liquidating Trust Interests as provided for in the Plan and the Delta Liquidating Trust Agreement. The Holders of Delta Liquidating Trust Interests shall receive distributions from the Delta Liquidating Trust as provided for in the Plan and the Delta Liquidating Trust Agreement.

3. Implementation of the Liquidating Trust.

On the Effective Date, the Debtor, on behalf of the Estate, and the Liquidating Trustee, under the supervision of the Delta Trust Committee, shall be authorized to, and shall, take all such actions as required to transfer from the Debtor and the Estate the Delta Trust Assets, to the Delta Liquidating Trust. From and after the Effective Date, the Liquidating Trustee, under the supervision of the Delta Trust Committee, shall be authorized to, and shall take all such actions as required to implement the Delta Liquidating Trust and the provisions of this Plan as are contemplated to be implemented by the Liquidating Trustee, under the supervision of the Delta Trust Committee, including without limitation directing Distributions to Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, objecting

1 to Claims, administering the Causes of Action and Rights of Action, and causing Distributions from
2 the Delta Liquidating Trust to be made to the Beneficiaries.

3 4. Transfer of Delta Trust Assets.

4 On the Effective Date, pursuant to the Plan and Sections 1123, 1141 and 1146(a) of the
5 Bankruptcy Code, the Debtor and its Estate are authorized and directed to transfer, grant, assign,
6 convey, set over, and deliver to the Liquidating Trustee, under the supervision of the Delta Trust
7 Committee, for the benefit of the Delta Liquidating Trust, all of the Debtor's and the Estate's right,
8 title and interest in and to the Delta Trust Assets free and clear of all liens, Claims, encumbrances or
9 interests of any kind in such property of any other or Holders of Claims against or Equity Interests
10 in the Debtor, except as otherwise expressly provided for in the Plan. To the extent required to
11 implement the transfer of the Delta Trust Assets from the Debtor and its Estate to the Delta
12 Liquidating Trust and the Liquidating Trustee, under the supervision of the Delta Trust Committee,
13 as provided for herein, all Persons shall cooperate with the Debtor and the Estate to assist the
14 Debtor and the Estate to implement said transfers.

15 5. Representative of the Estate.

16 The Liquidating Trustee, under the supervision of the Delta Trust Committee, shall be, and
17 hereby is, appointed as the representative of the Estate pursuant to sections 1123(a)(5), (a)(7) and
18 (b)(3)(B) of the Bankruptcy Code and as such shall be vested with the authority and power (subject
19 to the Delta Liquidating Trust Agreement) to: (i) administer, investigate, prosecute, settle and
20 abandon all Causes of Action in the name of, and for the benefit of, the Estate, subject to the
21 limitations set forth in Section VII.A. of the Plan; (ii) administer, investigate, prosecute, settle and
22 abandon all Rights of Action; (iii) make Distributions provided for in the Plan, including, but not
23 limited to, on account of Allowed Claims and make Distributions on account of Delta Liquidating
24 Trust Interests; and (iv) take such action as required to administer, wind-down, and close the Case.
25 As the representative of the Estate, the Liquidating Trustee, under the supervision of the Delta Trust
26 Committee, shall succeed to all of the rights and powers of the Debtor and the Estate with respect to
27 all Causes of Action, and the Liquidating Trustee, under the supervision of the Delta Trust
28

Committee, shall be substituted and shall replace the Debtor, the Estate and the Committee, as applicable, as the party in interest in all such litigation pending as of the Effective Date.

6. No Liability Of Delta Trust Committee and/or the Liquidating Trustee.

To the maximum extent permitted by law, the Delta Trust Committee, and the Liquidating Trustee and their employees, officers, directors, agents, members, representatives, or professionals employed or retained by them (the "Agents") shall not have or incur liability to any Person for an act taken or omission made in good faith in connection with or related to the administration of the Delta Trust Assets, the implementation of the Plan and the Distributions made thereunder or Distributions made under the Delta Liquidating Trust. The Delta Trust Committee and the Liquidating Trustee and the Agents shall in all respects be entitled to reasonably rely on the advice of counsel with respect to its duties and responsibilities under the Plan and the Delta Liquidating Trust. Entry of the Confirmation Order constitutes a judicial determination that the exculpation provision contained in this Section is necessary to, inter alia, facilitate Confirmation and feasibility and to minimize potential claims arising after the Effective Date for indemnity, reimbursement or contribution from the Estates, or the Delta Liquidating Trust, or their respective property. The Confirmation Order's approval of the Plan also constitutes a res judicata determination of the matters included in the exculpation provisions of the Plan. Notwithstanding the foregoing, nothing in this Section shall alter any provision in the Delta Liquidating Trust Agreement that provides for the potential liability of the Delta Trust Committee and/or the Liquidating Trustee to any Person.

7. Funding of Post Effective Date Plan Expenses.

All Post Effective Date Plan Expenses incurred from and after the Effective Date, shall be expenses of the Delta Liquidating Trust, the Delta Trust Committee and the Liquidating Trustee shall disburse funds from the Delta Trust Assets for purposes of funding such expenses.

F. The Committee and the Delta Trust Committee.

Until the Effective Date, the Committee shall continue in existence. As of Effective Date, the Committee shall terminate and disband and the members of the Committee and the Committee shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Committee members. As of the Effective

1 Date, the Committee shall be replaced by the Delta Trust Committee, which shall be comprised of
2 members of the Committee. The Delta Trust Committee shall have the powers, rights and
3 responsibilities of the Debtor and other functions identified in the Plan and the Delta Liquidating
4 Trust Agreement. In the event of death or resignation of any member of the Delta Trust Committee,
5 the remaining members of the Delta Trust Committee shall have the right to designate a successor
6 from among the holders of Allowed General Unsecured Claims. If a Delta Trust Committee
7 member assigns its Claim in full or releases the Debtor from payment of the balance of its Claim,
8 such act shall constitute a resignation from the Delta Trust Committee. Until a vacancy on the
9 Delta Trust Committee is filled, the Delta Trust Committee shall function in its reduced number.
10 Following entry of a final decree, under the Plan, the Delta Trust Committee shall be dissolved and
11 the members thereof shall be released and discharged of and from all further authority, duties,
12 responsibilities and obligations related to and arising from their service as Delta Trust Committee
13 members.

14 The members of the Delta Trust Committee shall undertake their duties as specified in the
15 Plan and the Delta Liquidating Trust Agreement. In serving as a member of the Delta Trust
16 Committee, such members shall not assume or be deemed to have assumed any liability to
17 Creditors, the Debtor, or any other parties in interest in the Case and shall not be liable for any acts
18 or omissions while acting in that capacity, except for bad faith and acts or omissions constituting
19 malfeasance or gross negligence.

20 **G. Designation and Role of the Disbursing Agent.**

21 Unless otherwise determined by the Delta Trust Committee, the Disbursing Agent shall be
22 the Liquidating Trustee and shall not be required to be bonded in connection with its obligations
23 under this Plan. The appointment and compensation of the Disbursing Agent shall be approved by
24 the Bankruptcy Court in accordance with this Plan and confirmed by the Bankruptcy Court as part
25 of the Confirmation Order. The fees, expenses and any bond premiums incurred by the Disbursing
26 Agent in connection with its duties hereunder shall be paid by the Debtor's Estate, either through
27 the Reserves or by the Delta Liquidating Trust. At the direction of the Liquidating Trustee, under
28 the supervision of the Delta Trust Committee, the Disbursing Agent will make all Distributions

1 required under this Plan. The Disbursing Agent, after consultation with the Liquidating Trustee and
2 the Delta Trust Committee, shall be authorized to implement such procedures as it deems necessary
3 to make Distributions pursuant to this Plan so as to efficiently and economically assure prompt and
4 proportionate Distributions. In the event the Disbursing Agent resigns, is removed at the discretion
5 of the Liquidating Trustee, under the supervision of the Delta Trust Committee or otherwise is
6 rendered unable or is unwilling to perform its duties and responsibilities as agent under this Plan,
7 then the Liquidating Trustee, under the supervision of the Delta Trust Committee, shall designate
8 and appoint a successor agent and file notice of such successor with the Bankruptcy Court.

9 **H. Funding of the Equity Reserve.**

10 Upon payment in full of (i) all Allowed Administrative Claims, Allowed Professional Fee
11 Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims
12 (subject to the election made pursuant to Section IV.C above), Allowed General Unsecured Claims,
13 Subordinated Allowed General Unsecured Claims, Late Filed Claims, and any Postpetition Interest
14 or Penalty component of any such Claim that is payable in accordance with sections 726(a)(4) and
15 726(a)(5) of the Bankruptcy Code (or a reserve established providing for such full payment); (ii) all
16 Post Effective Date Plan Expenses (or a reserve established providing for such full payment), any
17 Cash remaining in the Delta Liquidating Trust, if any, shall be transferred and deposited into the
18 Equity Reserve. Subject to retaining a sufficient amount that is reasonably necessary to pay the
19 costs and expenses of the Equity Disbursing Agent, the Equity Disbursing Agent shall make *Pro*
20 *Rata* Distributions of such Cash, if any, to the holders of Allowed Interests.

21 **I. Allowance of Equity Interests.**

22 Each beneficial owner or holder of Delta Common Stock of record as of the Effective Date
23 shall be deemed to have an Allowed Interest for the number of such shares of record and need not
24 file a proof of interest with respect thereto. In the event any entity that is neither the record holder
25 as of the Effective Date of Delta Common Stock nor the beneficial owner with respect thereto shall
26 file a proof of right to record status pursuant to Bankruptcy Rule 3003(d), such proof of right shall
27 be disallowed.
28

J. The Source of Distributions.

The sources of all Distributions and payments under this Plan are and will be Cash, including Cash in any Reserves, and Delta Liquidating Trust Proceeds.

K. Distribution of Property Under the Plan.

1. Manner of Cash Payments.

Cash Distributions made pursuant to this Plan shall be in United States funds, by check drawn on a domestic bank, or, if the Disbursing Agent so elects in its discretion for Distributions to certain large claimants, by wire transfer from a domestic bank.

2. Setoff and Recoupment.

Notwithstanding anything to the contrary in the Plan, the Delta Trust Committee (through the Liquidating Trustee and/or the Disbursing Agent) may set off, recoup, or withhold against the Distributions to be made on account of any Allowed Claim any claims that the Debtor or the Estate may have against the entity holding the Allowed Claim. The Debtor, the Estate, and the Delta Liquidating Trust will not waive or release any claim against those entities by failing to effect such a setoff or recoupment, by allowing any Claim against the Debtor or the Estate, or by making a Distribution on account of an Allowed Claim.

3. No *De Minimis* Distributions.

Notwithstanding anything to the contrary in this Plan, no Distribution of less than \$5.00 will be made to any Holder of an Allowed Claim on account thereof. No consideration will be provided in lieu of the *de minimis* Distributions that are not made under this Section.

4. No Distributions With Respect to Disputed Claims and Interests.

Notwithstanding any other Plan provision, Distributions will be made on account of a Disputed Claim only after, and only to the extent that, the Disputed Claim either becomes or is deemed to be an Allowed Claim for purposes of Distributions.

5. Undeliverable or Unclaimed Distributions.

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

- (a) Distributions will be sent to the address, if any, set forth on a filed proof of claim as amended by any written notice of address change received by the Debtor or

Liquidating Trustee no later than ten (10) Business Days prior to the date of any Distribution; or

(b) If no such address is available, Distributions will be sent to the address set forth on the Bankruptcy Schedules.

If no address is available either on a proof of claim or on the Bankruptcy Schedules, the Distribution will be deemed to be undeliverable. If a Distribution is returned to the Disbursing Agent as an undeliverable Distribution or is deemed to be an undeliverable Distribution, the Delta Trust Committee and/or the Liquidating Trustee (through the Disbursing Agent) will make no further Distribution to the entity holding the Claim on which the Distribution is being made unless and until the Delta Trust Committee and/or the Liquidating Trustee is timely notified in writing of that entity's current address. Subject to the following paragraph, until they become deliverable, the Delta Trust Committee may create a separate Reserve for undeliverable Distributions for the benefit of the entities entitled to the Distributions. These entities will not be entitled to any interest on account of the undeliverable Distributions.

Any entity that is otherwise entitled to an undeliverable Distribution and that does not, within six (6) months after a Distribution is returned as undeliverable, provide the Delta Trust Committee or the Liquidating Trustee or the Disbursing Agent with a written notice asserting its claim to or interest in that undeliverable Distribution and setting forth a current, deliverable address will be deemed to waive any claim to or interest in that undeliverable Distribution and will be forever barred from receiving that undeliverable Distribution or asserting any Claim against the Debtor, the Estate, or their property. Any undeliverable Distributions that are not claimed under this Section will be distributed *Pro Rata* to other Holders of Allowed Class 3 Claims. Nothing in the Plan requires the Delta Trust Committee, the Liquidating Trustee and/or the Disbursing Agent to attempt to locate any entity holding an Allowed Claim and whose distribution is undeliverable.

