

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

IN RE:

Specialty Products Holding Corp., *et al.*,  
  
Debtors.

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Bondex International, Inc.  
Specialty Products Holding Corp.

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: Jointly Administered  
: Case No. 10-11780 (PJW)

: Chapter 11

:  
: Case No. 10-11779 (PJW)  
: Case No. 10-11780 (PJW)

:  
: DISCLOSURE STATEMENT PURSUANT TO  
: SECTION 1125 OF THE BANKRUPTCY  
: CODE FOR THE FIRST AMENDED  
: JOINT PLAN OF REORGANIZATION  
: OF SPECIALTY PRODUCTS HOLDING  
: CORP. AND BONDEX INTERNATIONAL,  
: INC.

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November 18, 2013

**DISCLOSURE STATEMENT DATED NOVEMBER 18, 2013**

**SOLICITATION OF VOTES WITH RESPECT TO THE  
FIRST AMENDED JOINT PLAN OF REORGANIZATION OF  
SPECIALTY PRODUCTS HOLDING CORP. AND BONDEX INTERNATIONAL, INC.**

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**THE BOARDS OF DIRECTORS OF SPECIALTY PRODUCTS HOLDING CORP. AND BONDEX INTERNATIONAL, INC. (TOGETHER, THE "DEBTORS") BELIEVE THAT THE FIRST AMENDED JOINT PLAN OF REORGANIZATION OF SPECIALTY PRODUCTS HOLDING CORP. AND BONDEX INTERNATIONAL, INC., DATED NOVEMBER 18, 2013 AND ATTACHED HERETO AS EXHIBIT I (THE "PLAN"), IS IN THE BEST INTERESTS OF CREDITORS AND OTHER STAKEHOLDERS. ALL CREDITORS ENTITLED TO VOTE ON THE PLAN ARE URGED TO VOTE IN FAVOR OF THEREOF. A SUMMARY OF THE VOTING INSTRUCTIONS IS SET FORTH BEGINNING ON PAGE 8 OF THIS DISCLOSURE STATEMENT. MORE DETAILED INSTRUCTIONS ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO THE 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 [ ], 2014 (THE "VOTING DEADLINE"), UNLESS EXTENDED.**

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**THE CONFIRMATION AND EFFECTIVENESS OF THE PROPOSED PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. SEE SECTION II. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.**

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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 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. 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.

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The summaries of the Plan and 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 before approval of the Disclosure Statement. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control. Except as otherwise indicated, the Debtors will file all exhibits to the Plan with the Bankruptcy Court and make them available for review on the web site of Logan & Company, Inc. ("Logan") at <http://www.loganandco.com>, no later than 10 days before the Voting Deadline. The Debtors also will serve the exhibits to the Plan on the parties on the general service list being maintained in the Reorganization Cases on or before 10 days before the Voting Deadline.

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The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the historical and projected 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.

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**FORWARD-LOOKING STATEMENTS**

This Disclosure Statement contains forward-looking statements based primarily on the current expectations 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," "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 Article V. 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 update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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**This Disclosure Statement has not been approved or disapproved by the Securities and Exchange Commission (the "SEC"), any state securities commission or any securities exchange or association nor has the SEC, any state securities commission or any securities exchange or association passed upon the accuracy or adequacy of the statements contained herein.**

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

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EXHIBIT V	List of Asbestos-Containing Products Sold by Either Specialty Products Holding Corp or Bondex International, Inc.

## I. PRELIMINARY STATEMENT

Through this Disclosure Statement, the Debtors are seeking approval of a plan of reorganization (defined herein as the "Plan") for both SPHC and Bondex. The purpose of the Plan, a copy of which is attached hereto as Exhibit I, is to fairly and efficiently compensate legitimate asbestos claimants of the Debtors to the full extent of their legal rights in the Debtors' chapter 11 cases, as determined by an appropriate court, and to provide the same level of compensation to other similarly situated creditors. Pursuant to the Plan, the Debtors will create a trust to pay present and future asbestos claims. The trust will be funded by secured notes, issued by the Debtors and their ultimate parent, RPM International Inc. ("International"), and the amounts and terms of the notes will, with one exception, be determined by the final outcome or settlement of the litigation that will determine the asbestos claimants' rights in the chapter 11 cases. The one exception is that the notes will provide for an aggregate initial nonrefundable payment of \$125 million to the asbestos trust irrespective of the outcome of any litigation. In short, the Debtors and International have committed to pay to asbestos claimants the maximum amount to which they are entitled based on the applicable judgments or rulings in the litigation that will determine the extent of the claimants' rights in the chapter 11 cases, and to make comparable payments to other similarly situated creditors.

Since the inception of the Reorganization Cases, the extent of the Debtors' liability for asbestos claims has been the subject of significant dispute. Representatives of the current and future asbestos claimants have contended that the combined liability of both Debtors exceeds \$1 billion and is as much as approximately \$1.3 billion; the Debtors believe their collective liability approximates \$125 million. The Bankruptcy Court convened a hearing on an estimation of the asbestos claims against both Debtors and determined that an appropriate estimate of their collective liability was \$1.166 billion. The Debtors and International believe that the court's ruling is in error and have appealed that ruling. The appeals of the Debtors and International remain pending at the current time.

The representatives of the asbestos claimants have also contended that the Debtors' estates hold substantial claims against International and other parties. In that regard, the representatives have asserted that the SPHC estate has claims against International and other parties that may amount to \$1.2 billion. The Debtors believe the alleged SPHC estate claims are weak, and International contends that the claims are meritless and has stated that it will vigorously contest them. The Bankruptcy Court recently granted the representatives of the asbestos claimants authority to commence the litigation and it is anticipated that the representatives will shortly file a complaint initiating a lawsuit against International and other parties.

The asbestos trust to be created under the Plan will contain two accounts for the payment of asbestos claims: one for asbestos claimants of SPHC and the other for asbestos claimants of Bondex. These accounts will be funded as follows for the benefit of asbestos claimants of each of SPHC and Bondex:

- The SPHC trust account will be funded by a note issued by SPHC and International as co-obligors and secured by a pledge of 51% of the equity of Reorganized SPHC. The SPHC note will provide for an initial payment of \$115 million plus additional payments, the present value of which will be an amount equal to the lesser of (a) the final net present value estimate (after the conclusion of all appeals or a settlement) of the SPHC asbestos claims less \$115 million and (b) the sum of (1) the aggregate value of the assets of SPHC excluding the SPHC estate claims and (2) any recovery with respect to the SPHC estate claims (after the conclusion of the litigation, including appeals, or a settlement), less \$115 million.
- The Bondex Trust Account will be funded by a note issued by Bondex and International as co-obligors, and secured by the pledge of 51% of the equity of Reorganized Bondex. The Bondex note will provide for an initial payment of \$10 million plus additional payments, the present value of which will be equal to the lesser of (a) the final net present value estimate of the Bondex asbestos claims (after the conclusion of all appeals or a settlement) less \$10 million and (b) any recovery with respect to the Bondex estate claims (after conclusion of the litigation, including appeals, or a settlement), less \$10 million.

In addition to the notes, (a) the Debtors and International will provide the asbestos trust with \$2.5 million for the prosecution of the SPHC and Bondex estate claims, and (b) SPHC and International will pay the reasonable

fees and expenses of professionals retained by the trust in connection with the litigation of the estimation appeal and any litigation of the valuation of SPHC's assets.

All asbestos claims will be determined and paid by the asbestos trust. In that regard, the Plan includes trust distribution procedures that provide a process designed to ensure that legitimate claimants receive compensation, utilizing mediation and, if necessary, arbitration or litigation, to liquidate the amounts of the claims. The trust distribution procedures are attached as an exhibit to the Plan and are summarized later in this Disclosure Statement. The trust agreement that will govern the operation of the trust is also attached to the Plan and summarized later in this Disclosure Statement.

**Pursuant to the Plan and section 524(g) of the Bankruptcy Code, the sole recourse of asbestos claimants will be to the asbestos trust. The asbestos claimants of SPHC and Bondex will no longer have any right to assert claims against the Debtors, International or other parties identified in the Plan.**

The specific treatments of other classes of creditors of SPHC and Bondex are set forth in the Plan and summarized later in this Disclosure Statement.

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The Debtors' Boards of Directors believe that the Plan is in the best interests of the Debtors' creditors and other stakeholders. The Plan offers recoveries for asbestos claimants in the maximum amount of the claimants' legal rights in the chapter 11 cases, as determined by an appropriate court or by settlement. It also provides for an initial aggregate payment of \$125 million to asbestos claimants of SPHC and Bondex that is non-refundable and required to be made irrespective of the outcome or settlement of any litigation. Further, the Plan treats other creditors equitably by providing compensation for them that is equivalent to the compensation to be received by asbestos claimants.

All creditors entitled to vote on the plan are urged to vote in favor of the Plan by no later than 5:00 p.m., Eastern time, on the Voting Deadline. See Section II.C below for voting instructions.

## **II. OVERVIEW OF THE PLAN**

### **A. Introduction**

The following is a brief overview of certain material provisions of the Plan. This overview is qualified by reference to the provisions of the Plan, which is attached hereto as Exhibit I, and the exhibits thereto, as amended from time to time. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control. The Debtors will file all exhibits to the Plan with the Bankruptcy Court and make them available for review on Logan's web site at <http://www.loganandco.com>, no later than 10 days before the Voting Deadline. The Debtors also will serve the exhibits to the Plan on the parties on the general service list being maintained in the Reorganization Cases no later than 10 days before the Voting Deadline.

By an order of the Bankruptcy Court dated [\_\_\_], 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 requirements for Confirmation, including the vote of creditors entitled to vote on the Plan and certain of the statutory findings that must be made by the Bankruptcy Court, are set forth in Section II.C. Confirmation of the Plan and the occurrence of the Effective Date are subject to a number of significant conditions, which are summarized in Section II.C. There is no assurance that these conditions will be satisfied or waived.

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 of a plan of reorganization are that the plan: (i) is accepted by the requisite holders of claims and interests in impaired classes of such debtor; (ii) is in the "best interests" of each holder of a claim or interest in each impaired class under the plan for such debtor; (iii) is feasible; and (iv) complies with the applicable provisions of the Bankruptcy Code. In addition, to obtain the Asbestos Permanent Channeling Injunction pursuant to section 524(g) of the Bankruptcy Code, the Plan must satisfy the requirements of that section of the Bankruptcy Code. See Section II.C for a discussion of the Bankruptcy Code requirements for Plan Confirmation.

**B. 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 the amount and nature of distributions to holders of Claims or Interests in each Class 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 Sections VII.A and B.

**SUMMARY OF CLASSIFICATION AND TREATMENT UNDER THE PLAN**

<b>CLASS</b>	<b>TREATMENT</b>	<b>STATUS/ ENTITLED TO VOTE?</b>	<b>ESTIMATED AGGREGATE AMOUNT OF CLAIMS</b>	<b>ESTIMATED PERCENTAGE RECOVERY</b>
Class 1  Priority Claims	On the Effective Date, each holder of an Allowed Claim in Class 1 shall receive cash in an amount equal to such Allowed Claim plus post-petition interest on such Allowed Claim at a rate to be determined by the Bankruptcy Court.	<b>Unimpaired</b>  Deemed to Accept the Plan  Not Entitled to Vote	None	100%
Class 2  Secured Claims	<p>On the Effective Date, unless otherwise agreed by the holder of a Claim and the applicable Debtor or Reorganized Debtor, each holder of a Claim in Class 2 shall receive treatment in accordance with Option A or B below, at the option of the applicable Debtor or Reorganized Debtor. Any Allowed Deficiency Claim of a holder of an Allowed Secured Claim shall be entitled to treatment as an Allowed Class 3 Claim.</p> <p>Option A: Claims in Class 2 that are Allowed Claims and with respect to which the applicable Debtor or Reorganized Debtor elects Option A shall be paid in full in cash plus post-petition interest on such Allowed Claim at a rate to be determined by the Bankruptcy Court by such Reorganized Debtor, unless the holder of such Claim agrees to less favorable treatment.</p> <p>Option B: Claims in Class 2 that are Timely Claims and with respect to which the applicable Debtor or Reorganized Debtor elects Option B shall be Reinstated.</p>	<b>Unimpaired</b>  Deemed to Accept the Plan  Not Entitled to Vote	None	100%

CLASS	TREATMENT	STATUS/ ENTITLED TO VOTE?	ESTIMATED AGGREGATE AMOUNT OF CLAIMS	ESTIMATED PERCENTAGE RECOVERY
Class 3a  SPHC General Unsecured Claims	Each holder of an Allowed Claim in Class 3a shall receive (a) on the Effective Date, cash in an amount equal to 50% of such Allowed Claim and (b) promptly after such time as the SPHC Asbestos Claims Recovery Percentage is available, additional cash in an amount equal to (i) the product of (A) such Allowed Claim and (B) the SPHC Asbestos Claims Recovery Percentage, less (ii) the amount paid in respect of such Allowed Claim under clause (a), unless the holder of such Claim agrees to less favorable treatment.	<b>Impaired</b>  Entitled to Vote	\$2.5 million	Same recovery percentage as SPHC Asbestos Personal Injury Claims.
Class 3b  Bondex General Unsecured Claims	Each holder of an Allowed Claim in Class 3b shall receive (a) on the Effective Date, cash in an amount equal to 5% of such Allowed Claim and (b) promptly after such time as the Bondex Asbestos Claims Recovery Percentage is available, additional cash in an amount equal to (i) the product of (A) such Allowed Claim and (B) the Bondex Asbestos Claims Recovery Percentage, less (ii) the amount paid in respect of such Allowed Claim under clause (a), unless the holder of such Claim agrees to less favorable treatment.	<b>Impaired</b>  Entitled to Vote	\$2.5 million	Same recovery percentage as Bondex Asbestos Personal Injury Claims.
Class 4a  SPHC Asbestos Personal Injury Claims	On the Effective Date, all SPHC Asbestos Personal Injury Claims shall be channeled to the Asbestos Personal Injury Trust, which shall be funded pursuant to Section IV.I.2 of the Plan. All SPHC Asbestos Personal Injury Claims shall be determined and paid pursuant to the terms of the Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Trust Distribution Procedures from the SPHC Trust Account. Pursuant to section 524(g) of the Bankruptcy Code, the Plan and the Confirmation Order shall permanently and forever stay, restrain and enjoin any Entity from taking any actions against any Protected Party for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on or with respect to any SPHC Asbestos Personal Injury Claim.	<b>Impaired (but subject to the rights of SPHC to argue that the Claims are Unimpaired)</b>  Entitled to Vote	N/A	As determined by (a) the Asbestos Personal Injury Trust Distribution Procedures (see Exhibit I.A.13 to the Plan and Section II.D.7 hereto) and the extent of funding pursuant to Section IV.I.2 of the Plan.

CLASS	TREATMENT	STATUS/ ENTITLED TO VOTE?	ESTIMATED AGGREGATE AMOUNT OF CLAIMS	ESTIMATED PERCENTAGE RECOVERY
	<p>Without limiting the foregoing, on the Effective Date, except as set forth above, all Entities shall be permanently and forever stayed, restrained and enjoined from taking any actions against the Protected Parties for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on, or with respect to any SPHC Asbestos Personal Injury Claim; <i>provided, however,</i> the injunction shall not enjoin the prosecution of the SPHC International-Related Claims by the Asbestos Personal Injury Trust pursuant to Section IV.J.2 of the Plan.</p> <p>SPHC reserves the right to argue at or prior to the Confirmation Hearing that the SPHC Asbestos Personal Injury Claims are unimpaired.</p>			
<p>Class 4b</p> <p>Bondex Asbestos Personal Injury Claims</p>	<p>On the Effective Date, all Bondex Asbestos Personal Injury Claims shall be channeled to the Asbestos Personal Injury Trust, which shall be funded pursuant to Section IV.I.2 of the Plan. All Bondex Asbestos Personal Injury Claims shall be determined and paid pursuant to the terms of the Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Trust Distribution Procedures from the Bondex Trust Account. Pursuant to section 524(g) of the Bankruptcy Code, the Plan and the Confirmation Order shall permanently and forever stay, restrain and enjoin any Entity from taking any actions against any Protected Party for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on or with respect to any Bondex Asbestos Personal Injury Claim.</p> <p>Without limiting the foregoing, on the Effective Date, except as set forth above, all Entities shall be permanently and forever stayed, restrained and enjoined from taking any actions against the Protected Parties for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on, or with respect to any Bondex Asbestos</p>	<p><b>Impaired (but subject to the rights of Bondex to argue that the Claims are Unimpaired)</b></p> <p>Entitled to Vote</p>	N/A	As determined by the Asbestos Personal Injury Trust Distribution Procedures (see Exhibit I.A.13 to the Plan and Section II.D.7 hereto) and the extent of funding pursuant to Section IV.I.2 of the Plan.



CLASS	TREATMENT	STATUS/ ENTITLED TO VOTE?	ESTIMATED AGGREGATE AMOUNT OF CLAIMS	ESTIMATED PERCENTAGE RECOVERY
	<p>Personal Injury Claim; <i>provided, however,</i> the injunction shall not enjoin the prosecution of the Bondex International-Related Claims by the Asbestos Personal Injury Trust pursuant to Section IV.J.2 of the Plan</p> <p>The Debtors reserve the right to argue at or prior to the Confirmation Hearing that the Bondex Asbestos Personal Injury Claims are unimpaired.</p>			
Class 5a  SPHC Intercompany Claims	Each holder of an Allowed Claim in Class 5a shall receive (a) on the Effective Date, cash in an amount equal to 50% of such Allowed Claim and (b) promptly after such time as the SPHC Asbestos Claims Recovery Percentage is available, additional cash in an amount equal to (i) the product of (A) such Allowed Claim and (B) the SPHC Asbestos Claims Recovery Percentage, less (ii) the amount paid in respect of such Allowed Claim under clause (a), unless the holder of such Claim agrees to less favorable treatment.	<p><b>Impaired</b></p> <p>Entitled to Vote</p>	\$209.6 million	Same recovery percentage as SPHC Asbestos Personal Injury Claims
Class 5b  Bondex Intercompany Claims	Each holder of an Allowed Claim in Class 5b shall receive (a) on the Effective Date, cash in an amount equal to 5% of such Allowed Claim and (b) promptly after such time as the Bondex Asbestos Claims Recovery Percentage is available, additional cash in an amount equal to (i) the product of (A) such Allowed Claim and (B) the Bondex Asbestos Claims Recovery Percentage, less (ii) the amount paid in respect of such Allowed Claim under clause (a), unless the holder of such Claim agrees to less favorable treatment.	<p><b>Impaired</b></p> <p>Entitled to Vote</p>	\$326.9 million	Same recovery percentage as Bondex Asbestos Personal Injury Claims
Class 5c  Subsidiary Intercompany Claims	On the Effective Date, Subsidiary Intercompany Claims shall be Reinstated.	<p><b>Unimpaired</b></p> <p>Deemed to Accept the Plan</p> <p>Not Entitled to Vote</p>	\$185 million	N/A
Class 6  Stock Interests	On the Effective Date, Stock Interests of Bondex shall be Reinstated, and holders of Stock Interests of Bondex shall retain	<p><b>Unimpaired</b></p> <p>Deemed to</p>	N/A	N/A

CLASS	TREATMENT	STATUS/ ENTITLED TO VOTE?	ESTIMATED AGGREGATE AMOUNT OF CLAIMS	ESTIMATED PERCENTAGE RECOVERY
of Bondex	such Interests.	Accept the Plan  Not Entitled to Vote		
Class 7  Stock Interests of SPHC	On the Effective Date, Stock Interests of SPHC shall be Reinstated, and the holders of Stock Interests of SPHC shall retain such Interests.	<b>Unimpaired</b>  Deemed to Accept the Plan  Not Entitled to Vote	N/A	N/A

The Estimated Amounts of Claims shown in the table above are based upon the Debtors' review of their books and records and may be revised following the Debtors' analysis of the Claims Filed. 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.

While the SPHC Asbestos Personal Injury Claims (Class 4a) and the Bondex Asbestos Personal Injury Claims (Class 4b) are impaired, the table does not include an estimate of the aggregate amount of such Claims or the recoveries of holders of such Claims in respect thereof because it is impractical to do so. Likewise, the table does not include an estimate of the recoveries of holders of SPHC General Unsecured Claims (Class 3a) and the SPHC Intercompany Claims (Class 5a) and holders of Bondex General Unsecured Claims (Class 3b) and the Bondex Intercompany Claims (Class 5b) because such holders will receive the same recovery percentage obtained by SPHC Asbestos Personal Injury Claims (Class 4a) and Bondex Asbestos Personal Injury Claims (Class 4b), as applicable.

### **C. Voting on and Confirmation of the Plan**

#### **1. 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 maturities. Classes of claims and equity interests that are not impaired are not entitled to vote on a plan and are conclusively presumed to have accepted that plan. For a summary of the classifications of Claims and Interests pursuant to the Plan, together with an indication of whether each Class of Claims or Interests is impaired or unimpaired under the terms of the Plan, see Section II.B.

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, voting procedures have been established, which include certain vote tabulation rules that temporarily allow or disallow certain Claims for voting purposes only. These voting procedures, including the tabulation rules, are described in the solicitation materials provided with your ballot and on Exhibit II to this Disclosure Statement.

