

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:	:	Chapter 11
	:	
SPECIALTY PRODUCTS HOLDING CORP.,	:	Case No. 10-11780 (JKF)
<i>et al.</i> , <sup>1</sup>	:	
	:	(Jointly Administered)
Debtors.	:	

**FIRST AMENDED DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT PLAN  
PROPOSED BY THE OFFICIAL COMMITTEE OF ASBESTOS PERSONAL INJURY  
CLAIMANTS AND THE FUTURE CLAIMANTS' REPRESENTATIVE FOR  
SPECIALTY PRODUCTS HOLDING CORP. AND BONDEX INTERNATIONAL, INC.**

**THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL TO THE BANKRUPTCY COURT, BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT A THIS TIME.**

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<sup>1</sup> The Debtors are the following two entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Specialty Products Holding Corp. (0857); and Bondex International, Inc. (4125). The Debtors' address is 4515 St. Clair Avenue, Cleveland, Ohio 44103.



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## **EXHIBITS TO DISCLOSURE STATEMENT**

It is presently contemplated that the following documents will be filed as exhibits to the Disclosure Statement.

First Amended Joint Plan

Exhibit A

Liquidation Analysis

Exhibit B

## **IMPORTANT DATES**

Date by which Solicitation Packages must be served:	TBD
Date by which Claimant Voting Motion must be filed:	TBD
Date Ballots must be received:	TBD
Date by which objections to confirmation of the Plan must be filed and served:	TBD
Date of Confirmation Hearing:	TBD

## **DISCLAIMER**

**THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE PLAN AND MAY NOT BE RELIED UPON FOR ANY OTHER PURPOSE.**

**ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES, INCLUDING BUT NOT LIMITED TO THE EXECUTIVE SUMMARY CONTAINED IN ARTICLE II, AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS AND SCHEDULES ATTACHED TO THE PLAN AND THE PLAN SUPPLEMENT, WHICH CONTROL IN THE EVENT OF ANY INCONSISTENCY OR INCOMPLETENESS. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THIS DATE.**

**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.**

**THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE BANKRUPTCY RULES AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW.**

**PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.**

**THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING LETTERS ARE THE ONLY DOCUMENTS TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT. NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING LETTERS.**

**CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS**



**ESTIMATES, ASSUMPTIONS, AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. THE WORDS “BELIEVE,” “MAY,” “WILL,” “ESTIMATE,” “CONTINUE,” “ANTICIPATE,” “INTEND,” “EXPECT,” AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES, AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED IN ARTICLE VIII, “CERTAIN FACTORS TO BE CONSIDERED.” 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 OF THE PLAN PROPONENTS, THE DEBTORS NOR THEIR RESPECTIVE SUCCESSORS UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.**

**EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE HISTORICAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN OBTAINED FROM SUCH REPORTS AND OTHER SOURCES OF INFORMATION AS ARE AVAILABLE TO THE PLAN PROPONENTS.**

**AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, EITHER THE DEBTORS OR REORGANIZED DEBTORS.**

## ARTICLE I

### INTRODUCTION<sup>2</sup>

On May 31, 2010, Specialty Products Holding Corp. and Bondex International, Inc. filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

SPHC is a wholly owned subsidiary of non-debtor International. SPHC is the holding company parent of Bondex and the direct or indirect parent of certain additional domestic and foreign nondebtor subsidiaries. SPHC was known as RPM, Inc. until May 26, 2010, five (5) days before it filed its Chapter 11 Case.

The Debtors purportedly commenced the Chapter 11 Cases in order to consummate a plan that would provide for the issuance of a channeling injunction pursuant to section 524(g) of the Bankruptcy Code. The injunction would require individuals seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products to seek such recovery not from the Debtors themselves other entities who would benefit from the channeling injunction, including International, but rather from a trust created and funded by the Debtors for the specific purpose of addressing such claims.

This Disclosure Statement is being furnished by the Committee and Future Claimants' Representative as co-proponents of the Amended Joint Plan Proposed by the Official Committee of Asbestos Personal Injury Claimants and the Future Claimants' Representative for Specialty Products Holding Corp. and Bondex International, Inc. (the "Plan," a copy of which is attached hereto as Exhibit A), pursuant to section 1125 of the Bankruptcy Code, and in connection with the solicitation of votes for the acceptance or rejection of the Plan.

The Plan proposes two alternative treatments for the holders of Claims against and Equity Interests in the Debtors based on an as-yet-to-be-conducted trial to determine the Debtors' solvency.

On [\_\_\_\_\_], the Bankruptcy Court entered the Disclosure Statement Order and approved this Disclosure Statement as being in accordance with section 1125 of the Bankruptcy Code. The Bankruptcy Court found that this Disclosure Statement contained "adequate information" sufficient to enable a hypothetical investor of the relevant class to make an informed judgment about the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN NOR DOES IT DICTATE WHICH ALTERNATIVE OF THE PLAN MAY ULTIMATELY BE MADE EFFECTIVE.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code.

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<sup>2</sup> Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the accompanying Plan.

## Section 1.1 Voting and Confirmation

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a chapter 11 plan. Creditors or equity interest holders whose claims or interests are not impaired by either alternative of the Plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote. Creditors and equity holders whose claims or interests are impaired by a plan, but who will receive no distribution under either alternative of the Plan, are also not entitled to vote because they are deemed to have rejected the plan under section 1126(g) of the Bankruptcy Code.

**Article IX of this Disclosure Statement specifies the deadlines, procedures, and instructions for voting to accept or reject the Plan, as well as the applicable standards for tabulating Ballots. The following is an overview of certain information related to voting that is contained in Article IX of this Disclosure Statement and elsewhere in this Disclosure Statement.**

### Alternative A Voting

Each holder of a Claim or Equity Interest in Classes 3, 4, 5, 6 or 7 is entitled to vote to accept or reject the Plan. Each of Classes 4 and 5 shall have accepted the Plan if: (a) the holders of at least two-thirds in dollar amount of the allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the holders of 75% of the Claims actually voting in such Class have voted to accept the Plan. Holders in each of Classes 3, 6 and 7 shall have accepted the Plan if: (a) the holders of at least two-thirds in dollar amount of the allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the holders of more than one-half in number of the allowed Claims actually voting in such Class have voted to accept the Plan (in each instance, after giving effect to any designation of votes).

### Alternative B Voting

Each holder of a Claim in Class 4 is entitled to vote to accept or reject the Plan. Class 4 shall have accepted the Plan if: (a) the holders of at least two-thirds in dollar amount of the allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the holders of more than one-half in number of the allowed Claims actually voting in such Class have voted to accept the Plan (in each instance, after giving effect to any designation of votes).

The Plan Proponents will use the following Voting Agent to assist in the voting process:

[TBD]

The Voting Agent will provide additional copies of all materials and process and tabulate Ballots for those Classes entitled to Vote.

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 INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN 5:00**

P.M. (PREVAILING EASTERN TIME) ON [] (the “Voting Deadline”), unless the Plan Proponents, in their sole discretion, extend or waive the period during which votes will be accepted on the Plan, in which case the term “Voting Deadline” shall mean the last date on, and time by which, such period is extended. Ballots may not be transmitted orally, by facsimile, or any other electronic means. **Any executed Ballot that does not indicate either an acceptance or rejection of the Plan or indicates both an acceptance and rejection of the Plan will be deemed to constitute an acceptance of the Plan.**

Prior to deciding whether and how to vote on the Plan, each holder of a Claim entitled to vote should consider carefully all of the information in this Disclosure Statement, including Article VIII entitled “Certain Risk Factors to be Considered.”

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS OF THE DEBTORS. THE PLAN PROPONENTS RECOMMEND THAT ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS WHOSE VOTES ARE BEING SOLICITED SUBMIT BALLOTS TO ACCEPT THE PLAN.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. The Confirmation Hearing pursuant to section 1128 of the Bankruptcy Code will be held on [\_\_\_\_\_] at [\_\_\_\_\_] (**prevailing Eastern Time**), before the Honorable Judith K. Fitzgerald, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of adjournment at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing. Any objection to Confirmation of the Plan must be made in accordance with the requirements of section 1128(b) of the Bankruptcy Code, Bankruptcy Rule 9014, and the procedures set forth in Article X of this Disclosure Statement.

## ARTICLE II

### OVERVIEW OF THE ALTERNATIVE PLAN STRUCTURES

The following is a general overview only of how the Plan treats all Claims against and Equity Interests in the Debtors. It is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information, financial statements, and notes appearing elsewhere in this Disclosure Statement and in the Plan. For a more detailed description of the terms and provisions of the Plan, please refer to Article VI of this Disclosure Statement titled “The Plan.”

## EXECUTIVE SUMMARY<sup>3</sup>

### ALTERNATIVE A

In the event the Bankruptcy Court determines that the Debtors' liabilities exceed the value of the Debtors' assets and the Debtors' asbestos liabilities are or exceed \$1.3 billion as specified in the Conditions Precedent to Confirmation of the Plan in section 13.1 of the Plan, then, under the confirmed Plan:

- All of SPHC's assets will be transferred to an Asbestos PI Trust.
- The stock of SPHC will be cancelled and reissued and will be transferred to the Asbestos PI Trust.
- Substantially all of the Debtors' Causes of Action will be transferred to the Asbestos PI Trust, including without limitation, the International Action and any Causes of Action the Committee and/or the Future Claimants' Representative: (i) commence, and (ii) have a pending Motion to Prosecute to commence against International or any other party.
- SPHC, Bondex, and the SPHC or Bondex Affiliates will be the only entities to receive the benefits of an injunction under section 524(g) of the Bankruptcy Code.
- The stock of Bondex will be cancelled and Bondex dissolved.
- Settled Asbestos PI Claims and Asbestos PI Claims against Bondex, SPHC, and/or the SPHC or Bondex Affiliates will be channeled to the Asbestos PI Trust to be liquidated.
- Any valid Administrative, Priority and Secured Claims will be Unimpaired by the Plan.
- General Unsecured Claims will be impaired.
- Intercompany Claims will receive the same treatment as General Unsecured Claims to the extent such Intercompany Claims are not disallowed, reclassified, subordinated or otherwise modified by agreement or Final Order.
- Claims held by International will receive the same treatment as General Unsecured Claims to the extent such Claims are not disallowed, reclassified, subordinated or otherwise modified or reduced voluntarily by International or

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<sup>3</sup> Capitalized terms used but not defined in this Disclosure Statement have the meanings ascribed to them in Article I of the Plan.

pursuant to the outcome of the International Action which action will determine the validity and priority of the International Claims.

- The rights of all holders of International-Related Alter Ego Claims will be unaffected and pass through the Chapter 11 Cases. International and any International-related entity that is not a Debtor or a SPHC or Bondex Affiliate will not receive the benefit of an injunction under section 524(g) of the Bankruptcy Code.
- As a condition of the Effective Date for the confirmed Plan, any necessary Exit Facility will be put into place and certain individuals or entities may be engaged to ensure the complete separation of each of the Debtors and SPHC or Bondex Affiliates from International and all entities that fall under the International umbrella of companies.

### ALTERNATIVE B

In the event the Court determines at a contested estimation hearing that the Debtors' liabilities *do not exceed the value of the Debtors' assets*, then under the confirmed Plan:

- Settled Asbestos PI Claims will be Impaired and be paid by the Reorganized Debtors without interest on the Effective Date of the Plan.
- No other Class of Claims and Equity Interests will be Impaired by the Plan and each will pass through the Chapter 11 Cases with all of their rights intact. In other words, for all Classes except the Settled Asbestos PI Claims, the Plan will be litigation neutral and will not increase or decrease the rights that any party had prior to the Commencement Date.
- The use of alternative plan structures is preferable in these cases because the Debtors' solvency, or lack thereof, which is a significant consideration in formulating an appropriate Plan, is undetermined as yet. Therefore, in order to eliminate the possibility that their Plan and Disclosure Statement may prove to have been premised on inaccurate assumptions, the Plan Proponents are hereby providing for alternative plan structures, which solution the Plan Proponents submit presents a cost-effective and efficient means to address the uncertainty.

#### Section 2.1 General Overview of Alternative A Plan Structure

The overwhelming majority of the Debtors' liabilities are comprised of Settled Asbestos PI Claims and Asbestos PI Claims. As of the Commencement Date, SPHC and/or Bondex was named as a defendant in over 15,000 suits by plaintiffs seeking damages for personal injuries allegedly caused by exposure to asbestos-containing products manufactured or distributed by Bondex, SPHC and/or other entities which were predecessors in interest to the Debtors. In light of its asbestos-related liabilities and the increasing costs to resolving asbestos-related lawsuits,

the Debtors filed their Chapter 11 Cases for the purpose of utilizing section 524(g) of the Bankruptcy Code to globally and fairly resolve their asbestos liabilities.

The Plan contemplates the establishment of the Asbestos PI Trust pursuant to section 524(g) of the Bankruptcy Code. The Plan provides that the Asbestos Trust will be funded with: (i) the stock of each SPHC or Bondex Affiliate in the Control of SPHC or Bondex; (ii) all assets of the Debtors, wherever located and in whatever form, including, but not limited to, any Claims or Cause of Action held against third parties, provided however that the Asbestos PI Trust Contribution will exclude any asset, Claim, or Cause of Action necessary to reduce, defend against, pay or satisfy all Claims asserted against the Debtors that are not Asbestos PI Claims. The Asbestos PI Trust will pay all qualifying Settled Asbestos PI Claims and Asbestos PI Claims. The Plan contains an injunction preventing any Entity from, directly or indirectly, pursuing a Settled Asbestos PI Claim or a Asbestos PI Claim against the Debtors or any other Protected Party, and all Entities must look to the Asbestos PI 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 recovery for damage caused by asbestos and must use its assets or income to pay such Claims and Demands; (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.

The Plan establishes an Asbestos PI Trust that will assume all present and future Settled Asbestos PI Claims and Asbestos PI Claims against both Bondex and SPHC and use the Asbestos PI Trust Assets to pay holders of such Claims in accordance with the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. The Asbestos PI Trust will serve as a liquidating trust for the Debtors, to which the Debtors will contribute all of their assets constituting Asbestos PI Trust Assets in accordance with the Plan Documents. The Asbestos PI Trust will comply in all respects with the requirements of section 524(g)(2)(B)(i) of the Bankruptcy Code in respect of Settled Asbestos PI Claims and Asbestos PI Claims, such as using the Asbestos PI Trust Assets to pay holders of Settled Asbestos PI Claims and Asbestos PI Claims in such a way that provides reasonable assurance that the Asbestos PI Trust will value and be in a financial position to pay all present and future Settled Asbestos PI Claims and Asbestos PI Claims that involve similar Claims in substantially the same manner. The Asbestos PI Trust will use the assets contributed to it by the Debtors to pay holders of Settled Asbestos PI Claims and Asbestos PI Claims in accordance with the Asbestos PI Trust Distribution Procedures which are attached to the Plan as Exhibit []. The Asbestos PI Trust will receive the Asbestos PI Trust Contribution which includes, among other things: (i) 100% of the stock of each SPHC or Bondex Affiliate in the Control of SPHC or Bondex and (ii) all assets of the Debtors, wherever located and in whatever form, including, but not limited to, any Claims or Causes of Action held against third parties including the International Action, provided however that the Asbestos PI Trust Contribution will exclude any asset, Claim, or Cause of Action necessary to reduce, defend against, or pay all Claims asserted against the Debtors that are not Settled Asbestos PI Claims or Asbestos PI Claims. The Asbestos PI Trust will manage its assets, and liquidate such assets as appropriate to enable it to make Cash distributions to holders of Settled Asbestos PI Claims and Asbestos PI Claims pursuant to the Asbestos PI Trust Distribution Procedures so as to provide fair and substantially similar treatment for all similarly situated present and future holders of Settled Asbestos PI Claims and Asbestos PI Claims.

The International Action to be transferred to the Asbestos PI Trust includes, but is not limited to, the following claims of the Debtors’ estates against International, its officers and directors arising out of the alleged improper and fraudulent transfer from SPHC of over 75% of SPHC’s



value but none of its liabilities, including substantial current and future asbestos-related liabilities:

- (i) avoidance of fraudulent transfers, actual and constructive, related to certain transactions in 1999 and 2002, together with punitive damages for wonton, malicious and willful misconduct;
- (ii) conspiracy related to the certain transactions in 1999 and 2002, together with punitive damages;
- (iii) unjust enrichment related to certain transactions in 1999 and 2002;
- (iv) fraudulent disregard of the corporate form between International and SPHC;
- (v) illegal dividends related to certain transactions in 2002 given the known asbestos-related liabilities then in existence;
- (vi) breach of fiduciary duty, including the duties of good faith, loyalty and to refrain from self-dealing and self-enrichment;
- (vii) aiding and abetting a breach of fiduciary duty;
- (viii) waste of corporate assets and facilitating the transfer of such assets for inadequate consideration;
- (ix) spoliation/willful destruction of critical evidence despite knowledge of ongoing strategy decisions, litigation and associated document retention requests;
- (x) recharacterization of the Claims of International against SPHC and/or Bondex of alleged intercompany debt as equity because the purported debt incurred by the Debtors was in substance an equity contribution by International; and
- (xi) equitable subordination of the Claims of International against SPHC and/or Bondex to all other claims and interests asserted against the Debtors because International engaged in misconduct, including but not limited to the misconduct articulated in items (i) through (ix) above, which resulted in the transfer of the majority of the Debtors' assets to International, which conferred an unfair advantage on International by allowing International to receive value well in excess of any claimed equity interest of the Debtors while leaving the Debtors with insufficient funds to pay their creditors.

It is not possible to predict the outcome of the International Action or any other Cause of Action which will be transferred to the Asbestos PI Trustee. The impact of the International Action and any other Cause of Action on distributions under the Plan will be dictated by the results of the International Action and each individual Cause of Action.

Possible results of the International Action include: (i) a determination that International is responsible for the payment of all Debtors' current and future liabilities as its alter ego, resulting in a recovery of additional funds for all other holders with Allowed Claims and the Asbestos PI Trust; (ii) avoidance of transfers to or for the benefit of International, resulting in a recovery of additional funds for all other holders with Allowed Claims and the Asbestos PI Trust; (iii) re-characterization of International's Claims from debt to equity, reducing the number of unsecured claims for the benefit of all other impaired Classes; (iv) equitable subordination of

International's Claims against SPHC and/or Bondex reducing the number of unsecured claims for the benefit of all other impaired Classes; or (v) a defense verdict.

Under the Plan, the holders of allowed Unsecured Claims (Class 3), Allowed Intercompany Claims (Class 6), and Allowed International Claims (Class 7) against the Debtors will receive (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree. To the extent the International Action is successful, the Pro Rata shares of all other impaired creditors will be improved.

**Section 2.2 Summary Description of Classes and Treatment**

Except for Administrative Claims and Priority Tax Claims, which are not required to be classified, all Claims and Equity Interests that existed on the Commencement Date are divided into classes under the Plan. The following chart summarizes the treatment of such classified and unclassified Claims and Equity Interests under the Plan. This chart is only a summary of such classification and treatment and reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

**ALTERNATIVE A**

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS IF ALTERNATIVE A OF THE PLAN IS IMPLEMENTED ON THE EFFECTIVE DATE	
Class <sup>4</sup> & Description	Treatment Under the Plan
Administrative Claims:  Any Claim for payment of an Administrative Claim.	Not Classified
Priority Tax Claims:  Any Claim for payment of a Priority Tax Claim.	Not Classified
Priority Claims (Class 1):  Class 1 consists of any and all Priority Claims against the Debtors.	Unimpaired  On the Distribution Date, each holder of a Class 1 Allowed Priority Claim shall receive Cash equal to the Allowed amount of such Priority Claim.
Secured Claims (Class 2):	Unimpaired

<sup>4</sup> The Plan Proponents reserve the right to eliminate any Class of Claims in the event they determine that there are no Claims in such Class.