6. Record Date.

The record date for purposes of Distributions under this Plan shall be the date the Bankruptcy Court enters its order approving the Disclosure Statement. The Disbursing Agent will rely on the register of proofs of claim filed in the Case except to the extent a notice of transfer of

1 Claim or Interest has been filed with the Court prior to the record date pursuant to Bankruptcy
2 Rule 3001.

3 7. Fractional Cents.

4 When any payment of a fraction of a cent would otherwise be called for, the actual payment
5 shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less
6 than \$0.005 and rounding up in the case of \$0.005 or more); provided, however, that, in no event,
7 shall a Distribution of less than \$5.00 will be made to any Holder of an Allowed Claim on account
8 thereof as set forth above.

9 8. Release of Reserved Funds.

10 Any Cash remaining in any Reserve, after all applicable Distributions or other payments
11 have been made from said Reserve, shall be released therefrom and be turned over to the Delta
12 Liquidating Trust for distribution in accordance with this Plan.

13 **VII.**
14 **LITIGATION AND CLAIMS OBJECTIONS**

15 **A. Preservation of Causes of Action.**

16 As of the Effective Date, the Liquidating Trustee, under the supervision of the Delta Trust
17 Committee, shall retain all rights on behalf of the Delta Liquidating Trust to commence, pursue and
18 settle, as appropriate, any and all Causes of Action (including Avoidance Actions), whether arising
19 before or after the Petition Date, in any court or other tribunal, including, without limitation, a
20 bankruptcy court adversary proceeding filed in the Case. The failure to explicitly list any Causes of
21 Action and other potential or existing claims of the Debtor or Estate is not intended to limit the
22 rights of the Delta Liquidating Trust, through the Liquidating Trustee, under the supervision of the
23 Delta Trust Committee, to pursue any Causes of Action and such claims not so identified. The
24 Debtor and the Committee shall file a list of Causes of Action they presently intend to pursue at
25 least ten (10) Business Days prior to the Confirmation Hearing; provided, however, notwithstanding
26 any otherwise applicable principle of law or equity, including, without limitation, any principles of
27 judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the
28 failure to list, disclose, describe, identify, analyze or refer to any Cause of Action, or potential

1 Cause of Action, in this Plan, the Disclosure Statement, or any other document filed with the
2 Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter the Debtor's or the
3 Liquidating Trustee's right to commence, prosecute, defend against, settle, and realize upon any
4 Cause of Action that the Debtor or the Estate has or may have as of the Confirmation Date. Subject
5 to the limitations expressly set forth in the Delta Liquidating Trust Agreement, the Liquidating
6 Trustee, under the supervision of the Delta Trust Committee, may commence, prosecute, defend
7 against, recover on account of, and settle all Causes of Action in its sole discretion in accordance
8 with what is in the best interests, and for the benefit, of the Delta Liquidating Trust.

9 Unless a Cause of Action against a Person is expressly waived, relinquished, released,
10 compromised, or settled in the Plan or any Final Order, the Debtor expressly reserves such Causes
11 of Action for later adjudication (including, without limitation, Causes of Action of which the
12 Debtor may presently be unaware, or which may arise or exist by reason of additional facts or
13 circumstances unknown to the Debtor at this time, or facts or circumstances which may change or
14 be different from those which the Debtor now believes to exist) and, therefore, no preclusion
15 doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue
16 preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall
17 apply to Causes of Action upon, or after, the Confirmation or consummation of the Plan based on
18 the Disclosure Statement, the Plan, or the Confirmation Order, except where such Causes of Action
19 have been expressly released by virtue of the Plan or other Final Order.

20 As of the Effective Date, subject to the Delta Liquidating Trust Agreement, the Liquidating
21 Trustee, under the supervision of the Delta Trust Committee, on behalf of the Delta Liquidating
22 Trust, shall be authorized to exercise and perform the rights, powers and duties held by the Debtor's
23 Estate with respect to the Causes of Action, including, without limitation, the authority under
24 Bankruptcy Code section 1123(b)(3) to provide for the settlement, adjustment, retention and
25 enforcement of claims and interests of the Estate, without the consent or approval of any third party,
26 and without any further order of the Bankruptcy Court, except as otherwise provided in this Section.

27 Any Person with respect to whom the Debtor has incurred an obligation (whether on
28 account of services, purchase or sale of property, or otherwise), or who has received services from

the Debtor or a transfer of money or property of the Debtor, or who has transacted business with the Debtor, or leased equipment or property from the Debtor should assume that such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee, under the supervision of the Delta Trust Committee, on behalf of the Delta Liquidating Trust, subsequent to the Effective Date and may, if appropriate, be the subject of an action after the Effective Date, whether or not (i) such Person has filed a proof of Claim against the Debtor; (ii) such Person's proof of Claim has been objected to by the Debtor; (iii) such Person's Claim was included in the Bankruptcy Schedules; or (iv) such Person's scheduled Claims have been objected to by the Debtor or has been identified by the Debtor as disputed, contingent, or unliquidated.

Subject to the Delta Liquidating Trust Agreement, the Liquidating Trustee, under the supervision of the Delta Trust Committee, will make the decision of whether or not to pursue any causes of action. This decision will be based upon his or her review of the merits of the various claims as well as the costs required to prosecute such claims in light of the limited resources available for the distribution to creditors. Subject to the Delta Liquidating Trust Agreement, the Liquidating Trustee, under the supervision of the Delta Trust Committee, may seek to retain counsel on a contingency basis to prosecute some or all of such claims, may seek to finance any costs relating to the prosecution of such litigation or may decide not to pursue such claims at all.

B. Disputed Claims.

1. Reserves for Claims Other Than General Unsecured Claims.

On the Effective Date, the Secured Claims Reserve, Administrative Claims Reserve, Priority Tax Claims Reserve and Priority Non-Tax Claims Reserve shall be funded with sufficient monies to pay for, as applicable, all Allowed Administrative Claims, Allowed Claims, and Disputed Claims (in the event such claims become Allowed Claims), in such categories. Any Cash remaining in these Reserves, after all applicable Distributions or other payments have been made from said Reserve, shall be released therefrom and turned over to the Delta Liquidating Trust for distribution in accordance with this Plan.

2. Disputed Unsecured Claims Reserve.

1 Prior to any Distributions being made to Holders of Allowed Unsecured Claims, the Delta
2 Liquidating Trust shall deposit into the Disputed Unsecured Claims Reserve an amount equal to the
3 *Pro Rata* share of the Distribution allocable to Disputed Unsecured Claims, as if such Claims were
4 Allowed Claims, and shall release or cause to have released from this Reserve monies to fund
5 Distributions to Holders of Disputed Unsecured Claims as, and if and to the extent, Disputed
6 Claims become Allowed Claims, and any Cash remaining in Disputed Unsecured Claims Reserve,
7 after any such Distributions, shall be released therefrom and turned over to the Delta Liquidating
8 Trust for distribution in accordance with this Plan.

9 3. Objections to and Resolution of Disputed, Contingent or Unliquidated
10 Claims.

11 The Debtor may object to any claims prior to the Effective Date, provided however that any
12 objection filed after the Disclosure Statement has been mailed to creditors shall not affect the ability
13 of a creditor to vote on the Plan. The Debtor may file a motion to estimate claims for purpose of
14 voting on the Plan or distribution under the Plan. On and after the Effective Date, the Liquidating
15 Trustee, under the supervision of the Delta Trust Committee, shall have the right to prosecute, settle
16 and/or withdraw any objections to claims commenced by the Debtor, and the right to make and file
17 objections to Claims and Administrative Claims and to prosecute, settle and/or withdraw such
18 objections. The Liquidating Trustee, under the supervision of the Delta Trust Committee, shall
19 have the authority to compromise, settle, withdraw or otherwise resolve any objections for any
20 Claim without approval of the Bankruptcy Court; provided, however, that the Liquidating Trustee,
21 under the supervision of the Delta Trust Committee, may in its discretion seek relief before the
22 Bankruptcy Court with respect to any Disputed Claim under Rule 9019 of the Federal Rules of
23 Bankruptcy Procedure and the applicable standards thereof. The Liquidating Trustee, under the
24 supervision of the Delta Trust Committee, shall file and serve all objections to Claims upon the
25 Holder of the Claim as to which the objection is made no later than 90 days after the later of (i) the
26 Effective Date or (ii) the date on which a proof of claim or request for payment is filed with the
27 Bankruptcy Court (the "Claims Objection Deadline"). The Delta Trust Committee may extend the
28 Claims Objection Deadline for a single 60 day period by filing a notice of the extended deadline

1 with the Bankruptcy Court; provided, however, that nothing herein shall curtail the statute of
2 limitations for any affirmative Cause of Action that the Liquidating Trustee, under the supervision
3 of the Delta Trust Committee, may assert against any third party. Thereafter, the deadline may be
4 further extended only by an order of the Bankruptcy Court.

5 4. Subordination of Claims

6 Prior to entry of the Disclosure Statement Order the Debtor shall have the right to make and
7 file a motion to subordinate claims. If the Debtor has filed such a motion prior to entry of the
8 Disclosure Statement Order any claims subject to such an objection shall be deemed to be in Class 4
9 for purposes of voting on the Plan. After distribution of the Disclosure Statement but prior to the
10 Effective Date the Debtor shall have the right to file a motion to subordinate claims but such motion
11 shall not affect the voting rights of the creditor, which shall retain the right to vote with the class to
12 which it would otherwise be entitled. After the Effective Date the Liquidating Trustee, under the
13 supervision of the Delta Trust Committee, shall have the right to file a motion to subordinate
14 claims.

15 **VIII.**
16 **OTHER PLAN PROVISIONS**

17 **A. Exculpation and Release of Debtor, Committee and Professionals.**

18 Except to the extent arising from willful misconduct or gross negligence, any and all
19 Claims, liabilities, causes of action, rights, damages, costs and obligations held by any party against
20 the Debtor, the Committee and their respective attorneys, accountants, agents and other
21 professionals, and their officers, directors and employees, whether known or unknown, matured or
22 contingent, liquidated or unliquidated, existing, arising or accruing, whether or not yet due in any
23 manner related to the post-Petition Date administration of the Case or the formulation, negotiation,
24 prosecution or implementation of the Plan, shall be deemed fully waived, barred, released and
25 discharged in all respects, except as to rights, obligations, duties, claims and responsibilities
26 preserved, created or established by terms of the Plan; provided, however, that, notwithstanding the
27 foregoing, this provision does not limit the nature of any objection to the allowance and
28 compensation of any Professional Fees or any insider compensation.

Pursuant to section 1125(e) of the Bankruptcy Code, the Debtor and the Committee and its present and former members, officers, directors, employees, agents, advisors, representatives, successors or assigns, and any Professionals (acting in such capacity) employed by any of the foregoing entities will neither have nor incur any liability to any Person for their role in soliciting acceptance or rejection of the Plan.

B. Exemption from Stamp, Transfer and Other Taxes.

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

C. Injunction Enjoining Holders of Claims Against Debtor.

The Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. To that end, except as expressly provided herein, at all times on and after the Effective Date, all Persons who have been, are, or may be holders of Claims against or Interests in the Debtor arising prior to the Effective Date, shall be permanently enjoined from taking any of the following actions, on account of any such Claim or Interest, against the Debtor, its Estate, or its property (other than actions brought to enforce any rights or obligations under the Plan):

(i) commencing, conducting or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against the Debtor, its Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating Trustee, their successors, or their respective property or assets; (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date which shall be deemed to be withdrawn or dismissed with prejudice);

(ii) enforcing, levying, attaching, executing, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against the Debtor, its Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating Trustee, their successors, or their respective property or assets;

(iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any lien, security interest or encumbrance against the Debtor, its Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating Trustee, their successors, or their respective property or assets; and

(iv) proceeding in any manner in any place whatsoever against the Debtor, its Estate, the Delta Liquidating Trust, the Delta Trust Committee, or the Liquidating Trustee, their successors, or their respective property or assets, that does not conform to or comply with the provisions of the Plan.

D. Nondischarge of the Debtor.

In accordance with section 1141(a)(3) of the Bankruptcy Code, the Confirmation Order will not discharge Claims. However, no Holder of a Claim may receive any payment from, or seek recourse against, any assets that are to be distributed under this Plan other than assets required to be distributed to that Holder pursuant to the Plan. **As of the Confirmation Date, all Persons are enjoined from asserting against any property that is to be distributed under this Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in this Plan or the Confirmation Order.**

E. Entry of a Final Decree.

Promptly following the liquidation or other disposition of all remaining Assets, including the Causes of Action, Rights of Action, and distribution of all net Delta Liquidating Trust Proceeds and monies in the Reserves pursuant to the Plan and Delta Liquidating Trust Agreement, the Delta Trust Committee will file a motion with the Bankruptcy Court to obtain entry of a final decree closing the Case. Upon the entry of the final decree, the Delta Trust Committee, on behalf of the Delta Liquidating Trust, shall be authorized in its sole and absolute discretion to have discarded or destroyed any and all pre-Effective Date books and records of the Debtor in said parties' custody or control. The Delta Trust Committee shall continue to preserve their respective post-Effective Date books and records, subject to further Court order.

