

FORM 27

Securities Act (Ontario)

**MATERIAL CHANGE REPORT
UNDER SECTION 75(2) OF THE SECURITIES ACT (ONTARIO)**

Item 1 - Reporting Issuer

The reporting issuer is THE LOEWEN GROUP INC. (“Loewen”). Its principal office in Canada is located at 4126 Norland Avenue, Burnaby, British Columbia, V5G 3S8.

Item 2 - Date of Material Change

The material change occurred on November 14, 2000. A previous Material Change Report was issued on June 8, 1999 in connection with the filing by Loewen and its subsidiaries (together the “Debtors”) for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code and the *Companies Creditors’ Arrangement Act* (Canada).

Item 3 - Press Release

A press release was issued on November 14, 2000 in connection with the change, a copy of which is attached to this Material Change Report as Appendix “A”.

Item 4 - Summary of Material Change

On November 14, 2000, the Debtors filed with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”): (a) a Joint Plan of Reorganization of Loewen Group International, Inc., Its Parent Corporation (Loewen) and Their Debtor Subsidiaries (the “Plan”) and (b) a related Disclosure Statement (the “Disclosure Statement”). A copy of a press release announcing the filing of the Plan and the Disclosure Statements is attached hereto.

Item 5 - Full Description of Material Change

(a) The Plan

The Plan contemplates that the parent corporation for the reorganized group of companies will be a Delaware corporation. Following the Reorganization, the current parent corporation, Loewen, will not continue to beneficially own any of the assets or companies currently held within the Loewen group. The Plan does not provide for any distribution of value to common and preferred shareholders of Loewen. The reorganized parent corporation will issue

and distribute to creditors new Common Shares, which will be publicly traded. The Plan also provides for distributions of cash and/or new debt securities to certain creditors.

The Plan and Disclosure Statement describe the proposed structure and business operations of the reorganized company, and provide a proposed schedule of creditor recoveries. The Plan treats the Debtor's bank credit agreements, Series D, E, 1, 2, 3, 4, 5, 6, 7 Senior Notes, and the Passthrough Asset Trust Securities as secured debt under the Collateral Trust Agreement, entitled to, on a *pari passu* basis, the benefits of the collateral held by the collateral trustee.

A copy of the Disclosure Statement describing the Plan is attached hereto as Appendix "B" and incorporated herein by reference.

(b) Background

On June 1, 1999, Loewen and certain of its subsidiaries filed for creditor protection under Chapter 11 and CCAA (the "Chapter 11 and CCAA Filings"). In June 1999, the U.S. Trustee for the District of Delaware appointed an Official Unsecured Creditors' Committee. Since June 1999, the Board of Directors and representatives of the Board have met on numerous occasions with the Official Unsecured Creditors' Committee and other representatives of the Company's creditors in an effort to structure the Plan.

The Chapter 11 and CCAA Filings of June 1, 1999 has impacted corporate governance issues in two important ways. First, the Company has operated under the Bankruptcy Courts' supervision, which requires the Company to obtain the Bankruptcy Courts' authorization to engage in certain acts. The Company is otherwise subject to such orders as the Bankruptcy Courts may make, and to the laws governing Chapter 11 and CCAA proceedings. Second, as a consequence of the Company's insolvency, the fiduciary duties of the Board of Directors and management are owed to an expanded group of stakeholders, including the Company's creditors. Under this framework, the Plan has been structured by the board and senior management after the extensive discussion and negotiation with the Official Unsecured Creditors' Committee and with representatives of various creditor groups.

The Plan and the Disclosure Statement are subject to approval by the Bankruptcy Court, and the Plan is subject to a vote by certain classes of creditors. Upon receiving final court approval for a plan of reorganization, the Debtors will emerge from Chapter 11/CCAA protection. Loewen anticipates that certain creditors of the Debtors are likely to challenge the proposed Plan.

Following the public announcement of the Plan, The Toronto Stock Exchange has suspended trading in the common and preferred shares of Loewen.

Item 6 - Reliance on Section 75(3) of the Act

N/A

Item 7 - Omitted Information

N/A

Item 8 - Senior Officers

The name of a senior officer of Loewen who is knowledgeable about the material change and who can be contacted is: Mr. Bradley D. Stam, 4126 Norland Avenue, Burnaby, British Columbia, V5G 3S8, Tel: (604) 293-6398, Fax: (604) 473-7308.

Item 9 - Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 22nd day of November, 2000.

THE LOEWEN GROUP INC.

“Signed” Bradley D. Stam,
Senior Vice President - Legal and
Asset Management

Schedule "A"

The Loewen Group Inc.

(TSE: LWN)

NEWS

Media Contact: James Hoggan & Associates Inc.
Trace Acres or Anna Wright
(604) 739-7500 local 255 or 261
Email tacres@hoggan.com
Email awright@hoggan.com

Investor Contact: (800) 347-7010

FOR IMMEDIATE RELEASE

THE LOEWEN GROUP FILES PLAN OF REORGANIZATION

- *Enters final stage of Chapter 11/CCAA process*
 - *Key new business initiatives completed*
-

VANCOUVER, BC – November 14, 2000 – **The Loewen Group Inc. (TSE: LWN)**, today announced that it has filed a plan of reorganization and disclosure statement for itself and numerous subsidiaries with the U.S. Bankruptcy Court for the District of Delaware.

The Reorganization Plan

The plan contemplates that the parent corporation for the reorganized group of companies will be a Delaware corporation. The reorganized parent corporation will issue and distribute to creditors new Common Shares, which will be publicly traded. The plan also provides for distributions of cash and/or new debt securities to certain creditors.

The plan and disclosure statement describe the proposed structure and business operations of the reorganized company, and provide a proposed schedule of creditor recoveries. The plan treats the Company's bank credit agreements, Series D, E, 1, 2, 3, 4, 5, 6, 7 Senior Notes, and the Passthrough Asset Trust Securities as secured debt under the Collateral Trust Agreement, entitled to, on a *pari passu* basis, the benefits of the collateral held by the collateral trustee. The plan does not provide for any distribution of value to common and preferred shareholders.

The plan and the disclosure statement will be subject to approval by the Bankruptcy Court, and the plan will be subject to a vote by certain classes of creditors. Upon receiving final court approval for a plan of reorganization, the Company will emerge from Chapter 11/CCAA protection. The Company anticipates that certain creditors of the Company are likely to challenge the proposed plan.

Commenting on the filing, John S. Lacey, Chairman of Loewen, said: "On June 1, 1999 – less than 18 months ago – Loewen and a number of its subsidiaries in the United States and Canada filed for creditor protection pursuant to the provisions of Chapter 11 of the U.S. Bankruptcy

Code, and the Companies Creditors' Arrangement Act in Canada. We understand that this cross-border filing was the most complex filing of its kind in North American corporate history. From the outset, the goal of the Company has been to stay focused on serving our customers while developing a plan of reorganization.

"The Company took the initiative in seeking to have established a unique cross-border protocol between the United States and Canadian Bankruptcy Courts. This protocol has been highly successful in moving this complex reorganization case towards an earlier than usual filing of a reorganization plan."

Mr. Lacey added: "The filing of our emergence plan is a major and positive milestone for this Company. The plan calls for a 'new Loewen' re-engineered with the goal of becoming a superior operating company and a leader in the fields of funeral and cemetery service. The steady improvements in our core operations over the past months reflect the success of key changes we have made and how well our people have performed under challenging circumstances."

Business Initiatives

Mr. Lacey stated that: "in addition to completing a plan of reorganization, an equally important priority for the Company over the past year and a half has been a complete review of all aspects of how Loewen does its business, with the goal of both bottom line and consumer service improvements. Major changes have been made and further key initiatives are in progress. Already completed have been: a complete restructuring of Loewen's field organization; the establishment of new market management teams; a re-design of product offerings; improvements to the timeliness and effectiveness of Loewen's financial reporting systems; and significant reductions in general and administrative expenses.

"Key initiatives in progress include: a re-engineering of Loewen's administrative processes; consolidation of Loewen's administrative offices; completion of a plan to simplify Loewen's corporate and subsidiary structure; major investments in information technology; modernization of the marketing and purchasing functions; further reductions in administrative expenses; a disposition process for locations that do not fit within Loewen's new business plan; and development of a growth platform for the future."

Mr. Lacey concluded: "Looking back over the past months, I am impressed by the way in which Loewen's employees have embraced change and have committed themselves to reinventing our business. I wish to personally thank our CEO, Paul Houston, the management team and all of our people for a job well done. We can all now look forward to the challenges and excitement following emergence and to taking a leadership role in our industry.

"We recognize that certain creditors may wish to challenge aspects of the plan related to the treatment of Loewen's collateral trust agreement debt as *pari passu* but we are hopeful that the plan confirmation process will proceed expeditiously so that the 'new Loewen' may at the earliest practical opportunity emerge from Chapter 11/CCAA and commence normal day-to-day operations."

Today, the Company is filing a Form 8-K with the Securities and Exchange Commission. Copies of the plan and disclosure statement are exhibits to this Form 8-K. The form 8-K and these exhibits are available on the Commission's Internet site located at <http://www.sec.gov>.

Based in Vancouver, The Loewen Group Inc. owns or operates more than 1,100 funeral homes and more than 400 cemeteries across the United States, Canada, and the United Kingdom. The Company employs approximately 13,000 people and derives approximately 90 percent of its revenue from its US operations.

###

Safe Harbor: Certain statements contained in this press release, including but not limited to information regarding the future economic performance and financial condition of the Company, the plans and objectives of the Company's management and the Company's assumption regarding such performance and plans, are forward-looking in nature. Actual results could differ from those described in the forward looking statements due to a number of risk factors including uncertainty concerning the extent and outcome of challenges to the proposed plan; the timing and substance of court rulings with respect to the plan; the extent to which the Company is successful in implementing its business plan; and general economic, regulatory and competitive conditions. Additional information concerning important factors that could cause actual results to differ from the forward-looking information contained in this release is included in the Company's publicly filed quarterly and annual reports.

Schedule "B"

Disclosure Statement

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

IN RE:	:	Jointly Administered
LOEWEN GROUP INTERNATIONAL,	:	Case No. 99-1244 (PJW)
INC.,	:	Chapter 11
a Delaware corporation, <i>et al.</i>,	:	
Debtors.	:	
<hr/>		
	:	
	:	

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE
FOR THE JOINT PLAN OF REORGANIZATION OF LOEWEN GROUP INTERNATIONAL, INC.,
ITS PARENT CORPORATION AND THEIR DEBTOR SUBSIDIARIES**

WILLIAM H. SUDELL, JR. (DE 463)
MORRIS, NICHOLS, ARSHT & TUNNELL
1201 North Market Street
Wilmington, Delaware 19899-1347
(302) 658-9200

- and -

RICHARD M. CIERI (OH 0032464)
LYLE G. GANSKE (OH 0031493)
JONES, DAY, REAVIS & POGUE
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
(216) 586-3939

HENRY L. GOMPF (TX 08116400)
GREGORY M. GORDON (TX 08435300)
TROY B. LEWIS (TX 12308650)
MICHAEL O. WEINBERG (TX 21084700)
JONES, DAY, REAVIS & POGUE
2727 North Harwood Street
Dallas, Texas 75201
(214) 220-3939

November 14, 2000

ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

DISCLOSURE STATEMENT, DATED NOVEMBER 14, 2000

**SOLICITATION OF VOTES
WITH RESPECT TO THE
JOINT PLAN OF REORGANIZATION
OF
LOEWEN GROUP INTERNATIONAL, INC., ITS PARENT CORPORATION
AND THEIR DEBTOR SUBSIDIARIES**

THE BOARDS OF DIRECTORS OF LOEWEN GROUP INTERNATIONAL, INC. ("LGII"), ITS PARENT CORPORATION, THE LOEWEN GROUP INC. ("TLGI"), AND EACH OF THEIR DEBTOR SUBSIDIARIES LISTED ON EXHIBIT I (THE "LOEWEN SUBSIDIARY DEBTORS," AND COLLECTIVELY WITH LGII AND TLGI, THE "DEBTORS") BELIEVE THAT THE JOINT PLAN OF REORGANIZATION OF LOEWEN GROUP INTERNATIONAL, INC., ITS PARENT CORPORATION AND THEIR DEBTOR SUBSIDIARIES, DATED NOVEMBER 14, 2000 AND ATTACHED AS EXHIBIT II (THE "PLAN"), IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ENTITLED TO VOTE THEREON ARE URGED TO VOTE IN FAVOR OF THE PLAN. A SUMMARY OF THE VOTING INSTRUCTIONS IS SET FORTH BEGINNING ON PAGE 112 OF THIS DISCLOSURE STATEMENT. MORE DETAILED INSTRUCTIONS ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO CREDITORS ENTITLED TO VOTE ON THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND RECEIVED BY 5:00 P.M., EASTERN TIME, ON _____, 2001 OR SUCH OTHER DATE IDENTIFIED ON YOUR BALLOT (THE "VOTING DEADLINE"), UNLESS EXTENDED.

THE CONFIRMATION AND EFFECTIVENESS OF THE PROPOSED PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE "OVERVIEW OF THE PLAN — CONDITIONS TO CONFIRMATION AND THE EFFECTIVE DATE OF THE PLAN" AND "VOTING AND CONFIRMATION OF THE PLAN — ACCEPTANCE OR CRAMDOWN." THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

No person is authorized by any of the Debtors in connection with the Plan or the solicitation of acceptances of the Plan to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits and schedules attached hereto or incorporated by reference or referred to herein, and, if given or made, such information or representation may not be relied upon as having been authorized by any of the Debtors. Although the Debtors will make available to creditors entitled to vote on acceptance of the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time subsequent to the date hereof.

ALL CREDITORS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT II AND THE MATTERS DESCRIBED UNDER "RISK FACTORS," PRIOR TO SUBMITTING BALLOTS PURSUANT TO THIS SOLICITATION.

The summaries of the Plan and the other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits thereto and documents described therein as being Filed prior to approval of the Disclosure Statement.

The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the historical, projected and budgeted financial information regarding the Debtors and the liquidation analyses relating to the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations but rather as statements made in settlement negotiations.

FORWARD-LOOKING STATEMENTS: THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS BASED LARGELY ON THE CURRENT EXPECTATION OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' OR THE REORGANIZED DEBTORS' BUSINESSES. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER THE CAPTION "RISK FACTORS." IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY CANADIAN SECURITIES ADMINISTRATOR ("CSA") OR ANY STOCK EXCHANGE, NOR HAS THE SEC, ANY CSA OR ANY STOCK EXCHANGE PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

All capitalized terms in this Disclosure Statement not otherwise defined herein have the meanings given to them in the Plan.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
OVERVIEW OF THE PLAN.....	2
Introduction	2
Changes to Corporate Structure	2
General Information Concerning Treatment of Claims and Interests	2
Summary of Classes and Treatment of Claims and Interests.....	3
Sources and Uses of Cash	11
Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax	
Claims	12
Administrative Claims	12
Priority Tax Claims	15
Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims	15
Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Other Post-	
Reorganization Indebtedness	15
Conditions to Confirmation and the Effective Date of the Plan	17
Conditions to Confirmation.....	17
Conditions to the Effective Date	17
Waiver of Conditions to Confirmation or the Effective Date	18
Effect of Nonoccurrence of Conditions to the Effective Date	18
Exit Financing Revolving Credit Facility	19
The CCAA Order.....	19
Modification or Revocation of the Plan.....	20
CERTAIN EVENTS PRECEDING THE DEBTORS' CHAPTER 11 FILINGS.....	20
Historical Acquisition Strategy	20
Mississippi Litigation.....	20
Collateral Trust Agreement.....	21
Prepetition Financial Results and Overleverage.....	21
Securities Class Actions.....	21
Management Changes, Restructuring Efforts and Asset Sales	22
OPERATIONS DURING THE REORGANIZATION CASES.....	24
First Day Relief.....	24
Introduction	24
Employee Wages and Benefits	24
Workers' Compensation	24
Trust Fund Taxes	25
Customer, Vendor, Service Provider and Contractor Claims	25
The Protocol Motion	25
The Regulatory Motion.....	26
Debtor-in-Possession Financing.....	27
Key Employee Retention Program.....	28
Appointment of the Creditors' Committee.....	28
Claims Process and Bar Dates	30
Executory Contracts and Unexpired Leases	30
Blackstone Transactions.....	32
Prime Succession.....	32
Rose Hills	33
Blackstone Settlement.....	34
Michigan Cemeteries.....	35

West Texas	36
Post-Petition Asset Disposition Program.....	37
The CCAA Proceedings	38
Exclusivity.....	38
COLLATERAL TRUST AGREEMENT ISSUES; RECOVERY ACTIONS; AND OTHER LEGAL	
PROCEEDINGS	39
Collateral Trust Agreement Issues	39
Background.....	39
Factual Investigation	42
Creditor Settlement Negotiations.....	43
Recovery Actions	44
Introduction	44
Preference Claims	45
Fraudulent Conveyance Actions	46
Other Legal Proceedings	48
NAFTA Claims	48
Northeast Disposition Sale Dispute.....	48
Osiris Declaratory Judgment.....	49
Other Claims Related to the Collateral Trust Agreement.....	49
REORGANIZED LGII.....	50
Restructuring Transactions	50
Business of Reorganized LGII.....	51
Business Plan	52
Liquidity and Capital Resources	52
Selected Historical Financial Information.....	53
Projected Financial Information	54
Introduction	54
Principal Assumptions for the Projections.....	55
Projections.....	60
Management and Board of Directors	74
Reorganized LGII Board of Directors.....	74
Classification of the Board	74
Board Committees	74
Director Nomination Procedures	75
Director Compensation.....	75
Reorganized LGII Executive Officers.....	76
Executive Compensation.....	77
Summary Compensation Table	77
Existing Benefit Plans and Agreements	78
New Benefit Plans and Agreements	80
Certain Corporate Governance Matters	81
Introduction	81
Classified Board of Directors, Removal of Directors and Filling Vacancies in Directorships.....	81
Stockholder Action and Special Meetings of Stockholders	82
Advance Notice Requirements for Stockholder Proposals and Directors Nominations	82
Authorized But Unissued Shares	82
Supermajority Vote Requirements.....	83
Share Purchase Rights Agreement.....	83
Delaware Section 203.....	84
Limitation of Liability; Indemnity Arrangements.....	85
SECURITIES TO BE ISSUED PURSUANT TO THE PLAN AND OTHER POST-REORGANIZATION	
INDEBTEDNESS	86
Reorganization Value.....	86

New Common Stock.....	87
New Five-Year Secured Notes	88
General.....	88
Ranking and Collateral.....	88
Optional Redemption; Mandatory Offer to Repurchase upon a Change of Control	88
Events of Default.....	89
Affirmative Covenants	89
Negative Covenants	89
Amendment, Waiver or Modification of Indenture	90
Remedies upon Default	90
Trustee Duties and Indemnification.....	90
New Two-Year Unsecured Notes	91
General.....	91
Ranking.....	91
Optional and Mandatory Redemption; Mandatory Offer to Repurchase upon a Change of Control.....	91
Events of Default.....	91
Affirmative Covenants	92
Negative Covenants	92
Amendment, Waiver or Modification of Indenture	92
Remedies upon Default	93
Trustee Duties and Indemnification.....	93
New Seven-Year Unsecured Notes	93
General.....	93
Ranking.....	93
Optional Redemption; Mandatory Offer to Repurchase upon a Change of Control	94
Events of Default.....	94
Affirmative Covenants	94
Negative Covenants	95
Amendment, Waiver or Modification of Indenture	95
Remedies upon Default	95
Trustee Duties and Indemnification.....	96
New Unsecured Subordinated Notes	96
Exit Financing	96
Exit Financing Revolving Credit Facility	96
Exit Financing Term Loan.....	97
Rose Hills Indebtedness	97
Other Indebtedness	97
RISK FACTORS.....	97
Projections.....	98
Substantial Leverage	98
Security Interests	98
The Security for the New Five-Year Secured Notes May Not Be Sufficient To Make Payments on Such Notes	98
The New Senior Notes Will Be Effectively Subordinated to Obligations of the Subsidiaries of Reorganized LGII.....	99
Dividend Policies; Restrictions on Payment of Dividends.....	99
Lack of Established Market for New Common Stock and New Senior Notes; Possible Volatility	99
Noncomparability of Historical Financial Information	100
Treatment of Claims; Dilution.....	100
NAFTA Claims	100
Revenues from Preneed Sales Is Dependent upon an Adequate Salesforce.....	101
Revenue from Trust and Finance Income Is Subject to Market Conditions.....	101
Federal, State and Local Regulations May Change to the Detriment of Reorganized LGII.....	101
The Death Rate May Decrease.....	101
The Rate of Cremation Is Increasing	101

Certain Anti-Takeover Effects	102
GENERAL INFORMATION CONCERNING THE PLAN	102
Discharge of Claims and Termination of Interests; Related Injunction	102
Preservation of Rights of Action Held by the Debtors or the Reorganized Debtors	103
Releases and Related Injunction.....	103
Executory Contracts and Unexpired Leases	104
DISTRIBUTIONS UNDER THE PLAN.....	106
General.....	106
Methods of Distributions.....	106
Distributions to Holders of Allowed Claims and Interests	106
Compensation and Reimbursement for Services Related to Distributions	106
Delivery of Distributions in General.....	106
Special Provisions for Distributions to Holders of Public Note Claims	107
Undeliverable or Unclaimed Distributions	107
Distribution Record Date	108
Means of Cash Payments	108
Timing and Calculation of Amounts To Be Distributed	108
Distributions of New Common Stock.....	109
De Minimis Distributions.....	109
Compliance with Tax Requirements	109
Surrender of Canceled Securities or Other Instruments	109
Setoffs	110
Disputed Claims; Reserves and Estimations.....	110
Funding of Unsecured Claims Reserves	111
Distributions on Account of Disputed Claims Once They Are Allowed	111
Payment of Post-Effective Date Interest from Cash Investment Yield.....	111
Objections to Claims or Interests and Authority to Prosecute Objections.....	111
Dissolution of the Creditors' Committees	112
VOTING AND CONFIRMATION OF THE PLAN.....	112
General.....	112
Voting Procedures and Requirements	112
Confirmation Hearing	113
Confirmation.....	114
Acceptance or Cramdown	114
Substantive Consolidation.....	115
Best Interests Test; Liquidation Analysis	115
Feasibility.....	116
Compliance with Applicable Provisions of the Bankruptcy Code.....	116
Alternatives to Confirmation and Consummation of the Plan	116
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN.....	117
General.....	117
Consequences to the Debtors	117
Consequences to Holders of Claims	118
Definition of Securities	118
Holders of Claims Constituting Tax Securities	118
Holders of Claims Not Constituting Tax Securities.....	119
Dividend and Interest Income Earned by the Unsecured Claims Reserve.....	119
Certain Other Tax Considerations for Holders of Claims	120
Receipt of Pre-Effective Date Interest.....	120
Receipt of Dividend and Interest Income Earned by the Unsecured Claims Reserve.....	120
Reinstatement of Claims	120
Bad Debt Deduction.....	120

Information Reporting and Withholding	121
CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN.....	121
General.....	121
Settlement of Debt	121
Transfer of Assets to Canadian Holding Companies	122
Transfer of Assets to LGII.....	122
Cancellation of LGII Shares	122
Acquisition of Control.....	122
APPLICABILITY OF CERTAIN U.S. FEDERAL AND STATE SECURITIES LAWS.....	123
General.....	123
Bankruptcy Code Exemptions from Registration Requirements	123
Initial Offer and Sale of Securities	123
Subsequent Transfers of Securities	123
Certain Transactions by Stockbrokers	125
Registration Rights Agreement	125
APPLICABILITY OF CERTAIN CANADIAN SECURITIES LAWS.....	126
ADDITIONAL INFORMATION.....	126
RECOMMENDATION AND CONCLUSION.....	127

TABLE OF EXHIBITS

- Exhibit I - TLGI, LGII and Loewen Subsidiary Debtors, including the applicable Division to which each has been assigned for purposes of Class 9 of the Plan, an identification of Pledgors and an identification of Non-Ownership Regulated Debtors for purposes of Class 15 of the Plan
- Exhibit II - Joint Plan of Reorganization of Loewen Group International, Inc., Its Parent Corporation and Their Debtor Subsidiaries
- Exhibit III - The Loewen Group Inc. Form 10-K Annual Report for the year ended December 31, 1999, and Form 10-Q Quarterly Report for the quarter ended September 30, 2000
- Exhibit IV - Liquidation Analysis
- Exhibit V - Memorandum entitled "The Status of the Series 3 and 4 Notes, the Series 6 and 7 Notes, and the PATS under the Collateral Trust Agreement (Amended and Restated)" dated as of September 19, 2000

INTRODUCTION

The Debtors are seeking approval of the Plan, a copy of which is attached as Exhibit II. This Disclosure Statement is submitted by the Debtors in connection with the solicitation of acceptances of the Plan.

The confirmation of a plan of reorganization, which is the vehicle for satisfying the rights of holders of claims against and equity interests in a debtor, is the overriding goal of a chapter 11 case. The primary objectives of the Plan are to: (a) alter the Debtors' debt and capital structures to permit them to emerge from their chapter 11 cases with viable capital structures; (b) maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis; and (c) settle, compromise or otherwise dispose of certain claims and interests on terms that the Debtors believe to be fair and reasonable and in the best interests of their respective Estates, creditors and equity holders. The Plan provides for, among other things: (a) transactions that will result in the ultimate parent company in the corporate structure being Reorganized LGII, a Delaware corporation; (b) the cancellation of stock in Non-Ownership Regulated Debtors other than stock owned by a Loewen Company; (c) the cancellation of the MIPS, the MIPS Junior Subordinated Debentures and related MIPS Guaranty; (d) the cancellation of the CTA Note Claims in exchange for a combination of cash, New Five-Year Secured Notes, if issued, New Two-Year Unsecured Notes, if issued, New Seven-Year Unsecured Notes and New Common Stock; (e) the cancellation of certain other indebtedness in exchange for cash or New Common Stock; (f) the Reinstatement of certain prepetition Intercompany Claims of the Loewen Companies against the Debtors and the discharge of certain other Intercompany Claims; (g) the assumption, assumption and assignment or rejection of Executory Contracts and Unexpired Leases to which any Debtor is a party; (h) the selection of boards of directors of the Reorganized Debtors; and (i) the corporate restructuring of the Loewen Subsidiary Debtors to simplify the Debtors' corporate structure. In addition, (a) a similar restructuring of certain of the Canadian subsidiaries of TLGI and certain other transactions resulting in the transfer of substantially all of TLGI's assets to Reorganized LGII will be effected pursuant to the CCAA Order and (b) certain transactions resulting in Reorganized LGII becoming the owner of all or substantially all of the outstanding capital stock of Rose Hills Holding Corp. in exchange for the issuance of the New Unsecured Subordinated Note are expected to be effected pursuant to the Blackstone Settlement Documents. Reorganized LGII will be the issuer of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the New Common Stock to be issued to various creditors as of the Effective Date as described below. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

By an order of the Bankruptcy Court dated _____, 2000, this Disclosure Statement has been approved as containing "adequate information" for creditors and equity security holders of the Debtors in accordance with section 1125 of the Bankruptcy Code. The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the 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 about the plan" 11 U.S.C. § 1125(a)(1).

THE DEBTORS' BOARDS OF DIRECTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND EQUITY HOLDERS. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN BY NO LATER THAN 5:00 P.M., EASTERN TIME, ON THE VOTING DEADLINE.

The requirements for Confirmation, including the vote of creditors to accept the Plan and certain of the statutory findings that must be made by the Bankruptcy Court, are set forth in "Voting and Confirmation of the Plan." Confirmation of the Plan and the occurrence of the Effective Date are subject to a number of significant conditions, which are summarized in "Overview of the Plan — Conditions to Confirmation and the Effective Date of the Plan." There is no assurance that these conditions will be satisfied or waived.

OVERVIEW OF THE PLAN

Introduction

The following is a brief overview of certain material provisions of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan, a copy of which is attached as Exhibit II, and the exhibits thereto, as amended from time to time, which are or will be available for inspection at the Document Reviewing Centers. See "Additional Information." For a description of certain other significant terms and provisions of the Plan, see "General Information Concerning the Plan" and "Distributions Under the Plan."

Changes to Corporate Structure

TLGI was organized under the laws of British Columbia, Canada, and conducts its business through more than 1,000 subsidiaries, including, among others, LGII, the Loewen Subsidiary Debtors and the CCAA Debtors. Certain changes in the corporate structure of TLGI and its subsidiaries will be effected pursuant to or in connection with the Plan or CCAA Order, including: (a) the cancellation of each share of LGII Old Stock, the transfer of substantially all of the assets of TLGI to LGII and the effectuation of certain transactions relating to the NAFTA Claims (the "Reinvestment Transactions"); and (b) in each state in which the Debtors conduct business, the restructuring of the Loewen Subsidiary Debtors organized under the laws of such state so as to reduce the number of Loewen Companies organized in such state to the maximum extent permissible and determined by the Debtors to be appropriate, taking into account applicable regulatory requirements and other pertinent considerations (the "Subsidiary Restructuring Transactions," and, collectively with the Reinvestment Transactions, the "Restructuring Transactions"). In addition, (a) a similar restructuring of certain of the Canadian subsidiaries of TLGI will be effected pursuant to the CCAA Order and (b) certain transactions resulting in Reorganized LGII becoming the owner of all or substantially all of the outstanding capital stock of Rose Hills Holding Corp. are expected to be effected pursuant to the Blackstone Settlement Documents. As a result of the foregoing transactions, the ultimate parent company in the corporate structure will be Reorganized LGII, a Delaware corporation, and Reorganized LGII will have substantially fewer subsidiaries than TLGI has currently. See "Reorganized LGII — Restructuring Transactions." See also "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Other Legal Proceedings — NAFTA Claims" for a description of the transactions relating to the NAFTA Claims.

General Information Concerning Treatment of Claims and Interests

The Plan provides that holders of Allowed Claims in certain Classes will be entitled to distributions of: (a) cash; (b) New Five-Year Secured Notes, if issued; (c) New Two-Year Unsecured Notes, if issued; (d) New Seven-Year Unsecured Notes; or (e) New Common Stock in respect of their Claims. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness" for a description of the New Five-Year Secured Notes, New Two-Year Unsecured Notes, New Seven-Year Unsecured Notes and New Common Stock to be issued pursuant to the Plan. The Plan also provides that the holders of Allowed Secured Claims (other than the CTA Note Claims) will have their Claims paid in full or Reinstated or will receive the collateral securing such Claims, at the option of the Debtors. Shares of LGII Old Stock and the MIPS will be canceled and holders of such Interests will receive no distributions under the Plan. Shares of Old Stock in Non-Ownership Regulated Debtors (other than stock owned by a Loewen Company) will be canceled and holders of such Interests will receive no distributions under the Plan unless the Bankruptcy Court determines that the applicable Debtor is solvent, in which event such holder will receive New Common Stock equal to the value of the canceled shares as determined by the Bankruptcy Court. Non-Ownership Regulated Debtors are identified on Exhibit I to this Disclosure Statement. See "— Summary of Classes and Treatment of Claims and Interests."

The determination of the relative distributions to be received under the Plan by the holders of Claims in certain Classes was based upon, among other factors, estimates of the amounts of Allowed Claims in such Classes and the relative priorities of such Allowed Claims. Class 9, which consists of general, non-priority Unsecured Claims against the Debtors, has been subdivided into eight Divisions, each of which, for purposes of section 1129 of the Bankruptcy Code, will be treated as a separate class of Claims for each relevant Debtor. For purposes of

determining which Debtors would be included in any particular Division, the Debtors have estimated the percentage recovery to which holders of general Unsecured Claims against each Debtor are entitled and have grouped Debtors with the same or similar recoveries in the same Division. TLGI and LGII are in Divisions A and B, respectively. The Division in which each other Debtor has been grouped is set forth on Exhibit I to this Disclosure Statement. The estimates of the amounts of Allowed Claims in each Class and, in the case of Class 9, each Division are set forth in "— Summary of Classes and Treatment of Claims and Interests." The distributions to be received by creditors in any Division of Class 9 could differ from these estimates if the estimates prove to be inaccurate.

For purposes of computations of Claim amounts, administrative and other expenses and for similar computational purposes, the Effective Date is assumed to occur on March 31, 2001. There is no assurance, however, as to if or when the Effective Date will actually occur. Procedures for the distribution of cash and securities pursuant to the Plan, including matters that are expected to affect the timing of the receipt of distributions by holders of Claims in certain Classes and that could affect the amount of distributions ultimately received by such holders, are described in "Distributions Under the Plan."

The Plan constitutes a separate plan of reorganization for each Debtor. The "cramdown" provisions of section 1129(b) of the Bankruptcy Code permit confirmation of a chapter 11 plan of reorganization in certain circumstances even if the plan is not accepted by all impaired classes of claims and interests of a debtor. See "Voting and Confirmation of the Plan — Acceptance or Cramdown." The Debtors will seek "cramdown" of the Plan in respect to (a) each Class of Claims or Interests that will not receive or retain anything under the Plan and (b) Class 4 Claims as to which the applicable Debtor elects Option C treatment. Further, the Debtors have reserved the right to request Confirmation pursuant to the cramdown provisions of the Bankruptcy Code and to amend the Plan if any Class or Division of Claims of any Debtor fails to accept the Plan. If such request were granted by the Bankruptcy Court, the dissenting Classes or Divisions could, in certain cases, receive alternative treatment under the Plan. For purposes of this Disclosure Statement, however, it has been assumed that, except as described above, the Debtors will not be required to seek Confirmation under the cramdown provisions of the Bankruptcy Code. Although the Debtors believe that, if necessary, the Plan could be confirmed under the cramdown provisions of the Bankruptcy Code, there is no assurance that the requirements of such provisions would be satisfied.

Summary of Classes and Treatment of Claims and Interests

The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class, and, in the case of Class 9, each Division, and the amount and nature of distributions to holders of Claims or Interests in each Class and, in the case of Class 9, each Division, are summarized in the table below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. For a discussion of certain additional matters related to Administrative Claims and Priority Tax Claims, see "— Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims."

The information set forth in the table below with respect to each Class of Claims, and, in the case of Class 9, each Division, is presented on a combined basis for all of the Debtors in that Class or Division to which such information is applicable. The estimated aggregate amounts of Claims are based on the Debtors' estimates of the aggregate amounts of such Claims that the Debtors believe will be asserted upon resolution of all such Claims that the Debtors believe will be Disputed Claims. Certain of these Disputed Claims are likely to be material, and the total amount of all such Claims, including Disputed Claims, may be materially in excess of the total amount of Allowed Claims assumed in the development of the Plan. Moreover, because the Claims reconciliation process is ongoing (see "Operations During the Reorganization Cases — Claims Process and Bar Dates"), in estimating the amount of Claims in each Class of Claims and, in the case of Class 9, each Division, the Debtors have included certain reserve amounts (the "Reserves") to account for: (a) potential unfavorable variations between the Debtors' current estimates of Allowed Claims and the amounts that ultimately will be allowed; and (b) Claims that may be filed in the future, including rejection damage claims, where the applicable Bar Date has not yet expired or been established. The ultimate amount of Allowed Claims may be in excess of the Debtors' current estimates plus the Reserves and, thus, the ultimate amount of Allowed Claims may be in excess of that assumed in the development of the Plan.

The amounts shown in the table below as "Estimated Aggregate Claims Amounts" are based upon the Debtors' review of Claims Filed by the Bar Date and the Debtors' books and records and may be substantially revised in the course of the ongoing Claims reconciliation process. See "Operations During the Reorganization Cases — Claims Process and Bar Dates." Further, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such Claim. As a consequence, the actual ultimate aggregate amount of Allowed Unsecured Claims in a Division of Class 9 may differ significantly from the estimate set forth below. Accordingly, the amount of the Pro Rata distributions of New Common Stock that ultimately will be received by a holder of an Allowed Unsecured Claim in a particular Division of Class 9 may be adversely or favorably affected by the aggregate amount of Claims ultimately allowed in such Division. See "Risk Factors — Treatment of Claims; Dilution." Distributions of New Common Stock to holders of Allowed Unsecured Claims in each Division of Class 9 will be made on an incremental basis until all Disputed Claims in such Division have been resolved. See "Distributions Under the Plan — Timing and Calculation of Amounts To Be Distributed — Distributions of New Common Stock" and "Distributions Under the Plan — Disputed Claims; Reserve and Estimations."

Each amount designated in the table below as "Estimated Percentage Recovery" for each Class and, in the case of Class 9, each Division is the quotient of the cash or the assumed value of the New Five-Year Secured Notes, New Two-Year Unsecured Notes, New Seven-Year Unsecured Notes or New Common Stock to be distributed to all holders of Allowed Claims in such Class or Division, divided by the estimated aggregate amount of Allowed Claims in such Class or Division. For purposes of this calculation, it is assumed that the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes, as well as the New Unsecured Subordinated Note, will each have a value equal to the principal amount thereof and that the New Common Stock to be distributed to holders of Claims under the Plan will have an estimated aggregate value of approximately \$683.5 million, or \$17.09 per share, as of the Effective Date, based on the midpoint of the assumed reorganization equity value of Reorganized LGII. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Reorganization Value" for a description of the manner in which the shares of New Common Stock were valued for purposes of the Plan, the assumptions used in connection with the foregoing and the limitations thereon, and "Risk Factors" for a discussion of various other factors that could materially affect the value of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the New Common Stock to be distributed pursuant to the Plan.

Although the Debtors' management believes that these valuation assumptions are reasonable, there is no assurance that the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes or the New Common Stock will have the value assumed herein. See "Risk Factors — Projections." The foregoing valuation assumptions are not a prediction or reflection of post-Effective Date trading prices of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes or the New Common Stock. The New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the New Common Stock may trade at substantially higher or lower prices because of a number of other factors, including those discussed in "Risk Factors — Lack of Estimated Market for New Common Stock and New Senior Notes; Possible Volatility." The trading price of equity securities and debt securities, such as the New Five-Year Secured Notes, the New Two-Year Unsecured Notes, the New Seven-Year Unsecured Notes and the New Common Stock, issued under a plan of reorganization is subject to many unforeseeable circumstances and therefore cannot be predicted. Moreover, as discussed above, there is no assurance that the actual amounts of Allowed Unsecured Claims in certain Divisions of Class 9 will not materially exceed the estimated aggregate amounts shown in the table below. Accordingly, no representation can be or is being made with respect to whether the percentage recoveries shown in the table below actually will be realized by a holder of an Allowed Unsecured Claim in any Division of Class 9.

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 1 (Unsecured Priority Claims): Priority Claims against any Debtor that are entitled to priority under section 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code. Estimated Aggregate Claims Amount: \$0.1 million 	<p>Unimpaired; on the Effective Date, each holder of an Allowed Claim in Class 1 will receive cash equal to the amount of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<ul style="list-style-type: none"> • Class 2 (Loewen Subsidiary Debtor Convenience Claims): Unsecured Claims against any Loewen Subsidiary Debtor that otherwise would be included in Class 9, but with respect to each such Claim, the applicable Claim either (a) is equal to or less than \$10,000 or (b) is reduced to \$10,000 pursuant to an election by such holder made on the Ballot provided for voting on the Plan by the Voting Deadline. For purposes of treatment under Class 2, multiple Claims of a holder against a particular Debtor arising in a series of similar or related transactions between such Debtor and the original holder of such Claims will be treated as a single Claim and no splitting of Claims will be recognized for purposes of distribution. Estimated Aggregate Claims Amount: \$10.0 million 	<p>Impaired; on the Effective Date, each holder of an Allowed Claim in Class 2 against any Loewen Subsidiary Debtor will receive cash equal to the amount of such Claim against such Debtor (as reduced, if applicable, pursuant to an election by the holder thereof in accordance with Section II.B.1 of the Plan).</p> <p>Estimated Percentage Recovery: 100%</p>
<ul style="list-style-type: none"> • Class 3 (TLGI and LGII Convenience Claims): Unsecured Claims against TLGI or LGII that otherwise would be included in Class 9, but with respect to each such Claim, the applicable Claim either (a) is equal to or less than \$1,000 or (b) is reduced to \$1,000 pursuant to an election by such holder made on the Ballot provided for voting on the Plan by the Voting Deadline. For purposes of treatment under Class 3, multiple Claims of a holder against a particular Debtor arising in a series of similar or related transactions between such Debtor and the original holder of such Claims will be treated as a single Claim and no splitting of Claims will be recognized for purposes of distribution. Estimated Aggregate Claims Amount: \$0.4 million 	<p>Impaired; on the Effective Date, each holder of an Allowed Claim in Class 3 against TLGI or LGII will receive cash equal to the amount of such Claim against such Debtor (as reduced, if applicable, pursuant to an election by the holder thereof in accordance with Section II.B.2 of the Plan).</p> <p>Estimated Percentage Recovery: 100%</p>

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 4 (Secured Claims Other than CTA Note Claims): <ul style="list-style-type: none"> Secured Claims against any Debtor that are not classified in Class 5. <p>Estimated Aggregate Claims Amount: \$43.8 million</p>	<p>Unimpaired (except for Claims as to which the applicable Debtor elects Option C treatment); on the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Claim in Class 4 will receive treatment on account of such Allowed Claim in the manner set forth in Option A, B or C below, at the election of the applicable Debtor. The applicable Debtor will be deemed to have elected Option B, except with respect to any Allowed Claim as to which the applicable Debtor elects Option A or Option C in a certification Filed prior to the conclusion of the Confirmation Hearing.</p> <p>Option A: Each holder of an Allowed Claim in Class 4 with respect to which the applicable Debtor elects Option A will receive cash in the full amount of such Allowed Claim.</p> <p>Option B: Each Allowed Claim in Class 4 with respect to which the applicable Debtor elects or is deemed to have elected Option B will be Reinstated.</p> <p>Option C: Impaired; each holder of an Allowed Claim in Class 4 with respect to which the applicable Debtor elects Option C will be entitled to receive, and the applicable Debtor or Reorganized Debtor shall release and transfer to such holder, the collateral securing such Allowed Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 5 (CTA Note Claims): <ul style="list-style-type: none"> Secured and Unsecured Claims against the Debtors that are CTA Note Claims. <p>Estimated Aggregate Claims Amount: \$2.0384 billion</p>	<p>Impaired; on the Effective Date, each holder of an Allowed Claim in Class 5 will receive in full satisfaction of all of its CTA Note Claims: (a) a Pro Rata share of cash in an amount equal to the sum of (i) the New Secured Debt Principal Amount (<i>i.e.</i>, \$250 million), if the Exit Financing Term Loan Closing occurs, (ii) the Realized Asset Disposition Proceeds Amount and (iii) the Excess Cash Distribution Amount; (b) a Pro Rata share of New Five-Year Secured Notes in an original principal amount equal to the New Secured Debt Principal Amount, unless the Exit Financing Term Loan Closing occurs; (c) a Pro Rata share of New Two-Year Unsecured Notes in an original principal amount equal to the Unrealized Asset Disposition Proceeds Amount (<i>i.e.</i>, an amount equal to \$165 million minus the Realized Asset Disposition Proceeds Amount); (d) a Pro Rata share of New Seven-Year Unsecured Notes in an original principal amount equal to the New Seven-Year Unsecured Notes Principal Amount (<i>i.e.</i>, \$325 million); and (e) a Pro Rata share of 36,616,300 shares of New Common Stock. Except as provided in Section IV.F.3 of the Plan, the foregoing distributions shall be without prejudice to the rights and claims of any Indenture Trustee or holder of a CTA Note Claim against Tolling Parties or other third parties relating to the CTA.</p> <p>Estimated Percentage Recovery: 69%</p>
<ul style="list-style-type: none"> • Class 6 (O'Keefe Note Claims): <ul style="list-style-type: none"> Unsecured Claims against LGII, Reimann Holdings, Inc., Wright & Ferguson Funeral Home and TLGI in respect of the O'Keefe Note Claims. <p>Estimated Aggregate Claims Amount: \$33.1 million</p>	<p>Impaired; on the Effective Date, each holder of an Allowed Claim in Class 6 will receive in satisfaction of all of its Class 6 Claims against all Debtors a Pro Rata share of 620,200 shares of New Common Stock.</p> <p>Estimated Percentage Recovery: 32%</p>
<ul style="list-style-type: none"> • Class 7 (MIPS Debenture and Guaranty Claims): <ul style="list-style-type: none"> Unsecured Claims (a) against TLGI and LGII under or in respect of the MIPS Junior Subordinated Debenture and the MIPS Guaranty and (b) against LGII as general partner of Loewen Group Capital, L.P. ("LGCLP"). <p>Estimated Aggregate Claims Amount: \$76.8 million</p>	<p>Impaired; no property will be distributed to or retained by the holder of Allowed Claims in Class 7.</p> <p>Estimated Percentage Recovery: 0%</p>

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 8 (Intercompany Claims): Claims of any Loewen Company against any Debtor that are not classified in Class 7 and are not Administrative Claims. Estimated Aggregate Claims Amount: \$6.2 billion 	<p>Impaired in part; except as provided below, all Claims in Class 8 will be Reinstated. Notwithstanding the foregoing: (a) on the Effective Date, each holder of an Allowed Claim in respect of the MEIPs Debentures will receive its Pro Rata share of \$10,000 in complete discharge of any such Claim; and (b) no property will be distributed to or retained by a Loewen Company on account of any Claim in Class 8 with respect to which, immediately prior to the Effective Date, the obligor is LGII or a direct or indirect wholly owned subsidiary of LGII and the holder is a non-United States, wholly owned, direct or indirect subsidiary of TLGI (but not TLGI); any such Claims, after being offset by any amounts owed by the holder thereof to the particular Debtor obligor, will be discharged on the Effective Date. Notwithstanding this treatment of Class 8 Claims, each of the Loewen Companies holding an Allowed Claim in Class 8 will be deemed to have accepted the Plan.</p> <p>Estimated Percentage Recovery: 0-100%</p>

Description and Amount of Claims or Interests	Treatment																																																
<ul style="list-style-type: none"> • Class 9 (Unsecured Nonpriority Claims): Unsecured Claims against any Debtor (including the unsecured portion of any Claim that if fully secured would have been classified in Class 4 and including any claims in respect to the BMO Letter of Credit Facility and the UBS Option Contract) that are not otherwise classified in Class 1, 2, 3, 5, 6, 7, 8, 10 or 11. <p>Estimated Aggregate Class 9 Claims: \$895.8 million</p> <p>Estimated Aggregate Claims Amount by Division:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30%;">Division A Debtors:</td><td style="text-align: right;">\$367.4 million</td></tr> <tr><td>Division B Debtors:</td><td style="text-align: right;">\$453.0 million</td></tr> <tr><td>Division C Debtors:</td><td style="text-align: right;">\$20.7 million</td></tr> <tr><td>Division D Debtors:</td><td style="text-align: right;">\$6.5 million</td></tr> <tr><td>Division E Debtors:</td><td style="text-align: right;">\$5.6 million</td></tr> <tr><td>Division F Debtors:</td><td style="text-align: right;">\$11.5 million</td></tr> <tr><td>Division G Debtors:</td><td style="text-align: right;">\$20.5 million</td></tr> <tr><td>Division H Debtors:</td><td style="text-align: right;">\$10.6 million</td></tr> </table>	Division A Debtors:	\$367.4 million	Division B Debtors:	\$453.0 million	Division C Debtors:	\$20.7 million	Division D Debtors:	\$6.5 million	Division E Debtors:	\$5.6 million	Division F Debtors:	\$11.5 million	Division G Debtors:	\$20.5 million	Division H Debtors:	\$10.6 million	<p>Impaired; on the Effective Date, each holder of an Allowed Claim in Class 9 of any particular Debtor will receive, based upon the principal amount of such holder's Allowed Claim, its Pro Rata share of shares of New Common Stock reserved in respect of the Division in which such Debtor is classified. The Division in which each Debtor has been classified is set forth on Exhibit I.</p> <p>Reserved Shares by Division:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30%;">Division A Debtors:</td><td style="text-align: right;">215,000 shares of New Common Stock</td></tr> <tr><td>Division B Debtors:</td><td style="text-align: right;">265,100 shares of New Common Stock</td></tr> <tr><td>Division C Debtors:</td><td style="text-align: right;">1,214,100 shares of New Common Stock</td></tr> <tr><td>Division D Debtors:</td><td style="text-align: right;">302,200 shares of New Common Stock</td></tr> <tr><td>Division E Debtors:</td><td style="text-align: right;">196,700 shares of New Common Stock</td></tr> <tr><td>Division F Debtors:</td><td style="text-align: right;">268,900 shares of New Common Stock</td></tr> <tr><td>Division G Debtors:</td><td style="text-align: right;">239,400 shares of New Common Stock</td></tr> <tr><td>Division H Debtors:</td><td style="text-align: right;">62,100 shares of New Common Stock</td></tr> </table> <p>Estimated Percentage Recovery by Division:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 30%;">Division A Debtors:</td><td style="text-align: right;">1%</td></tr> <tr><td>Division B Debtors:</td><td style="text-align: right;">1%</td></tr> <tr><td>Division C Debtors:</td><td style="text-align: right;">100%</td></tr> <tr><td>Division D Debtors:</td><td style="text-align: right;">80%</td></tr> <tr><td>Division E Debtors:</td><td style="text-align: right;">60%</td></tr> <tr><td>Division F Debtors:</td><td style="text-align: right;">40%</td></tr> <tr><td>Division G Debtors:</td><td style="text-align: right;">20%</td></tr> <tr><td>Division H Debtors:</td><td style="text-align: right;">10%</td></tr> </table>	Division A Debtors:	215,000 shares of New Common Stock	Division B Debtors:	265,100 shares of New Common Stock	Division C Debtors:	1,214,100 shares of New Common Stock	Division D Debtors:	302,200 shares of New Common Stock	Division E Debtors:	196,700 shares of New Common Stock	Division F Debtors:	268,900 shares of New Common Stock	Division G Debtors:	239,400 shares of New Common Stock	Division H Debtors:	62,100 shares of New Common Stock	Division A Debtors:	1%	Division B Debtors:	1%	Division C Debtors:	100%	Division D Debtors:	80%	Division E Debtors:	60%	Division F Debtors:	40%	Division G Debtors:	20%	Division H Debtors:	10%
Division A Debtors:	\$367.4 million																																																
Division B Debtors:	\$453.0 million																																																
Division C Debtors:	\$20.7 million																																																
Division D Debtors:	\$6.5 million																																																
Division E Debtors:	\$5.6 million																																																
Division F Debtors:	\$11.5 million																																																
Division G Debtors:	\$20.5 million																																																
Division H Debtors:	\$10.6 million																																																
Division A Debtors:	215,000 shares of New Common Stock																																																
Division B Debtors:	265,100 shares of New Common Stock																																																
Division C Debtors:	1,214,100 shares of New Common Stock																																																
Division D Debtors:	302,200 shares of New Common Stock																																																
Division E Debtors:	196,700 shares of New Common Stock																																																
Division F Debtors:	268,900 shares of New Common Stock																																																
Division G Debtors:	239,400 shares of New Common Stock																																																
Division H Debtors:	62,100 shares of New Common Stock																																																
Division A Debtors:	1%																																																
Division B Debtors:	1%																																																
Division C Debtors:	100%																																																
Division D Debtors:	80%																																																
Division E Debtors:	60%																																																
Division F Debtors:	40%																																																
Division G Debtors:	20%																																																
Division H Debtors:	10%																																																

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 10 (MIPS Securities Litigation Claims): Unsecured Claims, including the Securities Litigation Claims, against TLGI, LGII or LGCLP arising: (a) from rescission of a purchase or sale of the MIPS; (b) for damages arising from the purchase or sale of the MIPS, including Claims for damages for fraud or misrepresentation or otherwise subject to section 510(b) of the Bankruptcy Code; or (c) for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claims. <p>Estimated Aggregate Claims Amount: unknown</p>	<p>Impaired; no property will be distributed to or retained by the holders of Allowed Claims in Class 10.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 11 (Other Securities Litigation Claims): Unsecured Claims, including the Securities Litigation Claims, against any Debtor arising: (a) from rescission of a purchase or sale of TLGI Old Preferred Stock, TLGI Old Common Stock or any other equity security of any Debtor (other than the MIPS); (b) for damages arising from the purchase or sale of any such security, including Claims for damages for fraud or misrepresentation or otherwise subject to section 510(b) of the Bankruptcy Code; or (c) for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claims. <p>Estimated Aggregate Claims Amount: unknown</p>	<p>Impaired; no property will be distributed to or retained by the holders of Allowed Claims in Class 11.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 12 (TLGI Old Preferred Stock): Interests in TLGI on account of the TLGI Old Preferred Stock. 	<p>Impaired; no property will be distributed to the holders of Allowed Interests in Class 12.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 13 (TLGI Old Common Stock): Interests in TLGI on account of the TLGI Old Common Stock. 	<p>Impaired; no property will be distributed to the holders of Allowed Interests in Class 13.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 14 (LGII Old Stock): Interests in LGII on account of the LGII Old Stock. 	<p>Impaired; no property will be distributed to or retained by the holders of Allowed Interests in Class 14 and such Interests will be canceled on the Effective Date as part of the Reinvestment Transactions.</p> <p>Estimated Percentage Recovery: 0%</p>

Description and Amount of Claims or Interests	Treatment
<ul style="list-style-type: none"> • Class 15 (Third Party Owned Old Stock in Non-Ownership Regulated Debtors): Interests in any Non-Ownership Regulated Debtor held by any person or entity other than a Loewen Company. A "Non-Ownership Regulated Debtor" is any Debtor in which a minority stock interest is owned by a person or entity other than a Loewen Company and which minority interest is not required for state regulatory purposes. Non-Ownership Regulated Debtors are identified on Exhibit I. 	<p>Impaired; no property will be distributed to or retained by the holders of Allowed Interests in Class 15 and such Interests will be canceled on the Effective Date; <i>provided however</i>, that with respect to any Non-Ownership Regulated Debtor that is determined by the Bankruptcy Court to be solvent (as defined under the Bankruptcy Code) as of the Confirmation Date, a holder of an Allowed Interest in Class 15 in such Debtor will receive, on the Effective Date, New Common Stock with an aggregate value, based on the reorganization value per share of \$17.09, equal to the value of such holder's interest in such Debtor as determined by the Bankruptcy Court.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 16 (Loewen Company Owned Old Stock in Non-Ownership Regulated Debtors): Interests in any Non-Ownership Regulated Debtor held by any Loewen Company. Non-Ownership Regulated Debtors are identified on Exhibit I to this Disclosure Statement. 	<p>Unimpaired; on the Effective Date, subject to the Subsidiary Restructuring Transactions, Allowed Interests in Class 16 will be Reinstated.</p> <p>Estimated Percentage Recovery: 100%</p>
<ul style="list-style-type: none"> • Class 17 (LGCLP Partnership Interests): Interests in LGCLP on account of the MIPS and the partnership interests in LGCLP. 	<p>Impaired; consistent with the treatment of holders of Allowed Claims in Class 7, no property will be distributed to or retained by the holders of Allowed Interests in Class 17 and such interests will be canceled on the Effective Date.</p> <p>Estimated Percentage Recovery: 0%</p>
<ul style="list-style-type: none"> • Class 18 (Other Equity Interests): Interests in any Debtor other than Interests in Classes 12, 13, 14, 15, 16 or 17. 	<p>Unimpaired; on the Effective Date, subject to the Subsidiary Restructuring Transactions, Allowed Interests in Class 18 will be Reinstated.</p> <p>Estimated Percentage Recovery: 100%</p>

TLGI's transfer of assets to LGII as part of the Reinvestment Transactions will occur before the cancellation of the LGII Old Stock and the issuance of the New Common Stock.

