

**UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

IN RE:

:
: Chapter 11

**UNITED GILSONITE LABORATORIES,
A PENNSYLVANIA CORPORATION,¹**

:
: Case No. 5:11-bk-02032 (RNO)

DEBTOR.

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**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE
BANKRUPTCY CODE WITH RESPECT TO THE FIRST AMENDED
PLAN OF REORGANIZATION OF UNITED GILSONITE
LABORATORIES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

DATED AS OF: AUGUST 14, 2014

**THIS DISCLOSURE STATEMENT SOLICITS ACCEPTANCES OF THE PLAN AND
CONTAINS INFORMATION RELEVANT TO A DECISION TO ACCEPT OR REJECT
THE PLAN.**

¹ The last four digits of the Debtor's federal tax identification number are 7530.

GIBBONS P.C.

By: /s/ Mark B. Conlan
Mark B. Conlan (PA Bar No. 86559)
Karen A. Giannelli (admitted *pro hac vice*)
Frank J. Vecchione (admitted *pro hac vice*)
One Gateway Center
Newark, NJ 07102
Telephone: (973) 596-4500
Facsimile: (973) 596-0545

- and -

Natasha M. Songonuga (admitted *pro hac vice*)
1000 N. West Street, Suite 1200
Wilmington, DE 19801-1058
Telephone: (302) 295-4875
Facsimile: (302) 295-4876

PLEASE READ THIS IMPORTANT INFORMATION

United Gilsonite Laboratories, the Debtor and Debtor-In-Possession in the above referenced bankruptcy case submits this *Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code With Respect to the First Amended Plan of Reorganization of United Gilsonite Laboratories Under Chapter 11 of the Bankruptcy Code* (the “Disclosure Statement”), in connection with the Debtor’s request to the United States Bankruptcy Court for the Middle District of Pennsylvania (the “Bankruptcy Court”) to confirm the First Amended Plan of Reorganization of United Gilsonite Laboratories Under Chapter 11 of the Bankruptcy Code, dated August 14, 2014 (the “Plan”)². A copy of the Plan is attached to this Disclosure Statement as Exhibit A. On _____, 2014, the Bankruptcy Court entered an Order approving the Disclosure Statement as containing “adequate information” under Section 1125 of the Bankruptcy Code.

Please note that this Disclosure Statement and its related documents are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes with respect to the Plan. No representations have been authorized by the Bankruptcy Court concerning the Debtor, its business operations or the value of its assets, except as explicitly set forth in the Disclosure Statement. The Debtor is not responsible for any information, representation or inducement made to obtain your acceptance, which is other than, or inconsistent with, information contained herein and in the Plan.

Except as otherwise set forth herein, the information contained herein has been taken, in whole or in part, from information contained in the Debtor’s books and records. **Statements made in this Disclosure Statement about the Plan are qualified in their entirety by reference to the Plan, and the exhibits attached to the Plan.** Similarly, descriptions in this Disclosure Statement of pleadings, orders, and proceedings in the Chapter 11 Case are qualified in their entirety by reference to the relevant pleadings, orders, and proceedings. Although the Debtor has attempted to be accurate in all material respects, the Debtor is unable to warrant or represent that all of the information contained in this Disclosure Statement is without error. The statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained herein will be correct at any time after the date hereof.

UNITED GILSONITE LABORATORIES BELIEVES THAT THE PLAN IS IN THE BEST INTEREST OF ITS CREDITORS. ACCORDINGLY, CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN.

THE CREDITORS’ COMMITTEE HAS INDEPENDENTLY CONCLUDED THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS, INCLUDING THE ASBESTOS CLAIMANTS, AND URGES CREDITORS TO VOTE IN FAVOR OF THE PLAN.

² Capitalized terms used, but not otherwise defined herein, shall have the meanings set forth in Article I of the Plan.

THE FUTURE CLAIMANTS' REPRESENTATIVE HAS INDEPENDENTLY CONCLUDED THAT THE PLAN IS IN THE BEST INTERESTS OF FUTURE ASBESTOS-RELATED CLAIMANTS.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME, ON _____, 2014 (THE "VOTING DEADLINE"). IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY THE GARDEN CITY GROUP, INC. ("GCG" OR THE "CLAIMS AND BALLOTING AGENT") ON OR BEFORE THE VOTING DEADLINE. VOTING INSTRUCTIONS ARE ATTACHED TO THE INDIVIDUAL BALLOT, THE INDIRECT CLAIMANT BALLOT, AND/OR THE MASTER BALLOT DISTRIBUTED WITH THIS DISCLOSURE STATEMENT.