F. Post-Effective Date Quarterly Fees.

After the Effective Date, the Delta Trust Committee, on behalf of the Delta Liquidating Trust, shall pay all U.S. Trustee Fees.

G. Post-Effective Date Status Reports.

The Delta Trust Committee shall file status reports regarding the status of implementation of the Plan and the review, prosecution and resolution of Causes of Action, respectively, every 120 days following the entry of the Confirmation Order through entry of a final decree closing the Case, or as otherwise ordered by the Bankruptcy Court.

H. Withholding and Reporting Requirements.

In connection with the consummation of the Plan, the Delta Trust Committee, the Liquidating Trustee and Disbursing Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all Distributions hereunder shall be subject to any such withholding and reporting requirements. The Delta Trust Committee, the Liquidating Trustee and Disbursing Agent may reasonably request tax reporting information from persons entitled to receive Distributions under the Plan and may withhold the payment of such Distributions pending the receipt of such tax reporting information.

I. Evidence of Claims.

As of the Effective Date, notes and any other evidence of Claims will represent only the right to receive the Distributions contemplated under the Plan.

J. Cancellation of Interests.

On the Effective Date, all Interests will be cancelled, annulled, and extinguished, and any issued and outstanding shares of common stock, preferred stock, stock options, warrants, membership interests, or other evidence of Interests in securities of the Debtor will be deemed to be cancelled and of no further force or effect without any further action by the Debtor or any other entity. Holders of Allowed Interests will retain no rights and receive no consideration on account of these Interests, and entities holding any evidence of Interests in the Debtor will have no rights arising from or relating to such evidence of their Interests or their cancellation; provided, however,

1 that holders of Allowed Interests shall receive payment from the Equity Reserve, if any, in
2 accordance with section VI.H of the Plan.

3 **K. Injunctions or Stays.**

4 Unless otherwise provided, all injunctions or stays arising under or entered during the Case
5 under section 105 or section 362 of the Bankruptcy Code, or otherwise, and in existence on the
6 Confirmation Date, shall remain in full force and effect until the Effective Date.

7 **L. No Admissions.**

8 Except as specifically provided in the Plan, nothing contained in the Plan shall be deemed or
9 construed in any way as an admission by the Debtor or its Estate with respect to any matter set forth
10 in the Plan, including the amount or allowability of any claim, or the value of any property of the
11 Estate.

12 Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the
13 Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan
14 will: (a) be deemed to be an admission by the Debtor with respect to any matter discussed in the
15 Plan, including liability on any Claim or the propriety of any Claim's classification; (b) constitute a
16 waiver, acknowledgement, or release of any Claims, Interests, or any claims held by the Debtor; or
17 (c) prejudice in any manner the rights of the Debtor or the Estate in any further proceedings.

18 **M. Revocation of the Plan.**

19 The Debtor, with the consent of the Committee, reserves the right to withdraw the Plan
20 before the Confirmation Date.

21 **N. Severability of Plan Provisions.**

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

1 provision, as it may have been altered or interpreted in accordance with this Section, is valid and
2 enforceable under its terms.

3 **O. Governing Law.**

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

10 **P. Retention of Jurisdiction.**

11 The Bankruptcy Court will retain and have exclusive jurisdiction over any matter arising
12 under the Bankruptcy Code, arising in or related to the Case or the Plan, or that relates to the
13 following:

14 (1) resolution of any matters related to the assumption, assumption and
15 assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a
16 party or with respect to which the Debtor may be liable, and to hear, determine and, if
17 necessary, liquidate, any Claims arising therefrom;

18 (2) entry of such orders as may be necessary or appropriate to implement
19 or consummate the provisions of the Plan and all contracts, instruments, releases, and other
20 agreements or documents created in connection with the Plan;

21 (3) determination of any and all motions, adversary proceedings,
22 applications, and contested or litigated matters that may be pending on the Effective Date or
23 that, pursuant to the Plan, may be instituted by the Liquidating Trustee, under the supervision
24 of the Delta Trust Committee after the Effective Date, including, without limitation, any
25 related to the Causes of Action;

26 (4) ensuring that Distributions to Holders of Allowed Claims are
27 accomplished as provided in the Plan;
28

1 (5) hearing and determining any objections to Administrative Claims or
2 proofs of Claim, both before and after the Confirmation Date, including any objections to the
3 classification of any Claim and to allow, disallow, determine, liquidate, classify, estimate, or
4 establish the priority of secured or unsecured status of any Claim, in whole or in part;

5 (6) entry and implementation of such orders as may be appropriate in the
6 event that the Confirmation Order is, for any reason, stayed, revoked, modified, reversed, or
7 vacated;

8 (7) issuance of such orders in aid of execution of the Plan, to the extent
9 authorized by section 1142 of the Bankruptcy Code;

10 (8) consideration of any modifications of the Plan, to cure any defect or
11 omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the
12 Confirmation Order;

13 (9) hearing and determining all applications for awards of compensation
14 for services rendered and reimbursement of expenses incurred prior to the Effective Date;

15 (10) hearing and determining disputes arising in connection with, or
16 relating to, the Plan or the interpretation, implementation, or enforcement of the Plan, or the
17 extent of any Person's obligations incurred in connection with or released or exculpated
18 under the Plan;

19 (11) the recovery of all assets of the Debtor and property of the Estate,
20 wherever located;

21 (12) issuance of injunctions or other orders as may be necessary or
22 appropriate to restrain interference by any Person with consummation or enforcement of the
23 Plan;

24 (13) determination of any other matters that may arise in connection with,
25 or are related to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract,
26 instrument release, or other agreement or document created in connection with the Plan or
27 the Disclosure Statement, including, without limitation, the Delta Liquidating Trust
28 Agreement;

(14) hearing and determining matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(15) hearing any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

(16) entry of a final decree closing the Case;

(17) hearing and determining, to the fullest extent authorized by applicable law, any issue or dispute directly or indirectly arising from or related to the Delta Liquidating Trust, the Delta Trust Assets, the Delta Liquidating Trust Agreement, the Delta Trust Committee or the Liquidating Trustee;

(18) hearing and determining any other matter deemed relevant to the consummation of the Plan and the administration of the Case; and

(19) interpreting and enforcing Orders entered by the Bankruptcy Court; provided that if the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Section will not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

Q. Successors and Assigns.

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

R. Nonconsensual Confirmation.

In the event that the Classes not entitled to vote to accept or reject this Plan fail to accept the Plan in accordance with Bankruptcy Code section 1129(a)(8), the Debtor and the Committee reserve the right to modify the Plan in accordance with Bankruptcy Code section 1127(a). In accordance with section 1127 of the Bankruptcy Code, the Debtor and the Committee reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan exhibit or schedule, including amending or modifying it to satisfy the requirements of the Bankruptcy Code.

S. Saturday, Sunday, or Legal Holiday.

If any payment or act under the Plan should be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a

1 Business Day, in which event the payment or act will be deemed to have been completed on the
2 required day.

3 **T. No Waiver.**

4 Neither the failure to list a Claim in the Schedules filed by the Debtor, the failure of any
5 Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim
6 or Administrative Expense Claim prior to Confirmation or the Effective Date, the failure of any
7 Person to assert a Right of Action prior to Confirmation or the Effective Date, the absence of a
8 proof of Claim having been Filed with respect to a Claim, nor any action or inaction of any Person
9 with respect to a Claim, Administrative Expense Claim, or Right of Action other than a legally
10 effective express waiver or release shall be deemed a waiver or release of the right of the Debtor or
11 its successors or representatives, before or after solicitation of votes on the Plan or before or after
12 Confirmation or the Effective Date to (a) object to or examine such Claim or Administrative
13 Expense Claim, in whole or in part or (b) retain and either assign or exclusively assert, pursue,
14 prosecute, utilize, otherwise act or otherwise enforce any Right of Action.

15 **U. Plan Modification.**

16 Subject to the restrictions set forth in section 1127 of the Bankruptcy Code, the Debtor, in
17 consultation with the Committee, reserves the right to alter, amend, or modify the Plan before it is
18 substantially consummated.

19 **V. Post-Effective Date Notice.**

20 From and after the Effective Date, any Person who desires notice of any pleading or
21 document filed in the Case, or of any hearing in the Court, or of any matter as to which the
22 Bankruptcy Code requires notice to be provided, shall file a request for post-confirmation notice
23 and shall serve the request on counsel for the Debtor, counsel for the Committee, the Liquidating
24 Trustee; provided however, the U.S. Trustee, the Delta Trust Committee and the Liquidating
25 Trustee, shall be deemed to have requested post-confirmation notice.

26 **W. Dissolution of the Debtor.**

27 The Liquidating Trustee, under the supervision of the Delta Trust Committee may take any
28 actions necessary under applicable non-bankruptcy law to cause the dissolution of the Debtor.

**IX.
RECOMMENDATION AND CONCLUSION**

The Debtor believes that confirmation and implementation of this Plan are preferable to any other alternative because, in its view, the Plan will provide Holders of Allowed Claims and Allowed Interests with the maximum recovery. Accordingly, the Debtor urges Creditors and Interest Holders to vote to accept the Plan.

Dated: April __, 2008

DELTA ENTERTAINMENT CORPORATION,
Chapter 11 Debtor and Debtor in Possession

By:

Name: WOLFGANG FETTEN
Title: Chief Executive Officer & President

EXHIBIT 1

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TO BE PROVIDED

EXHIBIT B
LIQUIDATION ANALYSIS

Delta Entertainment, Inc.
Liquidation Analysis

	Notes	Chapter 7	Chapter 11
Proceeds from liquidation		\$ 725,223	\$ 1,316,684
Less			
Chapter 7 Trustee payments	(1)	82,352	-
Counsel and other professional fees and on-going expenses	(2)	240,000	-
Chapter 11 professional fees and expenses (net of retainers)	(5)	-	185,000
Proceeds available to the creditors		402,871	1,131,684
Creditor Claims			
Administrative claims			
Professional fees	(3)	75,000	-
Post-petition accounts payable	(4)	4,942	4,942
Post petition Chapter 11 costs	(5)	-	393,877
Post-petition royalty due THFC	(6)	100,000	25,000
State of California taxes, worker's compensation fees, etc.		20,800	20,800
Priority Tax Claims		11,459	11,459
Secured Claims		-	-
Less payments to be made upon plan confirmation		212,201	456,078
Proceeds available to the unsecured creditors		190,670	675,606
General Unsecured Creditor Claims			
Priority Non-Tax Claims		-	-
General Unsecured Claims		19,750,000	19,750,000
Total general unsecured creditor claims		\$ 19,750,000	\$ 19,750,000

Estimated distribution per \$1.00 of unsecured claim \$ 0.01 \$ 0.03

Notes

- 1 Pursuant to section 326 (b) of the US Bankruptcy code
- 2 Estimated fees and expenses through end of Chpt 7 case
- 3 Estimated fees and expenses through March 2008 for pre-Chpt 7 Trustee professional fees
- 4 Per the Debtor's January 2008 MOR
- 5 Estimated fees and expenses through June 2008 plan confirmation
- 6 Estimated post-petition royalty payments due The Harry Fox Company (THFC)

EXHIBIT C
ESTATES ASSETS

Delta Entertainment, Inc.

Liquidation Analysis - Summary*Values as scheduled on January 2008 MOR unless otherwise noted*

		Balance Sheet	Liquidation Value	
			Chapter 7	Chapter 11
Assets				
Cash and checking	(1) \$	602,000	602,000	602,000
Inventory		3,214,224	11,635	11,635
Security deposits		253,470	-	-
Accounts Receivable		1,995,733	87,088	678,549
Prepays		168,442	-	-
Fixed Assets				
Machinery, fixtures and equipment	(2)	2,101,204	15,000	15,000
Office Equipment	(3)	-	3,000	3,000
Trademark and Intellectual Property		-	6,500	6,500
TOTAL ASSETS		\$ 8,335,073	\$ 725,223	1,316,684
RECOVERY PERCENTAGE			8.7%	16%

Notes

- (1) Estimated as of March 1, 2008
(2) Liquidation value represents results from January 28, 2008 auction
(3) Balance sheet includes assets in both the Los Angeles and Indianapolis locations - liquidation value represents results from January 28, 2008 auction

EXHIBIT D
FINANCIAL STATEMENTS/HISTORY

As required, the Debtor's historical financial statements for the three years preceding the petition date is included in this exhibit. This information is provided by the Debtor and is based on the Debtor's books and records.