<p>Class 2 consists of any and all Secured Claims against the Debtors.</p>	<p>At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable, and contractual rights to which each Allowed Secured Claim in Class 2 entitles the holder; (ii) the holder of an Allowed Secured Claim shall receive such other treatment as the Plan Proponents and the holder shall agree; or (iii) all of the collateral for such Allowed Secured Claim will be surrendered to the holder of such Claim on the Effective Date or as soon as practicable thereafter.</p>
<p>General Unsecured Claims (Class 3):</p> <p>Class 3 consists of any and all General Unsecured Claims against the Debtors.</p>	<p>Impaired</p> <p>Each holder of an Allowed Class 3 General Unsecured Claim shall receive: (i) Pro Rata share of Cash equal to the Allowed amount of such General Unsecured Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.</p>
<p>Settled Asbestos PI Claims (Class 4):</p> <p>Class 4 consists of any and all Settled Asbestos PI Claims.</p>	<p>Impaired</p> <p>As of the Effective Date, liability for all Class 4 Settled Asbestos PI Claims shall be automatically and without further act, deed or order, assumed by the Asbestos PI Trust. Except as expressly provided in any agreements entered into among a holder of a Class 4 Settled Asbestos PI Claim and the Asbestos PI Trust, the holders of Settled Asbestos PI Claims may elect to either: (a) receive an amount equal to the payment percentage established under the Asbestos PI Trust Distribution Procedures multiplied by the Allowed amount of the holders' claim as settled prior to the Commencement Date, or (b) forego any agreed settlement and be bound by Asbestos PI Trust Distribution Procedures in determining the amount of the Allowed Claim.</p>
<p>Asbestos PI Claims (Class 5):</p> <p>Class 5 consists of any and all Asbestos PI Claims.</p>	<p>Impaired</p> <p>As of the Effective Date, liability for all Class 5 Asbestos PI Claims shall be automatically and without further act, deed or order, assumed by the Asbestos PI Trust. Except as expressly provided in any agreements entered into among a holder of a Class 5 Asbestos PI Claim and the Asbestos PI Trust, each Asbestos PI Claim shall be liquidated and, as appropriate, paid by the Asbestos PI Trust pursuant to and in accordance with the Asbestos PI Trust Distribution Procedures.</p>
<p>Intercompany Claims (Class</p>	<p>Impaired</p>

6):  Class 6 consists of any and all Intercompany Claims.	Each holder of an Allowed Class 6 Intercompany Claim shall receive: (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such Intercompany Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.
Claims of International (Class 7):  Class 7 consists of any and all Claims held by International against one or more Debtors.	Impaired  To the extent the claim of International is Allowed, International shall receive: (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such International Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.
Bondex Equity Interests (Class 8):  Class 8 consists of any and all outstanding Bondex Equity Interests.	Impaired  On the Effective Date, all existing shares of outstanding Bondex Equity Interests shall be cancelled, annulled and extinguished. The holder of the Class 8 Bondex Equity Interests shall not receive or retain any distribution on account of such Bondex Equity Interests under the Plan.
SPHC Equity Interests (Class 9):  Class 9 consists of any and all outstanding SPHC Equity Interests.	Impaired  On the Effective Date, all existing shares of outstanding SPHC Equity Interests shall be cancelled, annulled and extinguished and the New SPHC Stock shall be issued to the Asbestos PI Trust pursuant to Section 10.1 of the Plan. The holder of the Class 9 SPHC Equity Interests shall not receive or retain any distribution on account of such SPHC Equity Interests under the Plan.

ALTERNATIVE B

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS IF ALTERNATIVE B OF THE PLAN IS IMPLEMENTED	
Class <sup>5</sup> & Description	Treatment Under the Plan
Administrative Claims:  Any Claim for payment of an Administrative Claim.	Not Classified

<sup>5</sup> The Plan Proponents reserve the right to eliminate any Class of Claims in the event they determine that there are no Claims in such Class.

<p>Priority Tax Claims:</p> <p>Any Claim for payment of a Priority Tax Claim.</p>	<p>Not Classified</p>
<p>Priority Claims (Class 1):</p> <p>Class 1 consists of any and all Priority Claims against the Debtors.</p>	<p>Unimpaired</p> <p>On the Distribution Date, each holder of a Class 1 Allowed Priority Claim shall receive Cash equal to the Allowed amount of such Priority Claim.</p>
<p>Secured Claims (Class 2):</p> <p>Class 2 consists of any and all Secured Claims against the Debtors.</p>	<p>Unimpaired</p> <p>At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable, and contractual rights to which each Allowed Secured Claim in Class 2 entitles the holder; (ii) the holder of an Allowed Secured Claim shall receive such other treatment as the Plan Proponents and the holder shall agree; or (iii) all of the collateral for such Allowed Secured Claim will be surrendered to the holder of such Claim on the Effective Date or as soon as practicable thereafter.</p>
<p>General Unsecured Claims (Class 3):</p> <p>Class 3 consists of any and all General Unsecured Claims against the Debtors.</p>	<p>Unimpaired</p> <p>Each holder of an Allowed Class 3 General Unsecured Claim shall receive: (i) Cash equal to the Allowed amount of such General Unsecured Claim plus interest at the Federal Judgment Rate on the Distribution Date; or (ii) such other treatment as the Plan Proponents and the holder shall agree.</p>
<p>Settled Asbestos PI Claims (Class 4):</p> <p>Class 4 consists of any and all Settled Asbestos PI Claims.</p>	<p>Impaired</p> <p>Each holder of a Settled Asbestos PI Claim shall receive: (i) Cash equal to the Allowed amount of such Settled Asbestos PI Claim without interest on the Effective Date; or (ii) such other treatment as the holder of the Allowed Settled Asbestos PI Claim and the Reorganized Debtors shall agree.</p>
<p>Asbestos PI Claims (Class 5):</p> <p>Class 5 consists of any and all Asbestos PI Claims.</p>	<p>Unimpaired</p> <p>As of the Effective Date, all holders of Asbestos PI Claims may pursue their legal remedies to seek redress for damages arising from their alleged injuries.</p>
<p>Intercompany Claims (Class 6):</p> <p>Class 6 consists of any and all Intercompany Claims.</p>	<p>Unimpaired</p> <p>As of the Effective Date, all Intercompany Claims shall be reinstated.</p>

<p>Claims of International (Class 7):</p> <p>Class 7 consists of any and all Claims held by International against one or more Debtors.</p>	<p>Unimpaired</p> <p>As of the Effective Date, all Class 7 Claims held by International against one or more of the Debtors shall be reinstated.</p>
<p>Bondex Equity Interests (Class 8):</p> <p>Class 8 consists of any and all outstanding Bondex Equity Interests.</p>	<p>Unimpaired</p> <p>On the Effective Date, all existing shares of outstanding Bondex Equity Interests shall be reinstated.</p>
<p>SPHC Equity Interests (Class 9):</p> <p>Class 9 consists of any and all outstanding SPHC Equity Interests.</p>	<p>Unimpaired</p> <p>On the Effective Date, all existing shares of outstanding SPHC Equity Interests shall be reinstated.</p>

### ARTICLE III

#### GENERAL INFORMATION

##### Section 3.1 Description and History and Debtors' Businesses

###### (1) Origins of the Debtors

Debtor, Specialty Products Holding Corp., an Ohio corporation, was originally formed on May 29, 1947, under the name Republic Powdered Metals, Inc. ("Republic Powdered Metals I"). SPHC was in the business of manufacturing various roof waterproofing products, some of which contained asbestos. In 1963, SPHC incorporated R.P.M., Inc., a wholly owned subsidiary.

On or about February 11, 1966, SPHC acquired substantially all of the assets and assumed the liabilities of the Reardon Company ("Reardon"), a Missouri corporation that manufactured a line of products under the "Bondex" brand name, including a powdered waterproof cement paint and an asbestos-containing joint compound. SPHC acquired Reardon with the purported goal of entering the burgeoning "do-it-yourself" (also known as "DIY") consumer market. Following the Reardon acquisition, SPHC internally operated a Republic Powdered Metals Division and a Reardon Company Division.

On November 9, 1971, Republic Powdered Metals I changed its name to RPM, Inc., k/n/a/ SPHC. Also on that date, R.P.M., Inc. changed its name to Republic Powdered Metals, Inc. ("Republic Powdered Metals II").

On or about May 22, 1972, SPHC incorporated Debtor Bondex as a wholly owned subsidiary under the laws of the State of Ohio. Approximately one week later, on or about

May 31, 1972, SPHC sold the assets and property of Reardon Company Division to Bondex and Bondex assumed the liabilities of the Reardon Company Division. On May 31, 1972, SPHC sold its Republic Powdered Metals Division to Republic Powdered Metals II and Republic Powdered Metals II assumed the liabilities of Republic Powdered Metals Division. As a result of these transactions, SPHC became a holding company with Bondex and Republic Powdered Metals II as its two wholly owned operating subsidiaries.

In approximately August of 1999, SPHC acquired DAP, a Baltimore, Maryland-based manufacturer of, among other things, caulks and other specialty adhesives similar to Bondex's products. Between August 1999 and January 2000, Bondex transferred all or almost all of its assets (but few or no liabilities) to its sister subsidiaries DAP Products, Inc. ("DAP"), Zinsser Co., Inc. ("Zinsser"), and Carboline Company ("Carboline"). The vast majority of assets went to DAP. Thereafter, Bondex was a non-operating entity with no material assets.

In October 2002, SPHC engaged in a triangular merger through which the RPM enterprise obtained a new ultimate parent, RPM International Inc. International was formed in Delaware on July 29, 2002. International then formed, on August 26, 2002, a wholly owned Ohio subsidiary, RPM Merger Company ("RPM Merger Sub"). On October 15, 2002, RPM Merger Sub merged into SPHC, and each share of SPHC was automatically converted into the right to receive one share of International. Consequently, immediately following the merger, International was the ultimate parent, and the former ultimate parent, SPHC, was a subsidiary holding company directly below International. Thereafter, SPHC paid in-kind dividends to International, consisting of the stock SPHC held in certain subsidiaries. By these means, entities accounting for approximately three quarters of the entire enterprise's asset value were moved out from SPHC's ownership. Most of those entities were thereafter owned by two sibling subsidiaries of SPHC, RPM Consumer Holding Company and RPM Industrial Holding Company, both of which were formed in Delaware on September 18, 2002. SPHC retained certain of its former assets, including its directly owned non-operating subsidiary Debtor Bondex and its directly owned non-Debtor operating subsidiaries: Chemical Specialties Manufacturing Corporation; Day-Glo Color Corp., Dryvit Holdings, Inc.; Guardian Protection Products, Inc.; Kop-Coat, Inc.; RPM Wood Finishes Group, Inc.; and TCI, Inc. (collectively, the "Operating Subsidiaries" and, together with the Debtors, the "SPHC Companies"). SPHC is also the indirect parent of certain other domestic and foreign non-debtor subsidiaries. The SPHC Companies do not have any funded indebtedness.

On May 26, 2010, International changed RPM, Inc.'s name to Specialty Products Holding Corp. and on May 31, 2010, SPHC filed for bankruptcy protection along with Bondex, its wholly-owned subsidiary.

(2) Existing Organizational Structure and Ongoing and Anticipated Businesses

As an intermediate holding company, SPHC itself has no operations and its assets consist primarily of its direct and indirect ownership interests in its subsidiaries. The officers (with position) 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 for

SPHC consists of the following directors: Stephen J. Knoop, Glenn R. Hasman and Michael D. Teller.

Bondex has no operations or material assets. The officers (with position) of Bondex as appointed by its Board of Directors are: Stephen J. Knoop - Chief Executive Officer; Glenn R. Hasman - Assistant Secretary; Michael D. Teller – Secretary; John Fleming – President and Treasurer; Tracy D. Crandall – Assistant Secretary. The Board of Directors for Bondex consists of the following directors: Stephen J. Knoop, Glenn R. Hasman and Michael D. Teller.

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 the brand names such as CCI, Chemspec, Day-Glo, Dryvit, Guardian, Mohawk, Kop-Coat, TCI and Valvtect.

During the fiscal year 2009, the SPHC Companies generated consolidated revenues of approximately \$329 million and pre-tax income of approximately \$19 million.

Prior to the Commencement Date, the SPHC Companies' ultimate parent, International, provided certain centralized corporate and administrative services to the SPHC Companies. 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 charged its subsidiaries a fee for these services. In addition, International also contracted with various third party vendors for certain additional 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 Commencement 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 Commencement Date and the related payment obligations. On the same date, SPHC and non-Debtor Operating Subsidiary Kop-Coat, Inc. ("Kop-Coat") entered into an employment arrangement (the "Employment Arrangement") that provided for the Mr. Teller, an employee of Kop-Coat and president of SPHC and director for each of the Debtors, to devote 70 percent of his working time and 70 percent of two other accounting and administrative employees' working time to SPHC Companies and allocate the costs of these three employees' employment pursuant to the terms of the Employment Arrangement. The Bankruptcy Court subsequently entered an order on June 30, 2102, authorizing the Debtors to enter into the Administrative Services Agreement and the Employment Arrangement.



(3) Description of SPHC's Assets

SPHC's assets consist primarily of SPHC's ownership interest in its direct subsidiaries and the Causes of Action, including the International Action. SPHC's operating direct subsidiaries are:

Kop-Coat Inc.: Kop-Coat Protection Products ("Kop-Coat") is comprised 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 products manufacturers and distributors. Kop-Coat Marine & Pool sells 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 the carpet and upholstery, deodorization, smoke and fire restoration, rug care, stain removal, leather care, traffic lane cleaners, chewing gum remover, detergents and hard floor products and protectants. Customer distribution focuses on three main segments: professional cleaning, healthcare and education. 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 color consuming industries, including plastics, graphic arts, paints and coatings, dyes and textiles, as well as direct to consumers. 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 OEM manufacturers, distributors with 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.

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

TCI, Inc.: TCI Inc. ("TCI") manufactures electrostatically applied powder coatings for use in numerous 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). 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”) is a manufacturer of Exterior Insulation and Finish Systems (EIFS) and Textured Acrylic Finish Systems (TAFS) for use in commercial and residential applications. The system is a highly energy efficient, lightweight engineered cladding system 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. Annual revenue for the twelve months ended March 31, 2012 was approximately \$68.0 million.

(4) Motion to Prosecute

On November 14, 2011, the Committee and Future Claimants’ Representative filed their joint motion seeking entry of an order granting leave, standing and authority to prosecute claims on behalf of the Debtors’ Estates (the “Motion to Prosecute”). By the Motion to Prosecute, the Committee and Future Claimants’ Representative seek standing and authority to prosecute the following estate claims against International, its affiliates, its officers and directors, certain professionals and other third parties arising out of the alleged improper and fraudulent transfer from SPHC of over 75% of SPHC’s value but none of its liabilities, including substantial current and future asbestos-related liabilities: (i) avoidance of fraudulent transfers, actual and constructive, related to certain transactions in 1999 and 2002, together with punitive damages for wanton, malicious and willful misconduct; (ii) conspiracy related to the certain transactions in 1999 and 2002, together with punitive damages; (iii) unjust enrichment related to certain transactions in 1999 and 2002; (iv) fraudulent disregard of the corporate form between International and SPHC; (v) illegal dividends related to certain transactions in 2002 given the known asbestos-related liabilities then in existence; (vi) breach of fiduciary duty, including the duties of good faith, loyalty and to refrain from self-dealing and self-enrichment; (vii) aiding and abetting a breach of fiduciary duty; (viii) waste of corporate assets and facilitating the transfer of such assets for inadequate consideration; and (ix) spoliation/willful destruction of critical evidence despite knowledge of ongoing strategy decisions, litigation and associated document retention requests (collectively, the “Asserted Claims”). The Committee and Future Claimants’ Representative alleged that voiding the fraudulent transfers related to SPHC’s transfer of 75% of its assets to International for insufficient consideration would result in a return of approximately \$1,124,400,000, plus interest of value to the Debtors’ Estates. The Debtors and International objected to the Standing Motion. The Debtors stated on the record that they would not pursue the Asserted Claims. The Bankruptcy Court held a hearing on the Standing Motion and required supplemental briefing from the parties on the motion.

With statute of limitations related to certain of the Asserted Claims set to expire on May 31, 2012, the Debtors obtained tolling agreements from the following potential defendants tolling and extending any limitations periods contained in sections 546(a), 549(d) and 108(a) of

the Bankruptcy Code, and other applicable bankruptcy and/or non-bankruptcy law to preserve any claims that the Debtors' estates may have against the potential defendants as of May 31, 2012, under any legal theory or applicable law, whether asserted by claim, counterclaim, cross-claim, or otherwise: Calfee, Halter & Griswold LLP, PricewaterhouseCoopers LLP, International Inc., Gordon M. Hyde, E. Bradley Jones, James A. Karman, Stephen J. Knoop, Robert Matejka, Donald K. Miller, John H. Morris, Jr., William A. Papenbrock, Albert B. Ratner, David P. Reif, III, Ronald A. Rice, Keith Smiley, Frank C. Sullivan, Thomas C. Sullivan, Jerry Sue Thornton, P. Kelly Tompkins, Joseph P. Viviano, Max D. Amstutz, Edward B. Brandon, Charles P. Brush, Robert S. Burns, Joseph F. Ciulla, Robert McMinn, Ernie J. Zanko, Kenneth Evans, Lorrie Gustin, Glenn R. Hasman and Paul G.P. Hoogenboom. The tolling agreements with Calfee, Halter & Griswold LLP and PricewaterhouseCoopers LLP are effective through May 31, 2013 and are subject to renewal periods thereafter. The tolling agreements for the other potential defendants are effective until 90 days after the occurrence of certain specified events, such as the effective date of a confirmed plan of reorganization for the Debtors' cases, the conversion of the Debtors' cases to Chapter 7 liquidation proceedings, or the appointment of a trustee in the Debtors' cases.

The Motion to Prosecute remains pending before the Bankruptcy Court, subject to the right of the Committee and the Future Claimants' Representative to set the Motion to Prosecute for further hearing.

(5) Plan Alternatives

Alternative A

Under Alternative A of the Plan, the Causes of Action, including the International Action, will be transferred as part of the Asbestos PI Trust Contributions to the Asbestos PI Trust, as set forth in Article X of the Plan.

Alternative A will require the separation of the Debtors and each SPHC or Bondex Affiliate from International and all other entities within the International group of companies. As part of the process of preparing the Plan, the financial advisors to the Committee and the Future Claimants' Representative developed a detailed transition plan to implement this separation (the "Carve-out Transition Plan"). A summary of the key workstreams from the Carve-out Transition Plan are as follows:

- Executive management structure,
- Transition of the administrative services agreement,
- Human resources,
- Cash management systems,
- Purchasing,
- Information technology systems,
- Environmental, health and safety,
- Accounting and tax,
- Legal,
- Insurance,
- Exit financing,

Corporate governance, and  
Long term strategic considerations

Each SPHC or Bondex Affiliate is managed autonomously, has independent management teams and in some instances certain divisions have their own organizational structure. Therefore, the key to managing the Carve-out Transition Plan is developing an independent SPHC corporate infrastructure, which can very reasonably be achieved given the existing time frame. Currently International charges SPHC in excess of \$7.0 million for administrative services, in addition to approximately \$24.0 million of direct cost allocations for these services.

### Alternative B

Under Alternative B of the Plan, the only Impaired Class is composed of holders of Settled Asbestos PI Claims. These holders will be paid the amount of their Allowed Claims on the Distribution Date by the Reorganized Debtors. All other classes of Claims and Equity Interests are Unimpaired in Alternative B. The Plan Proponents doubt that a Final Order will be entered concluding that the Debtors's assets exceed their liabilities. Accordingly, if the Plan is confirmed, the Plan Proponents are skeptical that Alternative B will ultimately be implemented on the Effective Date.

## **ARTICLE IV**

### **SUMMARY OF LIABILITIES AND RELATED INSURANCE OF THE DEBTORS**

#### Section 4.1 Description of Asbestos Personal Injury Liabilities

The Debtors' most significant liabilities are the numerous Settled Asbestos PI Claims and Asbestos PI Claims against the Debtors, which are described in detail below.

##### (a) Asbestos-Containing Products Manufactured or Sold by the Debtors

Upon information and belief, Republic Powdered Metals manufactured and sold asbestos-containing products as early as 1947. The company frequently touted the "marvelous" benefits of asbestos. As set forth in 4.1(c) below, the Debtors produced and marketed dozens of products which may have contained asbestos fibers.

##### (b) End of the Manufacture and Distribution of Asbestos-Containing Products

Upon information and belief, the Debtors ceased selling asbestos-containing joint compound products in 1977 and halted sales of other asbestos-containing products in the early 1980s. In addition to the Reardon Company products, SPHC sold certain asbestos-containing roofing products and sealants until at least 1972.

