

ORIGINAL

RECEIVED AND FILED

01 DEC 21 PM 3:57

U.S. BANKRUPTCY COURT
PATRICIA GRAY, CLERK

Jennifer A. Smith (State Bar No. 610)
Etta L. Walker (State Bar No. 5537)
LIONEL SAWYER & COLLINS
1100 Bank of America Plaza
50 W. Liberty St.
Reno, Nevada 89501
(775) 788-8666

David S. Kurtz
Timothy R. Pohl
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM (ILLINOIS)
333 West Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Gregg M. Galardi
Eric M. Davis
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
One Rodney Square
Wilmington, Delaware 19899
(302) 651-3000

Attorneys for the Debtors and
Debtors-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re:

WASHINGTON GROUP INTERNATIONAL,
INC., et al.,

Debtors.

Case No.: BK-N-01-31627
(Chapter 11)

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW RE-
GARDING CONFIRMATION OF
SECOND AMENDED JOINT PLAN
OF REORGANIZATION OF
WASHINGTON GROUP
INTERNATIONAL, INC., ET AL.,
AS MODIFIED**

Hearing Date: November 20, 2001
Hearing Time: 9:00 a.m.

TABLE OF CONTENTS

	Page
<u>INTRODUCTION</u>	1
I. FINDINGS OF FACT	7
A. JURISDICTION AND VENUE	7
B. COMPLIANCE WITH THE REQUIREMENTS OF SECTION 1129 OF THE BANKRUPTCY CODE	8
1. Section 1129(a)(1) — Compliance of the Plan with Applicable Provisions of the Bankruptcy Code	8
a. Sections 1122 and 1123(a)(1)-(4) — Classification and Treatment of Claims and Interests.	8
b. Section 1123(a)(5) — Adequate Means for Implementation of the Plan.	10
c. Section 1123(a)(6) — Prohibition Against the Issuance of Nonvoting Equity Securities and Adequate Provisions for Voting Power of Classes of Securities.	11
d. Section 1123(a)(7) - Selection of Directors and Officers in a Manner Consistent with the Interests of Creditors and Equity Security Holders and Public Policy.	12
e. Section 1123(b)(1)-(2) — Impairment of Claims and Interests and Assumption, Assumption and Assignment or Rejection of Executory Contracts and Unexpired Leases.	14
f. Section 1123(b)(3) — Retention, Enforcement and Settlement of Claims Held by the Debtors.	15
g. Section 1123(b)(5) — Modification of the Rights of Holders of Claims.	16
h. Section 1123(b)(6) — Other Provisions Not Inconsistent with Applicable Provisions of the Bankruptcy Code.	16
i. Section 1123(d) — Cure of Defaults.	17

2.	Section 1129(a)(2) — Compliance with Applicable Provisions of the Bankruptcy Code.	18
3.	Section 1129(a)(3) — Proposal of the Plan in Good Faith	20
4.	Section 1129(a)(4) — Bankruptcy Court Approval of Certain Payments as Reasonable	21
5.	Section 1129(a)(5) — Disclosure of Identity of Proposed Management, Compensation of Insiders and Consistency of Management Proposals with the Interests of Creditors and Public Policy	22
6.	Section 1129(a)(6) — Approval of Rate Changes	22
7.	Section 1129(a)(7) — Best Interests of Holders of Claims and Interests	23
8.	Section 1129(a)(8) — Acceptance of the Plan by Each Impaired Class	24
9.	Section 1129(a)(9) — Treatment of Claims Entitled to Priority Pursuant to Section 507(a) of the Bankruptcy Code	24
10.	Section 1129(a)(10) — Acceptance by at Least One Impaired Class	26
11.	Section 1129(a)(11) — Feasibility of the Plan	27
12.	Section 1129(a)(12) — Payment of Bankruptcy Fees	27
13.	Section 1129(a)(13) — Retiree Benefits	28
14.	Section 1129(b) — Confirmation of the Plan Over the Nonacceptance of Impaired Classes	29
	a. Reinstatement of Employee Claims is Appropriate.	30
	b. Reinstatement of Subsidiary Interests and Intercompany Claims is Appropriate.	30
	c. The Prior Payment of the Critical Vendors Pursuant to the Court's Orders Does Not Constitute Unfair Discrimination.	31
	d. Valuation.	31
	e. Raytheon Settlement	32
15.	Bankruptcy Rule 3016(a)	32
16.	Section 1129(d) — Purpose of Plan	32
C.	SETTLEMENTS, RELEASES AND INDEMNIFICATION	33
	1. The Settlement	33
	2. Raytheon Settlement.	33
	3. Fairness and Necessity of Releases and Indemnification	35

	a.	Releases.	35
	b.	Indemnification.	36
	4.	Exculpation	38
D.		SATISFACTION OF CONDITIONS TO CONFIRMATION	40
E.		SUBSTANTIVE CONSOLIDATION	40
II.		CONCLUSIONS OF LAW	41
	A.	JURISDICTION AND VENUE	41
	B.	MODIFICATIONS OF THE PLAN	42
	C.	EXEMPTIONS FROM SECURITIES LAWS	42
	D.	EXEMPTIONS FROM TAXATION	44
	E.	COMPLIANCE WITH SECTION 1129 OF THE BANKRUPTCY CODE	45
	1.	Reinstatement of Employee Claims Is Appropriate	45
	2.	Reinstatement of Subsidiary Interests and Intercompany Claims Is Appropriate	46
	F.	APPROVAL OF THE SETTLEMENTS AND RELEASES PROVIDED UNDER THE PLAN AND CERTAIN OTHER MATTERS	46
	G.	AGREEMENTS AND OTHER DOCUMENTS	49
	H.	ASSUMPTIONS, ASSUMPTIONS AND ASSIGNMENTS AND REJEC- TIONS OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES ..	50
	I.	SUBSTANTIVE CONSOLIDATION	51

INTRODUCTION¹

The above-captioned debtors and debtors in possession (collectively, the "Debtors") having proposed the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., dated July 24, 2001 (collectively with the Modifications, as defined below, the "Plan"), the Modification to Second Amended Joint Plan of Reorganization of Washington Group International, Inc. et al., dated August 28, 2001 (the "First Modification"), the Second Modification to Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., dated October 12, 2001 (the "Second Modification"), and the Third Modification to Second Amended Plan of Reorganization of Washington Group International, Inc., et al., dated November 9, 2001 (the "Third Modification" together with the First Modification and the Second Modification and the further modifica-

¹ A separate Order Confirming the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., as Modified (the "Confirmation Order") has been entered by this Court and is incorporated herein by reference.

tions and qualifications set forth in the Confirmation Order, the "Modifications");^{2,3} the Court having entered the Order (I) Approving Disclosure Statement, (II) Determining Treatment of Certain Claims for Notice and Voting Purposes, (III) Establishing Record Date and Procedures for Filing Objections to the Plan and Temporary Allowance of Claims and (IV) Approving Solicitation Procedures for Confirmation [Docket No. 1279] on July 31, 2001 (the "Disclosure Statement Order"); the Court having entered the Order (I) Approving Supplemental Disclosure With Respect to the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., as Modified and (II) Establishing Solicitation Requirements With Respect to the Plan as Modified (the "Supplemental Disclosure Order") on August 29, 2001 [Docket No. 1906]; the Court having entered the Order (I) Approving Second Supplemental Disclosure With Respect to the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., Regarding Third

² Unless otherwise specified, capitalized terms and phrases used herein have the meanings assigned to them in the Plan. The rules of interpretation set forth in Article I.C. of the Plan shall apply to these Findings of Fact and Conclusions of Law (the "Findings of Fact and Conclusions of Law"). In addition, in accordance with Article I.A. of the Plan, any term used in the Plan, these Findings of Fact and Conclusions of Law, or the Confirmation Order that is not defined in the Plan, these Findings of Fact and Conclusions of Law or the Confirmation Order, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable. In accordance with Section III.A. of these Findings of Fact and Conclusions of Law, if there is any direct conflict between the terms of the Plan and the terms of these Findings of Fact and Conclusions of Law or the Confirmation Order, the terms of these Findings of Fact and Conclusions of Law and the Confirmation Order shall control.