Financial Performance 2004 -2007 ⁽¹⁾
In \$US

	2004	2005	2006	2007
Gross Sales	\$26,386,590	\$ 19,789,115	\$ 14,366,258	\$ 3,669,285
Less: Discounts and Rebates	(228,145)	(270,407)	(2,101,221)	(1,168,784)
Gross Sales	26,158,445	19,518,708	12,265,037	2,500,501
Less: Returns	(4,995,765)	(7,340,661)	(5,109,755)	(971,705)
Net Sales	21,162,680	12,178,047	7,155,282	1,528,796
Cost of Sales	(10,947,828)	(7,590,435)	(4,967,948)	(1,083,506)
Gross Profit	10,214,852	4,587,612	2,187,334	445,290
Less: Net Reserve	(148,428)	158,647	728,575	835,978
Gross Profit After Reserve	10,066,424	4,746,259	2,915,909	1,281,268
Net Licensing Income	147,680	126,975	172,205	50,454
Operating Costs	(9,225,539)	(8,493,433)	(6,383,626)	(1,886,527)
Earnings (Loss) from Operations	988,565	(3,620,199)	(3,295,512)	(554,805)
Interest Expense, net	(337,136)	(346,610)	(606,093)	(199,511)
Realized Gain on Sale of Assets	144,024	143,673	144,024	48,008
Other Income (Expense), net	(25,234)	11,410	122,275	49,627
Earnings (Loss) before Income Taxes	770,219	(3,811,726)	(3,635,306)	(656,681)
Income Tax (Expense)/Benefit	(2)	424,216	608	-
Net Earnings (Loss)	\$ 530,660	\$ (3,387,510)	\$ (3,634,698)	\$ (656,681)

Notes

- (1) Financial statements for 2004 - 2005 are audited- 2006 and 2007 are unaudited. 2007 YTD April
(2) Tax refund

EXHIBIT E
WIND DOWN BUDGET

As required, the projected wind-down budget for the Debtor's liquidation is attached hereto.
This information is supplied by the Debtor, and is based on the Debtor's books and records.

Delta Entertainment Corporation
Wind-down budget
 Summary

		2008				TOTAL
		Mar	Apr	May	Jun	
Cash Receipts						
	Notes					
A/R collections	1	150,000	200,000	175,000	150,000	675,000
Proceeds from asset sales	2	5,000	-	-	5,000	10,000
Total Cash Receipts		155,000	200,000	175,000	155,000	685,000
Cash Disbursements						
Rent						
Richmond, IN	3	-	-	-	-	-
Los Angeles, CA	4	23,837	5,000	5,000	5,000	38,837
Payroll and taxes						
Richmond, IN	5	-	-	-	-	-
Los Angeles, CA	6	82,465	72,071	37,239	37,239	229,014
Manpower -temps	7	-	-	-	-	-
Insurance						
Medical	8	5,986	3,888	3,888	3,888	17,651
Business and WC	9	5,000	5,000	5,000	5,000	20,000
Other						
Auto lease	10	3,000	-	-	-	3,000
Commissions	11	5,000	-	-	-	5,000
Freight and transportation	12	5,000	-	-	-	5,000
Royalties	13	-	-	-	-	-
Office supplies	14	5,000	5,000	1,500	1,500	13,000
Utilities and maintenance	15	7,500	-	-	-	7,500
Tax - sales, property and use	16	-	15,000	-	-	15,000
Legal consulting	17	-	-	7,500	7,500	15,000
Miscellaneous	18	5,000	5,000	5,000	5,000	20,000
US Trustee fees	19	-	4,875	-	-	4,875
Total Cash Disbursements		147,788	115,834	65,128	65,128	393,877
Cash Receipts less Cash Disbursements		7,212	84,166	109,872	89,872	291,123
Beginning monthly cash balance 19A (includes royalty account)		592,000	536,712	578,378	648,250	
Change in cash		7,212	84,166	109,872	89,872	
Ending cash balance from operations		599,212	620,878	688,250	738,123	
Balance professional fee retainers (est.)						
Pachulski Stang et. al.	20	-	-	-	-	
Broadway Advisors, LLC	20	-	-	-	-	
Ending cash balance including retainers		599,212	620,878	688,250	738,123	
Professional fee projections						
Pachulski Stang et. al.	21	20,000	20,000	20,000	20,000	80,000
Irell Manella	21	15,000	15,000	15,000	15,000	60,000
Broadway Advisors, LLC	21	27,500	7,500	5,000	5,000	45,000
Total Monthly Professional Fees		62,500	42,500	40,000	40,000	185,000
Balance after professional fees		536,712	578,378	648,250	698,123	

Accounts Receivable Schedule

Beginning A/R as March 1	22	1,995,700	1,845,700	1,645,700	1,470,700
Additions		-	-	-	-
Collections	23	150,000	200,000	175,000	150,000
Ending A/R		1,845,700	1,645,700	1,470,700	1,320,700

SEE FOOTNOTES ON NEXT PAGE

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Notes

- 1 Estimated AR collections depend heavily on the strength of the legal offset argument and may be significantly less than forecast
- 2 Collection of auction proceeds in Feb., sale of excess LA office equipment in Mar. and remaining equipment in June
- 3 No February rent scheduled as it was part of the settlement with the landlord
- 4 Company will reject LA office building lease on February 28 and is negotiating with the landlord for month-to-month lease
The Company plans on transferring all tenant obligations to landlord and moving to smaller offices in the same building
- 5 Final payroll including accrued vacation pay
- 6 Reflects reduction in headcount as tasks completed
- 7 Temporary employee service company - includes final invoice
- 8 Reflects reduction in headcount
- 9 Reflects reduction in headcount
- 10 Assumes additional month payment due for wear and tear
- 11 Assumes residual payments
- 12 Assumes need for trucks and other transportation to remove paper and other waste items from warehouse before vacating
- 13 Q4 payment in Feb and Q1 payment in July estimated at \$125,000
- 14 Ordinary course of business
- 15 Ordinary course of business - reflects vacating warehouse in February and moving to rented LA office space in April
- 16 Pro-rata property tax due for LA office building
- 17 Kenneth Wennergren will be retained on an hourly basis after April 2008 at \$350 per hour
- 18 Ordinary course of business
- 19 Estimated OUST fee based on January actuals and February and March estimated disbursements. Used new revised quarterly fee schedule.
- 20 Assumes Nov - Jan fees of \$109K and an estimated retainer of \$150K
- 21 Includes use of \$25K retainer against actual fees Oct - Dec of approx. \$18K
- 22 Assumes Nov \$11K, Dec \$11K (est.) and Jan \$15K (est.) I&M have not reviewed these estimates and they are therefore subject to change
- 23 January amount is actual.
- 24 There exists the potential for significant portion of this A/R to be offset by returns consistent with previous transactions

EXHIBIT F
LIQUIDATING TRUST AGREEMENT

**LIQUIDATING TRUST AGREEMENT
BETWEEN DELTA ENTERTAINMENT CORPORATION, THE DELTA
TRUST COMMITTEE, AND BROADWAY ADVISORS, LLC
AS LIQUIDATING TRUSTEE**

This Liquidating Trust Agreement (this "Trust Agreement"), dated as of _____, 2008, by and between Delta Entertainment Corporation ("Delta" or the "Debtor"), the Delta Trust Committee and Broadway Advisors, LLC as Liquidating Trustee and Distribution Agent ("Liquidating Trustee"), is executed to effect, among other things, the distribution of the Liquidating Trust Assets, as defined below, in accordance with *Debtor's First Amended Liquidating Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* (the "Plan").

RECITALS

On July 25, 2007 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the Bankruptcy Code in the Bankruptcy Court commencing Case No. LA - 07-16302-EC (the "Bankruptcy Case").

The Plan provides for the orderly liquidation of the Debtors' Assets and does not contemplate the continuation of the Debtors' businesses. The Plan provides that the Proceeds from the liquidation of the Debtors' Assets (the "Liquidating Trust Assets") be vested into a liquidating trust pursuant to, and governed by, the terms of this Trust Agreement (the "Trust") and the Plan. Under the terms of the Plan, the Liquidating Trust Assets will be deposited into the Trust created hereby for effective administration and for the benefit of the Holders of Claims specifically Allowed under the terms of the Plan ("Allowed Claims"). Pursuant to the terms and provisions of the Plan, the Liquidating Trustee shall administer the Trust under the supervision of the Delta Trust Committee.

**ARTICLE I
ESTABLISHMENT OF THE TRUST**

1.1 Declaration of Trust.

In order to declare the terms and conditions hereof, and in consideration of the Liquidating Trust Assets, the confirmation of the Plan pursuant to Section 1129 of the Bankruptcy Code, and other good and valuable consideration, the receipt of which is hereby acknowledged, Delta has executed this Trust Agreement on behalf of the Debtor's bankruptcy Estate and hereby (a) absolutely assigns to the Trust and to its successors and assigns, all right, title and interest of the Debtors in and to the Liquidating Trust Assets, and (b) requests that the Delta Trust Committee and the Liquidating Trustee accept the Trust imposed by this Trust Agreement, the Plan, and the Confirmation Order. The Trust is irrevocable.

1.2 Name of Trust.

The Trust created under this Trust Agreement is and shall be known as the "Delta Entertainment Liquidating Trust."

1.3 Delta Trust Committee and Liquidating Trustee's Acceptance.

The Delta Trust Committee and the Liquidating Trustee accept the Trust imposed upon them by this Trust Agreement and agree to observe and perform that Trust upon and subject to the terms and conditions set forth herein, in the Plan and Confirmation Order.

1.4 Purpose of Trust.

The sole purpose of the Trust shall be to operate, prosecute, realize, liquidate, dispose of and distribute, as applicable, the Liquidating Trust Assets in accordance with the Plan and Confirmation Order.

ARTICLE II DEFINITIONS

Unless the context clearly requires otherwise, and except as with respect to the following terms, which shall have the respective meanings as specified below, all undefined capitalized terms contained herein shall have the meanings ascribed to them in the Plan, and if not defined in the Plan, in the Bankruptcy Code, and if not defined in the Bankruptcy Code, the Bankruptcy Rules.

"Cause(s) of Action" means the Avoidance Actions and any and all actions, Claims, rights, defenses, third-party claims, damages, executions, demands, crossclaims, counterclaims, suits, causes of action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise, accruing to the Debtor, the Estate or another appropriate party in interest including, without limitation, any causes of action or defenses arising under Sections 510, 544, 547, 548, 549, 550, 551, 553 or other sections of the Bankruptcy Code. The term shall also include any relief that may be sought by a trustee under the Bankruptcy Code whether by adversary proceeding or otherwise. A non-inclusive list of the known Causes of Action is set forth in the Plan Supplement.

"Claimant" means any entity that holds an Allowed Claim, whether secured, unsecured, priority or non-priority, or an Allowed Administrative Claim and is entitled to receive a distribution from the Trust pursuant to the Plan.

"Delta Trust Committee" means the former Committee of Unsecured Creditors in Delta's Bankruptcy Case and is comprised of the following members: (i) Latin Music Entertainment,

(ii) Marsh Supermarkets, (iii) Mr. Paperback, (iv) Shorewood Packaging, and (v) Sony DADC US Inc.

“General Operating Account” means the account(s) maintained by the Delta Trust Committee for the payment of Trust Administrative Expenses, as described in Section 5.2 herein, and from which distributions to Claimants shall be made in accordance with Article IV herein and the Plan.

“Liquidating Trustee” means Broadway Advisors, LLC or any successor as provided for in Article VI herein.

“Liquidating Trust Assets” means, with respect to the Debtor as of the Effective Date, all of the right, title, and interests in and to property of whatever type or nature owned by the Debtor or subsequently acquired by the Debtor, including any property of the Estate for purposes of Section 541 of the Bankruptcy Code (each such item of or interest in property being sometimes referred to herein as an Liquidating Trust Asset).

“Proceeds” means any value obtained by the Estate through the liquidation of any of the Liquidating Trust Assets net of reasonable fees and expenses.

“Tax Code” means the Internal Revenue Code of 1986, as amended.

“Trust” means the Trust created by this Trust Agreement.

“Trust Administrative Expenses” means all costs, expenses and fees reasonably incurred in connection with maintaining the Trust and operating, prosecuting, realizing, liquidating, disposing of and distributing, as applicable, the Liquidating Trust Assets, including: (a) compensation for and reimbursement of expenses of the Delta Trust Committee and the Liquidating Trustee, (b) all fees and expenses reasonably incurred by the Delta Trust Committee and the Liquidating Trustee in employing attorneys, accountants, experts, consultants, advisors, investigators, appraisers, auctioneers or other professionals to represent the Trust in carrying out the Liquidating Trustee's and the Delta Trust Committee's respective powers and duties under this Trust Agreement, and (c) all other costs reasonably incurred in prosecuting, realizing, liquidating, disposing of and distributing, as applicable, the Liquidating Trust Assets in accordance with this Trust Agreement.

ARTICLE III

POWERS OF LIQUIDATING TRUSTEE

3.1 Distribution of Liquidating Trust Assets.

The Liquidating Trustee, under the supervision of the Delta Trust Committee, shall be empowered to and shall accept, operate, prosecute, liquidate, and distribute, as applicable, the Liquidating Trust Assets in accordance with the Plan and Article IV of this Agreement. Prior to taking any action with respect to the Liquidating Trust Assets, the Liquidating Trustee must

obtain written authorization from the Delta Trust Committee or an order from the Bankruptcy Court authorizing the Liquidating Trustee to act without such authorization from the Delta Trust Committee.