##### (c) Debtors' Products Which May Have Contained Asbestos

The Debtors sold the following products, which may have contained asbestos:

- (i) Dramex Interior Finish, also known as—
  - Dramex Texture Paint;
  - Trax Texture Paint;
  - Ward’s Texture;
  - Dramex Spanish Texturing Paint;
  - Penncraft Texture Paint;
  
- (ii) Dramex Ready Mixed Interior Finish, also known as—
  - Dramex Ready Mixed Texture Paint;
  - FO Pierce Dramex;
  - Metro Interior Finish;
  - Metro Texturing;
  
- (iii) Bondex Water Putty, also known as—
  - Reardon’s Water Putty;
  - Reardon’s Wood Putty;
  - Penncraft Water Putty;
  - Ward’s Wood Putty;
  
- (iv) Bondex Multi-Patch;
  
- (v) Bondex SX Joint Cement, also known as—
  - Reardon’s SX Joint Cement;
  - Trax Joint Cement;
  - Penncraft Joint Cement;
  - NPD SX Joint Cement;
  - NPD SX Joint Cement Combination;
  - Hi & Dri Joint Cement;
  
- (vi) Bondex SX Topping Cement, also known as—
  - Reardon’s SX Topping Cement;
  - Trax Topping Cement;
  - Hi & Dri Topping Cement;
  
- (vii) Bondex Joint Compound All Purpose, also known as—
  - Reardon’s All Purpose Joint, Topping and Texture Paint;
  - Reardon’s 500-C All Purpose Joint Cement;
  - NPD All Purpose Joint Cement;
  - Cooks Lifeline All Purpose Texture Joint and Topping Cement;
  - “Our Best Grade” Joint Cement;

- GSA Joint Compound;
  - Reardon's All Purpose Joint Cement;
  - Bondex 200-B All Purpose Joint Cement;
  - Bondex 500C All Purpose Joint Cement;
  - Bondex Premium Joint Compound;
  - 100a All Purpose Joint Compound;
- (viii) Bondex Pre-Mixed Joint Compound, also known as—
- Reardon's Ready-Mixed Joint Cement;
  - Reardon's Pre-Mixed Joint Cement;
  - Ward's All Purpose Joint Cement (Ready-Mixed);
  - Penncraft Pre-Mixed Joint Cement;
  - Brod Dugan Red-I-Mix Joint Cement;
- (ix) Bondex Block Filler and Primer, also known as—
- Reardon's Block Filler and Primer;
  - Penncraft Block Filler;
- (x) Bontone Acrylic Fibred Coating, also known as—
- Bontone Fibred Masonry Coating;
- (xi) Bondex Heavy Duty Liquid Aluminum Roof Coating, also known as—
- Alumanation 301;
  - Alumanation 350;
  - Mobile Home Aluminum Roof Coating;
- (xii) Bondex (Bondek) Black Plastic Roof Cement, also known as—
- Perma-Plastic;
- (xiii) Bondex (Bondek) Black Mastic Roof Coating, also known as—
- Permaroof;
- (xiv) Stays White Mobile Home Roof Coating;
- (xv) Bondex Handy-Patch All Purpose Patcher, also known as—
- Reardon's Handy Patch All Purpose Patcher, Formula 1031.

(d) Debtors Historical Asbestos Personal Injury Liabilities

Since 1980, Bondex was named in more than 20,000 asbestos-related lawsuits by individuals claiming injury as a result of the Debtors' manufacture and distribution of asbestos-containing construction products, principally joint compound. Beginning in 1992, SPHC was named in more than 8,000 such lawsuits. Since 2000, the Debtors have resolved approximately 27,000 Asbestos PI Claims at a total indemnity value (not including costs of litigation) of approximately \$380 million. As of the Commencement Date, the Debtors remained subject to approximately 15,000 pending Asbestos PI Claims. In addition, as of the Commencement Date, the Debtors owed \$52.7 million in Settled Asbestos PI Claims.

(e) Estimation of Asbestos Personal Injury Liabilities

By mid-2006, about 10,000 asbestos claims, involving 32,000 individual claimants, had been filed against SPHC and Bondex. According to Note N to Consolidated Financial Statements contained in International's 2011 Annual Report, as of May 31, 2008, Bondex's total asbestos-related balance sheet liabilities for the period through 2028 were \$559.7 million. As of the day prior to the Commencement Date, Bondex had recorded an asbestos-related product liability of \$397.7 million.

The Debtors contend that their settlement history does not provide an accurate basis for estimation of their current and future asbestos liabilities and their expert will show that the historic settlements were overpayments. The respective experts for each of the Committee and Future Claimants' Representative estimate that the amount of the Debtors' liabilities, including, among other things, the Settled Asbestos PI Claims and Asbestos PI Claims, are approximately \$1.3 billion, which amount greatly exceeds the assets of the Debtors' estates. The Bankruptcy Court has scheduled a five-day hearing for January 7 through 11, 2013, on estimation of the value of all pending and future asbestos personal injury claims against the Debtors.

Section 4.2 Description of Asbestos Insurance Coverage and Exhaustion of Coverage

(a) Historic Asbestos Insurance Coverage

Beginning in the 1980s, the Debtors were sued throughout the country in asbestos bodily injury actions resulting from exposure to products manufactured by several entities including RPM, Inc. k/n/a SPHC, Bondex, and Republic. By mid-2006, more than 10,000 asbestos claims, involving 32,000 individual claimants, had been filed. In some of these lawsuits, the claimants alleged exposure to Reardon products, and/or exposure to asbestos-containing products before 1966, and/or exposure to "The Reardon Company Division" products. SPHC, Bondex, and Republic, in turn, sought insurance coverage under various primary and excess policies issued to SPHC, Bondex and/or Republic.

Between 1973 and 1985, the Debtors and affiliated corporation Republic obtained comprehensive general liability, umbrella and excess insurance policies from a number of different insurers. In 1993, certain insurers entered into a global settlement agreement with the Debtors to resolve disputes under their respective insurance policies. Under this agreement, the insurers agreed to defend and indemnify the Debtors in connection with underlying asbestos

bodily injury claims, including claims arising out of alleged exposure to Reardon products. The insurers participating in the agreement alleged exhaustion of their policies in 1997 and 2000, respectively. Upon information and belief, by 2003, all of the Debtors' applicable insurance policies for coverage of Debtors' asbestos-related liabilities claimed exhaustion.

(b) Coverage Disputes

On July 3, 2003, the Debtors and affiliated corporation Republic filed a complaint in the United States District Court for the Northern District of Ohio, alleging that the aggregate limits of the insurers' policies did not apply to claims involving Reardon products.

The complaint alleged that certain asbestos bodily injury claims for which the Debtors and their co-plaintiff sought coverage arose out of products manufactured by Reardon rather than by any of the named insureds under the policies. All three plaintiffs further alleged that because Reardon is not a "named insured" under the policies, claims arising out of Reardon products did not fall within the definition of either "completed operations hazard" or "products hazard." According to the complaint, the aggregate limit of liability applicable to such claims did not apply to Reardon product claims, and without an applicable aggregate limit the Debtors asserted that the insurance policies could never be exhausted with respect to asbestos bodily injury claims arising from Reardon products. In short, the Debtors sought a declaratory judgment to the effect that the insurers continued to have a duty to defend and indemnify the Debtors in asbestos bodily injury claims arising out of products manufactured by Reardon and that the limits of the policies had not been properly exhausted.

On February 27, 2007, certain insurers moved for summary judgment, seeking a declaration that Reardon is a "Named Insured" under certain policies, and that therefore those policies' products limits had been fully exhausted.

The Debtors cross-moved for summary judgment, arguing that Reardon should not be considered a "Named Insured" under the policies. The Debtors claimed that Reardon products were not "Named Insured" products because the Reardon transaction was purportedly an asset-purchase only. Thus, the Debtors argued that they had not subsumed Reardon, which therefore was not a "Named Insured" under the policies.

The District Court for the Northern District of Ohio granted the insurers motion for summary judgment on December 1, 2008. The court found that RPM, Inc.'s 1966 acquisition of Reardon was a *de facto* merger and that Reardon was a "Named Insured" whose products were subject to the applicable aggregate limits of the policies; thus, the policies were exhausted.

The Debtors and Republic appealed the Ohio District Court's order granting summary judgment to the Sixth Circuit Court of Appeals. On November 28, 2011, the Sixth Circuit Court of Appeals affirmed the Northern District of Ohio's order granting the insurers' motion for summary judgment but ruled on different grounds. According to the Sixth Circuit, Reardon was a "Named Insured" under the relevant policies as a simple matter of contract interpretation. As a result, the insurance policies' products-hazards caps apply to claims arising from Reardon products, and the disputed insurance policies were exhausted.



The Debtors and RPM did not appeal Sixth Circuit Court of Appeal's ruling to the United States Supreme Court. As a result, the Sixth Circuit's opinion is final.

#### Section 4.3 Description of Non-Asbestos Liabilities of the Debtors

According to their respective schedules filed in these Chapter 11 Cases, the Debtors were also subject to certain non-asbestos-related prepetition liabilities: Bondex in the amount of \$331,385,547.58 and SPHC in the amount of \$430,747,946.82.

Specifically, Bondex's non-asbestos liabilities consisted of an outstanding intercompany payable to SPHC in the amount of \$329,041,230.52 and certain other accounts payable and non-asbestos claims related to the provision of professional services in the total amount of \$2,344,317.06.

According to their respective schedules filed in these Chapter 11 Cases, SPHC was liable as of the Commencement Date for intercompany payables to seven of its non-debtor subsidiaries in the total amount of \$221,812,506.14 as well as an intercompany payable to RPM Industrial Holding Company, a subsidiary of International, in the amount of \$172,937,216.68. Separately, SPHC also listed tax-related payables to Bondex in the amount of \$33,776,331 and to four of SPHC's nondebtor subsidiaries in the total amount of \$2,221,893. Finally, SPHC was also subject to certain unliquidated non-asbestos claims asserted by environmental claimants and insurance companies.

## ARTICLE V

### THE DEBTORS' CHAPTER 11 CASES

#### Section 5.1 Events Leading to Filing of Chapter 11 Cases

The Debtors filed their voluntary chapter 11 petitions on May 31, 2010. As of the Commencement Date, the SPHC Companies' businesses and operations were healthy and generated cash. They have no funded indebtedness, and their anticipated collections and access to financing appeared to be sufficient to meet the SPHC Companies' operating needs. However, the increasing cost of managing and resolving the Debtors' asbestos-related litigation ultimately led the Debtors to conclude that commencement of these Chapter 11 Cases was necessary. The Debtors filed these Chapter 11 Cases with the stated goal of negotiating, obtaining approval of, and consummating a plan of reorganization that establishes an appropriately funded trust pursuant to section 524(g) of the Bankruptcy Code and obtaining a channeling injunction permanently protecting the Debtors, International, and all other entities under the International umbrella from any further asbestos claims arising from products manufactured and sold by the Debtors.

The Debtors faced thousands of asbestos-related lawsuits since as early as 1980, primarily based on their acquisition of Reardon and the production and sale of the Reardon line of products. Until 2003, insurance had been funding much of the Debtors' asbestos costs. The Debtors incurred asbestos costs in the range of approximately \$60 million to \$82 million per year from fiscal years 2005 through 2009. As of its Commencement Date, the Debtors were subject

to more than 15,000 Asbestos PI Claims asserted by plaintiffs seeking damages for personal injuries allegedly caused by exposure to asbestos-containing products manufactured or distributed by the Debtors.

#### Section 5.2 Commencement of the Chapter 11 Cases

The Debtors have continued to operate their businesses and manage their affairs as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code since the commencement of their Chapter 11 Cases on May 31, 2010.

#### Section 5.3 First-Day Relief

On its Commencement 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 purported purpose of such motions was to ensure that the Debtors were able to transition into the chapter 11 process and function smoothly while their Chapter 11 Cases were progressing.

In particular, the “first day” motions sought authority to: (a) administer the Chapter 11 Cases jointly for procedural purposes; (b) appoint a claims and noticing clerk; (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 DIP financing. The relief sought in each of the motions was eventually granted by the Bankruptcy Court.

#### Section 5.4 Retention of Debtors’ Professionals

The Debtors have retained (i) Jones Day, as primary reorganization counsel; (ii) Richards, Layton & Finger, P.A., as Delaware reorganization counsel; (iii) Blackstone Advisory Partners, L.P., as financial advisor and investment banker; (iv) Calfee, Halter & Griswold LLP, as special corporate counsel; (v) Evert Weathersby Houff as Special Asbestos Litigation Counsel (vi) Bates White, as asbestos consultants; (vii) Covington & Burling, LLP as insurance counsel; and (viii) Spangenberg, Shibley & Liber LLP, as special litigation counsel. The Bankruptcy Court has also authorized the Debtors to engage other law firms and professionals in the ordinary course of business.

#### Section 5.5 Appointment of the Asbestos Claimants’ Committee

On June 10, 2010, the Office of the United States Trustee appointed the asbestos claimants’ Committee in the Chapter 11 Cases. The Committee was thereafter reconstituted by the United States Trustee on October 18, 2010, and again on December 14, 2010, and consisted, as of April 30, 2012, of the following persons, each of whom also their own legal representative: (i) Myron Butler; (ii) Deborah Papaneri as representative for the Estate of Charles Papaneri (iii) James L. Mongolluzzo; (iv) Roy Leggett; (v) Antonietta DiMeglio; (vi) Lloyd H. Lohr; (vii) David A. Kalil; (viii) Victor Dillbeck; (ix) Charles A. Wilson; (x) Zdenek Machalka; and (xi) John Philip Eggers, as representative for the Estate of Jane Young. The Committee has retained Montgomery, McCracken, Walker & Rhoads, LLP, as counsel; Motley Rice, LLC as Conflicts

Counsel; Legal Analysis Systems, Inc., as consultant on the valuation of asbestos liability; and Charter Oak Financial Consultants, LLC, as financial advisor.

#### Section 5.6 Appointment of the Legal Representative for Future Claimants

On October 18, 2010, the Bankruptcy Court entered an order appointing Mr. Eric D. Green as the Legal Representative for Future Claimants in the Debtors' Chapter 11 Cases. The Future Claimants' Representative has retained the law firm of Young Conaway Stargatt & Taylor, LLP, as counsel; Analysis Research & Planning Corporation, as claims evaluation consultants; and FTI Consulting, as financial advisor. The Future Claimants' Representative also has an application pending before the Bankruptcy Court to employ and retain Resolutions, LLC as consultants.

#### Section 5.7 Filing of Schedules of Assets and Liabilities and Statements of Financial Affairs

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On July 19, 2010, the Debtors filed their schedules of assets and liabilities and statements of financial affairs with the Bankruptcy Court. The Schedules provide summaries of the assets held by each of the Debtors, as well as a listing of the secured, unsecured priority, and unsecured non-priority claims pending against each of the Debtors during the period prior to the Commencement Date, based upon the Debtors' books and records. The statements of financial affairs provide additional information concerning the Debtors' financial affairs during the period prior to the Commencement Date. A description of the non-asbestos liabilities is provided in Section 4.3 of this Disclosure Statement.

#### Section 5.8 Administrative Matters in the Chapter 11 Cases

##### (a) Exclusive Periods for the Debtors to Propose and Solicit Plan Acceptance

The Debtors have sought and obtained several unopposed extensions of the periods during which they may 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. No further extensions of the exclusive period were sought. Accordingly, the Debtors lost the exclusive right to file and solicit a Debtor-sponsored plan in their cases.

#### Section 5.9 Significant Events During the Course of the Chapter 11 Cases

##### (a) 105 Injunction in Favor of International

On the Commencement Date, the Debtors sought injunctive and/or declaratory relief under sections 105 and 362 of the Bankruptcy Code enjoining all plaintiffs or potential plaintiffs from continuing or commencing any lawsuits that seek to hold or may seek to hold International or any of its affiliates derivatively liable based on asbestos-containing products manufactured, sold or distributed by the Debtors. The Debtors represented that failure to extend the automatic stay injunction to its parent International and its affiliates would irreparably harm their efforts to

equitably resolve thousands of asbestos claims through the use of section 524(g) of the Bankruptcy Code. Specifically, they alleged that, absent an extension of the automatic stay, there was an acute risk under the doctrines of collateral estoppel and res judicata that resolutions of issues in derivative litigation against International or any its affiliates would bind the Debtors with respect to pending and future asbestos claims. They also alleged that judgments against International and any of its affiliates would have the effect of fixing indemnification claims against the Debtors outside of their Chapter 11 Cases.

On June 15, 2010, the Bankruptcy Court entered an Agreed Order Regarding Debtors' Request for an Extension or Application of the Automatic Stay to Non-Debtor Affiliate, which, inter alia, prohibited and enjoined any current or potential plaintiffs from filing or continuing to prosecute any derivative asbestos liability claims against International or its affiliates based on asbestos-containing products manufactured, sold or distributed by the Debtors until August 13, 2010. On June 23, 2010, the Bankruptcy Court entered a second modified order extending the automatic stay to International and its affiliates indefinitely; however, such extension was subject to termination upon motion by the Committee or any plaintiff or potential plaintiff barred from prosecuting claims against International or its affiliates under the order extending the automatic stay.

(b) Requests for Information Under Rule 2004

In October and November of 2010, the Debtors filed three 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"). The Debtors represented that the information sought through the Discovery Motions was necessary for its claims estimation expert to prepare an estimation of the Debtors' asbestos liability in the most accurate manner.

Specifically, the Debtors filed motions (i) seeking information from current asbestos claimants in the form of a personal injury questionnaire ("PIQ Motion"); (ii) seeking production from certain claims-processing facilities of electronic files detailing the extent to which the Debtors' current asbestos claimants had previously sought recovery from other trusts and the extent to which claimants whose claims the Debtors resolved had subsequently sought to recover from other trusts (the "Trust Discovery Motion"); and (iii) seeking the historic-claims databases maintained by asbestos trusts that had previously been co-defendants with the Debtors in asbestos personal injury suits (the "Historic Claims Databases Motion"). Each of these Discovery Motions was met with objections from the Committee and the Future Claimants' Representative, among others.

In regards to the PIQ Motion, the Bankruptcy Court eventually approved a form PIQ that did not contain any questions related to the payments claimants received from other trusts, which information the court believed was unrelated to the Debtors' liabilities. With regard to the Trust Discovery Motion, the Debtors withdrew their request for information related to their current claimants as duplicative of the relief granted under the PIQ Motion, and the Bankruptcy Court denied the request for information related to their former claimants, ruling that such relief was beyond the scope of Rule 2004 since those claimants were not creditors of the Debtors' estates. Finally, the Bankruptcy Court denied the Historic Claims Databases Motion, ruling that, as with

the Trust Discovery Motion, the information sought did not relate to the Debtors' liabilities and thus exceeded the scope of Rule 2004.

On August 17, 2011, the Debtors sought to have the Bankruptcy Court reconsider its orders with respect to each of the Discovery Motions or, alternatively, to have the Bankruptcy Court certify its orders for appeal to the Third Circuit. On October 4, 2011, the Bankruptcy Court denied both of these requests.

(c) Mediation of Central Case Issues

On February 14, 2012, the Debtors, International, the Future Claimants' Representative and the Committee participated in a mediation regarding any potential consensual resolutions of the Chapter 11 Cases with the Honorable Daniel Weinstein (Ret.) as mediator. As set forth in the mediator's report, read into the record at March 28, 2012, hearing before the Bankruptcy Court, the mediation did not result in the settlement of the case, and it was the mediator's firm belief that further mediation proceedings were not likely to result in a settlement at that time. Thus, the mediator declared that the mediation among the Debtors, International, the Future Claimants' Representative and the Committee that commenced on February 14, 2012 was over.

## **ARTICLE VI**

### **THE PLAN**

Confirmation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for treating claims against and equity interests in a debtor. Confirmation of a plan by the Bankruptcy Court makes it binding on the debtor, any person or entity acquiring property under the plan, and any creditor of, or equity interest holder in, the debtor, whether or not such creditor or equity interest holder has accepted the plan or received or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or in the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan.

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN OF THE SUBSTANTIVE PROVISIONS OF THE PLAN, AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE PLAN PROPONENTS URGE ALL HOLDERS OF CLAIMS TO READ AND STUDY CAREFULLY THE PLAN, A COPY OF WHICH IS ATTACHED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT.

AS SET FORTH IN GREATER DETAIL HEREIN AND IN THE PLAN, THE PLAN SETS FORTH TWO SEPARATE ALTERNATIVES – ALTERNATIVE A AND ALTERNATIVE B. ONLY ONE ALTERNATIVE WILL ULTIMATELY BE MADE EFFECTIVE. THE ALTERNATIVE MADE EFFECTIVE WILL DEPEND IN LARGE PART ON ONE OR MORE FINAL ORDERS CONCLUDING THE TOTAL AMOUNT OF THE DEBTORS' ASBESTOS LIABILITIES AND WHETHER THE DEBTORS' LIABILITIES EXCEED THEIR ASSETS.

With respect to the categories of Claims and Equity Interests listed in each of Alternative A and Alternative B, a Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified, but the treatment for such unclassified claims are set forth in Article IV of each of Alternative A and Alternative B of the Plan.

The Plan Proponents believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of section 1122 of the Bankruptcy Code, but it is possible that a holder of a Claim or Equity Interest may challenge the classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed.

The classification of Claims and Equity Interests and the nature of Distributions to members of each Class are summarized below under each of Alternative A and Alternative B. The Plan Proponents believe that the consideration, if any, provided under the Plan to holders of Claims and Equity Interests reflects an appropriate resolution of their Claims and Equity Interests, taking into account the differing nature and priority. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Plan. Many of these tests are designed to protect the interests of Holders of Claims or Equity Interests who are not entitled to vote on the Plan, or do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed by the Bankruptcy Court.

The determination of whether Alternative A or Alternative B will ultimately be implemented will also affect treatment of each Class of Claims and Equity Interests.

#### Substantive Consolidation Under Alternative A Only

Subject to the occurrence of the Effective Date, under Alternative A the Debtors and their Estates will be deemed substantively consolidated for voting and distribution purposes. The assets and liabilities of the Debtors shall be pooled and all Claims shall be satisfied from the assets of a single consolidated estate. Any Claims against one or more of the Debtors (including Claims based upon a guaranty, indemnity, co-signature, surety or otherwise, of Claims against another Debtor) shall be treated as a single Claim against the consolidated estate of the Debtors and shall be entitled to distributions under the Plan only with respect to such single Claim.