**The voting procedures attached hereto as Exhibit II set forth detailed instructions concerning the voting of the impaired classes. Please refer to Exhibit II for more information regarding the voting of the impaired classes.**

**Voting on the Plan by each holder of an impaired Claim is important. Please carefully follow all of the instructions contained on the ballot or ballots provided to you. All ballots must be completed and**

returned in accordance with the instructions provided.

To be counted, your ballot or ballots must be received by [ ] p.m., Eastern time, on [ ] 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.

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, Logan & Company, Inc., at (973) 509-3190.

Votes cannot be transmitted orally or by facsimile. Accordingly, you are urged to return your signed and completed ballot, by hand delivery, overnight service or regular U.S. mail, promptly, so that it is received by the Debtors' voting agent before the Voting Deadline.

## **2. 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 [ ] before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware. Judge Walsh will convene the Confirmation Hearing on [ ] in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, 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 and in the manner and by the deadline described therein.

## **3. Confirmation**

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:

- the Plan has classified Claims and Interests in a permissible manner;
- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Debtors have complied with the applicable provisions of the Bankruptcy Code;
- the Debtors, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosure required by section 1125 of the Bankruptcy Code has been made;
- the Plan has been accepted by the requisite votes of creditors and equity interest holders;
- 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;
- 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;

- 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;
- 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 sections 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
- the disclosures required under section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers, directors and voting trustees of the Reorganized Debtors have been made.

#### **4. Section 524(g) of the Bankruptcy Code**

The Plan contemplates establishing the Asbestos Personal Injury Trust pursuant to section 524(g) of the Bankruptcy Code to be funded by the Debtors and/or International. The trust would pay all qualifying Asbestos Personal Injury Claims. The Plan contains an injunction preventing any Entity from, directly or indirectly, pursuing an Asbestos Personal Injury Claim against the Debtors or any other Protected Party, and all Entities must look to the trust for payment of such Claims. In order to confirm a plan of reorganization containing a trust with all of the features provided in section 524(g), a court must find, among other things, the following: (a) that the trust is to assume the liabilities of a debtor that "has been named as a defendant in personal injury, wrongful death, or property-damage actions seeking recovery for damages allegedly caused by" asbestos; (b) "the debtor is likely to be subject to substantial future demands for payment arising out of the same or similar conduct or events that gave rise to the claims that are addressed by the injunction;" (c) "the actual amounts, numbers, and timing of such future demands cannot be determined;" and (d) "pursuit of such demands outside the procedures prescribed by such plan is likely to threaten the plan's purpose to deal equitably with claims and future demands."

To issue a section 524(g) channeling injunction, a court also must find that the channeling injunction is to be implemented in connection with a trust that pursuant to the plan meets the following requirements: (a) the trust must "assume the liabilities of a debtor which . . . has been named as a defendant in personal injury, wrongful death, or property damage actions" seeking damage caused by asbestos and must use its assets or income to pay the Claims and Demands in the trust; (b) the trust must "be funded in whole or in part by the securities of 1 or more of the debtors involved in such plan and by the obligation of such debtor or debtors to make future payments, including dividends;" (c) the trust must "own, or by the exercise of rights granted under such plan would be entitled to own if specified contingencies occur, a majority of the voting shares of . . . each such debtor; . . . the parent corporation of each such debtor; or . . . a subsidiary of each such debtor that is also a debtor;" (d) the trust must "use its assets or income to pay claims or demands;" and (e) the trust will "operate through mechanisms such as structured, periodic, or supplemental payments, pro rata distributions, matrices, or periodic review of estimates of the numbers and values of present claims and future demands, or other comparable mechanisms, that provide reasonable assurance that the trust will value, and be in a financial position to pay, present claims and future demands that involve similar claims in substantially the same manner."

If a debtor can obtain the required findings from a court and structure the trust to satisfy each of the above requirements, section 524(g) authorizes a bankruptcy court to issue a channeling injunction requiring the relevant claimants to seek payment solely from the trust. Section 524(g)(4)(B)(ii) provides, however, that the injunction is applicable against future claimants only if a future claims representative is appointed in the bankruptcy cases and only if the court determines that the application of the injunction to future claimants is "fair and equitable . . . in light of the benefits provided, or to be provided, to such trust on behalf of such debtor or debtors or such third party." Further, to obtain the channeling injunction provided in section 524(g), a separate class or classes of claimants whose claims are to be addressed by the trust must be established and vote, by at least 75 percent of those voting, in favor of the plan. Finally, assuming the plan satisfies the aforementioned criteria, once the court issues the channeling injunction, "any proceeding that involves the validity, application, construction, or modification of such injunction, or of this subsection with respect to such injunction, may be commenced only in the district court in which such injunction was entered, and such court shall have exclusive jurisdiction over any such proceeding

without regard to the amount in controversy." If the order confirming the plan of reorganization was issued or affirmed by the district court that has jurisdiction over the reorganization case, then after the time for appeal of the order that issues or affirms the plan, the injunction shall be valid and enforceable and may not be revoked or modified by any court except through appeal.

## **5. Acceptance**

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. 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.

## **6. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires a finding that Confirmation is not 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 prepared the Projections set forth in Exhibit III hereto. Based upon the Projections and the fact that International is a co-obligor on the SPHC Payment Note and the Bondex Payment Note, the Debtors believe that their reorganization under the Plan will meet the feasibility requirements of the Bankruptcy Code.

## **7. Best Interests Test; Liquidation Analysis**

### **a. Generally**

Notwithstanding acceptance of a plan by each impaired class (or satisfaction of the "cramdown" provisions of the Bankruptcy Code in lieu thereof), for a plan to be confirmed, the Bankruptcy Court must determine that the plan is in the best interest of each holder of a claim who is in an impaired class and has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept a plan, the best interests test requires the Bankruptcy Court to find that the plan provides to each member of such impaired class a recovery on account of the class member's claim that has a value, as of the date such plan is consummated, at least equal to the value of the distribution that such class member would receive if the debtors proposing the plan were liquidated under chapter 7 of the Bankruptcy Code on such date. The Debtors have considered the effect that the conversion of the Reorganization Cases to cases under chapter 7 of the Bankruptcy Code would have and have concluded that the Plan provides greater value to holders of Claims than such holders would receive under a chapter 7 liquidation. The Debtors therefore believe that the Plan satisfies the best interests test for each class of impaired Claims.

### **b. Liquidation Analysis**

The information contained in Exhibit IV hereto contains a liquidation analysis that assumes a hypothetical chapter 7 liquidation of the Debtors in which a trustee appointed by the Bankruptcy Court would liquidate the respective Debtors' properties and interests in property. The liquidation analysis reflects the potential range of recoveries in a liquidation net of the costs associated with the liquidation. As shown in the analysis, the proceeds from the sales of the Debtors' assets will be substantially reduced by buyers' likely concerns regarding asbestos liability risk, by the risk of transitioning critical business functions in a relatively short period of time, and by the expedited time frame for selling six separate businesses. In addition, the analysis shows the significant costs associated with the asset sales and the liquidation process, including trustee fees, professional fees and additional brokerage fees. These costs must be paid from the proceeds of the liquidation.

As the liquidation analysis demonstrates, a chapter 7 liquidation of the Debtors would result in a substantial diminution in recoveries to creditors as contrasted with the potential range of recoveries under the Plan. The Debtors believe that the Plan will provide materially greater returns to holders of Claims than such holders would

receive in a chapter 7 liquidation.

## **8. 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. While the Debtors have concluded that the Plan is the best alternative given the current circumstances of their chapter 11 cases and will maximize recoveries by holders of Claims, if the Plan is not confirmed, the Debtors, individually or collectively, or any other party in interest in the Reorganization Cases, could attempt to formulate and propose a different plan or plans of reorganization.

### **D. Formation of Asbestos Personal Injury Trust and Asbestos Personal Injury Trust Procedures**

#### **1. Creation of Asbestos Personal Injury Trust**

As of the Effective Date, the Asbestos Personal Injury Trust shall be created. The Asbestos Personal Injury Trust is intended to be one or more "qualified settlement funds" within the meaning of the Treasury Regulations issued under section 468B of the Internal Revenue Code. The purpose of the Asbestos Personal Injury Trust shall be to, among other things: (1) direct the processing, liquidation and payment of legitimate Asbestos Personal Injury Claims in accordance with the Plan, the Asbestos Personal Injury Trust Distribution Procedures and the Confirmation Order; (2) preserve, hold, manage, maximize and liquidate the assets of the Asbestos Personal Injury Trust for use in paying and satisfying legitimate Asbestos Personal Injury Claims; and (3) qualify at all times as one or more qualified settlement funds.

#### **2. Qualified Settlement Fund**

The Asbestos Personal Injury Trust is intended to be treated for U.S. federal income Tax purposes as one or more "qualified settlement funds" as described within section 1.468B-1 et seq. of the Treasury Regulations promulgated under section 468B of the IRC. Accordingly, for all U.S. federal income Tax purposes the transfer of assets to the Asbestos Personal Injury Trust will be treated as a transfer to a trust satisfying the requirements of section 1.468B-1(c) of the Treasury Regulations promulgated under section 468B of the IRC by SPHC and Bondex, as transferors, for distribution to holders of Asbestos Personal Injury Claims and in complete settlement of such Asbestos Personal Injury Claims. Any income on the assets of the Asbestos Personal Injury Trust will be treated as subject to Tax on a current basis, and all distributions pursuant to the Plan will be made net of provision for Taxes and subject to applicable Tax withholding and reporting requirements.

Each Asbestos Personal Injury Trustee will be an "administrator" (as defined in section 1.468B-2(k) of the Treasury Regulations promulgated under section 468B of the IRC) of the Asbestos Personal Injury Trust and will be required by the Asbestos Personal Injury Trust Agreement to (a) timely file such income Tax and other returns and statements of the Asbestos Personal Injury Trust and timely pay all Taxes required to be paid from the assets of the Trust as required by law, (b) comply with all Tax withholding obligations, as required under the applicable provisions of the IRC, any state law and the respective regulations promulgated thereunder, (c) meet all other requirements necessary to qualify and maintain qualification of the Asbestos Personal Injury Trust as a "qualified settlement fund" within the meaning of section 1.468B-1 et seq. of the Treasury Regulations promulgated under section 468B of the IRC, and (d) take no action that could cause the Asbestos Personal Injury Trust to fail to qualify as a "qualified settlement fund" within the meaning of section 1.468B-1 et seq. of the Treasury Regulations promulgated under section 468B of the IRC. Except with respect to any portion of the \$2.5 million paid by SPHC, Bondex and International to the Asbestos Personal Injury Trust to be used to pay International-Related Litigation Fees that are not used to pay International-Related Litigation Fees, SPHC, Bondex and International will have no rights to any refund or reversion with respect to any assets of the Asbestos Personal Injury Trust or any earnings thereon.

Following the funding of the Asbestos Personal Injury Trust (and in no event later than February 15th of the calendar year following the date of the Asbestos Personal Injury Trust Agreement), SPHC and Bondex will provide, or cause to be provided, to the Asbestos Personal Injury Trustees a "\$ 1.468B-3 Statement" in accordance

with section 1.468B-3 of the Treasury Regulations promulgated under section 468B of the IRC. Following any subsequent transfers of cash or other property to the Asbestos Personal Injury Trust, the transferor will provide, or cause to be provided, to the Asbestos Personal Injury Trustees a "§ 1.468B-3 Statement" on or before February 15th of the calendar year following the date of each such transfer.

### **3. Asbestos Personal Injury Trustees**

On the Confirmation Date, effective as of the Effective Date, in accordance with the Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Trust Distribution Procedures, the individual selected by the Debtors and International (as identified in Exhibit IV.F of the Plan), the individual selected by the Asbestos Personal Injury Committee and the Asbestos Personal Injury Futures Representative, and the individual selected by the Debtors, International, the Asbestos Personal Injury Committee, and the Asbestos Personal Injury Futures Representative or, if necessary, the Bankruptcy Court, shall be appointed to serve as the Asbestos Personal Injury Trustees for the Asbestos Personal Injury Trust.

The Asbestos Personal Injury Trustees will be, and will act as, the fiduciaries to the Asbestos Personal Injury Trust in accordance with the provisions of Asbestos Personal Injury Trust Agreement, the Asbestos Personal Injury Trust Distribution Procedures and the Plan. Subject to the Plan and the Asbestos Personal Injury Trust Agreement, the Asbestos Personal Injury Trustees have the power to take any and all actions that they may consider necessary, appropriate or desirable to fulfill the purpose of the Asbestos Personal Injury Trust, including receiving and holding the assets of the Asbestos Personal Injury Trust and exercising all rights and powers with respect thereto and entering into arrangements with third parties.

The initial term of each Asbestos Personal Injury Trustee will expire on the date indicated on the signature page of Asbestos Personal Injury Trust Agreement. Thereafter, each term of an Asbestos Personal Injury Trustee will expire five years from the date on which the preceding term expired.

Each Asbestos Personal Injury Trustee will serve until the earliest of the end of his or her term, his or her death, his or her resignation, his or her removal and the termination of the Asbestos Personal Injury Trust. An Asbestos Personal Injury Trustee may resign at any time and may be removed at the recommendation of the other trustees with the approval of the Bankruptcy Court in the event he or she becomes unable to discharge his or her duties or for other good cause.

Upon the termination of service of an Asbestos Personal Injury Trustee, the remaining Asbestos Personal Injury Trustees will appoint the successor Asbestos Personal Injury Trustee, subject to the written agreement of the Debtors. If the remaining Asbestos Personal Injury Trustees and the Debtors cannot agree on a successor Asbestos Personal Injury Trustee, the Bankruptcy Court will make the appointment. Any successor to an Asbestos Personal Injury Trustee that has not completed his or her full term will serve the remainder of such term. Asbestos Personal Injury Trustees will be eligible to serve successive terms.

Each Asbestos Personal Injury Trustee will be entitled to receive compensation from the Asbestos Personal Injury Trust for his or her services in a specified amount per annum, plus a per diem allowance in a specified amount for meetings attended or other Asbestos Personal Injury Trust business performed. The per annum compensation payable to the Asbestos Personal Injury Trustees will be reviewed every three years and appropriately adjusted by the Asbestos Personal Injury Trustees, subject to the written agreement of the Debtors. If the Asbestos Personal Injury Trustees and the Debtors cannot agree on proposed compensation adjustments, the Bankruptcy Court will determine the appropriate compensation adjustments, if any.

No Asbestos Personal Injury Trustees will be permitted to, during the term of his or her service, hold a financial interest in, or act as attorney or agent or serve as any other professional for, SPHC, Bondex or International or any individual who holds an Asbestos Personal Injury Claim.

### **4. Asbestos Personal Injury Trust Termination Provisions**

The Asbestos Personal Injury Trust is irrevocable, but generally will terminate on the date which is 90 days

after the first to occur of:

- the date on which the Asbestos Personal Injury Trustees decide to dissolve the Asbestos Personal Injury Trust because (A) the Asbestos Personal Injury Trustees deem it unlikely that any new Asbestos Personal Injury Claim will be filed with the Trust, (B) all Asbestos Personal Injury Claims duly filed with the Asbestos Personal Injury Trust have been liquidated and, to the extent possible based upon the assets of the Asbestos Personal Injury Trust, paid as provided in Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Trust Distribution Procedures or disallowed by a final, non-appealable arbitration ruling or court order, and (C) twelve (12) consecutive months have elapsed during which no new Asbestos Personal Injury Claim has been filed with the Asbestos Personal Injury Trust; and
- if the Asbestos Personal Injury Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses (including Asbestos Personal Injury Trust Expenses) of the Asbestos Personal Injury Trust in a manner consistent with the Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Distribution Procedures, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a Final Order.

#### **5. Asbestos Personal Injury Accounts**

On or prior to the Effective Date, the following accounts will be established and maintained in federally insured domestic banks in the name of the Asbestos Personal Injury Trust.

##### **a. Asbestos Personal Injury Trust Accounts**

On or prior to the Effective Date, the SPHC Trust Account and the Bondex Trust Account will be established to fund payments in respect of SPHC Asbestos Personal Injury Claims and Bondex Asbestos Personal Injury Claims, respectively. Payments under the SPHC Payment Note shall be deposited into the SPHC Trust Account, and payments under the Bondex Payment Note shall be deposited into the Bondex Trust Account.

##### **b. Asbestos Personal Injury Trust Expense Account**

On or after the Effective Date, the Asbestos Personal Injury Trust Expense Account will be established to fund payments in respect of Asbestos Personal Injury Trust Expenses. The Asbestos Personal Injury Trust Expense Account will be funded pursuant to Section IV.H of the Plan and, as determined by the Asbestos Personal Injury Trustees, by the transfer of funds from the SPHC Trust Account and/or the Bondex Trust Account.

#### **6. Transfers of Property to and Assumption of Certain Liabilities by the Asbestos Personal Injury Trust**

##### **a. Transfer of Books and Records to the Asbestos Personal Injury Trust**

On the Effective Date or as soon thereafter as is reasonably practicable, at the sole cost and expense of the Asbestos Personal Injury Trust and in accordance with written instructions provided to the Reorganized Debtors by the Asbestos Personal Injury Trust, the Reorganized Debtors shall transfer and assign, or cause to be transferred and assigned, to the Asbestos Personal Injury Trust copies of those books and records agreed upon by the parties that pertain directly to Asbestos Personal Injury Claims that have been asserted against any Debtor. In furtherance of Section IV.I.1 of the Plan, the Reorganized Debtors and the Asbestos Personal Injury Trust may enter into the Cooperation Agreement in the form of Exhibit IV.I.1 of the Plan. Pursuant to the Plan and the Confirmation Order, to the extent the Debtors provide any privileged books and records, such transfer shall not result in the destruction or waiver of any applicable privileges pertaining to such books and records. If the preservation of privilege pertaining to such books and records is challenged or disapproved by the Bankruptcy Court or the District Court and if the Asbestos Personal Injury Trust determines that it needs access to such information, the Reorganized Debtors will, at



the sole cost and expense of the Asbestos Personal Injury Trust, retain the books and records and enter into arrangements to permit the Asbestos Personal Injury Trust to have access to such books and records, to the extent such access does not result in the destruction or waiver of any applicable privileges. Further, pursuant to the Plan and the Confirmation Order, none of the Debtors, the Reorganized Debtors, International, or any of International's affiliates shall be liable for violating any confidentiality or privacy protections as a result of transferring the books and records to the Asbestos Personal Injury Trust, and the Asbestos Personal Injury Trust shall, upon receipt of the books and records, take appropriate steps to comply with any such applicable protections. If the Asbestos Personal Injury Trust does not issue written instructions for the transfer or retention of such books and records within 180 days after the Effective Date, or if the Asbestos Personal Injury Trust so requests, the Reorganized Debtors may (and shall, if the Asbestos Personal Injury Trust so requests, but at the sole cost and expense of the Asbestos Personal Injury Trust), destroy any such books and records, and the order of the Bankruptcy Court or the District Court entered during the Reorganization Cases with respect to the retention of books and records shall be deemed superseded by this section of the Plan.

**b. International-Related Litigation Fees**

On the Effective Date, SPHC, Bondex and International shall pay an aggregate of \$2.5 million in cash to the Asbestos Personal Injury Trust for the International-Related Litigation Fees. Such payment shall be deposited into the Asbestos Personal Injury Trust Expense Account. Any portion of the \$2.5 million payment that is not used to pay International-Related Litigation Fees shall be returned to SPHC, Bondex and International.

**c. Funding the Asbestos Personal Injury Trust**

**(1) SPHC Payment Note**

On the Effective Date, SPHC and International, as co-obligors, shall issue the SPHC Payment Note. The SPHC Payment Note will be secured by the pledge of 51% of the voting stock of Reorganized SPHC. It will provide for a series of cash payments, with an initial payment of \$115 million to be made on the Effective Date and additional payments to be made thereafter on the dates and in the amounts determined as described below, and thereupon set forth in a schedule to be delivered by Reorganized SPHC and International to the Asbestos Personal Injury Trust and affixed by the Asbestos Personal Injury Trust to such note, as promptly as practicable after (a) all three of the SPHC Estimation, the SPHC Valuation and the SPHC International-Related Claims Amount are available or (b) Reorganized SPHC and International have made the election described below and the SPHC Estimation is available, as applicable. The dates and amounts of such additional payments on the SPHC Payment Note shall be fixed such that the present value of such additional payments at the time of determination (based on the discount rate used in the Final Estimation Order or in the agreement among Reorganized Bondex, International and the Asbestos Personal Injury Trust, as applicable, to determine the SPHC Estimation) shall be an amount equal to the lesser of (a) the SPHC Estimation less \$115 million and (b) the sum of (i) the SPHC International-Related Claims Amount and (ii) the SPHC Valuation, less \$115 million; *provided, however*, that if (i) International or any International Affiliate is determined pursuant to a Final Order entered in the SPHC International-Related Litigation to be liable for all the SPHC Asbestos Personal Injury Claims based upon a legal or equitable theory of liability in the nature of veil piercing, alter ego, vicarious liability, successor liability or otherwise or (ii) at any time Reorganized SPHC and International, in their sole discretion, so elect, then the present value of such additional payments shall be equal to the SPHC Estimation less \$115 million. The dates of the additional payments under the SPHC Payment Note shall be determined based on the nominal payment schedule used in the Final Estimation Order or in the agreement among Reorganized SPHC, International and the Asbestos Personal Injury Trust, as applicable, to determine the SPHC Estimation. If Reorganized SPHC, International and the Asbestos Personal Injury Trust are unable to agree regarding the dates and amounts of such additional payments, the Bankruptcy Court will determine the dates and amounts of such additional payments. Notwithstanding the foregoing, in no event shall (a) the sum of (i) the \$115 million initial payment under the SPHC Payment Note, (ii) the SPHC Additional Payments Value, (iii) the \$10 million initial payment under the Bondex Payment Note and (iv) the Bondex Additional Payments Value, exceed (b) the aggregate estimated present value of the Debtors' liability for Asbestos Personal Injury Claims, as determined by the Final Estimation Order or by agreement among Reorganized Bondex, International and the Asbestos Personal Injury Trust. The SPHC Payment Note shall be issued on the Effective Date as more fully described in Section IV.I.2 of the Plan, and shall be substantially in the form of Exhibit I.A.108 to the Plan.