3.2 Retention and Compensation of Attorneys, Accountants and Other Professionals.

(a) The Delta Trust Committee and the Liquidating Trustee may retain the counsel to the Trust ("Counsel to the Trust"). The Delta Trust Committee and the Liquidating Trustee may commit the Trust to and shall pay Counsel to the Trust reasonable compensation of fees and reimbursement of expenses from the Liquidating Trust Assets for services rendered and expenses incurred prior to any Distribution pursuant to subsection (e) below.

(b) The Delta Trust Committee may select to aid in the operation, prosecution, liquidation, realization, disposition of and distribution, as applicable, of the Liquidating Trust Assets and to perform such other functions as may be appropriate in the Delta Trust Committee's discretion additional law firm(s) to act as Counsel to the Trust.

(c) The Liquidating Trustee and the Delta Trust Committee may retain an accounting firm or other financial advisors to review, compile, or audit the financial books and records of the Trust, as deemed necessary by the Liquidating Trustee to file local, state and federal tax returns, to perform such other reviews or audits, or such other services as may be appropriate in the Liquidating Trustee's discretion for the benefit of the Trust.

(d) The Liquidating Trustee and the Delta Trust Committee may retain such experts, advisors, consultants, investigators, appraisers, auctioneers or other professionals or paraprofessionals as the Liquidating Trustee, in its discretion, may deem necessary or appropriate to assist the Liquidating Trustee in carrying out its powers and duties under this Trust Agreement for the benefit of the Trust.

(e) The Liquidating Trustee and the Delta Trust Committee may commit the Trust to and shall pay Counsel to the Trust or any other professionals, entities or persons employed by the Trust pursuant to subsection (a) through (d) reasonable compensation of fees and reimbursement of expenses from the Liquidating Trust Assets for services rendered and expenses incurred prior to any Distribution.

3.3 Settlement of Claims or Causes of Actions.

The Liquidating Trustee, under the supervision of the Delta Trust Committee, may effect and consummate settlements of Claims or Causes of Action without Bankruptcy Court approval.

3.4 Additional Powers.

(a) Except as otherwise provided in this Trust Agreement or in the Plan, and subject to the retained jurisdiction of the Bankruptcy Court as provided for in the Plan and

Confirmation Order, the Liquidating Trustee, with the authorization of the Delta Trust Committee, may control and exercise authority over the Liquidating Trust Assets, over the operation, prosecution, realization, liquidation, acquisition, management and disposition thereof, and over the management and conduct of the business of the Trust to the same extent as if the Liquidating Trustee were the sole owner thereof in its own right, including without limitation the right to merge, wind-up or otherwise terminate the corporate existence of the Debtor. Except as specifically provided for herein, no person dealing with the Trust shall be obligated to inquire into the authority of the Liquidating Trustee or the Delta Trust Committee in connection with the operation, prosecution, realization, liquidation, acquisition, management or disposition of the Liquidating Trust Assets. In connection with the management and use of the Liquidating Trust Assets, the Liquidating Trustee, except as otherwise expressly limited in this Trust Agreement, may, under the supervision of the Delta Trust Committee, embark upon and carry out the following acts in performing the obligations of the Liquidating Trustee under this Trust pursuant to the Plan: (i) accept the assets transferred and provided to the Trust pursuant to this Trust Agreement and the Plan; (ii) operate, assign, settle, compromise, prosecute, or abandon Liquidating Trust Assets, or any part thereof or any interest therein, upon such terms and for such consideration as the Liquidating Trustee, under the supervision of the Delta Trust Committee, deems desirable, provided that such action is in accordance with the terms of the Plan; (iii) endorse the payment of notes or other obligations of any person or make contracts with respect thereto; (iv) remove all or any part of the assets of, or the *situs* of administration of, the Trust from one jurisdiction to another jurisdiction in the United States at any time or from time to time; (v) in connection with any property held hereunder that is distributable or payable to a minor, transfer and pay over all or any portion thereof to such minor, or to a guardian of the property of such minor whenever appointed without requiring ancillary guardianship, or to a parent of such minor or the person with whom such minor resides, or to any custodian under any Uniform Gifts to Minors Act or Uniform Transfer to Minors Act with power to select any person or trust company (including any fiduciary hereunder) to be such custodian and with power to extend such custodianship to age twenty-one (21) years, without any obligation to see to the use or application thereof or to make inquiry with respect to any other property available for the use of such minor, the receipt by such minor, guardian, parent, person or custodian to be a complete discharge as to such transfer or payment; (vi) pursue prosecution, collection, payment and conversion to cash of all Liquidating Trust Assets and file suit in any court, if necessary, to effect such collection; (vii) assert objections to Claims in the Bankruptcy Case and related proceedings, (viii) prosecute and defend all Causes of Actions affecting the Trust; (ix) make any and all Distributions provided for under the Plan; and (x) take any and all other actions necessary or appropriate to effectuate the Plan.

ARTICLE IV DISTRIBUTIONS

4.1 Distributions to Claimants.

The Liquidating Trustee shall, under the supervision of the Delta Trust Committee, make Distributions to Claimants in accordance with the Plan. Distributions and deliveries to Holders

of Allowed Claims will be made: (a) at the addresses set forth in the Debtor's Schedules; (b) at the addresses set forth in any written notices of address changes delivered to the Debtor or its counsel after the date of any related proof of claim; and (c) at the addresses reflected in the proofs of claim filed by the Holders of Allowed Claims. If any Distribution is returned as undeliverable, no further distributions to the Holder will be made unless and until the Liquidating Trustee or the Delta Trust Committee is notified of the Holder's then current address, at which time all missed Distribution(s) will be made to the Holder, without interest. All claims for undeliverable Distributions must be made to the Liquidating Trustee or the Delta Trust Committee on or before the entry of a Final Decree. After that date, all Unclaimed Property will be distributed pursuant to the terms of this Plan, and the Claim of any Holder with respect to such Unclaimed Property will be discharged and forever barred.

4.2 De Minimis Distributions.

Pursuant to the Plan, the Liquidating Trustee shall not be required to make any Distribution to any Claimant in an amount less than five dollars (\$5.00) unless a request is made in writing to the Debtor, the Liquidating Trustee or the Delta Trust Committee. In the event that Distribution to any Claimant would result in a Distribution in an amount less than \$5.00, the Liquidating Trustee may hold such Distribution, without interest, until such time as there is an additional Distribution such that the total to be distributed to such Claimant is in excess of \$5.00, provided, however, that if such Distribution would be the final Distribution from the Trust, and such Claimant's Distribution would be less than \$5.00, then such Claimant shall not receive any further Distribution, and shall have its Claim for such Distribution discharged and shall be forever barred from asserting any Claim against the Trust, the Liquidating Trust Assets and the proceeds thereof.

ARTICLE V GENERAL RIGHTS AND OBLIGATIONS OF THE LIQUIDATING TRUSTEE

5.1 Title.

The Trust shall hold legal title to all Liquidating Trust Assets.

5.2 General Operating Account.

The Liquidating Trustee shall maintain in the General Operating Account all funds received by it in connection with the Trust. The Liquidating Trustee shall pay all Trust Administrative Expenses and make all Distributions to Claimants from the General Operating Account. The Liquidating Trustee shall take physical or constructive possession of all other Liquidating Trust Assets. The Liquidating Trustee shall pay, under the supervision of the Delta Trust Committee, all applicable Trust Administrative Expenses consistent with the Plan.

5.3 Reserve.

Notwithstanding any other provisions of the Trust Agreement, and except to the extent inconsistent with the Plan, the Liquidating Trustee shall be entitled to retain in the Trust at any one time, in addition to cash estimated to be necessary for the payment of Allowed Claims, an amount of cash estimated by the Liquidating Trustee to be necessary to pay the Trust Administrative Expenses (a) incurred and (b) such amounts reasonably expected to be incurred in the future (collectively, the "Reserve"). All amounts remaining in the Reserve after full and final payment of the Trust Administrative Expenses shall become available for Distribution to Claimants in accordance with the Plan.

5.4 Reports and Notices.

The Liquidating Trustee, under the supervision of the Delta Trust Committee, shall prepare and provide to or file with the appropriate taxing authorities such notices, tax returns and other filings as may be required by the Tax Code and as may be required by any similar applicable law of other jurisdictions.

5.5 Investment Obligations.

The Liquidating Trustee shall invest Liquidating Trust Assets in "government securities" (as such term is defined in Section 2(a)(16) of the Investment Company Act of 1940, as amended); *provided, however*, that the Liquidating Trustee may, to the extent deemed necessary by the Liquidating Trustee, under the supervision of the Delta Trust Committee, to implement the provisions of this Trust Agreement, deposit funds in demand deposits or certificates of deposit at any bank or trust company. The Liquidating Trustee shall, under the supervision of the Delta Trust Committee, make such investments in such amounts and at such times as may be deemed necessary by the Liquidating Trustee to provide funds when needed to make payments from the Liquidating Trust Assets. If at any time it shall become necessary that some or all of the investments constituting Liquidating Trust Assets be redeemed or sold in order to raise money necessary to comply with the provisions of this Trust Agreement or the Plan, the Liquidating Trustee shall effect such redemption or sale, in such manner and at such time as the Liquidating Trustee in its discretion, deems reasonable. Any investments purchased with any of the Liquidating Trust Assets shall be deemed a part of the Liquidating Trust Assets and, for the purpose of determining the value of the Liquidating Trust Assets, the investments therein shall be valued at their cost or market value, whichever is lower. All interest and distributions received by the Trust in respect of investments constituting part of the Liquidating Trust Assets shall be deemed a part of the Liquidating Trust Assets.

5.6 Compliance With Securities Laws.

If applicable, the Liquidating Trustee shall, under the supervision of the Delta Trust Committee, file with the Securities and Exchange Commission and other applicable federal and state governmental agencies such reports and other documents, and take any other actions, necessary to comply with federal or state securities laws.

5.7 Tax Issues.

5.7.1 Taxation as Disputed Ownership Fund. The Liquidating Trustee shall elect (pursuant to Treasury Regulation section 1.468B-9(c)(2)(ii)) to report the Trust for federal and state income tax purposes as a "disputed ownership fund" as defined in Treasury Regulation section 1.468B-9 to be taxed as a "C corporation" as described in Treasury Regulation section 1.468B-9(c)(1)(i).

5.7.2 Fiscal Year. The Trust's fiscal year shall end on December 31 of each year.

5.7.3 Accounting Method. The Trust shall use an accrual method of accounting within the meaning of section 446(c) of the Tax Code.

5.7.4 Valuation of Assets. The Liquidating Trustee shall establish a value for each non-Cash asset in the Liquidating Trust Assets. Such values shall be reported to the Debtor and the Debtor shall consistently report such values in its tax returns.

5.7.5 Administrator; Returns. The Liquidating Trustee shall be the "administrator" of the Trust and shall fulfill the duties of an administrator of a disputed ownership fund as described in Treasury Regulation section 1.468B-9(b)(1). In accordance with Treasury Regulation section 1.468B-9(c)(1), the Trust shall be treated as the owner of all assets that it holds and the Liquidating Trustee shall obtain an employer identification number for the Trust. Within the time required by applicable law, the Liquidating Trustee shall prepare all required tax returns for the Trust (including requests for tax refunds and required information returns) and related reports and shall file them with the applicable taxing authorities and, if necessary or required, distribute copies to the Beneficiaries and shall otherwise comply with the requirements of Treasury Regulation section 1.468B-9 and the IRC. In the Trust's first federal income tax return, the Liquidating Trustee shall, under the supervision of the Delta Trust Committee, make the election described in Treasury Regulation section 1.468B-9(c)(2)(ii). The Liquidating Trustee shall pay from the Trust Estate any taxes owed by the Trust in connection with such returns.

5.7.6 Withholding Requirements. The Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions from the Trust pursuant to the Plan shall be subject to such withholding and reporting requirements. The Liquidating Trustee may withhold all or part of a distribution amount due to any Claimant until such time as such Claimant provides the necessary information or Cash to comply with any withholding requirements of any Governmental Unit. Any property so withheld shall be paid by the Liquidating Trustee to the appropriate authority. If a Claimant fails to provide (a) the information necessary to comply with the applicable withholding requirements of any Governmental Unit or (b) the Cash necessary to comply with any such applicable withholding requirements within ninety (90) days from the date of the request for such information from the Claimant, then such Claimant's distribution amount shall be treated as Unclaimed Property and forfeited in accordance with Section 4.1.