³ A copy of the Plan (without the exhibits thereto) is attached to the Confirmation Order as Exhibit A and incorporated herein by reference. Copies of the Modifications are attached to the Confirmation Order as Exhibits B, C and D and incorporated herein by reference.

Modification and (II) Establishing Solicitation Requirements With Respect to the Plan as Modified (the "Second Supplemental Disclosure Order") on or about November 9, 2001; the Debtors having Filed the Declaration of Robert E. Berger & Associates, LLC Certifying the Methodology for Tabulating Votes on, and the Results of Voting with Respect to, the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al. [Docket No. 2250] (the "Voting Declaration") on September 18, 2001; counsel for Credit Suisse First Boston ("CSFB"), as Administrative Agent for the Lenders, having filed an affidavit (the "Lender Voting Affidavit") attesting to the results of resolicitation of Class 6 as a result of the Third Modification, pursuant to the Second Supplemental Disclosure Order; counsel for CSFB having filed an affidavit and a supplemental affidavit attesting to the computation of elections by the Lenders under section 1111(b) of the Bankruptcy Code (the "Section 1111(b) Affidavit"); a hearing pursuant to section 1129 of the Bankruptcy Code to consider Confirmation of the Plan (the "Confirmation Hearing") having been conducted on October 10, 11 and November 19, 20, 2001; declarations of service of the Solicitation Materials by Craig A. Osborne and Jane Sullivan having been executed on August 16, 2001 and September 7, 2001, respectively (collectively, the "Declarations of Service"), with respect to the mailing of the Confirmation Hearing Notice and the other solicitation materials in respect of the Plan in accordance with the Disclosure Statement Order; declarations of publication having been filed with the Bankruptcy Court (the "Declaration of Publication")

with respect to the publication of the notice of the Confirmation Hearing on July 31, 2001 in the national edition of *The Wall Street Journal* in accordance with the Disclosure Statement Order; objections to Confirmation of the Plan (collectively, the "Objections") having been Filed by (i) Balfour Beatty's Construction; (ii) John and Vicki Beaver; (iii) Gulf Chemical Corporation; (iv) California Department of Toxic Substances Control; (v) Oscar I. Paulson; (vi) John B. Peach; (vii) United States Trustee; (viii) Colorado and the United States; (ix) Nerco Minerals Company and Nerco Delamar's Company; (x) Liberty Bond Services; (xi) WGI Equity Owners LLC; (xii) MK Gold Company; (xiii) Official Unsecured Creditors Committee; (xiv) Raytheon Company and Raytheon Engineers & Constructors International, Inc. (collectively, "Raytheon"); (xv) Mitsubishi Heavy Industries, Ltd., Mitsubishi Heavy Industries America, Inc., and Mitsubishi Corporation (collectively, "Mitsubishi"); (xvi) Cerrey, S.A. de C.V.'s; (xvii) T. Rowe Price Trust Company; (xviii) Tutor-Saliba Corporation; (xix) Idaho Class Plaintiffs; (xx) Mellon Bank, N.A.; (xxi) M.D. Sass Corporate Resurgence Partners, L.D. and Durham Asset Management Corp. (collectively, "Resurgence"); (xxii) Ground Improvement Techniques, Inc.; (xxiii) Thermal Engineering Inc., KL International Associates Limited and Lightning Electrical Construction Limited; (xxiv) Charles E. and MaryAnn Larsen; (xxv) Alstom Power, Inc.; (xxvi) Consorcio DSD/Somor; (xxvii) Kier Construction Limited; and (xxviii) Sithe Mystic Development LLC, Sithe Fore River Development, LLC and Sithe/Independence Power Partners, L.P. ("Sithe"); the Debtors

having filed the Memorandum of Law in Support of Confirmation of the Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., (the "Memorandum of Law") on September 18, 2001 and the Response to the objections filed by Resurgence on November 19, 2001; the Debtors having Filed the Declaration and Statement of Reed N. Brimhall in support of Confirmation of Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., as Modified (the "Brimhall Declaration") on September 18, 2001 and the Affidavit of Andrew Yearley in Support of Confirmation of Second Amended Joint Plan of Reorganization of Washington Group on September 4, 2001; CSFB having filed the Affidavit of Roger Hetu on September 18, 2001; the Declarations of Mr. Stephen Hanks, Mr. Andrew Yearley and Mr. Jeffrey Mitchell in Support of Confirmation of the Plan having been filed by the Debtors on November 16, 2001; the Declaration of Mr. Brent Williams in Support of Confirmation of the Plan having been filed by the Creditors' Committee on November 19, 2001; CSFB having filed the Memorandum of Law in Support of Confirmation of Debtors' Second Amended Joint Plan of Reorganization and in Response to Objections to Such Plan on September 18, 2001, as well as a Supplemental Brief in Support of Confirmation of Second Amended Plan of Reorganization as Modified on November 16, 2001; Federal Insurance Company having filed its Statement of Federal Insurance Company in Support of the Debtors' Second Amended Plan of Reorganization as modified on September 17, 2001 and the Affidavit of Edward Reilly on November 16, 2001; the

Bankruptcy Court having reviewed the Plan, the Disclosure Statement, the Disclosure Statement Order, the Voting Declaration, The Lender Voting Affidavit, the Section 1111(b) Affidavit, the Declarations of Service, the Declaration of Publication, the Objections, the Memorandum of Law, all declarations and affidavits filed in these cases (collectively, the "Supporting Declarations") and the other papers before the Bankruptcy Court in connection with the Confirmation of the Plan; the Bankruptcy Court having heard the statements of counsel in support of and in opposition to Confirmation at the Confirmation Hearing, as reflected in the record at the Confirmation Hearing; the Bankruptcy Court having considered all testimony presented and evidence admitted at the Confirmation Hearing; Mr. Byron Haney of Resurgence having been present at the hearing but having declined to testify in support of objections filed by Resurgence; the Bankruptcy Court having taken judicial notice of all of the papers and pleadings related to the discrete facts and legal issues referenced in these Findings of Fact and Conclusions of Law and, in addition including, but not limited to, those pleadings and documents placed on the record by this Court at the Confirmation Hearing and the hearing conducted on December 21, 2001 pursuant to Bankruptcy Rule 7052; and the Bankruptcy Court finding that (i) notice of the Confirmation Hearing and the opportunity of any party in interest to object to Confirmation were adequate and appropriate, in accordance with Bankruptcy Rule 2002(b), as to all parties to be affected by the Plan and the transactions contemplated thereby and (ii) the legal and factual bases set forth at the

Confirmation Hearing and as set forth in these Findings of Fact and Conclusions of Law and the Confirmation Order establish just cause for the relief granted herein; the Bankruptcy Court hereby makes the following Findings of Fact and Conclusions of Law.⁴

I. FINDINGS OF FACT.

A. JURISDICTION AND VENUE.

On May 14, 2001, the Debtors commenced their respective Reorganization Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors were and are qualified to be debtors under section 109(a) of the Bankruptcy Code. Morrison Knudsen Leasing Corporation, an indirect subsidiary of the ultimate parent company, Washington Group International, Inc., and a direct or indirect affiliate of each of the Subsidiary Debtors, is domiciled in Nevada. Accordingly, pursuant to 28 U.S.C. § 1408, venue in the United States Bankruptcy Court for the District of Nevada for these Chapter 11 Cases was proper as of the Petition Date and continues to be proper.

⁴ Any finding of fact shall constitute a finding of fact even if it is stated as a conclusion of law, and any conclusion of law shall constitute a conclusion of law even if it is stated as a finding of fact. These written Findings of Fact and Conclusions of Law shall also include any oral findings of fact and conclusions of law made by the Court during or at the conclusion of the Confirmation Hearing in accordance with Bankruptcy Rule 7052, made applicable to these proceedings by Bankruptcy Rule 9014.

B. COMPLIANCE WITH THE REQUIREMENTS OF SECTION 1129 OF THE BANKRUPTCY CODE.

1. Section 1129(a)(1) — Compliance of the Plan with Applicable Provisions of the Bankruptcy Code.

The Plan complies with all applicable provisions of the Bankruptcy Code, as required by section 1129(a)(1) of the Bankruptcy Code, including sections 1122 and 1123 of the Bankruptcy Code.

a. Sections 1122 and 1123(a)(1)-(4) — Classification and Treatment of Claims and Interests.