**(2) Bondex Payment Note**

On the Effective Date, Bondex and International, as co-obligors, shall issue the Bondex Payment Note. The Bondex Payment Note will be secured by the pledge of 51% of the voting stock of Reorganized Bondex. It will provide for a series of cash payments, with an initial payment of \$10 million to be made on the Effective Date and additional payments to be made thereafter on the dates and in the amounts determined as described below, and thereupon set forth in a schedule to be delivered by Reorganized Bondex and International to the Asbestos Personal Injury Trust and affixed by the Asbestos Personal Injury Trust to such note, as promptly as practicable after (a) both the Bondex Estimation and the Bondex International-Related Claims Amount are available or (b) Reorganized Bondex and International have made the election described below and the Bondex Estimation is available, as applicable. The dates and amounts of such additional payments on the Bondex Payment Note shall be fixed such that the present value of such additional payments at the time of determination (based on the discount rate used in the Final Estimation Order or in the agreement among Reorganized Bondex, International and the Asbestos Personal Injury Trust, as applicable, to determine the Bondex Estimation) shall be an amount equal to the lesser of (a) the Bondex Estimation less \$10 million and (b) the Bondex International-Related Claims Amount less \$10 million; *provided, however*, that if (i) International or any International Affiliate is determined pursuant to a Final Order entered in the Bondex International-Related Litigation to be liable for all the Bondex Asbestos Personal Injury Claims based upon a legal or equitable theory of liability in the nature of veil piercing, alter ego, vicarious liability, successor liability or otherwise or (ii) at any time Reorganized Bondex and International, in their sole discretion, so elect, then the present value of such additional payments shall be equal to the Bondex Estimation less \$10 million. The dates of the additional payments under the Bondex Payment Note shall be determined based on the nominal payment schedule used in the Final Estimation Order or in the agreement among Reorganized Bondex, International and the Asbestos Personal Injury Trust, as applicable, to determine the Bondex Estimation. If Reorganized Bondex, International and the Asbestos Personal Injury Trust are unable to agree regarding the dates and amounts of such additional payments, the Bankruptcy Court will determine the dates and amounts of such additional payments. Notwithstanding the foregoing, in no event shall (a) the sum of (i) the \$10 million initial payment under the Bondex Payment Note, (ii) the Bondex Additional Payments Value, (iii) the \$115 million initial payment on the SPHC Payment Note, and (iv) the SPHC Additional Payments Value, exceed (b) the aggregate estimated present value of the Debtors' liability for Asbestos Personal Injury Claims, as determined by the Final Estimation Order or by agreement among Reorganized Bondex, International and the Asbestos Personal Injury Trust. The Bondex Payment Note shall be issued on the Effective Date as more fully described in Section IV.I.2 of the Plan, and shall be substantially in the form of Exhibit I.A.31 to the Plan.

**d. Transfer of International-Related Claims to Asbestos Personal Injury Trust**

On the Effective Date, the Reorganized Debtors, subject to Section IV.J.2 of the Plan, shall transfer to the Asbestos Personal Injury Trust all International-Related Claims. Pursuant to Section IV.J.1 of the Plan, the Reorganized Debtors shall retain all claims, demands, rights and causes of action other than the International-Related Claims.

**e. Assumption of Certain Liability and Responsibility by the Asbestos Personal Injury Trust**

In consideration for the property transferred to the Asbestos Personal Injury Trust pursuant to Sections IV.I.2 and I.3 of the Plan and in furtherance of the purposes of the Asbestos Personal Injury Trust and the Plan, the Asbestos Personal Injury Trust shall assume all liability and responsibility, financial and otherwise, for all Asbestos Personal Injury Claims, and the Reorganized Debtors shall have no liability or responsibility, financial or otherwise, therefor. Except as otherwise provided in the Plan, the Asbestos Personal Injury Trust Agreement and the Asbestos Personal Injury Trust Distribution Procedures, the Asbestos Personal Injury Trust shall have all defenses, cross-claims, offsets and recoupments, as well as rights of indemnification, contribution, subrogation and similar rights, regarding such Asbestos Personal Injury Claims that the Debtors or the Reorganized Debtors have or would have had under applicable law.

**f. Indemnification by the Asbestos Personal Injury Trust**

The Asbestos Personal Injury Trust shall protect, defend, indemnify and hold harmless, to the fullest extent permitted by applicable law, each Protected Party from and against any Asbestos Personal Injury Claim and any related damages.

**g. Authority of the Debtors**

Effective on the Confirmation Date, the Debtors shall be empowered and authorized to take or cause to be taken, prior to the Effective Date, all actions necessary or appropriate to enable the Reorganized Debtors to implement effectively the provisions of the Plan and the Asbestos Personal Injury Trust Agreement.

**7. Asbestos Personal Injury Trust Distribution Procedures**

**a. Purpose**

The Asbestos Personal Injury Trust Distribution Procedures (a) are designed to provide fair, equitable and substantially similar treatment consistent with the purpose of the Asbestos Personal Injury Trust as set forth in the Asbestos Personal Injury Trust Agreement for all Asbestos Personal Injury Claims that may presently exist or may arise in the future and (b) establish the procedures for liquidating each Debtor's respective several share with respect to all Asbestos Personal Injury Claims.

**b. Claim Administrator**

Pursuant to the Asbestos Personal Injury Trust Agreement, the Asbestos Personal Injury Trustees shall appoint a claims administrator (the "Claims Administrator") to implement and administer the Asbestos Personal Injury Distribution Procedures and resolve all Asbestos Personal Injury Claims.

**c. Procedures for the Resolution of Asbestos Personal Injury Claims**

**(1) Submission of Claim Forms by Claimants**

Except as set forth below, each holder of an Asbestos Personal Injury Claim (each a "Claimant" and, collectively, the "Claimants") shall complete and submit to the Asbestos Personal Injury Trust a claim form (a "Claim Form"), substantially in the form attached to the Asbestos Personal Injury Distribution Procedures as Attachment A, that seeks certain basic information about each Asbestos Personal Injury Claim, including the particular Debtor against which the claim is asserted. Unless otherwise agreed by the Claims Administrator or provided in the Asbestos Personal Injury Distribution Procedures, a Claim Form must be completed to participate in the claims procedures. The Claims Administrator shall provide Claimants with the opportunity to submit Claim Forms electronically through the Internet and by disk or CD-ROM. A Claimant who submitted a completed personal injury questionnaire (a "PIQ") or a completed specialized proof of claim form for asbestos claims (a "POC") during the Debtors' Reorganization Cases is not required to submit a Claim Form, subject to the right of the Claims Administrator to require the Claimant to update or supplement his or her PIQ or POC.

If a Claimant alleges that his or her Asbestos Personal Injury Claim was resolved by an enforceable prepetition settlement agreement, in lieu of submitting a Claim Form, the Claimant shall provide to the Asbestos Personal Injury Trust copies of the settlement agreement and any related documentation.

After the Asbestos Personal Injury Trust has received the foregoing information, the Claimant's Asbestos Personal Injury Claim shall be resolved pursuant to the procedures set forth in Sections 3.2 through 3.7 of the Asbestos Personal Injury Distribution Procedures.

The Claims Administrator shall have the right at any time to request additional information from any Claimant regarding his or her Asbestos Personal Injury Claim, including, in the case of a Claimant who submits a prepetition settlement agreement and has not previously submitted a completed PIQ or completed POC, a Claim

Form.

## (2) Settlement Offer and Negotiations

The Claims Administrator shall review a Claimant's Claim Form, PIQ, POC, settlement agreement, and/or any additional information requested from that Claimant and make a written or oral offer to settle the Claimant's Asbestos Personal Injury Claim (a "Settlement Offer"). The offer shall be made on behalf of SPHC, Bondex or both and, if both, a portion of such offer shall be allocated to SPHC in a manner deemed appropriate by the Claims Administrator. The Settlement Offer shall be made to counsel for the Claimant or, if no counsel has been identified, the Claimant.

After a Claimant has received a Settlement Offer, the Claimant shall contact the Claims Administrator and provide a written or oral response to the Settlement Offer (the "Response"). The Claimant may accept or reject the Settlement Offer or make a counteroffer. In the event the Claimant declines to accept the Settlement Offer, the Claimant and the Claims Administrator shall engage in good faith negotiations regarding the Asbestos Personal Injury Claim.

If the Claimant accepts the Settlement Offer or the Claims Administrator and the Claimant otherwise reach agreement with respect to the Settlement Offer, the Asbestos Personal Injury Claim shall be Allowed against SPHC, Bondex or both, as applicable, in the amount or, in the case of an Asbestos Personal Injury Claim Allowed against both SPHC and Bondex, amounts for each entity to which the parties agreed. The Asbestos Personal Injury Trust shall pay to the Claimant, from the SPHC trust account and/or the Bondex trust account, as applicable, an amount or, if the Asbestos Personal Injury Claim is Allowed against both SPHC and Bondex, amounts for each entity, no higher than the agreed amount or amounts, such payment amount or amounts to be determined by the Claims Administrator, in his or her discretion. In determining the amount of the payment or payments, the Claims Administrator shall take into account the ability of the Asbestos Personal Injury Trust to pay SPHC or Bondex Asbestos Personal Injury Claims.

If the parties are unable to reach agreement pursuant to the procedures in Section 3.2 of the Asbestos Personal Injury Trust Distribution Procedures, the Claimant's Asbestos Personal Injury Claim shall be referred to mediation.

## (3) Mediation

A Claimant's Asbestos Personal Injury Claim shall be referred to mediation if the Claims Administrator and the Claimant are unable to reach agreement pursuant to the procedures set forth in Section 3.2 of the Asbestos Personal Injury Trust Distribution Procedures.

A mediator (the "Mediator") shall be jointly chosen by the Claims Administrator and the Claimant. If the parties are unable to reach agreement regarding the Mediator, the Claimant's Asbestos Personal Injury Claim shall, at the option of the Claimant, proceed to either (i) arbitration pursuant to Section 3.4 of the Asbestos Personal Injury Trust Distribution Procedures or (ii) litigation pursuant to Section 3.5 of the Asbestos Personal Injury Trust Distribution Procedures.

The Mediator will work with the Claims Administrator and the Claimant to reach a settlement of the Asbestos Personal Injury Claim that is mutually acceptable to both parties. The Mediator shall not have the authority to unilaterally impose a settlement upon the parties. The Claimant and the Claims Administrator shall each pay one-half of the fees and expenses incurred by the Mediator. The parties shall otherwise bear their own costs, including legal fees.

If the mediation results in a settlement agreement, the Asbestos Personal Injury Claim shall be Allowed in the amount, or, in the case of an Asbestos Personal Injury Claim Allowed against both SPHC and Bondex, amounts to which the parties agreed. The Asbestos Personal Injury Trust shall pay to the Claimant, from the SPHC trust account and/or the Bondex trust account, as applicable, an amount or, if the Asbestos Personal Injury Claim is Allowed against both SPHC and Bondex, amounts for each entity, no higher than the agreed amount or amounts,

such payment amount or amounts to be determined by the Claims Administrator, in his or her discretion. If the mediation concludes with no settlement, the Claimant's Asbestos Personal Injury Claim shall, at the Claimant's option, proceed to either (i) binding arbitration pursuant to Section 3.4 of the Asbestos Personal Injury Trust Distribution Procedures or (ii) litigation pursuant to Section 3.5 of the Asbestos Personal Injury Trust Distribution Procedures.

#### **(4) Arbitration**

An Asbestos Personal Injury Claim shall proceed to binding arbitration as provided in Section 3.3 of the Asbestos Personal Injury Trust Distribution Procedures.

If a Claimant's Asbestos Personal Injury Claim proceeds to arbitration, an arbitrator (the "Arbitrator") shall be jointly chosen by the Claims Administrator and the Claimant. If the Claims Administrator and the Claimant are unable to reach agreement regarding the Arbitrator, the Claimant's Asbestos Personal Injury Claim shall proceed to litigation pursuant to Section 3.5 of the Asbestos Personal Injury Trust Distribution Procedures.

The arbitration shall be governed by the Federal Arbitration Act, Title 9, United States Code. Unless otherwise agreed by the parties, the arbitration shall be conducted pursuant to the dispute resolution procedures for commercial claims of the American Arbitration Association, then in effect. The Claimant and the Claims Administrator shall each pay one-half of the fees and expenses incurred by the Arbitrator. The parties shall otherwise bear their own costs, including legal fees.

The ruling of the Arbitrator (the "Arbitration Ruling") shall be binding on the Claimant and the Asbestos Personal Injury Trust. If the Asbestos Personal Injury Claim is alleged against both SPHC and Bondex, the Arbitration Ruling shall include, if appropriate, an allocation of a portion of the claim to SPHC. In no event shall the Arbitration Ruling include any award for punitive or exemplary damages. Neither party shall have the right to appeal or otherwise challenge the Arbitration Ruling except on the grounds set forth in the Federal Arbitration Act. There will be no right to a trial de novo. Once the Arbitration Ruling is final and non-appealable, the Claimant's Asbestos Personal Injury Claim shall be Allowed as set forth in the Arbitration Ruling. The Asbestos Personal Injury Trust shall pay to the Claimant, from the SPHC trust account and/or the Bondex trust account, as applicable, an amount or, if the Asbestos Personal Injury Claim is Allowed against both SPHC and Bondex, amounts for each entity, no higher than the amount or amounts reflected in the Arbitration Ruling, such payment amount or amounts to be determined by the Claims Administrator, in his or her discretion.

#### **(5) Litigation**

Any Claimant that elects to proceed to litigation of his or her Asbestos Personal Injury Claim as provided in Section 3.3 of the Asbestos Personal Injury Trust Distribution Procedures or is otherwise required to proceed to litigation of his or her Asbestos Personal Injury Claim as provided in Section 3.4 of the Asbestos Personal Injury Trust Distribution Procedures, shall have the right to institute a lawsuit against the Asbestos Personal Injury Trust in: (i) the United States District Court for the District of Delaware (the "District Court"); or (ii) in the United States District Court in the jurisdiction in which the Asbestos Personal Injury Claim arose, as determined by the District Court. Any such lawsuit must be filed by the Claimant in his or her own right and name and not as a member or representative of a class. All defenses, which include all defenses that could have been asserted by the Debtors, shall be available to the Asbestos Personal Injury Trust at trial.

The court liquidating the Asbestos Personal Injury Claim shall, in the case of an Asbestos Personal Injury Claim that is alleged against both SPHC and Bondex, allocate, if appropriate, a portion of such claim to SPHC, and shall not consider or allow punitive or exemplary damages. Once an Asbestos Personal Injury Claim is litigated to a final, non-appealable judgment in accordance with Section 3.5 of the Asbestos Personal Injury Trust Distribution Procedures, the Claimant's Asbestos Personal Injury Claim shall be Allowed as set forth in the judgment. The Asbestos Personal Injury Trust shall pay to the Claimant, from the SPHC trust account and/or the Bondex trust account, as applicable, an amount or, if the Asbestos Personal Injury Claim is Allowed against both SPHC and Bondex, amounts for each entity, no higher than the amounts or amounts of the judgment, less, if applicable, the Claims Administrator's fees and costs as set forth below. The judgment shall be paid in five equal installments over a five year period. The Claimant shall be responsible for his or her fees and costs, including legal fees. The

Claimant shall also be responsible for the fees and costs, including legal fees, incurred in the litigation by the Claims Administrator if the amount of the final non-appealable judgment is (a), in the case of an Asbestos Personal Injury Claim asserted against either SPHC or Bondex, less than the amount of the last Settlement Offer made to the Claimant by the Claims Administrator or (b), in the case of an Asbestos Personal Injury Claim asserted against both SPHC and Bondex, less than the total amount of the last Settlement Offer made to the Claimant to resolve both SPHC's and Bondex's liability for the Asbestos Personal Injury Claim.

#### **(6) Statute of Limitations and Repose**

To be eligible for payment pursuant to the Asbestos Personal Injury Trust Distribution Procedures, a Claimant must either have (i) prior to the Petition Date, filed a lawsuit against one or both of the Debtors asserting an Asbestos Personal Injury Claim or (ii) submitted a Claim Form (or a completed PIQ or completed POC), in either case prior to the expiration of the period prescribed by the statute of limitations (or statute of repose, if applicable) for personal injury claims in the state in which the claimant resides as such statute may have been tolled pursuant to section 108 of the Bankruptcy Code. Notwithstanding the foregoing, a Claimant who did not file a lawsuit against one or both of the Debtors prior to the Petition Date and alleges that he or she settled the Asbestos Personal Injury Claim prior to the Petition Date shall be considered as having timely submitted a claim if the Claimant submits the information required by Section 3.1 of the Asbestos Personal Injury Trust Distribution Procedures within one year after the Effective Date.

#### **(7) Settlement**

At any time during the administration of the Asbestos Personal Injury Trust Distribution Procedures, including during arbitration or litigation, the Claims Administrator may agree to a settlement with a Claimant

#### **E. Determination of the SPHC Valuation**

##### **1. Determination by Agreement or Litigation**

The SPHC Valuation shall be determined by either (i) an agreement among SPHC, International, and the Asbestos Personal Injury Trust or (ii) a Final Order. In the event that an agreement among the parties is not reached within 60 days after the Effective Date, the parties shall ask the Bankruptcy Court to enter a scheduling order with respect to the litigation of the SPHC Valuation.

##### **2. Expenses of the Asbestos Personal Injury Trust**

After the delivery of detailed invoices by the Asbestos Personal Injury Trust, SPHC and International shall pay all reasonable fees, costs and expenses incurred by the Asbestos Personal Injury Trust on or after the Effective Date in connection with any negotiation or litigation of the SPHC Valuation, subject to the rights of SPHC and International to object to the reasonableness of such fees, costs and expenses. If the parties are unable to resolve any such objection, the Bankruptcy Court shall determine how much of the disputed fees, costs and expenses SPHC and International are required to pay.

##### **3. Dismissal of Litigation in Certain Circumstances**

If, at any time, SPHC and International, in their sole discretion, elect to have the present value of the cash payments remaining under the SPHC Payment Note following the initial payment thereunder on the Effective Date be an amount equal to the SPHC Estimation less \$115 million, then any litigation regarding the SPHC Valuation shall become moot and such litigation shall be dismissed.

#### **F. The Estimation Appeal**

##### **1. Replacement of Parties**

After the Effective Date, the Reorganized Debtors shall replace the Debtors and the Asbestos Personal

Injury Trust shall replace both the Asbestos Personal Injury Committee and the Asbestos Personal Injury Futures Representative as parties to the Estimation Appeal.

**2. Withdrawal of Motion to Dismiss**

Within 10 days after the Confirmation Date, the Asbestos Personal Injury Trust shall withdraw with prejudice the Motion to Dismiss and shall consent to certification of the Bankruptcy Court's Order Determining Estimated Amount of Debtors' Asbestos Liabilities [D.I. 3853] and related Memorandum Opinion in support of the order [D.I. 3852] for direct appeal to the United States Court of Appeals for the Third Circuit.

**3. Expenses of the Asbestos Personal Injury Trust**

After delivery of detailed invoices, SPHC, Bondex and International shall pay all reasonable fees, costs and expenses incurred by the Asbestos Personal Injury Trust in connection with the Estimation Appeal, subject to the rights of SPHC and International to object to the reasonableness of such fees, costs and expenses. If the parties are unable to resolve any such objection, the Bankruptcy Court shall determine how much of the disputed fees, costs and expenses SPHC, Bondex and International are required to pay.

**G. Conditions Precedent to Confirmation and Consummation of the Plan**

**1. Conditions to Confirmation**

The following shall be conditions to Confirmation unless such conditions shall have been duly waived pursuant to Section VIII.C of the Plan:

1. The Confirmation Order shall have been entered by the Bankruptcy Court or the District Court (and, if the Confirmation Order is entered by the Bankruptcy Court, shall have been fully affirmed by the District Court), and shall be acceptable in form and substance to the Debtors and International.