ARTICLE VI THE LIQUIDATING TRUSTEE

6.1 Resignation.

Any member of the Delta Trust Committee and/or the Liquidating Trustee may resign their position by executing a resignation instrument in writing and (a) filing that instrument with the Bankruptcy Court or (b) if the Bankruptcy Case is closed, serving such resignation upon Counsel to the Trust; *provided, however*, that the resigning either shall continue to serve after their resignation until the time when appointment of a successor shall become effective in accordance with Section 6.3 of this Trust Agreement.

6.2 Removal.

Through the issuance of an order, the Bankruptcy Court may upon application of any Holder of an Allowed Claim, or Counsel to the Trust remove either the Delta Trust Committee, a member of the Delta Trust Committee or the Liquidating Trustee upon a showing of reasonable cause (the term "reasonable cause" includes without limitation the conduct described in 11 U.S.C. § 1104(a)(1), the best interests of the beneficiaries of the Trust, fraud, dishonesty, incompetence, or gross mismanagement); *provided, however*, that either shall continue to serve after their removal until the earlier of (a) the time when appointment of a successor shall become effective in accordance with Section 6.3 of this Trust Agreement, or (b) such date as the Bankruptcy Court shall otherwise order.

6.3 Appointment of Successor Liquidating Trustee.

In the event of the death (in the case of a Liquidating Trustee that is a natural person), dissolution (in the case of a Liquidating Trustee that is a corporation), resignation, incompetency or removal of the Liquidating Trustee, the Bankruptcy Court shall have the authority to appoint a successor Liquidating Trustee. Furthermore, Counsel to the Trust, the Liquidating Trustee, shall have authority to petition the Bankruptcy Court to appoint a successor Liquidating Trustee. Any application to appoint a successor Liquidating Trustee shall be served upon any interested parties requesting service. Every successor Liquidating Trustee appointed hereunder shall execute, acknowledge and deliver to the Bankruptcy Court and to the remaining Liquidating Trustee an instrument accepting such appointment and this Trust Agreement, and thereupon such successor Liquidating Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the removed Liquidating Trustee.

6.4 Trust Continuance.

The death, dissolution, resignation, incompetency or removal of the Liquidating Trustee shall not operate to terminate the Trust created by this Trust Agreement or invalidate any action theretofore taken by the Liquidating Trustee. In the event of the resignation or removal of the Liquidating Trustee, such Liquidating Trustee shall promptly: (a) execute and deliver such documents, instruments and other writings as may be required by the Bankruptcy Court or

reasonably requested by the successor Liquidating Trustee to effect the termination of the party's powers and authority under this Trust Agreement and the conveyance of the Liquidating Trust Assets then held by the retiring Liquidating Trustee to its successor; (b) deliver to the Bankruptcy Court or the successor Liquidating Trustee all documents, instruments, records and other writings related to the Trust as may be in the possession of the Liquidating Trustee; (c) prepare and serve upon Counsel to the Trust a report of actions taken and contemplated to be taken for the aid of a smooth transition for the successor the Liquidating Trustee; and (d) otherwise assist and cooperate in effecting the assumption of its obligations and functions by such successor Liquidating Trustee.

6.5 Liquidating Trustee Compensation.

The Liquidating Trustee shall be compensated as reasonable compensation in fulfillment of its duties as follows: (a) at the customary and established hourly rates for the consultants of the Liquidating Trustee for each hour worked by such consultants (the "Hourly Fee"); *provided, however*, that, to the extent such Hourly Fee results in a payment of less than \$5,000, a minimum monthly fee of \$5,000, commencing on the Effective Date and (b) reimbursement of reasonable out-of-pocket expenses. Such compensation the Liquidating Trustee shall not include any employee benefits, as the Liquidating Trustee shall be solely responsible for the provision of any such benefits. Compensation of a successor Liquidating Trustee, if any, shall be set under such reasonable terms and conditions upon notice to the Bankruptcy Court.

6.6 Compensation of Professionals.

Any professionals, entities or persons retained by the Delta Trust Committee or the Liquidating Trustee shall be entitled to reasonable compensation and reimbursement for the actual and reasonable out-of-pocket expenses incurred in performing their duties.

6.7 Payment of Compensation.

All requests for payment of fees and expenses by the Liquidating Trustee and any professionals, entities or persons retained by the Delta Trust Committee or the Liquidating Trustee shall be served (with a 10-day period in which to object) on the Delta Trust Committee, the Liquidating Trustee, Counsel to the Trust, the United States Trustee and any other party that requests notice. If no objection is received within the 10-day period, the Liquidating Trustee may pay the fees and expenses without the need for further review or approval of the Bankruptcy Court or any other party. If an objection to the payment of fees and expenses is received within the 10-day period, and such objection cannot otherwise be resolved, the Trustee shall schedule a Bankruptcy Court hearing to resolve the objection. The Liquidating Trustee shall timely pay the undisputed portion of any invoice to which an objection is received and shall reserve monies in the amount of the disputed portion of the invoice pending resolution of the dispute.

6.8 Standard of Care; Exculpation.

The Delta Trust Committee and the Liquidating Trustee shall perform the duties and obligations imposed on them by this Trust Agreement with reasonable diligence and care under the circumstances and in a manner reasonably believed to be in, or not opposed to, the best interests of the Trust. Neither the Delta Trust Committee nor the Liquidating Trustee, however, shall be personally liable to the Trust, to any Claimant or to the Debtors (or successors thereto) except for such of its own acts as shall constitute bad faith, willful misconduct, gross negligence, or willful disregard of its duties or breach of this Trust Agreement. The Delta Trust Committee and the Liquidating Trustee shall be defended, held harmless and indemnified from time to time by the Trust, using the Liquidation Trust Assets, against any and all losses, claims, costs, expenses and liabilities to which they may be subject under this Trust Agreement or the Plan, provided, however, that nothing in this Trust Agreement shall release, or require the Trust to indemnify, them from any claims arising from their bad faith, willful misconduct, gross negligence, or willful disregard of its duties or breach of this Trust Agreement. The, officers, employees, agents, Counsel to the Trust, and other professionals of the Trust (the "Authorized Representatives") shall provide the services requested by them to effectuate the purposes of the Trust Agreement with reasonable diligence and care under the circumstances. The Authorized Representatives, however, shall not be personally liable to the Trust, to any Claimant or to the Debtors (or successors thereto) except for such of their own acts as shall constitute bad faith, willful misconduct, gross negligence, or willful disregard in the performance of the services requested by either the Delta Trust Committee or the Liquidating Trustee. The Authorized Representatives shall be defended, held harmless and indemnified from time to time by the Trust, using the Liquidation Trust Assets, against any and all losses, claims, costs, expenses and liabilities to which the Authorized Representatives may be subject by reason of their performance of their services as requested by the Delta Trust Committee or the Liquidating Trustee to effectuate the purposes of this Trust Agreement or the Plan, provided, however, that nothing in this Trust Agreement shall release, or require the Trust to indemnify, the Authorized Representatives from any claims arising from their gross negligence, recklessness, willful misconduct or willful disregard in the performance of the services requested by the Delta Trust Committee or the Liquidating Trustee.

(a) Any indemnification under Section 6.6 (unless ordered *by a court*) shall be made by the Trust only as authorized in the specific case upon a determination that indemnification of the Delta Trust Committee or the Liquidating Trustee or any of the respective Authorized Representatives is proper in the circumstances because such person has either met the applicable standard of conduct set forth in Section 6.6 or has been successful on the merits and that that the amount requested has been actually and reasonably incurred. Notwithstanding the foregoing, to the extent the Delta Trust Committee, the Liquidating Trustee or an Authorized Representative has been successful on the merits or otherwise in defense of any third party proceeding or Trust-related proceeding or in defense of any Claim, issue or matter therein, such person shall be indemnified against expenses actually and reasonably incurred by such person in connection therewith.

(b) Expenses actually and reasonably incurred in defending a third party or a Trust-related proceeding may be paid on behalf of the Delta Trust Committee, the Liquidating Trustee or an Authorized Representative by the Trust in advance of the final disposition of such third party or Trust-related proceeding (other than claims or causes of action that are brought on behalf of the Trust by the Liquidating Trustee against Authorized Representatives) upon receipt of an undertaking by or on behalf of the Delta Trust Committee or the Liquidating Trustee or respective Authorized Representative to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Trust as authorized in Section 6.6. The financial ability of the Liquidating Trustee or such Authorized Representative to make such repayment shall not be a prerequisite to the making of an advance.

6.9 Insurance; Bond.

The Delta Trust Committee or the Liquidating Trustee may obtain, at the expense of the Trust, for its benefit and the benefit of its Authorized Representatives insurance against claims of liability, damage awards and settlements. The Delta Trust Committee or the Liquidating Trustee shall not be obligated to give any bond or surety or other security for the performance of any of its duties, unless otherwise ordered by the Bankruptcy Court; if so otherwise ordered, all costs and expenses of procuring any such bond shall be deemed Trust Administrative Expenses and shall be paid from the Liquidating Trust Assets.

6.10 Reliance by Liquidating Trustee.

The Delta Trust Committee or the Liquidating Trustee may rely, and shall be fully protected personally in acting upon, any resolution, statement, certificate, instrument, opinion, report notice, request, consent, order or other instrument or document that it reasonably believes to be genuine and to have been signed or presented by the proper party or parties or, in the case of digital facsimile transmissions, to have been sent by the proper party or parties, in each case without obligation to satisfy himself that the same was given in good faith and without responsibility for errors in delivery, transmission or receipt. In the absence of its bad faith, willful misconduct, gross negligence, willful disregard of its duties or breach of this Trust Agreement, the Delta Trust Committee and/or the Liquidating Trustee may rely as to the truth of statements and correctness of the facts and opinions expressed therein and shall be fully protected personally in acting thereon. The Delta Trust Committee and/or the Liquidating Trustee may consult with legal counsel and shall be fully protected in respect of any action taken or suffered by it in accordance with the opinion of legal counsel. The Delta Trust Committee and/or the Liquidating Trustee may at any time seek instructions from the Bankruptcy Court concerning the operation, acquisition, prosecution, management, liquidation or disposition of the Liquidating Trust Assets and shall be protected from any liability in relying upon such instructions.

ARTICLE VII RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction over the Trust, the Delta Trust Committee, Liquidating Trustee and the Liquidating Trust Assets, as provided for in the Plan, including, the determination of all controversies and disputes arising under or in connection with this Trust Agreement.

ARTICLE VIII TERMINATION

The Trust shall continue until 60 days after the earlier of (a) the date upon which termination of the Trust is approved by the Bankruptcy Court after Distribution of all of the Liquidating Trust Assets, (b) if the Bankruptcy Case is closed, the date upon which all of the Liquidating Trust Assets are distributed, and (c) the fifth anniversary of the date hereof (unless further extended by the Bankruptcy Court). In no event shall the Trust be extended beyond the maximum limit permitted under applicable law. In connection with the termination of this Trust, the Delta Trust Committee and/or the Liquidating Trustee shall file a Motion for a Final Decree pursuant to Rule 3022 of the Bankruptcy Code.

ARTICLE IX MISCELLANEOUS

9.1 Notices.

(a) All notices, requests or other communications required or permitted to be made in accordance with this Trust Agreement shall be in writing and shall be delivered personally, by facsimile, by overnight next-day air delivery, or by registered or certified mail.

(i) if to the Liquidating Trustee:

Thomas S. Paccioretti
Broadway Advisors, LLC
Wells Fargo Center North
333 South Grand Avenue, Suite 4200
Los Angeles, CA 90071

(ii) if to Counsel for the Trust:

TO BE PROVIDED

All such communications shall be deemed effective, as the case may be, when hand delivered, when the certified or registered mail is received, when the printed facsimile confirmation indicates completion of the transmittal, or one day after deposit with an overnight air delivery service.

(b) Any entity entitled to receive notice may change the address at which that party is to receive notice under this Trust Agreement by furnishing written notice in accordance with the provisions of Section 9.1(a) to the entity to be charged with knowledge of such change.

9.2 Effectiveness.

This Trust Agreement shall become effective on the Effective Date of the Plan.

9.3 Counterparts.

This Trust Agreement may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

9.4 Governing Law.

This Trust Agreement shall be governed by, construed under and interpreted in accordance with the laws of the State of California.

9.5 Headings.

Sections, subheadings and other headings used in this Trust Agreement are for convenience only and shall not affect the construction of this Trust Agreement.

9.6 Severability.

Any provision of this Trust Agreement that is prohibited or unenforceable shall not invalidate the remaining provisions of this Trust Agreement.

9.7 Amendments.

This Trust Agreement may be amended from time to time by the Delta Trust Committee, provided that the Delta Trust Committee may not amend the terms of the Plan or the distribution rights of the beneficiaries through an amendment without approval by the Bankruptcy Court or approval of the affected party. To the extent that this Trust Agreement is determined to be inconsistent with the provisions of the Plan by the Bankruptcy Court, the Trust Agreement shall be deemed amended to the extent necessary to correct such inconsistency (and only to such extent).