There is no substantive consolidation under Alternative B and the assets of each individual Debtor will be used to satisfy the liabilities of that Debtor. Claims against more than one Debtor held by a single creditor (including Claims based upon a guaranty, indemnity, co-signature, surety or otherwise) shall be treated as claims against each individual Debtor and shall be entitled to distributions under the Plan with respect to the multiple Claims.

**ALTERNATIVE A**

In the event the Bankruptcy Court determines that the Debtors' liabilities exceed the value of the Debtors' assets and the Debtors' asbestos liabilities are or exceed \$1.3 billion as specified in the Conditions Precedent to Confirmation of the Plan in section 13.1 of the Plan, the following subsections shall govern the Plan and no part of Alternative B will govern the Plan.

## **A. TREATMENT OF UNCLASSIFIED CLAIMS**

**1. Administrative Expense Claims.** Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, or as otherwise provided for in the Plan, in full satisfaction, settlement and discharge of and in exchange for such Claims, each Allowed Administrative Expense Claim shall be paid in full and in Cash on, or as soon thereafter as is reasonably practicable, the latest of: (a) the Effective Date; (b) the first Business Day after the date that is thirty (30) calendar days after the date the Administrative Expense Claim becomes an Allowed Administrative Expense Claim; and (c) the date the Allowed Administrative Expense Claim becomes due and payable according to its terms; provided however, that the Allowed Administrative Expense Claims representing liabilities incurred by a Debtor in Possession in the Ordinary Course of Business or liabilities under loans or advances to or other obligations incurred by a Debtor in Possession may be paid in the Ordinary Course of Business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

All entities seeking awards by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 330 or 503 of the Bankruptcy Code (the "Professional Fee Claims") shall (a) file no later than sixty days (60) days after the Effective Date, their respective applications for final allowance of compensation for services rendered and reimbursement of expenses incurred; and (b) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court (i) upon the later of (A) the Effective Date and (B) the first Business Day after the date that is thirty (30) calendar days after the date such Professional Fee Claim becomes an Allowed Administrative Expense Claim; or (ii) upon such other terms as may be mutually agreed upon by such holder and the Committee. Objections to any applications for Professional Fee Claims can be filed by the United States Trustee and any party in interest so long as such objections are filed within the time frame set forth in the notice served with the application seeking payment of Professional Fee Claims, unless an extension is granted by the applicant. The Asbestos PI Trustee is authorized to pay compensation for services of Professionals rendered and reimbursement of expenses incurred after the Effective Date in the Ordinary Course of Business and without the need for Bankruptcy Court approval.

**2. Priority Tax Claims.** Except to the extent that the holder of an Allowed Priority Tax Claim has been paid by SPHC or Bondex prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim, if any, shall, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, receive in full satisfaction, settlement and discharge of and in exchange for such Allowed Priority Tax Claim, either of the following, at the sole and absolute discretion of the Committee and/or the Asbestos PI Trustee: (a) Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, on the later of: (i) the



Effective Date; (ii) the date such Priority Tax Claim becomes an Allowed Claim, or as soon thereafter as is practicable; and (iii) the date such Allowed Priority Tax Claim becomes due and payable under applicable non-bankruptcy law; or (b) regular installment payments in Cash (i) of a total value, as of the Effective Date, equal to the Allowed amount of such Priority Tax Claim; (ii) over a period ending not later than five (5) years after the Effective Date; and (iii) in a manner not less favorable than the most favored nonpriority General Unsecured Claim provided for by the Plan (other than cash payments made to a class of creditors under section 1122(b)).

**3. DIP Claim.** The DIP Agreement will be terminated. In the event any sums are due and owing under the DIP Agreement, such Claim shall be paid, in full, in Cash on or before the Effective Date.

## **B. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

### **1. Class 1 – Priority Claims**

Classification: Class 1 consists of all Priority Claims against the Debtors.

Treatment: On the Distribution Date, each holder of a Class 1 Allowed Priority Claim shall receive Cash equal to the Allowed amount of such Priority Claim.

Voting: Class 1 is Unimpaired and each holder of an Allowed Class 1 Claim is not entitled to vote to accept or reject the Plan.

### **2. Class 2 – Secured Claims**

Classification: Class 2 consists of all Secured Claims against the Debtors.

Treatment: At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable, and contractual rights to which each Allowed Secured Claim in Class 2 entitles the holder; (ii) the holder of an Allowed Secured Claim shall receive such other treatment as the Plan Proponents and the holder shall agree; or (iii) all of the collateral for such Allowed Secured Claim will be surrendered to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

Voting: Class 2 is Unimpaired and each holder of an Allowed Class 2 Claim is not entitled to vote to accept or reject the Plan.

### **3. Class 3 – General Unsecured Claims**

Classification: Class 3 consists of all General Unsecured Claims against the Debtors.

Treatment: Each holder of an Allowed Class 3 General Unsecured Claim shall receive: (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such General Unsecured Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.

Voting: Class 3 is Impaired and each holder of an Allowed Class 3 Claim is entitled to vote to accept or reject the Plan.

4. Class 4 – Settled Asbestos PI Claims

Classification: Class 4 consists of all Settled Asbestos PI Claims.

Treatment: As of the Effective Date, liability for all Class 4 Settled Asbestos PI Claims shall be automatically and without further act, deed or order, assumed by the Asbestos PI Trust. Except as expressly provided in any agreements entered into among a holder of a Class 4 Settled Asbestos PI Claim and the Asbestos PI Trust, each Settled Asbestos PI Claim shall be liquidated and, as appropriate, paid by the Asbestos PI Trust pursuant to and in accordance with the Asbestos PI Trust Distribution Procedures. The Holders of Settled Asbestos PI Claims may elect to either: (a) receive an amount equal to the payment percentage established under the Asbestos PI Trust Distribution Procedures multiplied by the Allowed amount of the holder's claim as settled prior to the Commencement Date, or (b) forego any agreed settlement and be bound by Asbestos PI Trust Distribution Procedures in determining the amount of the Allowed Claim.

Voting: Class 4 is Impaired and each holder of an Allowed Class 4 Claim is entitled to vote to accept or reject the Plan.

5. Class 5 – Asbestos PI Claims

Classification: Class 5 consists of all Asbestos PI Claims.

Treatment: As of the Effective Date, liability for all Class 5 Asbestos PI Claims shall be automatically and without further act, deed or order, assumed by the Asbestos PI Trust. Except as expressly provided in any agreements entered into among a holder of a Class 5 Asbestos PI Claim and the Asbestos PI Trust, each Asbestos PI Claim shall be liquidated and, as appropriate, paid by the Asbestos PI Trust pursuant to and in accordance with the Asbestos PI Trust Distribution Procedures.

Voting: Class 5 is Impaired and each holder of an Allowed Class 5 Claim is entitled to vote to accept or reject the Plan.

6. Class 6 – Intercompany Claims

Classification: Class 6 consists of all Intercompany Claims.

Treatment: Each holder of an Allowed Class 6 Intercompany Claim shall receive: (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such Intercompany Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.

Voting: Class 6 is Impaired and each holder of an Allowed Class 6 Claim is entitled to vote to accept or reject the Plan.

7. Class 7 – Claims of International

Classification: Class 7 consists of all Claims held by International against one or more Debtors.

Treatment: To the extent the claim of International is Allowed, International shall receive: (i) Pro Rata share of Cash and/or New SPHC Stock as applicable equal to the Allowed amount of such International Claim; or (ii) such other treatment as the Plan Proponents and the holder shall agree.

Voting: Class 7 is Impaired and International is entitled to vote to accept or reject the Plan.

8. Class 8 – Bondex Equity Interests.

Classification: Class 8 consists of all outstanding Bondex Equity Interests.

Treatment: On the Effective Date, all existing shares of outstanding Bondex Equity Interests shall be cancelled, annulled and extinguished. The holder of the Class 8 Bondex Equity Interests shall not receive or retain any distribution on account of such Bondex Equity Interests under the Plan.

Voting: Class 8 is Impaired and as each holder of a Bondex Equity Interest will not receive any distribution on account of its Bondex Equity Interests, Class 8 is conclusively presumed to have rejected the Plan pursuant to section 1126 of the Bankruptcy Code.

9. Class 9 – SPHC Equity Interests.

Classification: Class 9 consists of all outstanding SPHC Equity Interests.

Treatment: On the Effective Date, all existing shares of outstanding SPHC Equity Interests shall be cancelled, annulled and extinguished and the New SPHC Stock shall be issued to the Asbestos PI Trust pursuant to Section 10.1 of the Plan. The holder of the Class 9 SPHC Equity Interests shall not receive or retain any distribution on account of such SPHC Equity Interests under the Plan.

Voting: Class 9 is Impaired and as each holder of a SPHC Equity Interest will not receive any distribution on account of its SPHC Equity Interests, Class 9 is conclusively presumed to have rejected the Plan pursuant to section 1126 of the Bankruptcy Code.

**C. ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS OR EQUITY INTERESTS**

**1. Classes Entitled to Vote.** Except as set forth below, each holder of an Allowed Claim, and each holder of a Claim that has been temporarily allowed for voting purposes in each Impaired Class of Claims, including each holder of a Settled Asbestos PI Claim or an Asbestos PI Claim, shall be entitled to vote separately to accept or reject the Plan unless such Impaired

Class shall receive no distribution under the Plan, in which case, such Impaired Class shall be deemed to reject the Plan and shall not be entitled to vote to accept or reject the Plan.

Any holder of a Claim in an Unimpaired Class of Claims shall not be entitled to vote to accept or reject the Plan as each such holder is deemed to accept the Plan.

**2. Class Acceptance Requirement.** Acceptance of the Plan by any Impaired Class of Claims shall be determined in accordance with section 1126 of the Bankruptcy Code and the terms of the Solicitation Procedures Order.

**3. Acceptance by Unimpaired Classes.** Class 1 (Priority Claims) and Class 2 (Secured Claims) are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

**4. Rejection by Rejecting Classes.** Class 8 (Bondex Equity Interests), and Class 9 (SPHC Equity Interests) are Impaired and are conclusively presumed to have rejected the Plan pursuant to section 1126(f) of the Bankruptcy Code.

Solicitation of votes of holders of Claims in each of Class 1 and Class 2 is not required. Solicitation of votes of holders of Equity Interests in each of Class 8 and Class 9 is not required.

#### **D. DISTRIBUTIONS UNDER THE PLAN ON ACCOUNT OF CLAIMS OTHER THAN SETTLED ASBESTOS PI CLAIMS AND ASBESTOS PI CLAIMS**

**1. Distributions.** The Plan Proponents or their designee shall make all Distributions required to be made under the Plan as provided under Article VII of the Plan other than Distributions to be made to holders of Allowed Settled Asbestos PI Claims and Allowed Asbestos PI Claims. All distributions to be made on account of Asbestos PI Claims shall be made in accordance with the terms of the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures, subject to the conditions for the Trust Distribution Effective Date as set forth in Section 13.3 of the Plan having been previously satisfied.

**2. Date of Distributions.** Except as otherwise provided herein, any Distributions and deliveries to be made hereunder on account of Allowed Claims (other than Settled Asbestos PI Claims and Asbestos PI Claims) shall be made by the Effective Date or as soon thereafter as is practicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

**3. Postpetition Interest on Claims.** Unless expressly provided for in the Plan, the Plan Documents and the Confirmation Order, or any contract, instrument, release, settlement or other agreement entered into in connection with the Plan, or unless required by applicable bankruptcy law (including the fair and equitable rule), interest shall not accrue on or after the Commencement Date on account of any Claim.

**4. Means of Cash Payment.** At the option of the Plan Proponents or their designee, as applicable, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in any applicable agreement.

**5. Delivery of Distributions.** Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules filed, as may be required, with the Bankruptcy Court, or on the books and records of SPHC, Bondex or their agents, or in a letter of transmittal, unless the Plan Proponents have been notified in writing of a change of address.

If any mailing to a holder is returned as undeliverable, then no Distributions to such holder shall be made unless and until the Plan Proponents are notified of such holder's then-current address, at which time all missed Distributions shall be made to such holder without interest. A Cash Distribution that is not claimed by the expiration of six (6) months from the date that such Distribution would have been first attempted if a valid address were available shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall revert in the Asbestos PI Trust, and the Claim of any holder to such Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Plan Proponents or their designee to attempt to locate any holder of an Allowed Claim.

**6. Time Bar to Cash Payments.** Checks issued by the Asbestos PI Trustee (to the extent it pertains to a Settled Asbestos PI Claim or an Asbestos PI Claim) in respect of Distributions on Allowed Claims shall be null and void if not presented for payment within sixty (60) days after the date of issuance thereof. Requests for reissuance of any check shall be made in writing to the issuer by the holder of the Allowed Claim or Allowed Asbestos PI Claim (to the extent it pertains to a Settled Asbestos PI Claim or an Asbestos PI Claim) to whom such check originally was issued on or before thirty (30) days after the expiration of the sixty (60) day period following the date of issuance of such check. After expiration of the thirty (30) day period, all funds held on account of such void check shall, in the discretion of the issuer be used to satisfy the costs of administering and fully consummating the Plan or will become the property of the Asbestos PI Trust (to the extent it pertains to a Settled Asbestos PI Claims or an Asbestos PI Claim), and the Claim of any holder to such Distributions shall be discharged and forever barred.

**7. Record Date for Holders of Claims.** Except as otherwise provided in a Final Order, the transferees of Claims that are transferred pursuant to Rule 3001 of the Bankruptcy Rules, 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 Rule 3001 of the Bankruptcy Rules for objecting to such transfer has not expired by the Distribution Record Date. If there is any dispute regarding the identity of the Entity entitled to receive a Distribution in respect of a Claim under the Plan, no Distribution need be made in respect of such Claim until such dispute has been resolved.

**8. Transfers of Claims.** In the event that the holder of a Claim shall transfer such Claim on and after the Distribution Record Date, it shall immediately advise the Plan Proponents or the Asbestos PI Trust (to the extent it pertains to a Settled Asbestos PI Claim or an Asbestos PI Claim) in writing of such transfer. The Asbestos PI Trust, as the case may be, shall be entitled

to assume that no transfer of any Claim has been made unless and until written notice of a transfer has been actually received by the Asbestos PI Trust. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan, and, except as provided in a notice of transfer, the Asbestos PI Trust, as the case may be, shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Claim.

**9. Distributions after Effective Date.** Distributions made after the Effective Date shall be deemed to have been made on the Effective Date.

**10. Fractional Cents.** Notwithstanding any other provision in the Plan to the contrary, no payment of fractional cents will be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made will reflect a rounding of such fraction to the nearest whole penny (up or down), with fractions of more than half a penny being rounded up and fractions of half of a penny or less being rounded down.

**11. Setoff.** The Plan Proponents (or the Asbestos PI Trust to the extent it pertains to a Settled Asbestos PI Claim or an Asbestos PI Claim) may, pursuant to the applicable provisions of the Bankruptcy Code, or applicable non-bankruptcy law, set off against any applicable Allowed Claim (before any Distribution is made on account of such Claim) any and all claims, rights, Causes of Action, debts or liabilities of any nature that the applicable Debtor (or the Trust to the extent it pertains to a Settled Asbestos PI Claims or an Asbestos PI Claim) may hold against the holder of such Allowed Claim; provided, however, that the failure to effect such a setoff shall not constitute a waiver or release of any such claims, rights, causes of action, debts or liabilities.

## **E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**1. General Treatment.** The Plan constitutes and incorporates a motion under sections 365 and 1123(b)(2) of the Bankruptcy Code to (a) assume, as of the Effective Date, all Executory Contracts to which a Debtor is a party, except for any Executory Contract that was terminated before the Effective Date or has been assumed or rejected pursuant to an order of the Bankruptcy Court entered before the Effective Date, and (b) reject all Executory Contracts identified in the Schedule of Rejected Contracts that will be included in the Plan Supplement.

The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365 and 1123(b)(2) approving the rejection or assumption, as applicable, of Executory Contracts pursuant to the Plan as of the Effective Date. Notice of the Confirmation Hearing shall constitute notice of any non-debtor party to an Executory Contract that is to be assumed or rejected under the Plan of the proposed assumption or rejection of such Executory Contract and any proposed Cure Amount.

**2. Cure of Payments and Release of Liability.** Except as otherwise provided in a Final Order, pursuant to sections 365(a), (b), (c) and (f) of the Bankruptcy Code, all Cure Amounts that may require payment under section 365(b)(1) of the Bankruptcy Code under any Executory Contract that is assumed pursuant to a Final Order shall be paid within fifteen (15)

Business Days after such order becomes a Final Order with respect to Cure Amounts that are not Disputed or within fifteen (15) Business Days after a Disputed Cure Amount is Allowed by agreement of the parties or a Final Order. If a party to an assumed Executory Contract has not filed an appropriate paper on or before the date of the Confirmation Hearing disputing any proposed Cure Amount, the cure of any other defaults, the promptness of the Cure Amount payments, or the provision of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters. Any party to an assumed Executory Contract that receives full payment of a Cure Amount shall waive the right to receive any payment on a Class 3 General Unsecured Claim that relates to or arises out of such assumed Executory Contract.

**3. Bar to Rejection Damages.** In the event that the rejection of an Executory Contract pursuant to the Plan results in damages to the non-Debtor party or parties to such Executory Contract, a claim for such damages shall be forever barred and shall not be enforceable against the Asbestos PI Trust, Reorganized SPHC, or their respective properties or interests in property, unless a Proof of Claim with respect to such damages is filed with the Bankruptcy Court and served upon counsel for the Plan Proponents on or before (a) if such Executory Contract is rejected pursuant to Section 8.1 of the Plan, the later of: (i) thirty (30) days after entry of the Confirmation Order; and (ii) thirty (30) days after the non-Debtor party receives notice of the rejection of such Executory Contract pursuant to 8.1 of the Plan; and (b) if such Executory Contract is rejected pursuant to a Final Order of the Bankruptcy Court granting a motion to reject, thirty (30) days after entry of such order.

**4. Administrative Services Agreement.** The Administration Services Agreement shall be terminated on or prior to the Effective Date. The Asbestos PI Trustee shall be empowered to enter into any transition services agreement or other agreements as necessary to ensure the orderly transition of services set forth in the Administrative Services Agreement.

**5. Insurance Policies.** All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, if any, to the extent necessary, are treated as executory contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of Claims covered by those insurance policies, subject to all rights, remedies and defenses of the Debtors under any agreements, insurance policies and applicable law. To the extent any such policies provide coverage for Asbestos PI Claims, or Settled Asbestos PI Claims, the Debtors shall assign any rights under these policies to the Asbestos PI Trust.

## **F. PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS OTHER THAN ASBESTOS PI CLAIMS**

**1. Disputed Claims.** All Disputed Claims against SPHC and Bondex shall be subject to the provisions of Article IX of the Plan. All Settled Asbestos PI Claims and Asbestos PI Claims shall be resolved by the Asbestos PI Trust in accordance with Section 10.3 of the Plan, the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures; only the Asbestos PI Trust will have the right to object to and/or resolve Settled Asbestos PI Claims and Asbestos PI Claims; and all Settled Asbestos PI Claims and Asbestos PI Claims must be

submitted solely to the Asbestos PI Trust for payment, which shall be in accordance with the Asbestos PI Trust Distribution Procedures.

**2. Objection to Claims.** The Asbestos PI Trustee shall be entitled to file objections to Claims that have been or properly should have been brought in the Bankruptcy Court (other than Settled Asbestos PI Claims and Asbestos PI Claims), on or before the first (1st) anniversary of the Effective Date (unless such day is not a Business Day, in which case such deadline shall be the next Business Day thereafter), as the same date may be extended from time to time by the Bankruptcy Court, and shall be authorized to settle, compromise, withdraw or litigate to judgment such objections without further approval of the Bankruptcy Court.

**3. Payments and Distributions with Respect to Disputed Claims.** Notwithstanding any other provision hereof, if any portion of a Claim (other than a Settled Asbestos PI Claim or an Asbestos PI Claim) is a Disputed Claim, no payment or Distribution provided for herein shall be made on account of such Claim, unless and until such Claim becomes an Allowed Claim.

**4. Estimation of Claims.** The Plan Proponents and/or Asbestos PI Trustee, as the case may be, may at any time request that the Bankruptcy Court estimate any contingent, unliquidated or Disputed Claim (not including any Settled Asbestos PI Claims or Asbestos PI Claims) for any reason pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or any party of the withstanding previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate such Claim at any time, including, without limitation, during the pendency of litigation concerning any objection to any Claim or of any appeal relating thereto. Claims may be estimated and subsequently compromised, settled, withdrawn or otherwise resolved by any mechanism approved by the Bankruptcy Court.

## **G. MEANS FOR IMPLEMENTATION OF THE PLAN**

**1. Generally.** On the Confirmation Date, the Plan Proponents, acting jointly, shall be empowered and authorized to take or cause to be taken, prior to the Effective Date, all actions necessary to enable them to implement the provisions of the Plan, including, without limitation, the creation of the Asbestos PI Trust.