Sources and Uses of Cash

The following table sets forth a summary of the principal sources and uses of cash expected to be available to the Reorganized Debtors on the Effective Date (assuming (a) the Exit Financing Term Loan Closing does not occur and the New Five-Year Secured Notes are issued pursuant to the Plan and (b) no New Two-Year Unsecured Notes are issued pursuant to the Plan). All amounts shown are estimates. There can be no assurances that there will not be material variances between such estimates and the actual amounts of cash required to consummate the Plan.

(Dollars in Millions)

Sources of Cash

Cash generated from operations	\$ 145
Cash generated from asset dispositions	<u>165</u>
Total Sources	<u>\$ 310</u>

Uses of Cash

Cash distributions in respect of Class 5	\$ 200
Cash distributions in respect of Class 4	15
Cash distributions in respect of Classes 2 and 3 (i.e., convenience Claims)	10
Cure payments for assumptions of Executory Contracts and Unexpired Leases	5
Administrative Claims, financing fees and other reorganization expenses	34
Cash available for working capital	<u>46</u>
Total Uses	<u>\$ 310</u>

In addition, it is anticipated that on the Effective Date an additional \$100 million will be available to the Reorganized Debtors pursuant to the Exit Financing Revolving Credit Facility. See "Overview of the Plan — Exit Financing Revolving Credit Facility."

Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims

Administrative Claims

General. Unless otherwise agreed by the holder of an Administrative Claim and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Administrative Claim will receive from Reorganized LGII or the applicable Reorganized Debtor, in full satisfaction of its Administrative Claim, cash equal to the allowed amount of such Administrative Claim either: (a) on the Effective Date; or (b) if the Administrative Claim is not allowed as of the Effective Date, 30 days after the date on which an order allowing such Administrative Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by Reorganized LGII or the applicable Reorganized Debtor and the holder of the Administrative Claim. Administrative Claims include Claims (other than the Substantial Contribution Claims described below) for costs and expenses of administration allowed under section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the respective Estates and operating the businesses of the Debtors (such as wages, salaries, commissions for services and payments for services, inventories, leased equipment and premises), including Claims under the DIP Financing Facility; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under section 330(a) or 331 of the Bankruptcy Code, including Fee Claims; (c) all fees and charges assessed against the Estates under chapter 123 of title 28, U.S. Code, 28 U.S.C. §§ 1911-1930; (d) Claims for reclamation allowed in accordance with section 546(c)(2) of the Bankruptcy Code and section 2-702 of the Uniform Commercial Code; and (e) all Intercompany Claims accorded priority pursuant to section 364(c)(1) of the Bankruptcy Code or the Cash Management Order. In addition to the types of Administrative Claims described above, section 503(b) of the Bankruptcy Code provides for payment of compensation or reimbursement of expenses to creditors and other entities making a "substantial contribution" to a chapter 11 case and to attorneys for and other professional advisors to such entities. The amounts, if any, that such entities will seek or may seek for such compensation or reimbursement are not known by the Debtors at this time. Requests for such compensation or reimbursement must be approved by the Bankruptcy Court after notice and a hearing at which the Debtors or Reorganized Debtors and other parties in interest may participate and, if appropriate, object to the allowance of any such compensation or

reimbursement. The Debtors estimate that the Administrative Claims will aggregate approximately \$30 million as of the Effective Date, excluding post-petition accounts payable and other accrued liabilities as of the Effective Date and any "substantial contribution" Claims.

Except as otherwise provided below, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Reorganized Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by such date will be forever barred from asserting such Administrative Claims against the Debtors, the Reorganized Debtors or their respective property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 90 days after the Effective Date or (b) 60 days after the Filing of the applicable request for payment of Administrative Claims.

Professionals or other entities asserting a Fee Claim (other than the Substantial Contribution Claims described below) for services rendered before the Effective Date must File and serve on the Reorganized Debtors and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Fee Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 60 days after the Effective Date; *provided, however*, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court review or approval, pursuant to the Ordinary Course Professionals Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 90 days after the Effective Date or (b) 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Confirmation Order will amend and supersede any previously entered order of the Bankruptcy Court, including the Fee Order, regarding the payment of Fee Claims.

The Debtors have agreed to support a Fee Claim by counsel to William R. Eldridge, a member of the Creditors' Committee, in an amount not to exceed \$50,000 for reasonable fees and expenses incurred by such counsel in connection with its representation of Mr. Eldridge on a subcommittee formed by the Creditors' Committee with respect to the plan of reorganization process in the Debtors' Reorganization Cases. Any such Fee Claim will be subject to the requirements and procedures set forth in the preceding paragraph.

The following holders will not be required to File or serve any request for payment of such Administrative Claims: (a) holders of Allowed Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business (including Administrative Trade Claims, Administrative Claims of governmental units for Taxes, including Tax audit Claims arising after the Petition Date, and Allowed Administrative Claims arising from or under those contracts and leases entered into or assumed after the Petition Date); and (b) holders of Administrative Claims under the DIP Financing Facility.

Indenture Trustees' Claims. In full satisfaction of each Indenture Trustee's fee and expense Claims for services under the respective Prepetition Indenture and the fee and expense Claims of the CTA Trustee for services under the CTA, including such Claims secured by the Indenture Trustee's charging lien under the Prepetition Indentures and such Claims secured by the CTA Trustee's charging lien under the CTA, each Indenture Trustee and the CTA Trustee will receive from Reorganized LGII cash equal to the amount of such Claims in accordance with the procedures described in Section III.E of the Plan, and any charging lien held by such Indenture Trustee or the CTA Trustee will be released on the Effective Date. Distributions received by holders of Allowed Claims in respect of Class 5 pursuant to the Plan will not be reduced on account of the payment of the Indenture Trustees' Claims or the CTA Trustee's Claims.

Within 60 days after the Effective Date, each Indenture Trustee and the CTA Trustee will submit to Reorganized LGII appropriate documentation in support of such fees and expenses incurred by such Indenture Trustee or CTA Trustee through the Effective Date, whether incurred prior to or subsequent to the Petition Date.

No later than 60 days after the Effective Date, the respective Indenture Trustee or the CTA Trustee will:
(a) File a motion seeking approval of its fees and expenses for services incurred through the Effective Date under the

terms of the respective Prepetition Indenture or CTA and (b) serve such motion on (i) Reorganized LGII and the Reorganized Debtors and (ii) the United States Trustee. Any Indenture Trustee that does not File such motion by such date will be forever barred from asserting such Claims against the Debtors, the Reorganized Debtors or their respective property and such Claims will be deemed discharged as of the Effective Date. Similarly, if the CTA Trustee does not File such motion by such date, the CTA Trustee will be forever barred from asserting such Claims against the Debtors, the Reorganized Debtors or their respective property and such Claims will be deemed discharged as of the Effective Date. The Bankruptcy Court will approve such fees and expenses requested in such motion to the extent that such amounts are reasonable and appropriate under the terms of such Prepetition Indenture or CTA, which, notwithstanding the cancellation of such Prepetition Indenture and CTA pursuant to Section IV.I of the Plan, will govern this determination. An Indenture Trustee's or CTA Trustee's request for approval of such fees and expenses will not be subject to the additional standards contained in section 503(b) of the Bankruptcy Code. Promptly upon approval by the Bankruptcy Court, an Indenture Trustee's or the CTA Trustee's approved fees and expenses for the period prior to the Effective Date will be treated as Allowed Claims and will be paid by Reorganized LGII.

Any Claims of an Indenture Trustee or the CTA Trustee for fees and expenses (a) incurred in connection with the issues surrounding the status of certain CTA Note Claims under the CTA or (b) otherwise not incurred for services rendered in the ordinary course under the respective Prepetition Indenture or the CTA will not be subject to the provisions of Section III.E.1 through 3 of the Plan, but rather shall be subject to the other applicable provisions of the Plan and, if applicable, section 503(b) of the Bankruptcy Code.

Substantial Contribution Claims. In full satisfaction of Claims of (a) any of the Principal CTA Creditors, Bank of Montreal, Morgens, Waterfall, Vintiadis & Company, Inc. and Wachovia Bank, N.A., to the extent that such entity votes to accept the Plan, for fees and expenses incurred by such entity in connection with the issues surrounding the status of certain CTA Note Claims under the CTA (see "Collateral Trust Agreement Issues; Recovery Actions; Other Legal Proceedings — Collateral Trust Agreement Issues") in an amount, which, in the aggregate, will not exceed the Substantial Contribution Claims Amount (*i.e.*, \$2 million) and (b) counsel for the Creditors' Committee for services rendered by such counsel prior to the formation of the Creditors' Committee in an amount not to exceed \$60,000 (collectively, the "Substantial Contribution Claims"), each holder of a Substantial Contribution Claim will receive from Reorganized LGII cash equal to the amount of such Substantial Contribution Claim in accordance with the procedures described in Section III.F of the Plan. To the extent that the aggregate amount of Claims set forth in Section III.F.1.a of the Plan exceeds the Substantial Contribution Claims Amount, the holders of such Claims will receive their Pro Rata share of the Substantial Contribution Claims Amount in full satisfaction of such Claims. Distributions received by holders of Allowed Claims in respect of Class 5 pursuant to the Plan will not be reduced on account of the payment of the Substantial Contribution Claims.

Within 60 days after the Effective Date, each holder of a Substantial Contribution Claim will submit to Reorganized LGII appropriate documentation in support of their respective Substantial Contribution Claims for the period subsequent to the Petition Date and prior to the date on which the Debtors Filed the Plan and Disclosure Statement.

No later than 60 days after the Effective Date, each holder of a Substantial Contribution Claim will: (a) File a motion seeking approval of its Substantial Contribution Claim for the period subsequent to the Petition Date and prior to the date on which the Debtors Filed the Plan and Disclosure Statement and (b) serve such motion on (i) Reorganized LGII and the Reorganized Debtors and (ii) the United States Trustee. Any holder of a Substantial Contribution Claim that does not File such motion by such date will be forever barred from asserting such Substantial Contribution Claim against the Debtors, the Reorganized Debtors or their respective property and such Substantial Contribution Claim will be deemed discharged as of the Effective Date. The Bankruptcy Court will approve such fees and expenses requested in such motion to the extent that such amounts are reasonable and appropriate. The request of a holder of a Substantial Contribution Claim for approval of its Substantial Contribution Claim will not be subject to the additional standards contained in section 503(b) of the Bankruptcy Code. Promptly upon approval by the Bankruptcy Court, the approved Substantial Contribution Claims for the period subsequent to the Petition Date and prior to the Effective Date will be paid by Reorganized LGII.

Priority Tax Claims

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder thereof and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Priority Tax Claim, deferred cash payments over a period not exceeding six years from the date of assessment of such Priority Tax Claim. Payments will be made in equal annual installments of principal, plus simple interest accruing from the Effective Date at 7% per annum on the unpaid portion of each Allowed Priority Tax Claim (or upon such other terms determined by the Bankruptcy Court to provide the holders of Priority Tax Claims with deferred cash payments having a value, as of the Effective Date, equal to the allowed amount of such Priority Tax Claims). Unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or Reorganized Debtor, the first payment on account of an Allowed Priority Tax Claim will be payable one year after the Effective Date or, if the Priority Tax Claim is not allowed within one year after the Effective Date, the first Quarterly Distribution Date after the date on which (a) an order allowing such Priority Tax Claim becomes a Final Order or (b) a Stipulation of Amount and Nature of Claim is executed by the applicable Reorganized Debtor and the holder of the Priority Tax Claim; *provided, however*, that the Reorganized Debtors will have the right to pay any Allowed Priority Tax Claim, or any remaining balance of such Priority Tax Claim, in full at any time on or after the Effective Date, without premium or penalty. The Debtors do not presently anticipate that any material payment will be made to the Internal Revenue Service on account of any Priority Tax Claim.

Notwithstanding the foregoing, a holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty (a) will be subject to treatment in Class 9 and (b) the holder of an Allowed Priority Tax Claim will not be entitled to assess or attempt to collect such penalty from the Reorganized Debtors or their property.

Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims

The classification and treatment of Allowed Claims under the Plan take into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims will be treated as follows: (a) the Allowed Secondary Liability Claims arising from or related to any Debtor's joint or several liability for the obligations under any (i) Allowed Claim that is being Reinstated under the Plan or (ii) Executory Contract or Unexpired Lease that is being assumed or deemed assumed by another Debtor or under any Executory Contract or Unexpired Lease that is being assumed by and assigned to another Debtor or any other entity will be Reinstated; and (b) holders of all other Allowed Secondary Liability Claims will be entitled to only one distribution from the primary obligor in respect of such underlying Allowed Claim. No multiple recovery on account of any Allowed Secondary Liability Claim will be provided or permitted.

Summary of Terms of Certain Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness

The Plan provides that, as of the Effective Date, Reorganized LGII will be authorized to issue 100,000,000 shares of New Common Stock, par value \$0.01 per share. Reorganized LGII will issue an aggregate of 40,000,000 shares of New Common Stock to holders of Allowed Claims in Classes 5, 6 and 9, plus, if applicable, an as yet undetermined number of shares of New Common Stock to certain holders of Allowed Interests in Class 15. The Debtors believe that the number of shares that may be issued in respect of Class 15 will not be material. In addition, as of the Effective Date, 4,500,000 shares of New Common Stock will be reserved for issuance under the Equity Incentive Plan, including 2,475,000 shares underlying options expected to be granted as of the Effective Date. The options expected to be granted as of the Effective Date will have a per share exercise price equal to the average of the daily closing sales price per share of the New Common Stock as reported on The Nasdaq Stock Market for the 30 consecutive trading days immediately following the Effective Date and will become exercisable in cumulative installments with respect to 25% of the shares on the first and second anniversaries of the date of grant and with respect to the remaining 50% of the shares on the third anniversary of the date of grant. See "Reorganized LGII — Management — New Benefit Plans and Agreements."

Holders of New Common Stock will be entitled to receive ratably such dividends as declared by Reorganized LGII's Board of Directors and will have no preemptive, subscription, redemption or conversion rights. The declaration of dividends and other payments on the New Common Stock will be restricted pursuant to certain provisions of the respective indentures governing the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes (collectively, the "New Senior Notes") and the documents governing the Exit Financing Revolving Credit Facility and the Exit Financing Term Loan (collectively, the "Exit Financing"). See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Two-Year Unsecured Notes," "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Five-Year Secured Notes," "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Seven-Year Unsecured Notes" and "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Exit Financing." Reorganized LGII is not expected to pay any dividends on the New Common Stock in the foreseeable future. Subject to the terms and conditions set forth in Reorganized LGII's Share Purchase Rights Agreement, each share of New Common Stock issued pursuant to the Plan will be accompanied by a Share Purchase Right.

In addition to the New Common Stock issued pursuant to the Plan, Reorganized LGII's Board of Directors will have the authority to issue shares of preferred stock, par value \$0.01 per share, of Reorganized LGII ("New Preferred Stock") from time to time in one or more classes or series and to determine the various rights and privileges thereof. Reorganized LGII also will be authorized to issue additional shares of New Common Stock from time to time following the Effective Date under the provisions of the Certificate of Incorporation of Reorganized LGII and applicable law. See "Reorganized LGII — Certain Corporate Governance Matters — Authorized But Unissued Shares."

On the Effective Date, in addition to New Common Stock and certain cash payments, holders of Allowed CTA Note Claims in Class 5 will receive: (a) New Five-Year Secured Notes, if applicable; (b) New Two-Year Unsecured Notes, if applicable; and (c) New Seven-Year Unsecured Notes.

New Five-Year Secured Notes. The aggregate principal amount of New Five-Year Secured Notes to be issued by Reorganized LGII will be \$250 million. The New Five-Year Secured Notes will bear interest at the London Interbank market rate of interest plus 2% per annum, payable semiannually in arrears, will be secured by the capital stock of certain wholly owned subsidiaries of Reorganized LGII and will mature on the fifth anniversary of the Effective Date. The New Five-Year Secured Notes will be issued pursuant to a trust indenture with an indenture trustee to be selected by Reorganized LGII (the "New Five-Year Secured Notes Indenture"). No New Five-Year Secured Notes will be issued pursuant to the Plan if the Exit Financing Term Loan Closing occurs. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Five-Year Secured Notes."

New Two-Year Unsecured Notes. The aggregate principal amount of New Two-Year Unsecured Notes to be issued by Reorganized LGII will be in an amount equal to \$165 million less the Realized Asset Disposition Proceeds Amount. The New Two-Year Unsecured Notes will bear interest at 12 ¼% per annum, payable semiannually in arrears and will mature on the second anniversary of the Effective Date. The New Two-Year Unsecured Notes will be issued pursuant to a trust indenture with an indenture trustee to be selected by Reorganized LGII (the "New Two-Year Unsecured Notes Indenture"). Reorganized LGII will be required to apply Net Proceeds received by the Reorganized Debtors following the Effective Date in respect of the sale of any Disposition Properties to the redemption of the New Two-Year Unsecured Notes. No New Two-Year Unsecured Notes will be issued pursuant to the Plan if the Realized Asset Disposition Proceeds Amount exceeds \$165 million. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Two-Year Unsecured Notes."

New Seven-Year Unsecured Notes. The aggregate principal amount of New Seven-Year Unsecured Notes to be issued by Reorganized LGII will be \$325 million. The New Seven-Year Unsecured Notes will bear interest at 12 ¼% per annum, payable semiannually in arrears, and will mature on the seventh anniversary of the Effective Date. The New Seven-Year Unsecured Notes will be issued pursuant to a trust indenture with an indenture trustee to be selected by Reorganized LGII (the "New Seven-Year Unsecured Notes Indenture"). See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Seven-Year Unsecured Notes."

It is a condition to the Effective Date that, as of the Effective Date, Reorganized LGII and the Exit Financing Facility Agent Bank shall have entered into the Exit Financing Revolving Credit Facility. In addition, the Debtors will seek to obtain from the Exit Financing Facility Agent Bank the Exit Financing Term Loan as of the Effective Date. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Exit Financing."

It is also anticipated that, as of the Effective Date, the Blackstone Settlement Documents will have been executed and delivered by the parties thereto. Pursuant to the Blackstone Settlement Documents, on the Effective Date, Reorganized LGII will become the owner of all or substantially all of the outstanding capital stock of Rose Hills Holding Corp. in exchange for the issuance of the New Unsecured Subordinated Note. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Unsecured Subordinated Note." For a description of certain indebtedness of Rose Hills Holding Corp., see "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Rose Hills Indebtedness."

See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Other Indebtedness" for a description of certain secured indebtedness of the Debtors to be paid in full or reinstated on the Effective Date.

This summary is qualified by reference to the description of such securities under "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness."

Conditions to Confirmation and the Effective Date of the Plan

There are several conditions precedent to Confirmation and the occurrence of the Effective Date. Subject to applicable legal requirements, the Debtors may waive any of these conditions upon the terms and subject to the conditions set forth in Section IX.C of the Plan.

Conditions to Confirmation

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

- (a) The Confirmation Order shall be reasonably acceptable in form and substance to the Debtors.
- (b) The Debtors shall have received a commitment for the Exit Financing Revolving Credit Facility from the Exit Financing Facility Agent Bank on terms and conditions satisfactory to the Debtors.
- (c) The Plan shall not have been amended, altered or modified from the Plan as Filed on November 14, 2000, unless such amendment, alteration or modification is in form and substance reasonably satisfactory to the Debtors.
- (d) All Exhibits to the Plan shall be in form and substance reasonably satisfactory to the Debtors and the Principal CTA Creditors.

In addition to the foregoing conditions to Confirmation, there are a number of substantial confirmation requirements under the Bankruptcy Code that must be satisfied for the Plan to be confirmed. See "Voting and Confirmation of the Plan — Confirmation."

Conditions to the Effective Date

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

- (a) The documents effectuating the Exit Financing Revolving Credit Facility shall have been executed and delivered by Reorganized LGII and the Exit Financing Facility Agent Bank.
- (b) The Plan shall not have been amended, altered or modified from the Plan as Filed on November 14, 2000, unless such amendment, alteration or modification is, and all Exhibits to the Plan are, in form and substance reasonably satisfactory to the Debtors.
- (c) Each of the New Five-Year Secured Notes Indenture (if any New Five-Year Secured Notes will be issued pursuant to the Plan), the New Two-Year Unsecured Notes Indenture (if any New Two-Year Unsecured Notes will be issued pursuant to the Plan) and the New Seven-Year Unsecured Notes Indenture shall have been qualified under the Trust Indenture Act of 1939, as amended.
- (d) The New Common Stock shall have been registered under the Exchange Act pursuant to either a Form 8-A Registration Statement or a Form 10 Registration Statement that has become effective under the Exchange Act.
- (e) The shares of New Common Stock to be issued pursuant to the Plan shall have been designated as Nasdaq National Market securities by The Nasdaq Stock Market, Inc. or authorized for listing on or accepted for quotation through a National Securities Exchange subject to official notice of issuance.
- (f) The Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Debtors and the Reorganized Debtors to take all actions necessary or appropriate to implement the Plan in form and substance acceptable to the Debtors, including completion of the Restructuring Transactions and the other transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan.
- (g) The CCAA Order shall be reasonably acceptable in form and substance to the Debtors and shall have been entered and become a Final Order.

Waiver of Conditions to Confirmation or the Effective Date

The conditions to Confirmation and the conditions to the Effective Date may be waived in whole or part by the Debtors at any time without an order of the Bankruptcy Court.

Effect of Nonoccurrence of Conditions to the Effective Date

If each condition to the Effective Date provided in the Plan is not satisfied or duly waived in accordance with Section IX.C of the Plan, then upon motion by the Debtors made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; *provided, however*, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to Section IX.D of the Plan: (a) the Plan will be null and void in all respects, including with respect to (i) the discharge of Claims and termination of Interests pursuant to section 1141 of the Bankruptcy Code and (ii) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Sections V.A and V.C of the Plan; and (b) nothing contained in the Plan will (i) constitute a waiver or release of any claims by or against, or any Interest in, the Debtors or (ii) prejudice in any manner the rights of the Debtors or any other party in interest.

Exit Financing Revolving Credit Facility

The commitment of the Exit Financing Facility Agent Bank to provide the Exit Financing Revolving Credit Facility on terms satisfactory to the Debtors is a condition to Confirmation, and the execution and delivery of the documents effectuating the Exit Financing Revolving Credit Facility by Reorganized LGII and the Exit Financing Facility Agent Bank are conditions to the Effective Date. The Debtors currently contemplate that such Exit Financing Revolving Credit Facility will be a secured \$100 million revolving credit facility, \$30 million of which will also be available in the form of letters of credit. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Exit Financing."

The CCAA Order

Concurrently with the commencement of the Reorganization Cases by the Debtors, TLGI and 117 of its direct or indirect Canadian incorporated subsidiaries (the "CCAA Debtors") commenced proceedings (the "CCAA Proceeding") under the Companies' Creditors Arrangement Act (the "CCAA"). It is a condition to the Effective Date that the Ontario Superior Court of Justice (the "Canadian Court") shall have entered an order (the "CCAA Order"), which order shall be reasonably acceptable in form and substance to the Debtors, providing that:

- (a) a plan of arrangement pursuant to the terms of the Business Corporations Act (Ontario) to effect the transactions described on Exhibit I.A.28 to the Plan (the "CCAA Debtor Restructuring Transactions") is approved;
- (b) in consideration for LGII making the distributions to TLGI's creditors as set forth in Article III of the Plan, TLGI will assign, transfer and deliver (or, in the case of NAFTA Claims arising under Article 1117 of NAFTA, will cause its wholly owned subsidiary, a Delaware limited liability company created as contemplated by Section IV.B.2 of the Plan, to assign, transfer and deliver), free and clear of all liens, claims and encumbrances, including all Claims:
 - (i) to LGII, all of TLGI's right, title and interest to and under all rights, properties and assets of every kind, character and description, wherever located and whether tangible or intangible, real or personal or fixed or contingent then owned, held, used, licensed, conceived, developed or offered for sale with a license by TLGI in connection with or otherwise arising out of the conduct of its business other than (A) its rights in the NAFTA Claims and (B) its membership interests in the wholly owned Delaware limited liability company referred to above and
 - (ii) to a Nova Scotia entity designated by LGII, which will be an unlimited liability company wholly owned by LGII, all right, title and interest in and to all proceeds of the NAFTA Claims arising under Article 1116 of NAFTA and to LGII all right, title and interest in and to all proceeds of the NAFTA Claims arising under Article 1117 of NAFTA; and in respect thereof, TLGI will irrevocably delegate to such unlimited liability company all powers and responsibilities of TLGI in respect of the pursuit and prosecution of the NAFTA Claims, all in accordance with the terms of Exhibit I.A.29 to the Plan;

such consideration having a value equal to the fair market value of such rights, property and assets, all without the need for any further action by TLGI's directors or shareholders, but subject to such other terms and conditions as may be imposed by the Canadian Court; and

- (c) on the Effective Date, no holder of a CTA Note Claim will have any further claim against any of the CCAA Debtors.

Descriptions of the CCAA Debtor Restructuring Transactions and the arrangements to be implemented in respect of the NAFTA Claims have been filed as Exhibits I.A.28 and I.A.29, respectively, to the Plan and are available for review in the Document Review Centers. See "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Other Legal Proceedings — NAFTA Claims."

TLGI and the other CCAA Debtors may seek additional orders of the Canadian Court in connection with the implementation of the Plan in Canada. TLGI and the other CCAA Debtors do not expect to file a separate plan of reorganization under the CCAA because there should be no significant claims against TLGI or the CCAA Debtors other than those that will be settled or satisfied as provided in the Plan and the CCAA Order.

Modification or Revocation of the Plan

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend or modify the Plan before its substantial consummation. The Debtors also reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation as to any or all of the Debtors does not occur, then, with respect to such Debtors, the Plan will be null and void in all respects, and nothing contained in the Plan will: (a) constitute a waiver or release of any claims by or against, or any Interests in, such Debtors; or (b) prejudice in any manner the rights of any Debtors or any other party.

CERTAIN EVENTS PRECEDING THE DEBTORS' CHAPTER 11 FILINGS

Historical Acquisition Strategy

From TLGI's inception in 1985 until the last half of 1998, its business philosophy centered on a growth strategy in the funeral home and cemetery businesses. TLGI's primary growth philosophy was to act as a consolidator and, as such, to respond to opportunities offered by independent operators seeking to complete their own ownership "succession planning" by selling their businesses to a larger organization. By far the greatest number of acquisitions made by TLGI involved small- and medium-sized businesses; these businesses, many with annual revenues of less than \$1 million, comprise the vast majority of TLGI's operating locations. Most acquisitions made by TLGI were funded by debt either (a) issued to the seller, (b) borrowed from large financial institutions or (c) raised in the public debt markets.

Beginning in about 1996, TLGI's strategic growth plan began to increase its focus on acquisitions of cemeteries, as distinguished from the earlier emphasis on acquisitions of funeral homes. During the three years preceding the Petition Date, TLGI acquired approximately 138 funeral homes, 171 cemeteries and one insurance company, for aggregate consideration of approximately \$546 million. In 1998 alone, TLGI acquired 89 funeral homes and 65 cemeteries, for aggregate consideration of approximately \$278 million.

Beginning in the second half of 1998, in light of negative cash flow from its businesses and increasing difficulties in meeting its debt service obligations, TLGI virtually ceased its acquisition program. During the first quarter of 1999, TLGI acquired one small cemetery.

During the last quarter of 1998, TLGI began attempting to sell various operations. On March 31, 1999, TLGI sold the capital stock of subsidiaries owning 124 cemeteries and three funeral homes in a transaction valued at approximately \$193 million. See "Operations During the Reorganization Cases — Post-Petition Asset Disposition Program" for a discussion of the sale of certain operations subsequent to the Petition Date.

Mississippi Litigation

In November 1995, an extraordinary jury award of \$500 million (consisting of \$100 million in compensatory damages and \$400 million in punitive damages) was entered against certain of the Debtors in a state court lawsuit in Hinds County, Mississippi, captioned *O'Keefe v. The Loewen Group Inc.* This judgment arose from a dispute involving the purchase and sale of businesses having a total value of approximately \$6 million. The Debtors involved were unable to secure the necessary bond under Mississippi law to stay the enforcement of the judgment pending appeal to the Supreme Court of Mississippi and, facing extreme financial pressure to resolve the lawsuit consensually, entered into a settlement of the lawsuit. The settlement, which provided for consideration

valued in the aggregate at approximately \$175 million, involved an immediate payment of cash and the issuance of shares of TLGI Old Common Stock and the O'Keefe Notes. The Debtors believe that the O'Keefe litigation had a lasting, damaging effect on their acquisition program and their overall financial health and was a significant cause of the commencement of the Reorganization Cases.

Collateral Trust Agreement

The senior indebtedness of TLGI and LGII was restructured in 1996 and, in connection therewith, TLGI, LGII and the CTA Trustee entered into a collateral trust agreement (the "CTA") pursuant to which the senior lenders and future senior lenders of TLGI and LGII, which are holders of the CTA Note Claims, would share certain collateral granted to the CTA Trustee and guaranties on a *pari passu* basis. See "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Collateral Trust Agreement Issues" for discussions of: (a) certain issues that were identified after the Petition Date concerning whether certain of this debt is entitled to the benefits of the CTA (the "CTA Issue"); (b) certain potential claims of the Debtors in respect of the CTA and payments made to certain holders of CTA Note Claims; and (c) certain issues relating to whether the CTA constituted a fraudulent conveyance. The collateral security under the CTA consists generally of: (a) all of LGII's right, title and interest in and to all rights to receive payment under or in respect of accounts, contracts, contractual rights, chattel paper, documents, instruments and general intangibles; (b) a pledge of the shares of capital stock and other equity interests of substantially all of the subsidiaries in which TLGI directly or indirectly holds more than a 50% voting or economic interest; and (c) a guaranty by each "pledgor subsidiary" pledging stock or other equity interests under the CTA (generally, all subsidiaries of TLGI that own an equity interest in one or more other Canadian or U.S. subsidiaries). As of the Petition Date, the indebtedness owed to holders of CTA Note Claims aggregated approximately \$2.04 billion.

Prepetition Financial Results and Overleverage

Between January 1, 1998 and the Petition Date, TLGI experienced disappointing financial results. TLGI reported a loss from operations in 1998 of \$264 million after recording a charge for asset impairment of \$333.9 million. TLGI's acquisition, integration and operation of cemeteries over the three years preceding the Petition Date required significant cash resources on account of preneed sales of cemetery interment rights, products and services and related interest costs on debt incurred. Cemetery preneed sales typically were structured with low initial cash payments by the customers that did not offset the cash costs of establishing and supporting a growing preneed sales program, including the payment of sales commissions.

TLGI believes that its financial difficulties primarily stemmed from a highly burdensome debt load, much of which was incurred in connection with its historical acquisition program, and the poor cash flow characteristics associated with TLGI's then existing cemetery preneed sales strategy. As of March 31, 1999, TLGI's consolidated balance sheet reflected approximately \$2.1 billion of long-term debt (of which approximately \$742.2 million was due currently) and approximately \$48.8 million of other current debt.

Securities Class Actions

Since December 1998, TLGI has been served with various related lawsuits filed in the United States District Courts for the Eastern District of Pennsylvania and for the Eastern District of New York. Raymond L. Loewen, the former Chairman and Chief Executive Officer, and certain current and former officers and directors have been named as defendants in some of the suits. All but one of these lawsuits were filed as purported class actions on behalf of persons or entities that purchased Old Stock of TLGI during five different time periods ranging from November 3, 1996 through January 14, 1999. LGII and LGCLP are named as defendants in two suits. The plaintiffs in these two lawsuits purport to sue on behalf of a class of purchasers of MIPS from March 5, 1997 through January 14, 1999. The complaints generally make allegations concerning, among other things, TLGI's internal controls, accounting practices, financial disclosures and acquisition practices.

The Judicial Panel on Multidistrict Litigation (the "MDL Panel") granted the defendants' motion to consolidate all of the actions for pre-trial coordination in the United States District Court for the Eastern District of

Pennsylvania. On April 15, 1999, Judge Thomas O'Neill of the District Court for the Eastern District of Pennsylvania entered an order consolidating in the Eastern District of Pennsylvania, all of the cases then filed, as well as any related cases thereafter transferred to that District (the "April 15 Order"). The April 15 Order appointed the City of Philadelphia Board of Pensions and Retirement as lead plaintiff. Subsequent to the Debtors' bankruptcy filings, Judge O'Neill entered an order staying all of the cases and placing them on the suspense docket.

Management Changes, Restructuring Efforts and Asset Sales

To address their disappointing financial results and overleverage problems, TLGI, as noted above, curtailed its acquisition program. TLGI also replaced virtually its entire senior management team. In October 1998, TLGI's Board of Directors (the "TLGI Board") appointed a new President and Chief Executive Officer, Robert B. Lundgren (who was succeeded by Paul A. Houston in December 1999). In January 1999, the TLGI Board elected a newly appointed director, John S. Lacey, as Chairman. In March 1999, TLGI appointed Alan Thomas as Acting Chief Financial Officer (who was succeeded by Michael A. Cornelissen in July 1999). On November 6, 2000, Kenneth A. Sloan joined TLGI as Chief Financial Officer (succeeding Mr. Cornelissen).

In addition, TLGI undertook a number of additional steps to assess alternatives for maximizing stakeholder value and improving profitability and cash flow from operations, including the following:

- *Consolidation of Administrative Functions.* In June 1998, TLGI began the consolidation of many operational and administrative functions then conducted in its Trevese, Pennsylvania office into its Burnaby, British Columbia office. In January 1999, TLGI announced the further consolidation of most of the remaining functions, including cemetery accounting, trust administration and information systems, leaving only the receivables collection function remaining in the Trevese office. This consolidation was expected to reduce costs and improve information and control to support management decisionmaking. Subsequently, on September 6, 2000, TLGI announced the consolidation of its eight existing U.S. and Canadian administrative and corporate offices into three offices in Toronto, Ontario, Cincinnati, Ohio and Vancouver, British Columbia. As part of this consolidation: (a) Cincinnati, Ohio will become one of TLGI's two administrative support centers; (b) all Greater Vancouver, British Columbia area administrative functions will be consolidated in the existing administrative support center in nearby Metrotown (Burnaby), British Columbia; (c) TLGI's executive offices will be relocated from Burnaby, British Columbia to Toronto, Ontario and the existing executive office facility in Burnaby will be closed and sold; and (d) TLGI's U.S. operations offices in Conroe, Texas, its credit and collections offices in Philadelphia, Pennsylvania and smaller offices in Atlanta, Georgia and Whittier, California will be closed.
- *Engagement of Professional Advisors.* In July 1998, the TLGI Board engaged the services of financial advisors and investment bankers and announced its intention to consider all available options to maximize value, including such opportunities as strategic partnerships, combinations, dispositions and capital investments.
- *Reorganization of Board Membership.* In addition to the management changes described above, the TLGI Board's membership was reconstituted to provide for a smaller and more focused board. In September 1998, the TLGI Board created a special committee of independent directors to oversee and supervise TLGI's efforts to maximize value. In December 1998, three new directors recommended by significant shareholders were appointed to the TLGI Board. As noted above, in January 1999, John S. Lacey was elected as Chairman of the TLGI Board. Finally, through actions taken on March 30, 1999 and April 12, 1999, the TLGI Board was reduced from 14 to seven members (although the TLGI Board subsequently was increased to eight members and two new directors recommended by the Creditors' Committee were appointed in February 2000).
- *Reorganization of Operational Management.* TLGI reorganized its operational management in an effort to enhance funeral and cemetery operations, reduce regional management overhead and achieve greater accountability for cemetery profitability and cash flow.

- *Adjustments to Cemetery Preneed Sales Strategy.* Management reviewed its cemetery preneed sales strategy and, in an effort to improve cash flow, in May 1999 began implementing changes to the terms and conditions of cemetery preneed sales. These changes included (a) setting minimum contract terms, (b) adjusting sales force compensation for sales with certain terms and (c) eliminating certain types of contracts with poor cash flow characteristics.
- *New Information Systems.* TLGI began implementing several new information systems, principally in cemeteries, in an effort to improve information availability for monitoring and evaluating key financial and operational variables.

Due to severe liquidity constraints and the need to generate cash, in late 1998, TLGI identified certain properties that it would consider selling at their fair value. On March 31, 1999, TLGI sold 124 cemeteries and three funeral homes, primarily located in the northeastern U.S. (the "Northeast Disposition"), for gross proceeds of \$193 million, of which \$126.5 million was used to reduce indebtedness. See "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Other Legal Proceedings — Northeast Disposition Sale Dispute" for a discussion of certain proceedings relating to this transaction. In connection with the closing of the Northeast Disposition, TLGI completed negotiations with the lenders under certain of its debt instruments, resulting in revised lending agreements, effective March 31, 1999. Those revised lending agreements included waivers of certain financial covenants as of December 31, 1998 and:

- provided for no further borrowings and reduced availability under the bank revolving credit agreement, including letters of credit, from \$600 million to \$293.7 million after application of a portion of the net proceeds of the Northeast Disposition;
- increased effective interest rates or applicable margins;
- amended certain existing financial covenants and added other financial covenants;
- required refinancing of the PATS Notes on terms satisfactory to the lenders by September 15, 1999;
- required the appointment of a financial advisor on behalf of the lenders and increased reporting and monitoring;
- required the suspension of all dividend payments on TLGI Old Common Stock, TLGI Old Preferred Stock and the MIPS;
- restricted further acquisitions and equity repurchases;
- limited capital expenditures and expenditures for development of cemetery land to \$60 million for 1999; and
- permitted additional sales of the TLGI's businesses, subject to certain terms and conditions.

See "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Recovery Actions — Preference Claims — The Northeast Disposition" with respect to certain claims arising from the paydown of \$126.5 million of certain indebtedness in connection with the Northeast Disposition.

Subsequent to the Northeast Disposition, TLGI continued to suffer severe liquidity constraints and a shortage of cash. The management and operational improvements described above were in the process of being implemented fully, and first quarter 1999 results began to show positive results from those improvements. Time was needed, however, for the results to be reflected in significantly improved financial results. Moreover, TLGI was unable to consummate any additional significant sales of businesses for fair value, in part, because business valuations in the funeral home and cemetery industries had been depressed. On or about June 1, 1999, TLGI faced additional significant debt service obligations, including a semiannual interest payment totaling approximately

\$17 million under the Public Notes. On October 1, 1999, the PATS Notes, having an aggregate outstanding principal amount of \$300 million, were scheduled to become redeemable at the election of the holders. Given this combination of circumstances, on May 31, 1999, the TLGI Board and the Boards of Directors of the other Debtors determined that the filing of the Reorganization Cases would be the best alternative to preserve value for stakeholders and therefore authorized commencement of the Reorganization Cases and the CCAA Proceedings. On June 1, 1999, the Debtors commenced the Reorganization Cases. On the same date, TLGI, together with the CCAA Debtors, commenced the CCAA Proceedings.

OPERATIONS DURING THE REORGANIZATION CASES

First Day Relief

Introduction

On the Petition Date, the Debtors Filed a number of motions (the "First Day Motions"), certain of the more significant of which are described briefly below. The First Day Motions were designed to meet the Debtors' goals of: (a) continuing their operations in chapter 11 with as little disruption and loss of productivity as possible; (b) maintaining the confidence and support of the Debtors' customers, employees, vendors, suppliers, contractors and other key groups; (c) maintaining good relations in the communities served by the Debtors' businesses; and (d) continuing to comply with the state, provincial and territorial regulations that govern the Debtors' funeral home, cemetery and related businesses.

The First Day Motions included: (a) motions relating to case administration; (b) motions relating to the Debtors' retention of counsel and other professionals; (c) motions relating to payment of prepetition wages and other benefits to the Debtors' employees; (d) motions relating to honoring prepetition obligations to customers and payment of certain creditors that were vital to the Debtors' uninterrupted operations; (e) a motion seeking approval of a cross-border protocol with the Canadian Court; (f) a motion relating to certain activities to permit the Debtors to continue to remain in compliance with state, provincial and territorial funeral and cemetery regulations; and (g) a motion relating to the continued use of the Debtors' existing cash management system, bank accounts, business forms and investment and deposit guidelines. All of the Debtors' First Day Motions were ultimately granted and certain of such motions are described below.

Employee Wages and Benefits

The Debtors filed a motion seeking authorization to: (a) pay certain prepetition employee wages, salaries, contractual compensation, sales and performance incentives, sick pay, vacation pay (including "personal days"), holiday pay, commissions and other accrued compensation; (b) reimburse prepetition employee business expenses (including travel, lodging, moving, closing costs and other relocation expenses); (c) make payments for which employee payroll deductions were made; (d) make prepetition contributions and pay benefits under employee benefits plans; and (e) pay all costs and expenses incident to the foregoing payments and contributions (including payroll-related taxes and processing costs).

Workers' Compensation

The Debtors sought authorization to continue their existing workers' compensation programs in all states and provinces in which they have employees and to pay prepetition premiums (the "Funded Premiums") to the six states (Nevada, North Dakota, Ohio, Washington, West Virginia and Wyoming) and Puerto Rico (collectively, the "Funded States") and the six provinces (Alberta, British Columbia, Manitoba, Prince Edward Island, Quebec and Saskatchewan) (collectively, the "Funded Provinces") in which the Debtors participate in the "monopolistic" workers' compensation programs (the "Funded Programs") funded through, and administered by, the respective Funded States and Funded Provinces. The Funded Premiums generally are based on the Debtors' adjusted payroll for their employees in the Funded States and Funded Provinces during the coverage period and are adjusted

retrospectively based on a final audit of the Debtors' payroll. In the majority, if not all, of the Funded States and Funded Provinces, the Debtors are required by applicable state or provincial law to participate in the Funded Programs or, alternatively, to obtain authority to operate as a self-insured employer in the state or province.

Since January 1, 1995, the Debtors have maintained high-deductible workers' compensation and employers' liability insurance programs (collectively, the "Insured Program") with CNA Insurance Company and certain of its affiliates (collectively, "CNA") that cover the Debtors' employees in all states other than the six states with Funded Programs. Under the Insured Program: (a) insurance coverage is provided for all losses up to \$1 million per claim under \$250,000-deductible insurance policies; and (b) the Debtors are obligated to (i) pay annual premiums that are adjustable retroactively based on the Debtors' final audited payroll for the coverage period (the "Insured Premiums") and (ii) reimburse CNA for the loss payments that CNA makes in respect of claims asserted under the Insured Program.

To secure the Debtors' obligations under the current and former workers' compensation and employers' liability insurance policies, as well as various other liability insurance policies issued to the Debtors by CNA (collectively, the "CNA Policies"), prior to the Petition Date, CNA required the Debtors to post collateral for such liabilities. The aggregate amount of collateral that the Debtors posted in this regard was approximately \$22.2 million, consisting primarily of letters of credit in the aggregate amount of approximately \$17 million (the "Letters of Credit") and cash collateral in the amount of approximately \$5.2 million.

Trust Fund Taxes

In the ordinary course of their businesses, the Debtors collect certain trust fund taxes (collectively, the "Trust Fund Taxes") from their employees or customers, as applicable, and hold them for a period of time before remitting them to the appropriate taxing authorities (collectively, the "Taxing Authorities"). The Debtors collect sales and use taxes from customers for remittance to the appropriate state, provincial or local Taxing Authority. In addition, the Debtors withhold certain taxes (such as income, FICA and Medicare taxes) from their employees' paychecks, which amounts are then remitted periodically to the appropriate federal, state or provincial Taxing Authorities. The Debtors sought entry of an order authorizing them to pay the Trust Fund Taxes collected prior to the commencement of their chapter 11 cases, but not yet remitted by the Debtors to the applicable Taxing Authority.

Customer, Vendor, Service Provider and Contractor Claims

The Debtors sought authority to honor or pay any prepetition obligations incurred for or on behalf of customers. As of the Petition Date, the Debtors' funeral homes were in the midst of providing funeral and burial services for a number of customers. As part of these services, the Debtors' funeral homes typically agree to make all of the necessary arrangements on behalf of the deceased and his or her family, such as purchasing cemetery plots, caskets, vaults, flowers, obituary notices, death certificates and acknowledgment cards, as well as making the necessary arrangements with the deceased's place of worship, clergy and musicians. The Debtors sought limited authority to pay the prepetition claims of (a) vendors and service providers in an amount not to exceed \$1,000 per individual claim and (b) contractors who held perfected or potential lien rights against the Debtors' property in the ordinary course of their businesses. The Debtors also sought authority to pay certain independent contractors who perform various essential services relating to, among other things, the improvement and maintenance of the Debtors' information and accounting systems.

The Protocol Motion

Given the complex, transnational nature of the Reorganization Cases and the CCAA Proceedings, the Debtors sought approval of a procedural protocol between the Bankruptcy Court and the Canadian Court (collectively, the "Courts") to address the myriad administrative issues anticipated to arise in coordinating the insolvency proceedings and to ensure that: (a) the Reorganization Cases and the CCAA Proceedings were coordinated to avoid inconsistent, conflicting or duplicative activities; (b) all parties were adequately informed of key issues in both countries' proceedings; (c) the substantive rights of all parties were protected; and (d) the

jurisdictional integrity of each of the Courts was preserved. Among other things, the protocol that was adopted provided for:

- communications between the Courts with or without counsel present;
- joint hearings with video or telephone links before the Courts;
- matters relating to the retention and compensation of Professionals;
- the right of interested parties to be heard by either Court;
- the service of motions and other pleadings; and
- the joint recognition of stays of proceedings under the Bankruptcy Code and the CCAA.

On March 27, 2000, pursuant to the provisions of the protocol, the Bankruptcy Court and the Canadian Court convened a joint video status conference in the Reorganization Cases and the CCAA Proceedings. At the joint video status conference, John S. Lacey (Chairman of the TLGI Board), Paul Houston (President and Chief Executive Officer of TLGI) and Bradley D. Stam (Senior Vice President, Legal and Asset Management of TLGI) made presentations to the Bankruptcy Court and the Canadian Court regarding the history of TLGI, the events leading up to the commencement of the Reorganization Cases and the CCAA Proceedings, TLGI's restructuring efforts up to the date of the status conference, the elements of, and the process for implementing, TLGI's long-term strategic business plan and the major challenges faced by TLGI in achieving a successful reorganization.

The Regulatory Motion

The Debtors' funeral home and cemetery businesses are heavily regulated by state, provincial and territorial governments that impose licensing requirements on funeral homes and cemeteries and, in addition, complex requirements with respect to certain products sold by the Debtors. In their motion to address regulatory issues (the "Regulatory Motion"), the Debtors sought relief to ensure their continued compliance with those licensing and other regulatory requirements.