2. All Exhibits to the Plan shall be in form and substance satisfactory to the Debtors and International.

3. The Bankruptcy Court or the District Court shall have made the following findings, each of which shall be contained in the Confirmation Order and each of which, if the Confirmation Order is entered by the Bankruptcy Court, shall be fully affirmed by the District Court:

a. The Asbestos Permanent Channeling Injunction is to be implemented in connection with the Plan and the Asbestos Personal Injury Trust.

b. The Asbestos Personal Injury Trust, as of the Effective Date, shall assume all liability and responsibility, financial and otherwise, for all Asbestos Personal Injury Claims, and, upon such assumption, no Protected Party shall have any liability or responsibility, financial or otherwise, therefor.

c. As of the Petition Date, each Debtor had been named as a defendant in a personal injury or wrongful death action seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products.

d. The Asbestos Personal Injury Trust will be funded in whole or in part by securities of the Reorganized Debtors and by the obligation of the Reorganized Debtors to make future payments.

e. The Asbestos Personal Injury Trust, by the exercise of rights granted under the Plan, would be entitled to own, if specified contingencies occur, a majority of the voting shares of each of the Reorganized Debtors.

f. The Asbestos Personal Injury Trust shall use its assets or income to pay Asbestos Personal Injury Claims, including Demands.

g. Each of the Debtors is likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Claims that are addressed by the Asbestos Permanent Channeling Injunction.

h. The actual amounts, numbers and timing of such future Demands cannot be determined.

i. Pursuit of such Demands outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands.

j. The terms of the Asbestos Permanent Channeling Injunction, including any provisions barring actions against third parties pursuant to section 524(g)(4)(A) of the Bankruptcy Code, are set out in the Plan.

k. For each Debtor, the Plan establishes, in Class 4a (SPHC Asbestos Personal Injury Claims) and Class 4b (Bondex Asbestos Personal Injury Claims), a separate class of the claimants whose Claims are to be addressed by the Asbestos Personal Injury Trust..

l. Each of Class 4a (SPHC Asbestos Personal Injury Claims) and Class 4b (Bondex Asbestos Personal Injury Claims) has voted, by at least 75% of those voting, in favor of the Plan unless the Bankruptcy Court has found that each such class is unimpaired.

m. Pursuant to court orders or otherwise, the Asbestos Personal Injury Trust shall operate through mechanisms, such as structured, periodic or supplemental payments, pro rata distributions, matrices or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims, that provide reasonable assurance that the Asbestos Personal Injury Trust shall value, and be in a financial position to pay, Asbestos Personal Injury Claims, including Demands, in substantially the same manner.

n. Each Protected Party is identifiable from the terms of the Asbestos Permanent Channeling Injunction by name or as part of an identifiable group, and each Protected Party is or may be alleged to be directly or indirectly liable for the conduct of, Claims against or Demands on a Debtor to the extent that such alleged liability arises by reason of one or more of the following:

i. such Entity's ownership of a financial interest in any Debtor, Reorganized Debtor, Past Affiliate, a present affiliate of any Debtor or Reorganized Debtor, or Predecessor in Interest;

ii. such Entity's involvement in the management of any Debtor, Reorganized Debtor or Predecessor in Interest;

iii. such Entity's service as an officer, director or employee of any Debtor, Reorganized Debtor, Past Affiliate, present affiliate of any Debtor or Reorganized Debtor, Predecessor in Interest or Entity that owns or at any time has owned a financial interest in any Debtor, Reorganized Debtor, Past Affiliate, present affiliate of any Debtor or Reorganized Debtor, or Predecessor in Interest; or

iv. such Entity's involvement in a transaction changing the corporate structure, or in a loan or other financial transaction affecting the financial condition, of any Debtor, Reorganized Debtor, Past Affiliate, present affiliate of any Debtor or Reorganized Debtor, Predecessor in Interest or Entity that owns or at any time has owned a financial interest in any Debtor, Reorganized Debtor, Past Affiliate, present affiliate of any Debtor or Reorganized Debtor, or Predecessor in Interest, including (A) involvement in providing financing (debt or equity) or



advice to an Entity involved in such a transaction or (B) acquiring or selling a financial interest in any Entity as part of such transaction.

o. The Asbestos Personal Injury Futures Representative was appointed as part of the proceedings leading to issuance of the Asbestos Permanent Channeling Injunction for the purpose of protecting the rights of all persons, whether known or unknown, that might subsequently assert, directly or indirectly, against any Debtor an Asbestos Personal Injury Claim that is a Demand addressed in the Asbestos Permanent Channeling Injunction and transferred to the Asbestos Personal Injury Trust, regardless of the nature or theory of such Demand.

p. Identifying each Protected Party (by name or as part of identifiable group, as applicable) in the Asbestos Permanent Channeling Injunction is fair and equitable with respect to individuals that might subsequently assert Demands against each such Protected Party, in light of the benefits provided, or to be provided, to the Asbestos Personal Injury Trust by or on behalf of any such Protected Party.

q. The Plan and the Asbestos Personal Injury Trust (and related documents) comply with section 524(g) of the Bankruptcy Code in all respects.

r. The Plan and its Exhibits are a fair, equitable and reasonable resolution of the liability of the Debtors for the Asbestos Personal Injury Claims.

s. The Asbestos Personal Injury Futures Representative has adequately and completely fulfilled his duties, responsibilities and obligations as the representative for the individuals referred to in finding Section VIII.A.3.p. of the Plan in accordance with section 524(g) of the Bankruptcy Code.

t. Adequate and sufficient notice of the Plan and the Confirmation Hearing, as well as all deadlines for objecting to the Plan, has been given to (i) all known creditors and holders of Interests, (ii) parties that requested notice in accordance with Bankruptcy Rule 2002 (including the Asbestos Personal Injury Committee and the Asbestos Personal Injury Futures Representative), (iii) all parties to Unexpired Leases and Executory Contracts with the Debtors and (iv) all taxing authorities listed on the Debtors' Schedules or in the Debtors' Claims database, in each case, (A) in accordance with the solicitation procedures governing such service and (B) in substantial compliance with Bankruptcy Rules 2002(b), 3017 and 3020(b). Such transmittal and service were adequate and sufficient to bind, among other parties, any holder of an Asbestos Personal Injury Claim, and no other or further notice is or shall be required.

4. The Bankruptcy Court and the District Court, as required, shall have entered the Asbestos Permanent Channeling Injunction, which may be included in the Confirmation Order and which shall contain terms satisfactory to the Debtors.

## **2. Conditions to the Effective Date**

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

1. The Bankruptcy Court or the District Court shall have entered an order (contemplated to be part of the Confirmation Order) in form and substance satisfactory to the Debtors and International approving and authorizing the Debtors and the Reorganized Debtors to take all actions necessary or appropriate to effectuate, implement and consummate the Plan, including the execution, delivery and performance of contracts, instruments, releases and other agreements or documents created in connection with the Plan.

2. The Confirmation Order has been entered by the Bankruptcy Court or the District Court (and, if the Confirmation Order is entered by the Bankruptcy Court, has been fully affirmed by the District Court) and shall have become a Final Order.

3. The Confirmation Order and the Asbestos Permanent Channeling Injunction shall be in full force

and effect.

4. The Asbestos Personal Injury Trustees shall have been selected and shall have executed and delivered the Asbestos Personal Injury Trust Agreement.

5. Each of the Exhibits contemplated by the provisions of the Plan to be executed and delivered as of the Effective Date shall have been fully executed and delivered in form and substance acceptable to the Debtors and shall be fully enforceable in accordance with their terms.

6. The Motion to Dismiss shall have been withdrawn with prejudice, and the Asbestos Personal Injury Trust shall have agreed to direct certification of the Estimation Appeal to the Court of Appeals for the Third Circuit.

### **3. Waiver of Conditions to Confirmation or the Effective Date**

The conditions to Confirmation set forth in Section VIII.A of the Plan and the conditions to the Effective Date set forth in Section VIII.B of the Plan may be waived in whole or part in writing by the Debtors, subject to the consent of International, at any time without an order of the Bankruptcy Court or the District Court.

### **4. Effect of Nonoccurrence of Conditions to the Effective Date**

If each of the conditions to the Effective Date is not satisfied or duly waived in accordance with Section VIII.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 shall 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 are either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to Section VIII.D of the Plan, (1) the Plan shall be null and void in all respects, including with respect to the discharge of Claims; and (2) nothing contained in the Plan shall (a) constitute a waiver or release of any Claims by or against, or any Interest in, the Debtors or (b) prejudice in any manner the rights of the Debtors or any other party in interest.

## **H. Cramdown**

The Debtors will request entry of the Confirmation Order by the Bankruptcy Court under section 1129(b) of the Bankruptcy Code with respect to any impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors reserve the right to modify the Plan to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

If Classes 4a (SPHC Asbestos Personal Injury Claims) and 4b (Bondex Asbestos Personal Injury Claims) do not accept the Plan and the Debtors determine to proceed with cram down, the Plan will be amended to no longer seek relief under section 524(g) of the Bankruptcy Code, including the Asbestos Permanent Channeling Injunction. Instead, the Plan will include a standard discharge under section 1141(d) of the Bankruptcy Code, and a permanent injunction enjoining any further litigation, of all Asbestos Personal Injury Claims against SPHC and Bondex.

The Plan will also be modified to include the following permanent injunction extending the automatic stay and enjoining any Entity, other than the Asbestos Personal Injury Trust, from pursuing the International-Related Claims or any claims that are retained by the Reorganized Debtors in any forum:

"Except as provided in the Plan or the Confirmation Order, all Entities that have held, currently hold or may hold any claim or cause of action (x) that is retained by the Reorganized Debtors or transferred to the Asbestos Personal Injury Trust pursuant to the Plan or (y) in connection with, or arising from or relating in any way to the claims and causes of actions described in subclause (x), including any claims or causes of action seeking to hold any Entity derivatively liable for Asbestos Personal Injury Claims, shall be permanently enjoined from taking any of the following actions against any Entity or its property in respect of such claim or cause of action (or the Entity's

underlying claim on which the retained or transferred claim would be based): (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; and (d) asserting a right of subrogation of any kind against any debt, liability or obligation due to any Entity."

Further, the Plan will be modified to include as conditions to Confirmation and the Effective Date that (i) the Bankruptcy Court has found that any claims or causes of action seeking to hold any Entity derivatively liable for Asbestos Personal Injury Claims are property of the Debtors' Estates and (ii) the Bankruptcy Court entered an order containing the foregoing injunctions using terms satisfactory to the Debtors and such injunctions are in full force and effect.

It is also anticipated that, in order to provide further protection to the Debtors, in addition to the discharge under section 1141(d) of the Bankruptcy Code, the Plan will be modified to include one or more of the following transactions: (i) the dissolution of SPHC; (ii) the dissolution of Bondex; (iii) the transfer to International or one or more of its affiliates of the stock of any or all of SPHC's subsidiaries; (iv) the merger with International or one or more of its affiliates of any or all of SPHC's subsidiaries; or (v) the transfer to International or one or more of its affiliates of all or substantially all of the assets of any or all of SPHC's subsidiaries.

### III. HISTORY OF THE DEBTORS

#### A. Historical Overview

##### 1. Corporate History

Debtor SPHC was incorporated under the name Republic Powdered Metals, Inc. ("Republic Powdered Metals I") on May 26, 1947 in Ohio. On October 26, 1963, R.P.M., Inc. was incorporated in Ohio as a wholly owned subsidiary of SPHC. In March 1966, SPHC, pursuant to an asset purchase agreement dated February 11, 1966 (the "Reardon Asset Purchase Agreement"), acquired substantially all the assets and contractually assumed certain liabilities of The Reardon Company ("Reardon"), a Missouri corporation, including liability for products manufactured or sold by Reardon pre-transfer which caused bodily injury subsequent to the date of the Reardon Asset Purchase Agreement. Reardon manufactured a line of consumer home improvement products under the brand name "Bondex," including a powdered waterproof cement paint that never contained asbestos and an asbestos-containing joint compound. Reardon also produced a number of other asbestos-containing products that did not use the Bondex name.

Following the Reardon acquisition, Republic Powdered Metals I internally operated a "Republic Powdered Metals Division" and a "Reardon Company Division." Republic Powdered Metals I's original manufacturing, marketing and sales efforts continued under the Republic Powdered Metals Division. The Reardon Company Division continued to manufacture, market and sell a number of asbestos-containing products, including Bondex joint compound.

On November 9, 1971, Republic Powdered Metals I changed its name to RPM, Inc. Between November 1971 and May 1972, RPM, Inc. continued to manufacture and sell products, including asbestos-containing products, through both (1) the Republic Powdered Metals Division and (2) the Reardon Company Division. Also on November 9, 1971, the name of the entity R.P.M. Inc. (the corporation created in 1963) was changed to Republic Powdered Metals, Inc. ("Republic Powdered Metals II").

In May 1972, RPM, Inc. incorporated Bondex in Ohio as an independently operated and wholly-owned subsidiary of RPM, Inc. On May 31, 1972, Bondex acquired or assumed from RPM, Inc. the assets, property and liabilities of the Reardon Company Division of RPM, Inc. After Bondex's incorporation, Bondex took over the production of Reardon's basic product lines, including the production of its joint compound. On May 31, 1972, Republic Powdered Metals II acquired or assumed from RPM, Inc. the assets and liabilities of the Republic Powdered Metals Division of RPM, Inc. From and after that date, RPM, Inc. became a holding company. As a result of the 1972 transactions, RPM, Inc. (n/k/a SPHC) became a holding company with no operating assets. Bondex ceased selling asbestos-containing joint compound in 1977 and, by the early 1980s, asbestos content had

been eliminated from the entire Bondex product line.

Bondex ceased operations in 1999 and sold its assets to sister companies DAP Products, Inc. ("DAP") and Zinsser Co., Inc. ("Zinsser"), with the majority of the assets going to DAP. From and after that time, Bondex's sole activity was the litigation and settlement of asbestos-related claims. As of July 2000, Bondex had terminated all of its employees except for John A. Fleming.

On June 18, 2002, the RPM, Inc. Board of Directors approved a transaction and subsequently incorporated International in Delaware on July 29, 2002. On August 29, 2002, RPM, Inc. entered into an Agreement and Plan of Merger with International and RPM Merger Company (an Ohio corporation) wherein International became the parent holding company of RPM, Inc., and RPM, Inc. became an intermediate holding company.

Bondex was reincorporated in Delaware on January 1, 2010. SPHC remains an Ohio corporation. As of May 31, 2010, SPHC was the parent company of Bondex, as well as the direct parent of the eight domestic operating companies (the "Operating Subsidiaries") and the indirect parent of certain other domestic and foreign non-debtor subsidiaries.

## **2. Business Operations**

### **a. Bondex**

Bondex has been defunct since 1999 and has no operations or material assets. The officers of Bondex, as appointed by its Board of Directors, are: Stephen J. Knoop—Chief Executive Officer; Glenn R. Hasman—Assistant Secretary; Michael D. Tellor—Secretary; John Fleming—President and Treasurer; Tracy D. Crandall—Assistant Secretary. The Board of Directors of Bondex consists of the following directors: Stephen J. Knoop, Glenn R. Hasman and Michael D. Tellor.

### **b. SPHC**

SPHC is an intermediate holding company with no operations other than managing its subsidiaries. Its assets consist primarily of its direct ownership of the Operating Subsidiaries and its indirect ownership interests in certain other domestic and foreign non-debtor subsidiaries. The officers of SPHC, as appointed by its Board of Directors, are: Stephen J. Knoop—Chief Executive Officer; Glenn R. Hasman—Vice President, Treasurer and Secretary; Michael D. Tellor—President; and Tracy D. Crandall—Assistant Secretary. The Board of Directors of SPHC consists of the following directors: Stephen J. Knoop, Glenn R. Hasman and Michael D. Tellor.

The Operating Subsidiaries are manufacturers, distributors and sellers of various specialty chemical product lines, including exterior insulating finishing systems, powder coatings, fluorescent colorants and pigments, cleaning and protection products, fuel additives, wood treatments and coatings and sealants, in both the industrial and consumer markets. Their family of products includes those marketed under brand names such as CCI, Chemspec, Day-Glo, Dryvit, Guardian, Mogawk, Kop-Coat, TCI and Valvtect. During fiscal year 2012,<sup>1</sup> SPHC and its Operating Subsidiaries (the "SPHC Companies") generated consolidated revenues of approximately \$363 million and operating income of approximately \$39 million. During fiscal year 2011, the SPHC Companies generated consolidated revenues of \$336 million and operating income of \$32 million. During fiscal year 2010, the SPHC Companies generated consolidated revenues of \$320 million and operating income of \$27 million. A description of the Operating Subsidiaries is as follows:

Kop-Coat Inc.: Kop-Coat, Inc. ("Kop-Coat") is composed of three reporting segments: ValvTect, which is a supplier of fuel additives to fuel markets, truck stops, fleets, railroads and the marine industry, Kop-Coat Protection Products, which is a specialty manufacturer of wood protection chemical blends as well as pasture, crop, and forest protection chemical blends, and Kop-Coat Marine & Pool, which is a supplier of coatings for marine applications. Kop-Coat Protection Products sells to forest product manufacturers and distributors. Kop-Coat Marine & Pool sells

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<sup>1</sup> The Debtors' fiscal year runs from June 1 to May 31.

through West Marine (mass market retailer) and distributors that resell to boatyards and independent marine retailers. Annual revenue for the twelve months ended March 31, 2012 was approximately \$67.0 million.

Chemical Specialties Manufacturing Corp.: Chemical Specialties Manufacturing Corp. ("Chemspec") manufactures cleaning and protection products for a variety of commercial and consumer applications including upholstery cleaning, deodorization, smoke and fire restoration, rug care, stain removal, leather care, traffic lane cleaning, chewing gum removing, detergents, and hard floor products and protectants. Customer distribution focuses on three main segments: professional cleaning, healthcare, and education. Chemspec's annual revenue for the twelve months ended March 31, 2012 was approximately \$8.7 million.

Day-Glo Color Corp.: Day-Glo Color Corp. ("Day-Glo") manufactures a wide range of special effect colorants and conventional color pigment dispersions. Day-Glo supplies over 90% of the North American market for daylight fluorescent colorants. Day-Glo sells to individuals and color consuming industries including plastics, graphics, paints and coatings, dyes and textiles. Day-Glo's annual revenue for the twelve months ended March 31, 2012 was approximately \$50.3 million.

RPM Wood Finishes Group, Inc.: RPM Wood Finishes Group, Inc. ("WFG") is composed of three diverse operating units: Chemical Coatings, a producer of color and coating solutions for kitchen cabinets, wood furniture, molding, flooring and factory-finished architectural components, Mohawk Finishing Products, a producer of professional wood, leather and vinyl touch-up and repair products, and Westfield Coatings, a supplier of custom formulated-coatings for furniture, cabinets and other wood products. Customers include original equipment manufacturers ("OEMs"), distributors with the ability to reach smaller OEMs, furniture retailers, and kitchen cabinet manufacturers. Annual revenue for the twelve months ended March 31, 2012 was approximately \$91.2 million. In 2012, WFG acquired Finishworks, a supplier of industrial wood coatings to certain Amish communities and the geographical regions surrounding those communities.

Guardian Protection Products Inc.: Guardian Protection Products Inc. ("Guardian") is a manufacturer of furniture protection products and operates together with WFG, although WFG is a separate legal entity.

TCI, Inc.: TCI Inc. ("TCI") manufactures electrostatically applied powder coatings for commercial applications including store fixtures and displays, outdoor power equipment, automotive parts, fitness equipment, outdoor furniture, electrical equipment and office furniture. TCI sells to both OEMs, who directly manufacture products that require a product finish (70% of sales) and contract coaters who receive outsourced work from OEMs (30% of sales). TCI's annual revenue for the twelve months ended March 31, 2012 was approximately \$71.2 million.

Dryvit Holdings, Inc.: Dryvit Holdings Inc. is the holding company of Dryvit Systems Inc. ("Dryvit"), a manufacturer of Exterior Insulation and Finish Systems and Textured Acrylic Finish Systems for use in commercial and residential applications. The systems are highly energy efficient, lightweight engineered cladding systems with a vast array of finish options to suit any design consideration and is available in a number of system configurations to meet any climate or building condition. End users are generally plastering contractors. Dryvit brand products are sold to professional contractors through a nationwide network of exclusive distributors. Dryvit's annual revenue for the twelve months ended March 31, 2012 was approximately \$68.0 million.

RPM Holdco Corp.: RPM Holdco Corp. ("RPM Holdco") is an intermediate holding company in the International corporate structure, the primary purpose of which is to act as the holding company for International's foreign (non-US) business entities. SPHC, through three of the Operating Subsidiaries, owns an indirect minority interest in RPM Holdco totaling 21.4% of the common shares.

Prior to the Petition Date, International, the SPHC Companies' ultimate parent, provided a wide range of a corporate and administrative services to the SPHC Companies in exchange for a fee. These services included, among other things: information technology services; business development services; tax preparation and advice; travel agency services; credit card processing; environmental; health and safety services; property management; human resources services; lobbying services; finance; accounting and legal services; purchasing services; and capital expenditure consulting. International also contracted with various third party vendors to obtain various goods and services required by International's subsidiaries, including, among others: legal, finance, accounting and tax services

provided by outside professionals; certain environmental, health and safety fees; lobbying fees with respect to specific matters; the administration of pension and 401(k) plans; long term disability, medical, dental, life, vision and group liability insurance; equipment leasing; car leases and related expenses; and energy management services. International charged its subsidiaries for these third-party vendor services

After the Petition Date, on June 1, 2010, SPHC and International entered into an Administrative Services Agreement to memorialize the administrative services International would provide to the SPHC Companies following the Petition Date and the related payment obligations. The Bankruptcy Court entered an order on June 30, 2102, authorizing the Debtors to enter into the Administrative Services Agreement. Pursuant to the Plan, the Administrative Services Agreement will be rejected.