The Plan Proponents, acting jointly, will identify those executives who will be replaced on the Effective Date as well as their replacements. These replacement individuals will be responsible for ensuring that the Debtors are fully and completely separated from their non-Debtor direct or indirect parent International, including, but not limited to separation of all administrative, bookkeeping, technological and other connections which exist between them. As a condition of the Effective Date the Plan Proponents will also negotiate any necessary Exit Facility to provide capital for, among other things, implementation of the Plan.

From and after the Effective Date, Bondex shall be dissolved, the New SPHC Stock shall be issued to the Asbestos PI Trust and SPHC shall be governed pursuant to the Amended Certificate of Incorporation and the Asbestos PI Trust shall be governed by the Asbestos PI Trust Agreement.



**2. Transactions on the Effective Date.** Immediately on the Effective Date, the Asbestos PI Trust shall be established and the events set forth in Article X of Alternative A of the Plan shall be deemed for all purposes to have occurred simultaneously.

**3. The Asbestos PI Trust.**

(1) Creation of the Asbestos PI Trust. On the Effective Date, the Asbestos PI Trust shall be created in accordance with the Plan Documents. The Asbestos PI Trust is intended to constitute a “qualified settlement fund” within the meaning of section 468B of the Internal Revenue Code and the regulations issued thereunder.

(2) Purpose of the Asbestos PI Trust. The purpose of the Asbestos PI Trust shall be to assume, Liquidate and, after the Trust Distribution Effective Date, resolve all liabilities determined to arise from, or relate to, the Settled Asbestos PI Claims and the Asbestos PI Claims (whether existing as of the Effective Date or arising at any time thereafter) and, after the Trust Distribution Effective Date, to use the Asbestos PI Trust Assets to pay holders of Asbestos PI Claims in accordance with the terms of the Asbestos PI Trust Agreement, the Asbestos PI Trust Distribution Procedures, the Plan and the Confirmation Order, in such a way as to provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, present Settled Asbestos PI Claims and Asbestos PI Claims and future Demands in substantially the same manner, and to otherwise comply in all respects with the requirements of section 524(g)(2)(B) of the Bankruptcy Code, but without extending any injunction provided in this Plan to International or any other third party. The Asbestos PI Trust shall have no liability for any Claim other than the Settled Asbestos PI Claims and the Asbestos PI Claims, which shall be resolved in accordance with the terms, provisions and procedures of the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. On the Effective Date, all right, title and interest in and to the Asbestos PI Trust Assets, and any proceeds thereof, will be transferred to, and vested in, the Asbestos PI Trust, free and clear of all Claims, Demands, Equity Interests, Encumbrances and other interests of any Entity without any further action of the Bankruptcy Court or any Entity, but subject to the remaining provisions of Section 8.3 of the Plan.

(3) Appointment of Asbestos PI Trustee. The initial Asbestos PI Trustee of the Asbestos PI Trust shall be identified in the Plan Supplement.

(4) Appointment of Future Claimants’ Representative. Eric D. Green shall serve as the Future Claimants’ Representative.

(5) Appointment of the Asbestos PI Trust Advisory Committee. The Asbestos PI Trust Advisory Committee shall be established pursuant to the Asbestos PI Trust Agreement. The Asbestos PI Trust Advisory Committee shall have three (3) members and shall have the functions, duties and rights provided in the Asbestos PI Trust Agreement. The Committee shall select the initial members of the Asbestos PI Trust Committee and disclose the names thereof in the Plan Supplement.

(6) Limitation on Incurrence of Costs Prior to Trust Distribution Effective Date. During the period on and after the Effective Date but prior to the Trust Distribution

Effective Date, the Asbestos PI Trust shall not incur costs (defined broadly to include all obligations, including salaries, disbursements, expenses, and all other costs) in an aggregate total amount greater than \$300,000.

(7) Payment of Settled Asbestos PI Claims and Asbestos PI Claims. Prior to the Trust Distribution Effective Date, the Asbestos PI Trust shall not pay any Settled Asbestos PI Claims or Asbestos PI Claims. After the Trust Distribution Effective Date, the Asbestos PI Trust shall pay Settled Asbestos PI Claims and Asbestos PI Claims that have been determined to be payable pursuant to the provisions governing the Asbestos PI Trust.

(8) Contributions to the Asbestos PI Trust. On the Effective Date, the Asbestos PI Trust Contribution shall be conveyed to the Asbestos PI Trust.

(9) Transfer of Claims and Demands to the Asbestos PI Trust. On the Effective Date, all liabilities, obligations, and responsibilities relating to the Settled Asbestos PI Claims, Asbestos PI Claims and Demands shall be transferred and channeled to the Asbestos PI Trust and shall be satisfied solely by the assets held by the Asbestos PI Trust. The Asbestos PI Trust shall have no liability for any Claims other than the Settled Asbestos PI Claims and Asbestos PI Claims, and no Claims other than the Settled Asbestos PI Claims and Asbestos PI Claims shall be transferred and channeled to the Asbestos PI Trust.

(10) Discharge of Liabilities to Holders of the Asbestos PI Claims. The transfer to, vesting in, and assumption by the Asbestos PI Trust of the Asbestos PI Trust Assets, on or after the Effective Date, as contemplated by the Plan, and the occurrence of the Trust Distribution Effective Date shall, among other things, discharge all obligations and liabilities of the Debtors, their Estates, and the SPHC or Bondex Affiliates for and in respect of all the Settled Asbestos PI Claims, Asbestos PI Claims as of the Trust Distribution Effective Date.

(11) Investment Policy. Prior to the Trust Distribution Effective Date, except as otherwise authorized by prior written consent of each of the Asbestos PI Trustee, the Asbestos PI Trust Advisory Committee, and the Future Claimants' Representative, funds shall be invested in money market funds (a) the managers of which have a long term issuer rating of at least A3 or A-, respectively, by Moody's Investor Services ("Moody's") and Standard & Poor's ("SP"), and (b) that invest exclusively in securities that (i) are issued by the United States Treasury or are directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof, (ii) have maturities of not more than three (3) years from the date of acquisition, and (iii) are rated "Prime 1" or higher by Moody's or "A-1" or higher by S&P or has been given an equivalent rating by another nationally recognized credit rating agency. After the Trust Distribution Effective Date, investment of monies held in the Asbestos PI Trust shall be administered in the manner consistent with the standards set forth in the Uniform Prudent Investor Act drafted by the National Conference of Commissioners on Uniform State Laws and approved by the American Bar Association on February 14, 1995, subject to such limitations and provisions as set forth in the Asbestos PI Trust Agreement.

(12) Transfers to the Asbestos PI Trust. On the Effective Date, all right, title, and interest in and to the Asbestos PI Trust Assets shall be automatically, and without further act or deed, transferred to, vested in and assumed by the Asbestos PI Trust.

(13) Preservation of Claims. The Asbestos PI Trust is, and shall be deemed to be for all purposes, including, but not limited to for purposes of insurance and indemnity, the successor to the Debtors in respect of all Settled Asbestos PI Claims and Asbestos PI Claims.

(14) Excess Asbestos PI Trust Assets. To the extent there are any Asbestos PI Trust Assets remaining at such time as the Asbestos PI Trust is terminated, such excess shall be transferred to a charity or charities for such purpose as the Asbestos PI Trustee, in his reasonable discretion, shall determine, provided that, if practicable, the charity or charities to which such excess Asbestos PI Trust Assets are transferred shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from disorders caused by asbestos.

## **H. EFFECT OF CONFIRMATION**

**1. Preservation of Certain Causes of Action; Defenses.** To the extent not otherwise made part of the Asbestos PI Trust Contribution, the Asbestos PI Trustee shall retain and may enforce any and all rights, Claims, and Causes of Action, accruing to or that are property of the Debtors or their Estates pursuant to the Bankruptcy Code or any statute or legal theory, including, but not limited to the International Action, any International-Related Alter Ego Claims, Avoidance Actions, any rights to, Claims or Causes of Action for recovery under any policies of insurance issued to or on behalf of the Debtors, and any rights, Claims, and Causes of Action against third parties related to or arising out of Allowed Claims, and the Debtors shall retain and may enforce all defenses and counterclaims to all Claims asserted against the Debtors or their Estates, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code. The Asbestos PI Trustee may pursue such Claims, rights, or Causes of Action, as appropriate, in accordance with the Asbestos PI Trust Agreement.

Notwithstanding anything in Section 11.1 of the Plan to the contrary, but subject to Section 10.3 of the Plan, on the Effective Date all Claims, defenses, rights and Causes of Action of the Debtors relating to the Asbestos PI Claims, shall be transferred and assigned to the Asbestos PI Trust. Except as otherwise provided in Section 9.2 of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Asbestos PI Trustee shall retain and may enforce such Claims, defenses, rights and Causes of Action and shall retain and may enforce all defenses and counterclaims to all Claims or Demands asserted against the Asbestos PI Trust with respect to such Settled Asbestos PI Claims, Asbestos PI Claims or Demands, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code. The Asbestos PI Trust shall be deemed to be the appointed representative to, and may, pursue, litigate, compromise and settle any rights, Claims, or Causes of Action transferred to it, as appropriate, in accordance with its and its beneficiaries' best interests.

**2. Terms of Injunction and Automatic Stay.** All of the injunctions and/or stays in existence immediately prior to the Confirmation Date provided for or in connection with the Chapter 11 Cases, whether pursuant to section 105, 362, or any other provision of the Bankruptcy Code, the Bankruptcy Rules or other applicable law, including, but not limited to, the relief provided for by the Stay Extension Order shall become null and void.

**3. Title to Asbestos PI Trust Assets.** On the Effective Date, title to all of the Asbestos PI Trust Assets shall vest in the Asbestos PI Trust free and clear of all Claims, Equity

Interests, Encumbrances and other interests of any Entity, subject to the provisions of Sections 10.3 and 11.1 of the Plan. The Asbestos PI Trust shall be empowered and entitled to process and, after the Trust Distribution Effective Date, pay Allowed Asbestos PI Claims in accordance with the Asbestos PI Trust Distribution Procedures and the Asbestos PI Trust Agreement.

**4. Dissolution of the Committee; Continuation of Future Claimants' Representative; Creation of the Asbestos PI Trust Advisory Committee.** Effective on the Effective Date, any committee appointed in the Chapter 11 Cases shall be dissolved automatically, whereupon its members, Professionals, and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to applications for compensation by Professionals or reimbursement of expenses incurred as a member of an official committee, requests for payment of asserted Administrative Claims, and any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order or pending appeals of any other order entered in the Chapter 11 Cases, including any appeal of the Confirmation Order. The Committee may, at its option, participate in any appeals, in resolution of asserted Administrative Claims and in resolution of all Professional Fee Claims. The Debtors shall pay the reasonable fees and costs incurred by the Committee in connection with these permitted activities.

As provided in Section 11.3(d) of the Plan above, the Confirmation Order shall provide for the appointment of the Asbestos PI Trust Advisory Committee effective as of the Effective Date. The Confirmation Order shall also provide that, from and after the Effective Date, the Future Claimants' Representative shall continue to serve as provided in the Plan and the Asbestos PI Trust Agreement, to perform the functions specified and required therein. The Future Claimants' Representative also may, at his option, participate in any: (a) appeal of the Confirmation Order; (b) hearing on a claim for compensation or reimbursement of a Professional; or (c) adversary proceeding pending on the Effective Date in which the Future Claimants' Representative is a party. The Debtors shall pay the reasonable fees and costs incurred by the Future Claimants' Representative in connection with these permitted activities.

Upon termination of the Asbestos PI Trust: (a) the members of the Asbestos PI Trust Advisory Committee and the Future Claimants' Representative shall be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the Chapter 11 Cases; and (b) the Asbestos PI Trust Advisory Committee shall be deemed dissolved and the Future Claimants' Representative's employment shall be deemed terminated.

All reasonable and necessary post-Effective Date fees and expenses of the professionals retained by the Asbestos PI Trust Advisory Committee and the Future Claimants' Representative shall be paid exclusively by the Asbestos PI Trust in accordance with the terms of the Asbestos PI Trust Agreement. The parties shall attempt to resolve any dispute regarding the payment of such fees and expenses in good faith, and if they shall fail to resolve such dispute, they shall submit the dispute to the Bankruptcy Court for resolution.

## I. DISCHARGE, INJUNCTION, AND EXCULPATION

**1. Discharge.** Except as specifically provided for herein, pursuant to section 1141(d)(1)(A) of the Bankruptcy Code, confirmation of the Plan shall discharge the Debtors from any and all Claims of any nature whatsoever, including, without limitation, all Claims and liabilities that arose before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not: (a) a Proof of Claim based on such Claim was filed under section 501 of the Bankruptcy Code, or such Claim was listed on any Schedules; (b) such Claim is or was Allowed under section 502 of the Bankruptcy Code; or (c) the holder of such Claim has voted on or accepted the Plan. Except as specifically provided for herein, as of the Effective Date the rights provided in the Plan shall be in exchange for and discharge of all Claims against the Debtors or any of their respective assets and properties.

**2. Injunction.** Except as specifically provided for in the Plan, all persons or Entities who have held, hold or may hold Claims or Demands are permanently enjoined, from and after the Effective Date, from: (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors with respect to such Claim or Demand; (b) enforcing, attaching, collecting, or recovering by any manner or means of any judgment, award, decree, or order against the Debtors with respect to such Claim or Demand; (c) creating, perfecting, or enforcing any Encumbrance of any kind against the Debtors or against the property or interests in property of the Debtors with respect to such Claim or Demand; and (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due to the Debtors or against the property or interests in property of the Debtors, with respect to such Claim or Demand.

**3. Third Party Injunction.** In order to preserve and promote the settlements contemplated by and provided for in the Plan and the agreements previously or concurrently approved by the Bankruptcy Court, and pursuant to the exercise of equitable jurisdiction and power of the Bankruptcy Court under section 524(g) of the Bankruptcy Code, all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action (including, but not limited to, any Settled Asbestos PI Claim or Asbestos Claim or Demand), or any claim or demand for Asbestos PI Trust Expense directly or indirectly against the Protected Parties (or any of them) (i) based upon, attributable to, or arising out of any Settled Asbestos PI Claim or Asbestos PI Claim, whenever and wherever arising or asserted, whether in the United States of America, or anywhere else in the world, whether sounding in tort, contract, warranty or any other theory of law, equity or admiralty, shall be permanently stayed, restrained and enjoined, from taking any action for the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such claim, including, but not limited to

(a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such claim against any Protected Party with respect to any such claim;

(b) enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against any Protected Party or against the property of any Protected Party with respect to any such claim;

(c) creating, perfecting or enforcing any Lien of any kind against any Protected Party or the property of a Protected Party on the basis of such claim;

(d) except as otherwise provided in the Plan, asserting, implementing or effectuating any setoff, right of subrogation or contribution or recoupment of any kind against any obligation due any Protected Party or against the property of any Protected Party with respect to any such claim;

(e) taking any act relating to such claim in any manner and in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan and the Plan Documents.

**4. Injunction Reservation.** Notwithstanding anything to the contrary in Sections 12.2 or 12.3 of the Plan, the Injunction shall not impair: (i) the rights of holders of Settled Asbestos PI Claims and Asbestos PI Claims to assert such Settled Asbestos PI Claims and Asbestos PI Claims solely against the Asbestos PI Trust or otherwise in accordance with the Asbestos PI Trust Distribution Procedures; or (ii) the rights of entities to assert any claim, debt, obligation, or liability for payment of an Asbestos PI Trust Expense solely against the Asbestos PI Trust or otherwise in accordance with the Asbestos PI Trust Distribution Procedures.

**5. Exculpation.** None of the Exculpated Parties shall have or incur any liability to any holder of a Claim or Equity Interest, including, without limitation, the Asbestos PI Claims, for any act or omission in connection with, related to, or arising out of: (a) the Chapter 11 Cases; (b) pursuit of confirmation of the Plan; (c) consummation of the Plan, or administration of the Plan or the property to be distributed under the Plan or the Asbestos PI Trust Distribution Procedures; (d) the Plan; or (e) the negotiation, formulation and preparation of the Plan, the Plan Documents, and any of the terms and/or settlements and compromises reflected in the Plan and the Plan Documents, except for willful misconduct or gross negligence as determined by a Final Order, and, in all respects, each of the Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and the Plan Documents.

**6. No Benefit to International.** The discharge, injunction and exculpation provided in the Plan, including but not limited to the channeling injunction which is sought pursuant to section 524(g) of the Bankruptcy Code, are each solely and exclusively for the benefit of the Debtors and their Estates. Nothing contained in the Plan is intended to nor does it provide any benefit to International, its subsidiaries or affiliates who are not Debtors. Any Entity with any claim against International or its affiliates may pursue its state law rights against those entities.

## **J. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

**1. Conditions Precedent to Confirmation of the Plan.** The following are conditions precedent to confirmation of the Plan that must be satisfied, unless waived in accordance with Section 11.4 of the Plan:

- The Bankruptcy Court determines at a contested estimation hearing that the Debtors' asbestos liabilities are or exceed \$1.3 billion.
- The Confirmation Order shall be acceptable in form and substance to the Plan Proponents.
- At least two-thirds (2/3) in amount and seventy-five percent (75%) in number of those holders of Class 4 Settled Asbestos PI Claims and Class 5 Asbestos PI Claims actually voting on the Plan shall have voted to accept the Plan.
- The Confirmation Order shall, among other things:
  - (a) order that the Confirmation Order shall supersede any Bankruptcy Court orders issued prior to the Confirmation Date that may be inconsistent with the Confirmation Order;
  - (b) provide that, except with respect to obligations specifically preserved in the Plan, SPHC and Bondex are discharged effective on the Effective Date (in accordance with the Plan) from any Claims and Demands, and the Debtors' liability in respect thereof, whether reduced to judgment or contingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, or known or unknown, that arose from any agreement of the Debtors entered into or obligation of the Debtors incurred before the Effective Date, or from any conduct of the Debtors prior to the Effective Date, or whether such interest accrued before or after the Commencement Date, is extinguished completely;
  - (c) provide that, subject to the limitations expressly set forth herein, all transfers of assets of the Debtors contemplated under the Plan shall be free and clear of all Claims and Encumbrances against or on such assets;
  - (d) authorize the implementation of the Plan in accordance with its terms and provide that, on the Effective Date, all of the transactions listed in Article X of the Plan shall have occurred, as set forth therein;
  - (e) provide that any transfers effected or entered into, or to be effected or entered into, under the Plan shall be and are exempt under section 1146(a) of the Bankruptcy Code from any state, city or other municipality transfer taxes, mortgage recording taxes and any other stamp or similar tax;
  - (f) approve in all respects the other settlements, transactions and agreements to be effected pursuant to the Plan, including, without limitation, the Asbestos PI Trust Agreement, and the Asbestos PI Trust Distribution Procedures;
  - (g) provide that all Executory Contracts assumed or assumed and assigned by the Debtors during the Chapter 11 Cases or under the Plan shall remain in full force and effect notwithstanding any provision in such contract or lease (including those provisions described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such assignment or transfer or that enables or requires termination of such contract or lease;

(h) provide that the transfers of property to the Asbestos PI Trust (A) are and will be legal, valid, and effective transfers of property; (B) do not and will not constitute avoidable transfers under the Bankruptcy Code or under other applicable bankruptcy or non-bankruptcy law; and (C) do not and will not subject the Asbestos PI Trustee to any liability by reason of such transfer under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, any laws affecting or effecting successor or transferee liability; and

(i) provide that any attorney-client, work product or other privilege that applies to the Asbestos Records shall be subject to the terms of the Asbestos Records Cooperation Agreement.

• In addition to the foregoing, the Confirmation Order shall contain the following findings of fact and conclusions of law, among others:

(a) The Plan complies with all applicable provisions of the Bankruptcy Code, including, without limitation, those requiring that the Plan was proposed in good faith and that the Confirmation Order was not procured by fraud;

(b) As of the Commencement Date, one or both of the Debtors had been named as defendants in personal injury and wrongful death actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products;

(c) The Asbestos PI Trust is to be funded by the Asbestos PI Trust Contribution and the New SPHC Stock;

(d) The Asbestos PI Trust is to use its assets and income to pay Settled Asbestos PI Claims and Asbestos PI Claims;

(e) The Plan separately classifies Class 4 Settled Asbestos PI Claims and Class 5 Asbestos PI Claims, and at least two-thirds (2/3) in amount and seventy-five percent (75%) of the members in each such Class that voted on the Plan have voted to accept the Plan;

(f) Pursuant to: (A) the Asbestos PI Trust Distribution Procedures; (B) court order; or (C) otherwise, the Asbestos PI 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 Asbestos PI Claims or other comparable mechanisms, that provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, similar Asbestos PI Claims in substantially the same manner;

(g) The Asbestos PI Trust will make payments to holders of Settled Asbestos PI Claims and Asbestos PI Claims pursuant to the Asbestos PI Trust Distribution Procedures as funds become available and as the Settled Asbestos PI Claims and the Asbestos PI Claims are liquidated, while maintaining sufficient resources to pay future valid Settled Asbestos PI Claims and Asbestos PI Claims on a substantially equivalent basis;

(h) The Future Claimants' Representative was appointed by the Bankruptcy Court pursuant to section 524(g) of the Bankruptcy Code as part of the proceedings



for the purpose of protecting the interests of Future Demand Holders who do not currently hold asbestos-related Claims arising out of the Debtors conduct or products;

(i) In light of the benefits provided, or to be provided, by the Asbestos PI Trust, the Asbestos PI Trust is fair and equitable to all creditors and holders of Demands;

(j) The Plan and its acceptance otherwise comply with the Bankruptcy Code, and confirmation of the Plan is in the best interests of all creditors;

(k) The Asbestos PI Trust will have the sole and exclusive authority as of the Effective Date to satisfy or defend against all Asbestos PI Claims.