A key aspect of the Debtors' funeral home and cemetery businesses is the sale to customers of contracts for packages of funeral and burial services on a preneed basis ("Preneed Contracts"). Consistent with industry practices, the Debtors offer two payment options for a customer purchasing a Preneed Contract. The customer may either (a) pay for the entire cost of the Preneed Contract at or near the time of entry into the contract or (b) finance the cost through a multi-payment or installment plan (in either instance, such payments being referred to as the "Customer Funds"). As described more fully below, the Debtors' use of the Customer Funds is subject to complex state, provincial and territorial Regulations. Accordingly, by the Regulatory Motion, the Debtors sought authority (a) to continue to comply with all state, provincial and territorial regulations applicable to the Preneed Contracts and (b) to continue to perform under each of the Preneed Contracts on an interim basis for the one-year period following the Petition Date (the "Interim Period"), as though each such contract had been assumed pursuant to section 365 of the Bankruptcy Code. This Interim Period was subsequently extended until the date of confirmation of a plan or plans of reorganization in the Reorganization Cases.

Regulations cover a wide range of the Debtors' business activities, including the sale of Preneed Contracts, the use of Customer Funds and other trusting matters. Regulations that govern the Debtors' sale of, and performance under, the Preneed Contracts impose a number of obligations upon the Debtors, including detailed recordkeeping and reporting requirements with respect to Customer Funds received under the Preneed Contracts. Regulations also restrict the Debtors' ability to collect and use the Customer Funds. Although regulations vary from jurisdiction to jurisdiction, they generally require the Debtors to deposit all, or a certain percentage, of the Customer Funds into trust fund accounts specified by the Debtors (the "Trust Accounts") within five to 60 days (depending upon the applicable Regulation) after the Debtors receive the funds (funds held by the Debtors prior to their deposit into a Trust Account being referred to as "Interim Funds"). The Debtors currently maintain approximately 3,000 Trust

Accounts. These Trust Accounts generally fall into one of the four following categories: (a) perpetual care trusts, which hold funds for permanent trusts established to fund the maintenance of the Debtors' cemeteries; (b) merchandise trusts, which hold funds paid by customers for funeral home and cemetery merchandise; (c) preconstruction trusts, which hold funds paid by customers for the construction of mausoleums and similar cemetery inventory; and (d) funeral service trusts, which hold funds paid by customers for the provision of funeral and burial services. Subject to certain exceptions, the Debtors generally are entitled to withdraw the principal and interest of amounts deposited with respect to a particular Preeed Contract from merchandise, preconstruction and funeral service trusts when, as applicable, the construction project is completed or the contractual obligations are fulfilled. In light of the serious adverse consequences that could result from the Debtors' failure to comply with any applicable regulations, the Debtors sought authority, pursuant to sections 105(a) and 363 of the Bankruptcy Code, to take any and all actions necessary to continue their compliance with such regulations, including the following specific requirements imposed thereby: (a) preparing and filing any required reports regarding the Debtors' operations, the Preeed Contracts or the Trust Accounts; (b) paying periodic fees to the state, provincial and territorial agencies responsible for monitoring regulatory compliance (collectively, the "Agencies"), including those that, as of the Petition Date, were due and owing to any of the Agencies (the "Fees"); (c) transferring any Interim Funds held by the Debtors or their respective banking institutions to the appropriate Trust Accounts; (d) to the extent permitted by applicable regulations, entering into new Trust Account agreements and terminating existing ones; (e) to the extent required by applicable regulations, funding any deficiencies in the Trust Accounts; and (f) depositing Customer Funds into the Trust Accounts, and withdrawing funds from the Trust Accounts, as required or permitted by applicable regulations. In addition, the Debtors sought authority to take any and all actions necessary to comply with the reasonable requests of any Agency in connection with any ongoing review (a "Review") by the Agency of the Debtors' regulatory compliance in the Agency's jurisdiction.

In addition, certain of the Debtors brought a preliminary injunction and declaratory judgment action in the Bankruptcy Court against the Comptroller of the State of Illinois seeking to determine the rights and obligations of the parties in relation to a notice provision specifically added by the Illinois legislature to the Illinois Funeral or Burial Funds Act and the Illinois Preeed Cemetery Sales Act shortly before the Debtors Filed the Reorganization Cases and with knowledge of the intended Filings. The notice provision would have required that notice of the Filings be given to each purchaser of a Preeed Contract in Illinois by a Debtor within 30 days after the Filing or the Debtors would risk losing their license to operate in Illinois. The Bankruptcy Court heard the case in August 1999, but has not yet ruled on the case. The notice provision has been suspended pending the outcome of the case.

Debtor-in-Possession Financing

In connection with their preparations for the Filing of the Reorganization Cases, the Debtors determined that they would need to obtain debtor-in-possession financing to ensure sufficient liquidity to meet their ongoing operating needs. On the Petition Date, the Debtors Filed a motion for entry of interim and final orders to obtain debtor-in-possession financing in an aggregate amount of \$200 million. On July 16, 1999, the Bankruptcy Court entered a final order approving such financing (the "First DIP Financing Facility"). The First DIP Financing Facility had a term of two years and was secured by a perfected security interest in substantially all of the existing and future assets of LGII and the Loewen Subsidiary Debtors (subject only to valid and perfected pre-Petition Date liens). The lenders under the First DIP Financing Facility also had the benefit of a superpriority administrative expense claim in LGII's bankruptcy proceedings. The First DIP Financing Facility was intended to be used primarily to fund LGII's working capital needs during the course of the bankruptcy proceedings. Use of the First DIP Financing Facility for letters of credit was limited to a maximum of \$50 million.

On April 25, 2000, the Debtors Filed a motion to authorize a new debtor-in-possession financing (the "DIP Financing Facility") to replace the First DIP Financing Facility. The term of the DIP Financing Facility expires on June 30, 2001. The maximum borrowing availability under the DIP Financing Facility was reduced to \$100 million, with a sublimit of \$50 million for standby and commercial letters of credit. The aggregate principal amount of the loans under the DIP Financing Facility cannot increase by more than \$20 million in any 30-day period. Financial covenants under the DIP Financing Facility include covenants regarding minimum funeral home gross margin and minimum interest coverage ratios determined on a quarterly basis. Subject to certain limits and conditions, the borrowers under the DIP Financing Facility may choose to obtain funds under the facility as either Floating Rate Loans or Eurodollar Loans. "Floating Rate Loans" bear interest at a floating Alternate Base Rate plus 1.25% per

annum. The "Alternate Base Rate" is the greater of the Federal Funds rate for that day plus .50% per annum or the floating rate per annum most recently announced by the agent bank as the reference rate of interest for loans in the U.S. "Eurodollar Loans" bear interest at a reserve-adjusted Eurodollar Rate plus 2.75%. Interest as applicable to Eurodollar Loans is payable at the end of the applicable period (one, two or three months) and is calculated for actual days elapsed on the basis of a 360-day year. Interest as applicable to Floating Rate Loans is payable quarterly in arrears. Amounts drawn under letters of credit bear interest at the same rate as Floating Rate Loans. The borrowers also pay a commitment fee of .50% per annum on the average daily unused portion of the DIP Financing Facility, payable monthly in arrears. The borrowers pay letter of credit fees (a) to the agent under the DIP Financing Facility equal to 2.75% per annum on the daily sum of the aggregate outstanding amount of undrawn letters of credit, the obligation to be paid monthly in arrears, and (b) to the issuing bank equal to .25% of the amount available to be drawn. Obligations under the DIP Financing Facility, like the First DIP Financing Facility, are secured by a first priority lien on substantially all of the assets of LGII and the Loewen Subsidiary Debtors not subject to a perfected security interest on the Petition Date and a junior lien on the assets of LGII and the Loewen Subsidiary Debtors already subject to a perfected lien on those dates. Subject to carveouts for fees and expenses of estate professionals in the amount of \$10 million and fees payable to the U.S. Trustee under 28 U.S.C. § 1930, the obligations of the Debtors under the DIP Financing Facility constitute allowed superpriority administrative expense claims under section 364(c)(1) of the Bankruptcy Code. The amounts advanced under the DIP Financing Facility are permitted to be used to (a) repay the obligations under the First DIP Financing Facility, (b) pay or otherwise secure prepetition obligations in an aggregate amount not to exceed \$5 million and (c) fund working capital and other general corporate purposes of the Debtors. Any Asset Sales (as defined in the documentation of the DIP Financing Facility) result in a mandatory prepayment obligation that would not reduce the aggregate commitments under the facility. The Bankruptcy Court approved the DIP Financing Facility on May 9, 2000.

As of November 1, 2000, there were no borrowings under the DIP Financing Facility, and approximately \$13.4 million of letters of credit were outstanding thereunder.

Key Employee Retention Program

To stabilize employee relations, the Debtors developed a Key Employee Retention Program (the "KERP"), which was approved by the Bankruptcy Court on September 21, 1999. The KERP was designed, among other things, to ensure that the employees critical to the Debtors' reorganization efforts are provided with sufficient economic incentives and protections to remain with the Debtors and fulfill their responsibilities through the successful conclusion of the Reorganization Cases. For details concerning the KERP, see "Reorganized LGII — Management — Existing Benefit Plans and Agreements — Key Employee Retention Program."

Appointment of the Creditors' Committee

On June 11, 1999, the Office of the U.S. Trustee appointed the Creditors' Committee. The current members of, and advisors to, the Creditors' Committee are:

Committee Members:

CalPERS
Lincoln Plaza
400 P Street
Suite 3492
Sacramento, California 95814

Wells Fargo Bank Minnesota, N.A.
South & Marquette, M.S. 0069
Minneapolis, Minnesota 55479-0069

State Street Bank & Trust Company
2 Avenue de Lafayette
6th Floor
Boston, Massachusetts 02111-1724

TIAA-CREF
730 Third Avenue
New York, New York 10017-3206

UBS, AG
677 Washington Boulevard
Stamford, Connecticut 06901

Wachovia Bank, N.A.
U.S. Corporate Finance
191 Peachtree Street, N.E.
Atlanta, Georgia 30303

William R. Eldridge
2710 South Rochester Road
Rochester Hill, Michigan 48037

Counsel:

U.S. counsel to the Creditors' Committee:
Bingham Dana LLP
One State Street
Hartford, Connecticut 06103-3178

Delaware counsel to the Creditors' Committee:
Young, Conaway, Stargatt & Taylor, LLP
Rodney Square North
11th Floor
P.O. Box 391
Wilmington, Delaware 19899-0391

Canadian counsel to the Creditors' Committee:
Fasken Campbell Godfrey LLC
Toronto Dominion Bank Tower
Box 20, Suite 4200
Toronto-Dominion Centre
Toronto, Ontario M5K 1N6
Canada

Financial Advisors:

Houlihan Lokey Howard & Zukin
601 Second Avenue South
Suite 4950
Minneapolis, Minnesota 55402-4304

Accountants:

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, New York 10036

Claims Process and Bar Dates

On October 8, 1999, the Debtors Filed their Schedules, identifying the assets and liabilities of their respective Estates. These Schedules have been amended from time to time subsequent to this initial Filing. In addition, pursuant to an order dated October 21, 1999 (the "Bar Date Order"), a general Bar Date of December 15, 1999 (the "General Bar Date") was established for all Claims in the Reorganization Cases, other than Claims arising out of the rejection of Executory Contracts and Unexpired Leases ("Rejection Damage Claims") approved after the entry of the Bar Date Order, Claims in response to amendments to the Schedules ("Schedule Amendments") and certain other Claims. If a rejection of an Executory Contract or Unexpired Lease occurs after the entry of the Bar Date Order, the Bar Date for a Rejection Damage Claim relating to such Executory Contract or Unexpired Lease will be the later of (a) the General Bar Date and (b) 30 days after the date of an order rejecting such Executory Contract or Unexpired Lease. In the case of a Schedule Amendment, the Bar Date for a claimant to File a proof of Claim or to amend any previously Filed proof of Claim in respect of the amended scheduled Claim, the Bar Date is the later of (a) the General Bar Date and (b) 30 days after the date that a notice of an amendment to the Schedules is served on such claimant. No Bar Date has been established for certain other Claims.

More than 16,000 Claims were originally scheduled by the Debtors or Filed against the Debtors on or before the General Bar Date. In March 2000, the Debtors completed their initial review and reconciliation of the proofs of Claim Filed against the Debtors. The Debtors are in the process of resolving proofs of Claim that differ in nature, classification or amount from the Debtors' records through several means, including negotiations with the affected claimants, the Filing and prosecution of objections and, where appropriate, the referral of the Claims to the alternative dispute resolution procedures (the "ADR Procedures") approved by the Bankruptcy Court on February 23, 2000.

The Debtors proposed the ADR Procedures in the belief that an alternative dispute resolution process would greatly expedite the resolution of claims and thus facilitate the Debtors' successful reorganization. Under the Bankruptcy Court's order approving the ADR Procedures, the Debtors are authorized to submit to the ADR Procedures all proofs of Claim that the Debtors, in their sole discretion, believe should be liquidated pursuant to the procedures. The ADR Procedures with respect to any particular proof of Claim include the following stages:

- The first stage of the ADR Procedures consists of exchange procedures, providing the parties with an opportunity to exchange settlement offers and, if possible, resolve the Claim on a consensual basis without any further action by the parties.
- If the Claim remains unresolved after completion of the offer exchange procedures, the Claim is submitted to binding or nonbinding arbitration (depending on the election of the claimant) governed by the rules of the American Arbitration Association.
- If a party is dissatisfied with a nonbinding arbitration award, the party may File a notice of intent to litigate within ten days after service of the nonbinding arbitration award.

To date, the Debtors have submitted approximately 600 proofs of Claim to the ADR Procedures.

Executory Contracts and Unexpired Leases

Since the Petition Date, the Debtors have devoted significant time and effort to the process of reviewing each of their executory contracts and unexpired leases. The Debtors' review of their executory contracts and unexpired leases is a particularly difficult task in these cases because of the number of Debtors, the number of

locations at which they operate, the Debtors' historical acquisition program and other industry factors. In all, as of the Petition Date, one or more of the Debtors were parties to more than 10,000 executory contracts and unexpired leases. To assist in their review of this large volume of executory contracts and unexpired leases, the Debtors obtained authority from the Bankruptcy Court to retain and employ Yantek Enterprises, effective as of February 15, 2000, as their executory contract consultant.

The prepetition executory contracts and unexpired leases to which one or more of the Debtors were parties include approximately 300 prepetition unexpired leases of nonresidential real property. As debtors in possession, the Debtors have the right under section 365 of the Bankruptcy Code, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases, including real property leases. Section 365 of the Bankruptcy Code provides generally that a debtor is given until 60 days after the date of commencement of its bankruptcy to decide whether to assume, assume and assign or reject an unexpired lease of nonresidential real property. This period may be extended for "cause."

By order of the Bankruptcy Court dated August 24, 1999, the Debtors obtained an extension of the period within which to assume or reject nonresidential real property leases through and including the date of confirmation of a plan or plans of reorganization in the Reorganization Cases, except for leases of four objecting landlords (the "Objection Leases"). With respect to the Objection Leases, the Debtors originally obtained a 180-day extension of the period, and have subsequently received two further 180-day extensions, of the period within which the Debtors may elect to assume or reject the remaining Objection Leases. From time to time during the pendency of the Reorganization Cases, the Debtors, in the exercise of their business judgment, have sought and obtained authority from the Bankruptcy Court to reject individual or small groups of unexpired leases of nonresidential real property in instances where continued performance under the leases would not be in the interests of the Debtors' respective estates and creditors.

In June 1999, the Debtors filed a motion with the Bankruptcy Court seeking authority to reject approximately 200 prepetition noncompetition agreements to which one or more of the Debtors were parties (the "June Rejection Noncompetition Agreements"). The Debtors estimated that ongoing payment obligations under the June Rejection Noncompetition Agreements, were they to continue to perform thereunder, would aggregate approximately \$7.2 million per year. In August 1999, the Bankruptcy Court denied without prejudice the Debtors' motion to reject the June Rejection Noncompetition Agreements. The Bankruptcy Court indicated, based on its review of contracts tendered to the Court, that irrespective of whether the agreements were or could be rejected, the result would likely be the same, *i.e.*, the third parties to the June Rejection Noncompetition Agreements would be entitled only to a prepetition unsecured claim. In view of the Bankruptcy Court's ruling, the Debtors subsequently provided notice to the non-Debtor parties under the June Rejection Noncompetition Agreements that the Debtors were suspending payments under the June Rejection Noncompetition Agreements and did not intend to enforce the noncompetition covenants set forth therein.

In August 2000, the Debtors filed a second motion to reject approximately 32 prepetition noncompetition agreements (the "August Rejection Noncompetition Agreements"). At the same time, the Debtors also filed a motion to reject approximately 56 consulting agreements (the "Rejection Consulting Agreements"). In addition, the Debtors notified approximately 36 other non-Debtor parties to August Rejection Noncompetition Agreements which the Debtors determined to be non-executory that the Debtors were suspending payments under such agreements and did not intend to enforce the noncompetition covenants set forth therein. The Debtors estimate that ongoing obligations under all the August Rejection Noncompetition Agreements and the Rejection Consulting Agreements to be rejected or terminated, were they to continue to perform thereunder, would aggregate approximately \$4.3 million per year. In September 2000, the Bankruptcy Court denied the Debtors' rejection motions without prejudice and directed the Debtors to file separate motions to reject each of the August Rejection Noncompetition Agreements and the Rejection Consulting Agreements individually or in small groups. Later in September 2000, the Debtors filed motions for this purpose, and, on October 12, 2000, the Bankruptcy Court approved the rejection of approximately 24 of the August Rejection Noncompetition Agreements and approximately 41 of the Rejection Consulting Agreements.

Under the Debtors' historical acquisition program, LGII in some instances purchased a majority, but less than a 100%, interest in the businesses being acquired. In most of those instances, LGII entered into "regional partnership" shareholder agreements with the parties holding the remaining minority interests in the businesses

involved. Pursuant to these agreements, LGII and the minority shareholders agreed to certain terms and conditions for the financing, operations and governance of the companies in which the parties held shares. Many of these agreements also provided the minority shareholders the right to "put" their stock to LGII under certain terms and conditions for a minimum specified price. As of the Petition Date, 12 of these shareholder agreements remained in force. Since the Petition Date, LGII has filed motions in the Bankruptcy Court to reject all of these remaining shareholder agreements. As of November 3, 2000, the Bankruptcy Court had approved the rejection of seven of these agreements, LGII's motion to reject an eighth agreement had been resolved consensually, and LGII's request to reject the remaining four agreements remained pending before the Bankruptcy Court.

Blackstone Transactions

Prime Succession

4103 Investments Ltd., a CCAA Debtor ("4103 Investments"), all of the stock of which is owned by LGII and TLGI (collectively, the "Prime Parents"), owns 21.8% of the common stock of Prime Succession Holdings, Inc. ("Prime") and 100% of Prime's non-voting preferred stock. Blackstone Capital Partners II Merchant Banking Fund L.P. and certain of its affiliates (together, "Blackstone") own the remaining 78.2% of Prime's common stock.

Prime holds all of the outstanding common shares of Prime Succession, Inc., an operator of funeral homes and cemeteries in the U.S. Prime Succession, Inc. was purchased on August 26, 1996 for approximately \$320,000,000, of which \$52,000,000 was funded by Blackstone, \$78,000,000 was funded by the Prime Parents and \$190,000,000 was financed through bank borrowings and the issuance of senior subordinated notes. These bank borrowings and notes are not obligations of the Prime Parents. In 1999, due to the performance of Prime, the Prime Parents wrote off all of their investment in Prime.

Under a Put/Call Agreement entered into with Blackstone in August 1996 (the "Prime Put/Call Agreement"), Blackstone has the option to sell its Prime common stock to the Prime Parents commencing on August 26, 2002, and for a period of two years thereafter, at a price determined pursuant to the Prime Put/Call Agreement (the "Prime Put"). The price for the Prime Put is based on a formula that calculates the equity value attributable to Blackstone's common stock interest. The calculated equity value is determined at the Prime Put date based on a multiple of approximately 12x earnings before interest, taxes, depreciation and amortization ("EBITDA") for the previous year, after deduction of certain liabilities.

On July 12, 2000, Prime and 37 of its affiliated companies commenced chapter 11 cases under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Prime Bankruptcy Proceedings"). On July 17, 2000, Prime and its affiliated debtors filed a proposed plan of reorganization and related disclosure statement (the "Prime Plan"). Under the Prime Plan, all of the existing common stock of Prime will be canceled and the holders thereof, including the Prime Parents, will receive no distributions in respect thereof. With respect to the non-voting preferred stock of Prime, all of which is owned by the Prime Parents, the Prime Plan provides that each holder thereof will receive its pro rata share of five-year warrants to purchase 500,000 shares of common stock of reorganized Prime ("New Prime Common Stock") at an exercise price of \$16.76 per share. The Prime Plan also provides that 5,000,000 shares of New Prime Common Stock will be issued to certain creditors of Prime. Prime has estimated that the midpoint reorganization value of the shares of New Prime Common Stock is \$2.76 per share. The Prime Parents did not vote to accept or reject the Prime Plan in respect of their holding of non-voting preferred stock of Prime and have not taken any other action with respect to the Prime Plan. A hearing on confirmation of the Prime Plan was held on November 8, 2000, and the Prime Plan was confirmed by the court. The Prime Parents are unable at this time to predict what value they may ultimately realize in respect to their equity interests in Prime.

Blackstone has filed proofs of Claim against LGII and TLGI in respect of the Prime Put, in which Blackstone calculates a Prime Put price of \$183.4 million. The Debtors reserve the right to object to the Claims asserted by Blackstone if the Debtors and Blackstone cannot reach agreement on the definitive terms of the Blackstone Settlement. Similarly, Blackstone has advised the Debtors that it reserves the right to oppose various aspects of the Plan if the Debtors and Blackstone cannot reach agreement on the definitive terms of the Blackstone Settlement.

Rose Hills

4103 Investments and LGII (collectively, the "Rose Hills Parents") own 20.45% of the common stock of Rose Hills Holdings Corp. ("Rose Hills") and 100% of Rose Hills non-voting preferred stock, with a 10% cumulative annual payment-in-kind dividend. Blackstone owns the remaining 79.55% shares of the Rose Hills common stock.

Rose Hills holds all of the outstanding common stock of Rose Hills Company and the cemetery related assets of Rose Hills Memorial Park Association, representing the largest single location cemetery in the U.S. These companies were purchased on November 19, 1996 for approximately \$285 million, of which \$35 million was funded by Blackstone, \$95 million was funded by the Rose Hills Parents and \$155 million was financed through bank borrowings and the issuance of senior subordinated notes. These bank borrowings and notes are not obligations of the Rose Hills Parents. After certain writedowns, at December 31, 1999, the carrying value of Rose Hills Parents investment in Rose Hills was approximately \$44 million.

Under a Put/Call Agreement entered into with Blackstone in November 1996 (the "Rose Hills Put/Call Agreement"), the Rose Hills Parents have the option to acquire Blackstone's Rose Hills common stock commencing on November 19, 2000, and for a period of two years thereafter, at a price determined pursuant to the Rose Hills Put/Call Agreement (the "Rose Hills Call"). Blackstone has the option to sell its Rose Hills common stock to the Rose Hills Parents commencing on November 19, 2002, and for a period of two years thereafter, at a price determined pursuant to the Rose Hills Put/Call Agreement (the "Rose Hills Put").

The prices for the Rose Hills Call and the Rose Hills Put are based on a formula that calculates the equity value attributable to Blackstone's common share interest. The calculated equity value is determined at the Rose Hills Put or Rose Hills Call date based on a multiple of approximately 14x EBITDA for the previous year, after deduction of certain liabilities.

Prior to March 1, 2000, LGII had provided various management and administrative services to Rose Hills and its subsidiaries under an Administrative Services Agreement (the "Rose Hills Services Agreement") for an annual fee of \$250,000. On or about July 6, 1999, Rose Hills filed a motion for relief from the automatic stay imposed by section 362 to terminate the Rose Hills Services Agreement. (Prime originally was a joint movant on this motion with respect to a similar Administrative Services Agreement to which it is party with certain of the Debtors, but Prime subsequently dismissed the motion as to its agreement without prejudice.) The Bankruptcy Court denied Rose Hills' motion for relief from the automatic stay and directed Rose Hills to file a motion to compel the Debtors to assume or reject the Rose Hills Services Agreement. On or about February 4, 2000, Rose Hills filed such a motion (the "Motion to Compel").

At the Bankruptcy Court's hearing on the Motion to Compel, counsel to the Debtors proposed on the record to resolve the motion on terms that the Bankruptcy Court agreed were reasonable. In light of this direction from the Bankruptcy Court, LGII and Rose Hills agreed to amend the Rose Hills Services Agreement, effective March 1, 2000, to provide that, until such time as the Rose Hills Parents make an election to reject or assume the Rose Hills Services Agreement under section 365 of the Bankruptcy Code, the annual fee payable by Rose Hills under the Rose Hills Services Agreement will be waived and the Rose Hills Parents will no longer be required to provide any services to Rose Hills under the Rose Hills Services Agreement. That annual fee is subject to renegotiation in the event that Rose Hills requests further services from the Rose Hills Parents. If the Rose Hills Services Agreement were to become subject to termination by Blackstone due to LGII's material breach thereof or other failure to comply in any material respect, the price payable to Blackstone upon a Rose Hills Put of its interests would, under the terms of the Rose Hills Put/Call Agreement, be no less than an amount equal to its original investment plus a 25% compound return per annum thereon, which increases to 27.5% in the event of a change in control of the Rose Hills Parents regardless of the calculated equity value.

In October 2000, LGII and Rose Hills entered into a settlement agreement (the "Rose Hills Settlement Agreement") that, subject to Bankruptcy Court approval, resolves LGII's claims arising under the Rose Hills Services Agreement prior to the date of the settlement agreement and certain other disputes between the parties. Pursuant to the Rose Hills Settlement Agreement, LGII will be paid \$512,000 on account of its existing claims arising under the Rose Hills Settlement Agreement from the proceeds of the sale of certain property located in Van

Nuys, California (totaling approximately \$1 million) to which LGII held legal title but to which Rose Hills asserted equitable title. Rose Hills will be paid the remaining proceeds of the sale, which currently are being held in escrow. The Rose Hills Settlement Agreement contemplates that, notwithstanding the settlement, the Rose Hills Services Agreement, as amended pursuant to the parties' agreement described above, will remain in force and effect. A hearing by the Bankruptcy Court on approval of the Rose Hills Settlement Agreement has been scheduled to be held on November 14, 2000.

Blackstone has filed proofs of Claim against LGII and TLGI in respect of the Rose Hills Put, in which Blackstone calculates a put price of \$158.8 million. The Debtors reserve the right to object to the Claims asserted by Blackstone if the Debtors and Blackstone cannot reach agreement on the definitive terms of the Blackstone Settlement. Similarly, Blackstone has advised the Debtors that it reserves the right to oppose various aspects of the Plan if the Debtors and Blackstone cannot reach agreement on the definitive terms of the Blackstone Settlement. See "— Blackstone Transactions — Blackstone Settlement."

Blackstone Settlement

It is currently contemplated that Blackstone and the Debtors will enter into a settlement and resolution of any and all claims, issues and disputes between such parties relating to or involving Prime, Rose Hills or the Reorganization Cases on substantially the following terms (the "Blackstone Settlement"):

- (a) In full satisfaction of its asserted Claims against TLGI and LGII, Blackstone will receive distributions of New Common Stock under Division A (TLGI) and Division B (LGII) of Class 9 in accordance with the terms of the Plan having an estimated aggregate value of \$6.6 million as of the Effective Date. Blackstone will assert no other Claims against the Debtors.
- (b) On or prior to the Effective Date, LGII or Reorganized LGII and Blackstone will enter into a purchase agreement (the "Blackstone Purchase Agreement") pursuant to which, on the Effective Date, LGII or Reorganized LGII will purchase from Blackstone, and Blackstone will sell to LGII or Reorganized LGII, all common stock of Rose Hills owned by Blackstone, in exchange for the issuance to Blackstone of the New Unsecured Subordinated Note in an original principal amount of \$25 million.
- (c) On the Effective Date, Reorganized LGII and certain of its affiliates, on the one hand, and Blackstone, on the other hand, will execute and deliver a mutual release (the "Blackstone Release") pursuant to which each will, as of the Effective Date, forever release, waive and discharge the other and affiliates thereof from any claims, demands, rights or causes of action under or in respect of the Prime Put/Call Agreement and the Rose Hills Put/Call Agreement or otherwise relating to or involving Prime or Rose Hills.

For a description of the anticipated terms of the New Unsecured Subordinated Note, see "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Unsecured Subordinated Note." Also, for a description of certain indebtedness of Rose Hills, see "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Rose Hills Indebtedness."

The Debtors have analyzed Blackstone's proofs of Claim and all other potential issues between the parties relating to Prime and Rose Hills and have determined that full and protracted litigation of the factual and legal issues inherent in resolving these matters would be costly and could impair a prompt, efficient and economic reorganization of the Debtors. Moreover, the ultimate outcome of such litigation is uncertain, and there could be no assurance that the Debtors would obtain any significant benefit from the pursuit of such litigation. Accordingly, the Debtors believe that the resolution of these claims, issues and disputes pursuant to the Blackstone Settlement is in the best interests of their respective estates and creditors.

The terms of the Blackstone Settlement are subject to ongoing discussions between the Debtors and Blackstone, and accordingly, such terms remain subject to change, as well as execution and delivery of the definitive Blackstone Settlement Documents.

Michigan Cemeteries

Prior to the Petition Date, the Debtors transferred legal title to approximately 28 cemeteries located in the State of Michigan (the "Michigan Cemeteries") to three Michigan limited liability companies (the "LLCs") that, at the time of the sale transactions, were owned and controlled by Hudson A. Mead and since January 1998 have been owned and controlled by Craig R. Bush ("Bush"), a former officer of LGII. Each of these cemetery purchase and sale transactions was structured in the following general form:

- Pursuant to an asset purchase agreement, a subsidiary of LGII (the "Seller") transferred legal title to its cemetery and other related assets to one of the LLCs.
- Under the asset purchase agreement, the purchase price was payable to the Seller as follows: (a) at least 10% in cash; and (b) the remainder in the form of a 10-year subordinated promissory note under which the payment of principal and interest is subordinated and junior in right of payment to the prior payment in full of secured loans made by Comerica Bank (the "Comerica Loans") to the applicable LLC to finance amounts paid in connection with the purchase and sale of the Michigan Cemeteries. The Comerica Loans are secured by security interests in, among other things, substantially all of the personal property assets of the LLCs.
- With respect to each cemetery purchase and sale transaction, the parties entered into a sales agreement ("Sales Agreement") that obligates the Seller to perform sales functions for the applicable cemetery and make monthly payments to the LLC to cover payroll, insurance and other costs, and to provide a specified rate of return to the LLC.
- Under the Sales Agreement, all receipts from the cemetery operations are to be deposited in operating bank accounts (the "Operating Accounts") of the Sellers on a daily basis and then to use such deposits to pay the applicable LLC certain amounts on a monthly basis.
- The parties also entered into a separate right of first refusal and option agreement, and LGII entered into a guaranty of all of the Seller's obligations under the transaction documents.
- Pursuant to an "amending agreement," the LLCs and the selling Loewen entities agreed that the benefits and burdens of operation of the properties were for the account of the selling Loewen entities and that the parties did not intend the transfer to constitute a sale for tax purposes. Additionally, the parties agreed that, to the extent that the Sales Agreement remains in place with respect to a cemetery, the LLC is not required to make any principal or interest payments on the relevant promissory note.

Notwithstanding the provisions of the documents described above, the Operating Accounts for the Michigan Cemeteries were opened in the names of the LLCs, rather than in the names of the respective Sellers. Prior to the Petition Date, the LLCs periodically paid net sales receipts, after deducting the expenses and payments to which they were entitled under the documents, from the Operating Accounts to the Debtors. After the Petition Date, however, the LLCs stopped the transfer of funds from the Operating Accounts to the Debtors. The Debtors were advised by the LLCs that they took this action to ensure that sufficient funds were available to satisfy certain obligations, including trust obligations under Michigan law, for which the LLCs would be liable if the Debtors failed to pay such obligations. In addition, the LLCs and Bush expressed concerns regarding certain disputes involving third parties with respect to which the LLCs or Bush were seeking indemnification.

In February 2000, to address these and certain other matters relating to the continued operation of the Michigan Cemeteries, the Debtors, the LLCs and Bush agreed to a compromise and settlement (the "Michigan Settlement"), subject to the approval of the Bankruptcy Court. The Michigan Settlement was approved by the Bankruptcy Court on March 23, 2000 and is in the process of being implemented by the parties. The primary terms of the Michigan Settlement are as follows:

- Upon the effectiveness of the Michigan Settlement, the LLCs were to cause the entire balances in the current Operating Accounts to be transferred to bank accounts ("New Operating Accounts") established in the applicable Debtors' names. Thereafter, all collections, cash, checks and other monies derived from the sale of death care services and merchandise are to be deposited in the New Operating Accounts. Funds deposited in the New Operating Accounts are to be transferred by the Debtors to a central account (the "New Central Account") at Comerica Bank. The Operating Account balances were to be transferred free and clear of liens, except that the Debtors granted the LLCs an automatically perfected first priority lien in the New Operating Accounts and the New Central Account solely to secure the Debtors' monthly payment obligations to the LLCs under the Sales Agreements. Upon the effectiveness of the Michigan Settlement, that lien was deemed assigned by the LLCs to Comerica Bank.
- Upon the effectiveness of the Michigan Settlement, the LLCs were to pay to the Debtors a cash amount equal to all amounts to which the Debtors were entitled under the Michigan Cemeteries transaction documents for the period from the Petition Date through the date on which the operating account balances were transferred to the New Operating Accounts, net of (a) all payables paid by the LLCs to or on behalf of the Debtors and (b) the monthly payments due to the LLCs for the period. The Debtors and the LLCs agreed that the cash amount to be paid upon the effectiveness of the Michigan Settlement would be \$2,573,581.25, which amount was subject to adjustment pursuant to reconciliation procedures set forth in the settlement documentation.
- Provided that the LLCs have fully satisfied their obligations with respect to the Operating Accounts and payment of cash amounts, as described above, the Debtors agreed to indemnify Bush or the LLCs, including their respective officers, directors, employees, stockholders, affiliates and agents, with respect to the following matters: (a) claims arising under certain construction contracts with Pumford Construction Company; (b) the action captioned Letherer v. Alger Group, L.L.C., Case No. 99-29046-CK (Cir. Ct. Saginaw Cty., Mich.); (c) claims that may be asserted by William R. Eldridge under a covenant not to compete and a note entered into by the Debtors; and (d) certain other claims and potential claims identified by Bush to the Debtors. In addition, pending the assumption or rejection of the Sales Agreements, the Debtors agreed to perform their contractual indemnification obligations under those agreements.

The Debtors believe that, based on the Michigan Cemeteries transaction documents, the Sellers are the equitable owners of the Michigan Cemeteries. The Debtors have concluded that a sale of the Michigan Cemeteries to a third party is in the best interests of their estates and, to this end, the Debtors have attempted to initiate discussions with Bush to effectuate a return of bare legal title to these assets to the Debtors. Bush has not satisfactorily responded to the Debtors' efforts consensually to reunite legal title to the properties with the equitable title thereto; accordingly, in September 2000, the Debtors commenced an adversary proceeding against the LLCs seeking a judgment: (a) declaring that the Sellers are the equitable owners of the Michigan Cemeteries; (b) directing the LLCs to turn over legal title to the Michigan Cemeteries to the Sellers by transferring legal title into a trust or escrow for the Sellers' benefit or, in the alternative, avoiding the Cemetery Transactions as fraudulent conveyances; and (c) requiring the LLCs to furnish an accounting of the costs and expenses for which they were reimbursed by the Sellers and to refund to the Sellers the amount of any overpayment on such costs and expenses.

The LLCs have filed a motion to dismiss the Sellers' complaint. The Debtors have not yet responded to this motion. Notwithstanding the commencement of this adversary proceeding, the Debtors have continued to pursue discussions with Bush in an effort to resolve any differences between the Debtors and Bush on a consensual basis. At this time, the Debtors are unable to predict the outcome of the litigation or any discussions with Bush.

West Texas

LGII owns 85% of DSP General Partner, Inc. and Directors Succession Planning, Inc. (collectively, the "West Texas Entities"). The remaining 15% interest in each of the West Texas Entities is owned by Directors Investment Group, Inc. (the "West Texas Partner"), an entity in which no Debtor has a direct or indirect ownership

interest. The West Texas Entities own, directly or indirectly, approximately 52 funeral homes and five cemeteries, together with certain related assets (collectively, the "West Texas Businesses").

Pursuant to the documents and agreements presently governing the West Texas Entities, LGII is entitled to nominate three of the five directors of the West Texas Entities and the West Texas Partner is entitled to nominate and elect two of the five directors thereof. Certain actions, including acquisitions and dispositions of funeral home and cemetery entities, issuances of equity and other fundamental actions, cannot be taken without a four-fifths vote of the directors. Consequently, as presently constituted, the West Texas Partner may have a veto right with respect to certain fundamental matters relating to the West Texas Businesses. In addition, an affiliate of the West Texas Partner, pursuant to a management agreement, dated as of September 1, 1995, manages the funeral homes included in the West Texas Businesses in exchange for a management fee of between 8% and 9% of income before interest on long-term debt, depreciation, income taxes, management fees and administrative fees paid to LGII. The management agreement can be terminated without cause on one year written notice.

In addition to the foregoing, LGII and the West Texas Partner are parties to a shareholder agreement, dated as of March 1, 1993 (the "West Texas Shareholder Agreement"), governing their relationship with respect to the West Texas Entities. Under the West Texas Shareholder Agreement, the West Texas Partner has an option to require LGII to purchase the interests of the West Texas Partner in the West Texas Entities for a formula price (but not less than the capital contribution of the West Texas Partner) approximating 15% of the result determined by subtracting the long-term debt of the West Texas Entities from the product of 5.26 times earnings before interest, depreciation, amortization, income taxes, extraordinary and unusual items, certain capital gains and losses and certain management fees. The West Texas Partner also has (a) a right to buy LGII's interest in the West Texas Entities at a formula price if LGII or the West Texas Entities are acquired by Service Corporation International and (b) a right of first refusal with respect to the sale of any funeral home included in the West Texas Businesses. Finally, an entity affiliated with the West Texas Partner has been given a long-term right to sell preneed insurance to the West Texas Businesses and to funeral homes of LGII in Texas and certain other areas.

The Debtors have initiated discussions with the West Texas Partner with respect to a possible restructuring of the relationships between them. To date, no agreement has resulted from these discussions. The Debtors anticipate that, at the time of the Filing of this Disclosure Statement or shortly thereafter, they will have Filed a motion to reject, pursuant to section 365 of the Bankruptcy Code, the West Texas Shareholder Agreement and the contract granting the entity affiliated with the West Texas Partner the right to sell preneed insurance to the Debtors' businesses.

Post-Petition Asset Disposition Program

As of April 30, 1999, TLGI operated approximately 1,116 funeral homes and 429 cemeteries in North America. The Debtors' management, in connection with the development of the Debtors' business plan, identified approximately 200 funeral homes and 170 cemeteries (collectively, the "Disposition Properties") that did not satisfy the criteria for ongoing business operations under its business plan. In late 1999, as part of the development of their business plan, the Debtors conducted a review of each of their operating locations to determine the best use of each location on a going-forward basis. In identifying the Disposition Properties, the Debtors considered, among other things, whether the optimal value of each location would be achieved by having the Debtors continue to operate the business or by having the Debtors market the location to bidders who may be better suited to operate the particular business based on geographic location and other similar factors. The Debtors and their financial advisors divided the Disposition Properties into 28 groups of funeral homes and cemeteries by geographic location to attempt to market the properties so as to receive the highest and best bids for all of the Disposition Properties.

These marketing efforts have been conducted under the Bankruptcy Court's Order (A) Approving Global Bid Procedures Program and (B) Authorizing Debtors to Grant Pre-Approved Bid Protections to Prospective Purchasers dated January 21, 2000 (the "Bid Procedures Order"). The Bid Procedures Order approved: (a) the procedures governing the disposition program (including submission of information packages to potential bidders, due diligence, selection of bidders, negotiation and execution of asset purchase agreements, "good faith" deposits, treatment of executory agreements, filing of sales motions and closing of the transactions); (b) bidding procedures designed to obtain the highest price for Disposition Properties; (c) economic protections for certain initial bidders

(including breakup fees and reimbursement of expenses); and (d) an auction process for Disposition Properties being sold pursuant to a sales motion.

As of November 13, 2000, the Bankruptcy Court had approved the sale of the assets of 149 Disposition Properties involving aggregate sales proceeds of approximately \$48 million and were engaged in active negotiations for the sale of the assets of 102 Disposition Properties for anticipated aggregate sales proceeds of approximately \$56 million.

In addition, the Debtors have sold certain other locations, or selected assets of certain locations, to buyers who offered to purchase the assets of "nonessential" locations on an "as is, where is" basis for a price that the Debtors believed to be reasonable pursuant to the Bankruptcy Court's Order Establishing Procedures for Transactions Involving Certain Miscellaneous Assets dated August 25, 1999 (the "Miscellaneous Assets Order"). As of November 13, 2000, the Debtors had sold the assets of ten funeral home properties, three of which were sold on a going concern basis, in a total of eight transactions under the Miscellaneous Assets Order, for aggregate sales proceeds of approximately \$5 million.

The CCAA Proceedings

On June 1, 1999, TLGI together with the CCAA Debtors filed for, and were granted, protection under the CCAA. On June 1, 1999, the Canadian Court granted an order (the "Initial Order"), which, among other things: (a) stayed all proceedings against TLGI and the CCAA Debtors; (b) approved a procedural protocol for the coordination of the CCAA Proceedings and the Reorganization Cases (see "Operations During The Reorganization Cases — First Day Relief — The Protocol Motion"); and (c) authorized the CCAA Debtors to pay all their pre-Petition Date indebtedness to a maximum aggregate amount of Cdn. \$12 million.

The CCAA Debtors have concluded a claims process in the CCAA Proceedings. As a result of the fact that the CCAA Debtors were authorized by the Initial Order to pay pre-Petition Date indebtedness, a relatively small number of proof of claims were filed against them. With the exception of the guaranty obligations related to the CTA, all material prepetition claims against the CCAA Debtors have been settled or satisfied. The debt under the CTA is guaranteed by approximately 35 of the CCAA Debtors, and the outstanding capital stock of the remaining CCAA Debtors has been pledged as security under the CTA. The CTA Note Claims will be satisfied and discharged by distributions provided for in the Plan and, as a result of such distributions in respect of the CTA Note Claims, the guaranty obligations related to the CTA will be fully settled or satisfied as provided in the CCAA Order (See "Overview of the Plan — The CCAA Order").

A separate Canadian claims process was commenced in the CCAA Proceedings to identify those Canadian claims against TLGI, if any, which are not addressed or resolved in the chapter 11 cases or which should more properly be dealt with by the Canadian Court. A deadline of October 13, 2000 was established for entities to file any such claims against TLGI in the CCAA Proceedings. Only five claims were filed against TLGI by the deadline. TLGI filed notices of disallowance in respect of four of these claims on the basis that, among other things, the claims are more properly adjudicated in the United States. Only one Creditor has disputed a notice of disallowance.

TLGI and the CCAA Debtors do not expect to file a separate plan of reorganization under the CCAA because there should be no significant claims against TLGI or the CCAA Debtors other than those that will be settled or satisfied as provided in the Plan and CCAA Order.

Exclusivity

Under section 1121 of the Bankruptcy Code, a debtor has the exclusive right to (a) file a plan of reorganization during the first 120 days of its chapter 11 case and (b) solicit acceptances of such a plan during the first 180 days of the case. These periods (the "Exclusive Periods") may be extended for "cause." In June 2000, the Debtors, having previously obtained extensions of the Exclusive Periods through June 30, 2000 and August 31, 2000, respectively, Filed a motion (the "Exclusivity Motion") seeking further six-month extensions of the Exclusive Periods through December 31, 2000 and February 28, 2001, respectively. Although the Creditors'

Committee supported the Exclusivity Motion, one party, Blackstone, objected to the motion. After conducting an evidentiary hearing on the Exclusivity Motion on June 20, 2000, the Bankruptcy Court overruled Blackstone's objection to the motion and extended the Exclusive Periods through December 31, 2000 and February 28, 2001, respectively.

COLLATERAL TRUST AGREEMENT ISSUES; RECOVERY ACTIONS; AND OTHER LEGAL PROCEEDINGS

Collateral Trust Agreement Issues

Background

Five years before executing the CTA, TLGI and LGII executed a trust deed dated October 1, 1991 (the "1991 Trust Deed"). The 1991 Trust Deed provided collateral security for certain notes (the "Prior Notes") and for an October 1, 1991 revolving credit facility of up to \$100 million (the "1991 Revolver"), executed among TLGI and LGII, as borrowers, and a syndicate of U.S. and Canadian banks, as lenders. Under the 1991 Trust Deed, the Prior Notes and the 1991 Revolver were secured equally and ratably by a common security package that was comprised primarily of a security interest in all of TLGI's assets, LGII's accounts receivable, the rights of LGII under voting trusts and share option arrangements with respect to certain U.S. subsidiaries and a pledge of the stock held by TLGI, LGII and TLGI's U.S. subsidiaries (with certain exceptions) and certain other subsidiaries. The 1991 Trust Deed provided that the trustee would concurrently release the security on behalf of the lenders under the 1991 Revolver and the holders of the Prior Notes if all of the lenders under the 1991 Revolver agreed to release the security or upon notice that the 1991 Revolver had been paid in full. Following the issuance of the Series D Notes in an original principal amount of \$60 million in September 1993, the 1991 Trust Deed was amended to secure those notes.

On February 16, 1994, TLGI and LGII repaid the 1991 Revolver in full with the proceeds of a \$400 million revolving credit loan from a bank group led by First Chicago Bank (the "First Chicago Bank Group"), and the collateral was released under the 1991 Trust Deed. After the 1994 refinancing with the First Chicago Bank Group, TLGI had virtually no secured debt. Thereafter, in February 1994, the Series E Notes in the original principal amount of \$50 million were issued.

As indicated above, in November 1995, certain of the Debtors sustained an adverse judgment of \$500 million in the O'Keefe litigation. See "Certain Events Preceding the Debtors' Chapter 11 Filings — Mississippi Litigation." TLGI and LGII had a number of unsecured debt instruments outstanding at this time. The holders of the outstanding debt instruments took the position that the O'Keefe judgment constituted a default event. As a result, waivers were sought and obtained under these outstanding debt instruments. The waivers granted in connection with the First Chicago Bank Group \$400 million revolving credit facility and the MEIP Credit Facility required TLGI to provide collateral by May 31, 1996. The other outstanding debt instruments contained "negative pledge" and "equal and ratable lien" clauses that required that, if TLGI or LGII granted collateral security to any existing or future creditor, liens likewise had to be granted to those holders of outstanding debt placing such debt on a *pari passu* basis with the other secured debt. As a result, following the O'Keefe judgment and later settlement of that litigation, TLGI and LGII could not obtain additional financing without retiring or securing all of these outstanding debt instruments. See "Certain Events Preceding the Debtors' Chapter 11 Filings."

On March 20, 1996, LGII issued \$250 million of the Series 1 Notes and \$125 million of the Series 2 Notes. These Notes were guaranteed by TLGI and were issued with the stated condition that, if TLGI or LGII granted collateral security to any institutional lender, then the Series 1 Notes and the Series 2 Notes must be collateralized on a *pari passu* basis.

The proceeds from the Series 1 Notes and the Series 2 Notes were not sufficient to fund TLGI's business plan. As a result, in May 1996, TLGI and LGII obtained a \$750 million credit facility from a syndicate of banks led by the Bank of Montreal (the "BMO Revolving Credit Facility"). Certain of the proceeds of the BMO Revolving

Credit Facility were used to pay off the First Chicago Bank Group \$400 million revolving credit facility. The lenders under the BMO Revolving Credit Facility required that such facility be secured by:

- all of LGII's right, title and interest in and to all rights to receive payment under or in respect of accounts, contracts, contractual rights, chattel paper, documents, instruments and general intangibles;
- a pledge of the shares of capital stock of substantially all of the subsidiaries in which TLGI directly or indirectly held more than 50% voting or economic interest; and
- a guarantee by each subsidiary that pledged stock.

The CTA was established as the mechanism to secure the BMO Revolving Credit Facility and the outstanding indebtedness, present and future, that was entitled to share equally and ratably in that security. The CTA designated indebtedness secured under it as Class A, B, C or D Secured Indebtedness. When the CTA went into effect, "Class A Secured Indebtedness" consisted of the BMO Revolving Credit Facility, the MEIP Credit Facility and certain other subsequently retired credit facilities. "Class B Secured Indebtedness" consisted of the Prior Notes, the Series D Notes and the Series E Notes. "Class C Secured Indebtedness" consisted of the Series 1 and 2 Notes issued in March 1996. "Class D Secured Indebtedness" consisted of certain intercompany indebtedness; the lien securing the Class D Secured Indebtedness was junior and subordinate to the lien securing the other classes of Secured Indebtedness.

The CTA contemplates that the benefits of pledges and guaranties made thereunder could inure not only to the holders of indebtedness existing on the date of the CTA, but also to holders of subsequently issued indebtedness. In this regard, the CTA refers to certain registration procedures for later-issued indebtedness that involve the execution and delivery of "Additional Secured Indebtedness Registration Statements" to the CTA Trustee, acceptance of those statements by the CTA Trustee and registration of the statements in a "Secured Indebtedness Register."

After the date of the CTA, TLGI and LGII issued six additional series of indebtedness in four separate transactions: (a) the Series 3 and 4 Notes, issued October 1, 1996; (b) the Series 5 Notes, issued September 26, 1997; (c) the Series 6 and 7 Notes, issued May 28, 1998; and (d) the PATS Notes, issued September 30, 1997.

TLGI and LGII and the other parties involved in these transactions intended each additional series to be entitled to the benefits of the CTA. Each of the disclosure documents used in connection with the marketing and sale of the Series 3 and 4 Notes, the Series 6 and 7 Notes and the PATS Notes states that such securities will be secured under the CTA. The cover page of each such disclosure document contains similar language regarding collateral. As an example, the disclosure document for the Series 3 and 4 Notes states:

The Senior Notes and the Guarantees will be senior obligations of LGII and [TLGI], respectively, and will rank pari passu in right of payment with all other senior indebtedness of LGII and [TLGI], respectively. Because other senior indebtedness is secured, the Senior Notes, when issued, will be secured as defined herein.