Pursuant to sections 1122(a) and 1123(a)(1) of the Bankruptcy Code, Article II of the Plan designates Classes of Claims and Interests, other than Administrative Claims and Priority Tax Claims.⁵ As required by section 1122(a), each Class of Claims and Interests contains only Claims or Interests that are substantially similar to the other Claims or Interests within that Class. The Plan designates seven (7) Classes of Claims and two (2) Classes of Interests. Such classification is proper under section 1122(a) of the Bankruptcy Code because such Claims and Interests have differing rights among each other and against the Debtors' assets or differing interests in the Debtors or their reorganization. Classification of Lender Claims in a single class, based upon the complex issues regarding valuation and liens, which are settled pursuant to the Plan, is reasonable, appropriate and hereby approved.

⁵ Pursuant to section 1123(a)(1) of the Bankruptcy Code, classes of Administrative Claims and Priority Tax Claims are not required to be classified.

Additionally, in accordance with section 1122(b) of the Bankruptcy Code, the Plan provides for a Class of Unsecured Claims of \$5,000 or less against any Debtor, in Class 7(a). This classification is reasonable and necessary for administrative convenience. As soon as practicable after the Confirmation Date, the Debtors shall mail a notice, in form and substance approved by the Creditors' Committee's counsel, notifying holders of Claims in Class 7 in amounts of \$15,000 or less of their right to elect to reduce their claims to \$5,000 and be treated as Claims in Class 7(a). The Debtors may send notice of such right to elect to reduce claims to \$5,000 to other holders of Class 7 Claims and, at the request of the Creditors' Committee, will send such notice to the holders of Tort Claims. In the event a holder of a Class 7(a) Claim of more than \$5,000 fails to elect to reduce such holder's claim to \$5,000, such claim shall not be treated as a Class 7(a) Claim.

Additionally, counsel for the Agent for the Lenders has submitted sufficient evidence to this Court that more than 66.7% in amount and more than 50% in number of Lenders have elected, pursuant to section 1111(b) of the Bankruptcy Code, to have all of their claims treated as secured claims. The Court finds that the section 1111(b) election by Lenders was valid and proper in all respects. Accordingly, for this independent reason, the classification of all Lender Claims in Class 6 is appropriate and in compliance with sections 1111(b), 1122(a) and 1123 of the

Bankruptcy Code.⁶ If for any reason the section 1111(b) election was found not to be binding or effective, the Plan nevertheless satisfies all of the pertinent confirmation requirements in sections 1129(a) and (b) of the Bankruptcy Code.

Pursuant to sections 1123(a)(2) and 1123(a)(3) of the Bankruptcy Code, Article II of the Plan specifies all Classes of Claims and Interests that are not impaired under the Plan and specifies the treatment of all Classes of Claims and Interests that are impaired under the Plan. Pursuant to section 1123(a)(4) of the Bankruptcy Code, Article III of the Plan also provides the same treatment for each Claim or Interest within a particular Class, unless the holder of a Claim or Interest agrees to less favorable treatment of its Claim or Interest.

b. Section 1123(a)(5) — Adequate Means for Implementation of the Plan.

Article IV and various other provisions of the Plan provide adequate means for the Plan's implementation. Those provisions relate to, among other things: (a) the continued corporate existence of the Debtors and the vesting of the Debtors' assets in the Reorganized Debtors; (b) the cancellation of Old Securities; (c) the corporate constituent documents that will govern Reorganized WGI and the other Debtors after the Effective Date; (d) issuance of the New Securities; (e) the retention by the Reorganized Debtors of certain assets of their respective estates; (f) the initial

⁶ This Court hereby approves, pursuant to Bankruptcy Rule 3014 and section 105 of the Bankruptcy Code, the deadline of 5:00 p.m. Reno Time on November 19, 2001 for holders of Lender Claims to make the section 1111(b) election, and grants the Motion of the Debtors dated as of November 16, 2001, seeking the fixing of such deadline.

selection of directors and officers for Reorganized WGI; (g) the entry into an Exit Facility as a condition to the Effective Date; (h) the preservation of Litigation Claims by the Reorganized Debtors; (i) the continuation of certain employee, retiree and workers' compensation benefits and the implementation of the Management Option Plan (including the options to be granted to Mr. Dennis Washington); (j) the assumption or rejection of executory contracts and unexpired leases; (k) the substantive consolidation of the Debtors' Estates for distribution purposes only; (l) the distribution of Cash pursuant to the Plan; (m) the Raytheon Settlement (as hereinafter defined); and (n) the adoption, execution, delivery and implementation of all contracts, instruments, releases and other agreements or documents related to the foregoing. Moreover, the Debtors will have sufficient Cash to make all payments required to be made on the Effective Date pursuant to the terms of the Plan.

c. Section 1123(a)(6) — Prohibition Against the Issuance of Nonvoting Equity Securities and Adequate Provisions for Voting Power of Classes of Securities.

Section 5.3 of the Plan provides that the articles of incorporation and the by-laws or similar constituent documents of Reorganized WGI, among other things, will prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code. The Plan satisfies the requirement of section 1123(a)(6) of the Bankruptcy Code that a plan of reorganization provide for an appropriate distribution of voting power among the classes of securities possess-

ing voting power because the only class of securities proposed possessing voting power is the New Common Shares.

d. Section 1123(a)(7) - Selection of Directors and Officers in a Manner Consistent with the Interests of Creditors and Equity Security Holders and Public Policy.

The Plan complies with section 1123(a)(7) by properly and adequately disclosing or otherwise identifying the procedures for determining the identity and affiliations of all individuals or entities proposed to serve on or after the Effective Date as officers and directors of Reorganized WGI. Moreover, the Plan ensures that the selection of the proposed compensation and indemnification arrangements for such persons are consistent with the interests of creditors and public policy.

The initial board of directors of Reorganized WGI will consist of eleven (11) directors. Mr. Dennis Washington, Mr. Stephen Hanks and Mr. David Batchelder, will be members of the Reorganized WGI board of directors. The Steering Committee for the Lenders will be entitled to appoint six (6) members of the board and the Creditors' Committee will be entitled to appoint two (2) members of the board. Present or former officers or employees of the Lenders or members of the Creditors' Committee are not entitled to serve on the board (unless otherwise agreed to by the Steering Committee, the Creditors' Committee and the Debtors), other than the Interim Directors as set forth in the next sentence. Pursuant to section

303 of the Delaware General Corporation Law, the following shall be interim members of the Reorganized WGI Board of Directors on the Effective Date, pending final designations of such Board members as set forth in the Plan: the Steering Committee shall designate Mr. Joel Glodowski, Mr. Robert Del Genio and other candidates from among Mr. Tom McGraw, Mr. Peter Boger, Ms. Terese Fontaine and Mr. David Clarry; the Creditors' Committee shall designate Mr. Skip Victor; and Mr. Stephen Hanks, Mr. Dennis Washington and Mr. David Batchelder shall also be on such interim board (collectively, the "Interim Members"). Each of these Interim Members shall be replaced by finally designated members as soon as practicable after the Effective Date (the "Finally Designated Members"). Upon designation of the Finally Designated Members, the Debtors shall file a notice of such designation and serve such notice on the official service list in these Chapter 11 Cases. Any disputes regarding the qualifications of any such member shall be resolved by this Court, and must be raised by written objection within ten days of the filing of such notice. The boards of directors and executive officers of the subsidiary Reorganized Debtors will consist of directors and officers as determined by Reorganized WGI on the Effective Date or thereafter. The Interim Members and the Finally Designated Members shall be appointed pursuant to section 303 of the Delaware General Corporation Law, section 1142 of the Bankruptcy Code, and the terms of the Plan.

Because the Steering Committee for the Lenders and the Creditors' Committee will be entitled to designate a majority of the Board of Reorganized WGI,

as set forth above, the manner of selection of the initial directors and officers of the Reorganized Debtors and the manner of selection of successor directors and officers of the Reorganized Debtors, as set forth in the certificates of incorporation and by-laws or similar constituent documents of the applicable Reorganized Debtor and section 303 of the Delaware General Corporation Law, are consistent with the interests of the holders of Claims and Interests and public policy.

e. Section 1123(b)(1)-(2) — Impairment of Claims and Interests and Assumption, Assumption and Assignment or Rejection of Executory Contracts and Unexpired Leases.