**2. Conditions Precedent to the Effective Date of the Plan.** The following are conditions precedent to occurrence of the Effective Date of the Plan that must be satisfied, unless waived in accordance with Section 13.4 of the Plan:

- The Confirmation Order, in form and substance acceptable to the Plan Proponents, shall have been entered by the Bankruptcy Court and accepted and affirmed by the District Court or issued by the District Court;
- All authorization, consents and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained;
- All Plan Documents shall have been executed and delivered;
- All other actions, documents and agreements necessary to implement the Plan shall have been effected or executed;
- Any necessary Exit Facility has been negotiated and will be binding pending the Effective Dates; and
- Any necessary transitions services agreement or other agreement to ensure the organized, efficient and timely separation of the Debtors and the SPHC or Bondex Affiliate from International has been negotiated and binding pending the Effective Date.

**3. Conditions Precedent to the Trust Distribution Effective Date.** The following are conditions precedent to occurrence of the Trust Distribution Effective Date that must be satisfied, unless waived in accordance with Section 13.4 of the Plan:

- All of the conditions set forth in Section 13.1 of the Plan have been and still are satisfied; and
- The Confirmation Order, as entered by the Bankruptcy Court and accepted and confirmed by the District Court or issued by the District Court, has become a Final Order without modification.

**4. Waiver of Conditions Precedent.** To the fullest extent permitted by law, any of the conditions precedent set forth in Sections 13.1, 13.2 and 13.3 of the Plan may be waived or

modified, in whole or in part, by the Plan Proponents. Any such waiver or modification may be effected at any time without leave or order of the Bankruptcy Court or District Court, and without any other formal action.

**5. Effect of Failure of the Effective Date of the Plan.** In the event that the Plan Proponents determine it is appropriate, prior to the Effective Date, upon notification submitted by the Plan Proponents to the Bankruptcy Court: (A) the Confirmation Order shall be vacated; (B) no Distributions under the Plan shall be made; and (C) the Debtors and all holders of Claims against and Equity Interests in the Debtors shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred. If the Confirmation Order is vacated pursuant to Section 11.5 of the Plan, nothing contained in the Plan shall: (A) constitute or be deemed a waiver or release of any Claims or Equity Interests by, against, or in the Debtors or any other Entity; or (B) prejudice in any manner the rights of the Debtors, the Plan Proponents, or any other Entity in the Chapter 11 Cases or any other or further proceedings involving the Debtors.

## **K. JURISDICTION OF BANKRUPTCY COURT**

**Retention of Jurisdiction.** The Bankruptcy Court shall, to the fullest extent permitted by law, retain and have exclusive jurisdiction over all matters arising out of and related to the Chapter 11 Cases and the Plan, including, among other things, jurisdiction to:

- hear and determine any and all objections to and proceedings involving the allowance, estimation, classification, and subordination of Claims that have been or properly should have been brought in the Bankruptcy Court (other than Settled Asbestos PI Claims and Asbestos PI Claims);
- hear and determine any and all adversary proceedings, applications, motions, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Asbestos PI Trust after the Effective Date, including any proceedings with respect to any Avoidance Actions or otherwise to recover assets for the benefit of the Estates or the Asbestos PI Trust;
- hear and determine all objections to the termination of the Asbestos PI Trust;
- hear and determine such other matters that may be set forth in or arise in connection with the Plan, the Confirmation Order, or the Asbestos PI Trust Agreement;
- hear and determine any conflict or other issues that may arise in the Chapter 11 Cases and the administration of the Asbestos PI Trust;
- hear and determine any and all applications pursuant to section 330 or 503 of the Bankruptcy Code for allowance of any compensation for services rendered and reimbursement of expenses incurred by Professionals in connection therewith any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;
- enter such orders authorizing non-material modifications to the Plan as may be necessary to comply with section 468B of the Internal Revenue Code;

- hear and determine any applications pending on the Effective Date for the assumption, assumption and assignment, or rejection, as the case may be, of Executory Contracts to which a Debtor was a party, and to hear and determine and, if necessary, liquidate any and all Claims arising therefrom;

- hear and determine any and all applications, Claims, Causes of Action, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date or commenced by any party in interest subsequent to the Effective Date;

- consider any technical modifications of the Plan, and remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code; provided, that there shall be no modification made at any time that would reduce or eliminate any of the protections provided herein to the Exculpated Parties;

- issue orders in aid of confirmation, consummation and execution of the Plan to the extent authorized by section 1142 of the Bankruptcy Code, including but not limited to compelling the conveyance of property and other performance contemplated under the Plan and documents executed in connection herewith;

- hear and determine any proposed compromise and settlement of any Claim against or cause of action by or against the Debtors that has been or properly should have been brought in the Bankruptcy Court;

- hear and determine any timely objections to Administrative Expense Claims asserted or to Proofs of Claim filed, both before and after the Confirmation Date, including any objections to the classification of any Claim, and to Allow or Disallow any Disputed Claim, in whole or in part;

- hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

- hear and determine such other matters as may be set forth in the Confirmation Order or other orders of the Bankruptcy Court, or which may arise in connection with the Plan, the Confirmation Order, or the Effective Date, as may be authorized under the provisions of the Bankruptcy Code or any other applicable law;

- hear and determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or any Entity's obligations hereunder;

- enforce remedies upon any default under the Plan;

- hear and determine any other matter not inconsistent with the Bankruptcy Code;

- hear and determine any claim that in any way challenges or is related to any provision in the Confirmation Order; and

- enter a final decree closing the Chapter 11 Cases.

If and to the extent that the Bankruptcy Court is not permitted under applicable law to exercise jurisdiction over any of the matters specified above, the reference to the “Bankruptcy Court” in the preamble to Section 12.1 of the Plan shall be deemed to be a reference to the “District Court.” Notwithstanding anything in Section 12.1 to the contrary, the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures shall govern the satisfaction of Asbestos PI Claims and the forum in which Settled Asbestos PI Claims and Asbestos PI Claims shall be determined.

**THE NEXT PAGE BEGINS WITH A DISCUSSION OF ALTERNATIVE B. THE DISCUSSION OF ALTERNATIVE A CONTINUES ON PAGE 64 OF THIS DISCLOSURE STATEMENT.**

**ALTERNATIVE B**

In the event the Court determines at a contested estimation hearing that the Debtors' liabilities do not exceed the value of the Debtors' assets, the following subsections shall govern the Plan.

**A. ADMINISTRATIVE EXPENSE, PRIORITY TAX AND DIP CLAIMS**

**1. Administrative Expense Claims.** Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, or as otherwise provided for in the Plan, in full satisfaction, settlement and discharge of and in exchange for such Claims, each Allowed Administrative Expense Claim shall be paid in full and in Cash on, or as soon thereafter as is reasonably practicable, the latest of: (a) the Effective Date; (b) the first Business Day after the date that is thirty (30) calendar days after the date the Administrative Expense Claim becomes an Allowed Administrative Expense Claim; and (c) the date the Allowed Administrative Expense Claim becomes due and payable according to its terms; provided however, that the Allowed Administrative Expense Claims representing liabilities incurred by a Debtor in Possession in the Ordinary Course of Business or liabilities under loans or advances to or other obligations incurred by a Debtor in Possession may be paid in the Ordinary Course of Business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

All entities seeking awards by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 330 or 503 of the Bankruptcy Code (the "Professional Fee Claims") shall (a) file no later than sixty days (60) days after the Effective Date, their respective applications for final allowance of compensation for services rendered and reimbursement of expenses incurred; and (b) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court (i) upon the later of (A) the Effective Date and (B) the first Business Day after the date that is thirty (30) calendar days after the date such Professional Fee Claim becomes an Allowed Administrative Expense Claim; or (ii) upon such other terms as may be mutually agreed upon by such holder and the Reorganized Debtors. Objections to any applications for Professional Fee Claims can be filed by the United States Trustee and any party in interest so long as such objections are filed within the time frame set forth in the notice served with the application seeking payment of Professional Fee Claims, unless an extension is granted by the applicant. The Reorganized Debtors are authorized to pay compensation for services of Professionals rendered and reimbursement of expenses incurred after the Effective Date in the ordinary course of business and without the need for Bankruptcy Court approval.

**2. Priority Tax Claims.** Except to the extent that the holder of an Allowed Priority Tax Claim has been paid by SPHC or Bondex prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim, if any, shall, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, receive in full satisfaction, settlement and discharge of and in exchange for such Allowed Priority Tax Claim, either of the following, at the sole and absolute discretion of the Reorganized Debtors: (a) Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, on the later of: (i) the Effective Date; (ii) the date such Priority Tax Claim becomes an Allowed Claim, or as soon thereafter as is practicable; and (iii) the date such Allowed Priority Tax Claim becomes due and payable under

applicable non-bankruptcy law; or (b) regular installment payments in Cash (i) of a total value, as of the Effective Date, equal to the Allowed amount of such Priority Tax Claim; (ii) over a period ending not later than five (5) years after the Effective Date; and (iii) in a manner not less favorable than the most favored nonpriority General Unsecured Claim provided for by the Plan (other than cash payments made to a class of creditors under section 1122(b)).

**3. DIP Claims.** All DIP Claims shall be paid in full in Cash on or before the Effective Date on terms and conditions acceptable to DIP Agent, pursuant to the terms of a payoff letter which shall be in form and substance acceptable to DIP Agent and the Reorganized Debtors, pursuant to which (i) the Debtors and the other borrowers and guarantors under the DIP Agreements, or their respective successors, shall provide the DIP Agent, the DIP Lenders and the Bank Product Providers (as defined in the DIP Agreements) with a release, which shall be in form and substance acceptable to DIP Agent, and (ii) the DIP Agreements shall be terminated.

## **B. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

### **1. Class 1 – Priority Claims**

Classification: Class 1 consists of all Priority Claims against the Debtors.

Treatment: On the Distribution Date, each holder of a Class 1 Allowed Priority Claim shall receive Cash equal to the Allowed amount of such Priority Claim.

Voting: Class 1 is Unimpaired and each holder of an Allowed Class 1 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

### **2. Class 2 – Secured Claims**

Classification: Class 2 consists of all Secured Claims against the Debtors

Treatment: At the option of the Reorganized Debtors and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable, and contractual rights to which each Allowed Secured Claim in Class 2 entitles the holder; (ii) the holder of an Allowed Secured Claim shall receive such other treatment as the Reorganized Debtors and the holder shall agree; or (iii) all of the collateral for such Allowed Secured Claim will be surrendered to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

Voting: Class 2 is Unimpaired and each holder of an Allowed Class 2 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

### **3. Class 3 – General Unsecured Claims**

Classification: Class 3 consists of all General Unsecured Claims against the Debtors.

Treatment: Each holder of an Allowed Class 3 General Unsecured Claim shall receive: (i) Cash equal to the Allowed amount of such General Unsecured Claim plus interest at the Federal Judgment Rate on the Distribution Date; or (ii) the holder of an Allowed General Unsecured Claim shall receive such other treatment the Reorganized Debtors and the holder shall agree.

Voting: Class 3 is Unimpaired and each holder of an Allowed Class 3 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

4. Class 4 – Settled Asbestos PI Claims

Classification: Class 4 consists of all Settled Asbestos PI Claims.

Treatment: Each holder of a Settled Asbestos PI Claim shall receive: (i) Cash equal to the Allowed amount of such Settled Asbestos PI Claim without interest on the Effective Date; or (ii) such other treatment as the holder of the Allowed Settled Asbestos PI Claim and the Reorganized Debtors shall agree.

Voting: Class 4 is Impaired and each holder of an Allowed Class 4 Claim is entitled to vote to accept or reject the Plan.

5. Class 5 – Asbestos PI Claims

Classification: Class 5 consists of all Asbestos PI Claims.

Treatment: As of the Effective Date, all holders of Asbestos PI Claims may pursue their legal remedies to seek redress for damages arising from their alleged injuries.

Voting: Class 5 is Unimpaired and each holder of a Class 5 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

6. Class 6 – Intercompany Claims

Classification: Class 6 consists of all Intercompany Claims.

Treatment: As of the Effective Date, all Class 6 Intercompany Claims shall be reinstated.

Voting: Class 6 is Unimpaired and each holder of a Class 6 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

7. Class 7 – Claims of International

Classification: Class 7 consists of all Claims held by International against one or more Debtors.

Treatment: As of the Effective Date, all Class 7 Claims held by International against one or more of the Debtors shall be reinstated.



Voting: Class 7 is Unimpaired and each holder of a Class 7 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

8. Class 8 – Bondex Equity Interests.

Classification: Class 8 consists of all outstanding Bondex Equity Interests.

Treatment: On the Effective Date, all existing shares of outstanding Bondex Equity Interests shall be reinstated.

Voting: Class 8 is Unimpaired and each holder of a Class 8 Equity Interest is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

9. Class 9 – SPHC Equity Interests.

Classification: Class 9 consists of all outstanding SPHC Equity Interests.

Treatment: On the Effective Date, all existing shares of outstanding SPHC Equity Interests shall be reinstated.

Voting: Class 9 is Unimpaired and each holder of a Class 9 Equity Interest is conclusively presumed to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

**C. ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS OR EQUITY INTERESTS**

**1. Classes Entitled to Vote.** Except as set forth below, each holder of an Allowed Settled Asbestos PI Claim, and each holder of a Settled Asbestos PI Claim which is temporarily allowed for voting purposes shall be entitled to vote separately to accept or reject the Plan.

Any holder of a Claim or Equity Interest in an Unimpaired Class shall not be entitled to vote to accept or reject the Plan as each such holder is deemed to accept the Plan.

**2. Class Acceptance Requirement.** Acceptance of the Plan by any Impaired Class of Claims shall be determined in accordance with section 1126 of the Bankruptcy Code and the terms of the Solicitation Procedures Order.

**3. Acceptance by Unimpaired Classes.** Each class except Class 4 (Settled Asbestos PI Claims) is Unimpaired under the Plan and is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

**4. Rejection by Rejecting Classes.** There are no classes in Alternative B which are deemed to have rejected the Plan pursuant to section 1126(f) of the Bankruptcy Code.

Solicitation of votes of holders of Claims in each of Classes 1-3 and Classes 5-7 is not required. Solicitation of votes of holders of Equity Interests in each of Class 8 and Class 9 is not required.

**D. DISTRIBUTIONS UNDER THE PLAN ON ACCOUNT OF CLAIMS OTHER THAN ASBESTOS PI CLAIMS**

**1. Distributions.** The Reorganized Debtors or their designee shall make all Distributions required to be made under the Plan as provided under Article VII of the Plan.

**2. Date of Distributions.** Except as otherwise provided herein, any Distributions and deliveries to be made hereunder on account of Allowed Settled Asbestos PI Claims shall be made by the Effective Date or as soon thereafter as is practicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

**3. Postpetition Interest on Claims.** No interest will not accrue following the Commencement Date on any Allowed Settled Asbestos PI Claims.

**4. Means of Cash Payment.** At the option of the Reorganized Debtors or their designee, as applicable, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in any applicable agreement.

**5. Delivery of Distributions.** Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Settled Asbestos PI Claim shall be made at the address of such holder as set forth on the Schedules filed, as may be required, with the Bankruptcy Court, or on the books and records of SPHC, Bondex or their agents, or in a letter of transmittal, unless the Debtors or the Reorganized Debtors have been notified in writing of a change of address.

If any mailing to a holder is returned as undeliverable, then no further Distributions to such holder shall be made unless and until the Reorganized Debtors are notified of such holder's then-current address, at which time all missed Distributions shall be made to such holder without interest. A Cash Distribution that is not claimed by the expiration of six (6) months from the date that such Distribution would have been first attempted if a valid address were available shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall revert in the Reorganized Debtors, and the Claim of any holder to such Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Reorganized Debtors or their designee to attempt to locate any holder of an Allowed Claim.

**6. Time Bar to Cash Payments.** Checks issued by the Reorganized Debtors in respect of Distributions on Allowed Settled Asbestos PI Claims shall be null and void if not presented for payment within sixty (60) days after the date of issuance thereof. Requests for reissuance of any check shall be made in writing to the issuer by the holder of the Allowed Settled Asbestos PI Claim to whom such check originally was issued on or before thirty (30) days after the expiration of the sixty (60) day period following the date of issuance of such

check. After expiration of the thirty (30) day period, all funds held on account of such void check shall, in the discretion of the issuer become property of the Reorganized Debtors, and the Claim of any holder to such Distributions shall be discharged and forever barred.

**7. Record Date for Holders of Claims.** Except as otherwise provided in a Final Order, the transferees of Claims that are transferred pursuant to Rule 3001 of the Bankruptcy Rules, 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 Rule 3001 of the Bankruptcy Rules for objecting to such transfer has not expired by the Effective Date. If there is any dispute regarding the identity of the Entity entitled to receive a Distribution in respect of a Claim under the Plan, no Distribution need be made in respect of such Claim until such dispute has been resolved.

**8. Transfers of Claims.** In the event that the holder of a Claim shall transfer such Claim on and after the Distribution Record Date, it shall immediately advise the Reorganized Debtors in writing of such transfer. The Reorganized Debtors shall be entitled to assume that no transfer of any Claim has been made unless and until written notice of a transfer has been actually received by the Reorganized Debtors. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan, and, except as provided in a notice of transfer, the Reorganized Debtors shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Claim.

**9. Distributions after Effective Date.** Distributions made after the Effective Date shall be deemed to have been made on the Effective Date.

**10. Fractional Cents.** Notwithstanding any other provision in the Plan to the contrary, no payment of fractional cents will be made pursuant to the Plan. Whenever any payment of a fraction of a cent under the Plan would otherwise be required, the actual Distribution made will reflect a rounding of such fraction to the nearest whole penny (up or down), with fractions of more than half a penny being rounded up and fractions of half of a penny or less being rounded down.

**11. Setoff.** The Reorganized Debtors may, pursuant to the applicable provisions of the Bankruptcy Code, or applicable non-bankruptcy law, set off against any applicable Allowed Settled Asbestos PI Claim (before any Distribution is made on account of such Claim) any and all claims, rights, Causes of Action, debts or liabilities of any nature that the applicable Debtor may hold against the holder of such Allowed Claim; provided, however, that the failure to effect such a setoff shall not constitute a waiver or release of any such claims, rights, causes of action, debts or liabilities.

## **E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**1. General Treatment.** The Plan constitutes and incorporates a motion under sections 365 and 1123(b)(2) of the Bankruptcy Code to (a) assume, as of the Effective Date, all Executory Contracts to which a Debtor is a party, except for any Executory Contract that was terminated before the Effective Date or has been assumed or rejected pursuant to an order of the

Bankruptcy Court entered before the Effective Date, and (b) reject all Executory Contracts identified in the Schedule of Rejected Contracts that will be included in the Plan Supplement.

The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365 and 1123(b)(2) approving the rejection or assumption, as applicable, of Executory Contracts pursuant to the Plan as of the Effective Date. Notice of the Confirmation Hearing shall constitute notice of any non-debtor party to an Executory Contract that is to be assumed or rejected under the Plan of the proposed assumption or rejection of such Executory Contract and any proposed Cure Amount.

**2. Cure of Payments and Release of Liability.** Except as otherwise provided in a Final Order, pursuant to sections 365(a), (b), (c) and (f) of the Bankruptcy Code, all Cure Amounts that may require payment under section 365(b)(1) of the Bankruptcy Code under any Executory Contract that is assumed pursuant to a Final Order shall be paid within fifteen (15) Business Days after such order becomes a Final Order with respect to Cure Amounts that are not Disputed or within fifteen (15) Business Days after a Disputed Cure Amount is Allowed by agreement of the parties or a Final Order. If a party to an assumed Executory Contract has not filed an appropriate paper on or before the date of the Confirmation Hearing disputing any proposed Cure Amount, the cure of any other defaults, the promptness of the Cure Amount payments, or the provision of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters. Any party to an assumed Executory Contract that receives full payment of a Cure Amount shall waive the right to receive any payment on a Class 3 General Unsecured Claim that relates to or arises out of such assumed Executory Contract.