Also on June 1, 2010, SPHC and Kop-Coat entered into an employment arrangement (the "Employment Arrangement") that provided for Mr. Tellor, an employee of Kop-Coat, the president of SPHC, and director for each of SPHC and Bondex to devote 70 percent of his and two other accounting and administrative employees' working time to the SPHC Companies and allocate the costs pursuant to the terms of the Employment Arrangement. The Bankruptcy Court entered an order on June 30, 2102, authorizing the Debtors to enter into the Employment Arrangement.

The SPHC Companies currently participate in a group purchasing program operated by International. This program provides the SPHC Companies with several benefits, including the procurement of critical raw materials that can be difficult to source and the ability to purchase raw materials at discounts that are offered by suppliers to International primarily because of the size of International's purchasing program. These raw materials include resin compounds, corrugated packaging materials, and other critical inputs.

#### **B. General Overview of the Debtors' Manufacture and Sale of Joint Compound**

Bondex brand joint compound was the product that gave rise to the overwhelming majority of asbestos claims filed against the Debtors. In that regard, only about 1% of the Debtors' historical cases and 1% of their pending claims make any mention of products sold under private label agreements that did not bear the Bondex brand name.

The Debtors acquired their asbestos containing joint compound operations as a part of the Reardon acquisition in 1966. Most products manufactured and sold by the Debtors did not contain asbestos, and joint compound was a very small part of the Reardon product line. The Bondex name was used by Reardon for other products, including a waterproof cement paint (the original "Bondex" product) that accounted for a very large percent of the company's sales and never contained asbestos. Reardon was producing an asbestos-containing joint compound under the name "Bondex" by at least 1965.

The main manufacturing facility for the Bondex line of products was located in St. Louis, Missouri. There was also a smaller manufacturing facility in Toms River, New Jersey and a small warehouse in California. The St. Louis facility had fewer than forty employees from 1972 to 1976, and the New Jersey facility, with eight or nine employees, was about one quarter the size of the St. Louis plant.

During the time period that Bondex asbestos containing joint compound was manufactured and sold, asbestos fiber was acquired from a limited number of sources. T.H. Agriculture and Nutrition L.L.C. was one of the major suppliers. All of the asbestos fiber used in Bondex brand joint compound was of the chrysotile variety.

Neither Reardon nor the Debtors were large sellers of joint compound. Bondex branded joint compound was consumer oriented and sold primarily in small quantity containers in hardware stores for the do-it-yourself market. The majority was sold in five pound bags.

From 1950 to 1977, the estimated total net sales for the all products in the Reardon and Bondex product lines, including non-asbestos-containing products, ranged on an annual basis from a low of \$2 million to more than \$5 million, while the joint compound sales were just a fraction of that, ranging from \$330,000 to less than \$800,000 a year. A list of the asbestos-containing products sold by either SPHC, or Bondex is attached hereto as Exhibit V.

### **C. History of the Debtors' Asbestos Personal Injury Litigation**

The first mesothelioma case against Bondex was filed in 1980. SPHC received its first asbestos-related lawsuit in 1992. From 1980 until 1999, the Debtors were sued on less than 1,500 claims, of which less than 150 were mesothelioma claims, and paid, inclusive of insurance, a total of less than \$5 million on asbestos-related indemnity costs.

In the early 2000s, as the major suppliers and manufacturers of asbestos products sought bankruptcy protection, the volume of claims filed against the Debtors increased significantly. In 2000, the Debtors were named in only 11 mesothelioma cases, but by 2009 they were named in almost 1,100 mesothelioma cases a year. Almost half of all people annually diagnosed with mesothelioma were suing the Debtors. Since 2000, Bondex and/or SPHC have resolved approximately 27,000 asbestos-related personal injury claims at a total asbestos-related indemnity cost of approximately \$380 million. As of the Petition Date, Bondex and/or SPHC were defendants in approximately 15,000 pending asbestos-related lawsuits, approximately 2,700 of which were pending mesothelioma-related bodily injury lawsuits. The Debtors' historical payments in respect of asbestos personal injury claims based on alleged diseases other than mesothelioma represents a small fraction of the payments made with respect to mesothelioma claims.

As of the Petition Date, there were approximately \$55.78 million in asbestos-related personal injury claims against SPHC or Bondex or both that were in various stages of settlement. Based on a review of the applicable documentation, the Debtors have concluded that approximately \$29.9 million of those claims are mesothelioma claims and constitute Previously Settled/Adjudicated Asbestos Claims. The Debtors have further concluded that (i) Bondex has liability for all such Previously Settled/Adjudicated Asbestos Claims, and (ii) SPHC is a co-obligor with respect to approximately \$16.35 million of the claims. The Asbestos Personal Injury Committee and the Asbestos Personal Injury Futures Representative disagree and allege that SPHC and/or Bondex owe approximately \$52.7 million in Previously Settled/Adjudicated Asbestos Claims.

### **D. Insurance and Coverage Litigation**

Prior to 1985, RPM, Inc. purchased and obtained certain comprehensive general liability, umbrella and excess insurance policies through certain insurance companies. In February 1994, Bondex entered into a cost sharing agreement with five of its primary insurers due to increasing asbestos litigation. The agreement required that Bondex pay approximately 10-12% (while the insurance companies paid the remaining 88-90%) of any costs arising out of the defense and settlement of all asbestos related claims. This cost sharing agreement existed through 2002.

Until 2003, approximately 90 percent of the Debtors' asbestos liability was covered by insurance. In that year, however, certain of the Debtors' third-party insurers claimed exhaustion of coverage, and ceased making any payments. On July 3, 2003, RPM, Inc. (n/k/a SPHC), Bondex and non-debtor Republic Powdered Metals, Inc. filed suit in the district court for the Northern District of Ohio at Case No. 1:03CV1322 for declaratory judgment, breach of contract and bad faith against these third-party insurers, challenging their assertion that their policies covering asbestos-related claims had been exhausted. In November 2008, the district court for the Northern District of Ohio granted summary judgment in favor of the insurers. In 2011, The United States Court of Appeals for the Sixth Circuit affirmed the Ohio District Court's ruling. The parties did not appeal the Sixth Circuit Court of Appeals' ruling to the United States Supreme Court.

### **E. Determination to File Reorganization Cases**

During 2000 and in 2001, a substantial number of companies that were significant defendants in asbestos personal injury cases filed for bankruptcy. These companies included Armstrong World Industries, Inc., The Babcock & Wilcox Company, Federal-Mogul, GAF Corporation, Owens Corning, Pittsburgh Corning Corporation, W.R. Grace & Co. and USG Corporation. Following the bankruptcy filings of these defendant companies, the number of asbestos cases filed against the Debtors increased significantly, as did the Debtors' asbestos-related costs. In fact, in the years prior to the Petition Date, settlement demands significantly escalated and the Debtors incurred asbestos costs in the range of approximately \$60 million to \$82 million per year from fiscal years 2005 through

2009. The increasing cost of managing and resolving the Debtors' asbestos-related litigation led the Debtors to conclude that the filing of the Reorganization Cases was necessary.

#### **IV. EVENTS DURING REORGANIZATION CASES**

##### **A. Commencement of Reorganization Cases**

On May 31, 2010 each of the Debtors commenced a reorganization case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court with the goal of confirming and consummating a plan of reorganization that establishes a trust pursuant to section 524(g) of the Bankruptcy Code that fairly compensates claimants with legitimate asbestos claims against the Debtors. The Reorganization Cases are being jointly administered as In re Speciality Products Holding Corp., Case No. 10-11780 (PJW). The Operating Subsidiaries are not debtors in the Reorganization Cases.

The Reorganization Cases were assigned to Chief U.S. Bankruptcy Judge Judith K. Fitzgerald of the United States Bankruptcy Court for the Western District of Pennsylvania, sitting by designation in Delaware. On June 5, 2013, the Reorganization Cases were reassigned to the Honorable Peter J. Walsh following Judge Fitzgerald's retirement.

##### **B. First Day Relief**

On the Petition Date, the Debtors Filed a number of motions seeking typical "first-day" relief in chapter 11 cases, as well as a declaration in support thereof. The purpose of these motions was to establish procedures for the smooth and efficient administration of these cases. In particular, the "first day" motions sought authority to:

(a) administer the Reorganization Cases jointly for procedural purposes; (b) appoint a claims and noticing agent; (c) (i) file a consolidated list of creditors, (ii) file a consolidated list of the thirty asbestos plaintiffs' firms with the largest scope or number of asbestos cases, and (iii) establish notice procedures for asbestos claimants; (d) continue use of the existing cash management system and bank accounts and waive the requirements of section 345 of the Bankruptcy Code; and (e) obtain debtor in possession financing. The relief sought in each of the motions was granted by the Bankruptcy Court.

Pursuant to an order entered on July 1, 2010 [D.I. 156], the Bankruptcy Court authorized the Debtors, on a final basis, to enter into a postpetition revolving credit facility, governed by a postpetition credit agreement dated as of June 2, 2010 (as amended, the "Credit Agreement"), between certain of the Debtors' non-debtor subsidiaries, as borrowers, the Debtors, as guarantors, the lenders from time to time party thereto and Wells Fargo Capital Finance, LLC, as successor by merger to Wachovia Capital Finance Corporation (New England), as the agent. The Credit Agreement provided for a secured revolving line of credit in the principal amount of \$40,000,000 that was due to mature on June 2, 2013. The Credit Agreement has since been amended to, among other things, extend the maturity date until June 2, 2016. That amendment was approved by order of the Bankruptcy Court [D.I. 3854] on May 20, 2013.

##### **C. Appointment of the Official Committee of Asbestos Personal Injury Claimants and Legal Representative**

On or about June 10, 2010, the United States Trustee appointed the Asbestos Personal Injury Committee pursuant to section 1102 of the Bankruptcy Code. [See D.I. 75]. The Asbestos Personal Injury Committee was reconstituted by the U.S. Trustee on October 18, 2010 [D.I. 457], and again on December 14, 2010 [D.I. 666]. In addition, by order dated October 18, 2010, the Bankruptcy Court approved the appointment of Professor Eric D. Green as the Asbestos Personal Injury Future Representative. The current membership of the Asbestos Personal Injury Committee and the professional advisors to the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative are as follows:



**1. ASBESTOS PERSONAL INJURY COMMITTEE**

**Asbestos Personal Injury  
Committee Members:**

The Ferraro Law Firm, P.A.,  
on behalf of Myron Butler

Robert B. Paul, Esq., Paul Reicht & Myers, P.C.,  
on behalf of Deborah Papaneri as representative for the  
Estate of Charles Papaneri

Mark C. Meyer, Esq., Goldberg, Persky & White, P.C.,  
on behalf of James L. Mongolluzzo

Jeffrey B. Simon, Esq., Simon Eddins & Greenstone, LLP,  
on behalf of Roy Leggett

Ethan Early, Esq., Early & Straus, LLC,  
on behalf of Antonietta DiMeglio

Thomas M. Wilson, Esq., Kelly & Ferraro LLP,  
on behalf of Lloyd H. Lohr

Waters & Kraus, LLP,  
on behalf of David A. Kalil

John Barry Julian, Esq., Gori Julian & Assoc., P.C.,  
on behalf of Victor Dillbeck

Robert W. Phillips, Esq., Simmons Browder, et al.,  
on behalf of Charles A. Wilson

John D. Cooney, Esq., Cooney & Conway,  
on behalf of Zdenek Machalka

Brian T. Fitzpatrick, Esq., Belluck & Fox, LLP,  
on behalf of David Eggers as representative for the  
Estate of Jane Young

**Counsel:**

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Montgomery, McCracken, Walker & Rhoads, LLP  
Mark B. Sheppard, Esq. and Peter Breslauer, Esq.  
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**Conflicts Counsel:**

Motley Rice, LLC  
Nathan D. Finch  
1000 Potomac St., NW, Suite 150  
Washington DC, 20007

**Financial Advisors:**

Charter Oak Financial Consultants, LLC  
James P. Sinclair  
430 Center Ave.  
Mamaroneck, NY 10543

**Asbestos Related Personal  
Injury Consultant:**

Legal Analysis Systems, Inc.  
Mark A. Peterson  
970 Calle Arroyo  
Thousand Oaks, CA 91360

## 2. ASBESTOS PERSONAL INJURY FUTURE CLAIMANTS' REPRESENTATIVE

### Asbestos Personal Injury Futures Representative:

Professor Eric D. Green  
Resolutions, LLC  
222 Berkeley Street, Suite 1060  
Boston, MA 02116

### Financial Advisor:

FTI Consulting, Inc.  
Richard Braun  
Conor Tully  
Three Times Square, 11th Floor  
New York, NY 10036

### Counsel:

Young, Conaway, Stargatt & Taylor, LLP  
James L. Patton, Esq.  
Edwin J. Harron, Esq.  
Sharon M. Zieg, Esq.  
Rodney Square  
1000 North King Street  
Wilmington, DE 19801

### Claims Evaluation Consultants:

Analysis Research Planning Corporation  
Thomas Vasquez  
1220 19th Street, NW, Suite 700  
Washington, DC 20036

### **D. Injunction Enjoining Parties from Pursuing Derivative Claims Against Non-Debtor Affiliates**

On the Petition Date, the Debtors Filed a complaint [Adv. Docket No. 1]<sup>2</sup> and a motion [Adv. Docket No. 2] (together, the "105 Motion") for injunctive relief extending and applying the automatic stay to certain non-debtor affiliates, including International. Specifically, the 105 Motion requested an order prohibiting and enjoining current and potential claimants from filing or continuing to prosecute derivative claims against International and its non-debtor affiliates. On June 4, 2010, the Court entered a temporary restraining order [Adv. Docket No. 13] granting the requested relief for 14 days. Following a hearing on the 105 Motion on June 15, 2010, the Debtors and Asbestos Personal Injury Committee agreed to an order granting a preliminary injunction for 60 days [Adv. Docket No. 19]. The parties later amended the agreed order [Adv. Docket No. 47], extending the injunction indefinitely, subject to later challenge by the Asbestos Personal Injury Committee.

In November of 2011, the Bankruptcy Court entered an order closing the adversary proceeding [Adv. Docket No. 83]. The order provided that the adversary proceeding would be reopened upon the filing of a motion by the Debtors, the Asbestos Personal Injury Committee or the Asbestos Personal Injury Future Representative, with any filing fees waived. On May 14, 2012, the Asbestos Personal Injury Committee filed a motion seeking to reopen the adversary proceeding and dissolve the injunction [Adv. Docket No. 85] (the "Motion to Dissolve"). The Debtors and International objected to the Motion to Dissolve [Adv. Docket Nos. 88 and 89], and, at a hearing held on March 4, 2013, the Court denied the Motion to Dissolve without prejudice.

### **E. Tax Cooperation Agreement**

On August 9, 2010, the Debtors Filed a motion for an order authoring them to enter into a tax cooperation agreement among SPHC, its affiliated debtor and nondebtor domestic subsidiaries (collectively, the "SPHC Subgroup") and International [D.I. 297]. The tax cooperation agreement, which had an effective date of June 1, 2010, addresses, among other things, (i) the allocation among the parties of the tax liability attributable to the group of corporations affiliated with International within the meaning of section 1504(a) of the IRC (collectively, the "International Group"), (ii) the payment to International of the SPHC Subgroup's share of the International Group's taxes, (iii) the compensation of the SPHC Subgroup for the use of their tax attributes by the International Group and (iv) the procedures that will govern the parties' rights and responsibilities with respect to tax matters. On

<sup>2</sup> The adversary proceeding is styled Specialty Products Holding Corp. v. Antonelli, et al., Adv. Pro. No. 10-51085 (Bankr. D. Del.).

September 20, 2010, the Bankruptcy Court entered an order authorizing the Debtors to enter into the tax cooperation agreement [D.I. 393].

#### **F. The Debtors' Requests for Information Under Rule 2004**

In October and November of 2010, the Debtors Filed four separate motions seeking discovery of information pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure, which allows examinations related to the liabilities and financial condition of the debtor, among other things (collectively, the "Discovery Motions"). By the Discovery Motions, the Debtors sought information that the Debtors' claims estimation expert needed to prepare an estimation of the Debtors' asbestos liability in the most accurate manner.

Specifically, the Debtors Filed separate motions (i) seeking information from all asbestos personal injury claimants in the form of a personal injury questionnaire [D.I. 436] ("PIQ Motion"); (ii) seeking production of certain information from certain claims-processing facilities for certain asbestos personal injury trusts [D.I. 437] (the "Trust Discovery Motion"); (iii) seeking production of historic claims databases of certain former asbestos defendants by certain asbestos personal injury trusts [D.I. 559] (the "Historic Claims Databases Motion"); and (iv) seeking production of certain information and documents relating to recoveries on mesothelioma claims from certain law firms that have, since 1995, filed, or had a financial interest in, lawsuits against either of the Debtors asserting claims for asbestos personal injuries on behalf of clients [D.I. 558] (the "Law Firm Motion").

Pursuant to the PIQ Motion, the Debtors sought authorization from the Bankruptcy Court to disseminate to all asbestos personal injury claimants with lawsuits pending against one or more of the Debtors a proposed questionnaire seeking certain basic information regarding the claimants' asbestos claims. The Debtors included with the PIQ Motion a form questionnaire. Various parties filed objections, and the Debtors filed responses and other pleadings in support of the PIQ Motion. During negotiations to resolve the objections, the Debtors agreed to make a number of modifications to their requests in an effort to reach agreement with the objecting parties. Among other things, the Debtors agreed to limit the questionnaire to holders of mesothelioma claims only. Notwithstanding multiple concessions made by the Debtors, the objectors continued to oppose the Debtors request for, among other things, information regarding (a) the amount of payments current mesothelioma claimants received from codefendants of the Debtors and other third parties and (b) the amount of payments current mesothelioma claimants received from asbestos trusts (collectively, the "Payment Amount Data"). Following several hearings before the Bankruptcy Court regarding the PIQ Motion, the Bankruptcy Court ultimately denied the Debtors' request to require the mesothelioma claimants to provide the Payment Amount Data but otherwise approved the proposed questionnaire, as modified by agreement among the parties. On July 20, 2011, the Court entered the PIQ Order, which reflected these rulings. Following a series of orders entered by the Bankruptcy Court compelling compliance with the PIQ Order, approximately 2,800 personal injury questionnaires were submitted by mesothelioma claimants.

With respect to the Trust Discovery Motion, various parties filed objections and other pleadings in opposition, and the Debtors filed responses and other pleadings in support of the Trust Discovery Motion. The Debtors offered to modify their requests for information from the trusts in a variety of ways in order to reach agreement with the objectors. They offered to limit their requests to certain categories of data with respect to each of the approximately 6,000 mesothelioma claimants with resolved claims against one or both of the Debtors. To address the Trusts' purported concerns regarding the alleged confidentiality of this claimant-specific information, the Debtors also offered to agree to an anonymity protocol on terms substantially similar to those contained in the protocol negotiated by the unsecured creditors' committee, the asbestos claimants' committee and the future claimants' representative, and later approved by the court in the Motors Liquidation Company chapter 11 case. The Debtors alternatively offered to seek a single tabulation of data from each trust rather than claimant-specific data. None of the Debtors' proposals was acceptable to the objectors and no substantive counterproposals were ever made by any trust. The Bankruptcy Court entered an order on August 3, 2011 denying the Trust Discovery Motion without prejudice [D.I. 1546].

Pursuant to the Historic Claims Databases Motion, the Debtors sought production of historic claims databases of certain former asbestos defendants (collectively, the "Reorganized Codefendants") by certain trusts. The Debtors sought the claims databases to permit the experts to quantify how much of the historical settlement payments were attributable to the Reorganized Codefendants prior to their chapter 11 bankruptcy filings, and the extent to which the Debtors' future asbestos liability will be reduced by the recommencement of payments on behalf

of the Reorganized Codefendants by the trusts that now "stand in their shoes." Various parties filed objections and other pleadings in opposition, and the Debtors filed a consolidated reply and a statement in support of the Historic Claims Database Motion. After filing the Historic Claims Database Motion and at the direction of the Bankruptcy Court, the Debtors explored other options for obtaining access to the claims databases. Beginning in January 2011, the Debtors attempted to discover on an informal basis the extent to which the claims databases may already be in the possession of (i) Legal Analysis Systems, Inc., the expert for the Asbestos Personal Injury Committee, (ii) Analysis Research Planning Corporation, the expert for the Asbestos Personal Injury Futures Representative and (iii) Bates White LLC, the Debtors' expert, as well as a description of any applicable restrictions on their use. Based on the responses ultimately provided by all three experts, it was clear that the experts together have all or virtually all of the historic claims databases, but that the use of the information is generally subject to restrictions. The Bankruptcy Court entered an order on August 3, 2011 denying the Historic Claims Databases Motion without prejudice [D.I. 1547].

With respect to the Law Firm Motion, various parties filed objections and other pleadings in opposition, and the Debtors filed responses and other pleadings in support of the Law Firm Motion. On October 7, 2011, the Bankruptcy Court issued a memorandum opinion and order denying the Law Firm Motion [D.I. 1737].