9.8 Successors.

This Trust Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

9.9 Interpretation.

Unless the context of this Trust Agreement clearly requires otherwise, references to the plural include the singular, the singular includes the plural, the part includes the whole, gender-specific and gender-neutral terms shall refer to all genders, "including" is not limiting, and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Trust Agreement refer to this Trust Agreement as a whole and not to any particular provision of this Trust Agreement. To the greatest extent possible, this Trust Agreement shall be interpreted in a manner consistent with the Plan. In the event of any irresolvable inconsistency, the Plan shall control as provided in Section 9.7 hereof.

9.10 Savings Clause

In the event that any provision of this Trust Agreement is determined to be invalid the Delta Trust Committee may seek to correct such provision with the Bankruptcy Court. Such invalid provision, if any, shall be corrected without affecting any other valid provisions herein.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or caused this Trust Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

DELTA ENTERTAINMENT, INC.
Debtor and Debtor-in-Possession

By: _____
Title: _____

Dated: _____

BROADWAY ADVISORS, LLC
LIQUIDATING TRUSTEE

By: _____
Title: _____

Dated: _____

DELTA TRUST COMMITTEE

By: _____

Title: _____

Dated: _____

EXHIBIT G
POTENTIAL AVOIDANCE ACTIONS

Payments to creditors 90 days preceding

Delta Entertainment Corporation

Payments to Creditors

Period: 04/26/07..07/24/07

<u>Date</u>	<u>Creditor</u>	<u>Amount</u>
5/3/07 - 7/6/07	1663 SAWTELLE LLC.	\$ 74,250.81
4/27/07 - 6/29/07	AMERICAN PACKAGING CAPITAL INC	7,661.46
5/4/07 - 7/6/07	BUSINESS CARD	41,773.47
5/15/07 - 7/15/07	ESSENTIALS MARKETING INC.	29,086.71
4/27/07 - 7/13/07	FEDEX FREIGHT	15,775.51
5/3/07 - 7/12/07	FOCUS THREE, LLC	99,495.00
4/27/07 - 6/29/07	GUARDIAN INSURANCE COMPANY	7,261.86
5/4/07 - 6/1/07	HARRY FOX AGENCY, INC.	150,000.00
4/27/07 - 6/22/07	HEALTH NET	24,046.26
5/14/2007	JOHN R CASH REVOCABLE TRUST	11,356.90
7/13/2007	KPMG LLP	8,000.00
4/27/07 - 6/29/07	LA DWP	7,171.47
4/27/07 - 7/13/07	LATIN MUSIC ENT., INC.	93,143.05
5/11/2007	LYDDY MARTIN COMPANY	13,664.06
7/13/2007	NAPCO INC.	7,772.40
4/27/07 - 7/13/07	Optical Disc Solutions, Inc	23,121.54
5/18/07 - 6/22/07	RICHMOND POWER & LIGHT	5,181.35
5/11/07 - 6/14/07	SAN JUAN MUSIC GROUP LTD.	5,516.15
4/27/07 - 6/25/07	SHOREWOOD PACKAGING CORP.	213,520.82
5/1/07 - 6/29/07	SONY DISC MANUFACTURING	263,973.75
5/18/07 - 6/15/07	THE HARTFORD INSURANCE CO.	7,347.90
5/15/07 - 7/15/07	THURE GRAY	9,354.70
4/27/07 - 6/22/07	United Health Care	22,604.64
4/27/07 - 7/13/07	UNITED PARCEL SERVICE	13,524.36
5/4/07 - 7/13/07	VERIZON	6,139.13
5/25/2007	WESTERN COMPUTER	16,947.97
4/27/07 - 7/13/07	WHITE TIGER GRAPHICS, INC.	19,640.00
Total:		<u><u>\$ 1,197,331.27</u></u>

Payments to Insiders

Delta Entertainment Corporation

Payments to DELTA MUSIC GmbH/AG

Period: 07/25/06 .07/24/07

Vendor: No : 1487, Date Filter: 07/25/06 .07/24/07

Posting Date	Document Type	Document No.	Description	Amount
7/28/2006	Payment	10352	Payment of Invoice PI60613	\$ 207 27
9/8/2006	Payment	10506	Payment of Invoice PI60912	3,523 95
9/8/2006	Payment	10506	Payment of Invoice PI60996	821.72
9/8/2006	Payment	10506	Payment of Invoice PI61300	952.25
9/8/2006	Payment	10506	Payment of Invoice PI61465	4,702 08
10/6/2006	Payment	10715	Payment of Invoice PI61464	10,999 31
10/6/2006	Payment	61299	Payment of Invoice PI61299	205.50
10/6/2006	Payment	61465	Payment of Invoice PI61465	456 54
10/6/2006	Payment	61467	Payment of Invoice PI61467	9,337 96
11/1/2006	Payment	62210	DELTA MUSIC GmbH	9,851.10
11/1/2006	Payment	61752	DELTA MUSIC GmbH	9,620 62
2/27/2007	Payment	MB-580085	DELTA MUSIC GmbH	80,351 44
2/27/2007	Payment	MB-580086	DELTA MUSIC GmbH	14,466.55
4/10/2007	Payment	MB1000048	DELTA MUSIC GmbH	71,516.19
Total:				<u>\$ 217,012.48</u>

EXHIBIT H
LIST OF PRIORITY UNSECURED CLAIMS

**EXHIBIT H - In re Delta Entertainment Corp.
Filed Priority Non-Tax Claims**

<u>Claim #</u>	<u>Creditor</u>	<u>Amount and Priority Classification</u> (in some instances it is unclear as to the exact category)
22	Jim Dobbe	\$3,762.00 (amended by claim 54)
23	Ed Spyra	\$1,249.85 (amended by claim 51)
24	Mick Kanjanakaset	Section 507(a)(4) - \$106.95 Section 507(a)(5) - \$1,943.60
46	Andra Minnehan	Section 507(a)(5) - \$1,254.54
51	Ed Spyra	Section 507(a)(4) - \$1,300.57
54	Jim Dobbe	Section 507(a)(4) - \$3,315.78 Section 507(a)(5) - \$1,500
57	CA State Comp Ins Fund	\$20,000.00 (although recorded in the claim register as a priority claim a review of the claim shows it is filed as an administrative expense)
60	Aubrey Mayhew	\$100,000.00 (although recorded in the claim register as a priority claim it asserts no basis for such a classification under the Bankruptcy Code)
73	Focus Three, LLC	\$56,425.06 (although recorded in the claim register as a priority claim a review of the claim shows it is filed as an administrative expense)
74	Focus Three, LLC	\$13,105.00 (although recorded in the claim register as a priority claim a review of the claim shows it is filed as an administrative expense)
95	Patrick Trotter	Section 507(a)(4) - \$966.66

EXHIBIT H CONTINUED

Scheduled Priority Claims Not Disputed, Contingent or Unliquidated

Name	Nature of Claim	Amount Scheduled/Amount Entitled to Priority
Andra Minnehan	Commissions	222.79
Andra Minnehan	Vacation	1,538.46
Bradley Binford	Vacation	603.00
Brenda May	Vacation	55.49
Chuck Singleton	Vacation	2,400.60
Eric Billitzer	Vacation	496.22
Essentials Marketing Inc.	Commissions	4,253.68
Gary Enochs	Vacation	574.31
Jerry Hancock	Vacation	610.20
Jess Rodzinka	Vacation	2,124.60
JK Hayman	Vacation	2,503.77
Ken Wennergren	Vacation	4,182.70
Larry Bayless	Vacation	4,465.38
Limmie Lynch	Vacation	603.00
Lynda Isaacs	Vacation	288.36
Margarita Menjivar	Vacation	481.80
Melanie Brown	Vacation	775.77
Michelle Justice	Vacation	1,732.93
	Contributions to employee benefit	
Principal Financial Group - 401K	plan	9,279.54
Raul Menjivar	Vacation	712.80
Richard Wise	Vacation	335.24
Ryan Neeley	Vacation	335.27
Thure Gray	Commissions	69.27
Timothy Branom	Vacation	993.00
Tina Cosgrove	Vacation	0.38
Treasurer of Vigo County	Property tax	4,709.06
William Proffitt	Vacation	886.80
Total Scheduled Priority Claims not contingent, disputed, or unliquidated		45,234.42

EXHIBIT I
LIST OF GENERAL UNSECURED CLAIMS

**EXHIBIT I - In re: Delta Entertainment Corp.
Filed General Unsecured Claims**

CLAIM NO.	CREDITOR	CLAIMED AMOUNT
1	Sprint Nextel	1,153.50
2	CIT Technology Financing	9,660.93
3	Professor Longhair Music	0
4	Con-way Freight	1,906.00
5	Los Angeles County Treasurer & Tax Collector.	1,880.11
6	Eastgate Electric	62.05
7	Mehrtash Asghari	923.14
8	Packaging Equipment	2,004.48
9	American Overseas Trans.	760.24
10	Uline	475.90
11	Treasurer of Vigo County	5.40
12	Agricredit Acceptance LLC	30,645.79
13	Optical Disc Solutions, Inc.	20,316.59
14	M & A Lawn Care & Cleaning	372.50
15	Lewisburg Container	2,816.09
16	Sterling Commerce Inc.	1,370.91
17	Toyota Motor Credit Corp.	4,506.15
18	Janet Jackson dba Black Ice Publishing	0
19	Indiana Department of Revenue	18,300.17
20	Franchise Tax Board	800.00
21	Carlin America Range Road & Quartet Music	0
22	Jim Dobbe	3,762.00
23	Ed Spyra	1,249.85
24	Mick Kanjanakaset	2,050.58
25	Fedex Customer Service	1,580.07
26	Jess Rodzinka	2,709.90
27	Pascale Bergara	2,025.97
28	Bank of America NA	1,151.58
29	Bank of America NA	2,865.75

CLAIM NO.	CREDITOR	CLAIMED AMOUNT
30	Bank of America NA	281.27
31	Bank of America NA	8,859.35
32	Bank of America NA	6.35
33	Bank of America NA	1,343.71
34	Bank of America NA	1,481.55
35	Bank of America NA	278.58
36	Bank of America NA	281.27
37	Bank of America NA	2,865.75
38	Bank of America NA	1,151.58
39	Delta Music Holding AG	318,453.40
40	Stephanie Pool	3,446.54
41	United Parcel Service	26,953.97
42	United Parcel Service	320.49
43	Glenn Miller Productions	0
44	L.A. County Treasurer and Tax Collector	123.62
45	WBLT, LLC	Unknown
46	Andra Minnehan	1,254.54
47	Oliver Trucking Corp.	741.88
48	Uline Inc.	475.90
49	Becker Electric	62.05
50	State of Washington	64.94
51	Ed Sprya	1,300.57
52	State Comp. Ins. Fund	20,000.00
53	David T. O'Malia, Marsh Supermarkets LLC	346,372.87
54	Jim Dobbe	4,815.78
55	Corporate Translation Services	2,513.03
56	Big Y Foods Inc.	28,369.25
57	State Comp Ins Fund	20,000.00
58	Dominion Entertainment Inc.	1,147.98
59	FedEx Freight	3,810.48
60	Aubrey Mayhew	100,000.00
61	Lewisburg Container	2,816.07

CLAIM NO.	CREDITOR	CLAIMED AMOUNT
62	Essentials Marketing Inc.	13,093.35
63	Scarsdale Music	0
64	Painted Desert Music Corp.	0
65	Shapiro, Bernstein & Co., Inc.	0
66	Ralph Jungheim Associates, Inc.	114,140.00
67	Ralph Jungheim Associates, Inc.	136,000.00
68	John R. Cash Revocable Trust	2,382.73
69	Jack Hale, Jr. Publishing	12,630.00
70	NAPCO, Inc.	7,772.40
71	Jess Rodzinka	1,416.50
72	Focus Three, LLC Lingle Management Co.	2,606,809.90
73	Focus Three, LLC Lingle Management Co.	56,425.06
74	Focus Three, LLC Lingle Management Co.	13,105.00
75	Sparkasse Kolnbonn	2,603,253.16
76	Sparkasse Kolnbonnn	1,649,898.12
77	Sony DADC US Inc.	1,136,664.90
78	Let There Be Music, James E. Cason	3,186.15
79	Buzz Cason Publications and Productions Inc.	675.64
80	Robert A. Burr	711.37
81	CommerzBank AG	Unknown
82	Patrick Trotter	966.66
83	Zachary Creek Music	857.52
84	H/B Webman LLC	107,500.00
85	High Yield Productions	0
86	Jack Edwards Productions	700,000.00
87	Shorewood Packaging	70,559.18
88	BUG Music	121.39
89	Bagdasarian Productions	10,809.69
90	Cohen & Grigsby, P.C.	0
91	Mark L. Levinson	Amount unknown
92	MCS Music America, Inc.	0
93	The Penn Traffic Co.	18,327.34

CLAIM NO.	CREDITOR	CLAIMED AMOUNT
94	BUG Music	20,578.40
95	Patrick Trotter	966.66
96	Dance Vision	2,579.73
97	High Yield Productions	0
98	Estate of Louis McKay	0
99	Indiana Department of Revenue	11,936.06
100	The Mills Brothers	0
101	Creative Arts by Calloway LLC	25,000.00