**3. Bar to Rejection Damages.** In the event that the rejection of an Executory Contract pursuant to the Plan results in damages to the non-Debtor party or parties to such Executory Contract, a claim for such damages shall be forever barred and shall not be enforceable against the Reorganized Debtors or their respective properties or interests in property, unless a Proof of Claim with respect to such damages is filed with the Bankruptcy Court and served upon counsel for the Plan Proponents on or before (a) if such Executory Contract is rejected pursuant to Section 8.1 of the Plan, the later of: (i) thirty (30) days after entry of the Confirmation Order; and (ii) thirty (30) days after the non-Debtor party receives notice of the rejection of such Executory Contract pursuant to Section 8.1 of the Plan; and (b) if such Executory Contract is rejected pursuant to a Final Order of the Bankruptcy Court granting a motion to reject, thirty (30) days after entry of such order.

**4. Insurance Policies.** All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, if any, to the extent necessary, are treated as executory contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of Claims covered by those insurance policies, subject to all rights, remedies and defenses of the Debtors under any agreements, insurance policies and applicable law.

## **F. PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS OTHER THAN ASBESTOS PI CLAIMS**

**1. Disputed Claims.** All Disputed Claims against SPHC and Bondex shall be subject to the provisions of Article IX of the Plan.

**2. Objection to Claims.** The Reorganized Debtors shall be entitled to file objections to Settled Asbestos PI Claims that have been or properly should have been brought in the Bankruptcy Court, on or before the first (1st) anniversary of the Effective Date (unless such day is not a Business Day, in which case such deadline shall be the next Business Day thereafter), as the same date may be extended from time to time by the Bankruptcy Court, and shall be authorized to settle, compromise, withdraw or litigate to judgment such objections without further approval of the Bankruptcy Court.

**3. Payments and Distributions with Respect to Disputed Claims.** Notwithstanding any other provision hereof, if any portion of a Settled Asbestos PI Claim is a Disputed Claim, no payment or Distribution provided for herein shall be made on account of such Claim, unless and until such Claim becomes an Allowed Claim.

**4. Estimation of Claims.** The Debtors, the Reorganized Debtors, or the Plan Proponents (prior to the Effective Date), as the case may be, may at any time request that the Bankruptcy Court estimate any contingent, unliquidated or Disputed Claim for any reason pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate such Claim at any time, including, without limitation, during the pendency of litigation concerning any objection to any Claim or of any appeal relating thereto. Claims may be estimated and subsequently compromised, settled, withdrawn or otherwise resolved by any mechanism approved by the Bankruptcy Court.

## **G. MEANS FOR IMPLEMENTATION OF THE PLAN**

**1. Generally.** On the Confirmation Date, the Debtors will be empowered and authorized to take or cause to be taken, prior to the Effective Date, all actions necessary to enable them to implement the provisions of the Plan.

**2. Transactions on the Effective Date.** Immediately on the Effective Date, all actions necessary for the Plan to go effective shall be deemed for all purposes to have occurred simultaneously.

## **H. EFFECT OF CONFIRMATION**

**1. Preservation of Certain Causes of Action; Defenses.** The Reorganized Debtors shall retain and may enforce any and all rights, Claims, and Causes of Action accruing to or that are property of the Debtors or their Estates pursuant to the Bankruptcy Code or any statute or legal theory, including any Avoidance Action, any rights to, Claims or Causes of Action for recovery under any policies of insurance issued to or on behalf of the Debtors, and any rights, Claims, and Causes of Action against third parties related to or arising out of Allowed Claims,

and the Debtors and Reorganized Debtors shall retain and may enforce all defenses and counterclaims to all Claims asserted against the Reorganized Debtors, the Debtors or their Estates, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code.

**2. Terms of Injunction and Automatic Stay.** All of the injunctions and/or stays in existence immediately prior to the Confirmation Date provided for or in connection with the Chapter 11 Cases, whether pursuant to section 105, 362, or any other provision of the Bankruptcy Code, the Bankruptcy Rules or other applicable law, including, but not limited to, the relief provided for by the Stay Extension Order shall become null and void.

**3. Dissolution of the Committee and Future Claimants' Representative.** Effective on the Effective Date, each of the Future Claimants' Representative and any committee appointed in the Chapter 11 Cases shall be dissolved automatically, the Future Claimants' Representative and the Committee's respective members, Professionals, and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to applications for compensation by Professionals or reimbursement of expenses incurred as a member of an official committee, requests for payment of asserted Administrative Claims, and any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order or pending appeals of any other order entered in the Chapter 11 Cases, including any appeal of the Confirmation Order. The Future Claimants' Representative and the Committee may each, at their respective option, participate in any appeals, resolution of asserted Administrative Claim and in Resolution of all Professional Fee Claims. The Debtors shall pay the reasonable fees and costs incurred by each of the Future Claimants' Representative and the Committee in connection with these permitted activities.

## **I. EXCULPATION**

**Exculpation.** None of the Exculpated Parties shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of: (a) the Chapter 11 Cases; (b) pursuit of confirmation of the Plan; (c) consummation of the Plan, or administration of the Plan or the property to be distributed under the Plan; (d) the Plan; or (e) the negotiation, formulation and preparation of the Plan, and any of the terms and/or settlements and compromises reflected in the Plan, except for willful misconduct or gross negligence as determined by a Final Order, and, in all respects, each of the Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and the Plan Documents.

## **J. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

**1. Conditions Precedent to Confirmation of the Plan.** The following are conditions precedent to confirmation of the Plan that must be satisfied, unless waived in accordance with Section 13.3 of the Plan:

- The Confirmation Order shall be acceptable in form and substance to the Plan Proponents and the Debtors.

- At least two-thirds (2/3) in amount and fifty percent (50%) in number of those holders of Class 4 Settled Asbestos PI Claims actually voting on the Plan shall have voted to accept the Plan.

- The Confirmation Order shall, among other things:

- (a) order that the Confirmation Order shall supersede any Bankruptcy Court orders issued prior to the Confirmation Date that may be inconsistent with the Confirmation Order;

- (b) authorize the implementation of the Plan in accordance with its terms;

- (c) provide that any transfers effected or entered into, or to be effected or entered into, under the Plan shall be and are exempt under section 1146(a) of the Bankruptcy Code from any state, city or other municipality transfer taxes, mortgage recording taxes and any other stamp or similar tax;

- (d) approve in all respects the other settlements, transactions and agreements to be effected pursuant to the Plan; and

- (e) provide that all Executory Contracts assumed or assumed and assigned by the Debtors during the Chapter 11 Cases or under the Plan shall remain in full force and effect notwithstanding any provision in such contract or lease (including those provisions described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such assignment or transfer or that enables or requires termination of such contract or lease.

- In addition to the foregoing, the Confirmation Order shall contain findings of fact and conclusions of law including that the Plan complies with all applicable provisions of the Bankruptcy Code, including, without limitation, those requiring that the Plan was proposed in good faith and that the Confirmation Order was not procured by fraud.

**2. Conditions Precedent to the Effective Date of the Plan.** The following are conditions precedent to occurrence of the Effective Date of the Plan that must be satisfied, unless waived in accordance with Section 11.3 of the Plan:

- The Confirmation Order, in form and substance acceptable to the Plan Proponents, shall have been entered by the Bankruptcy Court and accepted and affirmed by the District Court or issued by the District Court;

- All authorization, consents and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained;

- All other actions, documents and agreements necessary to implement the Plan shall have been effected or executed.

**3. Waiver of Conditions Precedent.** To the fullest extent permitted by law, any of the conditions precedent set forth in Sections 13.1 and 13.2 of the Plan may be waived or modified, in whole or in part, upon agreement of all of the Plan Proponents. Any such waiver or modification may be effected at any time without leave or order of the Bankruptcy Court or District Court, and without any other formal action.

**4. Effect of Failure of the Effective Date of the Plan.** In the event that the Plan Proponents determine it is appropriate, prior to the Effective Date, upon notification submitted by the Plan Proponents to the Bankruptcy Court: (A) the Confirmation Order shall be vacated; (B) no Distributions under the Plan shall be made; and (C) the Debtors and all holders of Claims against and Equity Interests in the Debtors shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred. If the Confirmation Order is vacated pursuant to Section 13.4 of the Plan, nothing contained in the Plan shall: (A) constitute or be deemed a waiver or release of any Claims or Equity Interests by, against, or in the Debtors or any other Entity; or (B) prejudice in any manner the rights of the Debtors, the Plan Proponents, or any other Entity in the Chapter 11 Cases or any other or further proceedings involving the Debtors.

#### **K. JURISDICTION OF BANKRUPTCY COURT**

**Retention of Jurisdiction.** Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall, to the fullest extent permitted by law, retain and have jurisdiction over all matters arising out of and related to the Chapter 11 Cases and the Plan.

**THE DISCUSSION OF ALTERNATIVE B CONTINUES ON PAGE 65 OF THIS DISCLOSURE STATEMENT.**



## ARTICLE VII

### TRUST AND TRUST DISTRIBUTION PROCEDURES

*THE FOLLOWING IS A SUMMARY OF CERTAIN SIGNIFICANT FEATURES OF THE TRUST WHICH APPLIES UNDER ALTERNATIVE A ONLY. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE TEXT OF THE TRUST DOCUMENTS AND THE PLAN.*

#### Section 7.1 The Asbestos PI Trust

##### (a) Establishment and Purpose of the Asbestos PI Trust

###### (1) Establishment

On the Effective Date, the Asbestos PI Trust shall be created in accordance with the Plan Documents. The Asbestos PI Trust shall be a “qualified settlement fund” within the meaning of section 468B of the Internal Revenue Code and the regulations issued thereunder.

###### (2) Purpose

The purposes of the Asbestos PI Trust shall be to assume all present and future Settled Asbestos PI Claims and Asbestos PI Claims and to use the Asbestos PI Trust Assets to pay holders of such Settled Asbestos PI Claims and Asbestos PI Claims in accordance with the Asbestos PI Trust Agreement and the Asbestos PI Trust Distribution Procedures. The Asbestos PI Trust shall use the Asbestos PI Trust Assets to pay holders of Settled Asbestos PI Claims and Asbestos PI Claims in such a way that provides reasonable assurance that the Asbestos PI Trust shall value and be in a financial position to pay present and future Settled Asbestos PI Claims and Asbestos PI Claims that involve similar Claims in substantially the same manner, and otherwise comply in all respects with the requirements of section 524(g)(2)(B)(i) of the Bankruptcy Code.

#### Section 7.2 Asbestos PI Trust Distribution Procedures

The Asbestos PI Trust Distribution Procedures are the procedures by which the Settled Asbestos PI Claims and the Asbestos PI Claims will be liquidated (to the extent not already liquidated) and, once liquidated, paid by the Asbestos PI Trust. These procedures will be binding on the holders of all Settled Asbestos PI Claims and Asbestos PI Claims.

The Asbestos PI Trust Distribution Procedures provide, among other things, for the resolution of Settled Asbestos PI Claims and Asbestos PI Claims pursuant to the terms of the Asbestos PI Trust Documents, and that resolution of a Settled Asbestos PI Claim or Asbestos PI Claim by the Asbestos PI Trust will result in a full or partial release of such Claim against the Asbestos PI Trust in accordance with the Asbestos PI Trust Distribution Procedures. In the event that an Indirect Asbestos PI Claim against the Debtors is disallowed pursuant to section 502(e)(1)(B) of the Bankruptcy Code, the right of a holder of such disallowed Claim under

applicable non-bankruptcy law to setoff payments by the Asbestos PI Trust against such holder's liability to an asbestos personal injury claimant shall be preserved.

The Asbestos PI Trustees will implement and administer the Asbestos PI Trust pursuant to the Asbestos PI Trust Distribution Procedures. The goal of the Asbestos PI Trust Distribution Procedures is to provide fair, equitable, and substantially similar treatment for all Claims channeled to the Asbestos PI Trust that may presently exist or may arise in the future. To that end, the Asbestos PI Trust Distribution Procedures set forth procedures for processing and, if valid, paying claims generally on an impartial, first-in-first-out basis, with the intention of enabling each holder of a valid claim against the Asbestos PI Trust to receive a payment from the Asbestos PI Trust of the unpaid portion of the liquidated value of Settled Asbestos PI Claims and Asbestos PI Claims that is at a level proportionate to other similar claimants and that is calculated by reference to the level of settlements, verdicts or judgments which claimants have historically received in their respective tort systems.

The Asbestos PI Trust Distribution Procedures establish a schedule of different asbestos-related diseases ("Disease Levels"), all of which have presumptive medical and exposure requirements ("Medical/Exposure Criteria") and specific liquidated values ("Scheduled Values"), and may also have anticipated average values ("Average Values"), and caps on their liquidated values ("Maximum Values"). The Disease Levels, Medical/Exposure Criteria, Scheduled Values, Average Values, and Maximum Values have all been selected and derived with the intention of achieving a fair allocation of the Asbestos PI Trust funds as among claimants suffering from different disease processes in light of the best available information considering the settlement history of the Debtors and the rights claimants would have in the tort system absent the bankruptcy.

A copy of the Asbestos PI Trust Distribution Procedures is attached to the Plan as Exhibit [ ]. In the event of a conflict between the terms or provisions of the Plan and the Asbestos PI Trust Documents, the terms of the Plan shall control over the terms of the Asbestos PI Trust Documents.

## **ARTICLE VIII**

### **CERTAIN RISK FACTORS TO BE CONSIDERED**

#### **Section 8.1 Certain Bankruptcy Considerations**

Although the Plan Proponents believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no guaranty that the Bankruptcy Court will reach the same conclusion, or that the Confirmation Order, if challenged on appeal, will be affirmed. There also can be no assurance that the Plan as proposed will be accepted by the requisite number of holders or amounts of Claims (which amounts and percentages are detailed herein in Sections 9.4(a) – 9.4(b) and differ between Alternative A and Alternative B), that the Plan will not be modified up to and including the Confirmation Date, or that the Bankruptcy Court will enter an order confirming the Plan containing the findings of fact and conclusions of law that are conditions precedent to confirmation of the Plan. There can also be no assurance that the District Court will accept and affirm or issue the order confirming the Plan, that such

acceptance and affirmance or issuance will become a Final Order and that the channeling injunction will therefore become valid and enforceable.

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to liquidation cases, or that any alternative plan of reorganization would be on terms as favorable as the terms of the Plan. If a liquidation or protracted reorganization were to occur, there is a substantial risk that the value of the Debtors' assets would be substantially eroded to the detriment of all stakeholders.

## Section 8.2 Risk Factors

Holders of Claims against the Debtors should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or referred to herein by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

### (a) Overall Risks to Recovery by Holders of Claims

The ultimate recoveries under the Plan to holders of Claims (other than holders whose entire Distribution is paid in Cash) depend upon a number of factors. The factors below (other than the factor entitled "Certain Bankruptcy Considerations") assume that the Plan is confirmed and that the Effective Date occurs immediately after the trial to estimate the Debtors' solvency is complete. Prior to voting on the Plan, each holder of a Claim should consider carefully the risk factors specified or referred to below, including the exhibits annexed hereto, as well as all of the information contained in the Plan.

### (b) Projected Financial Information

The Projections are dependent upon numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of Reorganized SPHC, Final Orders determining the Debtors' solvency, Final Orders determining the International Action and other Causes of Action, general business and economic conditions, and other matters, many of which are beyond the control of the Plan Proponents. Accordingly, there can be no assurance that such assumptions will prove to be valid. In addition, unanticipated and unforeseeable events and/or circumstances occurring subsequent to the preparation of the Projections may affect the actual financial results of Reorganized SPHC. Although the Plan Proponents believe that the projections are reasonable and attainable in the event that Alternative A is implemented on the Effective Date, some or all of the estimates will vary, and variations between the actual financial results and those projected may be material.

The Projections are premised on Alternative A ultimately being implemented on the Effective date. The Plan Proponents do not believe that the Debtors' assets exceed their liabilities. However, in the unlikely event the Plan Proponents' theories of the Debtors' insolvency are proven wrong, and the Debtors prove that they have sufficient funds to satisfy their creditors, the Projections will not apply.

(c) Appointment of a Different Asbestos PI Trustee and/or Different Members of the Asbestos PI Trust Advisory Committee for the Asbestos PI Trust

At the Confirmation Hearing, the Plan Proponents will request that the Bankruptcy Court appoint a certain Entity as the initial Asbestos PI Trustee of the Asbestos PI Trust, and certain Entities as the initial members of the Asbestos PI Trust Advisory Committee. The Bankruptcy Court, however, may reject or otherwise decline to such proposed Asbestos PI Trustee, or one or more of the proposed members of the Asbestos PI Trust Advisory Committee. In that case, an alternate Asbestos PI Trustee and/or alternative proposed members of the Asbestos PI Trust Advisory Committee would have to be nominated, potentially resulting in significant delays in the occurrence of the Confirmation Date and Effective Date. The selection of a different Asbestos PI Trustee or different Asbestos PI Trust Advisory Committee members also could materially affect administration of the Asbestos PI Trust.

These appointments will only be implemented if Alternative A is applied on the Effective Date. In the unlikely event that Alternative B is implemented on the Effective Date then these appointments will not occur.

(d) Distributions under the Asbestos PI Trust Distribution Procedures

Pursuant to Alternative A, payments will to be made to Settled Asbestos PI Claims will be based on the amount set forth in the underlying settlement documentation or, at the option of the holder of the Settled Asbestos PI Claim, the holder may forego that settlement and seek to liquidated his or her claim under the Asbestos PI Trust Distribution Procedures.

Pursuant to Alternative A, Asbestos PI Claims will be determined under the Asbestos PI Trust Distribution Procedures and will be based, on the one hand, on estimates of the number, types, and amount of current and expected future Asbestos PI Claims and Demands, and on the other hand, on the value of the assets of the Asbestos PI Trust, the liquidity of the Asbestos PI Trust, the Asbestos PI Trust's expected future income and expenses, and other matters that are likely to affect the sufficiency of funds to pay all holders of Asbestos PI Claims. There can be no certainty as to the precise amounts that will be distributed by the Asbestos PI Trust in any particular time period or when Asbestos PI Claims will be paid by the Asbestos PI Trust.

Under Alternative B, no Asbestos PI Trust will be formed and the Reorganized Debtors or their designees will be responsible for payment of any Allowed Claims.

(e) Risk of Post-Consummation Default

Although the Plan Proponents can give no guarantees, it believes that Reorganized SPHC will generate sufficient operating cash flow to meet its business obligations and operating requirements and that such cash flow will be sufficient to make the payments required to be made by Reorganized SPHC under the Plan. At the Confirmation Hearing, the Bankruptcy Court will be required to make a determination that the Plan is feasible (i.e., not likely to be followed by the liquidation, or the need for further financial reorganization, of Reorganized SPHC) in order to confirm the Plan.

(f) The Channeling Injunction

Under Alternative A, the Plan Proponents seek approval of a channeling injunction which, if approved, among other things, bars the assertion of any Settled Asbestos PI Claims or Asbestos PI Claims or Demands against the Debtors and the other Protected Parties, is a cornerstone of the Plan. In 1994, the United States Congress added subsections (g) and (h) to section 524 of the Bankruptcy Code in order to confirm the authority of the Bankruptcy Court, subject to the conditions specified therein, to issue injunctions such as the channeling injunction with respect to present and future asbestos-related personal injury, wrongful death and related Claims and Demands. Although the Plan, the Asbestos PI Trust Agreement, and the Asbestos PI Trust Distribution Procedures all have been drafted with the intention of complying with sections 524(g) and (h) of the Bankruptcy Code, and satisfaction of the conditions imposed by sections 524(g) and (h) is a condition precedent to confirmation of the Plan, there is no guarantee that the validity and enforceability of the channeling injunction or sections 524(g) and (h) or the application of the channeling injunction to Settled Asbestos PI Claims or Asbestos PI Claims will not be challenged, either before or after confirmation of the Plan.

Under Alternative B no channeling injunction is necessary and will not be implemented.

**ARTICLE IX**

**VOTING PROCEDURES AND REQUIREMENTS**

Section 9.1 Voting Procedures Summary

The following section describes in summary fashion the procedures and requirements that have been established for voting on the Plan. Those procedures and requirements establish, among other things, the place to send completed ballots, in the form approved by the Bankruptcy Court in the Voting Procedures Order, used in voting on the Plan (a “Ballot”), together with the deadline for returning completed Ballots for voting on the Plan and the deadline for objecting to the Plan. Accompanying this Disclosure Statement are copies of:

(a) The Disclosure Statement Order and the Voting Procedures Order, which, among other things, approve this Disclosure Statement as containing adequate information, establish the voting procedures (the “Voting Procedures”), schedule the Confirmation Hearing, and set the voting deadline and the deadline for objecting to confirmation of the Plan;

(b) The notice of Confirmation Hearing and entry of Voting Procedures Order; and

(c) One or more Ballots and a return envelope (ballots are provided only to holders of Claims in Classes 3, 4, 5, 6 and 7, the Classes that are entitled to vote on the Plan. However, only Class 4 will be Impaired under Alternative B whereas each of Classes 3, 4, 5, 6, and 7 are Impaired under Alternative A).