On August 17, 2011, the Debtors appealed [D.I. 1574, 1575 & 1576] the orders with respect to the PIQ Motion, Trust Discovery Motion and Historic Claims Database Motion (collectively, the "Discovery Orders") and filed a consolidated motion for leave to appeal [D.I. 1577]. On that same day, the Debtors also filed a motion for reconsideration of the Discovery Orders, or, in the alternative, to certify the Discovery Orders for an immediate appeal to the United States Court of Appeals for the Third Circuit [D.I. 1573] (the "Motion for Reconsideration or Certification"). The Asbestos Personal Injury Committee and Asbestos Personal Injury Future Representative objected to the Motion for Reconsideration or Certification, and, on October 4, 2011, the Bankruptcy Court entered an order denying the motion [D.I. 1737]. Subsequently, at the request of the Debtors, the appeals were dismissed pursuant to an order of the Court [D.I. 1768].

#### **G. Discovery Regarding the 2002 Reorganization and other Subjects**

As further described above, in 2002 SPHC undertook a corporate reorganization (the "2002 Reorganization"), which resulted in International, an entity formed at that time, becoming the ultimate parent company in place of SPHC. In June 2010, the Asbestos Personal Injury Committee served the Debtors with various discovery requests seeking information regarding the 2002 Reorganization, other transactions, and other matters. The Debtors began producing the requested information in July and September 2010. All told, in response to the Asbestos Personal Injury Committee's initial discovery requests, the Debtors produced over 50,000 pages of documents in eight separate productions that were completed in early February 2011. In late 2011, the Debtors produced additional documents in response to subsequent discovery requests by the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative.

In addition, pursuant to an Agreed Order (i) Authorizing Disclosure of Attorney-Client Privileged and/or Work Product-Protected Documents and (ii) Determining that the Applicable Privileges or Protections Will Not be Waived by Disclosure entered by the Court on April 23, 2012 [D.I. 2342], the Debtors, without waiving any applicable privileges or protections, provided to the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative attorney-client privileged and/or work product-protected documents related to the 2002 Reorganization.

#### **H. Bar Dates**

On July 19, 2010, the Debtors filed their Schedules, identifying the assets and liabilities of their Estates. On September 26, 2013, the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative filed a joint motion seeking, among other things, a bar date for claims other than Asbestos Personal Injury Claims against SPHC only, which motion was subsequently amended on October 15, 2013 [D.I. 4141, 4195] (as amended, the "Claimants' Bar Date Motion"). The Debtors filed an objection to the Claimants' Bar Date Motion and a cross motion seeking a bar date for Asbestos Personal Injury Claims and a bar date for Claims against Bondex [D.I. 4196]. On November \_\_, 2013, the Bankruptcy Court entered an order [D.I. \_\_\_\_] establishing the following Bar Dates for the filing of proofs of Claim in the Reorganization Cases: (i) February \_\_, 2014, as the general Bar

Date for the filing of proofs of Claim (including Asbestos Personal Injury Claims); (ii) the later of (a) the general Bar Date and (b) 30 days after the date of an order rejecting an Executory Contract or Unexpired Lease as the general Bar Date for claims arising out of the rejection of Executory Contracts or Unexpired Leases relating to such Executory Contracts or Unexpired Leases ; and (iii) 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 a claimant as the Bar Date for such claimant to file a proof of Claim in respect of the amended scheduled Claim.

#### **I. The Debtors' Exclusive Right to File and Seek Confirmation of a Plan**

The Debtors sought and obtained three unopposed extensions of the periods during which they could propose and solicit acceptances of a chapter 11 plan beyond the initial 120-day and 180-day periods for plan proposal and solicitation set forth in section 1121 of the Bankruptcy Code. The Bankruptcy Court extended the exclusive period during which the Debtors could propose a plan of reorganization through November 11, 2012, and extended the solicitation period for acceptances of such a plan through January 30, 2012. Following the expiration of the Debtors' exclusivity period, the Asbestos Personal Injury Committee and Asbestos Personal Injury Future Representative filed a joint plan of reorganization, which has subsequently been amended [D.I. 2388].

#### **J. Preference Adversary**

On May 31, 2012, the Debtors commenced adversary case number 12-50755 (PJW) by filing a complaint to avoid certain preferential transfers totaling \$43,725,300.00 to asbestos personal injury claimants (the "Preference Adversary"). After commencing the Preference Adversary, the Debtors obtained an order from the Bankruptcy Court extending the time to serve the defendants identified in the complaint until 90 days after an order confirming a plan of reorganization.

#### **K. Mediation of the Reorganization Cases**

In November 2011, the Debtors, the Asbestos Personal Injury Committee, the Asbestos Personal Injury Future Representative and International agreed to mediate the Reorganization Cases before retired judge Daniel Weinstein of JAMS. The parties attended mediation sessions with Judge Weinstein on February 12, 2012 in New York, New York and on November 6, 2012 in San Francisco, California. The mediation sessions did not result in an agreement among the parties.

#### **L. Estimation Decision and Appeal**

On November 2, 2011, the Court entered a Modified Case Management Order for Estimation of Debtors' Asbestos Personal Injury Liability [D.I. 1793] (the "Estimation CMO") that set forth a schedule and process for estimating the Debtors' liability for current and future asbestos claims.

Pursuant to the time line set forth in the Estimation CMO, the parties engaged in fact and expert discovery. Thereafter, in accordance with the Estimation CMO, they filed a number of pre-trial motions [D.I. 3239, 3240, 3241, 3242, 3243, 3244, 3245, 3246, 3247, 3248, 3249, 3251, 3252, 3253, 3260, 3261, 3262, 3263, 3274]. At a hearing on December 17, 2012, the Court denied each of the pre-trial motions without prejudice.

The Bankruptcy Court conducted a hearing to estimate the Debtors' asbestos liability from January 7, 2013 through January 11, 2013 (the "Estimation Trial"). The Estimation Trial involved the testimony of three fact and twelve expert witnesses, designations of several other fact witnesses, and the submission of hundreds of evidentiary and demonstrative exhibits encompassing thousands of pages. In addition to the presentations and submissions during the Estimation Trial, each of the Debtors, International, the Asbestos Personal Injury Committee, and the Asbestos Personal Injury Future Representative submitted briefs in addition to proposed findings of fact and conclusions of law addressing the factual and legal matters that were raised during the Estimation Trial. The Bankruptcy Court heard closing arguments on March 4, 2013. On May 20, 2013, the Bankruptcy Court issued the Order Determining Estimated Amount of Debtors' Asbestos Liabilities [D.I. 3853] and related Memorandum Opinion in support of the order [D.I. 3852] (together, the "Estimation Decision"), in which it adopted the \$1.1 billion estimation proffered by the Asbestos Personal Injury Future Representative's estimation expert, Dr. Thomas

Vasquez, and rejected the estimation proffered by the Debtors' expert, Dr. Charles Mullin, who opined that the appropriate estimation was instead less than a third of Dr. Vasquez's amount. Although the Bankruptcy Court also did not adopt the estimation of tort system settlement payments proffered by the Official Committee of Asbestos Claimants' expert, Dr. Mark Peterson, it noted that his conclusions provided support for Dr. Vasquez's estimation and that the two experts' ranges of estimates overlapped.

The Debtors believe the Estimation Decision is wrong as a matter of law because, among other things, rather than estimating the Debtors' liability for present and future asbestos claims, the Bankruptcy Court estimated the amount of settlement payments the Debtors could be expected to make had they remained in the tort system and not filed for bankruptcy. Based on that approach, the Bankruptcy Court disregarded uncontroverted evidence that the Debtors (i) settled asbestos cases for reasons in addition to liability or verdict risk, reasons that substantially affected settlement values and (ii) entered into group settlement agreements the amounts of which had nothing to do with the merits of the claims. More fundamentally, by basing its estimation solely on the Debtors' settlement history, the Bankruptcy Court treated the merits of the asbestos claims as irrelevant. It is the Debtors' view that these and other serious errors caused the Bankruptcy Court to overestimate the Debtors' liability by hundreds of millions of dollars.

The Debtors and International each timely filed notices of appeal of the Estimation Decision. On June 18, 2013, the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative filed a motion in the District Court to dismiss the appeals as interlocutory. The motion to dismiss and each of the appeals have been consolidated for procedural purposes only at Civil Action No. 13-cv-01244-SLR. The Debtors and International each filed a motion to certify the Estimation Decision for direct review by the Third Circuit Court of Appeals [D.I. 3912 and 3970]. The Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative have indicated that, if their motion to dismiss the appeals is denied, they will consent to certification of the Estimation Decision to the Third Circuit. The motion to dismiss and the certification motions remain pending in the District Court. The Estimation Decision may ultimately be affirmed, reversed or remanded.

On June 18, 2013, the Debtors filed a motion for stay pending appeal of the Estimation Decision in the Bankruptcy Court, which motion was supported by International [D.I. 3911 and 3971] but opposed by the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative. On August 20, 2013, the Bankruptcy Court entered an order denying the motion [D.I. 4074].

**M. Motion of the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative for Standing to Pursue Certain Estate Claims**

On November 11, 2011, the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative filed a motion for standing to prosecute certain claims on behalf of the Debtors' estates [D.I. 1799] (the "Standing Motion"), which included a draft complaint filed under seal.<sup>3</sup> The claims asserted in the complaint primarily related to the 2002 Reorganization and included claims for (i) fraudulent transfer, (ii) breach of fiduciary duty and aiding and abetting a breach of fiduciary duty, (iii) illegal dividends, (iv) unjust enrichment and (v) alter ego. The draft complaint named numerous potential defendants, including International, Calfee, Halter & Griswold, corporate counsel for International, and 27 current and former officers and directors of International and SPHC. The Debtors and International filed objections to the Standing Motion [D.I. 1880 and 1881].

After the filing of the Standing Motion, the Debtors offered to obtain tolling agreements for the named potential defendants and for other parties identified by the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative. Ultimately, tolling agreements were received from all the potential defendants and other parties, and, at the Court's direction, on March 27, 2012 the Debtors filed a notice [D.I. 2246] attaching executed copies of the tolling agreements. Based on the provision of these tolling agreements, the Bankruptcy Court continued the Standing Motion. Because certain of the tolling agreements were effective for only one year, through May 31, 2013, but subject to renewal thereafter, the Bankruptcy Court set a status conference on

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<sup>3</sup> This draft complaint was subsequently amended three times, most recently on November 4, 2013. See D.I. 4281.

the Standing Motion for February 25, 2013, the primary purpose of which was to determine whether the one-year tolling agreements would be extended. At that status conference, the Debtors advised the Bankruptcy Court that all parties with time-limited tolling agreements had agreed to extend them, and these tolling agreements were subsequently extended through May 31, 2014. On April 30, 2013, the Debtors filed copies of the amended tolling agreements with the Bankruptcy Court. See D.I. 3748. The tolling agreements for the other parties are effective until 90 days after the occurrence of certain specified events. On April 19, 2012, the Bankruptcy Court entered an order [D.I. 2336] further continuing the Standing Motion, but subject to the right of the Asbestos Personal Injury Committee and the Asbestos Personal Injury Future Representative to set the Standing Motion for another hearing at any time.

On November 4, 2013, the Asbestos Personal Injury Committee and Asbestos Personal Injury Future Representative filed a renewed motion for standing to prosecute certain claims on behalf of SPHC's estate [D.I. 4281] (the "Renewed Standing Motion"), which included a revised draft complaint filed under seal. The revised complaint differed in several respects from the prior draft complaints, including that it (i) did not include any cause of action on behalf of the Bondex estate; (ii) eliminated several defendants that were named in prior draft complaints; and (iii) asserted no alter ego claim. The Debtors and International each filed a limited objection to the Renewed Standing Motion. At a hearing held on November 13, 2013, the Bankruptcy Court granted the Renewed Standing Motion, and an order was subsequently entered to that effect.

## **V. RISK FACTORS**

Prior to voting on the Plan, entities in voting Classes, as well as entities in non-voting Classes, should consider carefully the risk factors described below, as well as all of the information contained in this Disclosure Statement, including the Exhibits hereto. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation. See Article IX for a discussion of tax law considerations.

### **A. Plan Confirmation in the Bankruptcy Court**

There is no guarantee that the Plan will be confirmed. If the Plan, or a substantially similar plan, is not confirmed, the Debtors will remain in chapter 11, the amount of the Debtors' present and future asbestos personal injury liabilities will be unresolved and the terms and timing of any plan of reorganization ultimately confirmed in the Reorganization Cases and the treatment of Claims and Interest will be unknown..

### **B. The Effective Date May Not Occur**

The Plan provides that there are several conditions precedent to the occurrence of the Effective Date. There is no guarantee as to the timing of the Effective Date. Additionally, if the conditions precedent to the Effective Date are not satisfied or waived, the Bankruptcy Court may vacate the Confirmation Order. In that event, the Plan would be deemed null and void and the Debtors may propose or solicit votes on an alternative plan of reorganization that may not be as favorable to parties in interest as the Plan.

### **C. The Timing and Amounts of Payments Under the SPHC Payment Note and the Bondex Payment Note Are Uncertain**

The timing and amounts of payments, if any, under the SPHC Payment Note and the Bondex Payment Note, other than the initial nonrefundable payments, are not currently known and will not be determined until certain litigations, including the SPHC Estimation, the Bondex Estimation, the SPHC Valuation, the SPHC International-Related Claims Amount and the Bondex International-Related Claims Amount, are concluded by final order or settlement. Accordingly, the actual recoveries on SPHC Asbestos Personal Injury Claims and Bondex Asbestos Personal Injury Claims are unknown and uncertain.

**D. Recoveries on SPHC General Unsecured Claims and Bondex General Unsecured Claims Are Uncertain**

Under the Plan, the total amount of distributions to be made to a holder of an Allowed SPHC General Unsecured Claim or an Allowed Bondex General Unsecured Claim is tied to recoveries on SPHC Asbestos Personal Injury Claims and Bondex Asbestos Personal Injury Claims. Because recoveries on SPHC Asbestos Personal Injury Claims and Bondex Asbestos Personal Injury Claims are unknown and uncertain, recoveries to SPHC General Unsecured Claims and Bondex General Unsecured Claims are also unknown and uncertain.

**E. Recoveries on Asbestos Personal Injury Claims Are Subject To Risks Associated With the SPHC Payment Note and the Bondex Payment Note and With the Businesses of the Obligors Thereunder**

The SPHC Payment Note and the Bondex Payment Note are subject to the following risks:

1. SPHC and International are both holding companies and depend on cash from their respective subsidiaries to pay their debts. If International does not receive cash distributions, dividends or other payments from its subsidiaries, it may not be able to make cash payments on the SPHC Payment Note or the Bondex Payment Note. If Reorganized SPHC does not receive cash distributions, dividends or other payments from its subsidiaries, it may not be able to make cash payments on the SPHC Payment Note.

2. Bondex currently has no operations and may not be able to make cash payments on the Bondex Payment Note.

3. The voting stock of Reorganized SPHC pledged to secure the obligations under the SPHC Payment Note may not be valuable enough to satisfy those obligations, and the voting stock of Reorganized Bondex pledged to secure the obligations under the Bondex Payment Note may not be valuable enough to satisfy those obligations.

4. The SPHC Payment Note may be transferred by the Asbestos Personal Injury Trust only with the consent of Reorganized SPHC and International, and the Bondex Payment Note may be transferred by the Asbestos Personal Injury Trust only with the consent of Reorganized Bondex and International. There is no established trading market for the SPHC Payment Note or the Bondex Payment Note, which means there are uncertainties regarding the price or terms on which the Asbestos Personal Injury Trust could dispose of the notes even with the required consents.

5. The SPHC Payment Note and the Bondex Payment Note will each provide that any shares of International's common stock delivered as payment thereon may bear any legend determined to be required under federal or state securities laws.

The businesses of the obligors on the SPHC Payment Note and the Bondex Payment Note are subject to the following risks:

1. The operations of International and SPHC may be adversely affected by global market and economic conditions.

2. Global economic and capital market conditions may cause access to capital to be more difficult and/or costs to secure such capital to be more expensive in the future.

3. Volatility in the equity markets or interest rates could substantially increase pension costs and required pension contributions.

4. The results of annual testing of goodwill and other intangible assets could require that International incur non-cash impairment charges.



5. International's indebtedness could have a material adverse impact on its business and the business of SPHC.

6. Fluctuations in the supply and prices of raw materials may negatively impact the financial results of International and SPHC.

7. The markets in which International and SPHC operate are highly competitive and some of their competitors are much larger than they are and have greater financial resources than they do.

8. International and SPHC depend on a number of large customers for a significant portion of their net sales and, accordingly, significant declines in the level of purchases by any of these key customers could harm their businesses.

9. Many customers of International and SPHC operate in cyclical industries, and downward economic cycles could have a material adverse effect on their businesses.

10. A loss in the actual or perceived value of the brands of International and SPHC could limit or reduce the demand for their products.

11. The businesses and financial condition of International and SPHC could be adversely affected if they are unable to protect their material trademarks and other proprietary information.

12. The chemical and construction products industries in which International and SPHC operate expose them to inherent risks of legal and warranty claims and other litigation-related costs, which could adversely impact their businesses.

13. Compliance with environmental laws and regulations could subject International and SPHC to unforeseen future expenditures or liabilities, which could have a material adverse impact on their businesses.

14. The businesses of International and SPHC are subject to extensive environmental and safety laws and regulations that may restrict or adversely impact their ability to conduct their businesses.

15. If efforts of International and SPHC in acquiring and integrating other companies or product lines or establishing joint ventures fail, their businesses may not grow.

16. International and SPHC derive a significant amount of their revenues from foreign markets, which subject them to additional business risks that could adversely affect their results of operations.

17. International and SPHC could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

18. The operations of International and SPHC are subject to the effect of global tax law changes, some of which have been, and may be in the future, retroactive in application.

19. International and SPHC could be adversely affected by failure to comply with federal, state and local government procurement regulations and requirements.

20. Terrorist activities and other acts of violence or war, natural disasters and other disruptions have negatively impacted in the past and could negatively impact in the future the countries and industries in which International and SPHC compete, the financial markets through which they access capital and their operations and profitability.

21. The insurance maintained by International and SPHC may not cover every potential risk associated with their operations.

22. Adverse weather conditions may reduce the demand for some of the products offered by International and SPHC and could have a negative effect on their sales.

Additional information regarding these and other relevant risks is contained in International's Annual Report on Form 10-K for the fiscal year ended May 31, 2013, which is available on International's Internet website at [www.rpminc.com](http://www.rpminc.com) or may be found on the Internet website of the SEC at [www.sec.gov](http://www.sec.gov).

## **VI. REORGANIZED DEBTORS**

### **A. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors**

Except as otherwise provided in the Plan (and subject to any Restructuring Transactions as discussed below), each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate corporate Entity, with all the powers of a corporation under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable state law. Except as otherwise provided in the Plan (and subject to any Restructuring Transactions as discussed below), as of the Effective Date, all property of the respective Estates of the Debtors, and any property acquired by a Debtor or Reorganized Debtor under the Plan, will vest in the applicable Reorganized Debtor, free and clear of all Claims, Encumbrances and Interests. On and after the Effective Date, each Reorganized Debtor may operate its businesses and may use, acquire and dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges that it incurs on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including fees relating to the preparation of Final Fee Applications) without application to the Bankruptcy Court.

### **B. Restructuring Transactions**

On or after the Confirmation Date, the applicable Debtors or Reorganized Debtors may take such actions as the Debtors or Reorganized Debtors determine to be necessary or appropriate to effectuate, implement and consummate the Restructuring Transactions contemplated by Exhibit I.A.95 to the Plan, if any. The actions to effectuate, implement and consummate the Restructuring Transactions may include: (1) the execution and delivery of appropriate agreements or other documents containing terms that are consistent with the provisions of the Plan and that satisfy the applicable requirements of applicable state law; and (2) the filing of appropriate instruments pursuant to applicable state law.

It is anticipated that any Restructuring Transactions will be based on valid corporate, tax or operational considerations and will not adversely impact the Plan. The Restructuring Transactions could include stock or asset transfers, mergers or dissolutions.

### **C. Corporate Governance, Directors and Officers, Employment-Related Agreements and Compensation Programs and Corporate Action**

#### **1. Certificates of Incorporation and By-Laws of the Reorganized Debtors**

As of the Effective Date, (a) the Certificate of Incorporation and the By-Laws of Reorganized SPHC will be substantially in the forms of Exhibits IV.C.1.a and IV.C.1.b to the Plan, respectively, and (b) the Certificate of Incorporation and the By-Laws of Reorganized Bondex will be substantially in the forms of IV.C.1.c and IV.C.1.d to the Plan, respectively. The initial Certificates of Incorporation and By-Laws of each Reorganized Debtor, among other things, will prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code. After the Effective Date or the effective time of any applicable Restructuring Transaction, each such Entity will be permitted to amend and restate its Certificates of Incorporation or By-Laws in accordance with applicable state law and the terms and conditions of such constituent documents.