This intention to secure these securities is reiterated other times in each of the disclosure documents. In addition, the Boards of Directors of TLGI and LGII adopted resolutions authorizing each series of indebtedness and designating each series as secured indebtedness under the CTA. Further, each of TLGI and LGII, together with the Indenture Trustee for each series, executed Additional Secured Indebtedness Registration Statements for each series. These fully executed Additional Secured Indebtedness Registration Statements were in place at the closings of the sale of the Series 3 and 4 Notes and the PATS Notes and, in the case of the Series 6 and 7 Notes, were delivered to the underwriter's counsel the day after closing of the sale of such notes. Copies of the executed Additional Secured Indebtedness Registration Statements are included in each of the relevant sets of closing documents. After the issuance of each series of indebtedness intended to be secured under the CTA, TLGI consistently referred to the

notes as secured under the CTA in each of its public securities filings. As an example, in its Form 10-K for the fiscal year ended December 31, 1998, TLGI stated:

In 1996, [TLGI], LGII and their senior lenders entered into a collateral trust agreement pursuant to which the senior lenders share certain collateral and guarantees on a *pari passu* basis (the "Collateral Trust Agreement"). . . . The security is held by the trustee for the equal and ratable benefit of the senior lending group. This senior lending group consists principally of the lenders under [the Series 1 through 7 Notes, the Series D and E Notes, the BMO Revolving Credit Agreement, the MEIP Credit Facility and the PATS Notes], as well as holders of certain letters of credit. . . . At December 31, 1998, the indebtedness owed to the senior lending group subject to the Collateral Trust Agreement, including holders of certain letters of credit, aggregated approximately \$2.1 billion.

The prospectus, dated May 29, 1997, prepared and disseminated in connection with TLGI's offering of 12,000,000 common shares, similarly reported that senior obligations, including at that time the Series 3 and 4 Notes, were secured under the CTA.

The MEIP Credit Facility and the BMO Revolving Credit Facility (together, the "Credit Agreements") explicitly acknowledged and allowed for additional secured debt under the CTA. The relevant covenants in the Credit Agreements are identical and indicate that the parties contemplated that additional debt would be secured and guaranteed under the CTA. For example, the Credit Agreements defined "Secured Parties" as the lenders, the persons specified on Schedule 3 of the Credit Agreements, and "all other Persons [as designated by the Borrowers] who from time to time hold Senior Obligations which are secured pursuant to the [CTA]" and the definition of "Senior Obligations" recognized that debt, other than the indebtedness described on Schedule 3, was not secured except as provided in the CTA.

Moreover, later amendments to the Credit Agreements expressly acknowledge the senior secured status of the Series 3 and 4 Notes and the PATS Notes. On March 27, 1998, the BMO Revolving Credit Facility was amended to reduce the maximum aggregate outstanding principal amount of the commitments and for other reasons. The Series 3 and 4 Notes and the PATS Notes were specifically listed as "Senior Obligations" (with the Series 6 and 7 Notes having not yet been issued) and the amendment expressly acknowledges that the collateral pledged in respect of the BMO Revolving Credit Facility would also secure these notes. Similarly, the MEIP Credit Facility was amended on May 1, 1998 and the amendment likewise acknowledges that the collateral for the MEIP obligation would also secure the Series 3 and 4 Notes and the PATS Notes (again with the Series 6 and 7 Notes having not, as of that time, been issued).

In addition to the covenants, both Credit Agreements contained reporting requirements that put the lenders on notice of all outstanding debt, including the debt in question. The Credit Agreements required TLGI and LGII to deliver to the lenders annual audited reports and quarterly unaudited reports, as well as all other reports and documents filed with the SEC, the Ontario Securities Commission, The Toronto Stock Exchange and the British Columbia Securities Commission. The Debtors believe TLGI and LGII complied with the Credit Agreements' reporting requirements throughout the period preceding the Petition Date.

The holders of the Series 1 and 2 Notes were also informed that, if collateral was provided to secure such notes (because it was provided in respect of the BMO Revolving Credit Facility), the notes would share that collateral *pari passu* with other senior indebtedness, which could include additional indebtedness. This information was disclosed in the disclosure documents used in connection with the marketing and sale of the Series 1 and 2 Notes. Additionally, State Street Bank and Trust Company, formerly Fleet National Bank ("State Street"), was the Indenture Trustee for the Series 1 and 2 Notes, as well as the Series 3 and 4 Notes, the Series 6 and 7 Notes and the PATS Notes. State Street's representative acted on State Street's behalf in all four securities transactions, and State Street was represented by the same law firm in each case. State Street has also filed proofs of Claims in the Debtors' Reorganization Cases on behalf of the Series 1 and 2 Notes, the Series 3 and 4 Notes, the Series 6 and 7 Notes and the PATS Notes. The disclosure documents used in connection with the marketing and sale of the Series 5 Notes

similarly disclosed that the Series 5 Notes would be secured on a *pari passu* basis with other senior debt and that such other secured debt included the Series 3 and 4 Notes and could include additional debt.

The original proof of Claim filed by the CTA Trustee in LGII's Reorganization Case, which purported to attach all of the Additional Secured Indebtedness Registration Statements that were delivered to the CTA Trustee, included no registration statements for the Series 6 and 7 Notes or the PATS Notes, and included the registration statement with the incorrect outstanding principal balance for the Series 3 and 4 Notes. The CTA Trustee has since Filed a motion to amend its proof of claim to include the correct registration statement for the Series 3 and 4 Notes and the registration statements for the Series 6 and 7 Notes and the PATS Notes. This motion has not been served on creditors and is not being pursued by the CTA Trustee at the present time.

Thereafter, in April 2000, TLGI and LGII announced that there was uncertainty as to whether the holders of Claims under the Series 3 and 4 Notes, the Series 6 and 7 Notes and the PATS Notes (collectively, the "Subject Debt") were entitled to the benefits of the CTA, including the benefit of secured status under the CTA and the guaranties granted by the Pledgors thereunder.

On September 27, 2000, the CTA Trustee commenced an adversary proceeding in Bankruptcy Court (the "CTA Proceeding") against various Debtors, the Indenture Trustees, the Creditors' Committee, certain holders of CTA Note Claims and certain as yet unnamed individuals who may be affected or have an interest in resolution of the CTA matters. Pursuant to the CTA Proceeding, the CTA Trustee seeks a declaratory judgment that the Subject Debt constitutes additional secured indebtedness subject to a valid and perfected security interest under the CTA.

On or about October 18, 2000, HSBC Bank USA, the successor Indenture Trustee for the Series 1 and 2 Notes, filed a motion to intervene in the CTA Proceeding and for an extension of time to answer the CTA Trustee's complaint. On or about October 20, 2000, Bank of Montreal, as agent under the BMO Revolving Credit Facility, filed an answer, and on or about October 26, 2000, Wachovia Bank, N.A., as agent under the MEIP Credit Agreement, filed an answer, crossclaims and counterclaim. Each of Bank of Montreal and Wachovia Bank, N.A. denies that the Subject Debt is entitled to the benefits of the CTA, and Wachovia Bank, N.A. seeks the entry of a judgment declaring that the Subject Debt is not entitled to share in the benefits of the collateral under the CTA.

On or about October 30, 2000, the Creditors' Committee filed an answer, counterclaim and crossclaim and a motion to join Trust Company of Bank of Montreal, Indenture Trustee for the Series 5 Notes, as an additional crossclaim defendant. The Creditors' Committee denies that the Subject Debt is entitled to the benefits of the CTA and seeks declarations that: (a) the Subject Debt is not entitled to participate in the benefits of the CTA Trustee's security interest; (b) the designation of the Series 5 Notes as additional secured indebtedness under the CTA and the execution by TLGI and LGII of the Additional Secured Indebtedness Registration Statement relating to the Series 5 Notes are subject to rescission and TLGI and LGII will be in breach of their fiduciary duties if they fail to seek rescission; (c) the Subject Debt is not guaranteed by the Pledgors; and (d) if the designation of the Series 5 Notes as additional secured indebtedness and the execution of the Additional Secured Indebtedness Registration Statements relating to the Series 5 Notes are rescinded, the Series 5 Notes are not guaranteed by the Pledgors.

On or about November 2, 2000, the CTA Trustee filed a motion to stay the CTA Proceeding pending Confirmation of the Plan. The Debtors and certain noteholders filed joinders in the motion. The stay motion is scheduled for hearing on November 14, 2000. At this time, the Debtors are unable to predict the outcome of this litigation or its potential effect on the Plan.

Factual Investigation

The Debtors' bankruptcy counsel, Jones, Day, Reavis & Pogue ("Jones Day"), investigated the circumstances underlying the absence from the CTA Trustee's files of any Additional Secured Indebtedness Registration Statements for the Series 6 and 7 Notes and the PATS Notes and the misstatement of the outstanding principal amount on the Additional Secured Indebtedness Registration Statement for the Series 3 and 4 Notes. A memorandum discussing that investigation is attached as Exhibit V to this Disclosure Statement. The investigation included informal interviews with the following:

- counsel for TLGI and LGII who participated in the drafting of the CTA;
- counsel for TLGI and LGII who represented TLGI and LGII in the issuance of the Subject Debt;
- the Indenture Trustee for the Subject Debt;
- counsel for the underwriters on the Series 3 and 4 Notes and the Series 6 and 7 Notes; and
- counsel for the underwriters on the PATS Notes.

Some of those interviewed also informally provided Jones Day with copies of various documents involved in the transactions. These documents included drafts of the CTA, correspondence related to the transactions and closing materials.

Jones Day also took testimony from three representatives of the CTA Trustee in a Bankruptcy Rule 2004 examination. Pursuant to the court order authorizing the 2004 examination, Jones Day received from the CTA Trustee and its counsel documents responsive to a formal document request.

The factual investigation has revealed that for the Series 6 and 7 Notes and for the PATS Notes, no party recalls actually having delivered (and no party claims to have delivered) the executed Additional Secured Indebtedness Registration Statements or any drafts thereof to the CTA Trustee or its counsel. For the Series 3 and 4 Notes, the factual investigation revealed that a draft of the Additional Secured Indebtedness Registration Statement that correctly stated the original principal amount to be \$350 million but incorrectly listed an outstanding principal amount of \$0 was provided to the CTA Trustee prior to the closing of that transaction. Revised drafts of the Additional Secured Indebtedness Registration Statement reflecting the correct outstanding principal balance were subsequently delivered to counsel for the CTA Trustee prior to the closing. Although an Additional Secured Indebtedness Registration Statement reflecting the correct outstanding principal balance is contained in the book of closing documents, it did not make its way into the CTA Trustee's retained files.

The factual investigation further revealed that, although the CTA requires the CTA Trustee to enter the information from Additional Secured Indebtedness Registration Statements into a Secured Indebtedness Register, the CTA Trustee instead kept copies of those Additional Secured Indebtedness Registration Statements received by it and did not keep an independent Additional Secured Indebtedness Register. In addition, while any representative of a secured party had the right under the CTA to examine the Secured Indebtedness Register, no party did so before June 1, 1999, the date the Debtors Filed for bankruptcy protection.

Creditor Settlement Negotiations

The uncertainty surrounding the rights of the holders of the Subject Debt (the "Subject Debt Holders") under the CTA threatened to delay the plan of reorganization process in the Reorganization Cases. The primary source of this potential delay was disagreement among the entities potentially entitled to the benefits of the CTA regarding the treatment of the Subject Debt under any plan or plans of reorganization proposed by the Debtors. In particular, certain of the Subject Debt Holders asserted that they were entitled to treatment as secured creditors on account of the CTA, and certain of the participants in the BMO Revolving Credit Facility and the other debt instruments subject to the CTA (collectively, the "Other CTA Debt Holders") strongly opposed that position.

To avoid a stalemate between the parties and keep the Debtors' plan efforts moving forward, the Debtors, together with the Creditors' Committee, initiated discussions with counsel to the Subject Debt Holders, on the one hand, and counsel to the Other CTA Debt Holders, on the other hand, in July 2000. The purpose of these discussions was two-fold. First, the Debtors wanted to provide the parties (after the execution of appropriate confidentiality agreements) with certain information, including non-public information regarding the CTA, valuations of the Debtors as reorganized, related business plan information, valuation and capitalization analyses and projections and claims recovery analyses, to assist the parties in evaluating the Subject Debt and the Debtors' business operations. Second, the Debtors wanted to involve the parties in the negotiation of a consensual plan or plans of reorganization that would, among other things, resolve the issues surrounding the Subject Debt.

The participants in these initial discussions included counsel to Angelo Gordon & Co.; Cerberus Capital Management; Franklin Mutual Advisers, LLP; GSCP Recovery, Inc.; Murray Capital Corp.; Oaktree Capital Management LLC; and U.S. Bank National Association (an Indenture Trustee) of the Subject Debt Holders and counsel to Bank of Montreal; Morgens, Waterfall, Vintiadis & Company, Inc.; Teachers Insurance and Annuity Association of America; Trust Company of Bank of Montreal (an Indenture Trustee); and Wachovia Bank, N.A. of the Other CTA Debt Holders. As part of these initial discussions: (a) Wasserstein Perella & Co., Inc., ("Wasserstein") the Debtors' investment banker, made a presentation regarding the Reorganized Debtors' valuation and proposed capitalization (the "Capitalization Evaluation"); (b) Zolfo Cooper, LLC, the Debtors' restructuring accountants, made a presentation regarding the results of its claims recovery analysis for each of the Debtors (the "Claims Analysis"); and (c) Jones Day made a presentation regarding an advocate's assessment of the issues surrounding the Subject Debt (the "CTA Issues Analysis").

After these initial discussions with counsel, it became apparent that the principals of the Subject Debt Holders and the Other CTA Debt Holders needed to be involved directly in the discussions. Accordingly, certain of the Subject Debt Holders and the Other CTA Debt Holders agreed to become restricted (*i.e.*, subject to trade restrictions with respect to their respective interests in the Debtors) for a limited time period and executed confidentiality agreements with the Debtors in September 2000. To encourage a full and open discussion of the issues among the parties, the Debtors provided substantial information to all constituencies. In particular, the Debtors provided these parties with updated versions of the Capitalization Evaluation and the Claims Analysis and with a whitepaper prepared by Jones Day, which is attached as Exhibit V, that substantially expanded the CTA Issues Analysis. The Debtors also assisted the Subject Debt Holders and the Other CTA Debt Holders in performing significant due diligence with respect to all of these issues.

Simultaneously with their discussions with the Subject Debt Holders and the Other CTA Debt Holders, the Debtors commenced discussions with Blackstone, allegedly the Debtors' largest unsecured creditor, regarding plan-related issues including the Subject Debt. The Debtors provided Blackstone with, among other things, the Capitalization Evaluation, the Claims Analysis and the whitepaper regarding the CTA Issues Analysis. As indicated above, it is currently contemplated that the Debtors and Blackstone will enter into the Blackstone Settlement. See "Operations During the Reorganization Cases — Blackstone Transactions — Blackstone Settlement."

Having provided all constituencies with the relevant information, the Debtors commenced negotiations with the Subject Debt Holders, the Other CTA Debt Holders and the Creditors' Committee regarding a restructuring agreement, including a settlement of the issues surrounding the Subject Debt and a resolution of other outstanding business and Claim issues. As part of these discussions, the Debtors and the Creditors' Committee made their Professionals available to address issues raised by the Subject Debt Holders and the Other CTA Debt Holders relating to, among other things, the Debtors' reorganization efforts, the Capitalization Evaluation and the Claims Analysis. The Debtors also facilitated and participated in several meetings with the Subject Debt Holders, the Other CTA Debt Holders and the Creditors' Committee regarding the terms of any plan or plans of reorganization filed by the Debtors. As of the date of this Disclosure Statement, although a consensus has been reached on some of the issues relevant to the Plan, the various constituencies have been unable to reach a consensual resolution of all of the issues.

Despite the constituencies' inability to structure a global settlement of the issues, the Debtors agreed with certain of the Subject Debt Holders regarding the treatment of the Subject Debt under, and certain other terms of, any plan or plans of reorganization filed by the Debtors. The Plan treats the Subject Debt as covered by the CTA, *pari passu* with all other CTA Note Claims, because the Debtors believe that, absent a settlement, this is the most likely outcome of the dispute regarding the CTA Issues.

Recovery Actions

Introduction

A number of transactions occurred prior to the Petition Date that the Debtors believe may have given rise to claims (collectively, "Recovery Actions"), including preference actions, fraudulent conveyance actions, rights of

setoff and other claims or causes of action under sections 510, 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code and other applicable bankruptcy or non-bankruptcy law.

Preference Claims

Overview. Under sections 547 and 550 of the Bankruptcy Code, a debtor may seek to avoid and recover certain prepetition payments and other transfers made by the debtor to or for the benefit of a creditor in respect of an antecedent debt, if such transfer (a) was made when the debtor was insolvent and (b) enabled the creditor to receive more than it would receive in a hypothetical liquidation of the debtor in a chapter 7 where the transfer had not been made. Transfers made to a creditor that was not an "insider" of the debtor are subject to these provisions generally only if the payment was made within 90 days prior to the debtor's filing of a petition under chapter 11. Under section 547, certain defenses, in addition to the solvency of the debtor at the time of the transfer and the lack of preferential effect of the transfer, are available to a creditor from which a preference recovery is sought. Among other defenses, a debtor may not recover a payment to the extent such creditor subsequently gave new value to the debtor on account of which the debtor did not, among other things, make an otherwise unavoidable transfer to or for the benefit of the creditor (the "New Value Defense"). A debtor may not recover a payment to the extent such payment was part of a substantially contemporaneous exchange between the debtor and the creditor for new value given to the debtor (the "Contemporaneous Exchange Defense"). Further, a debtor may not recover a payment if such payment was made, and the related obligation was incurred, in the ordinary course of business of both the debtor and the creditor (the "Ordinary Course Defense"). The debtor has the initial burden of proof in demonstrating the existence of all the elements of a preference, including its insolvency, at the time of the payment. The creditor has the initial burden of proof as to the aforementioned defenses.

The Northeast Disposition. As described in "Certain Events Preceding The Debtors' Chapter 11 Filings — Management Changes, Restructuring Efforts and Asset Sales," on March 31, 1999, less than 90 days prior to the Petition Date, the Debtors consummated the Northeast Disposition, pursuant to which they sold 124 cemeteries and three funeral homes for a gross amount of approximately \$193 million. In connection with the Northeast Disposition, certain holders of CTA Note Claims received partial principal payments (MEIP Credit Facility - \$14.39 million; BMO Revolving Credit Facility - \$76.99 million; Series D Notes - \$6.34 million; and Series E Notes - \$5.28 million) on account of such claims from approximately \$126.5 million in proceeds of the Northeast Disposition. No principal payments were made in respect to the Series 1 through 7 Notes or the PATS Notes. Those holders of CTA Note Claims also received various fee reimbursements and amendment or waiver fees from such proceeds. In addition, Teachers Insurance and Annuity Association of America ("TIAA"), as a holder of an O'Keefe Note Claim (which are not secured by the CTA or any other collateral), received a \$2.0 million payment from the Debtors' general funds on account of such claims as part of the Northeast Disposition and a \$103,278 "waiver fee." At the time of the Northeast Disposition, the Debtors were in breach of certain financial covenants in respect to TIAA's O'Keefe Note Claims and each of the series of CTA Note Claims that received payments of principal from the proceeds of the Northeast Disposition. As a result, the consent of TIAA and the holders of each such series was required to consummate the Northeast Disposition.

As a result, proceeds of the Northeast Disposition used to reduce indebtedness secured by the CTA were not paid pro rata to all of the holders of CTA Note Claims secured by the CTA. Pursuant to the CTA, the CTA Trustee was not required to make pro rata payments to each holder of a CTA Note Claim prior to the occurrence of an "Enforcement Event" (as defined in the CTA). As of the time of consummation of the Northeast Disposition, an Enforcement Event under the CTA had not occurred.

The Northeast Disposition gives rise to at least two types of potential preference claims. First, holders of CTA Note Claims that received more than their pro rata share of the proceeds of the Northeast Disposition may have received a preference under section 547(b) of the Bankruptcy Code since the non-pro rata portion of such payments may have permitted the holders of such Claims to receive more than they would receive in a hypothetical liquidation of the Debtors had the payments not been made. Nonetheless, the fact that the non-pro rata portion of such payments constituted collateral for other CTA Note Claims may either (a) render such payments not preferential since the payments may not have depleted the Debtors' bankruptcy Estates or (b) make any recovery of such payments available only to other holders of CTA Note Claims, thereby precluding the Debtors' unsecured creditors from benefiting from such recovery. Any preference claims against such holders of CTA Note Claims in respect of

such payments will be retained by the Reorganized Debtors under the Plan as Retained Claims, and the Debtors and Reorganized Debtors reserve the right to pursue recovery of such claims.

In addition, TIAA received payments on account of its unsecured O'Keefe Note Claims as part of the Northeast Disposition from the Debtors' general funds. Such payments, other than potentially the \$103,278 "waiver fee," may be argued to have constituted preferences, although TIAA may assert the Contemporaneous Exchange Defense to such preference liability since, in connection with the Northeast Disposition, TIAA released certain of its collateral to the Debtors, which secured CTA Note Claims held by TIAA. Any preference claims against TIAA in respect of such payments will be retained by the Reorganized Debtors under the Plan as Retained Claims, and the Debtors reserve the right to pursue recovery of such claims.

Other Preference Claims. As described above on March 31, 1999, less than 90 days prior to the Petition Date, the Loewen Companies completed the Northeast Disposition. Cornerstone Family Services, Inc., then known as Newco Cemetery, Inc. ("Cornerstone"), was the Purchaser. The principals backing Cornerstone were Lawrence Miller and William R. Shane, two former executives employed in connection with the TLGI's cemetery businesses ("Miller and Shane"), and McCown, De Leeuw & Co., Inc. ("MCD"). It is believed that each of Miller and Shane and various funds affiliated with MCD were to provide capital to Cornerstone to allow it to obtain the financing to pay the purchase price in connection with the Northeast Disposition. It is further believed that Miller and Shane anticipated obtaining all or a portion of their capital contributions from approximately \$13.9 million of payments to be made by LGII (the "Osiris Payments") under a Share Purchase Agreement, dated March 17, 1995, among LGII, Miller and Shane and certain other parties (the "Osiris Purchase Agreement") in an unrelated transaction.

As the Northeast Disposition was being negotiated, LGII, on March 15, 1999, paid Miller and Shane a total of \$6.8 million of the Osiris Payments when due. In addition, it was agreed that rather than LGII making the remaining Osiris Payments to Miller and Shane who would then contribute those monies to Cornerstone to be used to pay part of the purchase price in respect to the Northeast Disposition, the obligations of LGII under the Osiris Purchase Agreement instead would be assigned to one of the entities to be purchased by Cornerstone in the Northeast Disposition and the purchase price in respect of the Northeast Disposition would be correspondingly reduced by \$6.7 million (an amount agreed to be the net present value of the remaining Osiris Payments). The Debtors believe that this transaction may have constituted preferences. The claims in respect thereof against Miller and Shane are Retained Claims under the Plan, and the Debtors reserve the right to pursue recovery of such claims.

Fraudulent Conveyance Actions

Overview. Generally, a conveyance or transfer is fraudulent if: (a) it was made with the actual intent to hinder, delay or defraud a creditor (*i.e.*, an intentional fraudulent conveyance); or (b)(i) reasonably equivalent value was not received by the transferee in exchange for the transfer and (ii) the debtor was insolvent at the time of the transfer, was rendered insolvent as a result of the transfer or was left with insufficient capitalization as a result of the transfer (*i.e.*, a constructive fraudulent conveyance). Two primary sources of fraudulent conveyance law exist in a chapter 11 case.

The first is section 548 of the Bankruptcy Code, under which a debtor in possession or bankruptcy trustee may avoid fraudulent transfers that were made or incurred on or within one year before the date that a bankruptcy case is filed.

The second source is section 544 of the Bankruptcy Code — the so-called "strong-arm provision" — under which the debtor in possession (or creditors with bankruptcy court permission) may look to state law to avoid transfers as fraudulent. State fraudulent conveyance laws generally have statutes of limitations longer than one year and are applicable in a bankruptcy proceeding pursuant to section 544 of the Bankruptcy Code if the statute of limitations with respect to a transfer has not expired prior to the filing of the bankruptcy case. If such statute of limitation has not expired, the debtor in possession (or creditors with bankruptcy court permission) may bring the fraudulent conveyance claim within the time period permitted by section 546 of the Bankruptcy Code notwithstanding whether the state limitations period expires prior thereto. Generally, section 546 of the Bankruptcy Code permits a state fraudulent conveyance action to be brought within the later of (a) two years after the

commencement of the bankruptcy proceeding or (b) one year after the appointment or election of a trustee for the debtor if such appointment or election occurs within such two-year period.

The primary sources of applicable state fraudulent conveyance law are state enactments of the Uniform Fraudulent Conveyance Act ("UFCA") and the Uniform Fraudulent Transfer Act ("UFTA"). As of June 2000, enactments of the UFCA were effective in four states, and enactments of the UFTA were effective in 39 states and the District of Columbia. Other states, including certain states whose fraudulent conveyance law could be applicable to fraudulent conveyance claims described below, have enacted neither the UFCA or UFTA, but instead operate under either a derivation of the English Statute of Elizabeth or some other fraudulent conveyance statute. Like section 548 of the Bankruptcy Code, under both the UFCA and the UFTA a conveyance or transfer is generally fraudulent if: (a) it was made with the actual intent to hinder, delay or defraud a creditor (*i.e.*, an intentional fraudulent conveyance); or (b)(i) reasonably equivalent value was not received by the transferee in exchange for the transfer and (ii) the debtor was insolvent at the time of the transfer, was rendered insolvent as a result of the transfer or was left with insufficient capitalization as a result of the transfer (*i.e.*, a constructive fraudulent conveyance).

The Collateral Trust Agreement. Although the Debtors have not performed a detailed factual and legal analysis of potential fraudulent conveyance claims related to the CTA, the Debtors have considered whether certain transactions associated with the CTA could be deemed to be fraudulent conveyances. In particular, the Debtors have considered: (a) whether since the CTA was executed soon after the O'Keefe judgment and constituted a pledge of a substantial portion of the Debtors' assets, the CTA could be deemed an intentional fraudulent conveyance; (b) whether the TLGI or LGII subsidiaries that, pursuant to the CTA, guaranteed debt of TLGI and LGII existing at the time of the execution of the CTA and pledged assets to secure such debt could be deemed to have made fraudulent transfers; and (c) whether such subsidiaries who, pursuant to the CTA, guaranteed debt of TLGI and LGII arising at the time of or after the execution of the CTA and who pledged assets to secure such debt could be deemed to have made fraudulent transfers to the extent that such subsidiaries did not, directly or indirectly, receive the proceeds of such debt.

A detailed factual and legal analysis of potential fraudulent conveyance claims related to the CTA would be time consuming and costly because, among other things, the issues raised by such an investigation and by the CTA are quite complex. For instance, given the extent of the Debtors' operations throughout the U.S. and Canada, the particular state fraudulent conveyance law applicable to any transfer associated with the CTA would be the subject of significant dispute. In addition, the extent to which any of the numerous Debtor subsidiaries subject to the CTA (a) received, directly or indirectly, the benefit of the proceeds of any debt issued pursuant to the CTA or (b) was solvent or was reasonably capitalized at any relevant time is a complicated, multifaceted factual and legal issue which would require a substantial amount of due diligence, investigation, research and analysis to resolve. Moreover, resolution of potential other fraudulent conveyance claims associated with the CTA, such as whether certain amendment or similar fees paid in connection with the Northeast Disposition could be deemed fraudulent, would likewise likely be factually and legally complicated and contentious.

The need for such an investigation of potential fraudulent conveyance claims related to the CTA is mitigated by limitations on the extent of guaranties issued under the CTA by subsidiaries of TLGI and LGII. Pursuant to the CTA, any such guaranties, and any pledge of collateral to secure such guaranties, are limited to an amount that is \$1.00 less than the maximum amount for which such subsidiary may be liable without rendering its guaranty obligations void or invalid. As a result, it would appear unlikely that guaranties given by subsidiaries of TLGI or LGII under the CTA could be deemed fraudulent conveyances.

In light of the foregoing, including the complexity of the factual and legal issues involved and the limitation on subsidiary guaranties under the CTA, the Plan also constitutes a settlement of any CTA related fraudulent conveyance claims as part of the Plan's treatment of CTA Note Claims. This settlement will result in such claims being released as part of the Plan.

Other Legal Proceedings

NAFTA Claims

In October 1998, TLGI, on its own behalf and on behalf of LGII, and Raymond L. Loewen filed claims against the United States of America under the investment protection provisions of the North American Free Trade Agreement ("NAFTA") for injury to themselves and their investment in the U.S. (Such claim by TLGI is referred to herein as the "NAFTA Claims.") The claimants contend that they were damaged as a result of breaches by the U.S. of its obligations under NAFTA in connection with certain litigation in the State of Mississippi entitled O'Keefe v. The Loewen Group Inc. See "Certain Events Preceding the Debtors' Chapter 11 Filing — Mississippi Litigation." Specifically, the plaintiffs allege that they were subjected to discrimination, denial of the minimum standard of treatment guaranteed by NAFTA and uncompensated expropriation, all in violation of NAFTA.

Prior to the Effective Date, TLGI will cause LGII to form (a) a wholly owned Delaware limited liability company ("Delco") and (b) a wholly owned Nova Scotia unlimited liability company ("Nafcanco"). On the Effective Date, LGII will transfer its rights to receive any proceeds of the NAFTA Claims arising under Article 1117 of NAFTA to Delco and will transfer the membership interests in Delco to TLGI. Immediately thereafter, TLGI will transfer to Nafcanco all right, title and interest to any proceeds of the NAFTA Claims arising under Article 1116 of NAFTA and TLGI will cause Delco to transfer to LGII all right, title, and interest to any proceeds of the NAFTA Claims arising under Article 1117 of NAFTA, and in respect thereof, TLGI will irrevocably delegate to Nafcanco all powers and responsibilities of TLGI in respect of the pursuit and prosecution of the NAFTA Claims, all in accordance with the terms of Exhibit I.A.29 of the Plan. As of the Effective Date and as part of the Reinvestment Transactions, TLGI will assign to Reorganized LGII, and Reorganized LGII will assume, the contingency fee arrangements entered into by TLGI with respect to the NAFTA Claims and approved by an order of the Bankruptcy Court entered on or about October 12, 2000.

The Debtors do not believe that it is possible at this time to predict the final outcome of this proceeding or to establish a reasonable estimate of the damages, if any, that may be awarded to the plaintiffs or the proceeds, if any, that may be received in respect of the NAFTA Claims. See "Overview of the Plan — The CCAA Order" and "Risk Factors — NAFTA Claims." The NAFTA Claims are Retained Claims under the Plan.

Northeast Disposition Sale Dispute

As indicated above, on March 31, 1999, pursuant to a Stock Purchase Agreement dated as of February 28, 1999, as amended (the "Northeast Agreement"), the Northeast Disposition was consummated and LGII sold to Cornerstone, all of the issued and outstanding stock of approximately 100 companies owned by LGII. The Northeast Agreement contains two post-closing adjustment mechanisms, one relating to the working capital required to be transferred by LGII to Cornerstone for the acquired companies and the other to the possible overfunding or underfunding of trusts maintained by the acquired companies. The Northeast Agreement also contains essentially two dispute resolution mechanisms. First, the Northeast Agreement requires the parties thereto to designate an independent accountant to resolve any disputes between them regarding post-closing adjustments, including adjustments associated with working capital and with the overfunding or underfunding of the trusts. Second, the Northeast Agreement requires disputes concerning the Northeast Agreement, its effect, or the transactions contemplated by it to be resolved through arbitration.

While LGII and Cornerstone have succeeded in reconciling some of their differences regarding the post-closing working capital and trust funding adjustments, certain disputes remain between them. Based on preliminary calculations, LGII believes that as a result of the working capital adjustment it has a claim against Cornerstone for approximately \$4.5 million, while Cornerstone argues for an adjustment of approximately \$2.9 million in its favor. Regarding the trust funding adjustment, LGII and Cornerstone differ in the amount of approximately \$6.5 million in their respective calculations of the amounts properly subjected to trusting. Accordingly, LGII and Cornerstone have initiated the contractually-mandated process to appoint an independent accountant to resolve their disputes regarding the working capital and trust funding adjustments. Carl W. Pergola of BDO Seidman, LLP has been jointly appointed by the parties to serve as their independent accountant. LGII anticipates that the independent process to be conducted by Mr. Pergola will commence shortly.

Cornerstone has informally asserted certain other claims against LGII under the Northeast Agreement. LGII believes Cornerstone may attempt to secure a determination of such claims by the independent accountant or, failing that, may file a demand for arbitration. LGII preliminarily believes that Cornerstone may seek approximately \$2.6 million in respect of these claims. All of the claims of LGII against Cornerstone are Retained Claims under the Plan and will not be affected by consummation of the Plan. In early September 2000, certain entities affiliated with Cornerstone filed a complaint for express trust, constructive trust and declaratory judgment against LGII and TLGI alleging that LGII and TLGI failed to deposit certain receipts into trust fund accounts maintained by or on behalf of certain of the businesses acquired from them by Cornerstone. While LGII and TLGI believe that Cornerstone's claims should be directed to the independent accountant appointed by the parties pursuant to the Northeast Agreement, LGII and TLGI have not yet fully formulated their position or responded to the complaint.

LGII's claims in respect to these matters are Retained Claims under the Plan.

Osiris Declaratory Judgment

In early November 1999, funds totaling approximately \$2.4 million were withdrawn by Cornerstone from an account maintained in the name of Osiris Holding Corp. ("Osiris") by First Union National Bank, as Trustee (under an agreement dated June 4, 1993). Osiris was not part of the above-referenced stock purchase transaction and funds that were maintained on behalf of that entity are not the property of Cornerstone. LGII has demanded that Cornerstone return to Osiris the funds wrongfully obtained by it, but, to date, Cornerstone has refused to do so.

On or about January 31, 2000, Cornerstone filed a complaint for declaratory judgment in the Bankruptcy Court against LGII and TLGI, seeking a declaration of the Court that Cornerstone rightfully owns and possesses the funds withdrawn from the Osiris account. On or about April 14, 2000, LGII and TLGI answered the complaint and filed a counterclaim seeking return of the Osiris funds wrongfully converted by Cornerstone. The Debtors' claims against Cornerstone in respect to these matters are Retained Claims under the Plan and will not be affected by consummation of the Plan. In August 2000, Cornerstone, LGII and TLGI agreed in principle to the settlement of the Osiris dispute. Under the settlement, LGII and TLGI will receive, after certain setoffs are recognized, approximately \$1,658,000 plus interest. The parties are currently in the process of exchanging drafts of a settlement agreement.

Other Claims Related to the Collateral Trust Agreement

In connection with the issues surrounding the CTA Note Claims (see "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Collateral Trust Agreement Issues"), certain holders of the CTA Note Claims may hold claims, demands, rights and causes of action against certain third parties. In September 2000, certain holders of the CTA Note Claims entered into agreements to toll and suspend through April 1, 2001 the running of any and all statutes of limitations, laches or any other time-based limitations or defenses relating to such claims, demands, rights and causes of action with the following entities: (a) Bankers Trust Company; (b) Davis, Polk & Wardwell; (c) Kramer Levin Naftalis & Frankel LLP; (d) Reid & Reige, P.C.; (e) Russell & DuMoulin; (f) Salomon Smith Barney, for itself and as successor to Smith Barney, Inc.; (g) Skadden, Arps, Slate, Meagher & Flom LLP; (h) State Street Bank and Trust Company; (i) Thelen Reid & Priest LLP; and (j) UBS Warburg LLC, for itself and as successor to UBS Securities LLC (collectively, the "Tolling Parties"). Except as provided in Section IV.F.3 of the Plan, any claims, demands, rights and causes of action that any Indenture Trustee or a holder of CTA Note Claim may have against Tolling Parties or other third parties with respect to the CTA are reserved and will not be affected by Confirmation or the occurrence of the Effective Date.

REORGANIZED LGII

Restructuring Transactions

TLGI was organized under the laws of British Columbia, Canada, and conducts its business through over 1,000 subsidiaries. TLGI, which has operations in the U.S., Canada and the United Kingdom, conducts business principally in North America.

In addition to the transactions relating to the NAFTA Claims (see "Collateral Trust Agreement Issue; Recovery Actions; and Other Legal Proceedings — Other Legal Proceedings — NAFTA Claims"), pursuant to the Reinvestment Transactions, on the Effective Date following the completion of the CCAA Debtor Restructuring Transactions, pursuant to the Confirmation Order, the CCAA Order and the terms of the Plan, each share of LGII Old Stock issued and outstanding or held in treasury will be canceled and TLGI will transfer substantially all of its assets to LGII, which will become the ultimate parent entity in the corporate structure of the Loewen Companies. The only shares of capital stock of Reorganized LGII to be outstanding immediately following the Effective Date will be the New Common Stock to be issued pursuant to the Plan.

In addition, pursuant to the Subsidiary Restructuring Transaction in each state in which the Debtors conduct business, commencing immediately following the Effective Date, the Loewen Subsidiary Debtors organized under the laws of such state, will be restructured so as to reduce the number of Loewen Companies organized in such state to the maximum extent permissible and determined by the Debtors to be appropriate, taking into account applicable regulatory requirements and other pertinent considerations. In addition, on the Effective Date following the Reinvestment Transaction, LGII will transfer all of its assets other than its ownership interests in the Loewen Companies to a newly formed Delaware corporation that is wholly owned by LGII. Pursuant to the Plan, the Debtors and Reorganized Debtors will take such actions as may be necessary or appropriate to effect the Subsidiary Restructuring Transactions. It is contemplated that the Subsidiary Restructuring Transactions will include one or more mergers, consolidations, reorganizations, asset transfers or dissolutions as may be determined by the Debtors to be necessary or appropriate. The actions to effect the Subsidiary Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation, reorganization or dissolution containing terms that are consistent with the terms of the Plan and that satisfy any requirements of applicable law and such other terms to which these entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms to which these entities may agree; (c) the filing of appropriate certificates of merger, consolidation or dissolution or similar instruments with the applicable governmental authorities; and (d) all other actions that such entities determine to be necessary or appropriate, including making other filings or recordings that may be required by applicable law in connection with the Subsidiary Restructuring Transactions. A description of the Subsidiary Restructuring Transactions has been filed as Exhibit IV.B.1 to the Plan and is available for review in the Document Review Centers. Similar restructuring transactions involving the CCAA Debtors will be effected immediately prior to the Reinvestment Transactions pursuant to the CCAA Order. A description of the CCAA Debtor Restructuring Transactions has been filed as Exhibit I.A.28 to the Plan and is available for review in the Document Review Centers.

The consummation of the Restructuring Transactions, together with the CCAA Debtor Restructuring Transactions, is an important part of the Plan, which is intended to: (a) result in the ultimate parent company in the corporate structure being Reorganized LGII, a Delaware corporation; (b) facilitate the centralization of various operational, management and administrative activities and functions; (c) streamline Reorganized LGII's overall capital structure; and (d) permit Reorganized LGII greater access to the financial markets by the creation of a more understandable, flexible and financeable corporate structure.

Immediately following the consummation of the Restructuring Transactions, TLGI will have outstanding the same equity securities as were outstanding immediately prior to the consummation of the Restructuring Transactions, but will have: (a) no assets other than bare legal title to its NAFTA Claims and title to the outstanding membership interests of Delco; (b) no right to receive, directly or through Delco, proceeds of the NAFTA Claims; (c) no directors, officers or employees; and (d) no relationship to Reorganized LGII or any of its subsidiaries other than as a result of the transactions relating to the NAFTA Claims.

Business of Reorganized LGII

Following the consummation of the Restructuring Transactions, Reorganized LGII will continue to operate the existing businesses of TLGI, LGII and their subsidiaries. A brief description of Reorganized LGII's business is set forth below. Further information regarding the businesses and properties of, and other matters relating to, TLGI, LGII and their subsidiaries, including historical consolidated financial statements and other financial information, are contained in Exhibit III to this Disclosure Statement. The information set forth below is qualified in its entirety by reference to such other information.

It is anticipated that, as of the Effective Date, Reorganized LGII will operate approximately 950 funeral homes and approximately 346 cemeteries throughout North America and approximately 32 funeral homes in the United Kingdom. In addition to providing funeral, cemetery and cremation services at-need, Reorganized LGII will also make funeral, cemetery and cremation arrangements on a preneed basis. As part of making funeral and cremation arrangements on a preneed basis, Reorganized LGII will also operate an insurance business in support of its funeral homes. Reorganized LGII will also operate an insurance business primarily involved in the sale of preneed insurance products, though alternatives involving the disposition of this business are currently being explored.

Reorganized LGII will maintain a regional management structure that is organized in several geographic regions in the U.S., Canada and United Kingdom. Within each geographic region, markets have been identified that include both funeral homes and cemeteries. A Market General Manager has responsibility for all activities within a particular market (*i.e.*, funeral, cemetery and cremation) on both an at-need and preneed basis. The market-based management structure has been put in place during the 2000 fiscal year. As part of the implementation of this management structure, each market developed a market plan, addressing key operating issues within the market, including market share, pricing, operating costs and synergies. Each market plan also provided strategies and tactics to address those operating issues.

Reorganized LGII will maintain its principal executive offices in Toronto, Ontario and its North American administrative support centers in Cincinnati, Ohio and Vancouver, British Columbia.

Reorganized LGII's funeral homes will offer a full range of funeral services, including the collection of remains, registration of death, professional embalming, use of funeral home facilities, sale of caskets and other merchandise and transportation to a place of worship, funeral chapel, cemetery or crematorium. Substantially all of Reorganized LGII's funeral homes will have programs designed to provide a full range of merchandise and services to families choosing cremation.

Reorganized LGII's cemetery operations will assist families in making burial arrangements and will offer a complete line of cemetery products (including a selection of burial spaces, burial vaults, lawn crypts, caskets, memorials, niches and mausoleum crypts), the opening and closing of graves and cremation services.

The following table sets forth, for each of the businesses operated by TLGI, revenue earned from external sales, earnings (loss) from operations, total assets and capital expenditures for and as of the end of each of TLGI's last three fiscal years. Although TLGI has historically prepared its consolidated financial statements in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and included a note describing the material differences from, and reconciling certain line items to, U.S. GAAP, Reorganized LGII will prepare its consolidated financial statements in accordance with U.S. GAAP. All historical amounts set forth in this Disclosure Statement are presented on the basis of U.S. GAAP.

	Funeral and Cemetery	Insurance	Other	Total
	(Dollars in Thousands)			
Revenue earned from external sales:				
1999	\$ 936,272	\$ 92,182	—	\$ 1,028,454
1998	1,039,718	83,742	—	1,123,460
1997	1,024,122	91,278	—	1,115,400
Earnings (loss) from operations:				
1999	(265,148)	14,318	\$(73,826)	(324,656)
1998	(176,547)	20,518	(109,098)	(265,127)
1997	245,712	19,430	(115,106)	150,036
Total assets:				
1999	3,651,715	320,373	87,663	4,059,751
1998	4,243,186	308,883	157,582	4,709,651
1997	4,070,425	360,039	328,298	4,758,762
Capital Expenditures:				
1999	46,150	190	8,337	54,677
1998	101,051	420	6,513	107,984
1997	161,714	208	11,157	173,079

TGLI's operations are primarily in the U.S. with over 90% of its revenue and earnings (loss) from operations derived from its U.S. operations.

The foregoing historical financial information should be read in conjunction with the audited historical consolidated financial statements of TLGI, including the notes thereto, included in Exhibit III to this Disclosure Statement. As noted above, such audited historical consolidated financial statements were prepared in accordance with Canadian GAAP, and Note 20 thereto includes a description of the material differences, and a reconciliation of certain line items, between Canadian GAAP and U.S. GAAP. See "Risk Factors — Noncomparability of Historical Financial Information."

Business Plan

Following the Effective Date, management of Reorganized LGII intends to aggressively pursue a business plan designed to provide a stable platform for future growth. The key components of the business plan will be to increase revenues, reduce operating costs, upgrade information systems, build marketing and research capabilities and generate positive cash flow. Revenue increasing initiatives will include increased funeral home volume, upgraded cremation services, upgraded cremation merchandise, increased direct cremation business and increased at-need cemetery business through cross-referrals. Operating cost reduction initiatives will include restructured location management, increased efficiency through reallocation of advertising and market dollars and eliminating telemarketing expenditures and certain training costs.

Liquidity and Capital Resources

The consummation of the transactions contemplated by the Plan will result in a net reduction of approximately \$1.5 billion of total indebtedness. Reorganized LGII will nonetheless continue to be substantially leveraged following the Effective Date. See "Risk Factors — Substantial Leverage." However, management of the Debtors believes that, assuming consummation of the Plan in accordance with its terms and achievement of the Debtors' business plan, Reorganized LGII will have sufficient liquidity for the reasonably foreseeable future to

service the post-reorganization indebtedness and conduct of its business as contemplated by the Debtors' business plan. Based on the assumptions reflected herein, as of the Effective Date Reorganized LGII would have cash of approximately \$46 million available for working capital. In addition, the Effective Date is conditioned upon the Exit Financing Facility being in place. It is currently contemplated that the Exit Financing Revolving Credit Facility will consist of a secured \$100 million revolving credit facility, \$30 million of which will also be available in the form of letters of credit. See "Securities to be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Exit Financing."

Selected Historical Financial Information

The following table sets forth selected consolidated financial information for TLGI as of and for the nine months ended September 30, 2000 and 1999, and the fiscal years ended December 31, 1999, 1998 and 1997. Such selected consolidated financial information is presented on the basis of U.S. GAAP. The selected consolidated financial information set forth below should be read in conjunction with the audited and unaudited historical consolidated financial statements of TLGI, including the notes thereto, included in Exhibit III to this Disclosure Statement. As noted above, such historical consolidated financial statements were prepared in accordance with Canadian GAAP, and Note 10 to the unaudited historical consolidated financial statements and Note 20 to the audited historical consolidated financial statements include a description of the material differences, and a reconciliation of certain line items, between Canadian GAAP and U.S. GAAP. Reorganized LGII will prepare its consolidated financial statements in accordance with U.S. GAAP. See "Risk Factors — Noncomparability of Historical Financial Information."

	Nine Months Ended September 30		Year Ended December 31		
	2000	1999	1999	1998	1997
	(Dollars in Thousands)				
Income Statement Information:					
Revenue.....	\$ 681,677	\$ 805,542	\$ 1,028,454	\$ 1,123,460	\$ 1,115,400
Gross Margin	180,862	236,695	282,654	295,831	366,562
Earnings (loss) from operations	(6,161)	(821)	(324,656)	(260,127)	153,038
Net earnings (loss).....	(57,714)	(98,736)	(523,439)	(594,257)	42,231
Balance Sheet Information:					
Total assets	4,001,502	4,470,308	4,059,751	4,709,654	4,776,535
Total long-term debt (a) (b).....	74,708	73,473	91,204	2,268,014	1,793,934
Preferred securities of subsidiary (b).....	—	—	—	75,000	75,000
Liabilities subject to compromise (b).....	2,282,723	2,284,834	2,282,601	—	—
Shareholders' equity	320,011	803,044	383,075	913,365	1,524,195

(a) Total long-term debt comprises long-term debt which is not subject to compromise, including the current portion.

(b) Under-secured and unsecured debt obligations (including the MIPS, which are identified as "Preferred securities of subsidiary") have been reclassified to liabilities subject to compromise as a result of the Filings of the Reorganization Cases.

Projected Financial Information

Introduction

As a condition to confirmation of a plan of reorganization, the Bankruptcy Code requires, among other things, that the bankruptcy court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor. See "Voting and Confirmation of the Plan — Confirmation" and "Voting and Confirmation of the Plan — Feasibility." In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this feasibility standard, the Debtors' management analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan with sufficient liquidity and capital resources to conduct their businesses. In that connection, the Debtors' management developed and prepared certain projections (the "Projections") of the Debtors' operating profit, free cash flow and certain other items for the fiscal years 2000 through 2003 (the "Projection Period").

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH THEIR BUSINESS PLANS, BUDGETS OR STRATEGIES OR MAKE EXTERNAL PROJECTIONS OR FORECASTS OF THEIR ANTICIPATED FINANCIAL POSITIONS OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTORS (INCLUDING THE REORGANIZED DEBTORS) DO NOT ANTICIPATE THAT THEY WILL, AND DISCLAIM ANY OBLIGATION TO, FURNISH UPDATED BUSINESS PLANS, BUDGETS OR PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO STOCKHOLDERS OR DEBTHOLDERS AFTER THE EFFECTIVE DATE OR TO INCLUDE SUCH INFORMATION IN DOCUMENTS REQUIRED TO BE FILED WITH THE SEC, ANY CSA OR ANY STOCK EXCHANGE OR OTHERWISE MAKE SUCH INFORMATION PUBLICLY AVAILABLE.

The Projections should be read in conjunction with the assumptions, qualifications and explanations set forth herein and the historical consolidated financial information (including the notes and schedules thereto) included in Exhibit III to this Disclosure Statement. Such historical consolidated financial statements were prepared in accordance with Canadian GAAP, and Note 10 to the unaudited historical consolidated financial statements and Note 20 to the audited historical consolidated financial statements include a description of the material differences, and a reconciliation of certain line items, between Canadian GAAP and U.S. GAAP. Reorganized LGII will prepare its consolidated financial statements in accordance with U.S. GAAP, and the Projections reflect U.S. GAAP. See "Risk Factors — Noncomparability of Historical Financial Information."

In addition, in December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which sets forth the SEC staff's views on the application of existing generally accepted accounting principles to revenue recognition in financial statements. The implementation date of SAB 101 applicable to TLGI has been deferred to December 31, 2000. As a result of SAB 101, the Debtors anticipate changing their preneed revenue recognition policies primarily to:

- recognize sales of pre-arranged funerals and preneed cemetery merchandise and services at time of delivery or performance of services;
- recognize sales of preneed cemetery spaces when interment right title is transferred; and
- expense selling expenses incurred in connection with sales of pre-arranged funerals and preneed cemetery merchandise, services and spaces immediately.

The audited consolidated financial statements for the year ended December 31, 2000 will adopt these revised accounting policies effective January 1, 2000. This change in accounting policy will be applied prospectively only, and fiscal years 1999 and earlier will not be restated. See "Risk Factors — Noncomparability of Historical Financial Information."

Principal Assumptions for the Projections

The Projections are based on, and assume the successful implementation of, the Debtors' business plan. Both the Debtors' business plan and the Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions and other matters, most of which are beyond the control of the Debtors or the Reorganized Debtors. Specific risks and uncertainties that may affect the accuracy of the Projections include, among others, those relating to: (a) the successful completion of the asset disposition program; (b) the ability of the Reorganized Debtors to increase revenues and control costs of funeral and cemetery operations through the implementation of the Debtors' business plan; (c) the ability of the Reorganized Debtors to reduce general and administrative expenses through the implementation of the Debtors' business plan; (d) the ability of the Reorganized Debtors to build marketing and research capabilities; (e) the ability of the Reorganized Debtors to generate positive cash flow through the implementation of the Debtors' business plan; (f) the expected enhancements to the ability of the Reorganized Debtors to attract and exploit business opportunities; (g) the effect that the new Board of Directors of Reorganized LGII will have on the implementation of the Debtors' business plan; (h) the ability of the Reorganized Debtors to respond to any existing or new competition within their markets; and (i) the effect of any new or amended legislation applicable to the businesses of the Reorganized Debtors. *Therefore, although the Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will vary from the Projections. These variations may be material. Accordingly, no representation can be or is being made with respect to the accuracy of the Projections or the ability of the Reorganized Debtors to achieve the Projections.* See "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors and of various risks associated with the Plan.