The Voting Procedures Order, the Voting Procedures, the notice of the Confirmation Hearing, and the instructions attached to your Ballot should be read in connection with this

section of the Disclosure Statement as they set forth the voting procedures and deadlines in detail. If you are a holder of a Claim who is entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, please contact the Voting Agent at [ ] or as follows:

IF BY MAIL:

[ ]

IF BY HAND OR OVERNIGHT COURIER:

[ ]

If you are entitled to vote on the Plan, form(s) of Ballot(s) appropriate for your Claim(s) is/are included in the Solicitation Package with this Disclosure Statement. The Plan Proponents have prepared, and the Bankruptcy Court has approved the Voting Procedures. You should refer to the Voting Procedures sent with this Disclosure Statement to determine precisely those procedures that apply with respect to the return of your Ballot.

#### Section 9.2 Voting Deadline

TO BE CONSIDERED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN, ALL BALLOTS MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN THE VOTING DEADLINE OF 5:00 P.M. (PREVAILING EASTERN TIME) ON [ ]. ONLY THOSE BALLOTS **ACTUALLY RECEIVED** BY THE VOTING AGENT BEFORE THE VOTING DEADLINE WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN.

#### Section 9.3 Holders of Claims and Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is deemed to be “impaired” under a plan unless (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or equity interest entitles the holder thereof, or (ii) notwithstanding any legal right to an accelerated payment of such claim or equity interest, the plan: (i) cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy); (ii) reinstates the maturity of such claim or equity interest as it existed before the default; (iii) compensates the holder of such claim or equity interest for any damages from such holder’s reasonable reliance on such legal right to an accelerated payment; and (iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

Holders of claims and equity interests in impaired classes are generally entitled to vote to accept or reject a plan. However, if the holder of an impaired claim or equity interest will not receive any distribution under the plan in respect of such claim or equity interest, the Bankruptcy Code deems such holder to have rejected the plan and provides that the holder of such claim or equity interest is not entitled to vote. If the claim or equity interest is not impaired, the Bankruptcy Code conclusively presumes that the holder of such claim or equity interest has accepted the plan and provides that the holder is not entitled to vote.

Alternative A

Classes 1 and 2 are Unimpaired by the Plan. Holders of Claims in Classes 1 and 2 are not entitled to vote on the Plan. Classes 3, 4, 5, 6, 7, 8 and 9 are Impaired by the Plan. Of the Impaired Classes, only those holders of Claims in Classes 3, 4, 5, 6 and 7 are entitled to vote on the Plan. Holders of Equity Interests in Classes 8 and 9 are to receive no distributions under the Plan, are therefore not entitled to vote on the Plan and are conclusively presumed to reject the Plan.

Alternative B

Classes 1, 2, 3, 5, 6, 7, 8 and 9 are Unimpaired by the Plan. Holders of Claims or Equity Interests in Classes 1, 2, 3, 5, 6, 7, 8 and 9 are not entitled to vote on the Plan. Class 4 is Impaired by the Plan and is the only Class entitled to vote on the Plan.

Although only Class 4 is Impaired under Alternative B, in order to expedite the confirmation process and consistent with the Plan Proponents' view that the Debtors' assets are insufficient to satisfy their liabilities, the Plan Proponents are simultaneously sending Ballots to Classes 4 and 5.

IF A PARTY WITH STANDING HAS OBJECTED TO A CLAIM PRIOR TO [ ], THE HOLDER OF SUCH CLAIM WILL NOT BE ENTITLED TO VOTE ON THE PLAN ON ACCOUNT OF SUCH CLAIM, UNLESS SUCH HOLDER FILES A MOTION TO HAVE SUCH CLAIM TEMPORARILY ALLOWED FOR VOTING PURPOSES ON OR BEFORE [ ].

Section 9.4 Vote Required for Acceptance by a Class

(a) Class of Claims

A class of claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed Claims in such Class that have voted on the Plan in accordance with the Voting Procedures Order except as set forth in 9.4(b) below.

Under Alternative B of the instant Plan, these criteria apply only for Class 4 (Settled Asbestos PI Claims).

As detailed in section 9.4(b) below, the criteria for acceptance of a class of claims containing asbestos liabilities are harder to achieve. If Class 4 accepts the Plan under the criteria set forth in section 9.4(b), which will only be necessary for Alternative A to go effective, then Class 4 will, by extension, satisfy the requirements for Alternative B in the unlikely event it is proven that the Debtors' assets outweigh their liabilities.

Under Alternative A of the Plan, each of Classes 3, 6 and 7 will accept the plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed Claims in such Class that have voted on the Plan in accordance with the Voting Procedures Order. Classes 4 and 5 under Alternative A have a more strict voting criteria as set forth in Section 9.4(b).

(b) Classes of Settled Asbestos PI Claims and Asbestos PI Claims

Pursuant to section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code, Classes 4 and 5 shall have accepted the Plan only if (a) the holders of at least two-thirds in dollar amount of the allowed Claims actually voting in such Class have voted to accept the Plan, and (b) the holders of at least 75 percent of the allowed Claims actually voting in such Class have voted to accept the Plan in accordance with the Voting Procedures Order.

(c) Cramdown

With respect to any Impaired Class of Claims or Equity Interests that fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code (other than Class 4 and 5 in Alternative A), including such Classes as may be created pursuant to amendments to the Plan, the Plan Proponents shall request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Classes, in which case or cases the Plan shall constitute a motion for such relief.

Section 9.5 Voting Procedures

(a) Ballots

All votes to accept or reject the Plan with respect to any Class of Claims must be cast by properly submitting the duly completed and executed form of Ballot designated for such Class. Holders of Impaired Claims voting on the Plan should complete and sign the Ballot in accordance with the instructions thereon, being sure to check the appropriate box entitled "Accept the Plan" or "Reject the Plan."

**ANY BALLOT RECEIVED WHICH IS NOT SIGNED OR WHICH CONTAINS INSUFFICIENT INFORMATION TO PERMIT THE IDENTIFICATION OF THE CLAIMANT WILL BE AN INVALID BALLOT AND WILL NOT BE COUNTED FOR PURPOSES OF DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.**

Ballots must be delivered to the Voting Agent, at its address set forth above in the introduction to this Article, and received by the Voting Deadline. THE METHOD OF SUCH DELIVERY IS AT THE ELECTION AND RISK OF THE VOTER. Although the method of delivery is at the risk of the voter, for the convenience of each holder of an Impaired Claim entitled to vote on the Plan the Solicitation Package contains a pre-stamped and addressed envelope for return of such holder's Ballot by first class mail through the United States Postal Service. If such delivery is by mail, it is recommended that voters use an air courier with a guaranteed next day delivery or registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to ensure timely delivery.



In accordance with Bankruptcy Rule 3018(c), the ballots are based on Official Form No. 14, but have been modified to meet the particular needs of these cases. PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS ATTACHED TO EACH ENCLOSED BALLOT.

In certain cases, Ballots enclosed with this Disclosure Statement have been encoded with the amount of the allowed Claim for voting purposes (if the Claim is a Contested Claim, this amount may not be the amount ultimately allowed for purposes of Distribution) and the Class into which the Claim has been placed under the Plan.

IF YOU ARE ENTITLED TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, PLEASE CONTACT THE VOTING AGENT IN THE MANNER SET FORTH ABOVE. FOR ADDITIONAL INFORMATION REGARDING THE VOTING PROCESS, PLEASE REFER TO THE VOTING PROCEDURES ORDER, THE VOTING PROCEDURES, THE NOTICE OF CONFIRMATION HEARING, AND THE INSTRUCTIONS ATTACHED TO EACH ENCLOSED BALLOT.

PLEASE REFER TO THE VOTING PROCEDURES AND VOTING PROCEDURES ORDER FOR MORE INFORMATION REGARDING THE VOTING OF SETTLED ASBESTOS PI CLAIMS AND ASBESTOS PI CLAIMS.

(b) Withdrawal or Change of Votes on the Plan

A Ballot may be withdrawn by delivering a written notice of withdrawal to the Voting Agent, so that the Voting Agent receives the notice prior to the voting deadline. Thereafter, withdrawal may be effected only with the approval of the Bankruptcy Court.

In order to be valid, a notice of withdrawal must: (i) specify the name of the holder who submitted the Ballot to be withdrawn; (ii) contain a description of the Claim(s) to which it relates; and (iii) be signed by the holder in the same manner as on the Ballot. The Plan Proponents expressly reserve the absolute right to contest the validity of any such withdrawals of votes on the Plan.

Any holder who has submitted to the Voting Agent prior to the voting deadline a properly completed Ballot may change its vote by submitting to the Voting Agent prior to the voting deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received with respect to the same Claim or Equity Interest, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the Ballot that the Voting Agent determines was the last to be received.

## **ARTICLE X**

### **CONFIRMATION OF THE PLAN**

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

## Section 10.1 Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing is scheduled to commence on [ ] (Prevailing Eastern Time) before the Honorable Judith K. Fitzgerald, United States Bankruptcy Judge for the District of Delaware, at the United States Bankruptcy Court for [ ]. 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 or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objecting party, the nature and amount of Claims held or asserted by the objecting party against the Debtors' Estates or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Judge Fitzgerald's chambers, together with proof of service thereof, and served upon counsel to the Plan Proponents, so as to be received no later than 4 p.m. (Prevailing Eastern Time), on [ ].

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

## Section 10.2 Requirements for Confirmation of the Plan

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

### (a) Acceptance

#### Alternative A

Classes 3, 4, 5, 6 and 7 are Impaired under the Plan and entitled to vote on the Plan. Therefore, such Classes must accept the Plan in order for it to be confirmed without application of the "fair and equitable test," described below, to such Classes.

Classes 1 and 2 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, confirmation of the Plan will not require application of the "fair and equitable test," described below, to those Classes.

Classes 8 and 9 are Impaired, and the holders of Equity Interests in these Classes will not receive or retain any property under the Plan. Accordingly each of Classes 8 and 9 are deemed

not to have accepted the Plan and confirmation of the Plan will require application of the “fair and equitable test,” described below, to those Classes.

### Alternative B

Class 4 is Impaired under the Plan, and the holders of Claims in the Class are entitled to vote on the Plan. Therefore, such Classes must accept the Plan in order for it to be confirmed without application of the “fair and equitable test,” described below, to such Classes.

Classes 1, 2, 3, 5, 6, 7, 8 and 9 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, confirmation of the Plan will not require application of the “fair and equitable test,” described below, to those Classes.

#### (b) Unfair Discrimination and Fair and Equitable Tests

Under Alternative A, the Plan Proponents will seek to confirm the Plan, notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any Impaired Class of Claims or Equity Interests other than Classes 4 and 5.

Under Alternative B, the Plan Proponents will seek to confirm the Plan, notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any Impaired Class of Claims.

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all Impaired Classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. This procedure of obtaining confirmation is commonly known as “cram down.” To obtain such confirmation, it must be demonstrated that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each dissenting Impaired Class.

A plan does not discriminate unfairly if the legal rights of a dissenting class receive a treatment that is substantially equivalent to the treatment of other classes with equal rank. In determining whether a plan discriminates unfairly, courts may take into account a number of factors and the facts and circumstances in the particular case. Accordingly, two classes of unsecured claims could be treated differently without unfairly discriminating against either class. The Plan Proponents believe that the Plan satisfies this requirement.

In addition, the Bankruptcy Code provides the following non-exclusive definition of the phrase “fair and equitable,” as it applies to secured claims, unsecured claims, and equity interests:

#### (1) Secured Claims

Either the plan must provide (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder’s interest in the estate’s

interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such holders of the indubitable equivalent of such claims.

(2) Unsecured Claims

Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

(3) Equity Interests

Either (i) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (x) the fixed liquidation preference or redemption price, if any, of such stock, or (y) the value of the stock, or (ii) the holders of equity interests that are junior to the stock will not receive any property under the plan.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE PLAN PROPONENTS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS OTHER THAN CLASS

(c) Feasibility

The Bankruptcy Code also requires as a condition to confirmation of a plan of reorganization that the confirmation of the plan is not likely to be followed by the liquidation or the need for further financial reorganization of the reorganized debtor. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan.

The Plan Proponents believe that Reorganized SPHC will be able to make all payments required pursuant to the Plan based on the Alternative ultimately applied, and therefore, that confirmation of the Plan is not likely to be followed by the need for further reorganization.

(d) “Best Interests” Test

The “Best Interests Test” under section 1129 of the Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each holder of impaired claims or impaired interests receive property with a value not less than the amount such holder would receive in a chapter 7 liquidation. As indicated above, the Plan Proponents believe that under the Plan, holders of impaired Claims and impaired Equity Interests will receive property with a value equal to or in excess of the value such holders would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

(e) Liquidation Analysis

The Plan Proponents have prepared a Liquidation Analysis attached as Exhibit B hereto under Alternative A of the Plan to demonstrate the Plan's compliance with the provisions of section 1129(a)(7) of the Bankruptcy Code. The Liquidation Analysis is based upon a number of reasonable assumptions that, ultimately, are subject to significant uncertainties and contingencies. The Plan Proponents cannot assure you that these assumptions would be accepted by a Bankruptcy Court. ACTUAL LIQUIDATION PROCEEDS COULD BE MATERIALLY LOWER OR HIGHER THAN THE AMOUNTS SET FORTH BELOW. NO REPRESENTATION OR WARRANTY CAN OR IS BEING MADE WITH RESPECT TO THE ACTUAL PROCEEDS THAT COULD BE RECEIVED IN A CHAPTER 7 LIQUIDATION OF THE DEBTORS. THE LIQUIDATION VALUATIONS HAVE BEEN PREPARED SOLELY FOR PURPOSES OF ESTIMATING PROCEEDS AVAILABLE IN A CHAPTER 7 LIQUIDATION OF THE ESTATE AND DO NOT REPRESENT VALUES THAT MAY BE APPROPRIATE FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THESE VALUATIONS IS INTENDED TO OR MAY BE ASSERTED TO CONSTITUTE A CONCESSION OR ADMISSION OF THE PLAN PROPONENTS FOR ANY OTHER PURPOSE.

**ARTICLE XI**

**ALTERNATIVES TO CONFIRMATION  
AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, alternatives to the Plan include: (i) continuation in chapter 11 and formulation of an alternative plan or plans of reorganization, or (ii) liquidation of the Debtors under chapter 7 of the Bankruptcy Code. Each of these possibilities is discussed in turn below. In addition, it is possible that whether or not the Plan is confirmed, the United States Congress might pass legislation that would materially affect the manner in which the Debtors' Asbestos Personal Injury Claims are treated.

Section 11.1 Alternative Plan of Reorganization

The Plan is the product of extensive negotiations among the Committee and the Future Claimants Representative, and reflects a balance of the respective interests held by the parties. If the Plan is not confirmed, the Plan Proponents or any other party in interest may propose an alternative plan of liquidation or reorganization.

Section 11.2 Liquidation under Chapter 7

If the Plan is not confirmed, the Debtors' Chapter 11 Cases could be converted to liquidation cases under chapter 7 of the Bankruptcy Code. In chapter 7, a trustee would be appointed to promptly liquidate the assets of the Debtors.

As described above in the Liquidation Analysis, the Plan Proponents believe that a liquidation under chapter 7 would result in a substantial diminution in the value of the estates. The Debtors further believe that it is likely that distributions in a chapter 7 liquidation would not

occur for a substantial time, primarily due to the likelihood of protracted litigation related to various Causes of Action, including the International Action.

## ARTICLE XII

### CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

**CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (“IRS”) CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF SETTLED ASBESTOS PI CLAIMS OR ASBESTOS PI CLAIMS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER FEDERAL, STATE, OR LOCAL TAX LAWS, (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DISCUSSED HEREIN, AND (III) HOLDERS OF SETTLED ASBESTOS PI CLAIMS AND ASBESTOS PI CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO HOLDERS OF SETTLED ASBESTOS PI CLAIMS AND ASBESTOS PI CLAIMS. THE FOLLOWING SUMMARY DOES NOT DISCUSS THE FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS WHOSE CLAIMS ARE ENTITLED TO PAYMENT IN FULL IN CASH OR ARE OTHERWISE UNIMPAIRED UNDER THE PLAN OR TO HOLDERS OF EQUITY INTERESTS, INTERCOMPANY CLAIMS OR INTERNATIONAL CLAIMS.**

**THE FOLLOWING SUMMARY IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “INTERNAL REVENUE CODE”), TREASURY REGULATIONS PROMULGATED THEREUNDER, JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF MAY HAVE RETROACTIVE EFFECT AND COULD SIGNIFICANTLY AFFECT THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.**

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES. THE PLAN PROPONENTS DO NOT INTEND TO SEEK A RULING FROM THE IRS CONCERNING ANY OF THE TAX ASPECTS OF THE PLAN. IN ADDITION, THIS SUMMARY DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN TAXPAYERS, BROKER-DEALERS, BANKS,**

**MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, THRIFTS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, REAL ESTATE INVESTMENT COMPANIES, TAX-EXEMPT ORGANIZATIONS, TRADERS IN SECURITIES THAT ELECT TO USE A MARK-TO-MARKET METHOD OF ACCOUNTING, AND PASS-THROUGH ENTITIES).**

**ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A SETTLED ASBESTOS PI CLAIM OR AN ASBESTOS PI CLAIM. ALL HOLDERS OF SETTLED ASBESTOS PI CLAIMS OR ASBESTOS PI CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE PLAN.**

Section 12.1 Treatment of the Asbestos PI Trust

It is intended that the Asbestos PI Trust will be treated as a qualified settlement fund within the meaning of section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder. The applicable Treasury regulations provide that to be treated as a qualified settlement fund, a fund, account, or trust must be (i) established pursuant to an order of, or be approved by, a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority; (ii) established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event or a related series of events that has occurred and that has given rise to at least one claim asserting, among other things, liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. 9601 et seq., or liability arising out of a tort, breach of contract or violation of law; and (iii) a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor.

Provided that the Asbestos PI Trust is treated as qualified settlement fund, the Asbestos PI Trust will generally be subject to an entity level tax at the maximum rate applicable to trusts and estates, and, in determining the taxable income of the Asbestos PI Trust, (i) any amounts transferred by Bondex or SPHC to the Asbestos PI Trust to resolve or satisfy a liability for which the Asbestos PI Trust is established generally will be excluded from the Asbestos PI Trust's income; (ii) any dividends, interest and payments received as compensation for delayed transfers generally will constitute taxable income to the Asbestos PI Trust; (iii) any sale, exchange or distribution of property by the Asbestos PI Trust generally will result in the recognition of gain or loss in an amount equal to the difference between the fair market value of the property on the date of disposition and the adjusted tax basis of such property; (iv) administrative costs (including state and local taxes) incurred by the Asbestos PI Trust generally will be deductible; and (v) trade or business expenses treated as incurred by the Asbestos PI Trust will generally not be deductible for federal income tax purposes. In general, the adjusted tax basis of property received (or treated as received for federal income tax purposes) by a qualified settlement fund from a transferor pursuant to the Plan will be the fair market value of such property at the time of receipt.

## Section 12.2 Consequences to Holders of Settled Asbestos PI Claims and Asbestos PI Claims

Each Settled Asbestos PI Claim and Asbestos PI Claim will be liquidated and resolved by the Asbestos PI Trust in accordance with the Asbestos PI Trust Distribution Procedures. The federal income tax treatment of the receipt of payments from the Asbestos PI Trust by a holder of such a Settled Asbestos PI Claim or Asbestos PI Claim generally will depend upon the nature of the Settled Asbestos PI Claim or Asbestos PI Claim. Because the amounts received by a holder of a Settled Asbestos PI Claim or Asbestos PI Claim (other than an Indirect Asbestos PI Claim or an Asbestos PI Trust Expense) generally will be attributable to, and compensation for, such holder's personal physical injuries or sickness, within the meaning of section 104 of the Internal Revenue Code, any such amounts received by the holder generally should be nontaxable. However, to the extent payments from the Asbestos PI Trust to a holder of a Settled Asbestos PI Claim or Asbestos PI Claim are attributable to medical expense deductions allowed under section 213 of the Internal Revenue Code for a prior taxable year, such payments will be taxable as ordinary income to the recipient. To the extent that the payments from the Asbestos PI Trust to holders of Settled Asbestos PI Claims or Asbestos PI Claims constitute amounts received on account of claims other than personal injury or sickness, such payments generally will be includable in the gross income of such holders.

## Section 12.3 Information Reporting and Withholding

All distributions to holders of Settled Asbestos PI Claims or Asbestos PI Claims under the Plan are subject to applicable information reporting and withholding. Under federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then-applicable rate. Backup withholding generally applies if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent that it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.



**ARTICLE XIII**

**CONCLUSION AND RECOMMENDATION**

The Plan Proponents believe that the Plan is in the best interests of all holders of Claims and urge all holders of Impaired Claims in Classes entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they WILL BE actually received on or before 4 p.m. (Prevailing Eastern Time), on [     ].

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