## **2. Directors and Officers of the Reorganized Debtors**

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, the initial directors and officers of each Reorganized Debtor will be the directors and officers of such Debtor immediately prior to the Effective Date. Each such director and officer will serve from and after the Effective Date until his or her successor is duly elected or appointed and qualified or until his or her earlier death, resignation or removal in accordance with the terms of the Certificate of Incorporation and By-Laws of the relevant Reorganized Debtor (as the same may be amended after the Effective Date) and applicable state law.

## **3. Employee Arrangements of the Reorganized Debtors**

As of the Effective Date, the Reorganized Debtors will be authorized to: (a) maintain, amend or revise existing employment, indemnification and other arrangements with their active and retired directors, officers and employees, subject to the terms and conditions of any such agreement; and (b) enter into new employment, indemnification and other arrangements with active and retired directors, officers and employees; all as determined by the board of directors of the applicable Reorganized Debtor.

## **4. Corporate Action**

Pursuant to section 1142 of the Bankruptcy Code, section 303 of the Delaware General Corporation Law and section 1701.75 of the Ohio General Corporation Law, the following (which will occur and be deemed effective as of the date specified in the documents effectuating the same or, if no date is so specified, the Effective Date) will be authorized and approved in all respects and for all purposes without any requirement of further action by stockholders or directors of any of the Debtors or the Reorganized Debtors or by any other Entity: (a) the Restructuring Transactions, if any; (b) the initial Certificates of Incorporation and By-Laws of the Reorganized Debtors; (c) the initial directors and officers of the Reorganized Debtors; (d) the Distribution of cash pursuant to the Plan; (e) the creation of the Asbestos Personal Injury Trust and the funding thereof; (f) the transfer of the International-Related Claims to the Asbestos Personal Injury Trust; (g) other corporate actions that are necessary or appropriate to effectuate, implement and consummate the provisions of the Plan; and (h) the adoption, execution, delivery and performance of all contracts, instruments, releases and other agreements and documents related to any of the foregoing (including the Asbestos Personal Injury Trust Agreement, the SPHC Payment Note and the Bondex Payment Note).

### **D. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes**

Each officer of each Debtor and Reorganized Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements and documents and take such actions as may be necessary or appropriate to effect and implement the provisions of the Plan. The secretary or any assistant secretary of each Debtor or Reorganized Debtor will be authorized to certify or attest to any of the foregoing actions. Pursuant to section 1146(a) of the Bankruptcy Code, the following will not be subject to any stamp Tax or similar Tax: (1) the creation of any Encumbrances; (2) the making or assignment of any lease or sublease; (3) any Restructuring Transaction; (4) the execution and implementation of the Asbestos Personal Injury Trust Agreement, including the creation of the Asbestos Personal Injury Trust and any transfers to or by the Asbestos Personal Injury Trust; or (5) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale or assignments, applications, certificates or statements executed or filed in connection with any of the foregoing pursuant to the Plan.

## **VII. DISTRIBUTIONS UNDER THE PLAN**

### **A. Payment of Administrative Claims**

#### **1. Administrative Claims in General**

Except as specified in Section III.A.1 of the Plan, and subject to the bar date provisions herein, unless

otherwise agreed by the holder of an Administrative Claim and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Administrative Claim shall receive, in full satisfaction of its Administrative Claim, cash equal to the allowed amount of such Administrative Claim either (i) as soon as practicable after the Effective Date or (ii) 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 the applicable Reorganized Debtor and the holder of the Administrative Claim.

## **2. Statutory Fees**

On or before the Effective Date, Administrative Claims for fees payable pursuant to 28 U.S.C. § 1930, as determined at the Confirmation Hearing by the Bankruptcy Court or the District Court, as applicable, shall be paid in cash equal to the amount of such Administrative Claims. All fees payable pursuant to 28 U.S.C. § 1930 shall be paid by the Reorganized Debtors in accordance therewith until the closing of the Reorganization Cases pursuant to section 350(a) of the Bankruptcy Code.

## **3. Ordinary Course Liabilities**

Allowed Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business (including Administrative Trade Claims, any Intercompany Claims that are Administrative Claims, Administrative Claims of governmental units for Taxes (including Tax audit Claims related to Tax years or portions thereof commencing after the Petition Date) and Administrative Claims arising from those contracts and leases of the kind described in Section V.F of the Plan) shall be satisfied by the applicable Reorganized Debtor pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claims, without any further action by the holders of such Administrative Claims or further approval of the Bankruptcy Court.

## **4. DIP Facility Claims**

Unless otherwise agreed by the DIP Lender, on or before the Effective Date, (i) Allowed DIP Facility Claims shall be paid in full in cash by the applicable Debtor and (ii) the DIP Lender shall (A) receive cancellation without draw of all outstanding letters of credit issued under the DIP Credit Agreement or (B) have such letters of credit extended, refinanced or replaced in the ordinary course of business on or after the Effective Date. The Debtors shall be authorized to take any action necessary or appropriate to cancel, extend, refinance or replace the DIP Credit Agreement.

## **5. Bar Dates for Administrative Claims**

### **a. General Bar Date Provisions**

Except as otherwise provided in Section III.A.1.e.ii of the Plan, 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 60 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 the applicable Bar Date shall be forever barred from asserting such Administrative Claims against the Debtors, the Reorganized Debtors or their respective property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the requesting party by 120 days after the Effective Date.

### **b. Bar Dates for Certain Administrative Claims**

#### **(1) Professional Compensation**

Professionals or other Entities asserting a Fee Claim 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 a Final Fee Application no later than 90 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. A Professional may include any outstanding, non-Filed monthly or interim request for payment of a Fee Claim pursuant to the Fee Order in its Final Fee Application. Objections to any Final Fee Application must be Filed and served on the Reorganized Debtors and the requesting party by the later of (1) 120 days after the Effective Date or (2) 30 days after the Filing of the applicable Final Fee Application. To the extent necessary, the Confirmation Order shall amend and supersede any previously entered order of the Bankruptcy Court, including the Fee Order, regarding the payment of Fee Claims. Any pending, Filed interim requests for a Fee Claim pursuant to the Fee Order shall be resolved in the ordinary course in accordance with the Fee Order or, if sooner, in connection with the particular Professional's Final Fee Application.

## **(2) Ordinary Course Liabilities**

Holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business, including Administrative Trade Claims, any Intercompany Claims that are Administrative Claims, Administrative Claims of governmental units for Taxes (including Tax audit Claims relating to Tax years or portions thereof commencing after the Petition Date) and Administrative Claims arising from those contracts and leases of the kind described in Section V.F. of the Plan, shall not be required to File or serve any request for payment of such Administrative Claims. Such Administrative Claims shall be satisfied pursuant to Section III.A.1.c of the Plan.

## **(3) DIP Facility Claims**

Holders of DIP Facility Claims shall not be required to File or serve any request for payment of such Claims. Such Administrative Claims are allowed in the amount agreed upon between the Debtors and the DIP Lender and shall be satisfied pursuant to Section III.A.1.d of the Plan.

### **B. Payment of Administrative Claims**

#### **1. Priority Tax Claims in General**

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction of its Priority Tax Claim, payment in full of the allowed amount of the Priority Tax Claim plus post-petition interest at a rate determined by the Bankruptcy Court on the later of the Effective Date or as soon as practicable after the date when such Claim becomes an Allowed Claim.

#### **2. Other Provisions Concerning Treatment of Priority Tax Claims**

Notwithstanding the provisions of Section III.A.2.a of the Plan, any Claim on account of any penalty arising with respect to or in connection with an Allowed Priority Tax Claim that does not compensate the holder for actual pecuniary loss shall be treated as a Class 3 Claim, and the holder (other than as the holder of a Class 3 Claim) may not assess or attempt to collect such penalty from the Reorganized Debtors or their respective property.

### **C. Obtaining Cash for Plan Distributions**

Except to the extent that Sections IV.H., IV.I.2., IV.K.2. and IV.L.3 of the Plan provide that payments shall also be made by International, all cash payments to be made pursuant to the Plan shall be funded by the applicable Reorganized Debtor. All cash necessary for a Reorganized Debtor to fund such cash payments pursuant to the Plan shall be obtained through a combination of one or more of the following: (1) such Reorganized Debtor's cash balances and cash generated by the operations of such Reorganized Debtor; (2) any Tax refunds actually received by such Reorganized Debtor; or (3) such other means of financing or funding as determined by the board of directors of such Reorganized Debtor. Notwithstanding the foregoing, International will provide any additional cash that may be needed to fund payments under the Plan.

**D. Distributions for Claims Allowed as of the Effective Date**

Except as otherwise provided in the Plan (including with respect to Asbestos Personal Injury Claims), Distributions to be made on the Effective Date to holders of Claims that are Allowed Claims as of the Effective Date shall 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: (1) 60 days after the Effective Date or (2) 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.D.2 of the Plan (regarding undeliverable Distributions) or Section VI.G.3 of the Plan (regarding compliance with Tax requirements) are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date shall be made pursuant to Section VI.G.2 of the Plan. Any Claim that is disallowed by order of the Bankruptcy Court (or the District Court) prior to the Effective Date shall be deemed expunged (to the extent not already expunged) as of the Effective Date without the necessity for further Bankruptcy Court approval and the holder of any such Claim shall not be entitled to any Distribution under the Plan.

**E. Method of Distributions to Holders of Claims**

Reorganized SPHC or such Third Party Disbursing Agents as Reorganized SPHC may employ in its sole discretion shall make all Distributions of cash and other instruments or documents required under the Plan. Each Disbursing Agent shall 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.

**F. Compensation and Reimbursement for Services Related to Distributions**

Each Third Party Disbursing Agent providing services related to Distributions pursuant to the Plan shall receive from Reorganized SPHC and Reorganized Bondex, 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 shall be made on terms agreed to with Reorganized SPHC and Reorganized Bondex and shall not be deducted from Distributions to be made pursuant to the Plan to holders of Allowed Claims receiving Distributions from a Third Party Disbursing Agent.

**G. Delivery of Distributions and Undeliverable or Unclaimed Distributions****1. Delivery of Distributions**

Except for Asbestos Personal Injury Claims, Distributions to holders of Allowed Claims shall 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.

**2. Undeliverable Distributions Held by Disbursing Agents****a. Holding and Investment of Undeliverable Distributions**

If any Distribution to a holder of an Allowed Claim is returned to a Disbursing Agent as undeliverable, no further Distributions shall be made to such holder unless and until the applicable Disbursing Agent is notified by written certification of such holder's then-current address. Undeliverable Distributions shall remain in the possession of the applicable Disbursing Agent pursuant to Section VI.D.2.a of the Plan until such time as a Distribution becomes deliverable. Undeliverable cash shall 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 shall invest such cash in a manner consistent with the Reorganized Debtors' investment and deposit guidelines.

**b. After Distributions Become Deliverable**

On each Quarterly Distribution Date, the applicable Disbursing Agents shall make all Distributions that become deliverable to holders of Allowed Claims (other than Asbestos Personal Injury Claims) during the preceding calendar quarter, to the extent not distributed earlier at the discretion of the applicable Disbursing Agent.

**c. Failure to Claim Undeliverable Distributions**

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 one year after the later of (i) the Effective Date and (ii) the last date on which a Distribution was attempted to be made to such holder shall have its claim for such undeliverable Distribution discharged and shall be forever barred from asserting any such claim against the Reorganized Debtors or their respective property. Unclaimed Distributions shall become property of Reorganized SPHC, free of any restrictions thereon, and any such Distributions held by a Third Party Disbursing Agent shall be returned to Reorganized SPHC. Nothing contained in the Plan shall require any Debtor, Reorganized Debtor or Disbursing Agent to attempt to locate any holder of an Allowed Claim.

**H. Distribution Record Date**

**1. No Recognition of Transfers after the Distribution Record Date**

A Disbursing Agent shall have no obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date and shall be entitled for all purposes herein 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.

**2. Treatment of Certain Transfers**

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 shall 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.

**I. Means of Cash Payments**

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

**J. Timing and Calculation of Amounts to Be Distributed**

**1. Timing of Distributions Under the Plan**

Any Distribution to be made by any Debtor or Reorganized Debtor pursuant to the Plan shall be deemed to have been timely made if made within 60 days after the time therefore specified in the Plan. Except as otherwise provided in the Plan, no interest shall accrue or be paid with respect to any Distribution as a consequence of such Distribution not having been made on the Effective Date.

**2. Allowed Claims**

On the Effective Date, each holder of an Allowed Claim (other than an Asbestos Personal Injury Claim) shall 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 shall 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, to the extent not distributed earlier at the discretion of the applicable Disbursing Agent. Such quarterly Distributions also shall be in the full amount that the Plan provides for Allowed Claims in the applicable Class.

### **3. Compliance with Tax Requirements**

#### **a. Withholding and Reporting**

In connection with the Plan, to the extent applicable, each Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision of the Plan to the contrary, each Disbursing Agent shall be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including applying a portion of any cash Distribution to be made under the Plan to pay applicable Tax withholding, requiring Claim holders to submit appropriate certifications or establishing other mechanisms such Disbursing Agent believes are reasonable and appropriate. To the extent that any Claim holder fails to submit appropriate certifications required by a Disbursing Agent or to comply with any other mechanism established by a Disbursing Agent to comply with Tax withholding requirements, such Claim holder's Distribution may, in such Disbursing Agent's reasonable discretion, be deemed undeliverable and subject to Section VI.D.2 of the Plan.

#### **b. Backup Withholding**

Without limiting the generality of the foregoing, in accordance with the Internal Revenue Code's backup withholding rules, a holder of a Claim may be subject to backup withholding with respect to Distributions made pursuant to the Plan, unless the holder (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides at the applicable Disbursing Agent's request a completed IRS Form W-9 (or substitute therefor) on which the holder includes a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Among other things, to receive any post-petition interest, if requested by a Disbursing Agent, a holder of an Allowed Claim shall be required to establish an exemption from backup withholding or to make arrangements with respect to the payment of backup withholding. Non-U.S. holders may be required by the applicable Disbursing Agent to provide a completed IRS Form W-8 to establish an exemption from or a treaty-reduced rate of withholding on interest distributed pursuant to the Plan. Unless a Disbursing Agent, in its discretion, determines otherwise, no Distributions on account of post-petition interest shall be made to a holder of an Allowed Claim until such time as the holder of such Claim establishes exemption from withholding or provides the relevant IRS Form W-8 or W-9, as applicable.

#### **c. Obligations of Distribution Recipients**

Notwithstanding any other provision of the Plan, each Entity receiving a Distribution pursuant to the Plan shall 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.

### **4. Compliance with Domestic Relations Orders**

In connection with the Plan, each Disbursing Agent may allocate and make Distributions in compliance with applicable wage garnishment, alimony, child support, and similar domestic relations orders.

#### **K. 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 nonbankruptcy 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 hereunder shall constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any claim, right or cause of action that the Debtor or Reorganized Debtor may possess against such a Claim holder.

**L. Allocation of Payments**

Amounts paid to holders of Claims in satisfaction thereof shall be allocated first to the principal amounts of such Claims, with any excess being allocated to interest that has accrued on such Claims but remains unpaid.

**M. Prosecution of Objections to Claims**

**1. Objections to Claims**

Objections to Claims (other than Asbestos Personal Injury 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 shall 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 an amendment has not been made to the Schedules with respect to a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or Schedules relates shall be treated as an Allowed Claim if such Claim has not been allowed earlier.

**2. Authority to Prosecute Objections**

After the Effective Date, the Reorganized Debtors shall have the authority to File (if applicable), settle, compromise, withdraw or litigate to judgment objections to all Claims (other than Asbestos Personal Injury Claims), including pursuant to any alternative dispute resolution or similar procedures approved by the Bankruptcy Court. After the Effective Date, the Reorganized Debtors may settle, compromise or otherwise resolve any Disputed Claim or any objection or controversy relating to any Claim without approval of the Bankruptcy Court.

**3. Authority to Amend Schedules**

The Debtors or the Reorganized Debtors shall have the authority to amend the Schedules with respect to any Claim and to make Distributions based on such amended Schedules without approval of the Bankruptcy Court. If any such amendment to the Schedules reduces the amount of a Claim or changes the nature or priority of a Claim, the Debtor or Reorganized Debtor shall provide the holder of such Claim with notice of such amendment and such holder shall have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Debtor or Reorganized Debtor may proceed with Distributions based on such amended Schedules without approval of the Bankruptcy Court.

**N. Treatment of Disputed Claims**

Notwithstanding any other provisions of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim.

**O. Distributions on Account of Disputed Claims Once Allowed**

On each Quarterly Distribution Date, the applicable Disbursing Agent shall make all Distributions on account of any Disputed Claim (other than an Asbestos Personal Injury Claim) that has become an Allowed Claim during the preceding calendar quarter, to the extent not distributed earlier at the discretion of the applicable Disbursing Agent. Such Distributions shall be made pursuant to the provisions of the Plan governing the applicable Class.

**P. Enforcement of Bar Date Order**

In accordance with the Bar Date Order and section 502(b)(9) of the Bankruptcy Code, any Entity that failed to File a proof of Claim by the applicable Bar Date or was not otherwise permitted to File a proof of Claim after the applicable Bar Date by a Final Order of the Bankruptcy Court is and shall be barred, estopped and enjoined from asserting any Claim against the Debtors (i) in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such Entity as undisputed, noncontingent and liquidated; or (ii) of a different nature or a different classification than any Claim identified in the Schedules on behalf of such Entity. All Claims Filed after the applicable Bar Date and for which no Final Order has been entered by the Bankruptcy Court determining that such Claims were timely Filed shall be disallowed and expunged. Any Distribution on account of such Claims shall be limited to the amount, if any, listed in the applicable Schedules as undisputed, noncontingent and liquidated.

**Q. Preservation of Rights of Action; Settlement of Claims and Releases****1. Preservation of Rights of Action by the Debtors and 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 and to the fullest extent possible under applicable law, the Reorganized Debtors shall retain and may enforce, and shall have the sole right to enforce, any claims, demands, rights and causes of action that any Debtor or Estate may hold against any Entity, including any Recovery Actions but excluding the International-Related Claims. 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 right to File and pursue, and shall have the sole right to File and pursue, any adversary proceedings against any trade creditor or vendor related to debit balances or deposits owed to any Debtor. A nonexclusive schedule of currently pending actions and claims brought by one or more of the Debtors is attached as Exhibit IV.J.1 of the Plan. In accordance with and subject to any applicable law, the Debtors' inclusion or failure to include any right of action or claim on Exhibit IV.J.1 of the Plan shall not be deemed an admission, denial or waiver of any claims, demands, rights or causes of action that any Debtor or Estate may hold against any Entity.

**2. Prosecution of International-Related Claims by the Asbestos Personal Injury Trust****a. Sole Right to Litigate**

In accordance with section 1123(b) of the Bankruptcy Code and to the fullest extent possible under applicable law, the Asbestos Personal Injury Trust may litigate, and shall have the sole right to litigate, the International-Related Claims.

**b. New Tolling Agreements**

To the extent the International-Related Claims have not already been commenced, on or prior to the Effective Date, International and the International Affiliates shall enter into tolling agreements, on terms substantially similar to the current tolling agreements they have entered into with the Debtors, which new agreements shall toll and extend any limitations period applicable to the International-Related Claims through 60 days after the Effective Date.

**c. Venue**

To the extent the International-Related Claims have not already been commenced, the Asbestos Personal Injury Trust shall prosecute the International-Related Claims in the Bankruptcy Court and/or the District Court.

**d. Dismissal of SPHC International-Related Claims in Certain Circumstances**

If, at any time, SPHC and International, in their sole discretion, elect to have the present value of the

additional payments to be made under the SPHC Payment Note following the initial payment thereunder on the Effective Date be an amount equal to the SPHC Estimation less \$115 million, then the Asbestos Personal Injury Trust, on behalf of itself and the SPHC Estate and their successors and assigns, and any and all Entities who may purport to claim by, through, for or because of the SPHC Estate, shall be deemed to forever release, waive and discharge SPHC International-Related Claims, and the Asbestos Personal Injury Trust shall dismiss the SPHC International-Related Litigation with prejudice.

**e. Dismissal of Bondex International-Related Claims in Certain Circumstances**

If, at any time, Bondex and International, in their sole discretion, elect to have the present value of the additional payments to be made under the Bondex Payment Note following the initial payment thereunder on the Effective Date be an amount equal to the Bondex Estimation less \$10 million, then the Asbestos Personal Injury Trust, on behalf of itself and the Bondex estate and their successors and assigns, and any and all Entities who may purport to claim by, through, for or because of the Bondex estate, shall be deemed to forever release, waive and discharge the Bondex International-Related Claims, and the Asbestos Personal Injury Trust shall dismiss the Bondex International-Related Litigation with prejudice.

**3. Releases**

**a. General Releases of Debtors and Reorganized Debtors**

Except as otherwise expressly set forth in the Plan, as of the Effective Date, the Debtors are released from all claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, arising out of, based upon or resulting from, directly or indirectly, in whole or in part, any act, omission, transaction or other occurrence taking place on or prior to the Effective Date.

**b. Release by the Debtors and Reorganized Debtors**

Without limiting any other provision of the Plan, as of the Effective Date, the Debtors and the Reorganized Debtors, on behalf of themselves and their respective affiliates, Estates and successors and assigns, and any and all Entities who may purport to claim by, through, for or because of them, shall be deemed to forever release, waive and discharge all claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, against each of the present and former directors, officers, employees, attorneys, accountants, underwriters, investment bankers, financial advisors, appraisers, representatives and agents of the Debtors, acting in such capacity, arising out of, based upon or resulting from, directly or indirectly, in whole or in part, any act, omission, transaction or other occurrence taking place on or prior to the Effective Date and in any way relating to any Debtor, the Reorganization Cases or the Plan; *provided, however*, that the foregoing shall not affect the International-Related Claims.