Although the Debtors believe that the assumptions underlying the Projections, when considered on an overall basis, are reasonable in light of current circumstances, no assurance can be or is given that the Projections will be realized. *In deciding whether to vote to accept or reject the Plan, holders of Claims must make their own determinations as to the reasonableness of such assumptions and the reliability of the Projections.* See "Risk Factors."

The independent auditors for TLGI have not examined nor compiled the Projections presented herein and, accordingly, assume no responsibility for them. Moreover, the Projections have not been prepared to comply with guidelines established with respect to projections by the SEC, any CSA, the American Institute of Certified Public Accountants or the Canadian Institute of Chartered Accountants.

Information relating to the principal assumptions used in preparing the Projections is set forth below:

(a) *Effective Date; Plan Terms.* The Projections assume Confirmation of the Plan and that all transactions contemplated by the Plan to be consummated by the Effective Date will be consummated as of March 31, 2001. The Projections also assume that:

- the total amount of each Class of Allowed Claims is the estimated amount as set forth in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests"; and
- the total amount of reorganization expenses in fiscal years 2000 and 2001 is \$41 million (including \$0.3 million of non-cash charges) and \$53 million, respectively.

See "Overview of the Plan" for a brief summary of the principal provisions of the Plan, including the classification and treatment of Claims and Interests, the principal financial terms of certain securities to be issued pursuant to the Plan and other post-reorganization indebtedness and conditions to Confirmation and consummation of the Plan.

(b) *General Economic Conditions.* The Projections were prepared based on assumptions that economic conditions existing at the time the Projections were prepared will last throughout the Projection Period and that the general economic climate in the U.S. and Canada remains relatively stable.

(c) *Asset Disposition Program.* The Projections assume the completion of the asset disposition program by December 31, 2000 and the receipt of aggregate net cash proceeds of \$130 million in connection therewith. See "Operations During the Reorganization Cases — Post-Petition Asset Disposition Program" for a brief description of the asset disposition program.

(d) *Potential Non-Strategic Insurance Company Sale.* The Projections assume a potential sale of a non-strategic insurance company by December 31, 2000, from which \$35 million will be available for distribution to creditors after payment of taxes and the retention of regulatory capital within the insurance group.

(e) *Blackstone Settlement.* The Projections assume that the transactions contemplated by the Blackstone Settlement will be consummated on the Effective Date and that, as a result, from and after the Effective Date, Reorganized LGII will own all or substantially all of the outstanding capital stock of Rose Hills. Accordingly, from and after the Effective Date, the financial statements of Reorganized LGII will reflect the financial condition and results of operation of Rose Hills. The Projections take into account certain projected financial information regarding Rose Hills available to the Debtors; however, such information was not developed or prepared by the Debtors and, accordingly, may not reflect adjustments for fresh-start accounting and the implementation of SAB 101 that the Debtors would determine to be appropriate if the Debtors had developed and prepared such information.

(f) *Revenue from Funeral and Cemetery Operations.* The Projections assume that revenue from funeral and cemetery operations for the 2000 fiscal year will decrease approximately 12% compared to the 1999 fiscal year due to (i) the performance of fewer funeral services, (ii) the disposition of 124 cemetery properties at March 31, 1999 and (iii) fewer preneed cemetery sales as a result of the implementation of preneed sales contract term changes effected in the second quarter of 1999 and additional changes effected in the second quarter of 2000. See "Certain Events Preceding the Debtors' Chapter 11 Filing — Management Changes, Restructuring Efforts and Asset Sales." The implementation of the preneed sales contract term changes in the second quarter of 2000 resulted in a significant drop in sales, primarily due to a significant reduction in the number of salespeople. The Debtors are reviewing and implementing strategies to increase the number of salespeople and thus increase the level of preneed sales. The Projections assume these strategies will be effectively implemented. The Projections assume that during the Projection Period, revenue from funeral and cemetery operations will increase at an average annual rate of approximately 3%. The assumed increases are based on the assumption that the market plans developed during the 2000 fiscal year in connection with the implementation of the Debtors' new market-based management structure, as well as the Debtors' overall business plan, will be effectively implemented. These market plans include strategies and tactics to address, among other things, market share, pricing and preneed sales on a market specific basis. The Debtors' overall business plan contemplates several consumer initiatives that will be implemented across all markets.

(g) *Revenues from Insurance Operations.* The Projections assume that for 2001 through 2003, the Reorganized Debtors continue to sell preneed funerals funded by insurance and that the percentage of funerals funded by a subsidiary of Reorganized LGII continues to increase. Investment income from insurance assets included in the Projections is based on current yields applied to projected balances of insurance assets.

(h) *Costs and Expenses of Funeral and Cemetery Operations.* The Projections assume that costs and expenses of funeral and cemetery operations for the 2000 fiscal year will decrease approximately 12% compared to the 1999 fiscal year due to (i) the performance of fewer funeral services, (ii) the disposition of 124 cemetery properties at March 31, 1999 and (iii) fewer preneed cemetery sales as a result of the implementation of preneed sales contract term changes effected in the second quarter of 1999 and additional changes effected in the second quarter of 2000. The Projections assume that during the Projection Period, costs of funeral and cemetery operations will increase at an average annual rate of

approximately 2%. The assumed increases are based on assumptions as to the costs to be incurred in connection with the implementation of regional marketing plans and the effect of inflation on wages and merchandise costs. See "— Business of Reorganized LGII."

(i) *Costs and Expenses of Insurance Operations.* The Projections assume that the historical commission structure is applied to the projected level of sales and that administrative costs will increase by 2%.

(j) *Trust and Finance Income.* Trust income from perpetual care and merchandise trust funds included in the Projections is based on current yields applied to projected balances of such trust funds. Trust fund balances are based on cash receipts from cemetery preneed sales and the required trusting on those cash receipts. Finance income included in the Projections is based on assumed collections of existing and projected cemetery preneed accounts receivable. Assumed collections of preneed cemetery accounts receivable are based on historical experience and the projected mix of contract terms for new sales.

(k) *G & A Expenses.* The Projections assume that general and administrative expense for the 2000 through 2002 fiscal years will decrease by approximately 8%, 17% and 15%, respectively, as compared to each previous year. The Projections assume that initiatives to implement new information systems, to reduce corporate overhead costs and to reengineer administrative processes will be implemented through 2000 and 2001 resulting in decreases in expenses that will offset a 2% increase in base expenses. The Projections assume that during the 2003 fiscal year, general and administrative expense will increase by approximately 2%, based on the effect of inflation.

(l) *Capital Expenditures.* The Projections assume cash capital expenditures of \$49.6, \$38.1, \$36.8 and \$38.5 million for the 2000, 2001, 2002 and 2003 fiscal years, respectively. These assumed capital expenditures relate primarily to the ongoing replacement of fixed assets, development costs of additional cemetery property to meet projected sales and, to a limited extent, construction of new funeral homes in markets where appropriate.

(m) *Income Taxes.* The Projections make the following assumptions with respect to U.S. federal income taxes:

- For book purposes, tax expense (U.S. federal, state and local and foreign) on LGII's 2001 pre-tax book income for the Existing Accounting Policies case is estimated to be \$12 million. This is comprised of \$10 million of estimated cash taxes and \$2 million of estimated deferred taxes. Tax expense for this period exceeds the expected statutory rate of 40% times pre-tax income, because losses incurred in particular jurisdictions may not reduce cash taxes in other jurisdictions, and because of valuation allowances that must be established under U.S. GAAP against certain of LGII's tax assets. Tax expense for 2001 for the New Accounting Policies case under SAB 101 is estimated to be \$10 million (comprised entirely of cash taxes, equal to cash taxes computed under the Existing Accounting Policies case). This expense exceeds the expected statutory rate of 40% times pre-tax income, because payments made on preneed contracts entered into before January 1, 2001 are generally included in income when received for tax purposes, but not for book purposes under SAB 101. For purposes of the New Accounting Policies case, the benefit of any deferred tax assets that may be created with respect to 2001 has not been reflected in the financial statements.
- For book purposes in 2002 and 2003, the effective rate of tax (U.S. federal, state and local and foreign) on LGII's pre-tax book income for the Existing Accounting Policies case is estimated to be 50%. This effective rate exceeds the cash tax rate (estimated to be 40% of Existing Accounting Policies case pre-tax book income) because it reflects the book impact of reorganization value in excess of identifiable

assets (which is amortizable for book but not for tax) as well as valuation allowances that must be established under U.S. GAAP against certain of LGII's tax assets. For book purposes in 2002 and 2003, the amount of tax on LGII's pre-tax book income for the New Accounting Policies case under SAB 101 is estimated to be equal to the amount of cash taxes computed under the Existing Account Policies case. This amount exceeds the statutory tax rate times pre-tax income for 2002 and 2003 principally because payments made on preneed contracts entered into before January 1, 2001 are generally included in income when received for tax purposes but not for book purposes under SAB 101. For purposes of the New Accounting Policies case, the benefit of any deferred tax assets that may be created with respect to the years in question has not been reflected in the financial statements.

- The LGII affiliated group does not have a net unrealized built-in loss (as that term is defined in section 382(h)(3) of the Internal Revenue Code), and therefore no 382 limitation will apply to limit any recognized built-in loss deductions to be claimed on post-Effective Date returns; and the LGII affiliated group will not receive the benefit of any carryover under section 163(j) of the Internal Revenue Code.
- Income earned by Reorganized LGII and its subsidiaries post-Effective Date will be subject to tax in Canada and the United States in relatively the same proportions as income earned in the past.

(n) *Post-Reorganization Debt.* The Projections assume that (i) \$250 million aggregate principal amount of New Five-Year Secured Notes will be issued pursuant to the Plan, (ii) no New Two-Year Unsecured Notes will be issued pursuant to the Plan and (iii) \$325 million aggregate principal amount of New Seven-Year Unsecured Notes will be issued pursuant to the Plan. The Projections also assume that such New Five-Year Secured Notes and New Seven-Year Unsecured Notes will have the terms described in "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Five-Year Secured Notes" and "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Seven-Year Unsecured Notes," respectively, and that no New Five-Year Secured Notes or New Seven-Year Unsecured Notes will be redeemed during the Projection Period.

The Projections assume that the Exit Financing Term Loan Closing does not occur and that no amounts will be drawn under the Exit Financing Revolving Credit Facility as of the Effective Date or during the Projection Period.

The Projections assume that (i) the New Unsecured Subordinated Note in an original principal amount of \$25 million will be issued pursuant to the Blackstone Settlement, (ii) the New Unsecured Subordinated Note will have the terms described in "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Unsecured Subordinated Note" and (iii) as discussed above, from and after the Effective Date Reorganized LGII will own all or substantially all of the outstanding capital stock of Rose Hills. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Rose Hills Indebtedness" for a description of certain indebtedness of Rose Hills. The Projections also assume that the New Unsecured Subordinated Note will not be redeemed or converted, in whole or in part, during the Projection Period.

The Projections assume that approximately \$70 million of other debt, secured promissory notes and capitalized leases will continue post-reorganization. The Projections assume that this other debt will be repaid at the estimated rate of \$0.7 per month beginning with the Effective Date.

(o) *Fresh-Start Reporting.* The American Institute of Certified Public Accountants has issued a Statement of Position on Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (the "Reorganization SOP"). The Projections have been prepared in accordance with the "fresh-start" reporting principles set forth in the Reorganization SOP, giving effect thereto as of March 31, 2000. The principal effects of the application of these fresh-start reporting principles are summarized below:

- Under the Reorganization SOP, Reorganized LGII will be required to record as an intangible asset the excess, if any, of its total reorganization value over the fair value of its identifiable net assets ("Reorganization Goodwill") as of the Effective Date, to be amortized over a period which in accordance with the Reorganization SOP, generally is to be substantially less than 40 years. For the purposes of the Projections, it has been assumed that the leveraged net equity balance as of the Effective Date is approximately \$684 million. The Projections also assume that the fair value of Reorganized LGII's fixed assets and other non-current assets, other than cemetery property, is equal to the projected net book value of such assets as of the Effective Date. For the purposes of the Projections, the fair value of cemetery property is assumed to be based upon the discounted sales price of available developed and undeveloped inventory and an assumed normal profit margin before selling expenses. Based on these assumptions, the assumed reorganization value of Reorganized LGII as of the Effective Date would exceed the assumed fair value of Reorganized LGII's assets by approximately \$133 million. For purposes of the Projections, such amount or Reorganization Goodwill is reflected as an intangible asset to be amortized on a straight-line basis over an assumed 20-year period.
- *The foregoing assumptions and resulting computations were made solely for purposes of preparing the Projections. Reorganized LGII will be required to determine the amount by which its reorganization value as of the Effective Date exceeds, or is less than, the fair value of its assets as of the Effective Date. Such determination will be based upon the fair values as of that time, which could be materially higher or lower than the values assumed in the foregoing computations and may be based on, among other things, a different methodology with respect to the valuation of Reorganized LGII's reorganization value. In all events, such valuation, as well as the determination of the fair value of Reorganized LGII's assets and the determination of its actual liabilities, will be made as of the Effective Date, and the changes between the amounts of any or all of the foregoing items as assumed in the Projections and the actual amounts thereof as of the Effective Date may be material.*

(p) *SAB 101 Revenue Recognition Assumptions.* The Projections that have been restated to reflect the adoption of changes to accounting policies in response to SAB 101 (*i.e.*, the New Accounting Policies case) assume that:

- The prearranged funeral and cemetery revenue recorded on January 1, 2000, upon implementation of SAB 101, is based on estimates of contracts for merchandise and services not yet delivered or performed. TLGI is implementing new cemetery accounting systems to capture all unserviced contracts, which will assist in refining the amount of deferred revenue to be recorded on January 1, 2000.
- Under fresh-start reporting principles, the deferred prearranged cemetery revenue as of the Effective Date has been recorded at its estimated fair value, or the current cost of any obligation.
- Deferred revenue related to space sales is recognized based on the contract terms of existing accounts receivable and projected sales after allowing for certain levels of cancellations.
- Deferred revenue related to merchandise sales is recognized based on the contract terms of existing accounts receivable and projected sales after allowing for certain levels of cancellations and delays in ordering merchandise after contract payment is complete.

- Deferred revenue related to cemetery services is recognized based on expected performance of those services.
- Costs related to deferred space and merchandise sales are based on current margins and are recognized concurrently with the revenue.

Such Projections reflect the accounting policies currently expected to be implemented effective January 1, 2000. However, as a result of ongoing discussions with the SEC regarding the application of SAB 101 to the Debtors, the accounting policies ultimately adopted by the Debtors may differ from those reflected in the Projections.

Projections

The projected consolidated financial statements of Reorganized LGII set forth below have been prepared based on the assumption that the Effective Date is March 31, 2001. Although the Debtors presently intend to seek to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when the Effective Date actually will occur.

The Reorganized LGII Projected Consolidated Balance Sheet as of March 31, 2001 (the "Effective Date Balance Sheet") set forth below presents: (a) the projected consolidated financial position of TLGI prior to the assumed Confirmation and the consummation of the transactions contemplated by the Plan on March 31, 2001; (b) the projected adjustments to such projected consolidated financial position required to reflect Confirmation and the consummation of the transactions contemplated by the Plan (collectively, the "Balance Sheet Adjustments"); and (c) the projected consolidated financial position of Reorganized LGII, after giving effect to the Balance Sheet Adjustments, as of March 31, 2001. The Balance Sheet Adjustments set forth in the columns captioned "Debt Discharge" and "Fresh-Start" reflect the assumed effects of Confirmation and the consummation of the transactions contemplated by the Plan, including the settlement of various liabilities and related securities issuances and cash payments. The various Balance Sheet Adjustments are described in greater detail in the Notes to the Reorganized LGII Projected Balance Sheet.

The TLGI and Reorganized LGII Projected Consolidated Balance Sheets set forth below present (a) the projected consolidated financial position of TLGI at the end of 2000 and (b) the projected consolidated financial position of Reorganized LGII, after giving effect to Confirmation and the consummation of the transactions contemplated by the Plan, as of the end of each of 2001, 2002 and 2003.

The TLGI and Reorganized LGII Projected Consolidated Statements of Operations set forth below present (a) the projected consolidated results of operations of TLGI for the year ending December 31, 2000 and the period commencing January 1, 2001 and ending March 31, 2001 and (b) the projected consolidated results of operations of Reorganized LGII for the period commencing April 1, 2001 and ending December 31, 2001 and for each of 2002 and 2003.

The TLGI and Reorganized LGII Projected Consolidated Statements of Cash Flows set forth below present (a) the projected consolidated cash flows of TLGI for the fiscal year ending December 31, 2000 and the period commencing January 1, 2001 and ending March 31, 2001 and (b) the projected cash flows of Reorganized LGII for the period commencing April 1, 2001 and ending December 31, 2001 and for each of 2002 and 2003.

The Reorganized LGII Projected Consolidated Capitalization Table set forth below presents the projected capitalization of Reorganized LGII, after giving effect to the assumed Confirmation and the consummation of the transactions contemplated by the Plan on March 31, 2001, as of the Effective Date and the end of each of 2001, 2002 and 2003.

The Reorganized LGII Projected Consolidated Balance Sheet as of March 31, 2001, the TLGI and Reorganized LGII Projected Consolidated Balance Sheets, the TLGI and Reorganized LGII Projected Consolidated Statements of Operations, the TLGI and Reorganized LGII Projected Consolidated Statements of Cash Flows and the Reorganized LGII Consolidated Capitalization Table are presented first based on TLGI's existing accounting

policies with respect to preneed revenue recognition (*i.e.*, the Existing Accounting Policies case). Such projected financial statements are thereafter restated to reflect the adoption of changes to accounting policies with respect to preneed revenue recognition in response to SAB 101 as currently expected to be implemented effective January 1, 2000 (*i.e.*, the New Accounting Policies case). See "— Introduction" and "—Principal Assumptions for the Projections."

REORGANIZED LGII
PROJECTED CONSOLIDATED BALANCE SHEET
(EXISTING ACCOUNTING POLICIES)
MARCH 31, 2001
(Unaudited)
(Dollars in Thousands)

	<u>Projected Preconfirmation Balance Sheet</u>	<u>Adjustments to Record Confirmation of Plan</u>		<u>Reorganized Balance Sheet</u>
		<u>Debt Discharge</u>	<u>Fresh Start and Other Adjustments</u>	
ASSETS				
Current assets				
Cash.....	\$ 310,050	\$ (10,000)(a) (53,900)(b) (200,000)(c)		\$ 46,150
Receivables, net of allowances	229,722		\$ 11,753 (d)	241,475
Inventories	27,231		1,116 (d)	28,347
Prepaid expenses	<u>10,374</u>		<u>3,914 (d)</u>	<u>14,288</u>
	577,377	(263,900)	16,783	330,260
Long-term receivables, net of allowances	411,370		21,827 (d)	433,197
Cemetery property	905,918		(668,159)(d)	237,759
Property and equipment.....	617,014		(28,443)(d)	588,571
Names and reputations	606,526		(606,526)(d)	—
Reorganization value in excess of				
Identifiable assets	—		132,525 (e)	132,525
Insurance invested assets	109,972		—	109,972
Deferred taxes	3,486		(3,486)(d)	—
Pre-arranged funeral services	406,735		10,442 (d)	417,177
Other assets	<u>174,555</u>	<u>10,000 (a)</u>	<u>(147,446)</u>	<u>37,109</u>
	<u>\$3,812,953</u>	<u>\$ (253,900)</u>	<u>\$(1,272,483)</u>	<u>\$ 2,286,570</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 91,419		\$ 9,027 (d)	\$ 100,446
Long-term debt, current portion	<u>20,000</u>	<u>\$ 10,000 (c)</u>	<u>7,000 (d)</u>	<u>37,000</u>
	111,419	10,000	16,027	137,446
Long-term debt, net of current portion.....	60,000	555,000 (c)	168,000 (d)	783,000
Other liabilities	439,007	(234,000)(c)	10,839 (d)	215,846
Insurance policy liabilities	60,043			60,043
Deferred taxes	146,528		(146,528)(d)	—
Deferred pre-arranged revenue	<u>406,735</u>			<u>406,735</u>
	1,223,733	331,000	48,338	1,603,070
Liabilities subject to compromise	2,261,160	(2,261,160)(c)		—
Stockholders' equity (deficit).....	328,061	1,730,160 (c) (53,900)(b)	(1,404,905)(d) 84,084 (e)	683,500
	<u>\$3,812,953</u>	<u>\$ (253,900)</u>	<u>\$(1,272,483)</u>	<u>\$ 2,286,570</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

**NOTES TO REORGANIZED LGII PROJECTED CONSOLIDATED BALANCE SHEET
(EXISTING ACCOUNTING POLICIES)**

- (a) Reflects financing fees and expenses associated with the establishment of the New Five-Year Secured Notes, the New Two-Year Notes, the New Seven-Year Unsecured Notes, the Exit Financing Revolving Credit Facility and the New Unsecured Subordinated Note.
- (b) Reflects the payment of (i) Administrative Claims, (ii) Class 2 and 3 Claims and (iii) certain professional fees and other expenses related to the Reorganization Cases and the CCAA Proceedings.
- (c) Reflects settlement of liabilities subject to compromise and other transactions in connection with the Plan.
- (d) Reflects (i) the write-off of the excess of cost over the net assets acquired in previous acquisitions and the write-down of identifiable assets to fair value in accordance with fresh-start reporting and (ii) consolidation of Rose Hills as a result of the Blackstone Settlement.
- (e) Reflects the reorganization value in excess of amounts allocable to identifiable assets in accordance with fresh-start reporting.

TLGI AND REORGANIZED LGII
PROJECTED CONSOLIDATED BALANCE SHEETS
(EXISTING ACCOUNTING POLICIES)

(Unaudited)

(Dollars in Thousands)

	<u>TLGI</u>	<u>Reorganized LGII</u>		
	<u>December 31,</u> <u>2000</u>	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2003</u>
ASSETS				
Current assets				
Cash	\$ 292,298	\$ 76,464	\$ 105,632	\$ 89,033
Receivables, net of allowances	234,561	234,206	227,199	229,707
Inventories	27,231	28,422	28,522	28,622
Prepaid expenses	<u>10,374</u>	<u>14,213</u>	<u>14,113</u>	<u>14,013</u>
	564,464	353,305	375,466	361,375
Long-term receivables, net of allowances	410,695	446,418	466,642	476,504
Cemetery property	901,293	250,785	265,953	282,547
Property and equipment	626,173	563,142	531,301	498,507
Reorganization value in excess of identifiable assets	609,236	126,056	109,786	93,013
Insurance invested assets	109,972	109,972	110,472	111,672
Deferred taxes	3,486	—	—	—
Pre-arranged funeral services	413,767	399,320	374,563	348,893
Other assets	<u>173,263</u>	<u>49,428</u>	<u>64,571</u>	<u>76,178</u>
	<u>\$3,812,348</u>	<u>\$2,298,426</u>	<u>\$2,298,754</u>	<u>\$2,248,689</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 94,271	\$ 101,197	\$ 102,864	\$ 104,756
Long-term debt, current portion	<u>20,000</u>	<u>37,000</u>	<u>86,000</u>	<u>124,000</u>
	114,271	138,197	188,864	228,756
Long-term debt, net of current portion	61,534	771,300	693,426	576,826
Other liabilities	437,627	219,657	226,041	229,833
Insurance policy liabilities	60,043	60,043	60,043	60,043
Deferred tax liabilities	146,028	—	—	—
Deferred pre-arranged revenue	<u>413,767</u>	<u>387,071</u>	<u>360,004</u>	<u>332,124</u>
	1,233,270	1,576,268	1,528,378	1,427,582
Liabilities subject to compromise	2,277,360	—	—	—
Stockholders' equity				
Common shares	1,276,414	683,500	683,500	683,500
Preferred shares	157,144	—	—	—
Retained earnings (deficit)	<u>(1,131,840)</u>	<u>38,658</u>	<u>86,876</u>	<u>137,607</u>
	301,718	722,158	770,376	821,107
	<u>\$3,812,348</u>	<u>\$2,298,426</u>	<u>\$2,298,754</u>	<u>\$ 2,248,689</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

TLGI AND REORGANIZED LGII
PROJECTED CONSOLIDATED STATEMENTS OF OPERATIONS
(EXISTING ACCOUNTING POLICIES)
(Unaudited)
(Dollars in Thousands)

	TLGI		Reorganized LGII	Fiscal 2001	Reorganized LGII	
	Fiscal 2000	Jan. 1, 2001- Mar. 31, 2001	Apr. 1, 2001- Dec. 31, 2001		Fiscal 2002	Fiscal 2003
Revenue						
Funeral and cemetery	\$ 828,303	\$ 191,944	\$ 609,800	\$ 801,744	\$ 850,395	\$ 881,724
Insurance	<u>99,035</u>	<u>13,550</u>	<u>40,650</u>	<u>54,200</u>	<u>76,000</u>	<u>88,400</u>
	927,338	205,494	650,450	855,944	926,395	970,124
Expenses						
Funeral and cemetery	590,293	122,638	395,401	518,039	549,208	575,957
Insurance	<u>79,601</u>	<u>13,550</u>	<u>40,650</u>	<u>54,200</u>	<u>75,500</u>	<u>87,200</u>
	<u>669,894</u>	<u>136,188</u>	<u>436,051</u>	<u>572,239</u>	<u>624,708</u>	<u>663,157</u>
Gross Margin.....	257,444	69,306	214,399	283,705	301,687	306,967
Expenses						
General and administrative.....	91,386	25,047	59,816	84,863	71,722	73,023
Depreciation and amortization	65,771	16,711	31,548	48,259	39,871	40,692
Asset impairment.....	<u>92,031</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings (loss) from operations.....	8,256	27,548	123,035	150,583	190,094	193,252
Interest expense, net	14,422	3,393	67,361	70,754	87,032	85,166
Amortization of reorganization value in excess of amounts allocable to identifiable assets.....	—	—	4,970	4,970	6,626	6,626
Reorganization costs.....	41,433	49,934	3,177	53,111	—	—
Loss (gain) on disposal of assets.....	58,464	—	—	—	—	—
Fresh-start valuation change	<u>—</u>	<u>1,404,905</u>	<u>—</u>	<u>1,404,905</u>	<u>—</u>	<u>—</u>
Earnings (loss) before income taxes and extraordinary gain.....	(106,063)	(1,430,684)	47,527	(1,383,157)	96,436	101,460
Income taxes	<u>33,647</u>	<u>3,000</u>	<u>9,000</u>	<u>12,000</u>	<u>48,218</u>	<u>50,731</u>
Earnings (loss) before extraordinary gain.....	(139,710)	(1,433,684)	38,527	(1,395,157)	48,218	50,729
Extraordinary gain on debt discharge	<u>—</u>	<u>1,730,160</u>	<u>—</u>	<u>1,730,160</u>	<u>—</u>	<u>—</u>
Net earnings	<u>\$ (139,710)</u>	<u>\$ 296,476</u>	<u>\$ 38,527</u>	<u>\$ 335,003</u>	<u>\$ 48,218</u>	<u>\$ 50,729</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

TLGI AND REORGANIZED LGII
PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXISTING ACCOUNTING POLICIES)
(Unaudited)
(Dollars in Thousands)

	<u>TLGI</u>		<u>Reorganized LGII</u>		<u>Reorganized LGII</u>	
	<u>Fiscal 2000</u>	<u>Jan. 1, 2001- Mar. 31, 2001</u>	<u>Apr. 1, 2001- Dec. 31, 2001</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
CASH PROVIDED BY (APPLIED TO)						
Operations						
Net earnings (loss)	\$ (139,710)	\$ 296,476	\$ 38,527	\$ 335,003	\$ 48,218	\$ 50,729
Items not affecting cash						
Depreciation and amortization	82,226	20,611	46,438	67,049	59,853	60,805
Amortization of reorganization value in excess of identifiable assets	—	—	4,970	4,970	6,626	6,626
Amortization of debt issue costs	2,977	847	212	1,059	282	282
Deferred tax expenses	—	500	1,500	2,000	9,644	10,146
Gain on discharge of debt	—	(1,946,360)	—	(1,946,360)	—	—
Fresh-start valuation change	—	1,404,905	—	1,404,905	—	—
Provision for impairment	92,031	—	—	—	—	—
Gain/Loss on disposition	58,464	—	—	—	—	—
Other non-cash	34,562	603	(3,177)	(2,574)	(1,829)	2,369
Other, including net changes in other non-cash balances	(20,305)	(5,125)	(24,892)	(30,017)	(36,776)	(39,006)
	<u>110,245</u>	<u>(227,543)</u>	<u>63,578</u>	<u>(163,965)</u>	<u>86,018</u>	<u>91,951</u>
Investing						
Insurance invested assets, net	(47,623)	—	—	—	(500)	(1,200)
Capital expenditures	(25,131)	(7,073)	(21,375)	(28,448)	(28,500)	(28,500)
Proceeds from asset sale	<u>214,642</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>141,888</u>	<u>(7,073)</u>	<u>(21,375)</u>	<u>(28,448)</u>	<u>(29,000)</u>	<u>(29,700)</u>
Financing						
Increase (decrease) in debt	(14,216)	(1,534)	(11,887)	(13,421)	(27,850)	(78,850)
Debt issue costs	(785)	(10,000)	—	(10,000)	—	—
	<u>(15,001)</u>	<u>(11,534)</u>	<u>(11,887)</u>	<u>(23,421)</u>	<u>(27,850)</u>	<u>(78,850)</u>
Increase (decrease) in cash	237,132	(246,150)	30,316	(215,834)	29,168	(16,599)
Cash, beginning of period	<u>55,166</u>	<u>292,298</u>	<u>46,148</u>	<u>292,298</u>	<u>76,464</u>	<u>105,632</u>
Cash, end of period	<u>\$ 292,298</u>	<u>\$ 46,148</u>	<u>\$ 76,464</u>	<u>\$ 76,464</u>	<u>\$ 105,632</u>	<u>\$ 89,033</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

REORGANIZED LGII
PROJECTED CONSOLIDATED CAPITALIZATION TABLE
(EXISTING ACCOUNTING POLICIES)
(Unaudited)
(Dollars in Thousands)

	Reorganized LGII			
	<u>March 31,</u> <u>2001</u>	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2003</u>
Cash.....	\$ 46,150	\$ 76,464	\$ 105,632	\$ 89,033
Short-term debt				
Long-term debt, current portion	<u>37,000</u>	<u>37,000</u>	<u>86,000</u>	<u>124,000</u>
Total short-term debt and current portion of long-term debt.....	37,000	37,000	86,000	124,000
Long-term debt				
New Five-Year Secured Notes	240,000	240,000	220,000	190,000
Rose Hills Term Facility	59,000	50,000		
New Seven-Year Unsecured Notes	325,000	325,000	325,000	325,000
Rose Hills Notes	80,000	80,000	80,000	
New Unsecured Subordinated Note.....	25,000	25,000	25,000	25,000
Secured promissory notes and capitalized leases	<u>54,000</u>	<u>51,300</u>	<u>43,426</u>	<u>36,826</u>
Total long-term debt	<u>783,000</u>	<u>771,300</u>	<u>693,426</u>	<u>576,826</u>
Total debt	820,000	808,300	779,426	700,826
Stockholders' equity				
Common shares	683,500	683,500	683,500	683,500
Retained earnings (deficit).....	<u>—</u>	<u>38,658</u>	<u>86,876</u>	<u>137,607</u>
Total stockholders' equity	<u>683,500</u>	<u>722,158</u>	<u>770,376</u>	<u>821,107</u>
Total capitalization	<u>\$1,503,500</u>	<u>\$1,530,458</u>	<u>\$1,549,802</u>	<u>\$1,521,933</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

REORGANIZED LGII
PROJECTED CONSOLIDATED BALANCE SHEET
(NEW ACCOUNTING POLICIES)
MARCH 31, 2001
(Unaudited)
(Dollars in Thousands)

	<u>Projected Preconfirmation Balance Sheet</u>	<u>Adjustments to Record Confirmation of Plan</u>		<u>Reorganized Balance Sheet</u>
		<u>Debt Discharge</u>	<u>Fresh Start and Other Adjustments</u>	
ASSETS				
Current assets				
Cash.....	\$ 310,050	\$ (10,000)(a) (53,900)(b) (200,000)(c)		\$ 46,150
Receivables, net of allowances	229,722		\$ 11,753 (d)	241,475
Inventories	27,231		1,116 (d)	28,347
Prepaid expenses	<u>10,374</u>		<u>3,914 (d)</u>	<u>14,288</u>
	577,377	(263,900)	16,783	330,260
Long-term receivables, net of allowances	411,370		21,827 (d)	433,197
Cemetery property	968,332		(640,469)(d)	327,863
Property and equipment.....	617,014		(28,443)(d)	588,571
Names and reputations	606,526		(606,526)(d)	—
Reorganization value in excess of				
Identifiable assets	—		120,342 (e)	120,342
Insurance invested assets	109,972		—	109,972
Deferred taxes	3,486		(3,486)(d)	—
Pre-arranged funeral services	405,698		10,442 (d)	416,140
Other assets	<u>62,764</u>	<u>10,000 (a)</u>	<u>(35,654) (d)</u>	<u>37,110</u>
	<u>\$ 3,762,539</u>	<u>\$ (253,900)</u>	<u>\$ (1,145,184)</u>	<u>\$2,363,455</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 93,906		\$ 9,027 (d)	\$ 102,933
Long-term debt, current portion	<u>20,000</u>	<u>\$ 10,000 (c)</u>	<u>7,000 (d)</u>	<u>37,000</u>
	113,906	10,000	16,027	139,933
Long-term debt, net of current portion	60,000	555,000 (c)	168,000 (d)	783,000
Other liabilities	283,273	(234,000)(c)	166,573 (d)	215,846
Insurance policy liabilities	60,043			60,043
Deferred taxes	146,028		(146,028) (d)	—
Deferred pre-arranged revenue	<u>1,428,185</u>		<u>(947,052) (d)</u>	<u>481,133</u>
	2,091,435	331,000	(742,480)	1,679,955
Liabilities subject to compromise.....	2,261,160	(2,261,160)(c)		—
Stockholders' equity (deficit).....	(590,056)	1,730,160 (c) (53,900)(b)	(474,605) (d) 71,901 (e)	683,500
	<u>\$ 3,762,539</u>	<u>\$ (253,900)</u>	<u>\$ (1,145,184)</u>	<u>\$2,363,455</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

**NOTES TO REORGANIZED LGII PROJECTED CONSOLIDATED BALANCE SHEET
(NEW ACCOUNTING POLICIES)**

- (a) Reflects financing fees and expenses associated with the establishment of the New Five-Year Secured Notes, the New Seven-Year Unsecured Notes, the Exit Financing Revolving Credit Facility and the New Unsecured Subordinated Note.
- (b) Reflects the payment of (i) Administrative Claims, (ii) Class 2 and 3 Claims and (iii) certain professional fees and other expenses related to the Reorganization Cases and the CCAA Proceedings.
- (c) Reflects settlement of liabilities subject to compromise and other transactions in connection with the Plan.
- (d) Reflects (i) the write-off of the excess of cost over the net assets acquired in previous acquisitions and the write-down of identifiable assets to fair value in accordance with fresh-start reporting and (ii) the consolidation of Rose Hills as a result of the Blackstone Settlement.
- (e) Reflects the reorganization value in excess of amounts allocable to identifiable assets in accordance with fresh-start reporting.

TLGI AND REORGANIZED LGII
RESTATED PROJECTED CONSOLIDATED BALANCE SHEETS
(NEW ACCOUNTING POLICIES)

(Unaudited)

(Dollars in Thousands)

	TLGI	Reorganized LGII		
	December 31,	December 31,	December 31,	December 31,
	2000	2001	2002	2003
ASSETS				
Current assets				
Cash	\$ 292,298	\$ 76,464	\$ 105,632	\$ 89,033
Receivables, net of allowances	234,561	234,206	227,199	229,707
Inventories	27,231	28,422	28,522	28,622
Prepaid expenses	<u>10,374</u>	<u>14,213</u>	<u>14,113</u>	<u>14,013</u>
	564,464	353,305	375,466	361,375
Long-term receivables, net of allowances	410,695	446,418	466,642	476,504
Cemetery property	927,510	219,966	253,839	286,078
Property and equipment	626,173	563,142	531,301	498,507
Reorganization value in excess of identifiable assets	609,236	115,829	109,812	103,795
Insurance invested assets	109,972	109,972	110,472	111,672
Deferred taxes	3,486	—	—	—
Pre-arranged funeral services	413,011	397,170	371,458	344,531
Other assets	<u>63,926</u>	<u>35,951</u>	<u>34,407</u>	<u>32,864</u>
	<u>\$3,728,473</u>	<u>\$2,241,753</u>	<u>\$2,253,397</u>	<u>\$2,215,326</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	\$ 94,829	\$ 101,947	\$ 103,514	\$ 105,488
Long-term debt, current portion	<u>20,000</u>	<u>37,000</u>	<u>86,000</u>	<u>124,000</u>
	114,829	138,947	139,514	229,488
Long-term debt, net of current portion	61,534	771,300	693,426	576,826
Other liabilities	256,152	219,657	226,041	229,833
Insurance policy liabilities	60,043	60,043	60,043	60,043
Deferred Taxes	146,028	—	—	—
Deferred pre-arranged revenue	<u>1,452,569</u>	<u>365,007</u>	<u>380,186</u>	<u>371,252</u>
	2,091,155	1,554,954	1,549,210	1,467,442
Liabilities subject to compromise	2,277,360	—	—	—
Stockholders' equity				
Common shares	1,276,414	683,500	683,500	683,500
Preferred shares	157,144	—	—	—
Retained earnings	<u>(2,073,600)</u>	<u>3,299</u>	<u>20,687</u>	<u>64,384</u>
	(640,042)	686,799	704,187	747,884
	<u>\$3,728,473</u>	<u>\$2,241,753</u>	<u>\$2,253,397</u>	<u>\$2,215,326</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

TLGI AND REORGANIZED LGII
PROJECTED CONSOLIDATED STATEMENTS OF OPERATIONS
(NEW ACCOUNTING POLICIES)
(Unaudited)
(Dollars in Thousands)

	TLGI		Reorganized LGII		Reorganized LGII	
	Fiscal 2000	January 1, 2001- March 31, 2001	April 1, 2001- December 31, 2001	Fiscal 2001	Fiscal 2002	Fiscal 2003
Revenue						
Funeral and cemetery.....	\$ 945,274	\$ 231,486	\$ 593,226	\$ 824,712	\$ 833,604	\$ 890,942
Insurance.....	99,035	13,550	40,650	54,200	76,000	88,400
	1,044,309	245,036	633,876	878,912	909,604	979,342
Expenses						
Funeral and cemetery.....	616,006	139,037	416,144	555,181	573,501	602,962
Insurance.....	79,601	13,550	40,650	54,200	75,500	87,200
	695,607	152,587	456,794	609,381	649,001	690,162
Gross Margin	348,702	92,449	177,082	269,531	260,603	289,180
Expenses						
General and administrative.....	91,386	25,047	59,816	84,863	71,722	73,023
Depreciation and amortization	65,771	16,711	31,548	48,259	39,870	40,692
Asset impairment	92,031	—	—	—	—	—
Earnings (loss) from operations.....	99,514	50,691	85,718	136,409	149,011	175,465
Interest expense, net	14,663	3,393	67,361	70,754	87,032	85,166
Amortization of reorganization value in excess of amounts allocable to identifiable assets.....	—	—	4,513	4,513	6,017	6,017
Reorganization costs.....	41,433	49,934	3,177	53,111	—	—
Loss (gain) on disposal of assets.....	58,540	—	—	—	—	—
Fresh-start valuation change	—	474,606	—	474,606	—	—
Earnings (loss) before income taxes and extraordinary gain	(15,121)	(477,242)	10,667	(466,575)	55,962	84,282
Income tax expense.....	33,648	2,500	7,500	10,000	38,575	40,584
Earnings (loss) before extraordinary gain	(48,769)	(479,742)	3,167	(476,575)	17,387	43,698
Extraordinary gain on debt discharge.....	—	1,730,160	—	1,730,160	—	—
Net earnings.....	<u>\$ (48,769)</u>	<u>\$ 1,250,418</u>	<u>\$ 3,167</u>	<u>\$ 1,253,585</u>	<u>\$ 17,387</u>	<u>\$ 43,698</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

TLGI AND REORGANIZED LGII
PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS
(NEW ACCOUNTING POLICIES)

(Unaudited)

(Dollars in Thousands)

	<u>TLGI</u>		<u>Reorganized LGII</u>		<u>Fiscal 2001</u>	<u>Reorganized LGII</u>	
	<u>Fiscal 2000</u>	<u>January 1, 2001- March 31, 2001</u>	<u>April 1, 2001- December 31, 2001</u>			<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
CASH PROVIDED BY (APPLIED TO)							
Operations							
Net earnings (loss).....	\$ (48,769)	\$ 1,250,418	\$ 3,167	\$ 1,253,585	\$ 17,387	\$ 43,698	
Items not affecting cash.....							
Deferred revenue.....	(115,883)	(16,790)	(94,233)	(111,023)	44,462	21,963	
Depreciation and amortization	82,226	20,611	46,438	67,049	59,852	60,805	
Amortization of reorganization value in excess of identifiable assets	—	—	4,513	4,513	6,017	6,017	
Amortization of debt issue costs.....	2,977	847	212	1,059	282	282	
Deferred tax expenses	—	—	—	—	—	—	
Gain on discharge of debt	—	(1,946,360)	—	(1,946,360)	—	—	
Fresh-start valuation change	—	474,606	—	474,606	—	—	
Provision for impairment.....	92,031	—	—	—	—	—	
Gain/Loss on disposition.....	58,464	—	—	—	—	—	
Other non-cash	28,726	6,293	21,180	27,473	5,451	(14,979)	
Other, including net changes in other non-cash balances	<u>10,473</u>	<u>(17,168)</u>	<u>82,301</u>	<u>65,133</u>	<u>(47,433)</u>	<u>(25,835)</u>	
	110,245	(227,543)	63,578	(163,965)	86,018	91,951	
Investing							
Insurance invested assets, net	(47,623)	—	—	—	(500)	(1,200)	
Capital expenditures	(25,131)	(7,073)	(21,375)	(28,448)	(28,500)	(28,500)	
Proceeds from asset sale.....	<u>214,642</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
	141,888	(7,073)	(21,375)	(28,448)	(29,000)	(29,700)	
Financing							
Increase (decrease) in debt.....	(14,216)	(1,534)	(11,888)	(13,422)	(27,850)	(78,850)	
Debt issue costs.....	<u>(785)</u>	<u>(10,000)</u>	<u>—</u>	<u>(10,000)</u>	<u>—</u>	<u>—</u>	
	(15,001)	(11,534)	(11,888)	(23,421)	(27,850)	(78,850)	
Increase (decrease) in cash.....	237,132	(246,150)	30,316	(215,834)	29,168	(16,599)	
Cash, beginning of period.....	<u>55,166</u>	<u>292,298</u>	<u>46,148</u>	<u>292,298</u>	<u>76,464</u>	<u>105,632</u>	
Cash, end of period	<u>\$ 292,298</u>	<u>\$ 46,148</u>	<u>\$ 76,464</u>	<u>\$ 76,464</u>	<u>\$ 105,632</u>	<u>\$ 89,033</u>	

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

REORGANIZED LGII
PROJECTED CONSOLIDATED CAPITALIZATION TABLE
(NEW ACCOUNTING POLICIES)
(Unaudited)
(Dollars in Thousands)

	Reorganized LGII			
	<u>March 31,</u> <u>2001</u>	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2003</u>
Cash.....	\$ 46,150	\$ 76,464	\$ 105,632	\$ 89,033
Short-term debt				
Long-term debt, current portion	<u>37,000</u>	<u>37,000</u>	<u>86,000</u>	<u>124,000</u>
Total short-term debt and current portion of long-term debt.....	37,000	37,000	86,000	124,000
Long-term debt				
New Five-Year Secured Notes	240,000	240,000	220,000	190,000
Rose Hills Term Facility	59,000	50,000		
New Seven-Year Unsecured Notes	325,000	325,000	325,000	325,000
Rose Hills Notes	80,000	80,000	80,000	
New Unsecured Subordinated Note.....	25,000	25,000	25,000	25,000
Secured promissory notes and capitalized leases	<u>54,000</u>	<u>51,300</u>	<u>43,426</u>	<u>36,826</u>
Total long-term debt	<u>783,000</u>	<u>771,300</u>	<u>693,426</u>	<u>576,826</u>
Total debt	820,000	808,300	779,426	700,826
Stockholders' equity				
Common shares	683,500	683,500	683,500	683,500
Retained earnings	<u>—</u>	<u>3,299</u>	<u>20,687</u>	<u>64,384</u>
Total stockholders' equity	<u>683,500</u>	<u>686,799</u>	<u>704,187</u>	<u>747,884</u>
Total capitalization	<u>\$1,503,500</u>	<u>\$1,495,099</u>	<u>\$1,483,613</u>	<u>\$1,448,710</u>

The Projections should be read only in conjunction with the assumptions, qualifications and explanations under the caption "— Projected Financial Information" and the consolidated historical financial information, notes and schedules contained in Exhibit III to this Disclosure Statement.

Management and Board of Directors

Reorganized LGII Board of Directors

The Bylaws of Reorganized LGII will provide that the business and affairs of Reorganized LGII will be managed under the direction of Reorganized LGII's Board of Directors. The Plan provides that the initial members of the Reorganized LGII Board of Directors will include: (a) John S. Lacey (who is presently the Chairman of TLGI); (b) Paul A. Houston (who is presently the President and Chief Executive Officer of TLGI); and (c) seven additional persons ("Additional Directors"), who will be selected as described below.

Representatives of the Debtors, including Mr. Lacey, have consulted with representatives of the Creditors' Committee with respect to the composition of the Reorganized LGII Board of Directors. Based thereon, the Debtors intend to seek the approval by the Bankruptcy Court of the retention of a nationally recognized executive/director search firm to assist in identifying candidates for possible election as Additional Directors. A four-member committee, comprised of Mr. Lacey, Mr. William R. Riedl (who is presently a director of TLGI) and two representatives of the Creditors' Committee (the "Nomination Committee"), will assess the qualifications of Additional Director candidates identified by such executive/director search firm or otherwise. Mr. Jeffrey Altman of Franklin Mutual Advisers, LLP, a Subject Debt Holder, will act as an *ex officio* member of the Nomination Committee. A five-member committee, comprised of Mr. Lacey, two or three members of the Creditors' Committee and one or two representatives of at-large creditors (one of such representatives of the at-large creditors to be Mr. Altman) (the "Selection Committee"), will then interview candidates based on the recommendations of the Nomination Committee, and based thereon, the Selection Committee will make final recommendations with respect thereto. In the event that issues arise during the process that cannot be satisfactorily resolved by the Debtors and the participating creditor representatives, the Debtors will have recourse to the Bankruptcy Court. There can be no assurance that all Additional Directors will be identified prior to the Effective Date.

Classification of the Board

Reorganized LGII's Certificate of Incorporation and Bylaws will provide that the directors of Reorganized LGII will be classified into three classes, with the directors of each class serving for three-year terms and until their successors are elected, except that the initial terms of the initial directors will expire at the 2002, 2003 and 2004 annual meeting of the stockholders of Reorganized LGII, depending on the particular class in which each such director is placed. At each annual meeting of stockholders of Reorganized LGII, the successors of the directors in the class whose terms expire at that meeting shall be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. In accordance with Reorganized LGII's Certificate of Incorporation, the number of directors in each class will be as nearly equal in size as practicable.

The first annual meeting of the stockholders of Reorganized LGII following the Effective Date will be held in 2002 following completion of Reorganized LGII's 2001 fiscal year.

Board Committees

The Reorganized LGII Bylaws will provide that the Reorganized LGII Board of Directors may establish such directorate committees as it may from time to time determine. It is presently contemplated that the Reorganized LGII Board of Directors will establish the following committees on or promptly after the Effective Date: (a) the Audit Review Committee, (b) the Compensation Committee and (c) the Nominating and Corporate Governance Committee. The composition of such Committees has not been determined, but it is contemplated that the members of the Audit Review Committee, the Nominating and Corporate Governance Committee and the Compensation Committee will be non-employee directors.

The Audit Review Committee is expected to review: (a) the professional services to be provided by Reorganized LGII's independent auditors; (b) the independence of such firm from management of Reorganized

LGII; (c) the scope of the audit by Reorganized LGII's independent auditors; (d) the annual financial statements of Reorganized LGII; (e) Reorganized LGII's systems of internal accounting controls; and (f) such other matters with respect to the accounting, auditing and financial reporting practices and procedures of Reorganized LGII as it may find appropriate or as may be brought to its attention. This Committee will also meet from time to time with members of Reorganized LGII's internal audit staff.

The Compensation Committee will: (a) review executive salaries; (b) administer the bonus, incentive compensation and stock option plans of Reorganized LGII; and (c) approve the salaries and other benefits of the executive officers of Reorganized LGII. See "— New Benefit Plans and Agreements." In addition, the Compensation Committee will advise and consult with Reorganized LGII's management regarding pension and other benefit plans and compensation policies and practices of Reorganized LGII.

The Nominating and Corporate Governance Committee will consider and recommend criteria for the selection of nominees for election as directors and from time to time may select for presentation to the full Board of Directors recommended director candidates. Subject to the rights, if any, of the holder of any New Preferred Stock which may in the future be outstanding, the full Board of Directors may also from time to time select such candidates and in all events will act in respect of the filling of any vacancies on the Board of Directors, the recommendation of candidates for nomination for election by the stockholders and the composition of all directorate committees. The Nominating and Corporate Governance Committee will also review and report to the full Board of Directors on a periodic basis with regard to matters of corporate governance.

Director Nomination Procedures

Reorganized LGII's Bylaws will provide that nominations for election of directors by the stockholders will be made by Reorganized LGII's Board of Directors as described above or by any stockholder entitled to vote in the election of directors generally. Reorganized LGII's Bylaws will require that stockholders intending to nominate candidates for election as directors provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at Reorganized LGII's principal executive offices not less than 60 calendar days nor more than 90 calendar days prior to the anniversary date of the date on which Reorganized LGII first mailed proxy materials for the prior year's annual meeting of stockholders, except that if there was no annual meeting held during the prior year or if the annual meeting is called for a date that is not within 30 calendar days before or after that anniversary, notice by the stockholder in order to be timely must be received not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the tenth calendar day following the date on which public announcement was first made of the date of the annual meeting. Reorganized LGII's Bylaws will also specify requirements as to the form and content of a stockholder's notice. These provisions of the Reorganized LGII's Bylaws may preclude stockholders from making nominations of directors.

Director Compensation

For the year in which the Effective Date occurs, each director of Reorganized LGII who is not an employee of Reorganized LGII or any of its subsidiaries will be paid an annual base retainer fee of \$30,000, plus meeting fees of \$1,500 for attendance at each in-person meeting, and \$250 for attendance at each telephonic meeting, of the Reorganized LGII Board of Directors or a committee thereof. The chairman of each committee will receive an additional annual fee of \$5,000. Each such director will have the option of receiving such fees in cash, New Common Stock or a combination thereof. Members of the Reorganized LGII Board of Directors who are also employees of Reorganized LGII or any of its subsidiaries will receive no additional compensation for service on the Reorganized LGII Board of Directors.