In accordance with section 1123(b)(1) of the Bankruptcy Code, Article III of the Plan impairs or leaves unimpaired, as the case may be, each Class of Claims and Interests. In accordance with section 1123(b)(2) of the Bankruptcy Code, Article VI of the Plan provides for the assumption of every executory contract or unexpired lease of the Debtors except any that: (i) have been previously assumed or rejected pursuant to section 365 of the Bankruptcy Code; (ii) have previously expired or terminated pursuant to its own terms; (iii) are the subject of a motion to reject pending before this Court; or (iv) are listed on Schedule 6.3 of the Plan and rejected pursuant to the Plan.

f. Section 1123(b)(3) — Retention, Enforcement and Settlement of Claims Held by the Debtors.

Section 5.10 of the Plan provides that, 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, sue on, settle, or compromise (or decline to do any of the foregoing) all Litigation Claims, which for purposes of these Findings of Fact and Conclusions of Law, the Confirmation Order and the Plan, shall include the Raytheon Claims, notwithstanding Section 1.60 of the Plan (which Raytheon Claims are being resolved and settled, in full, as part of the Raytheon Settlement), that the Debtors or the Estates may hold against any Person or entity. Without in any way limiting the generality of the foregoing, all Claims or other claims, whether or not asserted, of any type or kind by or on behalf of any of the Debtors against Raytheon or any of its affiliates or in any way in connection with any transaction between any of the Debtors and Raytheon or any of its affiliates that are property of the Debtors or their Estates, are addressed and fully settled and resolved in and by the Raytheon Settlement. Proceeds of Transferred Avoidance Actions will be distributed to holders of Allowed Claims in Class 7, provided that such actions shall expressly exclude any actions that are part of the Raytheon Claims, which are addressed and resolved in the Raytheon Settlement. 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 rights.

g. Section 1123(b)(5) — Modification of the Rights of Holders of Claims.

Article III of the Plan modifies, or leaves unaffected, as the case may be, the rights of holders of each Class of Claims. Notwithstanding anything to the contrary herein or in the Plan, the rights and claims of the holders of claims relating to unfunded prepetition letters of credit issued under the Prepetition Credit Agreement are unaffected by and are not discharged by the Plan, and DIP Facility Claims shall be paid in full in accordance with the terms of the DIP Agreement.

h. Section 1123(b)(6) — Other Provisions Not Inconsistent with Applicable Provisions of the Bankruptcy Code.

The Plan includes additional appropriate provisions that are not inconsistent with applicable provisions of the Bankruptcy Code, including: (i) the provisions of Article VII of the Plan governing distributions on account of Allowed Claims; (ii) the provisions of Article VIII of the Plan establishing procedures for resolving Disputed Class 7 Claims and making distributions on account of such Disputed Class 7 Claims once resolved; (iii) the provisions of Article XII of the Plan regarding the continuation of the Creditors' Committee as the Plan Committee; (iv) the provisions of Article XII of the Plan regarding the discharge of Claims and termination of Interests; (v) the provisions of Article VII enjoining certain actions post-Effective Date; (vi) the provisions of Article XI of the Plan regarding retention of jurisdiction by the Court over certain matters after the Effective Date; (vii) the

provisions of Article V providing for the substantive consolidation of the Debtors' Estates for the purpose of implementing the Plan; (viii) the provisions of Article VI of the Plan regarding the disposition of executory contracts and unexpired leases; and (ix) the provisions of Article V of the Plan regarding the means for implementation of the Plan.

i. Section 1123(d) — Cure of Defaults.

Pursuant to Article VI of the Plan and the Notice of (i) Assumption of Certain Executory Contracts and Unexpired Leases and (ii) Deadline to File a Cure Amount, parties to assumed executory contracts and unexpired leases were required to file Claims related to the cure of any defaults related to such contracts or leases by September 17, 2001. The failure to file Cure Claims by such date constitutes a waiver and forever bars parties from asserting a right to payment for a Cure amount. Section 6.2 of the Plan provides for the payment of Cure amounts associated with such executory contracts or unexpired leases.

2. Section 1129(a)(2) — Compliance with Applicable Provisions of the Bankruptcy Code.

The Debtors have complied with all applicable provisions of the Bankruptcy Code, as required by section 1129(a)(2) of the Bankruptcy Code, including section 1125 of the Bankruptcy Code and Bankruptcy Rules 3017 and 3018. The Disclosure Statement, the Supplement to Disclosure Statement With Respect to Second Amended Joint Plan of Reorganization of Washington Group

International, Inc., et al., Regarding Modification (the "First Supplemental Disclosure"), the Second Supplement to Disclosure Statement With Respect to Second Amended Joint Plan of Reorganization of Washington Group International, Inc., et al., Regarding Third Modification (the "Second Supplemental Disclosure") and the procedures by which the Ballots for acceptance or rejection of the Plan were solicited and tabulated were fair, properly conducted and in accordance with sections 1125 and 1126 of the Bankruptcy Code, Bankruptcy Rules 3017 and 3018, the Disclosure Statement Order, the Supplemental Disclosure Order and the Second Supplemental Disclosure Order. Consistent with Section 12.13 of the Plan, the Debtors, the Reorganized Debtors, and their respective directors, officers, employees, agents, members and professionals, as applicable, have acted in "good faith," within the meaning of section 1125(e) of the Bankruptcy Code.

The Court finds that full, actual and adequate disclosure of the current financial condition of the Debtors and the non-Debtor Subsidiaries (collectively, the "Company") was made in all respects, including to holders of Claims in Class 6. Resurgence, as well as all other holders of Class 6 Claims, received adequate and sufficient disclosure of the Company's current financial condition (updated from the information contained in the Disclosure Statement dated July 24, 2001), prior to the voting deadline of November 16, 2001 for such Claim holders with respect to the Third Modification pursuant to the Second Supplemental Disclosure, as a result of, among other things, the actual receipt of such updated financial information and

participation in a thorough discussion and analysis of such information by the Steering Committee and its financial advisors. Moreover, the Court finds that such updated Company financial information did not materially alter the valuation of the Company by Lazard or the Steering Committee's financial advisors, and thus (although actually provided) was not necessary for holders of Class 6 Claims to make an informed judgment about the Plan, within the meaning of section 1125 of the Bankruptcy Code, particularly given the sophistication of the holders of Claims in Class 6.

3. Section 1129(a)(3) — Proposal of the Plan in Good Faith.

The Debtors proposed the Plan in good faith and not by any means forbidden by law. In determining that the Plan has been proposed in good faith, the Bankruptcy Court has examined the totality of the circumstances surrounding the formulation of the Plan, including the support thereof by the Steering Committee and the Creditors' Committee and the reaching of the Raytheon Settlement. Based on the evidence presented at the Confirmation Hearing, the Bankruptcy Court finds and concludes that the Plan has been proposed with the legitimate and honest purpose of reorganizing the business affairs of each of the Debtors and maximizing the returns available to creditors of the Debtors. Consistent with the overriding purpose of chapter 11 of the Bankruptcy Code, the Plan is designed to allow the Debtors to reorganize by providing them with a capital structure that will allow them to satisfy their obligations with sufficient liquidity and capital resources and to fund necessary

capital expenditures and otherwise conduct their businesses. Moreover, the Plan itself and the arms' length negotiations among the Debtors, the Steering Committee, the Creditors' Committee, and the Debtors' other constituencies leading to the Plan's formulation, provide independent evidence of the Debtors' good faith in proposing the Plan.

4. Section 1129(a)(4) — Bankruptcy Court Approval of Certain Payments as Reasonable.

Section 12.1 of the Plan makes all payments on account of Professionals' Fee Claims for services rendered prior to the Effective Date subject specifically to the requirements of sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code, as applicable, by requiring Professionals to file final fee applications with the Court. The Bankruptcy Court will review the reasonableness of such applications under sections 328 and 330 of the Bankruptcy Code and any applicable case law. Section 11.1 of the Plan provides that the Bankruptcy Court will retain jurisdiction after the Effective Date to hear and determine all applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan. All fees and expenses of Professionals authorized to be paid periodically pursuant to the prior orders of the Bankruptcy Court shall remain subject to final review for reasonableness by the Bankruptcy Court.