**c. General Releases by Holders of Claims or Interests**

Without limiting any other provision of the Plan or the Bankruptcy Code, as of the Effective Date, in consideration for, among other things, the obligations of the Debtors and the Reorganized Debtors under the Plan, each holder of a Claim or Interest shall be deemed to forever release, waive and discharge all claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, against any Debtor or any Reorganized Debtor, or any of their respective present or former directors, officers, employees, subsidiaries, predecessors, successors, attorneys, accountants, underwriters, investment bankers, financial advisors, appraisers, representatives and agents, acting in such capacity, arising out of,

based upon or resulting from, directly or indirectly, in whole or in part, any act, omission, transaction or other occurrence taking place on or prior to the Effective Date and in any way relating to any Debtor, the Reorganization Cases or the Plan (which release shall be in addition to the discharge of Claims provided herein and under the Confirmation Order and the Bankruptcy Code).

**d. Injunction Related to Releases**

As further provided in Section IX.B.1.b of the Plan, the Confirmation Order shall permanently enjoin the commencement or prosecution by any Entity, whether directly, derivatively or otherwise, of any claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action and liabilities released pursuant to the Plan.

**R. Discharge, Injunction and Subordination Rights**

**1. Discharge of Claims**

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 shall be in exchange for and in complete satisfaction, discharge and release of all Claims, including any Asbestos Personal Injury Claims (other than Demands) and including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation shall, as of the Effective Date, discharge the Debtors from all Claims or other liabilities 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 (a) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (c) the holder of a Claim based on such debt has accepted the Plan.

In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination, as of the Effective Date, of a discharge of all Claims, including any Asbestos Personal Injury Claims (other than Demands), and other debts and liabilities against the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against a Debtor at any time, to the extent that such judgment relates to a discharged Claim, debt or liability.

**2. Injunctions**

**a. General Injunctions**

**(1) No Actions on Account of Discharged Claims**

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 pursuant to the terms of the Plan shall be permanently enjoined from taking any of the following actions on account of any such discharged Claim, debt or liability: (i) commencing or continuing in any manner any action or other proceeding against any Debtor or Reorganized Debtor, or any of its property, other than to enforce any right to a Distribution pursuant to the Plan; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against any Debtor or Reorganized Debtor, or any of its property, other than as permitted pursuant to (i) above; (iii) creating, perfecting or enforcing any lien or encumbrance against any Debtor or Reorganized Debtor, or any of its property; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any Debtor or Reorganized Debtor; and (v) 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.

**(2) No Actions on Account of Released Claims**

As of the Effective Date, all Entities that have held, currently hold or may hold any claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action or liabilities that are

released pursuant to the Plan shall be permanently enjoined from taking any of the following actions against any released Entity, or any of its property, on account of such released claims, commitments, obligations, suits, judgments, damages, demands, debts, causes of action or liabilities: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any Encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released Entity; and (v) 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.

### **(3) Recipients of Distribution Deemed to Consent**

By accepting Distributions pursuant to the Plan, each holder of an Allowed Claim receiving Distributions pursuant to the Plan shall be deemed to have specifically consented to the injunctions set forth in Section IX.B of the Plan.

#### **b. Asbestos Permanent Channeling Injunction**

Pursuant to section 524(g) of the Bankruptcy Code, the Plan and the Confirmation Order shall permanently and forever stay, restrain and enjoin any Entity from taking any actions against any Protected Party for the purpose of, directly or indirectly, collecting, recovering or receiving payment of, on or with respect to any Asbestos Personal Injury Claim, all of which shall be channeled to the Asbestos Personal Injury Trust for resolution as set forth in the Asbestos Personal Injury Trust Agreement and the related Asbestos Personal Injury Trust Distribution Procedures, including:

- a. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including a judicial, arbitral, administrative or other proceeding) in any forum against any Protected Party or any property or interests in property of any Protected Party;
- b. enforcing, levying, attaching (including any prejudgment attachment), collecting or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree or other order against any Protected Party or any property or interests in property of any Protected Party;
- c. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any Encumbrance against any Protected Party or any property or interests in property of any Protected Party;
- d. setting off, seeking reimbursement of, contribution from or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to any Protected Party or any property or interests in property of any Protected Party; and
- e. proceeding in any manner in any place with regard to any matter that is subject to resolution pursuant to the Asbestos Personal Injury Trust, except in conformity and compliance therewith.

Notwithstanding the forgoing, the Asbestos Permanent Channeling Injunction shall not enjoin the prosecution of the International-Related Claims by the Asbestos Personal Injury Trust pursuant to Section IV.J.2 of the Plan. The Asbestos Personal Injury Trust shall protect, defend, indemnify and hold harmless, to the fullest extent permitted by applicable law, each Protected Party from and against any Asbestos Personal Injury Claim and any related damages.

### **3. Subordination Rights**

The classification and manner of satisfying Claims and Interests under the Plan does not take into consideration subordination rights, and nothing in the Plan or Confirmation Order shall affect any subordination rights that a holder of a Claim may have with respect to any Distribution to be made pursuant to the Plan, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise.

**VIII. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES****A. Executory Contracts and Unexpired Leases to Be Assumed****1. Assumption Generally**

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 Reorganized Debtor shall assume each of its respective Executory Contracts and Unexpired Leases other than those listed on Exhibit V.C to the Plan; *provided, however*, that the Debtors reserve the right, at any time prior to 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 pursuant hereto; or (b) add any Executory Contract or Unexpired Lease to Exhibit V.C to the Plan, thus providing for its rejection pursuant to Section V.A.1 of the Plan. The Debtors shall 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 to the parties on the then-applicable service list in the Reorganization Cases. Nothing herein shall constitute an admission by a Debtor or Reorganized Debtor that any contract or lease is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder.

**2. Assumptions of Executory Contracts and Unexpired Leases**

Each Executory Contract or Unexpired Lease assumed under Section V.A.1 of the Plan shall include any modifications, amendments, supplements or restatements to such contract or lease.

**3. Approval of Assumptions and Assumption Procedures**

The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumptions described in Section V.A.1 of the Plan, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The appropriate procedures for assumption of an Executory Contract or Unexpired Lease are as follows:

- (a) After the entry of the Confirmation Order, the Debtors shall serve upon each party to an Executory Contract or Unexpired Lease being assumed pursuant to the Plan notice of: (i) the contract or lease being assumed or assumed and assigned; (ii) the Cure Amount Claim, if any, that the applicable Debtor believes it would be obligated to pay in connection with such assumption; and (iii) 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.
- (b) Any Entity wishing to object to (i) the proposed assumption of an Executory Contract or Unexpired Lease under the Plan or (ii) the proposed amount of the related Cure Amount Claim must File and serve on counsel to the Debtors a written objection setting forth the basis for the objection within 20 days of service of the notice described in Section V.A.3.a of the Plan.
- (c) If no objection to the proposed assumption or Cure Amount Claim is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease: (i) the proposed assumption of the Executory Contract or Unexpired Lease shall be approved in accordance with the Plan and the Confirmation Order, effective as of the Effective Date, without further action of the Bankruptcy Court; and (ii) the Cure Amount Claim identified by the Debtors in the notice shall be fixed and shall be paid in accordance with the Plan on or after the Effective Date, without further action of the Bankruptcy Court, to the appropriate contract or lease party identified on the notice.
- (d) If an objection to the proposed assumption or Cure Amount Claim is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease, the Debtors or Reorganized Debtors, as applicable, and the objecting party may resolve such objection by stipulation, without further action of the Bankruptcy Court.

- (e) If an objection to the proposed assumption or Cure Amount Claim is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease and the parties are unable to resolve such objection: (i) the Debtors or Reorganized Debtors may File a reply to such objection no later than 30 days after the Filing and service of such objection and ask the Bankruptcy Court to schedule a hearing on the particular objection and the related reply at an appropriate time; or (ii) the Debtors or Reorganized Debtors, as applicable, may designate the Executory Contract or Unexpired Lease underlying such objection for rejection pursuant to Section V.C of the Plan and amend Exhibit V.C of the Plan accordingly.

**B. Payments Related to the Assumption of Executory Contracts and Unexpired Leases**

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 shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor or Reorganized Debtor assuming such contract or lease or the assignee of such Debtor or Reorganized Debtor, if any: (1) by payment of the Cure Amount Claim in cash on the Effective Date or (2) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no Cure Amount Claim shall be allowed for a penalty rate or other form of default rate of interest. If there is a dispute regarding: (1) the amount of any Cure Amount Claim; (2) 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 (3) any other matter pertaining to assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code shall 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 (1) by treating such amount as either a direct or indirect contribution to capital or Distribution (as appropriate) or (2) through an intercompany account balance in lieu of payment in cash.

**C. Executory Contracts and Unexpired Leases to Be Rejected and Rejection Procedures**

On the Effective Date, each Executory Contract and Unexpired Lease listed on Exhibit V.C of the Plan shall be rejected pursuant to section 365 of the Bankruptcy Code. Each contract and lease listed on Exhibit V.C of the Plan shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit V.C of the Plan shall not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. The appropriate procedures for rejection of an Executory Contract or Unexpired Lease are as follows:

1. After the entry of the Confirmation Order, the Debtors shall serve upon each party to an Executory Contract or Unexpired Lease being rejected pursuant to the Plan notice of such proposed rejection.
2. Any Entity wishing to object to the proposed rejection of an Executory Contract or Unexpired Lease under the Plan must File and serve on counsel to the Debtors a written objection setting forth the basis for the objection within 20 days of service of the notice described in Section V.C.1 of the Plan.
3. If no objection to the proposed rejection is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease, the proposed rejection of the applicable Executory Contract or Unexpired Lease shall be approved in accordance with the Plan and the Confirmation Order, effective as of the Effective Date, without further action of the Bankruptcy Court.
4. If an objection to the proposed rejection is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease, the Debtors or Reorganized Debtors, as applicable, and the objecting party may resolve such objection by stipulation, without further action of the Bankruptcy Court.

5. If an objection to the proposed rejection is properly Filed and served prior to the objection deadline with respect to an Executory Contract or Unexpired Lease and the parties are unable to resolve such objection, the Debtors or Reorganized Debtors, as applicable, may File a reply to such objection no later than 30 days after the Filing and service of such objection and ask the Bankruptcy Court to schedule a hearing on the particular objection and the related reply at an appropriate time.

**D. Bar Date for Rejection Damages**

If the rejection of an Executory Contract or Unexpired Lease gives rise to a Claim by the other party or parties to such contract or lease, such Claim shall be forever barred and shall not be enforceable against any of the Debtors or the Reorganized Debtors, or any of their respective successors or 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, on the later to occur of (1) 60 days after the Effective Date or (2) 30 days after the date of entry of an Order rejecting such Executory Contract or Unexpired Lease.

**E. Obligations to Indemnify Directors, Officers and Employees**

The obligations of each Debtor or Reorganized Debtor to indemnify any individual serving as one of its directors, officers or employees prior to or following the Petition Date by reason of such individual's prior or future service in such a capacity or as a director, officer or employee of any Debtor or other Entity, to the extent provided in the applicable Certificates of Incorporation or By-Laws, by statutory law or by written agreement, policies or procedures of or with such Debtor, shall 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. Accordingly, such indemnification obligations shall 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.

**F. Contracts and Leases Entered Into After the Petition Date**

Notwithstanding any other provision of the Plan, contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, shall be performed by the Debtor or Reorganized Debtor liable thereunder in accordance with the terms and conditions of such contracts and leases in the ordinary course of its business. Accordingly, such contracts and leases and other obligations (including any assumed Executory Contracts and Unexpired Leases) shall survive and remain unaffected by entry of the Confirmation Order.

**IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN**

**A. 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 OF 1986, AS AMENDED (THE "IRC"), TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.**

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN IMPORTANT RESPECTS, UNCERTAIN. NO RULING HAS BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS"); NO OPINION HAS BEEN REQUESTED FROM DEBTORS' COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.**



**THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. 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 NON-U.S. TAXPAYERS. IN ADDITION, THE DESCRIPTION DOES NOT DISCUSS STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES.**

**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 NON-U.S. TAX CONSEQUENCES OF THE PLAN.**

**B. U.S. Federal Income Tax Consequences to the Debtors**

**1. Cancellation of Debt Income**

Generally, the discharge of a debt obligation by a debtor for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) creates 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 reorganization 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 their COD income (if any) triggered by the Plan. Moreover, debts that, if paid, would result in a tax deduction to the Debtors do not result in COD income.

If debt is discharged in a reorganization case, however, certain income tax attributes otherwise available and of value to the debtor are reduced, in most cases by the amount of the indebtedness forgiven. Tax attributes subject to reduction include: (a) net operating losses ("NOLs") and NOL carryforwards; (b) most credit carryforwards, including the general business credit and the minimum tax credit; (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. A debtor may elect to avoid the prescribed order of attribute reduction and instead reduce the basis of certain property first.

In the case of affiliated corporations filing a consolidated return, such as International and its consolidated subsidiaries, including the Debtors (the "International Group"), the attribute reduction rules apply first to the separate attributes of or allocable to the particular corporation whose debt is being discharged, and then, if necessary, to certain attributes of other members of the group. Accordingly, COD income of a particular Debtor would result first in the reduction of any consolidated NOLs and other attributes, including asset basis, attributable to such Debtor, and then, if necessary, of consolidated NOLs and/or basis attributable to other members of the consolidated group, after use of any such NOLs to determine the consolidated group's taxable income for the tax year in which the debt is discharged.

**1. Transfers of Cash on Account of SPHC Payment Note and Bondex Payment Note to the Asbestos Personal Injury Trust**

The \$115 million cash to be paid on account of the SPHC Payment Note by SPHC and/or International, and the \$10 million cash to be paid on account of the Bondex Payment Note by Bondex and/or International, generally will be expected to be treated as "economic performance" (as required by IRC Section 461(h)) with respect to the SPHC Asbestos Personal Injury Claims and the Bondex Asbestos Personal Injury Claims, respectively, and, accordingly, will be taken into account as a deduction, to the extent not previously taken into account, by SPHC or Bondex, as applicable, at the time such cash is paid on account of such notes to the extent that the "all events test" (described in IRC Section 461(h)(1)) has otherwise been met. The Asbestos Personal Injury Trust will not have taxable income on receipt of such cash and will not be entitled to deduct payments to claimants as such payments

are made. Future payments (if any) on the SPHC Payment Note and the Bondex Payment Note generally will be expected to be treated as deductible by SPHC or Bondex, as applicable, at the time of such payment unless "economic performance" and the "all events test" are deemed to have been met before then.

## **2. Transfers of International-Related Claims to the Asbestos Personal Injury Trust**

The transfers of International-Related Claims to the Asbestos Personal Injury Trust will be treated as a taxable transfer by the Debtor-transferor resulting in gain or loss recognition to the Debtor-transferor in an amount equal to the difference between the fair market value of the International-Related Claims and the Debtor-transferor's basis in such Claims. The Asbestos Personal Injury Trust will take a fair market value basis in such Claims. The transfers to the Asbestos Personal Injury Trust generally will be expected to be treated as "economic performance" (as required by IRC Section 461(h)) with respect to the Asbestos Personal Injury Claims and, accordingly, will be taken into account as a deduction, to the extent not previously taken into account, by the Debtor-transferor at the time of such transfers to the extent that the "all events test" (described in IRC Section 461(h)(1)) has otherwise been met. The Asbestos Personal Injury Trust will not have taxable income on receipt of the Claims but will have taxable income if and to the extent that the amount it recovers on the Claims exceeds its basis in the Claims. The Asbestos Personal Injury Trust will not be entitled to deduct payments it makes to claimants out of such amounts it recovers on the Claims.

## **3. Other Federal Income Tax Consequences**

Other federal income tax consequences to the Debtors may result depending on the terms of the Restructuring Transactions or cancellation of Intercompany Claims that occur with respect to the Debtors.

### **C. U.S. Federal Income Tax 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 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 the term "security" under the federal income tax law. Rather, all facts and circumstances pertaining to the origin and character of a claim are relevant in determining whether it is a security. Nevertheless, courts generally have held that corporate debt evidenced by a written instrument and having an original maturity of ten years or more will be considered a tax security. The Debtors do not expect any of the Claims that may be satisfied other than by payments in full in cash to constitute securities.

#### ***Holders of Claims Not Constituting Tax Securities***

A holder of an Allowed Claim that is not a tax security who receives Cash and/or stock in exchange for such holder's Claim would recognize gain or loss in an amount equal to the difference between (a) the amount of Cash and/or the fair market value of the stock received by the holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest) and (b) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). For this purpose, holders of Asbestos Personal Injury Claims in Classes 4a and 4b will not be treated as receiving cash or other property with respect to any interest in the Asbestos Personal Injury Trust they may receive under the Plan.

Generally, any gain or loss recognized by a holder of a Claim not constituting a tax security will be a long-term capital gain if the Claim is a capital asset in the hands of the holder and the holder has held such Claim for more than one year, unless the holder had previously claimed a bad debt or worthless securities deduction or the holder had accrued market discount with respect to such Claim. See "Market Discount" below for a discussion of the character of any gain recognized from a Claim with accrued market discount. Such a holder's tax basis for any

stock received in exchange for a Claim generally should equal its fair market value on the date of distribution to the holder. The holding period for any such stock received by a holder of a Claim not constituting a tax security generally should begin on the day following the day of receipt.

Any payment to be made to a holder of an Asbestos Personal Injury Claim from the Asbestos Personal Injury Trust will only be deemed to have been made to the recipient when, and to the extent that, the amount to which the recipient is entitled has been determined and distributed. Any income realized by the Asbestos Personal Injury Trust prior to such time will be reported by the Asbestos Personal Injury Trustees as taxable income of the Asbestos Personal Injury Trust.

## **D. Certain Other U.S. Federal Income Tax Consequences to Holders of Claims**

### **1. Pre Effective Date Interest**

In general, a Claim holder that was not previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be required to take such amount into income as taxable interest. A Claim holder that was previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan. The Plan provides that, to the extent applicable, all distributions to a holder of an Allowed Claim will be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such distributions, if any, will be deemed to apply to any interest accrued on such Claim prior to the Petition Date. There is no assurance, however, that the IRS will respect this treatment and will not determine that all or a portion of amounts distributed to such holder is properly allocable to prepetition interest. Each holder of a Claim on which interest accrued prior to the Petition Date is urged to consult its tax advisor regarding the tax treatment of its distributions under the Plan and the deductibility of any accrued but unpaid interest for federal income tax purposes.

### **2. Post Effective Date Cash Distributions**

Holders of Claims may receive Cash distributions subsequent to the Effective Date, including distributions out of the Asbestos Personal Injury Trust to holders of Asbestos Personal Injury Claims. The imputed interest provisions of the IRC may apply to treat a portion of any Post-Effective Date distribution as imputed interest. Imputed interest may, with respect to certain holders, accrue over time using the constant interest method, in which event the holder may, under some circumstances, be required to include imputed interest in income prior to receipt of a distribution.

In addition, because additional distributions may be made to holders of Claims after the initial distribution, any loss and a portion of any gain realized by a holder may be deferred until the holder has received its final distribution. All holders are urged to consult their tax advisors regarding the possible application of, or ability to elect out of, the "installment method" of reporting gain that may be recognized in respect of a Claim.

### **3. Reinstatement of Claims**

Holders of Claims that will be Reinstated 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.

### **4. Bad Debt Deduction**

A holder who, under the Plan, receives on account of a Claim an amount less than the holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier year) to a bad debt deduction in some amount under Section 166(a) of the IRC. The rules governing the character, 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.

#### **5. Market Discount**

A holder that purchased its Claim from a prior holder with market discount will be subject to the market discount rules of the IRC. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of its Claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

#### **6. Installment Method**

A holder of a Claim constituting an installment obligation for tax purposes may be required to recognize currently any gain remaining with respect to the obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold, or otherwise disposed of within the meaning of Section 453B of the IRC.

#### **7. Information Reporting and Backup Withholding**

All distributions under the Plan will be subject to applicable federal income tax reporting and withholding. The IRC imposes "backup withholding" (currently at a rate of 28%) on certain "reportable" payments to certain taxpayers, including payments of interest. Under the IRC'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 the holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this 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 taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional federal income tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of income tax. A holder of a Claim may be required to establish an exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

**THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.**

#### **X. 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. The Debtors will file all exhibits to the Plan with the Bankruptcy Court and make them available for review on the web site of Logan at <http://www.loganandco.com> no later than 10 days before the Voting Deadline. The Debtors also will serve the exhibits to the Plan on the parties on the general service list maintained in the Reorganization Cases no later than 10 days before the Voting Deadline. Further, all of the exhibits to the Plan may be obtained from the copy services identified in the notice of the Confirmation Hearing.

**XI. 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 an impaired class 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.

Dated November 18, 2013

Respectfully submitted,

COUNSEL:

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of Bondex International, Inc.)

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