Reorganized LGII Executive Officers

The executive officers of Reorganized LGII following the Effective Date are presently expected to include each of the individuals identified below:

<u>Name</u>	<u>Age</u>	<u>Anticipated Position with Reorganized LGII</u>
John S. Lacey	57	Chairman of the Board
Paul A. Houston	50	President and Chief Executive Officer
Michael G. Weedon	47	Senior Vice President, Trust and Insurance
Kenneth A. Sloan	51	Senior Vice President, Chief Financial Officer
Bradley D. Stam	53	Senior Vice President, Legal and Asset Management
Gordon Orlikow	40	Senior Vice President, People
James Arthurs	41	Senior Vice President, Chief Information Officer

Certain biographical information relating to each of the individuals who is presently expected to serve as an executive officer of Reorganized LGII is set forth below.

John S. Lacey became the Chairman of the Board of Directors of TLGI in January 1999. He is not an employee of TLGI or any affiliated company, and serves as a non-executive Chairman. In December 1998, Mr. Lacey became a Director of TLGI. From 1998 to November 1998, Mr. Lacey was President and Chief Executive Officer of The Oshawa Group Ltd. in Toronto, Ontario. From November 1996 to July 1998, Mr. Lacey was President and Chief Executive Officer of WIC Western International Communications Inc. in Vancouver, British Columbia. From March 1990 to November 1996, Mr. Lacey was President and Chief Executive Officer of Scott's Hospitality Inc. in Toronto, Ontario.

Paul A. Houston became President and Chief Executive Officer of TLGI in December 1999. In June 1999, Mr. Houston became a Director of TLGI. From August 1996 to October 1999, Mr. Houston was President and Chief Executive Officer of Scott's Restaurants Inc. From April 1995 to August 1996, Mr. Houston was President and Chief Operating Officer of Scott's Food Services. From December 1992 to April 1995, Mr. Houston was President of Black Photo Corporation.

Michael G. Weedon became Senior Vice President, Trust and Insurance of TLGI in February 2000. In November 1997, Mr. Weedon served TLGI as Chief Administrative Officer, from November 1997 to July 1998, as Executive Vice President of Administration, from July 1998 to November 1998, as Executive Vice President, Operations and Administration, from November 1998 to February 2000, as Executive Vice President, Administration, Accounting and Control and Chief Administrative Officer. From December 1996 to November 1997, Mr. Weedon was a private business consultant and investor. From April 1993 to December 1996, Mr. Weedon served as Executive Vice President and Chief Operating Officer of Viridian Inc. (formerly Sherritt Inc.) in Fort Saskatchewan, Alberta. It is currently anticipated that Mr. Weedon will continue to serve Reorganized LGII until late 2001, at which time Mr. Weedon expects to leave Reorganized LGII to pursue other opportunities.

Kenneth A. Sloan became Senior Vice President, Chief Financial Officer of TLGI in November 2000. From 1987 to November 2000, Mr. Sloan served as Senior Executive Vice President Finance and Planning and Chief Financial Officer of Shoppers Drug Mart Ltd.

Bradley D. Stam became Senior Vice President, Legal and Asset Management of TLGI in February 2000. From March 1998 to February 2000, Mr. Stam served as Senior Vice President, Law of TLGI. From January 1996 until September 1997, Mr. Stam was President, General Counsel and a director of Western Star Trucks Holdings Ltd. From June 1995 to January 1996, Mr. Stam was Vice President, General Counsel and Corporate Secretary of Western Star Trucks Holdings Ltd. Prior to that time, Mr. Stam was a partner with the Seattle-based law firm Culp, Dwyer, Guterson & Grader.

Gordon Orlikow became Senior Vice President, People of TLGI in February 2000. From November 1999 to February 2000, Mr. Orlikow served as Senior Vice President, Human Resources of TLGI. From March 1999 to November 1999, Mr. Orlikow was a consultant with PricewaterhouseCoopers. From April 1996 to March 1999, Mr. Orlikow was Director of Human Resources of BC Rail Ltd. Prior to that time, Mr. Orlikow was Manager Employment, Training and Development of BC Rail Ltd.

James Arthurs became Senior Vice President, Chief Information Officer of TLGI in May 2000. Prior to joining TLGI, Mr. Arthurs held the position of Vice President, Residential and Industrial Operations for the TrusJoist Division of the Weyerhaeuser Company. Before that, he held a number of senior management roles at MacMillan Bloedel Limited. Prior to joining MacMillan Bloedel, Mr. Arthurs was with IBM for 16 years where he held a number of general management roles.

Executive Compensation

The discussion of executive compensation contained in this Disclosure Statement has been prepared based on the actual compensation paid and benefits provided during the fiscal year ended December 31, 1999 by the Loewen Companies to executive officers of TLGI who are expected to be executive officers of Reorganized LGII as of the Effective Date. The existing employment, compensation and benefit arrangements of the Loewen Companies that are presently expected to be maintained by Reorganized LGII as of the Effective Date and certain new arrangements and modifications to existing arrangements which are presently expected to become effective as of the Effective Date are also described below. Existing employment, compensation and benefit arrangements that are expected to be terminated as of the Effective Date are not described below. See "Item 11 — Executive Compensation" in Exhibit III to this Disclosure Statement for detailed information regarding compensation paid and benefits provided by TLGI in the fiscal year ended December 31, 1999.

Reorganized LGII's executive compensation program will be designed to:

- be competitive with companies of comparable size and complexity across general North American industry;
- recognize the considerable progress made towards improving the financial performance of the Loewen Companies through a long period of instability in 1999 and 2000;
- reward and retain executives to remain in Reorganized LGII's employ through the potentially turbulent period associated with implementing the Plan; and
- align long-term incentive executive gains with the interests of stockholders.

Taking all these factors into account, Reorganized LGII's compensation strategy will be to benchmark total cash compensation to the 75th percentile of the marketplace.

Summary Compensation Table

The following table sets forth the compensation paid or payable by the Loewen Companies during the fiscal year ended December 31, 1999 to the individual expected to serve as President and Chief Executive Officer of Reorganized LGII as of the Effective Date and the three other most highly compensated executive officers of TLGI who are expected to serve as executive officers of Reorganized LGII as of the Effective Date and whose compensation for such fiscal year exceeded \$100,000. See " — Management — Existing Benefit Plans and Agreements — Key Employee Retention Program."

<u>Name</u>	<u>Anticipated Position with Reorganized LGII</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Compensation</u>
John S. Lacey.....	Chairman of the Board	\$ 338,461	—	\$ 56,770
Paul A. Houston (a).....	President and Chief Executive Officer	32,719	—	—
Michael G. Weedon.....	Senior Vice President, Trust and Insurance	252,406	126,203	—
Bradley D. Stam.....	Senior Vice President, Legal and Asset Management	238,232	120,149	—

(a) Paul Houston was named President and Chief Executive Officer of TLGI in November 1999.

Existing Benefit Plans and Agreements

Information regarding the existing employment, compensation and benefit arrangements of the Loewen Companies for executive officers of TLGI that are presently expected to be maintained by Reorganized LGII as of the Effective Date for its executive officers is set forth below.

Savings Plans. TLGI maintains a Registered Retirement Savings Plan for Canadian employees, who may contribute 3% of compensation (subject to a statutory maximum contribution) to the plan and receive an employer matching contribution in an equal amount. LGII sponsors a 401(k) Retirement Plan for United States employees of the Loewen Companies, who may make before-tax contributions to the plan of up to 15% of compensation (subject to a statutory maximum contribution) and receive an employer matching contribution of up to 2% of compensation. These plans will continue to be maintained by Reorganized LGII after the Effective Date.

Health and Welfare Benefits. Employees of the Debtors participate in health and other welfare benefit plans providing life insurance, disability and accidental death and dismemberment benefits. These plans do not provide retiree medical or other retiree welfare benefits. These plans will continue to be maintained after the Effective Date.

Key Employee Retention Program. The Debtors adopted the KERP in the third quarter of 1999. The KERP was designed to attract, retain and provide incentives to key employees during the financial and business restructuring. The KERP has been essential to the Debtors' ability to meet these goals during the Reorganization Cases. The Debtors believe that the KERP will continue to be critical to the ability of Reorganized LGII to attract and retain key employees following the Effective Date. The Debtors have obtained authority to continue and implement the KERP. See "Operations During the Reorganization Cases — Key Employees Retention Program." The KERP, as modified, includes the following four principal components:

1. Retention/Stay Bonuses. The KERP authorized the payment of retention bonuses to approximately 267 key corporate and cemetery division employees whose prior incentives were negated as a result of, among other things, the Filing of the Reorganization Cases. Retention bonus payments of approximately \$2.3 million were made.
2. Annual Incentive Payments. The KERP revised the financial forecasts and targets of TLGI's annual incentive program for 1999. Approximately 625 employees were eligible for annual incentive payments in 1999. As revised, employees were eligible for target incentive payments depending on the attainment of specified revised company and individual goals. The aggregate amount of payments under the KERP for 1999, which were paid in the first quarter of 2000, was approximately \$2.2 million. For subsequent years, performance goals will be set by the Compensation Committee, in consultation with the Creditors' Committee until the Plan is approved.

3. Emergence Bonus. Under the KERP, approximately 100 key employees in senior management positions other than Mr. Lacey and Mr. Houston (see "— Certain Employment Agreements") are eligible to receive emergence bonuses based primarily upon the successful reorganization. The approximately 100 members of senior management will be paid a bonus upon the Effective Date equal to a percentage of each employee's salary. Such percentages range from 10% of an employee's salary up to 50% of an employee's salary, depending on position. In the discretion of the Compensation Committee of the TLGI Board, such bonuses may be paid in a combination of cash and New Common Stock, with the cash portion at least sufficient to satisfy income tax obligations. One-third of the bonus will be paid within 15 days of the Effective Date and two-thirds will be paid within 15 days of the date that is six months after the Effective Date. The Loewen Companies estimate that, if all of these employees earn and receive their emergence payments, the aggregate amount of such payments would be valued at approximately \$8 million.
4. Severance Pay Plan. TLGI adopted a severance pay plan for all of its employees. The severance pay plan was designed to attract, retain and provide incentives to employees during TLGI's financial and business restructuring. The severance pay plan will continue to be critical to the ability of Reorganized LGII to attract and retain employees following the Effective Date. The severance pay plan covers all employees of TLGI and Reorganized LGII. Under the severance pay plan, employees who are involuntarily terminated without cause receive an amount equal to a percentage of the employee's salary, based on the employee's position or years of service. In general, severance pay will range from an amount equal to one week's pay up to two years of pay. The Debtors paid approximately \$2.5 million in severance pay to 227 individuals for the period from March 1999 through December 31, 1999. These payments were not associated with the KERP, but were made with the approval of the Bankruptcy Court. The Debtors have obtained authority to continue the severance pay plan and to pay severance benefits under the severance pay plan to all employees terminated from the Petition Date and up to one year after the Effective Date. See "Operations During the Reorganization Cases — Key Employee Retention Program."

An eligible employee's right to participate in the KERP is contingent upon the employee's executing a release and waiver agreement, under which the employee waives any rights or claims that he or she may have at law or under prepetition employment or consulting agreements or company programs with respect to retention or performance incentive payments or severance or similar benefits.

Certain Employment Agreements. TLGI has entered into employment agreements with John S. Lacey, its Chairman, and Paul A. Houston, its President and Chief Executive Officer. Each employment agreement is for a fixed term ending August 1, 2004, or, if earlier, the date on which the officer terminates employment. Under their respective employment agreements, Mr. Lacey will receive an annual base salary of \$500,000, and Mr. Houston will receive an annual base salary of: (a) \$425,000 through December 31, 2000; (b) \$500,000 for the period between January 1, 2001 and the earlier of June 1, 2001 or the Effective Date; and (c) \$600,000 thereafter. Base salary is subject to periodic review, and both officers will have an annual bonus opportunity of up to 100% of base salary based on the achievement of financial performance goals. In addition, Mr. Lacey will receive a reorganization bonus of \$3 million, and Mr. Houston a reorganization bonus of \$1.5 million, both payable within 15 days of the Effective Date. Each employment agreement also provides for customary executive benefits.

Under the employment agreements, Mr. Lacey and Mr. Houston each are entitled to receive a grant of stock options under the Equity Incentive Plan, as of the Effective Date, exercisable to purchase 450,000 shares of New Common Stock. Pursuant to the Plan, TLGI is seeking to modify its employment agreements with Mr. Lacey and Mr. Houston to provide that each will receive a grant of stock options under the Equity Incentive Plan, as of the Effective Date, exercisable to purchase 495,000 shares of New Common Stock. The options will have a per share exercise price of the average of the daily closing sales price per share of the New Common Stock as reported on the Nasdaq Stock Market for the 30 consecutive trading days immediately following the Effective Date and will become exercisable in cumulative installments with respect to 25% of the option shares on the first and second anniversaries of the date of grant and with respect to the remaining 50% of the option shares on the third anniversary of the date of grant.

If either officer is terminated by TLGI without cause (as defined in their respective employment agreements), all stock options will become immediately exercisable, and the officer will be entitled to severance benefits in the amount of 24 months base salary paid in a lump sum, benefit coverage for the remaining term of the employment agreement and a prorated bonus for the year of termination determined without regard to financial performance. In the event of a change in control (as defined in the employment agreement), the officer will be entitled to the same severance benefits if, within two years after the change in control, he is terminated by TLGI without cause or if he resigns because of certain adverse changes in his compensation, benefits or position. In addition, if TLGI enters into an agreement that would result in a change in control, each officer may submit his resignation for any reason prior to, but effective upon, the date of the change in control, and receive the severance benefits described above. The employment agreements also provide for tax gross-up payments if the severance benefits are subject to the excise tax imposed under the Internal Revenue Code on so-called excess parachute payments.

Mr. Lacey will become the Chairman of Reorganized LGII, and Mr. Houston the President and Chief Executive Officer of Reorganized LGII, as of the Effective Date. Reorganized LGII will assume and perform the obligations of TLGI under these employment agreements as of such date.

In addition to the employment agreements with Mr. Lacey and Mr. Houston, it is anticipated that Reorganized LGII will enter into employment agreements with: (a) Kenneth A. Sloan, Senior Vice President, Chief Financial Officer; (b) Bradley D. Stam, Senior Vice President, Legal and Asset Management; (c) Gordon Orlikow, Senior Vice President, People; and (d) James Arthurs, Senior Vice President, Chief Information Officer. The annual base salary for each of these individuals immediately following the Effective Date is anticipated to be as follows: Mr. Sloan - \$235,000; Mr. Stam - \$300,000; Mr. Orlikow - \$160,000; and Mr. Arthurs - \$175,000. These executive officers will also be entitled to one year of salary and bonus if the executive's employment is terminated (not following a change in control) for any reason other than termination for cause or voluntary resignation.

New Benefit Plans and Agreements

Information regarding new employment, compensation and benefit arrangements that are presently expected to become effective as of the Effective Date is set forth below.

Equity Incentive Plan. As of the Effective Date, Reorganized LGII will implement the Equity Incentive Plan to attract, retain and motivate key employees following the Effective Date. On the Effective Date, options exercisable for shares of New Common Stock will be granted to certain employees of the Reorganized Debtors as described on Exhibit IV.C.3 of the Plan. Thereafter, the Reorganized LGII Board of Directors (or a committee thereof) will determine the awards to be granted under the Equity Incentive Plan. The Equity Incentive Plan will provide for grants of stock options or warrants, restricted stock, deferred shares and other typical equity incentive awards to the employees and members of the Reorganized LGII Board of Directors. A total of 4,500,000 shares of New Common Stock will be available for issuance in satisfaction of awards under the Equity Incentive Plan, including the grant of options to be made as of the Effective Date. Options covering 2,475,000 shares will be granted on the Effective Date and 2,025,000 shares will be available for future grants under the Equity Incentive Plan.

Annual Incentive Payments. Under the Annual Incentive Plan, Reorganized LGII expects to motivate and reward designated key employees for the achievement of annual corporate, departmental or individual goals and objectives through new annual cash incentives. The new annual incentives will compensate key employees chosen by the Compensation Committee of the Board of Directors based on certain performance levels. If designated performance levels are achieved, key employees will be eligible to receive a cash bonus payment.

Change in Control Agreements. Reorganized LGII will enter into change in control severance agreements (the "Severance Agreements") with four executive officers: Mr. Sloan, Mr. Stam, Mr. Orlikow and Mr. Arthurs. The Severance Agreements will have an initial term ending on December 31, 2003, and thereafter will be extended for additional one-year periods unless Reorganized LGII or the executive gives notice by September 30 of any year that the term of the Severance Agreement will not be extended. In the event of a change in control of Reorganized LGII (as defined in the Severance Agreements), the executive will be entitled to severance benefits if

the executive's employment is terminated without cause (as defined in the Severance Agreements) or if the executive resigns because of certain adverse changes in compensation, benefits or position during either the two-year period following the change in control or the one-year period prior to a change in control, but after discussions have begun that ultimately lead to a change in control.

The severance benefits under the Severance Agreements will consist of a lump sum payment equal to two times the executive's base salary and two times the executive's annual bonus (calculated at not less than the highest annual bonus earned in any of the three years preceding the year in which the change in control occurred), plus continued benefit coverage for a period of two years and outplacement services with a value of up to 20% of the executive's base salary. In addition, vesting with respect to stock options or other long term incentive compensation will accelerate, and any restrictions on the payment of such compensation will lapse, on a change in control, and the executive will be entitled to a tax gross-up payment in the event the severance benefits are subject to the excise tax imposed under the Internal Revenue Code on so-called excess parachute payments.

Certain Corporate Governance Matters

Introduction

Certain provisions of Reorganized LGII's Certificate of Incorporation and Bylaws and the provisions of the Share Purchase Rights Agreement described below, together with applicable Delaware state law, may discourage or make more difficult the acquisition of control of Reorganized LGII by means of a tender offer, open market purchase, proxy fight or otherwise. These provisions are intended to discourage, or may have the effect of discouraging, certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Reorganized LGII first to negotiate with Reorganized LGII. The management of the Debtors believes that these measures, many of which are substantially similar to the takeover-related measures in effect for numerous other publicly-held companies, provide benefits by enhancing Reorganized LGII's potential ability to negotiate with the proponent of an unsolicited proposal to acquire or restructure Reorganized LGII, which outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms. In addition, management of the Debtors believes that such takeover-related measures aid in protecting stockholders from takeover bids that the directors of such companies have determined to be inadequate. While there necessarily can be no assurance in this regard, the management of the Debtors also believes that the foregoing measures are not likely to have a material impact on market prices for New Common Stock in circumstances other than those described above in light of, among other factors, the existence of generally comparable measures in effect for other publicly-held companies and management's belief that market prices will be influenced most significantly by Reorganized LGII's actual results of operations, general market and economic conditions and other traditional determinants of stock market prices, rather than takeover-related measures and other corporate governance provisions.

Classified Board of Directors, Removal of Directors and Filling Vacancies in Directorships

The Reorganized LGII Certificate of Incorporation will provide that the Reorganized LGII Board of Directors will be divided into three classes of directors serving staggered three-year terms. See "— Management — Classification of the Board." In addition, the Reorganized LGII Certificate of Incorporation will provide that directors may be removed only for cause by the affirmative vote of the holders of at least 80% of securities entitled to vote generally in the election of directors. Under the Reorganized LGII Certificate of Incorporation, any vacancy on the Reorganized LGII Board of Directors, including a vacancy resulting from an enlargement of the Reorganized LGII Board of Directors, may be filled by the vote of a majority of the directors then in office. The classification of the Reorganized LGII Board of Directors and the limitations on the removal of directors and filling of vacancies may deter a third party from seeking to remove incumbent directors and simultaneously gaining control of the Reorganized LGII Board of Directors by filling the vacancies created by such removal with its own nominees.

Stockholder Action and Special Meetings of Stockholders

The Reorganized LGII Certificate of Incorporation will eliminate the ability of stockholders to act by written consent in lieu of a meeting. It will also provide that special meetings of the stockholders may only be called (a) by the Chairman of the Board, (b) by the President, (c) by the Secretary within ten calendar days after receipt of a written request of a majority of the total number of directors (assuming no vacancies) or (d) by persons holding at least 50% of all shares outstanding and entitled to vote at such meeting. Upon the receipt by Reorganized LGII of a written request by any stockholder or stockholders entitled to call a meeting of stockholders, the Board will (a) call a special meeting of the stockholders for the purposes specified in the request for a special meeting and (b) fix a record date for the determination of stockholders entitled to notice of and to vote at such meeting, which record date will not be later than 60 calendar days after the date of receipt by Reorganized LGII of the request to call the meeting. No special meeting pursuant to a stockholders' request will be required to be convened if (a) the Board calls an annual or special meeting of stockholders to be held not later than 90 calendar days after receipt by Reorganized LGII of a proper request by a stockholder to call a meeting and (b) the purposes of such annual or special meeting include the purposes specified in the stockholder's request. The Bylaws will provide that the business permitted to be conducted at any such meeting will be limited to that business specified in the notice of the meeting given by or at the direction of the Chairman of the Board, the President or a majority of the total number of directors (assuming no vacancies) or that is otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the total number of directors (assuming no vacancies).

Advance Notice Requirements for Stockholder Proposals and Directors Nominations

The Reorganized LGII Bylaws will provide that stockholders seeking to bring business before an annual meeting of stockholders or nominate candidates for election as directors at an annual meeting of stockholders must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at Reorganized LGII's principal executive offices not less than 60 calendar days nor more than 90 calendar days prior to the anniversary date of the date on which Reorganized LGII first mailed its proxy materials for the prior year's annual meeting of stockholders, except that if there was no annual meeting held during the prior year or if the annual meeting is called for a date that is not within 30 calendar days before or after that anniversary, notice by the stockholder in order to be timely must be received not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the tenth calendar day following the date on which public announcement was first made of the date of the annual meeting. The Reorganized LGII Bylaws will also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders. See "— Management — Director Nomination Procedures."

Authorized But Unissued Shares

The Reorganized LGII Certificate of Incorporation will provide that Reorganized LGII is authorized to issue 100,000,000 shares of New Common Stock, par value \$0.01 per share, and 10,000,000 shares of New Preferred Stock, par value \$0.01 per share. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Common Stock" for a description of the New Common Stock.

The Reorganized LGII Board of Directors will have the authority, within the limitations and restrictions stated in the Reorganized LGII Certificate of Incorporation, to provide by resolution for the issuance of shares of New Preferred Stock, in one or more classes or series, and to fix the rights, preferences, privileges and restrictions for them, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series and the designation of that series. Reorganized LGII will be authorized to issue an initial class of New Preferred Stock that will be designated "Series A Junior Participating Preferred Stock," as contemplated by the Share Purchase Rights Agreement described below (the "Series A Preferred Shares"). Each holder of Series A Preferred Shares will be entitled to 100 votes per share and, except as otherwise required by law, will vote together with the New Common Stock as a single class on all matters properly submitted to a vote of a meeting of the stockholders. The Series A Preferred Shares may be issued only in connection with the exercise of Share Purchase Rights under the Share Purchase Rights Agreement described below.

Authorized but unissued shares of New Common Stock and New Preferred Stock of Reorganized LGII under the Reorganized LGII Certificate of Incorporation will be available for future issuance without stockholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of New Common Stock and New Preferred Stock could render more difficult or discourage an attempt to obtain control of Reorganized LGII by means of a proxy contest, tender offer, merger or otherwise.

Supermajority Vote Requirements

Delaware law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. The Reorganized LGII Certificate of Incorporation and Bylaws will require the affirmative vote of the holders of at least 80% of securities entitled to vote, to amend, repeal or adopt any provision inconsistent with some provisions, including those provisions relating to: (a) the classified board of directors; (b) directorship vacancies and removal of directors; (c) action by written consent of stockholders; (d) special meetings of stockholders; and (e) stockholder proposals and nomination of directors.

Share Purchase Rights Agreement

Pursuant to the Share Purchase Rights Agreement, which agreement will be approved by the Bankruptcy Court pursuant to the Confirmation Order and become effective as of the Effective Date, each share of New Common Stock issued will be accompanied by one Share Purchase Right. Each Share Purchase Right will provide the holder with the right to purchase one one-hundredth of a share of Series A Preferred Stock at a price of \$70 per one-hundredth of a Series A Preferred Share, subject to adjustment in accordance with the terms of the Share Purchase Rights Agreement (the "Purchase Price"). Under the Share Purchase Rights Agreement, the Share Purchase Rights will be evidenced by the New Common Stock share certificates until the earlier of the following (the "Distribution Date"): (a) the close of business on the first date (the "Share Acquisition Date") of public announcement that a person (other than Reorganized LGII or any of its subsidiaries or any employee benefit or stock ownership plan of Reorganized LGII or any of its affiliates or associates), together with its affiliates and associates, has acquired beneficial ownership of 15% or more (or 25% or more in the case of each of the Principal CTA Creditors (in each case only if such Principal CTA Creditor, together with its affiliates and associates, acquires beneficial ownership of at least 15% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date) and any other person that acquired beneficial ownership of at least 15% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date) of the outstanding shares of New Common Stock (any such person or group being hereinafter called an "Acquiring Person"); or (b) the close of business on the tenth Business Day (or such later date as may be specified by the Reorganized LGII Board of Directors) following the commencement of a tender offer or exchange offer by any person (other than Reorganized LGII or any of its subsidiaries or any employee benefit or stock ownership plan of Reorganized LGII, or any of its affiliates or associates), the consummation of which would result in beneficial ownership by such person of 15% or more of the outstanding shares of New Common Stock.

Under the Share Purchase Rights Agreement, in the event (a "Flip-in Event") that: (a) any person or group, together with its affiliates and associates, becomes an Acquiring Person; (b) any Acquiring Person or any affiliate or associate thereof merges into or combines with Reorganized LGII and Reorganized LGII is the surviving corporation; (c) any Acquiring Person or any affiliate or associate thereof effects certain other transactions with Reorganized LGII; or (d) during such time as there is an Acquiring Person, Reorganized LGII effects certain transactions, in each case as described in the Share Purchase Rights Agreement, then, in each such case, proper provision will be made so that from and after the later of the Distribution Date and the date of the occurrence of such Flip-in Event each holder of a Share Purchase Right, other than Share Purchase Rights that are or were owned beneficially by an Acquiring Person (which, from and after the date of a Flip-in Event, will be void), will have the right to receive, upon exercise thereof at the adjusted Purchase Price, that number of shares of New Common Stock (or, under certain circumstances, an economically equivalent security or securities of Reorganized LGII) that at the time of such Flip-in Event have a market value of two times the Purchase Price, as adjusted.

At any time after a person has become an Acquiring Person, in the event (a "Flip-over Event") that: (a) Reorganized LGII merges with or into any person and Reorganized LGII is not the surviving corporation; (b) any person merges with or into Reorganized LGII and Reorganized LGII is the surviving corporation, but all or part of the New Common Stock is changed or exchanged for stock or other securities of any other person or cash or any other property; or (c) 50% or more of Reorganized LGII assets or earning power, including securities creating obligations of Reorganized LGII, are sold, in each case as described in the Share Purchase Rights Agreement, then, in each such case, proper provision will be made so that each holder of a Share Purchase Right, other than Share Purchase Rights that have become void, will thereafter have the right to receive, upon the exercise thereof at the adjusted Purchase Price, that number of shares of common stock (or, under certain circumstances, an economically equivalent security or securities) of such other person that at the time of such Flip-over Event have a market value of two times the Purchase Price, as adjusted.

For all purposes under the Share Purchase Rights Agreement, any person that becomes the beneficial owner of 15% or more (or 25% or more in the case of each of the Principal CTA Creditors (in each case only if such Principal CTA Creditor, together with its affiliates and associates, acquires beneficial ownership of at least 15% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date) and any other person that acquired beneficial ownership of at least 15% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date) of the then-outstanding shares of New Common Stock solely as a result of a reduction in the number of shares of New Common Stock outstanding, will not be deemed to have become an Acquiring Person unless and until such time as (a) such person, or any affiliate or associate thereof, subsequently becomes the beneficial owner of additional shares of New Common Stock representing 1% or more of the then-outstanding New Common Stock or (b) any other person that is the beneficial owner of shares of New Common Stock representing 1% or more of the then-outstanding New Common Stock subsequently becomes an affiliate or associate of such person.

Reorganized LGII may, at its option, redeem the Share Purchase Rights in whole, but not in part, at a price of \$0.01 per Share Purchase Right, subject to adjustment (the "Redemption Price"), at any time prior to the close of business on the Share Acquisition Date. Immediately upon any redemption of the Share Purchase Rights, the right to exercise the Share Purchase Rights will terminate and the only right of the holders of Share Purchase Rights will be to receive the Redemption Price. In addition, at any time after the Share Acquisition Date and prior to the acquisition by any person or group of affiliated or associated person of 50% or more of the outstanding shares of New Common Stock, Reorganized LGII may exchange the Share Purchase Rights (other than any Share Purchase Rights that have become void), in whole or in part, at an exchange ratio of one share of New Common Stock per Share Purchase Right (subject to adjustment).

The Share Purchase Rights Agreement may be amended by Reorganized LGII without the approval of any holders of Share Purchase Rights, including amendments that (a) increase or decrease the Purchase Price, (b) add other events requiring adjustment to the Purchase Price payable and the number of the Series A Preferred Shares or other securities issuable upon the exercise of the Share Purchase Rights or (c) modify procedures relating to the redemption of the Share Purchase Rights, except that no amendment may be made that decreases the stated Redemption Price to an amount less than \$0.01 per Share Purchase Right. The Share Purchase Rights Agreement will expire on (a) the first anniversary of the Effective Date or (b) such later date as the Reorganized LGII Board of Directors, by resolution adopted prior to the first anniversary of the Effective Date, may establish, but not later than the tenth anniversary of the Effective Date. In accordance with the foregoing, the Reorganized LGII Board of Directors (a) will have the right to reconsider any of the terms of the Share Purchase Rights Agreement at any time and (b) may take such action with respect to the Share Purchase Rights Agreement as the Reorganized LGII Board of Directors deems appropriate.

Delaware Section 203

Reorganized LGII will be subject to the provisions of section 203 of the General Corporation Law of the State of Delaware (the "DGCL"). Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the person became an interested stockholder, unless the interested stockholder attained that status with the approval of the board of

directors or the business combination is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's voting stock.

Limitation of Liability; Indemnity Arrangements

The Reorganized LGII Certificate of Incorporation will limit the liability of the directors of Reorganized LGII to the maximum extent permitted by the DGCL. The DGCL provides that a director of a corporation will not be personally liable for monetary damages for breach of that individual's fiduciary duties as a director except for liability for any of the following: (a) a breach of the director's duty of loyalty to the corporation or its stockholders, (b) any act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (c) unlawful payments of dividends or unlawful stock repurchases or redemptions or (d) any transaction from which the director derived an improper personal benefit. This limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers, as well as other employees and individuals, against attorneys' fees and other expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person was or is a party or is threatened to be made a party by reason of such person being or having been a director, officer, employee or agent of the corporation. The DGCL provides that section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders of disinterested directors or otherwise.

The Reorganized LGII Certificate of Incorporation will provide that Reorganized LGII is required to indemnify its directors and officers to the maximum extent permitted by law. Notwithstanding the foregoing, the Reorganized LGII Certificate of Incorporation will not require Reorganized LGII to indemnify any such directors and officers in connection with any Proceeding (as such term is defined in the Reorganized LGII Certificate of Incorporation) that is initiated prior to the Effective Date; *provided, however*, that Reorganized LGII may, in its sole discretion, elect to provide such indemnification in the event that any of the Debtors' directors and officers liability insurance carriers fails or refuses to provide coverage. The Reorganized LGII Certificate of Incorporation also will require Reorganized LGII to advance expenses incurred by an officer or director in connection with the defense of any action or proceeding arising out of that party's status or service as a director or officer of Reorganized LGII or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if serving as such at Reorganized LGII's request. In addition, the Reorganized LGII Certificate of Incorporation will permit Reorganized LGII to secure insurance on behalf of any director or officer for any liability arising out of his or her actions in a representative capacity.

It is anticipated that Reorganized LGII will enter into indemnification agreements with its directors and its executive officers containing provisions that will obligate Reorganized LGII to: (a) indemnify, to the maximum extent permitted by Delaware law, those directors and officers against liabilities that may arise by reason of their status or service as directors or officers, except liabilities arising from willful misconduct of a culpable nature; (b) advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified; and (c) obtain directors' and officers' liability insurance if maintained for other directors or officers.

The management of the Debtors believes that the provisions of Reorganized LGII's Certificate of Incorporation described above and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Under the Plan and subject to the provisions described below and in Section V.E of the Plan, the obligations of each Debtor or Reorganized Debtor to indemnify any person serving as one of its directors, officers or employees as of December 31, 2000 by reason of such person's prior or future service in such a capacity or as a director, officer or employee of another corporation, partnership or other legal entity to the extent provided in the applicable articles of incorporation, code of regulations or similar constituent documents, by statutory law or by

written agreement, policies or procedures of or with such Debtor, will be deemed and treated as executory contracts that are assumed by the applicable Debtor or Reorganized Debtor pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date, to the extent that the provision of such indemnification is authorized by the certificate of incorporation or similar constituent document of the applicable Reorganized Debtor. Accordingly, such indemnification obligations will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date. The obligations of each Debtor or Reorganized Debtor to indemnify any person who, as of December 31, 2000, was no longer serving as a director, officer or employee of such Debtor or Reorganized Debtor, which indemnity obligation arose by reason of such person's prior service in any such capacity or as a director, officer or employee of another corporation, partnership or other legal entity, whether provided in the applicable articles of incorporation, code of regulations or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor, will terminate and be discharged pursuant to section 502(e) of the Bankruptcy Code or otherwise, as of the Effective Date; *provided, however*, that, to the extent that such indemnification obligations no longer give rise to contingent Claims that can be disallowed pursuant to section 502(e) of the Bankruptcy Code, such indemnification obligations will be deemed and treated as executory contracts that are rejected by the applicable Debtor pursuant to the Plan and section 365 of the Bankruptcy Code, as of the Effective Date, and any Claims arising from such indemnification obligations (including any rejection damage claims) will be subject to the bar date provisions of Section V.D of the Plan. Additionally, Reorganized LGII will purchase a director and officer insurance policy to cover claims against any person serving as one of the Debtors' directors, officers and employees as of December 31, 2000 for acts occurring prior to the Effective Date.

SECURITIES TO BE ISSUED PURSUANT TO THE PLAN AND OTHER POST-REORGANIZATION INDEBTEDNESS

Reorganization Value

The Debtors have been advised by Wasserstein with respect to the range of estimated reorganization equity value of Reorganized LGII and the other Reorganized Debtors. The midpoint of the reorganization equity value range, which includes the Loewen Companies' operating businesses, the expected present value of certain non-operating assets and the estimated debt balances at and beyond the Effective Date, was estimated by Wasserstein to be approximately \$683.5 million as of an assumed Effective Date of March 31, 2001. The foregoing reorganization equity value (ascribed as of the date of this Disclosure Statement) reflects, among other factors discussed below, current financial market conditions and the inherent uncertainty as to the achievement of the Projections.

Based on the assumed reorganization equity value set forth above, the midpoint value of the 40,000,000 shares of New Common Stock to be issued to the holders of Allowed Claims and Interests under the Plan is estimated to be approximately \$17.09 per share. The foregoing valuations also reflect a number of assumptions, including a successful reorganization of the Debtors' businesses and finances in a timely manner, the forecasts reflected in the Projections, the amount of available cash, market conditions and the Plan becoming effective in accordance with its terms on a basis consistent with the estimates and other assumptions discussed herein.

In preparing the estimated reorganization equity value, Wasserstein: (a) reviewed certain historical financial information of the Loewen Companies for recent years and interim periods; (b) reviewed certain internal financial and operating data of the Loewen Companies and assisted in developing financial projections relating to their businesses and prospects; (c) met with certain members of senior management of the Loewen Companies to discuss the Loewen Companies' operations and future prospects; (d) reviewed publicly available financial data and considered the market values of public companies that Wasserstein deemed generally comparable to the operating businesses of the Loewen Companies; (e) reviewed the financial terms, to the extent publicly available, of certain acquisitions of companies that Wasserstein believes were comparable to the operating businesses of the Loewen Companies; (f) considered certain economic and industry information relevant to the Loewen Companies' operating businesses; and (g) reviewed certain analyses prepared by other firms retained by the Debtors and conducted such other analyses as Wasserstein deemed appropriate. Although Wasserstein conducted a review and analysis of the Loewen Companies' businesses, operating assets and liabilities and business plans, Wasserstein assumed and relied on the accuracy and completeness of all (a) financial and other information furnished to it by the Debtors and by

other firms retained by the Debtors and (b) publicly available information. In addition, Wasserstein did not independently verify the assumptions underlying the Projections in connection with such valuation. No independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

Estimates of reorganization equity value do not purport to be appraisals, nor do they necessarily reflect the values that might be realized if assets were to be sold. The estimates of reorganization equity value prepared by Wasserstein assume that the Reorganized Debtors will continue as the owner and operator of their businesses and assets. Such estimates were developed solely for purposes of formulation and negotiation of a plan of reorganization and analysis of implied relative recoveries to creditors thereunder. Such estimates reflect computations of the estimated reorganization equity value of the Loewen Companies through the application of various valuation techniques and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different from the amounts set forth herein. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimate of reorganization equity value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Loewen Companies, Wasserstein or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, Wasserstein's valuation analysis as of the Effective Date may differ from that disclosed herein.

In addition, the valuation of newly-issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holding of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Debtors' history in chapter 11, conditions affecting the Debtors' competitors or the industry generally in which the Debtors participate or by other factors not possible to predict. Accordingly, the reorganization equity value estimated by Wasserstein does not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets. The equity value ascribed in the analysis does not purport to be an estimate of the post-reorganization market trading value. Such trading value may be materially different from the reorganization equity value ranges associated with Wasserstein's valuation analysis. Indeed, there can be no assurance that a trading market will develop for the New Common Stock.

Furthermore, in the event that the actual distributions to Claim holders in particular Divisions of Class 9 differ from those assumed by the Debtors in their recovery analysis, the actual recoveries realized by holders of Claims in those Divisions could be significantly higher or lower than estimated by the Debtors.

New Common Stock

As of the Effective Date, Reorganized LGII will be authorized to issue 100,000,000 shares of New Common Stock, par value \$0.01 per share, of which: (a) approximately 40,000,000 shares will be distributed to holders of Allowed Claims in Classes 5, 6 and 9; and (b) up to 4,500,000 shares will be reserved for issuance under the Equity Incentive Plan, of which 2,475,000 shares will be reserved for issuance pursuant to the options granted to certain employees as of the Effective Date. See "Reorganized LGII — Management — New Benefit Plans and Agreements."

The holders of New Common Stock will be entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and will not have cumulative voting rights. See "Distributions Under the Plan — Disputed Claims; Reserve and Estimations" and Section VI.E.2 of the Plan for provisions regarding voting of New Common Stock held in the Unsecured Claims Reserves. Holders of New Common Stock will be entitled to receive ratably such dividends as may be declared by Reorganized LGII's Board of Directors out of funds legally available for payment of dividends. However, it is not presently anticipated that dividends will be paid on New Common Stock in the foreseeable future. See "Risk Factors — Dividend Policies; Restrictions on Payment of Dividends." In the event of a liquidation, dissolution or winding up of Reorganized LGII, holders of New Common Stock will be

entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any New Preferred Stock. Holders of New Common Stock will have no preemptive, subscription, redemption or conversions rights.

All of the outstanding shares of New Common Stock to be issued pursuant to the Plan will be, upon such issuance, validly issued, fully paid and nonassessable. Subject to the terms and conditions set forth in the Share Purchase Rights Agreement, each share of New Common Stock issued pursuant to the Plan will be accompanied by a Share Purchase Right. See "Reorganized LGII — Certain Corporate Governance Matters — Share Purchase Rights Agreement."

New Five-Year Secured Notes

General

Under the Plan, on the Effective Date, holders of Allowed CTA Note Claims in Class 5 may receive, among other things, New Five-Year Secured Notes in respect of their Claims. New Five-Year Secured Notes will not be issued if the Exit Financing Term Loan Closing occurs. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

The New Five-Year Secured Notes are to be issued under the New Five-Year Secured Notes Indenture to be dated as of the Effective Date between Reorganized LGII and the trustee named therein. The following description of the New Five-Year Secured Notes is qualified in its entirety by reference to the Five-Year Secured Notes Indenture, a copy of which will be filed as Exhibit I.A.91 to the Plan and will be available in the Document Reviewing Centers.

The New Five-Year Secured Notes will mature on the fifth anniversary of the Effective Date and will bear interest at the rate of the London Interbank market rate of interest plus 2% per annum, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2001. Reorganized LGII will pay on each of the dates indicated below the amount of principal of the New Five-Year Secured Notes set forth opposite such date:

<u>Date</u>	<u>Principal Repayment</u>
1st anniversary of Effective Date	\$10 million
2nd anniversary of Effective Date.....	\$20 million
3rd anniversary of Effective Date	\$30 million
4th anniversary of Effective Date.....	\$40 million
5th anniversary of Effective Date.....	\$150 million

Ranking and Collateral

The New Five-Year Secured Notes will be senior and secured by the capital stock of Restricted Subsidiaries (as defined in the New Five-Year Secured Notes Indenture), each of which will be wholly owned directly or indirectly by Reorganized LGII. The security interest in such capital stock will be subject to release in order to effectuate: (a) mergers between Restricted Subsidiaries or of Restricted Subsidiaries into Reorganized LGII; or (b) certain permitted asset sales, including sales of the Disposition Properties.

Optional Redemption; Mandatory Offer to Repurchase upon a Change of Control

The New Five-Year Secured Notes are redeemable at any time at the option of Reorganized LGII, in whole or in part. Upon the occurrence of a Change of Control (as defined in the New Five-Year Secured Notes Indenture), Reorganized LGII will be required to offer to purchase all of the then-outstanding New Five-Year Secured Notes.

The price of any such redemption or repurchase of the New Five-Year Secured Notes shall be equal to 100% of the stated principal amount plus accrued and unpaid interest to the applicable redemption or repurchase date.

Events of Default

Each of the following events will constitute an Event of Default (as defined in the New Five-Year Secured Notes Indenture) with respect to the New Five-Year Secured Notes: (a) default in the payment of interest when due and payable and the continuance of such default for 30 days; (b) default in the payment of principal or premium, if any, when due and payable; (c) default in the performance of or compliance with any covenant and the continuance of such default for 60 days after notice to Reorganized LGII by the trustee or to Reorganized LGII and the trustee by holders of at least 25% of the aggregate principal amount of outstanding New Five-Year Secured Notes; (d) default under any Indebtedness (as defined in the New Five-Year Secured Notes Indenture) under which Reorganized LGII or any Restricted Subsidiary then has outstanding Indebtedness in excess of \$50 million and either such Indebtedness is due and payable in full or such default has resulted in the acceleration of the maturity of such Indebtedness; and (e) specified events involving bankruptcy or other insolvency-related matters.

Affirmative Covenants

Except to the extent otherwise permitted under the New Five-Year Secured Notes Indenture, Reorganized LGII will (and, where applicable, will cause each of its Restricted Subsidiaries to): (a) pay the principal of and interest on the New Five-Year Secured Notes on the dates and in the manner provided in the New Five-Year Secured Notes Indenture; (b) maintain an office or agency in the Borough of Manhattan, the City of New York, for the purposes of registration of transfer or exchange, presentation for payment and notices and demands; (c) preserve and keep in full force and effect their respective existence and rights, licenses or franchises; (d) pay or discharge all taxes, assessments and governmental charges levied upon them or their income, profits or property and all claims which, if unpaid, might result in a Lien (as defined in the New Five-Year Secured Notes Indenture) upon their property; (e) maintain and keep their properties and assets in good condition, repair and working order (reasonable wear and tear excepted); (f) maintain insurance as may be required by law and as is customarily maintained by companies similarly situated; (g) keep proper books and records; (h) comply with all statutes, laws, ordinances or governmental rules and regulations to which it is subject; and (i) file with the SEC, or, if not permitted or required to so file, deliver to the trustee under the New Five-Year Secured Notes Indenture, the annual reports, quarterly reports and the information, documents and other reports required to be filed with the SEC pursuant to sections 13 and 15 of the Exchange Act, whether or not Reorganized LGII has a class of securities registered under such act.

Negative Covenants

Except as otherwise permitted under the New Five-Year Secured Notes Indenture, Reorganized LGII will not (and, where applicable, will cause each of its Restricted Subsidiaries not to): (a) create, incur, issue, assume, guarantee or otherwise become liable for any Funded Indebtedness (as defined in the New Five-Year Secured Notes Indenture) unless at the time the Consolidated Fixed Charge Coverage Ratio (as defined in the New Five-Year Secured Notes Indenture) of Reorganized LGII is at least equal to 1:1; (b) declare, make or pay any Restricted Payments (as defined in the New Five-Year Secured Notes Indenture) unless (i) immediately after such Restricted Payments, Reorganized LGII could properly incur an additional dollar of Funded Indebtedness and (ii) the aggregate amount of all Restricted Payments declared or made would not exceed the sum of (A) \$25 million plus (B) 50% of the aggregate Consolidated Net Income (as defined in the New Five-Year Secured Notes Indenture) of Reorganized LGII during the period beginning on the Effective Date and ending on the last day of the fiscal quarter of Reorganized LGII preceding the date of such proposed Restricted Payment, which period shall be treated as a single accounting period (or, if such aggregate cumulative Consolidated Net Income for such period shall be a deficit, minus 100% of such deficit) plus (C) the aggregate net cash proceeds received by Reorganized LGII for the issuance or sale of capital stock after the Effective Date; (c) create or permit to exist or become effective any contractual restriction on the ability of any Restricted Subsidiary to pay dividends on its capital stock or to pay its obligations owed to Reorganized LGII, except as required by applicable law; (d) create, incur, assume or suffer to exist any Liens of any kind against or upon any of its properties or assets where the aggregate amount of Indebtedness secured by any such Liens exceeds 25% of Reorganized LGII's Consolidated Net Worth (as defined in the New Five-Year

Secured Notes Indenture); (e) make any Asset Sale (as defined in the New Five-Year Secured Notes Indenture) (other than sales of assets identified as Disposition Properties), except sales of assets involving \$50 million or less, unless the proceeds of the Asset Sale are reinvested in Replacement Assets (as defined in the New Five-Year Secured Notes Indenture) or are used to make an offer to purchase New Five-Year Secured Notes at 100% of stated principal amount (plus accrued and unpaid interest thereon) as provided by the New Five-Year Secured Notes Indenture; or (f) enter into any transaction with an Affiliate (as defined in the New Five-Year Secured Notes Indenture) of Reorganized LGII (other than wholly owned subsidiaries or any subsidiary that is not wholly owned solely to comply with regulatory requirements) unless such transaction is on terms no less favorable than those that could have been obtained in a comparable transaction with a non-Affiliate and, with respect to any transaction involving aggregate payments or value of \$10 million or greater, Reorganized LGII has obtained a written opinion from an Independent Financial Advisor (as defined in the New Five-Year Secured Notes Indenture) stating such transaction is fair to Reorganized LGII from a financial point of view. Certain negative covenants (*e.g.*, those described in items (a) - (f) in the preceding sentence) will be suspended during any time period when the New Five-Year Secured Notes are rated not less than BBB- and Baa3 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively.

Amendment, Waiver or Modification of Indenture

The affirmative vote of the holders of at least a majority of the aggregate principal amount of the New Five-Year Secured Notes will be required to approve amendments, waivers or other modifications to the New Five-Year Secured Notes Indenture other than amendments, waivers or other modifications customarily requiring unanimous noteholder approval under indentures similar to the New Five-Year Secured Notes Indenture, including the obligation of Reorganized LGII to offer to purchase outstanding New Seven-Year Unsecured Notes upon the occurrence of a Change of Control (all of which will require unanimous approval).

Remedies upon Default

After an Event of Default has occurred and is continuing under the New Five-Year Secured Notes Indenture, the trustee or holders of at least 25% of the aggregate outstanding principal amount of the New Five-Year Secured Notes may declare the entire principal amount of and accrued and unpaid interest on the New Five-Year Secured Notes to be immediately due and payable. The holders of a majority in outstanding principal amount of the New Five-Year Secured Notes may rescind any such acceleration as provided in the New Five-Year Secured Notes Indenture.

Trustee Duties and Indemnification

The holders of a majority in aggregate outstanding principal amount of the New Five-Year Secured Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee, *provided* that the trustee, with advice of counsel, may decline to follow such direction if the direction is in conflict with any rule of law or the New Five-Year Secured Notes Indenture or if the trustee in good faith determines that the action so directed would be unduly prejudicial to any holders of the New Five-Year Secured Notes not taking part in such direction or would expose the trustee to personal liability. Before proceeding to exercise any right or power under the New Five-Year Secured Notes Indenture at the direction of the noteholders, the trustee will be entitled to receive from such holders reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in complying with any such direction.

No holder of the New Five-Year Secured Notes will have any right to pursue any remedy with respect to the New Five-Year Secured Notes Indenture or the New Five-Year Secured Notes, unless (a) such holder has previously given the trustee written notice of a continuing Event of Default, (b) the holders of at least 25% in aggregate principal amount of the outstanding New Five-Year Secured Notes have made a written request to the trustee to pursue such remedy and offered reasonable indemnity satisfactory to the trustee, (c) the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding New Five-Year Secured

Notes a direction inconsistent with such request within 60 days after receipt of such request and (d) the trustee has failed to comply with the request within such 60-day period.

New Two-Year Unsecured Notes

General

Under the Plan, on the Effective Date, holders of Allowed CTA Note Claims in Class 5 may receive, among other things, New Two-Year Unsecured Notes in respect of their Claims. New Two-Year Unsecured Notes will be issued only if the Realized Asset Disposition Proceeds Amount is less than \$165 million. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

The New Two-Year Unsecured Notes are to be issued under the New Two-Year Unsecured Notes Indenture to be dated as of the Effective Date between Reorganized LGII and the trustee named therein. The following description of the New Two-Year Unsecured Notes is qualified in its entirety by any reference to the New Two-Year Unsecured Notes Indenture, a copy of which will be filed as Exhibit I.A.99 to the Plan and will be available in the Document Reviewing Centers.

The New Two-Year Unsecured Notes will mature on the second anniversary of the Effective Date and will bear interest at a rate of 12 $\frac{1}{4}$ % per annum, payable semiannually on June 15 and December 15 of each year, commencing on June 15, 2001.

Ranking

The New Two-Year Unsecured Notes will be unsecured senior obligations of Reorganized LGII, ranking equally with other senior unsecured indebtedness of Reorganized LGII (including the New Seven-Year Unsecured Notes), senior to any subordinated indebtedness of Reorganized LGII, and effectively junior to any secured indebtedness of Reorganized LGII (including the New Five-Year Secured Notes) and all liabilities of Reorganized LGII's subsidiaries.