5. Section 1129(a)(5) — Disclosure of Identity of Proposed Management, Compensation of Insiders and Consistency of Management Proposals with the Interests of Creditors and Public Policy.

Section 5.8 of the Plan provides for the manner of selection of the initial board of directors and officers of Reorganized WGI, as well as the manner for selecting the boards of directors for the other Reorganized Debtors (which are subsidiaries of Reorganized WGI). Because the majority of the initial board of directors of Reorganized WGI shall be designated by the Steering Committee and the Creditors' Committee, which represent the creditors that receive one hundred percent (100%) of the New Common Shares on the Effective Date, the appointment or continuance of the proposed directors and officers is consistent with the interests of holders of Claims and Interests and public policy.

6. Section 1129(a)(6) — Approval of Rate Changes.

The Debtors' current businesses do not involve the establishment of rates over which any regulatory commission has jurisdiction or will have jurisdiction after Confirmation.

7. Section 1129(a)(7) — Best Interests of Holders of Claims and Interests.

With respect to each impaired Class of Claims or Interests, each holder of a Claim or Interest in such impaired Class has accepted or is deemed to have accepted the Plan or, as demonstrated by the liquidation analysis included as Appendix B to the Disclosure Statement, will receive or retain under the Plan on

account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. The methodology used by the Debtors and their financial advisors in estimating the liquidation value of the Debtors, as set forth in Appendix B to the Disclosure Statement, is reasonable.

Distributions to holders of Claims in Class 6 and Class 7 are premised on a negotiated, agreed upon range of values for the Company as a going concern of between \$700 million to \$778 million based upon different values arrived at by the parties' independent expert witnesses. Based upon the evidence submitted at the Confirmation Hearing, including, but not limited to, the Declarations of Mr. Yearley and Mr. Williams, the Court finds that such values are fair, reasonable and appropriate and, consistent with the Court's opinion as to the range of value of the Company for purposes of the Plan, ^(w) ~~and are found to be the value of the Company for purposes of the Plan.~~ ^(w) Based upon such valuation, the Plan provides for each holder of a Claim in Class 6 to be paid in full and to receive or retain under the Plan, property of a value, as of the Effective Date, that is not less than the value of such holder's interest in the Estates' interest in the property that secures such claims. In any event, Class 6 waived any hypothetical deficiency and voted to accept its treatment pursuant to the Plan.

8. Section 1129(a)(8) — Acceptance of the Plan by Each Impaired Class.

Pursuant to sections 1124 and 1126 of the Bankruptcy Code: (a) as indicated in Article II of the Plan, Classes 1, 2, 3, 4 and 5 are Classes of Unimpaired Claims or Interests; (b) pursuant to the Plan's terms and the Disclosure Statement Order, Class 8 is deemed to have rejected the Plan; and (c) as indicated in the Voting Declaration and the Lender Voting Affidavit, Class 6 has accepted the Plan, and Class 7 has rejected it. Notwithstanding the lack of compliance with section 1129(a)(8) of the Bankruptcy Code with respect to Classes 7 and 8, the Plan is confirmable because, as described in Section I.B.14. below, the Plan satisfies the cramdown requirements of section 1129(b) of the Bankruptcy Code with respect to such Classes.

9. Section 1129(a)(9) — Treatment of Claims Entitled to Priority Pursuant to Section 507(a) of the Bankruptcy Code.

a. The Plan provides for treatment of Allowed Administrative Claims, Priority Tax Claims and Priority Claims in the manner required by section 1129(a)(9) of the Bankruptcy Code. The Plan provides that, with respect to Administrative Claims, subject to Sections 12.1-12.4 of the Plan, on, or as soon as reasonably practicable after, the latest of (i) the Distribution Date, (ii) the date an Administrative Claim becomes an Allowed Administrative Claim, or (iii) the date an Administrative Claim becomes payable pursuant to any agreement between a Debtor and

the holder of such Administrative Claim, each holder of an Allowed Administrative Claim shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim (x) Cash equal to the unpaid portion of such Allowed Administrative Claim or (y) such other treatment as to which the applicable Debtor, and such holder shall have agreed upon in writing; *provided, however,* that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Case shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

b. The Plan provides that, with respect to Priority Tax Claims, each holder of an Allowed Priority Tax Claim, at the sole option of the Debtors, unless otherwise provided for herein, shall be entitled to receive on account of such allowed Priority Tax Claim, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, (i) equal Cash payments made on the last Business Day of every three-month period following the Effective Date, over a period not exceeding six years after the assessment of the tax on which such Claim is based, totaling the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasuries on the Effective Date or (ii) such other treatment agreed to by the Allowed Priority Tax Claim holder and the Debtors.

c. These Findings of Fact and Conclusions of Law and the Confirmation Order further clarify the procedure for the liquidation of Priority Tax Claims and other claims asserted by taxing authorities.

10. Section 1129(a)(10) — Acceptance by at Least One Impaired Class.

As indicated in the Lender Voting Affidavit and as reflected in the record of the Confirmation Hearing, at least one Class of Claims or Interests that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider (*i.e.*, Class 6). After reviewing the Memorandum of Law and the evidence and arguments presented at the Confirmation Hearing, the Court finds that the Lenders have not taken over actual management of the Debtors, nor do they dictate the corporate policy of the Debtors. The negotiations between the Debtors, the Lenders and the Creditor's Committee with respect to the Plan were at arms' length, providing independent evidence that Class 6 is not comprised of insiders.

11. Section 1129(a)(11) — Feasibility of the Plan.

Although the Debtors' businesses are highly competitive, and although it is impossible to predict with certainty the precise future profitability of the Debtors' businesses or the industries and markets in which the Debtors operate, Confirmation is not likely to be followed by the liquidation of, or the need for further financial reorganization of the Debtors, the Reorganized Debtors or any successor to

the Reorganized Debtors under the Plan, as demonstrated by the Declaration of Mr. Mitchell and the description of the Debtors' financial projections contained in the Disclosure Statement and the additional testimony adduced at the Confirmation Hearing. Upon the Effective Date, subject to obtaining an Exit Facility acceptable to the Debtors, notice and approval as provided in paragraph D.4. of the Confirmation Order, the Reorganized Debtors will have sufficient cash flow and capital resources to pay their liabilities as they become due and to satisfy their capital needs for the conduct of their businesses.

12. Section 1129(a)(12) — Payment of Bankruptcy Fees.

Section 12.4 of the Plan provides that Administrative Claims for fees payable pursuant to 28 U.S.C. § 1930 will be paid in Cash on or before the Effective Date. After the Effective Date, the Reorganized Debtors shall pay all required fees pursuant to 28 U.S.C. § 1930 or any other statutory requirement and comply with all statutory reporting requirements.

13. Section 1129(a)(13) — Retiree Benefits.

Section 5.6(a) of the Plan provides that all employee compensation and benefit plans of the Debtors, including programs subject to sections 1114 and 1129(a)(13) of the Bankruptcy Code, entered into before or after the Petition Date and not since terminated are deemed to be, and will be treated as though they are, executory contracts that are assumed under Section 6.1 of the Plan, and all employee compensation and benefit Claims are Unimpaired.

On the Effective Date, certain members of management and designated employees of Reorganized WGI and the other Reorganized Debtors, as well as Mr. Washington, shall receive stock options pursuant to the Management Option Plan. The Management Option Plan shall provide for nonqualified stock option grants on the Effective Date for New Common Shares totaling 15% of the aggregate New Common Shares (subject to Dilution), on the terms and conditions set forth in the Management Option Plan. The options to be granted thereunder to Mr. Washington, based upon the evidence before this Court, do not violate section 1129(b)(2)(B)(ii) of the Bankruptcy Code, for the reasons stated and based upon the findings made by this Court on the record at the Confirmation Hearing on November 19 and 20, 2001, which are incorporated herein by reference. The Management Option Plan shall also provide for nonqualified stock option grants at the discretion of Reorganized WGI's Board of Directors in the future for New Common Shares totaling an additional 5% of the aggregate New Common Shares (subject to Dilution) in the discretion of Reorganized WGI's Board of Directors.