EXHIBIT I CONTINUED

Scheduled General Unsecured Claims Not Disputed, Contingent or Unliquidated

Name	Amount Scheduled
1633 Sawtelle LLC	2,475.03
3KO Entertainment Inc.	147.65
Action Industries	15.60
Action Industries	48,107.00
Action Industries	11.98
Ambiente Latin Music	51.19
American Overseas Trans.	385.87
American Overseas Trans.	374.37
American Packaging Capital, Inc.	2,553.82
Amphonic Music	159.83
Amphonic Music	195.95
Andra Minnehan	416.67
Andra Minnehan	204.96
Andy Williams	226.14
Arrowhead Water Co.	58.14
Ascom Hasler/GE Cap Prog	148.28
Audi Financial Services	1,494.57
Audio on Demand	1,689.31
Audio on Demand	132.64
Audio on Demand	323.80
Banes Music, Inc.	101.28
Bardis Music Ltd	36.04
Barnaby Records Inc.	1,509.62
Barnaby Records Inc.	1,500.00
Barnaby Records Inc.	2,000.00
Belfry Productions	266.25
Belly Bob Music	4.42
Bescol, Ltd.	1,059.17
Blue Cross of California	714.00
BMG Music OBO Sweet Tater Tune	732.21
Brenda Richie Publishing	10.55
Brockman Music	89.94
Brother Bear Music	152.33
Brunswick Special Markets	150.67
Brunswick Special Markets	561.40
Buster Ann Music	558.45
Buzz Cason Publications	410.60
Careers-BMG Music Publ	750.00
Charlie Deitcher Prod., Inc.	47.66
Cherry Lane Music Publ Co.	1,393.27
Cherry Lane Music Publ Co.	65.55
Cherry Lane Music Publ Co.	967.41
Cherry Lane Music Publ Co.	7,822.48
Chippendale Music	41.40
Choice of Music	148.84
Choice of Music	10.46
Cingular	301.90
Cingular	60.05

Clark International Corp.	44.50
Computer Services	16.81
Continuing Education of the BA	251.93
Con-way Freight	1,648.17
Con-way Freight	407.84
Cool Hand Music	313.66
Copyright Management, Inc.	64.30
Crabshaw Music	54.46
Crashed Music	38.40
CTS Language Link	2,513.03
Culligan Water Condition	11.13
Curb Records, Inc.	12.81
D. Caughren & K. Caughren-Persky	258.95
Del-Fi Records, Inc.	28.08
Delta Music GmbH	37,045.60
Deluxe Business Forms and Supp	97.43
Denny Somach Prod. Inc.	9.86
Denny Somach Prod. Inc.	26.95
Denny Somach Prod. Inc.	48.91
Denon Records	363.24
Department of Building & Safety	135.00
Dewhit Music	204.88
Dicentral Corporation	966.55
DMV Renewal	151.00
Dom Multimedia Inc.	141.82
Don McClean c/o Celebrity	561.40
Don McClean c/o Celebrity	894.11
Eastgate Electric Supply inc.	73.86
EMI Music	1,100.00
EMI Music	2,000.00
Enable Corporation	451.00
Essentials Marketing inc.	4,253.68
Essentials Marketing Inc.	8,789.68
Estate of Benny Goodman	129.86
Estate of Sarah Vaughn	1.45
Estate of Sarah Vaughn	1.84
Estate of Sarah Vaughn	9.68
Estate of Sarah Vaughn	11.48
Estate of Stan Getz	11.64
Eurpac Warehouse Sales	1,085.82
Express Connection Inc.	176.75
Federal Express Corp.	898.19
Federal Express Corp.	325.84
Fedex Freight	2,936.96
Fermata Int'l Melodies in Overseas Music Services	35.85
Fermata Int'l Melodies in Overseas Music Services	30.61
Flying Music Co.	2,588.00
Forever Green, Inc.	65.00
Frank Music Corp. & Meredith Wilson Music	1,211.40
Fred Ahlert Music	61.75
Gardner Graphics	2,000.00
GNP - Crescendo Records, Inc.	500.00
Harry Fox Agency, Inc.	331,152.54
Harry Fox Agency, Inc.	300.00
Harry Fox Agency, Inc.	318.75

Harry Fox Agency, Inc.	159.38
Harry Fox Agency, Inc.	159.38
Harry Fox Agency, Inc.	318.75
Harry Fox Agency, Inc.	318.75
Harry Fox Agency, Inc.	1,713.29
Harry Fox Agency, Inc.	3,346.88
Harry Fox Agency, Inc.	39.84
Harvey E. Weinrieb	93.75
Home Sweet Home	65.69
HOP Publishing	55.26
HOP Publishing	13.65
HP Products	454.67
Images of War	408.44
INCA (London) Ltd.	555.10
Indiana American Water Co., Inc.	222.29
Indiana American Water Co., Inc.	120.88
Jack Hale, Jr. Publishing	692.25
James Pankow	1.48
James Pankow	4.26
James Pankow	217.55
Janet Jackson dba Black Ice Publishing	10.64
Janus Records Inc.	140.28
Janus Records Inc.	1,500.00
Janus Records Inc.	722.67
Janus Records Inc.	118.26
Janus Records Inc.	71.40
Janus Records Inc.	255.66
Jess Rodzinka	498.20
Jess Rodzinka	864.07
Jill Allen	2.57
Jim Dobbe	744.44
Jobete Music Co., Inc.	2,543.90
Joe Fee Music	68.25
John R. Cash Revocable Trust	2,382.73
Jupiterimages Corp.	79.95
KPMG LLP	8,000.00
L.A. Chamber of Commerce	20.00
LA DWP	2,576.08
Label Tech, Inc.	149.58
Lance Hightower	3.60
Latin Music Ent., Inc.	121,083.74
Les Brown	10.40
Let There Be Music	1,998.37
Lewisburg Container Co.	2,816.07
Lexus Financial Services	639.17
Little Anthony & The Imperials	81.99
Little Anthony & The Imperials	81.99
Little Anthony & The Imperials	15.40
Los Angeles County Tax Collector	1,880.11
M Jones Publishing Co.	68.25
M&A Lawn Care & Cleanings	375.50
Major Bob Music Inc.	10.83
Masterpiece International Ltd.	531.30
Masters International, Inc.	734.49
McCormick Associates	7.93
Mega Path Network	276.95

Michael Chapdelaine	589.52
Michelle Kath	0.76
Milliken & Michaels, Inc.	80.29
Modern Music Publishing Co.	31.06
Morris & Associates	86.96
Morris & Associates	129.18
MRA Group Pty Ltd.	3,937.00
Music Collection Intl	33.60
Music Collection Intl	131.04
Music Collection Intl	138.32
Music Collection Intl	140.28
Music Collection Intl	25.62
Music Masters	2,441.50
Music Masters	101.20
Music Masters	28.43
Music Sales Corporation	12.81
Napco, Inc.	8,882.00
Network Music LLC	1,220.87
Office Depot, Inc.	167.59
Omni Maintenance Services, Inc.	1,468.81
Omni Maintenance Services, Inc.	1,958.63
Optical Disc Solutions, Inc.	17,087.35
Pacer Service Center	19.25
Packaging & Design Co.	1,506.25
Packaging Equipment Inc.	2,004.48
Passport Int'l Productions	17,992.72
Patti Page	229.57
Paychex	283.75
Pemora Music Publishing Co.	13.79
Pemora Music Publishing Co.	20.48
Peter Barton Productions, Inc.	1,500.00
Peter Roberts Productions	1,266.62
Pleasant View Nursery	2,122.48
Producciones Radioactiva S.A.	149.31
Producciones Radioactiva S.A.	489.51
Public Domain Research Corp.	25.92
Pushcart Music, Inc.	201.70
Ralph Jungheim Assoc. Inc.	117.00
Ralph Jungheim Assoc. Inc.	1,000.00
Reader's Digest Music	1,290.00
Richard Nagamitsu	337.20
Richcar Music Corp.	35.60
Richmond Power & Light	3,102.68
Robert A. Burr	281.44
Robert J. Groden	733.97
Robert Lamm	1.87
Robert Lamm	5.37
Rod McKuen	317.04
Rykomusic Inc.	48.62
Rykomusic Inc.	2,381.20
Sandra Carter Production	169.91
Scott Cameron	7,544.20
Sherman Records/Franz Heinig	422.05
Sherman Records/Franz Heinig	444.95
Sherman Records/Franz Heinig	594.19
Sherman Records/Franz Heinig	604.04

Sherman Records/Franz Heinig	665.22
Sherman Records/Franz Heinig	810.20
Sherman Records/Franz Heinig	867.23
Sherman Records/Franz Heinig	249.42
Sherman Records/Franz Heinig	561.69
Shorewood Packaging Corp.	70,559.18
Siddal & Ray Foundation	39.32
Songcastle Music	27.99
Sony Disc Manufacturing	1,076,567.65
Sony Tunes, Inc.	25.25
Sony/ATV Songs	11.16
Sound Oasis	96.23
Sprint	1,153.50
Stephanie Pool	1,552.74
Stephanie Pool	180.99
Sterling Commerce	442.22
Sterling Commerce	542.94
Stopwatch Music Ltd.	149.80
Stopwatch Music Ltd.	152.60
Stopwatch Music Ltd.	400.05
Sun Entertainment Corp.	14.70
Temperature Equipment Corp.	557.00
The 1992 Diane Warren Trust	44.63
The Office Shop	270.04
Thomas Horton Associates, Inc.	53.05
Threesome Music	11.16
Thure Gray	69.27
Time Life Music	2,338.20
Time Warner Cable	103.62
Timothy J. Branom	6.85
Tony Orlando	1.21
Tony Orlando	283.72
Tony Orlando	351.84
Tony Orlando	504.45
Torme Intellectual Property	31.06
Trasurer of Vigo County	4,709.06
Tree Productions, Inc.	173.75
Uline	426.02
Uline	49.88
United Parcel Service	181.69
United Parcel Service	1,570.27
USPS/Hasler	250.00
Van McCoy Music, Inc.	18.44
Vee-Jay L.P.	143.50
Verizon	1,085.89
Vic Damone	21.31
Vic Damone	57.10
Vic Damone	750.00
Walt Disney Music Co.	12.65
Walt Disney Music Co.	345.09
Walton Music Corp.	104.21
Watch Your Head Music/William Danoff	83.75
Weems Music Co.	33.67
West Group	383.00
Whamo Entertainment	11,262.66
White Tiger Graphics, Inc.	9,668.95

White Tiger Graphics, Inc.	2,475.00
William J. Basie Trust	37.08
William Palizzolo	183.36
Wixen Music Publishing	22.19
Wonderland Music Co., Inc.	90.27
Worldsong Inc.	36.45

Total Scheduled General Unsecured Claims not contingent, disputed, or unliquidated	\$
	1,927,618.91

PROOF OF SERVICE

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

I, Megan J. Wilson, am employed in the city and county of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 10100 Santa Monica Boulevard, Suite 1100, Los Angeles, California 90067.

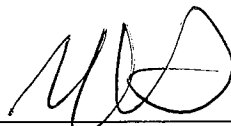
On April 28, 2008, I caused to be served the **DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT DESCRIBING DEBTOR'S FIRST AMENDED LIQUIDATING PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**, in this action by placing true copies thereof enclosed in sealed envelopes addressed as follows:

Please see attached Service List

- ☒ (BY MAIL) I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.
- ☐ (BY NOTICE OF ELECTRONIC SERVICE) I caused to be served the above-described document by means of electronic transmission to those parties on the attached List with e-mail addresses indicated on the attached Service List.
- ☐ (BY FAX) I caused to be transmitted the above-described document by facsimile machine to the fax number(s) as shown. The transmission was reported as complete and without error. (Service by Facsimile Transmission to those parties on the attached List with fax numbers indicated.)
- ☐ (BY PERSONAL SERVICE) By causing to be delivered by hand to the offices of the addressee(s).
- ☐ (BY OVERNIGHT DELIVERY) By sending by _____ to the addressee(s) as indicated on the attached list.

I declare under penalty of perjury under the laws of the United States of America that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on April 28, 2008, at Los Angeles, California.



Megan J. Wilson

**Service List
For Delta Entertainment**

DEBTOR

Delta Entertainment
Attn: Wolfgang Fette
1663 Sawtelle Blvd., Suite 230
Los Angeles, CA 90025

Broadway Advisors, LLC
Attn: Tom Paccioretti
333 Grand Avenue, Suite 4200
Los Angeles, CA 90071

U.S. TRUSTEE'S OFFICE

Office of the U.S. Trustee
Attn: Russell Clementson
725 S. Figueroa Street, Suite 2600
Los Angeles, CA 90017

**COUNSEL FOR OFFICIAL COMMITTEE
OF UNSECURED CREDITORS OF DELTA
ENTERTAINMENT CORPORATION**

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Irell & Manella LLP
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