Optional and Mandatory Redemption; Mandatory Offer to Repurchase upon a Change of Control

The New Two-Year Unsecured Notes are redeemable at any time at the option of Reorganized LGII, in whole or in part. In addition, Reorganized LGII will be required to apply Net Proceeds received by the Reorganized Debtors following the Effective Date in respect of the sale of any Disposition Properties to the redemption of the New Two-Year Unsecured Notes, *provided, however*, that Reorganized LGII will not be required to apply Net Proceeds so received to such redemption if the amount of such Net Proceeds would be an amount less than \$5 million, but any such Net Proceeds shall be carried forward and applied to redemption after the receipt of, and together with, any subsequent Net Proceeds which, together with such Net Proceeds and any other amount or amounts so carried forward, shall aggregate \$5 million or more. Furthermore, upon the occurrence of a Change of Control (as defined in the New Two-Year Unsecured Notes Indenture), Reorganized LGII will be required to offer to purchase all of the then-outstanding New Two-Year Unsecured Notes. The price of any such redemption or repurchase of the New Two-Year Unsecured Notes shall be equal to 100% of stated principal amount plus accrued and unpaid interest to the applicable redemption or repurchase date.

Events of Default

Each of the following events will constitute an Event of Default (as defined in the New Two-Year Unsecured Notes Indenture) with respect to the New Two-Year Unsecured Notes: (a) default in the payment of interest when due and payable and the continuance of such default for 30 days; (b) default in the payment of principal or premium, if any, when due and payable; (c) default in the performance of or compliance with any covenant and the continuance of such default for 60 days after notice to Reorganized LGII by the trustee or to Reorganized LGII and the trustee by holders of at least 25% of the aggregate principal amount of outstanding New

Two-Year Unsecured Notes; (d) default under any Indebtedness (as defined in the New Two-Year Unsecured Notes Indenture) under which Reorganized LGII or any Restricted Subsidiary then has outstanding Indebtedness in excess of \$50 million and either such Indebtedness is due and payable in full or such default has resulted in the acceleration of the maturity of such Indebtedness; and (e) specified events involving bankruptcy or other insolvency-related matters.

Affirmative Covenants

Except to the extent otherwise permitted under the New Two-Year Unsecured Notes Indenture, Reorganized LGII will (and, where applicable, will cause each of its Restricted Subsidiaries to): (a) pay the principal of and interest on the New Two-Year Unsecured Notes on the dates and in the manner provided in the New Two-Year Unsecured Notes Indenture; (b) maintain an office or agency in the Borough of Manhattan, the City of New York, for the purposes of registration of transfer or exchange, presentation for payment and notices and demands; (c) preserve and keep in full force and effect their respective existence and rights, licenses or franchises; (d) maintain and keep their properties and assets in good condition, repair and working order (reasonable wear and tear excepted); (e) maintain insurance as may be required by law and as is customarily maintained by companies similarly situated; (f) keep proper books and records; and (g) comply with all statutes, laws, ordinances or governmental rules and regulations to which it is subject.

Negative Covenants

Except as otherwise permitted under the New Two-Year Unsecured Notes Indenture, Reorganized LGII will not (and, where applicable, will cause each of its Restricted Subsidiaries not to): (a) declare, make or pay any Restricted Payments (as defined in the New Two-Year Unsecured Notes Indenture) unless the aggregate amount of all Restricted Payments declared or made would not exceed the sum of (i) \$25 million plus (ii) 50% of the aggregate Consolidated Net Income (as defined in the New Two-Year Unsecured Notes Indenture) of Reorganized LGII during the period beginning on the Effective Date and ending on the last day of the fiscal quarter of Reorganized LGII preceding the date of such proposed Restricted Payment, which period shall be treated as a single accounting period (or, if such aggregate cumulative Consolidated Net Income for such period shall be a deficit, minus 100% of such deficit) plus (iii) the aggregate net cash proceeds received by Reorganized LGII from the issuance or sale of capital stock after the Effective Date; (b) create or permit to exist or become effective any contractual restriction on the ability of any Restricted Subsidiary to pay dividends on its capital stock or to pay its obligations owed to Reorganized LGII, except as required by applicable law; and (c) enter into any transaction with an Affiliate (as defined in the New Two-Year Unsecured Notes Indenture) of Reorganized LGII (other than wholly owned subsidiaries or any subsidiary that is not wholly owned solely to comply with regulatory requirements) unless such transaction is on terms no less favorable than those that could have been obtained in a comparable transaction with a non-Affiliate and, with respect to any transaction involving aggregate payments or value of \$50 million or greater, Reorganized LGII has obtained a written opinion from an Independent Financial Advisor (as defined in the New Two-Year Unsecured Notes Indenture) stating such transaction is fair to Reorganized LGII from a financial point of view.

Amendment, Waiver or Modification of Indenture

The affirmative vote of the holders of at least a majority of the aggregate principal amount of the New Two-Year Unsecured Notes will be required to approve amendments, waivers or other modifications to the New Two-Year Unsecured Notes Indenture other than amendments, waivers or other modifications customarily requiring unanimous noteholder approval under indentures similar to the New Two-Year Note Indenture, including the obligation of Reorganized LGII to offer to purchase outstanding New Two-Year Unsecured Notes upon the occurrence of a Change of Control (all of which will require unanimous approval).

Remedies upon Default

After an Event of Default has occurred and is continuing under the New Two-Year Unsecured Notes Indenture, the trustee or holders of at least 25% of the aggregate outstanding principal amount of the New Two-Year Unsecured Notes may declare the entire principal amount of and accrued and unpaid interest on the New Two-Year Unsecured Notes to be immediately due and payable. The holders of a majority in outstanding principal amount of the New Two-Year Unsecured Notes may rescind any such acceleration as provided in the New Two-Year Unsecured Notes Indenture.

Trustee Duties and Indemnification

The holders of a majority in aggregate outstanding principal amount of the New Two-Year Unsecured Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee, *provided* that the trustee, with advice of counsel, may decline to follow such direction if the direction is in conflict with any rule of law or the New Two-Year Unsecured Notes Indenture or if the trustee in good faith determines that the action so directed would be unduly prejudicial to any holders of the New Two-Year Unsecured Notes not taking part in such direction or would expose the trustee to personal liability. Before proceeding to exercise any right or power under the New Two-Year Unsecured Notes Indenture at the direction of the noteholders, the trustee will be entitled to receive from such holders reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in complying with any such direction.

No holder of the New Two-Year Unsecured Notes will have any right to pursue any remedy with respect to the New Two-Year Unsecured Notes Indenture or the New Two-Year Unsecured Notes, unless (a) such holder has previously given the trustee written notice of a continuing Event of Default, (b) the holders of at least 25% in aggregate principal amount of the outstanding New Two-Year Unsecured Notes have made a written request to the trustee to pursue such remedy and offered reasonable indemnity satisfactory to the trustee, (c) the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding New Two-Year Unsecured Notes a direction inconsistent with such request within 60 days after receipt of such request and (d) the trustee has failed to comply with the request within such 60-day period.

New Seven-Year Unsecured Notes

General

Under the Plan, on the Effective Date, holders of Allowed CTA Note Claims in Class 5 will receive, among other things, New Seven-Year Unsecured Notes in respect of their Claims. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

The New Seven-Year Unsecured Notes are to be issued under the New Seven-Year Unsecured Notes Indenture to be dated as of the Effective Date between Reorganized LGII and the trustee named therein. The following description of the New Seven-Year Unsecured Notes is qualified in its entirety by reference to the New Seven-Year Unsecured Notes Indenture, a copy of which will be filed as Exhibit I.A.95 to the Plan and will be available in the Document Reviewing Centers.

The New Seven-Year Unsecured Notes will mature on the seventh anniversary of the Effective Date and will bear interest at the rate of 12 ¹/₄% per annum, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2001.

Ranking

The New Seven-Year Unsecured Notes will be unsecured senior obligations of Reorganized LGII, ranking equally with other senior unsecured indebtedness of Reorganized LGII (including the New Two-Year Unsecured

Notes), senior to any subordinated indebtedness of Reorganized LGII, and effectively junior to any secured indebtedness of Reorganized LGII (including the New Five-Year Secured Notes) and all liabilities of Reorganized LGII's subsidiaries.

Optional Redemption; Mandatory Offer to Repurchase upon a Change of Control

The New Seven-Year Unsecured Notes are redeemable from and after the third anniversary of the Effective Date, at the option of Reorganized LGII, in whole or in part. The price of any such redemption of the New Seven-Year Unsecured Notes shall be equal to the following redemption prices (indicated as a percentage of stated principal amount) plus accrued and unpaid interest to the applicable redemption date:

From the 3 rd to the 4 th anniversary of the Effective Date	102.0%
From the 4 th to the 5 th anniversary of the Effective Date	101.0%
Thereafter.....	100.0%

Furthermore, upon the occurrence of a Change of Control (as defined in the New Seven-Year Unsecured Notes Indenture), Reorganized LGII will be required to offer to purchase all of the then outstanding New Seven-Year Unsecured Notes at a purchase price equal to the lesser of (a) 101% of the principal amount thereof plus accrued and unpaid interest and (b) the applicable redemption price set forth above.

Events of Default

Each of the following events will constitute an Event of Default (as defined in the New Seven-Year Unsecured Notes Indenture) with respect to the New Seven-Year Unsecured Notes: (a) default in the payment of interest when due and payable and the continuance of such default for 30 days; (b) default in the payment of principal or premium, if any, when due and payable; (c) default in the performance of or compliance with any covenant and the continuance of such default for 60 days after notice to Reorganized LGII by the trustee or to Reorganized LGII and the trustee by holders of at least 25% of the aggregate principal amount of outstanding New Seven-Year Unsecured Notes; (d) default under any Indebtedness (as defined in the New Seven-Year Unsecured Notes Indenture) under which Reorganized LGII or any Restricted Subsidiary then has outstanding Indebtedness in excess of \$50 million and either such Indebtedness is due and payable in full or such default has resulted in the acceleration of the maturity of such Indebtedness; and (e) specified events involving bankruptcy or other insolvency-related matters.

Affirmative Covenants

Except to the extent otherwise permitted under the New Seven-Year Unsecured Notes Indenture, Reorganized LGII will (and, where applicable, will cause each of its Restricted Subsidiaries to): (a) pay the principal of and interest on the New Seven-Year Unsecured Notes on the dates and in the manner provided in the New Seven-Year Unsecured Notes Indenture; (b) maintain an office or agency in the Borough of Manhattan, the City of New York, for the purposes of registration of transfer or exchange, presentation for payment and notices and demands; (c) preserve and keep in full force and effect their respective existence and rights, licenses or franchises; (d) pay or discharge all taxes, assessments and governmental charges levied upon them or their income, profits or property and all claims which, if unpaid, might result in a Lien (as defined in the New Seven-Year Unsecured Notes Indenture) upon their property; (e) maintain and keep their properties and assets in good condition, repair and working order (reasonable wear and tear excepted); (f) maintain insurance as may be required by law and as is customarily maintained by companies similarly situated; (g) keep proper books and records; (h) comply with all statutes, laws, ordinances or governmental rules and regulations to which it is subject; and (i) file with the SEC, or, if not permitted or required to so file, deliver to the trustee under the New Seven-Year Unsecured Notes Indenture, the annual reports, quarterly reports and the information, documents and other reports required to be filed with the

SEC pursuant to sections 13 and 15 of the Exchange Act, whether or not Reorganized LGII has a class of securities registered under such act.

Negative Covenants

Except as otherwise permitted under the New Seven-Year Unsecured Notes Indenture, Reorganized LGII will not (and, where applicable, will cause each of its Restricted Subsidiaries not to): (a) create, incur, issue, assume, guarantee or otherwise become liable for any Funded Indebtedness (as defined in the New Seven-Year Unsecured Notes Indenture) unless at the time the Consolidated Fixed Charge Coverage Ratio (as defined in the New Seven-Year Unsecured Notes Indenture) of Reorganized LGII is at least equal to 1:1; (b) declare, make or pay any Restricted Payments (as defined in the New Seven-Year Unsecured Notes Indenture) unless (i) immediately after such Restricted Payments, Reorganized LGII could properly incur an additional dollar of Funded Indebtedness and (ii) the aggregate amount of all Restricted Payments declared or made would not exceed the sum of (A) \$25 million plus (B) 50% of the aggregate Consolidated Net Income (as defined in the New Seven-Year Unsecured Notes Indenture) of Reorganized LGII during the period beginning on the Effective Date and ending on the last day of the fiscal quarter of Reorganized LGII preceding the date of such proposed Restricted Payment, which period shall be treated as a single accounting period (or, if such aggregate cumulative Consolidated Net Income for such period shall be a deficit, minus 100% of such deficit) plus (C) the aggregate net cash proceeds received by Reorganized LGII from the issuance or sale of capital stock after the Effective Date; (c) create or permit to exist or become effective any contractual restriction on the ability of any Restricted Subsidiary to pay dividends on its capital stock or to pay its obligations owed to Reorganized LGII, except as required by applicable law; (d) create, incur, assume or suffer to exist any Liens of any kind against or upon any of its properties or assets where the aggregate amount of Indebtedness secured by any such Liens exceeds 25% of Reorganized LGII's Consolidated Net Worth (as defined in the New Seven-Year Unsecured Notes Indenture); (e) enter into any transaction with an Affiliate (as defined in the New Seven-Year Unsecured Notes Indenture) of Reorganized LGII (other than wholly owned subsidiaries or any subsidiary that is not wholly owned solely to comply with regulatory requirements) unless such transaction is on terms no less favorable than those that could have been obtained in a comparable transaction with a non-Affiliate and, with respect to any transaction involving aggregate payments or value of \$50 million or greater, Reorganized LGII has obtained a written opinion from an Independent Financial Advisor (as defined in the New Seven-Year Unsecured Notes Indenture) stating such transaction is fair to Reorganized LGII from a financial point of view. Certain negative covenants (*e.g.*, those described in items (a) – (e) in the preceding sentence) will be suspended during any time period when the New Seven-Year Unsecured Notes are rated not less than BBB- and Baa3 by Standard and Poor's Corporation and Moody's Investors Service, Inc., respectively.

Amendment, Waiver or Modification of Indenture

The affirmative vote of the holders of at least a majority of the aggregate principal amount of the New Seven-Year Unsecured Notes will be required to approve amendments, waivers or other modifications to the New Seven-Year Unsecured Notes Indenture other than amendments, waivers or other modifications customarily requiring unanimous noteholder approval under indentures similar to the New Seven-Year Notes Indenture, including the obligation of Reorganized LGII to offer to purchase outstanding New Seven-Year Unsecured Notes upon the occurrence of a Change of Control (all of which will require unanimous approval).

Remedies upon Default

After an Event of Default has occurred and is continuing under the New Seven-Year Unsecured Notes Indenture, the trustee or holders of at least 25% of the aggregate outstanding principal amount of the New Seven-Year Unsecured Notes may declare the entire principal amount of and accrued and unpaid interest on the New Seven-Year Unsecured Notes to be immediately due and payable. The holders of a majority in outstanding principal amount of the New Seven-Year Unsecured Notes may rescind any such acceleration as provided in the New Seven-Year Unsecured Notes Indenture.

Trustee Duties and Indemnification

The holders of a majority in aggregate outstanding principal amount of the New Seven-Year Unsecured Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee, *provided* that the trustee, with advice of counsel, may decline to follow such direction if the direction is in conflict with any rule of law or the New Seven-Year Unsecured Notes Indenture or if the trustee in good faith determines that the action so directed would be unduly prejudicial to any holders of the New Seven-Year Unsecured Notes not taking part in such direction or would expose the trustee to personal liability. Before proceeding to exercise any right or power under the New Seven-Year Notes Indenture at the direction of the noteholders, the trustee will be entitled to receive from such holders reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in complying with any such direction.

No holder of the New Seven-Year Unsecured Notes will have any right to pursue any remedy with respect to the New Seven-Year Unsecured Notes Indenture or the New Seven-Year Unsecured Notes, unless (a) such holder has previously given the trustee written notice of a continuing Event of Default, (b) the holders of at least 25% in aggregate principal amount of the outstanding New Seven-Year Unsecured Notes have made a written request to the trustee to pursue such remedy and offered reasonable indemnity satisfactory to the trustee, (c) the trustee has not received from the holders of a majority in aggregate principal amount of the outstanding New Seven-Year Unsecured Notes a direction inconsistent with such request within 60 days after receipt of such request and (d) the trustee has failed to comply with the request within such 60-day period.

New Unsecured Subordinated Notes

It is presently anticipated that, pursuant to the Blackstone Settlement, on the Effective Date Reorganized LGII will issue to Blackstone the New Unsecured Subordinated Note in the original principal amount of \$25 million, in exchange for all of the outstanding common stock of Rose Hills held by Blackstone. See "Operations During the Reorganization Cases — Blackstone Transactions – Blackstone Settlement." It is presently anticipated that the New Unsecured Subordinated Note will mature on the tenth anniversary of the Effective Date and will bear interest at the rate of 12 ~~3~~% per annum, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2001. It is also anticipated that the New Unsecured Subordinated Note will be expressly subordinated to all senior debt of Reorganized LGII, will be convertible into New Common Stock at an initial conversion rate equal to the assumed per share reorganization equity value and will contain events of default, covenants and other terms to be agreed by the Debtors and Blackstone.

Exit Financing

Exit Financing Revolving Credit Facility

On the Effective Date, Reorganized LGII and the Exit Financing Facility Agent Bank will enter into the Exit Financing Revolving Credit Facility. See "Overview of the Plan — Exit Financing Revolving Credit Facility." The commitment by the Confirmation Date of the Exit Financing Facility Agent Bank to provide the Exit Financing Revolving Credit Facility on terms satisfactory to the Debtors is a condition to Confirmation, and the execution and delivery of the documents effectuating the Exit Financing Revolving Credit Facility by Reorganized LGII and the Exit Financing Facility Agent Bank are conditions to the Effective Date.

The Debtors currently contemplate that the Exit Financing Revolving Credit Facility will be a \$100 million revolving credit facility, \$30 million of which will also be available in the form of letters of credit, and that borrowings under the Exit Financing Revolving Credit Facility will bear interest at a floating rate based on the London Interbank Borrowing Rate plus a specified margin and will be secured by the capital stock of certain subsidiaries of Reorganized LGII. The Projections assume that there will be no borrowings under the Exit Financing Revolving Credit Facility as of the Effective Date.

Exit Financing Term Loan

The Debtors also will seek to obtain from the Exit Financing Facility Agent Bank a \$250 million Exit Financing Term Loan as of the Effective Date. It is currently contemplated that such Exit Financing Term Loan, like the Exit Financing Revolving Credit Facility, would bear interest at a floating rate based on the London Interbank Borrowing Rate plus a specified margin and would be secured by the capital stock of certain subsidiaries of Reorganized LGII.

If Reorganized LGII and the Exit Financing Facility Agent Bank agree on satisfactory terms for the Exit Financing Term Loan and the Exit Financing Term Loan Closing occurs, the New Five-Year Secured Notes will not be issued pursuant to the Plan, but rather the amount of cash to be distributed to holders of Allowed Claims in Class 5 would be increased by \$250 million.

Rose Hills Indebtedness

Upon consummation of the transactions contemplated by the Blackstone Settlement, Reorganized LGII will own all or substantially all of the outstanding capital stock of Rose Hills. Rose Hills has a senior secured amortization extended term loan facility (the "Rose Hills Term Facility") in an aggregate principal amount of \$75 million and a senior secured revolving credit facility (the "Rose Hills Revolving Facility") in an aggregate principal amount of up to \$25 million. The Rose Hills Term Facility and the Rose Hills Revolving Facility mature on November 1, 2003 and 2001, respectively. The Rose Hills Term Facility is subject to amortization, subject to certain conditions, in semi-annual installments in the amounts of \$1 million in each of the first three years after the anniversary of the closing date of the Rose Hills Term Facility (the "Bank Closing"), which occurred in November 1996; \$3 million in the fourth year after the Bank Closing; \$7 million in the fifth year after the Bank Closing; \$9 million in the sixth year after the Bank Closing and \$53 million upon maturity of the Bank Term Facility. The Rose Hills Revolving Credit Facility is payable in full at maturity, with no prior amortization. As of June 30, 2000, the outstanding principal amount under the Rose Hills Term Facility was approximately \$71 million and there were no outstanding borrowings under the Rose Hills Revolving Facility.

Rose Hills also issued \$80 million aggregate principal amount of 9 2% Senior Subordinated Notes due 2004 (the "Rose Hill Notes"). The Rose Hills Notes mature on November 15, 2004 and bear interest at the rate of 9 2% per annum, payable semiannually on May 15 and November 15 of each year. The Rose Hills Notes are redeemable from and after November 15, 2000, at the option of Rose Hills, in whole or in part. The initial price of any such redemption is 104.75% of stated principal amount (subject to annual reduction reaching 100% in 2003), plus accrued and unpaid interest to the applicable redemption date.

Other Indebtedness

Pursuant to the treatment of holders of Class 4 Claims under the Plan, certain secured indebtedness of the Debtors incurred or assumed primarily in connection with TLGI's acquisition of funeral home and cemetery business will be Reinstated on the Effective Date. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests." Generally, this indebtedness is secured by liens on certain specific properties that were the subject of such acquisition and contains favorable interest and payment terms. The Debtors estimate that approximately \$70 million of such indebtedness will be paid in full or Reinstated on the Effective Date.

RISK FACTORS

The securities to be issued pursuant to the Plan are subject to a number of material risks, including those enumerated below. The risk factors enumerated below assume Confirmation and the consummation of the Plan and the transactions contemplated by the Plan and do not include matters that could prevent Confirmation. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests," "Overview of the Plan — Conditions to Confirmation and Effective Date of the Plan" and "Voting and Confirmation of the Plan" for discussions of such matters. Prior to voting on the Plan, each holder of Claims entitled to vote should carefully

consider the risk factors enumerated or referred to below, as well as all of the information contained in this Disclosure Statement, including the exhibits hereto.

Projections

The fundamental premise of the Plan is the successful implementation of the Debtors' business plan, as reflected in the Projections. The Projections are inherently uncertain and are dependent upon the successful implementation of the business plan and the reliability of the other assumptions contained therein. The Projections reflect numerous assumptions, including Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of Reorganized LGII, industry performance, general business and economic conditions and other matters, most of which are beyond the control of Reorganized LGII and some of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement, including unanticipated changes in applicable regulations or U.S. GAAP, may affect the actual financial condition, results of operations and cash flows of the Reorganized Debtors in the future.

Substantial Leverage

Giving pro forma effect to the Confirmation of the Plan, on the Effective Date the Reorganized Debtors' long-term indebtedness is expected to be approximately \$820 million. While management of the Debtors believe that future operating cash flow, together with financing arrangements, will be sufficient to finance operating requirements under the Debtors' business plan, the Reorganized Debtors' leverage and debt service requirements could make them more vulnerable to economic downturns in the markets the Reorganized Debtors intend to serve or in the economy generally. The Reorganized Debtors' indebtedness could restrict their ability to obtain additional financing in the future and, because the Reorganized Debtors may be more leveraged than certain of their competitors, could place the Reorganized Debtors at a competitive disadvantage. In addition, the Exit Financing Facility, the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes, as well as the New Unsecured Subordinated Notes, will contain covenants that impose operating and financial restrictions on the Reorganized Debtors. These covenants could adversely affect the Reorganized Debtors' ability to finance future operations, potential acquisitions or capital needs or to engage in business activities that may be in their interest, including in implementing the Debtors' business plan.

Security Interests

The capital stock of certain of Reorganized LGII's subsidiaries will be subject to various liens and security interests. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — New Five-Year Secured Notes" and "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Exit Financing." If a holder of a security interest becomes entitled to exercise its rights as a secured party, it would have the right to foreclose upon and sell or otherwise transfer the collateral subject to its security interest, and the collateral accordingly would be unavailable to Reorganized LGII or the subsidiary owning the collateral and to other creditors of Reorganized LGII or such subsidiary, except to the extent, if any, that such other creditors have a superior or equal security interest in the affected collateral, or the value of the affected collateral exceeds the amount of indebtedness in respect of which such foreclosure rights are exercised.

The Security for the New Five-Year Secured Notes May Not Be Sufficient To Make Payments on Such Notes

Reorganized LGII's obligations under the New Five-Year Secured Notes Indenture will be secured by collateral which will consist of the capital stock of certain wholly owned subsidiaries of Reorganized LGII. The proceeds from the sale of this pledged capital stock may not be sufficient to satisfy amounts due on the New Five-Year Secured Notes. The New Five-Year Secured Notes will not be secured by any lien on, or any other security interest in, any of the properties or assets of Reorganized LGII or any subsidiary of Reorganized LGII.

If, upon a foreclosure on the pledged capital stock, the proceeds from such stock are insufficient to satisfy the entire amount due on the New Five-Year Secured Notes, the claim by the holders of the New Five-Year Secured

Notes against Reorganized LGII for this deficiency would rank equally with the claims of the other general, unsubordinated creditors of Reorganized LGII. The remaining assets of Reorganized LGII may not be sufficient to satisfy this deficiency.

The New Senior Notes Will Be Effectively Subordinated to Obligations of the Subsidiaries of Reorganized LGII

Reorganized LGII principally will be a holding company, and therefore its right to participate in any distribution of assets of any subsidiary upon that subsidiary's dissolution, winding-up, liquidation or reorganization or otherwise (and thus the ability of holders of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes to benefit indirectly from the distribution) is subject to the prior claims of creditors of that subsidiary, except to the extent that Reorganized LGII may be a creditor of that subsidiary and its claims are recognized. There are various legal limitations on the extent to which some of the subsidiaries of Reorganized LGII may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, Reorganized LGII or its other subsidiaries. The New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes will be effectively subordinated to all indebtedness and other obligations of the subsidiaries. Those subsidiaries are separate legal entities and have no obligations to pay, or make funds available for the payment of, any amounts due on the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, and the New Seven-Year Unsecured Notes.

Dividend Policies; Restrictions on Payment of Dividends

Reorganized LGII does not anticipate paying any dividends on the New Common Stock in the foreseeable future. In addition, covenants in the respective indentures governing the New Five-Year Secured Notes, if issued, New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the Exit Financing Facility will restrict the ability of Reorganized LGII to pay dividends and may prohibit the payment of dividends and certain other payments. Certain institutional investors may only invest in dividend-paying equity securities or may operate under other restrictions that may prohibit or limit their ability to invest in the New Common Stock.

Lack of Established Market for New Common Stock and New Senior Notes; Possible Volatility

No established market exists for the New Five-Year Secured Notes, the New Two-Year Unsecured Notes, the New Seven-Year Unsecured Notes or the New Common Stock. Although it is currently anticipated that the New Common Stock will be designated as a Nasdaq National Market security by The Nasdaq Stock Market, Inc., there can be no assurance, even if such designation is obtained, that an active market for the New Common Stock will develop or, if any such market does develop, that it will continue to exist or as to the degree of price volatility in any such market that does develop. Moreover, the New Common Stock will be issued pursuant to the Plan to holders of Allowed Claims in Classes 5, 6, 9 and 15, some of which may prefer to liquidate their investment rather than hold it on a long-term basis. Accordingly, it is anticipated that the market for the New Common Stock will be volatile, at least for an initial period after the Effective Date. Moreover, although the Plan was developed based upon an assumed midpoint reorganization value of \$17.09 per share of the New Common Stock, such valuation was not an estimate of the prices at which the New Common Stock may trade in the market, and the Debtors have not attempted to make any such estimate in connection with the development of the Plan. In addition, the market price of the New Common Stock may be subject to significant fluctuations in response to numerous factors, including variations in Reorganized LGII's annual or quarterly financial results or those of its competitors, changes by financial analysts in their estimates of the future earnings of Reorganized LGII, conditions in the economy in general or in the funeral industry in particular or unfavorable publicity. The stock market also has, from time to time, experienced significant price and volume fluctuations that have been unrelated to the operating performance of companies with publicly-traded securities. See "Securities To Be Issued Pursuant to the Plan and Other Post-Reorganization Indebtedness — Reorganization Value." No assurance can be given as to the market prices for New Common Stock that will prevail following the Effective Date.

None of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, or the New Seven-Year Unsecured Notes will be listed on any exchange. In addition, there can be no assurance that an active market therefor will develop or as to the degree of price volatility in any such particular market. Accordingly, no assurance can be given that a holder of the New Senior Notes will be able to sell such securities in the future or as to the price at which any such sale may occur. If such markets were to exist, the New Senior Notes could trade at prices higher or lower than the face amount thereof, depending on many factors, including prevailing interest rates, markets for similar securities, industry conditions and the performance of, and investor expectations for, Reorganized LGII.

Noncomparability of Historical Financial Information

As a result of the consummation of the Plan and the transactions contemplated thereby, Reorganized LGII will operate the existing business of the Loewen Companies under a new capital structure. In addition, Reorganized LGII will be subject to the fresh-start accounting rules, will report using U.S. GAAP rather than Canadian GAAP and will, as a result of SAB 101, apply accounting policies relating to preneed revenue recognition that differ from those applied by TLGI for 1999 and earlier fiscal years. See "Reorganized LGII — Restructuring Transactions," "Reorganized LGII — Business of Reorganized LGII" and "Reorganized LGII — Projected Financial Information." In addition, historically the financial statements of TLGI have not consolidated the assets, liabilities and results of operations of Rose Hills as they will after the Blackstone Settlement is consummated, and in the future the consolidated financial statements of Reorganized LGII will not reflect the assets, liabilities or results of operations of properties that have been or will, as part of the Debtors' disposition program, be sold or otherwise disposed of. Accordingly, the financial condition and results of operations of Reorganized LGII from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the historical financial statements of TLGI set forth in Exhibit III to this Disclosure Statement.

Treatment of Claims; Dilution

A number of Disputed Claims are expected to be material, and the total amount of all Claims, including Disputed Claims, may be materially in excess of the total amount of Allowed Claims assumed in the development of the Plan. The actual ultimate aggregate amount of Allowed Claims in any Class or, in the case of Class 9, any Division, may differ significantly from the estimates set forth in the table under the caption "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests." Accordingly, the amount of distributions that ultimately will be received by any particular holder of an Allowed Unsecured Claim in a Division of Class 9 may be adversely affected by the aggregate amount of Claims ultimately allowed in that Division. Consequently, distributions to holders of Allowed Unsecured Claims in each Division of Class 9 will be made on an incremental basis until all Disputed Claims in each such Division have been resolved. See "Distributions Under the Plan — Timing and Calculation of Amounts To Be Distributed." In addition, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly less than the amount of the Disputed Claim asserted by the holder thereof.

NAFTA Claims

In October 1998, TLGI filed the NAFTA Claims against the U.S. government seeking damages under the arbitration provisions of NAFTA. See "Collateral Trust Agreement Issues; Recovery Actions; and Other Legal Proceedings — Other Legal Proceedings — NAFTA Claims." Prior to the Effective Date, TLGI will cause LGII to form (a) Delco, a wholly owned Delaware limited liability company, and (b) Nafcanco, a wholly owned Nova Scotia unlimited liability company. On the Effective Date, LGII will transfer its rights to receive any proceeds of the NAFTA Claims arising under Article 1117 of NAFTA to Delco and will transfer the membership interests in Delco to TLGI. Immediately thereafter, TLGI will transfer to Nafcanco all right, title and interest to any proceeds of the NAFTA Claims arising under Article 1116 of NAFTA and TLGI will cause Delco to transfer to LGII all right, title, and interest to any proceeds of the NAFTA Claims arising under Article 1117 of NAFTA, and in respect thereof, TLGI will irrevocably delegate to Nafcanco all powers and responsibilities of TLGI in respect of the pursuit and prosecution of the NAFTA Claims, all in accordance with the terms of Exhibit I.A.29 of the Plan. Although TLGI and LGII believe that these actions should not affect the NAFTA Claims, the U.S. government, respondent in the

NAFTA proceeding, will likely argue that these actions, if taken before an award is issued, would divest the arbitration panel of jurisdiction over some or all of the claims. See "Overview of the Plan – The CCAA Order." In addition, the Debtors do not believe that it is possible at this time to predict the final outcome of this proceeding or to establish a reasonable estimate of the damages, if any, that may be awarded, or the proceeds, if any, that may be received in respect of the NAFTA Claims.

Revenues from Preneed Sales Is Dependent upon an Adequate Salesforce

Revenue from funeral and cemetery operations is significantly impacted by the level of preneed sales, and the level of preneed sales is largely dependent upon maintaining an adequate salesforce. Accordingly, the future success of Reorganized LGII is dependent upon the ability of the Debtors and the Reorganized Debtors to attract, train and retain an adequate number of salespeople.

Revenue from Trust and Finance Income Is Subject to Market Conditions

Revenue from funeral and cemetery operations is significantly impacted by the level of trust income from perpetual care and merchandise trust funds. The level of trust income is largely dependent upon yields available in connection with the investment of the balances held in such trust funds. Available yields may be subject to significant fluctuations in response to conditions in the economy in general.

Federal, State and Local Regulations May Change to the Detriment of Reorganized LGII

The operations of Reorganized LGII will be subject to regulation, supervision and licensing under numerous federal, state and local laws, ordinances and regulations, including extensive regulations concerning trust funds, preneed sales of funeral and cemetery products and services and various other aspects of the business. The impact of such regulations varies depending on the location of funeral homes and cemeteries.

From time to time, states and other regulatory agencies have considered and may enact additional legislation or regulations that could affect the industry. For example, some states and regulatory agencies have considered or are considering regulations that could require more liberal refund and cancellation policies for preneed sales of products and services, prohibit door-to-door or telephone solicitation of potential customers, increase trust requirements and prohibit the common ownership of funeral homes and cemeteries in the same market. If adopted in the states in which Reorganized LGII operates, these and other possible proposals could have a material adverse effect on the results of operations of Reorganized LGII.

The Death Rate May Decrease

The death rate in the United States declined approximately 1% in 1997 and approximately 2% in 1998, reversing a trend of an approximately 1% increase per year since 1980. Industry studies indicate that the average age of the population is increasing. The financial results of Reorganized LGII may be affected by any decline in the death rate.

The Rate of Cremation Is Increasing

There is an increasing trend in the United States toward cremation. According to industry studies, cremations represented approximately 24% of the burials performed in the United States in 1997, as compared with approximately 10% in 1980. Compared to traditional funeral services, cremations have historically generated similar gross profit percentages but lower revenues. A substantial increase in the rate of cremations performed by Reorganized LGII could have a material adverse effect on the results of operations of Reorganized LGII.

Certain Anti-Takeover Effects

Certain provisions of the Certificate of Incorporation and Bylaws, as well as the DGCL, may have the effect of delaying, deferring or preventing a change in control of Reorganized LGII. Such provisions, including those providing for the possible issuance of New Preferred Stock without stockholder approval, regulating the nomination of directors, limiting who may call special stockholders' meetings and eliminating stockholder action by written consent, together with the Share Purchase Rights Agreement, may make it more difficult for other persons, without the approval of the Board of Directors, to make a tender offer or otherwise acquire substantial amounts of the New Common Stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder's best interest. See "Reorganized LGII — Certain Corporate Governance Matters."

GENERAL INFORMATION CONCERNING THE PLAN

Confirmation of the Plan and the occurrence of the Effective Date will result in the discharge of certain Claims and Interests and the creation of related injunctions with respect thereto. Moreover, upon Confirmation and the occurrence of the Effective Date, the Debtors will retain and may enforce certain claims and causes of actions against other entities, including the Retained Claims, not specifically released pursuant to the Plan. These legal effects of the Plan are set forth in Article XI of the Plan and are described below.

Discharge of Claims and Termination of Interests; Related Injunction

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and termination of all Interests arising on or before the Effective Date, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date: (a) discharge the Debtors from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) terminate all Interests and other rights of equity security holders in the Debtors.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, the Confirmation Order will be a judicial determination of a discharge of all such Claims and other debts and liabilities against the Debtors and a termination of all such Interests and other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against a Debtor at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan will be permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtors, the Reorganized Debtors or their respective property, other than to enforce any right pursuant to the Plan to a distribution; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, the Reorganized Debtors or their respective property, other than as permitted pursuant to (a) above; (c) creating, perfecting or enforcing any lien or encumbrance against the Debtors, the Reorganized Debtors or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Reorganized Debtors; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

As of the Effective Date, all entities that have held, currently hold or may hold any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that are released pursuant to the Plan, including pursuant to Section IV.F of the Plan, will be permanently enjoined from taking any of the following

actions against any released entity or its property on account of such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in the Plan.

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan. All subordination rights that a holder of a Claim may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors, the Reorganized Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

Preservation of Rights of Action Held by the Debtors or the Reorganized Debtors

Except as provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors will retain and may enforce any claims, demands, rights and causes of action that any Debtor or Estate may hold, including claims transferred to Reorganized LGII by TLGI on the Effective Date and the Retained Claims, against any person or entity. The Reorganized Debtors or their successors may pursue such retained claims, demands, rights or causes of action, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successors holding such claims, demands, rights or causes of action. Further, the Reorganized Debtors retain their rights to File and pursue any adversary proceedings against any trade creditor or vendor related to debit balances or deposits owed to any Debtor. Notwithstanding the foregoing, on the Effective Date, the Reorganized Debtors will be deemed to waive and release any claims, rights or causes of action arising under section 547 of the Bankruptcy Code relating to preferential transfers held by any Debtor or Reorganized Debtor against any entity other than any Retained Claims identified on Exhibit IV.F.1 to the Plan.

Releases and Related Injunction

As of the Effective Date, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and the cash, New Senior Notes, New Common Stock and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, (a) each holder of a Claim or Interest that votes in favor of the Plan and (b) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each entity that has held, holds or may hold a Claim or Interest or at any time was a creditor or stockholder of any of the Debtors and that does not vote on the Plan or votes against the Plan will be deemed to forever release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right to enforce the Debtors' or the

Reorganized Debtors' obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Reorganization Cases or the Plan that such entity has, had or may have against any Debtor or other Loewen Company, the members of the Creditors' Committee and each of their respective present or former directors, officers, employees, attorneys, accountants, financial advisors and agents, acting in such capacity (which release will be in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code).

As of the Effective Date, and upon cancellation of the CTA as provided in Section IV.I of the Plan, each Indenture Trustee, the CTA Trustee and each holder of a CTA Note Claim will be deemed to forever release, waive and discharge each Loewen Company, including as a Pledgor under the CTA, from any claims, demands, rights or courses of action in respect to any rights or claims under or in respect to the CTA and CTA Note Claims, all of such claims having been settled and discharged through the respective distributions to holders of Claims in Class 5.

In connection with the Debtors' 1994 Management Equity Incentive Plan (the "1994 Plan"), approximately 30 executives financed their acquisition of options to acquire MEIPs Debentures under the 1994 Plan. As a result of such financing, the Debtors have claims against such participants for interest costs in the aggregate amount of approximately \$1.4 million and such participants have filed other Claims against the Debtors in respect of the 1994 Plan. Pursuant to the Plan, to the extent not otherwise settled or resolved prior to the Effective Date, the Debtors will release each such participant (other than Raymond L. Loewen) from any and all claims of the Debtors against such participant arising from the financing of such participant's purchase of an option to purchase MEIPs Debentures pursuant to the 1994 Plan, subject, however, to the execution and delivery by such participant on or prior to the Effective Date of a release of the Loewen Companies from any and all Claims of such participant related to the 1994 Plan or such participant's participation therein.

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

Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the applicable Debtor or Debtors will assume, or assume and assign, as indicated, each Executory Contract and Unexpired Lease including those listed on Exhibits V.A.1 and V.A.3 to the Plan, but excluding those listed on Exhibit V.C. to the Plan; *provided, however*, that the Debtors or Reorganized Debtors reserve the right, at any time through and including 90 days after the Effective Date, to amend Exhibit V.A.1 or V.A.3 to the Plan to: (a) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its rejection pursuant to Section V.C of the Plan; or (b) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption or assumption and assignment pursuant to Section V.A of the Plan. The Debtors or Reorganized Debtors will provide notice of any amendments to Exhibit V.A.1 or V.A.3 to the Plan to the parties to the Executory Contracts or Unexpired Leases affected thereby and, if prior to the Effective Date, to the parties on the then-applicable service list in the Reorganization Cases (including counsel to the Creditors' Committee). Listing a contract or lease on Exhibit V.A.1 or V.A.3 to the Plan will not constitute an admission by a Debtor or Reorganized Debtor a Debtor or Reorganized Debtor has any liability thereunder or that such contract or lease is executory.

Each (a) Real Property Executory Contract and Unexpired Lease and (b) Executory Contract or Unexpired Lease assumed under Section V.A of the Plan will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease, irrespective of whether such agreement, instrument or other document is listed on Exhibit V.A.1 or V.A.3 to the Plan, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section V.C of the Plan and is listed on Exhibit V.C to the Plan.

Any Executory Contract or Unexpired Lease (including those listed on Exhibit V.A.3 and any related agreements as described in Sections I.A.126 and V.A.2) to be held by any Debtor or another surviving, resulting or acquiring corporation in an applicable Restructuring Transaction, will be deemed assigned to the applicable entity, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date (irrespective of when the applicable Restructuring Transaction is effected). Nothing in the preceding sentence shall restrict, modify or otherwise limit the Debtors' or Reorganized Debtors' right to amend Exhibit V.A.1, V.A.3 or V.C in accordance with Sections V.A.1 and V.C, respectively, of the Plan.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumptions and assignments described in Sections V.A and V.E of the Plan, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. An order of the Bankruptcy Court entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed or assumed and assigned pursuant to the Plan of: (a) the contract or lease being assumed or assumed and assigned; (b) the Cure Amount Claim, if any, that the applicable Debtor believes it would be obligated to pay in connection with such assumption; and (c) the procedures for such party to object to the assumption or assumption and assignment of the applicable contract or lease or the amount of the proposed Cure Amount Claim.

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor assuming such contract or lease or the assignee of such Debtor, if any: (a) by payment of the Cure Amount Claim in cash on the Effective Date; (b) after the Effective Date, as soon as practicable after the amendment to Exhibit V.A.1 or V.A.3, as applicable, providing for the assumption or the assumption and assignment of the Executory Contract or Unexpired Lease; or (c) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding (a) the amount of any Cure Amount Claim, (b) the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption or assumption and assignment of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving the assumption. For assumptions of Executory Contracts or Unexpired Leases between Debtors, the Reorganized Debtor assuming such contract may cure any monetary default (a) by treating such amount as either a direct or indirect contribution to capital or distribution (as appropriate) or (b) through an intercompany account balance in lieu of payment in cash.

On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or that is assumed pursuant to Section V.A or V.E of the Plan (including any related agreements assumed pursuant to Sections I.A.126 and V.A.2 of the Plan), each Executory Contract and Unexpired Lease listed on Exhibit V.C to the Plan that has not previously expired or terminated pursuant to its own terms will be rejected pursuant to section 365 of the Bankruptcy Code; *provided, however*, that the Debtors or Reorganized Debtors reserve the right, at any time through and including 90 days after the Effective Date, to amend Exhibit V.C to the Plan to: (a) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its assumption or assumption and assignment pursuant to Section V.A of the Plan; or (b) add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to Section V.C of the Plan. The Debtors or Reorganized Debtors will provide notice of any amendments to Exhibit V.C to the Plan to the parties to the Executory Contracts or Unexpired Leases affected thereby and, if prior to the Effective Date, to the parties on the then-applicable service list in the Reorganization Cases (including counsel to the Creditors' Committee). Listing a contract or lease on Exhibit V.C to the Plan will not constitute an admission by a Debtor or Reorganized Debtor that a Debtor or Reorganized Debtor has any liability thereunder or that such contract or lease is executory. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease pursuant to Section V.C of the Plan gives rise to a Claim (including any Claims arising from those indemnification obligations described in Section V.E.2 of the Plan) by the other party or parties to such contract or lease, such Claim will be forever barred and will not be enforceable against the Debtors, the Reorganized Debtors, their respective successors or their respective properties unless a proof of Claim is Filed and served on the

Reorganized Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of the entry of the Confirmation Order or another order of the Bankruptcy Court, no later than: (a) 30 days after the Effective Date; or (b) if Exhibit V.C is amended after the Effective Date to provide for the rejection of the Executory Contract or Unexpired Lease, 30 days after the Debtors or Reorganized Debtors serve notice of such amendment.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

DISTRIBUTIONS UNDER THE PLAN

General

Except as otherwise provided in Article VI of the Plan, distributions of cash, New Senior Notes and New Common Stock to be made on the Effective Date to holders of Claims that are allowed as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) 60 days after the Effective Date; or (b) such later date when the applicable conditions of Section V.B of the Plan (regarding cure payments for Executory Contracts and Unexpired Leases being assumed), Section VI.E.2 of the Plan (regarding undeliverable distributions) or Section VI.J of the Plan (regarding surrender of canceled instruments and securities) are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Sections VI.H and VII.C of the Plan.

Methods of Distributions

The method of distributing the consideration provided for in the Plan is set forth in Article VI of the Plan and summarized below.

Distributions to Holders of Allowed Claims and Interests

Reorganized LGII, or such Third Party Disbursing Agents as Reorganized LGII may employ in its sole discretion, will make all distributions of cash, New Senior Notes, New Common Stock and other instruments or documents required under the Plan. Each Disbursing Agent will serve without bond, and any Disbursing Agent may employ or contract with other entities to assist in or make the distributions required by the Plan.

Compensation and Reimbursement for Services Related to Distributions

Each Third Party Disbursing Agent providing services related to distributions pursuant to the Plan will receive from Reorganized LGII, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with Reorganized LGII and will not be deducted from distributions to be made pursuant to the Plan to holders of Allowed Claims (including any distributions of Cash Investment Yield) receiving distributions from a Third Party Disbursing Agent.

Delivery of Distributions in General

Except as provided below for distributions to holders of the Public Notes, distributions to holders of Allowed Claims will be made by a Disbursing Agent: (a) at the addresses set forth on the respective proofs of Claim Filed by holders of such Claims, (b) at the addresses set forth in any written certification of address change delivered to the Disbursing Agent (including pursuant to a letter of transmittal delivered to a Disbursing Agent) after the date of Filing of any related proof of Claim or (c) at the addresses reflected in the applicable Debtor's Schedules if no proof of Claim has been Filed and the Disbursing Agent has not received a written notice of a change of address.

Special Provisions for Distributions to Holders of Public Note Claims

Subject to the requirements of Section VI.J of the Plan, distributions to holders of Allowed Public Note Claims will be made by a Disbursing Agent to the record holders of the Public Notes as of the Distribution Record Date, as identified on a record holder register to be provided to the Disbursing Agent by the applicable Indenture Trustee within five Business Days after the Distribution Record Date. Such record holder register: (a) will provide the name, address and holdings of each respective registered holder of Public Notes as of the Distribution Record Date; and (b) must be consistent with the respective Indenture Trustee's Allowed proof of Claim. Each entry on the applicable record holder register will be treated as an Allowed Class 5 Claim for purposes of distributions made pursuant to Article VI of the Plan.

Undeliverable or Unclaimed Distributions

If any distribution to a holder of an Allowed Claim is returned to a Disbursing Agent as undeliverable, no further distributions will be made to such holder unless and until the applicable Disbursing Agent is notified by written certification of such holder's then-current address. Subject to Section VI.E.2.c of the Plan (regarding the failure to claim undeliverable distributions), undeliverable distributions will remain in the possession of the applicable Disbursing Agent pursuant to Section VI.E.2.a.i of the Plan until such time as a distribution becomes deliverable. Undeliverable cash (including dividends or other distributions on account of undeliverable New Common Stock) will be held in segregated bank accounts in the name of the applicable Disbursing Agent for the benefit of the potential claimants of such funds. Any Disbursing Agent holding undeliverable cash will invest such cash in a manner consistent with the Reorganized Debtors' investment and deposit guidelines. Undeliverable New Common Stock will be held by the applicable Disbursing Agent for the benefit of the potential claimants of such securities.

Pending the distribution of any New Common Stock, the applicable Disbursing Agent will cause all of the New Common Stock held by it in its capacity as Disbursing Agent to be (a) represented in person or by proxy at each meeting of the stockholders of Reorganized LGII, (b) voted in any election of directors of Reorganized LGII for the nominees recommended by the Board of Directors of Reorganized LGII and (c) voted with respect to any other matter as recommended by the Board of Directors of Reorganized LGII.

On each Quarterly Distribution Date, the applicable Disbursing Agents will make all distributions that become deliverable to holders of Allowed Claims during the preceding calendar quarter. Each such distribution will include, to the extent applicable: (a) a Pro Rata share of dividends or other distributions, if any, that were previously paid to the Disbursing Agent in respect of any New Common Stock included in such distribution; and (b) a Pro Rata share of the Cash Investment Yield from the investment of any undeliverable cash (including dividends or other distributions on undeliverable New Common Stock) from the date that such distribution would have first been due had it then been deliverable to the date that such distribution becomes deliverable.

Any holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable distribution to be made by a Disbursing Agent within two years after the later of (a) the Effective Date and (b) the last date on which a distribution was deliverable to such holder will have its claim for such undeliverable distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtors or their respective property. In such cases with respect to Allowed Claims in any Division of Class 9: (a) unclaimed cash and New Common Stock will be retained in the applicable Unsecured Claims Reserve for Pro Rata distribution to holders of Allowed Claims in such Division, pursuant to Section VI.H.2.d of the Plan; and (b) for purposes of this redistribution, each Allowed Claim in such Division of Class 9 for which such distributions are undeliverable will be deemed disallowed in its entirety. In such cases with respect to Allowed Claims in any Class other than Class 9, unclaimed distributions will become property of Reorganized LGII, free of any restrictions thereon, and any such unclaimed distribution held by a Third Party Disbursing Agent will be returned to Reorganized LGII. Nothing contained in the Plan will require any Debtor, Reorganized Debtor or Disbursing Agent to attempt to locate any holder of an Allowed Claim.

Distribution Record Date

A Disbursing Agent will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes under the Plan to recognize and make distributions only to those holders of Allowed Claims that are holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. Pursuant to the Plan, the Distribution Record Date will be the date on which the Bankruptcy Court enters the Confirmation Order on its docket. In addition, as of the close of business on the Distribution Record Date, the respective transfer registers for the Public Notes, as maintained by the Debtors or the respective Indenture Trustee, will be closed. The applicable Disbursing Agent will have no obligation to recognize the transfer or sale of any Public Notes Claims that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes under the Plan to recognize and make distributions only to those holders of Public Notes Claims who are holders of such Claims as of the close of business on the Distribution Record Date. Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

Means of Cash Payments

Except as otherwise specified in the Plan, cash payments made pursuant to the Plan will be in U.S. currency by checks drawn on a domestic bank selected by the applicable Debtor or Reorganized Debtor or, at the option of the applicable Debtor or Reorganized Debtor, by wire transfer from a domestic bank; *provided, however*, that cash payments to foreign holders of Allowed Trade Claims may be made, at the option of the applicable Debtor or Reorganized Debtor, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

Timing and Calculation of Amounts To Be Distributed

Subject to Section VI.A of the Plan, on the Effective Date, each holder of an Allowed Claim in a Class other than Class 9 will receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class. On each Quarterly Distribution Date, distributions also will be made, pursuant to Section VII.C of the Plan, to holders of Disputed Claims in any such Class that were allowed during the preceding calendar quarter. Such quarterly distributions also will be in the full amount that the Plan provides for Allowed Claims in the applicable Class.