14. Section 1129(b) — Confirmation of the Plan Over the Nonacceptance of Impaired Classes.

Pursuant to section 1129(b)(1) of the Bankruptcy Code, the Plan may be confirmed notwithstanding that Claims in Class 7 are Impaired and voted against the Plan and that Interests in Class 8 are Impaired and are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code. Other than

the requirement in section 1129(a)(8) of the Bankruptcy Code that Classes 7 and 8 accept the Plan, all of the requirements of section 1129(a) of the Bankruptcy Code have been met. The Plan does not discriminate unfairly and is fair and equitable with respect to Classes 7 and 8. No holders of Interests junior to the Interests in Classes 7 or 8 will receive or retain any property under the Plan on account of such junior Claims or Interests, and as evidenced by the substantial evidence regarding the valuation of the Debtors contained in the Disclosure Statement, the Declaration of Mr. Yearley and the other evidence before this Court, no Class of Claims or Interests senior to Classes 7 and 8 is receiving more than full payment on account of the Claims and Interests in such Classes.

a. Reinstatement of Employee Claims is Appropriate.

The Debtors' employees are one of their most critical assets. Any plan of reorganization that did not provide for full reinstatement of Employee Claims would threaten to cause irreparable damage to the Debtors' employee relations, and such a plan could not be consummated. Valid business and economic reasons exist for treating the Employee Claims differently than other Unsecured Claims.

b. Reinstatement of Subsidiary Interests and Intercompany Claims is Appropriate.

Classes 4 and 5, consisting of Intercompany Claims and Subsidiary Interests, respectively, are Classes created to reflect that the Debtors are maintaining their corporate legal structure after the Effective Date. With respect to the

Intercompany Claims in Class 4, no actual distributions are being made under the Plan. The Debtors' maintenance of normal intercompany activities, Company systems and modes of operations going forward is in the Estates' best interests and neither harms nor prejudices any third-party creditor. Retention of Subsidiary Interests is necessary and appropriate to allow the Debtors to maintain their Corporate Structure. Similarly, no actual distribution is being made on account of Subsidiary Interests, and the reinstatement of such interests is a technical provision that neither harms nor prejudices any creditor and is authorized by the law authorizing substantive consolidation for plan purposes.

c. The Prior Payment of the Critical Vendors Pursuant to the Court's Orders Does Not Constitute Unfair Discrimination.

The Critical Vendors that have been paid subject to prior orders of this Court do not possess Claims against the Debtors' estates, as defined in section 101(5) of the Bankruptcy Code. The payment of Critical Vendor Claims has been the subject of extensive litigation by this Court and has previously been litigated and approved by this Court as proper and appropriate under the circumstances.

d. Valuation.

No Class senior to Class 7 will receive or retain property of a value, as of the Consummation Date, that exceeds 100% of the value of such Class' Claims. The valuation by the Lenders and the Debtors' professionals, and the other valuation evidence submitted at the Confirmation Hearing, was formulated using commonly

accepted methodologies and contained sufficient detail for the Court to review and critique their respective conclusions. Mr. Yearley's opinions are based on sound, objective criteria, allowing other experts to test the assumptions upon which they are based and, thus, the opinions themselves. In sum, based on all the evidence submitted by all parties, the Court finds that the enterprise value for the Company within a range of \$700 million and \$778 million, and that such value is fair, reasonable, appropriate and consistent with the Court's opinion as to the range of value.

e. Raytheon Settlement

Pursuant to the Raytheon Settlement, the Raytheon Asserted Claims will not receive a distribution under Class 7, and Raytheon will not contest or claim any allocation of distributions under Class 6, pursuant to the Raytheon Settlement, all as part of the consideration for the negotiated settlement and treatment of the Raytheon Asserted Claims and possible distributions thereof, or other benefits or relief, under Classes 6 and 7, and settlement of the Raytheon Claims asserted by the Debtors against Raytheon, including, without limitation, the dismissal, with prejudice, of the Raytheon Actions.

15. Bankruptcy Rule 3016(a).

The Plan and the Modifications are dated and identify the entities submitting the Plan and the Modifications.

16. Section 1129(d) — Purpose of Plan.

The primary purpose of the Plan is not avoidance of taxes or avoidance of the requirements of Section 5 of the Securities Act, and there has been no objection filed by any governmental unit asserting such avoidance.

C. SETTLEMENTS, RELEASES AND INDEMNIFICATION.

1. The Settlement of Issues among the Steering Committee and the Creditors' Committee.

Pursuant to Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided under the Plan, the Plan constitutes a good faith compromise and settlement of all disputes among the Debtors, the Lenders and the Creditors' Committee, (including disputes regarding the value of the Company and the validity priority and extent of the Lenders' asserted liens on and security interests in assets of the Company). The proposed recoveries to Class 6 and Class 7 under the Plan reflect a fair and reasonable allocation of the enterprise value of the Company in light of the legal and factual issues raised by the parties and the uncertainty inherent in any litigation of such issues. The support of the Plan by the Steering Committee and the Creditors' Committee provides independent evidence of the reasonableness and appropriateness of this settlement. On the Effective Date, Adversary Proceeding No. 01-3080 shall be automatically dismissed, with prejudice.

2. Raytheon Settlement.

Pursuant to Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan

embodying the court-approved settlement of the Raytheon Asserted Claims, the Raytheon Claims and other claims and disputes between the Debtors and Raytheon, the dismissal, with prejudice, on the Effective Date, of all pending litigation between any of the Debtors and Raytheon or its affiliates, and the providing to, and retention of, certain rights with respect to Raytheon (collectively, together with the Term Sheet appended as Schedule 5.19 to the Third Modification and the final documentation to be entered into and finally approved as set forth below as a condition to the Effective Date that reflects the final terms and conditions of such settlement, the "Raytheon Settlement"), constitutes a good faith compromise and settlement of such disputes. In light of the costs of ongoing litigation between the Debtors and Raytheon, the inherent uncertainty of the results of such litigation, and the support of the Raytheon Settlement by the Steering Committee and the Creditors' Committee, the Debtors have exercised proper business judgment in entering into the Raytheon Settlement, which is fair, reasonable and appropriate and an integral part of the Plan. It shall be a condition to the Effective Date that the Debtors and Raytheon agree upon, and enter into final documentation of the Raytheon Settlement, which shall include the providing to, and retention by Raytheon of certain rights, interests and claims and the Assigned Claims (as that term is defined in the Raytheon Settlement). Prior to the Effective Date, the Debtors and Raytheon shall file a notice with the Court appending such final documentation and shall provide notice to the full service list and the opportunity to object as set forth in the objection procedure contained in paragraph

D.10. of the Confirmation Order. The Court's final approval of the Raytheon Settlement shall be a condition to the Effective Date, and the final documentation of the Raytheon Settlement shall be, upon the Effective Date, deemed to be part of, and embodied in, the Plan, these Findings of Fact and Conclusions of Law and the Confirmation Order as if fully recited therein, including without limitation, the provisions therein providing for releases by, among others, the Debtors' estates and by Raytheon. When executed, the final documentation of the Raytheon Settlement shall automatically become a Plan Exhibit and shall supersede and replace Schedule 5.19 to the Third Modification. This Court hereby retains jurisdiction to resolve any disputes with respect to (a) preparation and finalization of such final documentation of the terms of the Raytheon Settlement or (b) except as may otherwise be agreed by WGI, Raytheon and the Creditors' Committee in the final documentation, any other matter that arises under, relating to or otherwise in connection with the Raytheon Settlement until a final decree is entered closing the Chapter 11 Cases.

3. Fairness and Necessity of Releases and Indemnification.

a. Releases.