The amount of distributions to be made on the Effective Date (subject to Section VI.A of the Plan) to holders of Allowed Claims in a Division of Class 9 on account of such Claims will be made from the applicable Unsecured Claims Reserve for such Class and will be calculated as if each Disputed Claim in each such Division were an Allowed Claim in its Face Amount. On each Quarterly Distribution Date, distributions also will be made, pursuant to Section VII.C of the Plan, to holders of Disputed Claims in each such Division that were allowed during the preceding calendar quarter. Such quarterly distributions also will be calculated pursuant to the provisions set forth in Section VI.H.2.a of the Plan.

On the fourth Quarterly Distribution Date and annually thereafter, each holder of a Claim previously allowed in a Division of Class 9 will receive an additional distribution from the applicable Unsecured Claims Reserve for such Class on account of such Claim in an amount equal to: (a) the amount of New Common Stock that such holder would have been entitled to receive pursuant to Section VI.H.2.a of the Plan as if such Claim had become an Allowed Claim on the applicable Quarterly Distribution Date, *minus* (b) the aggregate amount of New Common Stock previously distributed on account of such Claim. Each such additional distribution also will include, on the basis of the amount then being distributed (a) a Pro Rata share of any dividends or other distributions made on account of the New Common Stock held in the Unsecured Claims Reserve and (b) a Pro Rata share of the related Cash Investment Yield from the investment of any cash dividends or other distributions in the Unsecured Claims Reserve, from the date such cash was deposited into the Unsecured Claims Reserve to the date that such distribution is made.

Distributions of New Common Stock

Notwithstanding any other provision of the Plan, only whole numbers of shares of New Common Stock will be issued. When any distribution on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of such stock will be rounded to the next higher or lower whole number as follows: (a) fractions equal to or greater than $\frac{1}{2}$ will be rounded to the next higher whole number and (b) fractions less than $\frac{1}{2}$ will be rounded to the next lower whole number. The total number of shares of New Common Stock to be distributed on account of Allowed Claims will be adjusted as necessary to account for the rounding provided for in Section VI.H.3 of the Plan. No consideration will be provided in lieu of fractional shares that are rounded down.

Each share of New Common Stock distributed pursuant to the Plan will be accompanied by one Share Purchase Right.

De Minimis Distributions

No Disbursing Agent will distribute cash to the holder of an Allowed Claim in an impaired Class if the amount of cash to be distributed on account of such Claim is less than \$25. Any holder of such an Allowed Claim on account of which the amount of cash to be distributed is less than \$25 will have its claim for such distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtors or their respective property. Any cash not distributed pursuant to Section VI.H.4 of the Plan with respect to Claims in a Class other than Class 9 will be the property of Reorganized LGII, free of any restrictions thereon, and any such cash held by a Third Party Disbursing Agent will be returned to Reorganized LGII. Any cash not distributed pursuant to Section VI.H.4 of the Plan with respect to Allowed Claims in a Division of Class 9, including dividends or other distributions made on account of New Common Stock held in an Unsecured Claims Reserve, will be retained in the applicable Unsecured Claims Reserve for redistribution Pro Rata to holders of Allowed Claims in such Division of Class 9, pursuant to Section VI.H.2.b of the Plan. For purposes of this redistribution, each Allowed Claim in Class 9 for which distributions are less than \$25 will have its claim for such distribution discharged and will be forever barred from asserting any such claim against the Unsecured Claims Reserve or otherwise.

Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, each Disbursing Agent will comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. Each Disbursing Agent will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan, each entity receiving a distribution of cash, New Senior Notes or New Common Stock or pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding and other Tax obligations.

Surrender of Canceled Securities or Other Instruments

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by the notes, instruments, securities or other documentation canceled pursuant to Section IV.I of the Plan, the holder of such Claim must tender, as specified in Section VI.J of the Plan, the applicable notes, instruments, securities or other documentation evidencing such Claim to the applicable Disbursing Agent together with any letter of transmittal required by such Disbursing Agent. Pending such surrender, any distributions pursuant to the Plan on account of any such Claim will be treated as an undeliverable distribution pursuant to Section VI.E.2 of the Plan.

Except as provided in Section VI.J.2 of the Plan for lost, stolen, mutilated or destroyed Public Notes, each holder of an Allowed Public Note Claim must tender the applicable Public Notes to the applicable Disbursing Agent in accordance with a letter of transmittal to be provided to such holders by the Disbursing Agent as promptly as practicable following the Effective Date. The letter of transmittal will include, among other provisions, customary

provisions with respect to the authority of the holder of the applicable Public Notes to act and the authenticity of any signatures required thereon. All surrendered Public Notes will be marked as canceled and delivered to the appropriate Reorganized Debtor.

Any holder of an Allowed Public Note Claim with respect to which the underlying Public Note has been lost, stolen, mutilated or destroyed must, in lieu of surrendering such Public Note, deliver to the applicable Disbursing Agent (a) evidence satisfactory to the Disbursing Agent of the loss, theft, mutilation or destruction and (b) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent and the Reorganized Debtors, as applicable, harmless from any damages, liabilities or costs incurred in treating such individual as a holder of an Public Note. Upon compliance with the foregoing procedures (as contained in Section VI.J.2 of the Plan) by a holder of an Allowed Public Note Claim, such holder will, for all purposes under the Plan, be deemed to have surrendered the applicable Public Note.

Any holder of an Allowed Public Note Claim that fails to surrender or be deemed to have surrendered the applicable Public Note within two years after the Effective Date will have its right to distributions pursuant to the Plan on account of such Public Note Claim discharged and will be forever barred from asserting any such Claim against the Reorganized Debtors or their respective property. In such case, any cash, New Senior Notes or New Common Stock held for distribution on account of such Public Note Claim will be treated pursuant to the provisions set forth in Section VI.E.2.c of the Plan.

Holders of Allowed Claims will be required to tender any notes evidencing such Claims or, if not evidenced by a note, any other instrument evidencing their respective Allowed Claims to the applicable Disbursing Agent as and when such entities receive distributions under the Plan. If any such entity's notes or other instruments evidencing its Allowed Claims are lost, stolen, mutilated or destroyed, such entity will be required, in lieu of surrendering such note or other instrument, to deliver to the applicable Disbursing Agent (a) evidence satisfactory to the Disbursing Agent of the loss, theft, mutilation or destruction and (b) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent and the Reorganized Debtors, as applicable, harmless from any damages, liabilities or costs incurred in treating such individual as the holder of such Claims.

Setoffs

Except with respect to claims of a Debtor or Reorganized Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Reorganized Debtors or, as instructed by the applicable Reorganized Debtor, a Third Party Disbursing Agent may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim) the claims, rights and causes of action of any nature that the applicable Debtor or Reorganized Debtor may hold against the holder of such Allowed Claim; *provided, however*, that neither the failure to effect a setoff nor the allowance of any Claim under the Plan will constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any claims, rights and causes of action that the Debtor or Reorganized Debtor may possess against such a Claim holder.

Disputed Claims; Reserves and Estimations

Notwithstanding any other provisions of the Plan, no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. In lieu of distributions under the Plan to holders of Disputed Claims in Class 9, if allowed, the applicable Unsecured Claims Reserves will be established on the Effective Date to hold property for the benefit of these Claim holders, as well as holders of Allowed Claims in that Division of Class 9. Reorganized LGII will fund the Unsecured Claims Reserve with New Common Stock, as described in Section VI.D.1 of the Plan.

Funding of Unsecured Claims Reserves

On the Effective Date, the respective number of Reserved Shares, will be placed in the applicable Unsecured Claims Reserve for the benefit of holders of Allowed Claims in each Division of Class 9.

Each holder of an Allowed Claim (or a Disputed Claim that ultimately becomes an Allowed Claim) in Class 9 will have recourse only to the undistributed cash and New Common Stock held in the applicable Unsecured Claims Reserve for satisfaction of the distributions to which such holders of that Division of Class 9 are entitled under the Plan, and not to any Reorganized Debtor, its property or any assets previously distributed on account of any Allowed Claim. Cash held in an Unsecured Claims Reserve as a result of dividends and other distributions (a) will be deposited in a segregated bank account in the name of the applicable Disbursing Agent and held in trust pending distribution by the Disbursing Agent for the benefit of holders of the respective Division of Class 9, (b) will be accounted for separately and (c) will not constitute property of the Reorganized Debtors. The Disbursing Agent will invest the cash held in the Unsecured Claims Reserve in a manner consistent with the Reorganized Debtors' investment and deposit guidelines. The Disbursing Agent also will place in the Unsecured Claims Reserve the Cash Investment Yield from such investment of cash, and distributions on account of each Allowed Class 9 Claim will include a Pro Rata share of the Cash Investment Yield from such investment of cash.

Distributions on Account of Disputed Claims Once They Are Allowed

On each Quarterly Distribution Date, the applicable Disbursing Agent will make all distributions on account of any Disputed Claim that has become an Allowed Claim during the preceding calendar quarter. Such distributions will be made pursuant to the provisions of the Plan governing the applicable Class, including the incremental distribution provisions set forth in Section VI.H.2 of the Plan.

Payment of Post-Effective Date Interest from Cash Investment Yield

In the event that any cash or dividends on New Common Stock are held in an Unsecured Claims Reserve, holders of the respective Class may receive post-Effective Date interest at a rate determined by the Cash Investment Yield. For the federal income tax consequences to the holders of receipt of Cash Investment Yield, see "Certain U.S. Federal Income Tax Consequences of Consummation of the Plan — Certain Other Tax Considerations for Holders of Claims — Receipt of Pre-Effective Date Interest" and "Certain U.S. Federal Income Tax Consequences of Consummation of the Plan — Certain Other Tax Considerations for Holders of Claims — Receipt of Dividend and Interest Income Earned by the Unsecured Claims Reserve."

Objections to Claims or Interests and Authority to Prosecute Objections

All objections to Claims must be Filed and served on the holders of such Claims by the Claims Objection Bar Date, and, if Filed prior to the Effective Date, such objections will be served on the parties on the then-applicable service list in the Reorganization Cases. If an objection has not been Filed to a proof of Claim or a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier. An objection is deemed to have been timely Filed as to all Tort Claims, thus making each such Claim a Disputed Claim as of the Claims Objection Bar Date. Each such Tort Claim will remain a Disputed Claim until it becomes an Allowed Claim in accordance with Section I.A.4 of the Plan.

After the Confirmation Date, only the Debtors or the Reorganized Debtors will have the authority to File, settle, compromise, withdraw or litigate objections to Claims, including pursuant to any alternative dispute resolution or similar procedures previously or hereafter approved by the Bankruptcy Court. After the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. Notwithstanding any other provisions of the Plan, the Debtors or Reorganized Debtors will not object to the classification of all CTA Note Claims as Class 5 Claims; *provided, however*, that the Debtors or Reorganized Debtors may object to such Claims on any other grounds.

Dissolution of the Creditors' Committees

On the Effective Date, the Creditors' Committee will dissolve and the members of the Creditors' Committee will be released and discharged from all duties and obligations arising from or related to the Reorganization Cases.

VOTING AND CONFIRMATION OF THE PLAN

General

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that: (a) the Plan has classified Claims and Interests in a permissible manner; (b) the Plan complies with the applicable provisions of the Bankruptcy Code; (c) the Debtors have complied with the applicable provisions of the Bankruptcy Code; (d) the Debtors, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law; (e) the disclosure required by section 1125 of the Bankruptcy Code has been made; (f) the Plan has been accepted by the requisite votes of creditors and equity interest holders (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code (see "— Confirmation" and "— Acceptance or Cramdown")); (g) the Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or the Reorganized Debtors; (h) the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to creditors or interest holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such Class has accepted the Plan; (i) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date; (j) the Plan provides for the continuation after the Effective Date of all retiree benefits, as defined in section 1114 of the Bankruptcy Code, at the level established at any time prior to Confirmation pursuant to section 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code, for the duration of the period that the applicable Debtor has obligated itself to provide such benefits; and (k) the disclosures required under section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers and directors of the Reorganized Debtors have been made.

The Plan constitutes a separate plan of reorganization for each Debtor. As such, in order to confirm the Plan as to any Debtor, the Bankruptcy Court will have to find compliance of the Plan with respect to each of the foregoing as to each such Debtor.

Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a debtor that are "impaired" under the terms of a plan of reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interests that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan and Class 4 Claims as to which the applicable Debtor elects Option C treatment are impaired, are not entitled to vote on the Plan and are deemed to have rejected the Plan unless such Class otherwise indicates acceptance. The classification of Claims and Interests is summarized, together with an indication of whether each Class of Claims or Interests is impaired or unimpaired, in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

Pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes. By order of the Bankruptcy Court, certain vote tabulation rules have been approved that temporarily allow or disallow certain Claims for voting purposes only. These tabulation rules are described in the solicitation materials provided with your Ballot.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS OR IF YOU HOLD MULTIPLE GENERAL UNSECURED CLAIMS OR UNDER CERTAIN OTHER CIRCUMSTANCES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT PROVIDED TO YOU. ALL BALLOTS MUST BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY 5:00 P.M., EASTERN TIME, ON _____, 2001 (OR SUCH OTHER TIME AND DATE IDENTIFIED ON YOUR BALLOT) AT THE ADDRESS SET FORTH ON THE PREADDRESSED ENVELOPE PROVIDED TO YOU. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

Votes cannot be transmitted orally. Accordingly, you are urged to return your signed and completed Ballot promptly.

IF ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN, (A) THE DEBTORS MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION OR (B) THE PLAN MAY BE MODIFIED OR WITHDRAWN WITH RESPECT TO A PARTICULAR DEBTOR, WITHOUT AFFECTING THE PLAN AS TO OTHER DEBTORS, OR IN ITS ENTIRETY. See "— Acceptance or Cramdown" and "— Alternatives to Confirmation and Consummation of the Plan."

IF YOU ARE ENTITLED TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, PLEASE CALL THE DEBTORS' VOTING AGENT, _____, AT () _____.

Holders of Unsecured Claims in Class 9 against any Debtor other than TLGI or LGII in amounts greater than \$10,000 and holders of Unsecured Claims in Class 9 against TLGI or LGII in amounts greater than \$1,000 that wish for such Claims to be treated in Class 2 or Class 3, respectively (convenience Classes) must indicate that election on the Ballot. A separate Ballot will be provided, and a separate election may be made, for each such Claim. If a holder of a Class 9 Claim elects to be treated in Class 2 or Class 3, the Ballot submitted with respect to such Claim shall be treated as a Class 2 or Class 3 Ballot, as the case may be, for voting purposes under the Plan. See "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for _____, 2001 at _____ .m. before the Honorable Peter J. Walsh, Chief U.S. Bankruptcy Judge for the District of Delaware, in the Judge's usual courtroom at the U.S. District Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objections must be Filed and served upon the persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described therein.

Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (a) is accepted by the requisite holders of Claims and Interests in impaired Classes of such Debtor or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the nonaccepting Class; (b) is in the "best interests" of each holder of a Claim or Interest in each impaired Class under the Plan for such Debtor; (c) is feasible; and (d) complies with the applicable provisions of the Bankruptcy Code.

Acceptance or Cramdown

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. For purposes of determining whether the requisite approval has been received as to any Debtor, the votes in each Class or, in the case of Class 9, each Division, in respect to each Debtor will be tabulated. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in an impaired class. See "Voting and Confirmation of the Plan — Best Interests Test; Liquidation Analysis." The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, the Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, it: (a) is "fair and equitable;" and (b) "does not discriminate unfairly" with respect to each Class of Claims or Interests that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting Class of Unsecured Claims or a Class of Interests receives full compensation for its Allowed Claims or Allowed Interests, no holder of Allowed Claims or Interests in any junior Class may receive or retain any property on account of such Claims or Interests. With respect to a dissenting Class of Secured Claims, the "fair and equitable" standard requires, among other things, that holders either (a) retain their liens and receive deferred cash payments with a value as of the Effective Date equal to the value of their interest in property of the applicable Estate or (b) receive the indubitable equivalent of their Secured Claims. The "fair and equitable" standard has also been interpreted to prohibit any Class senior to a dissenting Class from receiving under a plan more than 100% of its Allowed Claims or Allowed Interests. The Debtors believe that, if necessary, the Plan may be crammed down over the dissent of certain Classes of Claims, in view of the treatment proposed for such Classes. If necessary and appropriate, the Debtors intend to modify the Plan to permit cramdown of dissenting Classes of Claims.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equally with respect to other Classes of equal rank. The Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

Any Class of Claims or Interests that receives nothing under the Plan and Class 4 Claims as to which the applicable Debtor elects Option C treatment are deemed to be dissenting Classes. As a result, in addition to any Class or Division of Class 9 that does not vote to accept the Plan, the Debtors will, to the extent required, seek to use the "cramdown" provisions described above in respect to the Claims and Interests in Classes 7, 10, 11, 12, 13, 14, 15 and 17 and in Class 4 (as to which the applicable Debtor elects Option C treatment). While certain Intercompany Claims in Class 8 will receive nothing under the Plan, the Loewen Companies will be deemed to have consented.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor; or (b) the Debtors' ability to modify the Plan, as it applies to any particular Debtor, to satisfy the provisions of section 1129(b) of the Bankruptcy Code.

Substantive Consolidation

The Debtors reserve the right to seek approval of the Bankruptcy Court for the substantive consolidation of some or all of the Debtors for the purpose of implementing the Plan, including for purposes of voting, Confirmation and distributions to be made under the Plan.

Best Interests Test; Liquidation Analysis

Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of such impaired Class a recovery on account of the member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the applicable Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each impaired Class of Claims or Interests would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Reorganization Cases were converted to a chapter 7 case under the Bankruptcy Code and each of the respective Debtor's assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of a Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Interests would be reduced by, among other things: (a) the Claims of secured creditors to the extent of the value of their collateral; (b) the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtor's chapter 7 case; (c) unpaid Administrative Claims of the Reorganization Cases; and (d) Priority Claims and Priority Tax Claims. The Debtors' costs of liquidation in chapter 7 cases would include the compensation of trustees, as well as of counsel and of other professionals retained by such trustees, asset disposition expenses, applicable Taxes, litigation costs, Claims arising from the operation of the Debtors during the pendency of the chapter 7 cases and all unpaid Administrative Claims incurred by the Debtors during the Reorganization Cases that are allowed in the chapter 7 cases. The liquidation itself would trigger certain Priority Claims, such as Claims for severance pay, and would likely accelerate the payment of other Priority Claims and Priority Tax Claims that would otherwise be payable in the ordinary course of business. These Priority Claims and Priority Tax Claims would be paid in full out of the net liquidation proceeds, after payment of Secured Claims, before the balance would be made available to pay Unsecured Claims or to make any distribution in respect of Interests. The Debtors believe that the liquidation also would generate a significant increase in Unsecured Claims, such as rejection damage Claims, and Tax and other governmental Claims.

The information contained in Exhibit IV hereto provides a summary of the Liquidation Values of the Debtors' interests in property, on a consolidated basis by Division, assuming a hypothetical chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the Debtors' properties and interests in property. (The Debtors will provide a summary of the Liquidation Values of the Debtors' interests in property on a Debtor-by-Debtor basis upon request by parties in interest to counsel for the Debtors.) This liquidation analysis also assumes that the holders of the CTA Note Claims would receive a distribution of the applicable Debtors' assets on a *pari passu* basis. As more fully described in Exhibit IV, the liquidation analysis is based on a number of estimates and assumptions that are subject to significant uncertainties, including estimates and assumptions relating to the proceeds of sales of assets, the timing of such sales, the impact of pending liquidations on continuing operations and values and certain tax matters. No amounts have been included in the liquidation analysis in respect of any potential recovery by the Debtors in respect of the Retained Claims or the NAFTA Claims. While the Debtors believe that these estimates and assumptions are reasonable for the purpose of preparing hypothetical chapter 7 liquidation analyses, no assurance exists that such estimates and assumptions would be valid if the Debtors were, in fact, to be liquidated. Moreover, as noted above, the Debtors believe that chapter 7 liquidations could result in substantial litigation that could delay the liquidation beyond the periods assumed in Exhibit IV. This delay could materially reduce the amount determined on a present value basis available for distribution to creditors. Moreover, the Debtors

believe that such litigation and attendant delay could adversely affect the values realizable in the sale of the Debtors' assets to an extent that cannot be estimated at this time.

Based on the liquidation analyses set forth in Exhibit IV, the Debtors believe that holders of Claims will receive greater value as of the Effective Date under the Plan than such holders would receive under a chapter 7 liquidation.

In actual liquidations of the Debtors, distributions to holders of Claims would be made substantially later than the Effective Date assumed in connection with the Plan. This delay would materially reduce the amount determined on a present value basis available for distribution to creditors, including holders of Unsecured Claims. The hypothetical chapter 7 liquidations of the Debtors are assumed to commence on April 1, 2001 and to be completed on March 31, 2002.

In summary, the Debtors believe that chapter 7 liquidations of the Debtors would result in substantial diminution in the value to be realized by holders of Claims, as compared to the proposed distributions under the Plan, because of, among other factors: (a) the failure to realize the maximum going concern value of the Debtors' assets; (b) the substantial negative impact of conversion to a chapter 7 case and subsequent liquidation on the employees and customers of the Debtors; (c) additional costs and expenses involved in the appointment of trustees, attorneys, accountants and other professionals to assist such trustees in the chapter 7 cases; (d) additional expenses and Claims, some of which would be entitled to priority in payment, which would arise by reason of the liquidation and from the rejection of unexpired real estate leases and other Executory Contracts and Unexpired Leases in connection with a cessation of the Debtors' operations; and (e) the substantial time that would elapse before entities would receive any distribution in respect of their Claims. Consequently, the Debtors believe that the Plan will provide a substantially greater ultimate return to holders of Claims than would chapter 7 liquidations.

Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that Confirmation not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan). For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Projections. See "Reorganized LGII — Projected Financial Information." Based upon the Projections, the Debtors believe that their reorganization under the Plan will meet the feasibility requirements of the Bankruptcy Code.

Compliance with Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all provisions of the Bankruptcy Code.

Alternatives to Confirmation and Consummation of the Plan

The Debtors have evaluated numerous alternatives to the Plan, including alternative structures and terms of the Plan, the liquidation of the Debtors and delaying the adoption of any plan of reorganization and the pursuit of various litigation strategies. While the Debtors have concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims, if the Plan is not confirmed, the Debtors, individually or collectively, or (subject to the Debtors' exclusive periods under the Bankruptcy Code to File and solicit acceptances of a plan or plans of reorganization) any other party in interest in the Reorganization Cases could attempt to formulate and propose a different plan or plans of reorganization. Further, if no plan of reorganization can be confirmed, the Reorganization Cases may be converted to chapter 7 cases. In a liquidation case under chapter 7 of the Bankruptcy Code, a trustee or trustees would be elected or appointed to liquidate the assets of each Debtor. The proceeds of the liquidation would be distributed to the respective creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtors of the conversion

of the Reorganization Cases to chapter 7 liquidations, see "— Best Interests Test; Liquidation Analysis." The Debtors believe that Confirmation and consummation of the Plan is preferable to the alternatives described above.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

General

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS ISSUED THEREUNDER, JUDICIAL DECISIONS AND IRS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE HEREOF. CHANGES IN ANY OF THESE AUTHORITIES, OR CHANGES IN THE INTERPRETATIONS OF ANY OF THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. MOREOVER, NO RULING HAS BEEN REQUESTED FROM THE IRS AND NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS (OTHER THAN TLGI), NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF STOCK INTERESTS IN TLGI. IN ADDITION, THIS DESCRIPTION DOES NOT ADDRESS ANY TAX CONSEQUENCES OF THE SUBSIDIARY RESTRUCTURING TRANSACTIONS OR THE BLACKSTONE SETTLEMENT. MOREOVER, THE DESCRIPTION IS LIMITED TO U.S. FEDERAL INCOME TAX CONSEQUENCES AND DOES NOT DISCUSS U.S. STATE LAW OR THE POSSIBLE STATE TAX CONSEQUENCES OR NON-U.S. TAX CONSEQUENCES THAT MIGHT APPLY TO THE DEBTORS OR TO HOLDERS OF CLAIMS UNDER CANADIAN OR OTHER FOREIGN TAX LAWS.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

Consequences to the Debtors

For U.S. federal income tax purposes, the Plan consists of two parts: (a) the recapitalization of LGII and its Debtor subsidiaries, in which the LGII Old Stock is canceled and the holders of Allowed Claims against LGII and its Debtor subsidiaries receive cash, New Five-Year Secured Notes, if issued, New Two-Year Unsecured Notes, if issued, New Seven-Year Unsecured Notes and New Common Stock; and (b) the portion of the Reinvestment Transactions in which TLGI transfers its assets to LGII in return for LGII's agreement to transfer New Five-Year Secured Notes, if issued, New Two-Year Unsecured Notes, if issued, New Seven-Year Unsecured Notes and New Common Stock to the holders of Allowed Claims against TLGI and the other CCAA Debtors. The Debtors believe that the recapitalization of LGII will qualify as a reorganization under section 368(a)(1)(E) of the Internal Revenue Code, and that the Reinvestment Transactions should qualify as a reorganization under section 368(a)(1)(G) of the Internal Revenue Code. As a consequence, none of the Debtors expects to recognize taxable income or loss as a result of the implementation of the Plan.

The discharge of a debt obligation for an amount less than its adjusted issue price (in most cases, the amount the debtor received on incurring the debt obligation, with certain adjustments) generally gives rise to

cancellation of indebtedness ("COD") income, which must be included in the debtor's income. However, COD income is not recognized by a taxpayer that is a debtor in a chapter 11 case if the discharge is granted by the court or pursuant to a plan of reorganization approved by the court. The Plan, if approved, would enable the Debtors to qualify for this bankruptcy exclusion rule with respect to any COD income triggered by the Plan.

If debt is discharged in a chapter 11 case, however, certain tax attributes otherwise available and of value to the debtor are reduced, in most cases by the principal amount of the indebtedness forgiven. The tax attributes subject to reduction (and the order of reduction) are: (a) net operating losses ("NOLs") and NOL carryforwards; (b) most credit carryforwards, including the general business credit and the minimum tax credit carryforward; (c) capital losses and capital loss carryforwards; (d) the tax basis of the debtor's depreciable and nondepreciable assets, but not in an amount greater than the excess of the aggregate tax bases of the property held by the debtor immediately after the discharge over the aggregate of the debtor's liabilities immediately after the discharge; and (e) foreign tax credit carryforwards. Attribute reduction is calculated only after the tax for the year of discharge has been determined.

A debtor may elect to avoid the prescribed order of attribute reduction and instead reduce the basis of depreciable property first. The Debtors do not plan to make this election. In the case of affiliated corporations filing a consolidated return (such as LGII and its subsidiaries), the attribute reduction rules generally should apply separately to the particular corporation whose debt is being discharged, not to the entire consolidated group without regard to the identity of the particular debtor. The IRS recently has taken the position, however, that consolidated NOLs must be reduced irrespective of the source of those losses. The current IRS position as to the impact of the attribute reduction rules on other tax attributes of consolidated group members is unclear. The Projected Consolidated Statements of Operations contained in this Disclosure Statement assume that all of the NOLs and NOL carryforwards generated by the LGII affiliated group prior to the Effective Date will be eliminated by the triggering of COD income in the Plan, and otherwise assume that attribute reduction applies separately to the particular corporation whose debt is discharged, resulting in assumed basis reduction to the assets (both stock and non-stock) of the subsidiaries of LGII of approximately \$40 million (without regard to any reduction of NOLs). See "Reorganized LGII — Projected Financial Information — Principal Assumptions for Projections — Income Taxes."

Consequences to Holders of Claims

The federal income tax consequences of the Plan to a holder of a Claim will depend, in part, on whether the Claim constitutes a "tax security" for federal income tax purposes, what type of consideration was received in exchange for the Claim, whether the holder is a resident of the U.S. for tax purposes, whether the holder reports income on the accrual or cash basis, whether the holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and whether the holder receives distributions under the Plan in more than one taxable year.

Definition of Securities

There is no precise definition of what constitutes a "security under the federal income tax law," and all facts and circumstances pertaining to the origin and character of a claim are relevant in determining its status. Nevertheless, courts generally have held that corporate debt obligations evidenced by written instruments with original maturities of ten years or more will be considered tax securities for this purpose. Based on their original maturities, it is likely that the Series D Notes and Series E Notes will be considered tax securities for this purpose. By contrast, it is likely that the PATS Notes will not be considered tax securities for this purpose.

Holders of Claims Constituting Tax Securities

Under the terms of the Plan, holders of Allowed Claims constituting tax securities will receive some combination of, among other things: (a) cash; (b) New Five-Year Secured Notes, if issued; (c) New Two-Year Unsecured Notes, if issued; (d) New Seven-Year Unsecured Notes; or (e) New Common Stock in satisfaction of their Claims under the Plan. Holders of Claims constituting tax securities who receive only New Common Stock in satisfaction of their Claims generally will not recognize income or gain on the exchange (except that amounts

allocable to interest on their Claims will be treated as interest income). Holders of Claims constituting tax securities may, however, recognize gain if they receive cash, an obligation not constituting a tax security, or any other non-cash items ("Boot"), in either full or partial satisfaction of those Claims. In that event, any gain on the exchange, measured generally by the excess of the amount realized by the holder over the holder's tax basis in the Claim, will be recognized by the holder, but in an amount not exceeding the sum of the cash and the fair market value of the non-cash Boot received. Any gain so recognized will generally be capital gain provided that the Claim was held as a capital asset by the holder at the time of the exchange.

Holders of Claims constituting tax securities who receive New Common Stock or New Notes constituting tax securities under the Plan in either partial or full satisfaction of their Claims generally will not be permitted to recognize any loss on the exchange.

A holder's aggregate tax basis in the New Common Stock received under the Plan in respect of a Claim constituting a tax security — aside from amounts allocable to interest — generally will equal the holder's basis in the Claim, decreased by the amount of any cash and New Senior Notes not constituting tax securities received by the holder and increased by the amount of any gain recognized by the holder in connection with the exchange. The holding period for any New Common Stock or New Senior Notes constituting tax securities received in the exchange — other than those allocable to interest — generally will include the holding period of the Claim surrendered. A holder's tax basis in New Common Stock or New Senior Notes constituting tax securities allocable to interest will equal the fair market value of such New Common Stock or New Senior Notes, and a holding period will begin upon receipt.

Holders of Claims Not Constituting Tax Securities

Holders of Claims not constituting tax securities will recognize gain or loss equal to the amount realized under the Plan in respect of their Claims less their respective tax bases in those Claims. The amount realized for this purpose generally will equal the sum of the cash and the fair market value of any other consideration received under the Plan, including any New Common Stock.

Any gain or loss recognized in the exchange will be capital or ordinary depending on the status of the Claim in the holder's hands, including whether or not the Claim constitutes a market discount bond in the holder's hands. The holder's aggregate tax basis for any consideration received under the Plan generally will equal the amount realized. The holding period for any consideration received under the Plan generally will begin on the day following the receipt of that consideration.

Dividend and Interest Income Earned by the Unsecured Claims Reserve

Pursuant to the Plan, shares of New Common Stock issued as of the Effective Date but not then subject to distribution to holders of Allowed Claims will be held by an Unsecured Claims Reserve until distribution is required by the Plan. Therefore, it is possible that an Unsecured Claims Reserve will receive cash dividends or other distributions from Reorganized LGII on account of the shares of New Common Stock held in such Unsecured Claims Reserve. Any cash thus received would be reinvested pursuant to the Plan, thereby generating additional income.

Congress has made it clear that amounts earned by an escrow account, settlement fund or similar fund are subject to current tax, but Treasury Regulations addressing the tax treatment of reserve accounts like an Unsecured Claims Reserve in a bankruptcy setting have not yet become effective. Therefore, depending on the facts (and the interpretation given to those facts), reserve accounts like an Unsecured Claims Reserve might be treated for tax purposes under current law as separately taxable trusts, grantor trusts treated as owned by either the corporate transferor or the creditor beneficiaries, or in some other fashion.

On February 1, 1999, the IRS issued a proposed Treasury Regulation that would cause reserve accounts like the Unsecured Claims Reserves to be treated as "qualified settlement funds" for federal income tax purposes, which, in turn, would have the consequence of causing income earned by those accounts to be subject to a separate

entity-level tax. The proposed Treasury Regulation is not currently in effect and will only become effective once it is promulgated in final form. In the interim, the proposed Treasury Regulation provides that the IRS will not challenge any reasonable, consistently-applied method for reporting income earned by a reserve account like an Unsecured Claims Reserve.

Against this background, the Debtors have determined to treat the Unsecured Claims Reserves as grantor trusts of which the Reorganized Debtors are the grantors, and therefore will treat income earned by an Unsecured Claims Reserve as income of the Reorganized Debtors. To assure that this income is fully subject to tax, the Reorganized Debtors will waive whatever right they might otherwise have to claim a dividends-received deduction with respect to any dividends paid to an Unsecured Claims Reserve on account of the undistributed New Common Stock. Any income thus earned should be offset dollar-for-dollar on a current basis by an interest deduction to the Reorganized Debtors reflecting their obligations under the Plan to pay any income earned by the Unsecured Claims Reserve on account of New Common Stock (or on the reinvestment of dividends paid on that New Common Stock) to holders of Allowed Claims.

Certain Other Tax Considerations for Holders of Claims

Receipt of Pre-Effective Date Interest

Holders of Claims not previously required to include in their taxable income any accrued but unpaid pre-Effective Date interest on a Claim may be treated as receiving taxable interest to the extent any consideration they receive under the Plan is allocable to such interest. Holders previously required to include in their taxable income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan.

Receipt of Dividend and Interest Income Earned by the Unsecured Claims Reserve

As described above (see "— Consequences to Holders of Claims" and "— Dividend and Interest Income Earned by the Unsecured Claims Reserve"), it is possible that the Unsecured Claims Reserve will receive cash dividends on shares of New Common Stock held by it and then generate additional cash by reinvesting those dividends pending distribution. When that cash is distributed to holders of Allowed Claims, the Reorganized Debtors will treat the cash as taxable interest income to the holder, and will file information returns reflecting that treatment.

Reinstatement of Claims

Holders generally should not recognize gain, loss or other taxable income upon the Reinstatement of their Claims under the Plan. Taxable income, however, may be recognized by those holders if they are considered to receive interest, damages or other income in connection with the Reinstatement or if the Reinstatement is considered for tax purposes to involve a substantial modification of the Claim.

Bad Debt Deduction

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

Information Reporting and Withholding

Under the Internal Revenue Code's backup withholding rules, a holder of a Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless that holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

In addition, holders of Claims against TLGI are urged to consult their tax advisors to determine whether or not receipt of the New Senior Notes will result in a withholding obligation that did not exist in the past.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

General

A DESCRIPTION OF CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE CONSUMMATION OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE PROVISIONS OF THE INCOME TAX ACT (CANADA) AND THE REGULATIONS THERETO ("THE ACT"), THE PUBLISHED ADMINISTRATIVE AND INTERPRETIVE POSITIONS OF THE CANADA CUSTOMS & REVENUE AGENCY, PROPOSED AMENDMENTS TO THE ACT AND CASE LAW PUBLISHED OR REPORTED AS AT THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES, OR CHANGES IN THE INTERPRETATIONS OF ANY OF THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, MAY CAUSE THE CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. MOREOVER, NO ADVANCE INCOME TAX RULING HAS BEEN REQUESTED FROM CANADA CUSTOMS & REVENUE AGENCY AND NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF CANADIAN FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. IN PARTICULAR, THIS DESCRIPTION DOES NOT ADDRESS THE CCAA DEBTOR RESTRUCTURING TRANSACTIONS DESCRIBED IN EXHIBIT I.A.28 TO THE PLAN OR ANY OTHER SIMILAR TRANSACTIONS UNDERTAKEN PRIOR TO THE CCAA DEBTOR RESTRUCTURING TRANSACTIONS, THE BLACKSTONE SETTLEMENT OR ISSUES OF CONCERN TO HOLDERS OF CLAIMS WITH RESPECT TO THE CANADIAN FEDERAL INCOME TAX CONSEQUENCES OF THE DISPOSITION OR SETTLEMENT OF SUCH CLAIMS OR INTERESTS.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE CANADIAN FEDERAL, PROVINCIAL AND LOCAL AND NON-CANADIAN CONSEQUENCES OF THE PLAN.

Settlement of Debt

The settlement of TLGI's Commercial Debt Obligations (as defined in the Act, which do not include any debt obligations arising from a guarantee given by TLGI in respect of another party's debt) will result in the

application of the Canadian debt forgiveness rules. Under these rules, the Forgiven Amount (as defined in the Act and briefly described following) will reduce certain tax attributes of TLGI in prescribed order. The Forgiven Amount is the lesser of the amount for which the obligation was issued and the unpaid principal amount, plus any accrued interest which was deducted or is deductible, less amounts paid in satisfaction of the debt and certain other adjustments.

The Plan will result in an amount being paid in satisfaction of TLGI's indebtedness equal to the amount of cash and the fair market value of the New Five-Year Secured Notes, if issued, New Two-Year Unsecured Notes, if issued, New Seven-Year Unsecured Notes and New Common Stock received by the holders of Claims against TLGI in respect of TLGI's indebtedness. Under the terms of the Plan, such payment is not allocated between indebtedness that would constitute Commercial Debt Obligations (as defined in the Act) and other indebtedness (principally the obligations of TLGI arising as a guarantor). If, for example, the full amount of the payment was considered to apply to TLGI's indebtedness other than its Commercial Debt Obligations, TLGI would have a Forgiven Amount equal to the full amount of its Commercial Debt Obligations.

Any Forgiven Amount will result in the reduction of TLGI's non-capital losses and capital losses of prior years and will result in the reduction of its capital losses, but not its non-capital losses, arising in the year of settlement. Even if the Forgiven Amount is equal to the full amount of TLGI's Commercial Debt Obligations, the aggregate of available non-capital losses and capital losses of prior years and capital losses of the year of settlement is expected to exceed the Forgiven Amount, so that no adverse Canadian federal tax consequences are expected to arise as a result of settlement of TLGI's Commercial Debt Obligations.

Transfer of Assets to Canadian Holding Companies

As part of the CCAA Debtor Restructuring Transactions, all of TLGI's assets, other than the shares of its subsidiaries, will be transferred to two Canadian holding companies. For purposes of determining TLGI's proceeds of disposition and tax loss as a result of this transfer, and the tax cost of the transferred assets to the Canadian company, these assets are disposed of by TLGI and acquired by the Canadian company at fair market value. In the case of the tangible assets, it is expected that this will result in a substantial reduction in the tax cost of such assets to the Canadian company as compared to the current tax cost to TLGI, and will result in a corresponding non-capital loss to TLGI.

Transfer of Assets to LGII

For Canadian tax purposes, the transfer by TLGI to LGII of all of its assets, including the shares of the Canadian holding companies referred to above, pursuant to the CCAA Order, should be treated as having taken place for proceeds of disposition equal to the fair market value of those assets.

Cancellation of LGII Shares

The cancellation of LGII shares owned by TLGI will result in a capital loss to TLGI equal to the tax cost of the shares for Canadian tax purposes.

Acquisition of Control

A number of provisions of the Act apply to a corporation which undergoes an acquisition of control. These include reductions of the tax cost of certain property, expiry of capital losses, restrictions on the deductibility of non-capital losses and deemed taxation year ends. The application of these provisions may be undesirable relative to future operations; however, their application would not alter the tax consequences described herein. Furthermore, the Debtors have no knowledge that any person or group of persons acting in concert will control LGII after the Effective Date. Provided that this holds true, there should be no acquisition of control of LGII or any of its subsidiaries for Canadian federal income tax purposes as a result of the Plan.

APPLICABILITY OF CERTAIN U.S. FEDERAL AND STATE SECURITIES LAWS

General

No registration statement will be filed under the Securities Act of 1933, as amended, 15 U.S.C. §§ 77a-77aa (the "Securities Act"), or any state securities laws with respect to the offer and distribution under the Plan of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes or the New Common Stock. The Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code exempt the offer and distribution of such securities under the Plan from federal and state securities registration requirements.

Bankruptcy Code Exemptions from Registration Requirements

Initial Offer and Sale of Securities

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a prepetition or administrative expense claim against the debtor or an interest in the debtor; and (c) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the offer and sale of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the New Common Stock under the Plan satisfies the requirements of section 1145(a)(1) of the Bankruptcy Code and, therefore, are exempt from registration under the Securities Act and state securities laws.

Subsequent Transfers of Securities

In general, all resales and subsequent transactions in the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes or the New Common Stock distributed under the Plan will be exempt from registration under the Securities Act pursuant to section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "affiliate" of Reorganized LGII or an "underwriter" with respect to such securities. Rule 144 under the Securities Act defines "affiliate" of an issuer as any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Section 1145(b) of the Bankruptcy Code defines four types of "underwriters":

- (a) persons who purchase a claim against, an interest in, or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");
- (b) persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");
- (c) persons who offer to buy securities from the holders of such securities, if the offer to buy is (i) with a view to distributing such securities and (ii) made under a distribution agreement; and
- (d) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

Under section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer. Whether or not any particular person would be deemed to be an "affiliate" of Reorganized LGII or an "underwriter" with respect to any security to be issued pursuant to the Plan would depend upon various facts and circumstances applicable to that

person. Accordingly, the Debtors express no view as to whether any person would be deemed to be an "affiliate" of Reorganized LGII or an "underwriter" with respect to any security to be issued pursuant to the Plan.

Rule 144 under the Securities Act provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an "affiliate" of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of 1% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer. The Debtors believe that, pursuant to section 1145(c) of the Bankruptcy Code, the New Five-Year Secured Notes, the New Two-Year Unsecured Notes, the New Seven-Year Unsecured Notes and the New Common Stock to be issued pursuant to the Plan will be unrestricted securities for purposes of Rule 144.

In connection with prior bankruptcy cases, the staff of the SEC has taken the position that resales by accumulators and distributors of securities distributed under a plan of reorganization that are not "affiliates" of the issuer are exempt from registration under the Securities Act if effected in "ordinary trading transactions." The staff of the SEC has indicated in this context that a transaction may be considered an "ordinary trading transaction" if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

- (a) either (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;
- (b) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto and documents filed with the SEC pursuant to the Exchange Act; or
- (c) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arms' length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The Debtors have not sought the views of the SEC on this matter and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any persons intending to rely on such exemption are urged to consult their own counsel as to the applicability thereof to any particular circumstances.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN "AFFILIATE" OR REORGANIZED LGII OR "UNDERWRITER" WITH RESPECT TO THE NEW COMMON STOCK OR THE NEW NOTES TO BE ISSUED PURSUANT TO THE PLAN, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SUCH SECURITIES AND RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. Such exemptions generally are expected to be available for subsequent transfers of the New Five-Year Secured Notes, the New Two-Year Unsecured Notes, the New Seven-Year Unsecured Notes and the New Common Stock.

Certain Transactions by Stockbrokers

Under section 1145(a)(4) of the Bankruptcy Code, stockbrokers effecting transactions in the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes or the New Common Stock prior to the expiration of 40 days after the first date on which such securities were bona fide offered to the public by Reorganized LGII or by or through an underwriter are required to deliver to the purchaser of such securities a copy of this Disclosure Statement (and supplements hereto, if any, if ordered by the Bankruptcy Court) at or before the time of delivery of such securities to such purchaser. In connection with prior bankruptcy cases, the staff of the SEC has taken so-called "no-action" positions with respect to noncompliance by stockbrokers with such requirement in circumstances in which the debtor was, and the reorganized debtor was to continue to be, subject to and in compliance with the periodic reporting requirements of the Exchange Act. *The views of the SEC on this matter, however, have not been sought by the Debtors and, therefore, no assurance can be given regarding the possible consequences of noncompliance by stockbrokers with the disclosure statement delivery requirements of section 1145(a)(4). Stockbrokers are urged to consult their own counsel with respect to such requirements.*

Registration Rights Agreement

Pursuant to the Plan, each of the Principal CTA Creditors (in each case only if such Principal CTA Creditor is entitled to receive at least 10% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date) and each other person or entity entitled to receive at least 10% of the outstanding shares of New Common Stock solely as a result of distributions made pursuant to the Plan on account of Allowed Claims held as of the Distribution Record Date ("Eligible Holders") will be entitled to enter into a registration rights agreement with Reorganized LGII (the "Registration Rights Agreement") on the Effective Date. Under the Registration Rights Agreement, the Eligible Holders or their permitted transferees will be entitled to registration rights with respect to shares of New Common Stock issued to them pursuant to the Plan, until such shares: (a) are disposed of pursuant to an effective registration statement under the Securities Act; (b) are distributed to the public pursuant to Rule 144 under the Securities Act; (c) may be freely sold publicly without either registration under the Securities Act or compliance with any restrictions under Rule 144 under the Securities Act; (d) have been transferred other than to permitted transferees; or (e) have ceased to be outstanding ("Registrable Securities"), as described below.

Holders of at least a majority of the Registrable Securities may demand a maximum of two registrations under the Securities Act, provided in each case that the securities to be registered have an aggregate offering price of at least \$10.0 million and provided further that a second demand cannot be made sooner than 12 months after the effectiveness of the registration pursuant to the first demand. Reorganized LGII will have the right to defer the filing of a demand registration in certain circumstances, and customary priority provisions will apply in the context of an underwritten offering. Rights to demand registration will be suspended during any period in which a shelf registration may be utilized.

If Reorganized LGII registers New Common Stock for its own account or the account of other stockholders (other than in connection with employee benefit plans or a merger or reorganization), each holder of Registrable Securities will be offered the opportunity to include its Registrable Securities in such registration. Customary priority provisions will apply in the context of an underwritten offering.

After Reorganized LGII has qualified to use Form S-3, holders of Registrable Securities may request a shelf registration on Form S-3, provided in each case that the securities to be registered have an aggregate offering price of at least \$10.0 million. Any such shelf registration will be subject to customary blackout provisions.

Rights under the Registration Rights Agreement may be assigned in connection with any transfer of Registrable Securities provided that such transfer is made in accordance with applicable securities laws, the

transferee receives all of the Registrable Securities then held by the transferor and the transferee agrees to be bound by the provisions of the Registration Rights Agreement.

The Registration Rights Agreement will terminate on the third anniversary of the Effective Date. The Registration Rights Agreement will contain customary indemnification provisions, which will survive termination.

APPLICABILITY OF CERTAIN CANADIAN SECURITIES LAWS

The issuance by Reorganized LGII of the New Five-Year Secured Notes, if issued, the New Two-Year Unsecured Notes, if issued, the New Seven-Year Unsecured Notes and the New Common Stock will be subject to the Securities Act (Ontario) and to the applicable securities laws of such other provinces of Canada in which persons entitled to receive such securities reside. The issuance and subsequent transfer of such securities will be made pursuant to exemptions from applicable dealer registration and prospectus requirements of applicable Canadian securities laws or pursuant to discretionary orders or rulings from applicable Canadian provincial securities regulatory authorities. Based on relief granted in connection with similar CCAA restructurings in the past to other public companies, the Debtors believe that such discretionary relief is obtainable.

There is no assurance that such relief will be obtained or that it will not be subject to certain restrictions or conditions, including restrictions on the transferability of such securities.

Persons resident in a province of Canada who are entitled to receive such securities pursuant to such exemptions or discretionary relief are advised that they will not be entitled to rights that would have been afforded to them had such securities been distributed pursuant to a prospectus including rights of rescission and damages.

If at the time of any subsequent transfer in Canada of New Common Stock or New Senior Notes, the seller holds a sufficient number of any securities of Reorganized LGII to materially affect its control, a prospectus will be required to be delivered to the purchaser(s) unless a prospectus exemption is then available for such transfer. For these purposes, the holding by any person or combination of persons of more than 20% of the voting securities of a company is deemed to affect materially the control of the company.

The Plan constitutes a "related party transaction" under Ontario Securities Commission Rule 61-501 and Policy Statement No. Q-27 of the Commission des valeurs mobilières du Québec (the "Related Party Transaction Rules"). The Related Party Transaction Rules are applicable to TLGI since it is a "reporting issuer" under the securities legislation of the provinces of Ontario and Quebec. These rules impose disclosure, valuation and minority approval requirements on certain related party transactions. TLGI intends to comply with the disclosure requirements of the rules. However, the Related Party Transaction Rules provide exemptions from the valuation and minority approval requirements applicable to related party transactions if the proposed transaction is subject to court approval under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors Arrangement Act* (Canada) or bankruptcy or insolvency laws of another jurisdiction and the court is advised of the requirements of the Related Party Transaction Rules and does not require compliance with the valuation and minority approval requirements. TLGI believes these exemptions are applicable in respect of the Plan since the Plan requires that the CCAA Order be entered by the Canadian Court and TLGI intends to advise such court of the requirements of the Related Party Transaction Rules.

ADDITIONAL INFORMATION

Any statements in this Disclosure Statement concerning the provisions of any document are not necessarily complete, and in each instance reference is made to such document for the full text thereof. Certain documents described or referred to in this Disclosure Statement have not been attached as exhibits because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. All of the exhibits and schedules to the Plan (once Filed with the Bankruptcy Court) and this Disclosure Statement are available for inspection during regular business hours at the Document Reviewing Centers located at: (a) the office

of Jones, Day, Reavis & Pogue, 901 Lakeside Avenue, Cleveland, Ohio 44114; (b) the office of Jones, Day, Reavis & Pogue, 599 Lexington Avenue, 32nd Floor, New York, New York 10022; (c) the office of Meighen Demers, Suite 1100, Merrill Lynch Canada Tower, 200 King Street West, Toronto, Canada M5H 3T4; or (d) at any other location designated by the Debtors, and may be obtained from the copy services identified in the notice of the Confirmation Hearing.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of Claims in voting Classes to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before the Voting Deadline.

EXHIBIT I

**TLGI, LGII AND LOEWEN SUBSIDIARY DEBTORS, INCLUDING THE APPLICABLE DIVISION
TO WHICH EACH HAS BEEN ASSIGNED FOR PURPOSES OF CLASS 9 OF THE PLAN, AN
IDENTIFICATION OF PLEDGORS AND AN IDENTIFICATION OF NON-OWNERSHIP
REGULATED DEBTORS FOR PURPOSES OF CLASS 15 OF THE PLAN**

EXHIBIT II

**JOINT PLAN OF REORGANIZATION OF
LOEWEN GROUP INTERNATIONAL, INC.,
ITS PARENT CORPORATION
AND THEIR DEBTOR SUBSIDIARIES**

EXHIBIT III

**THE LOEWEN GROUP INC. FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999, AND THE
FORM 10-Q QUARTERLY REPORT FOR THE
QUARTER ENDED SEPTEMBER 30, 2000**

EXHIBIT IV
LIQUIDATION ANALYSIS

EXHIBIT V

**MEMORANDUM ENTITLED "THE STATUS OF THE SERIES 3 AND 4
NOTES, THE SERIES 6 AND 7 NOTES, AND THE PATS UNDER THE
COLLATERAL TRUST AGREEMENT (AMENDED AND RESTATED)"
DATED AS OF SEPTEMBER 19, 2000**