The Releases set forth in Section 5.13 of the Plan and in the Raytheon Settlement are (i) integral to the settlements that form the bases of the Plan and (ii) necessary for the successful reorganization of the Debtors. Such releases are releases of claims against the listed released parties held by either (a) the Debtors (Plan section 5.13(a) the Raytheon Settlement or (b) Lenders, to the fullest extent allowed

by applicable law (Plan Section 5.13(b)). Notwithstanding anything herein to the contrary, while the releases set forth in Section 5.13(a) of the Plan and the Raytheon Settlement are intended to release, and do release, claims that have been or could have been asserted by the Debtors or the Reorganized Debtors, including, without limitation, claims that are property of the Estates, the releases are not intended to release, and do not release any non-derivative claims held by a third party against a non-Debtor, as determined under applicable law.

The releases by the Debtors of estate claims in Section 5.13(a) of the Plan and in the Raytheon Settlement, are fair, reasonable and appropriate under the circumstances. The Debtors' ability to attract, retain and motivate officers, directors and necessary outside professionals from time to time, their ability to maintain strong relations with the commercial lender community, and thus the Debtors' prospects for a successful reorganization, would be materially diminished by the threat of potential litigation by the Estates or the Reorganized Debtors against the parties released in Section 5.13(a) of the Plan. The support of such release provisions by the Steering Committee and the Creditors' Committee provides independent evidence of the propriety of such releases.

b. Indemnification.

The indemnification provisions under the Plan are the product of an arms' length negotiation. The Plan provides that Indemnification Obligations owed to any present or former professionals or advisors of the Debtors arising out of acts

that occurred prior to the Petition Date, including, without limitation, accountants, auditors, financial consultants, underwriters or attorneys, and any Indemnification Obligations owed to Raytheon (subject to the provisions of Section 5.19 of the Plan and the Raytheon Settlement) or any of its directors, officers, agents or professionals, shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to Section 365 of the Bankruptcy Code under the Plan and any claims arising from such obligations shall be classified in Class 7, subject to the right of the Creditors' Committee or the Plan Committee to seek disallowance of such claims for cause shown.

The Plan provides that Reorganized WGI shall provide standard and customary indemnification for all officers and directors (as of the Effective Date and thereafter) for all actions or events occurring after the Effective Date. Indemnification Obligations to present and former officers and directors for actions or events occurring prior to the Petition Date shall be limited to the director and officer liability insurance coverage. In addition, the Plan provides that Reorganized WGI shall indemnify officers and directors for all legal fees and expenses and shall advance all such fees and expenses, as well as any insurance deductibles (if applicable), related to any claims or lawsuits for any actions or events occurring either pre or post-Petition Date. Reorganized WGI shall also be permitted to acquire additional director and officer insurance coverage to augment existing coverage, if practicable.

The indemnification provisions contained in the Plan are fair, reasonable and appropriate, particularly in light of the support thereof by the Steering Committee and the Creditors' Committee.

4. Exculpation.

To the extent permitted by applicable Ninth Circuit law, the Plan provides that none of the Debtors, the agent under the DIP Facility, the Lenders, the Reorganized Debtors, the Creditors' Committee, the Plan Committee and each individual member in such capacity, the DIP Lenders, Raytheon, nor any of their respective present or former members, officers, directors, employees, advisors, or attorneys shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, formulating, negotiating or implementing the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the settlement of Claims or distributions of property to be distributed under the Plan, except for their willful misconduct, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

To the extent permitted by applicable Ninth Circuit law, the Plan provides that, notwithstanding any other provision of these Findings of Fact and Conclusions of Law, the Confirmation Order or the Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against any Debtor or Reorganized Debtor, the Creditors' Committee, the Plan Committee, the Lenders, the DIP Lenders, or Raytheon nor any of their respective present or former members, officers, directors, employees, advisors or attorneys, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, formulating, negotiating or implementing the Plan, solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, the confirmation of the Plan, or the administration of the Plan or the settlement of Claims or distributions of property to be distributed under the Plan, except for their willful misconduct. The foregoing exculpation and limitation on liability shall not, however, limit, abridge, or otherwise affect the rights, if any, of the Reorganized Debtors to enforce, sue on, settle, or compromise the Litigation Claims retained pursuant to Sections 5.9 and 5.10 of the Plan.

The exculpation provisions contained in the Plan, as modified herein, are fair, reasonable and appropriate, particularly in light of the support thereof by the Steering Committee and the Creditors' Committee.

D. SATISFACTION OF CONDITIONS TO CONFIRMATION.

Each of the conditions precedent to the entry of these Findings of Fact and Conclusions of Law and the Confirmation Order, as set forth in Section 10.1 of the Plan, has been satisfied.

E. SUBSTANTIVE CONSOLIDATION.

The substantive consolidation of the Debtors' Estates for the purpose of implementing the Plan, as described in Article V of the Plan, will promote a more equitable distribution of the Debtors' assets and is appropriate under section 105 of the Bankruptcy Code. Among the factors supporting the substantive consolidation of the Debtors' Estates, as demonstrated by the Brimhall Declaration are the following:

(i) the Debtors consist of WGI and 71 of its subsidiary affiliates; (ii) many of the Debtors operate their businesses through operating divisions without regard to separate legal entities; (iii) WGI, the direct or indirect parent of the Debtors, operates and/or controls the businesses of all the Debtors; (iv) the Debtors share many of the same officers and directors and are subject to common management; (v) the Debtors do not maintain separate bank accounts and virtually all of the Debtors' funds are commingled in WGI's bank accounts; (vi) although book entries are made on intercompany accounts to record each of the transactions through the consolidated cash management system, the intercompany balances typically are not closed out; (vii) the number of intercompany transactions, the number of subsidiaries in question and the fact that the intercompany balances typically are not closed out would make

it extremely difficult and time-consuming to identify, calculate and reconcile intercompany balances on a fair market basis, if possible at all; (viii) the Debtor subsidiaries generally rely on financing provided by WGI to meet their ordinary course business obligations; (ix) the Company also does not track its primary source of revenue, contracts related to the construction projects on which they are working, on a legal entity basis, but records them on a business unit and project level basis; and (x) Project Owners rely on the construction expertise of "Washington Group" as a whole.

II. CONCLUSIONS OF LAW.

A. JURISDICTION AND VENUE.

The Bankruptcy Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The Debtors were and are qualified to be debtors under section 109 of the Bankruptcy Code. Venue of the Reorganization Cases in the United States Bankruptcy Court for the District of Nevada was proper as of the Petition Date, pursuant to 28 U.S.C. § 1408, and continues to be proper.

B. MODIFICATIONS OF THE PLAN.

As set forth in the Second Supplemental Disclosure Order, pursuant to sections 1125, 1127 and 105 of the Bankruptcy Code and Fed. R. Bankr. 3019, holders of Claims in Class 7 were not required to be re-solicited with respect to the Third Modification, and notice to Class 7 with respect to the Third Modification was

adequate and sufficient. Holders of Class 6 Claims were re-solicited pursuant to the Second Supplemental Disclosure Order, and notice and service with respect to such Class, and the disclosure made thereto, was adequate, sufficient and proper in all respects, pursuant to sections 1125, 1127 and 105 of the Bankruptcy Code and Fed. R. Bankr. 3019.

C. EXEMPTIONS FROM SECURITIES LAWS.

1. Pursuant to section 1125(d) of the Bankruptcy Code, the Debtors' transmittal of Plan solicitation packages, their solicitation of acceptances of the Plan and their issuance and distribution of the New Securities and any other securities pursuant to the Plan are not and will not be governed by or subject to any otherwise applicable law, rule or regulation governing the solicitation or acceptance of a plan of reorganization or the offer, issuance, sale or purchase of securities. Accordingly, the Debtors, the Reorganized Debtors and their respective directors, officers, employees, agents and professionals (acting in such capacity) are entitled to the protection of section 1125(e) of the Bankruptcy Code.

2. Pursuant to section 1145(a)(1) of the Bankruptcy Code, the offering, issuance and distribution of the New Securities and any other securities issuable pursuant to the Plan (except as otherwise described in the Disclosure Statement) shall be exempt from Section 5 of the Securities Act and any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities. In addition, pursuant to section 1145(a)(2) of the Bankruptcy Code, the

offering, issuance and distribution of New Securities shall be exempted from Section 5 of the Securities Act or any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities.

3. Pursuant to and to the fullest extent permitted by section 1145 of the Bankruptcy Code, the resale of the New Securities and any other securities issuable pursuant to the Plan (except as otherwise described in the Disclosure Statement) shall be exempt from section 5 of the Securities Act and any state or local law requiring registration prior to the offering, issuance, distribution or sale of securities.

D. EXEMPTIONS FROM TAXATION.

Pursuant to section 1146(c) of the Bankruptcy Code, the following shall not be subject to any document recording tax, stamp tax or stamp act, conveyance fee, filing or transfer fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment (collectively, "Transfer Taxes and Charges") including, but not limited to: (1) the issuance, distribution, transfer or exchange of the New Securities, and any other securities issuable pursuant to the Plan; (2) the creation, modification, assignment, consolidation, filing or recording of any mortgage, deed of trust, lien, security agreement, financing statement, release or similar instrument; (3) the securing of additional indebtedness by such means or by other means or the additional securing of existing indebtedness by such means or by other means; (4) the creation, modifi-

cation, assignment, delivery, filing or recording of any lease or sublease; or (5) the creation, modification, assignment, delivery, filing or recording of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including the Exit Facility, and any other agreements or certificates of merger, consolidation, dissolution or liquidation, deeds, bills of sale, assignments or other instruments of transfer executed in connection with the Plan, these Findings of Fact and Conclusions of Law, this Confirmation Order or any transactions arising out of, contemplated by or in any way related to the foregoing, whether occurring on or after the Effective Date. The appropriate state or local governmental officials or agents are hereby directed to forego the collection of any Transfer Taxes and Charges and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such Transfer Taxes and Charges.

E. COMPLIANCE WITH SECTION 1129 OF THE BANKRUPTCY CODE.

As set forth in Section I.B. above, the Plan complies in all respects with the applicable requirements of section 1129(a) of the Bankruptcy Code, except section 1129(a)(8). Notwithstanding the fact that section 1129(a)(8) has not been satisfied with respect to Class 7 and Class 8, the Plan satisfies the requirements of section 1129(b) with respect to such classes.

1. Reinstatement of Employee Claims Is Appropriate.

In accordance with the findings of fact in Section I.B.14.a. above, and without limiting the generality of that Section, the separate classification and treatment with respect to Employee Claims is approved as appropriate given the relative amount of such Claims and the harm the Debtors may face absent such treatment.

2. Reinstatement of Subsidiary Interests and Intercompany Claims Is Appropriate.

In accordance with the findings of fact in Section I.B.14.b. above, and without limiting the generality of that Section, for the purposes of the Plan, which is premised upon substantive consolidation, the reinstatement of the Subsidiary Interests and Intercompany Claims is hereby approved as valid and appropriate and consistent with substantive consolidation.

F. APPROVAL OF THE SETTLEMENTS AND RELEASES PROVIDED UNDER THE PLAN AND CERTAIN OTHER MATTERS.

Pursuant to section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019(a), the settlements, compromises, releases, waivers, discharges and injunctions set forth in the Plan (including Sections 5.13, 12.8(a), 12.10, and 12.11 of the Plan, the Raytheon Settlement and the agreement with Ground Improvement Techniques, Inc.), are approved as integral parts of the Plan and are fair, equitable, reasonable and in the best interests of the Debtors, the Reorganized Debtors and their respective Estates and the holders of Claims and Interests.

In accordance with the findings of fact in Section I.C. above, and without limiting the generality of that Section, the waivers and releases of certain rights of action or claims by the Debtors, the Reorganized Debtors, and the holders of certain Claims pursuant to Section 5.13 of the Plan and Section III.H below, and the settlements or compromises of claims or controversies set forth in of the Plan, including, but not limited to, the settlement of disputed lien and valuation issues, and the Raytheon Settlement, are in the best interests of the Debtors, the Reorganized Debtors and their respective Estates and Claim and Interest holders and are approved as fair, equitable and reasonable, pursuant to, among others, section 1123(b)(3) of the Bankruptcy Code and Bankruptcy Rule 9019(a).

In approving the settlements, compromises, releases, waivers, discharges and injunctions of and from such potential claims, as described above, the Bankruptcy Court has considered: (a) the probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, the expense, inconvenience and delay necessarily attending such litigation, and the distribution of property under the Plan; (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises. See In re A&C Prop., 784 F.2d 1377, 1381 (9th Cir. 1986) (quoting In re Flight Transp. Corp. Sec. Litig., 730 F.2d 1128, 1135 (8th Cir. 1984) (setting forth similar factors to be considered in evaluating the reasonableness of a settle-

ment); accord Protective Comm. Stockholders of TMT Trailer Ferry Inc. v. Anderson, 390 U.S. 414, 424 (1968).

All settlements, compromises, releases, waivers, discharges and injunctions of Claims and causes of action set forth or referred to in the Plan (including the releases to be contained in the final documentation of the Raytheon Settlement), which are approved herein as an integral part of the Plan and as fair, equitable, reasonable and in the best interests of the Debtors, the Reorganized Debtors and their respective Estates and the holders of Claims and Interests, are effective and binding in accordance with their terms, as of the Effective Date.

Except with respect to the signatories to such settlements and their subsidiaries and affiliates and without prejudice to the releases being granted or received, nothing in the settlements contained in the Plan and approved in these Findings of Fact and Conclusions of Law or Confirmation Order shall be deemed to be a waiver or release of claims, rights or defenses (whether now existing or arising in the future) between any party thereto (or its subsidiaries or affiliates) and any third party (and their subsidiaries and affiliates). All such third parties that are not signatories thereto (or subsidiaries and affiliates of those signatories) reserve their respective rights, remedies, claims and defenses, if any, with respect to all parties other than the Debtors, as do all other parties (including the signatories and their subsidiaries and affiliates) with respect to such third parties. Any and all such claims or defenses remain subject to proof.

G. AGREEMENTS AND OTHER DOCUMENTS.

The Debtors have disclosed all material facts regarding: (1) the adoption of new or amended and restated certificates of incorporation and by-laws or similar constituent documents for the Reorganized Debtors; (2) the initial selection of directors and officers of the Reorganized Debtors; (3) the status of the Exit Facility; (4) the distribution of Cash pursuant to the Plan; (5) the issuance and distribution of the New Common Shares, the Class 7 Stock Warrants, the Effective Date Management Options, and the Washington Stock Options pursuant to the Plan; (6) the entry into the Raytheon Settlement; (7) the adoption, execution, delivery and implementation of all contracts, leases, instruments, releases and other agreements or documents related to any of the foregoing, (8) the adoption, execution and implementation of employment, retirement and indemnification agreements, incentive compensation programs, retirement income plans, welfare benefit plans and other employee plans and related agreements, including the Management Option Plan and the Washington Stock Options; and (9) the other matters provided for under the Plan involving the corporate structure of any Debtor or Reorganized Debtor or corporate action to be taken by or required of any Debtor or Reorganized Debtor.

H. ASSUMPTIONS, ASSUMPTIONS AND ASSIGNMENTS AND REJECTIONS OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

Each pre- or post-Confirmation assumption, assumption and assignment or rejection of an executory contract or unexpired lease pursuant to Article VI of the Plan, including any pre- or post-Confirmation assumption, assumption and assignment or rejection effectuated as a result of any amendment to Schedule 6.3 to the Plan, as contemplated by Section 6.3 of the Plan, shall be legal, valid and binding upon the applicable Debtor or Reorganized Debtor and all nondebtor parties to such executory contract or unexpired lease, all to the same extent as if such assumption, assumption and assignment or rejection had been effectuated pursuant to an appropriate authorizing order of the Bankruptcy Court entered before the Confirmation Date under section 365 of the Bankruptcy Code, provided, however, that if Raytheon is the nondebtor party to such contract or lease, no such assumption, assumption and assignment, or rejection of any contract or lease after the date hereof, or any amendment or modification there of, shall be effective if inconsistent with the Raytheon Settlement.

I. SUBSTANTIVE CONSOLIDATION.

In light of the factors identified in Section I.E. above, the substantive consolidation of the Debtors is in the best interests of the Debtors' creditors and is appropriate under section 105 of the Bankruptcy Code.

Dated: ^{December 21} ~~November~~ __, 2001
Reno, Nevada



UNITED STATES BANKRUPTCY JUDGE