Under the Plan, all Asbestos Personal Injury Claims, Indirect Asbestos Personal Injury Claims, and future Demands for asbestos-related personal injury and wrongful death based in whole or in part on the alleged conduct or products of UGL (collectively as defined in the Plan, "Trust Claims") will be channeled to the asbestos trust contemplated by the Plan to be established under Section 524(g) of the Bankruptcy Code (as defined in the Plan, the "Trust") for payment as and to the extent provided in the Trust Agreement and the Trust Distribution Procedures. The Plan separately classifies Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims in Class 4 and only holders of Claims in Class 4 are entitled to vote on the Plan. The holders of Class 4 Claims are impaired under the Plan.

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, CLASS 4 CREDITORS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN FOR SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL ADVICE.

This Disclosure Statement has been prepared in accordance with Section 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure and not in accordance with federal or state securities laws or other rules governing disclosure outside the context of the Bankruptcy Code. Persons or entities trading in or otherwise purchasing, selling or transferring Claims of the Debtor should evaluate this Disclosure Statement and the Plan in light of the purpose for which they were prepared. Holders of Claims and Interests should not construe the contents of this Disclosure Statement as providing any future business, financial or tax advice. Each such holder should, therefore, consult with its own business, financial and tax advisors as to any such matters concerning the Plan and the transactions contemplated thereby.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO AN EXAMINATION IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING OR ATTESTATION STANDARDS. UGL AND ITS REPRESENTATIVES EXPRESSLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES AS TO THE EXISTING OR

FUTURE CORRECTNESS, ACCURACY, OR COMPLETENESS OF UGL'S BOOKS AND RECORDS AND THE ENCLOSED INFORMATION, AND DO NOT MAKE, AND EXPRESSLY DISCLAIM, ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, OR GUARANTIES OF ANY KIND WITH RESPECT TO THE VALUE, NATURE, QUALITY, OR CONDITION OF THE ASSETS, THE INCOME TO BE DERIVED FROM SUCH ASSETS, OR THE SUITABILITY OF THE ASSETS FOR ANY AND ALL ACTIVITIES AND USES THAT MAY BE CONTEMPLATED.

The information contained in this Disclosure Statement, including the information regarding the history, business and operations of the Debtor, the Debtor's historical and projected financial information and the liquidation analysis relating to the Debtor attached hereto, is included for purposes of soliciting acceptance of the Plan and is not be construed as admission or stipulations, but rather as statements made in settlement negotiations, with respect to any contested matters and/or adversary proceedings.

The terms of the Plan govern in the event of any inconsistency with this Disclosure Statement.

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ARTICLE I

INTRODUCTION AND OVERVIEW

A. Introduction

United Gilsonite Laboratories (“UGL” or the “Debtor”) transmits this Disclosure Statement and the exhibits thereto, the accompanying Ballots, and the related materials delivered herewith, pursuant to Section 1125 of the Bankruptcy Code to the holders of Impaired Claims (each a “Claimant,” and, collectively, “Claimants”) in connection with: (i) the solicitation of acceptances or rejections of the Plan from Class 4 claimants, and (ii) the hearing on confirmation of the Plan (the “Confirmation Hearing”) scheduled for _____, __, 2014 at _____m. A copy of the Plan is annexed to this Disclosure Statement and made a part hereof as Exhibit A. Unless otherwise noted, all capitalized terms used herein shall have the meaning ascribed to them in the Plan.

By Order of the United States Bankruptcy Court for the Middle District of Pennsylvania dated _____, 2014 (“Order Approving the Disclosure Statement and Solicitation Procedures”), this Disclosure Statement has been approved as containing “adequate information” in accordance with Section 1125 of the Bankruptcy Code. Pursuant to Section 1125(a)(1) of the Bankruptcy Code, “adequate information” is defined as “information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and condition of the debtor’s books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant voting class to make an informed judgment about the plan...” 11 U.S.C. § 1125(a)(1).

The Plan contemplates the establishment of the Trust under Section 524(g) of the Bankruptcy Code and the issuance of injunctions under Section 524(g) of the Bankruptcy Code (specifically, the “Channeling Injunction”) that will channel to the Trust all Asbestos Personal Injury Claims, all Indirect Asbestos Personal Injury Claims and Demands for asbestos-related personal injury and wrongful death based in whole or in part on the alleged conduct or products of UGL (collectively, the “Trust Claims”), as well as all claims based in whole or in part upon the Trust Claims against certain third parties, including, but not limited to, UGL’s insurers, past and present officers and directors of UGL, past and current shareholders of UGL and any entity that owned a financial interest in UGL. *See* Sections VII (B) though VII(E) below and Article XII of the Plan for a description of such injunctions.

Prior to the Petition Date, approximately 1,425 asbestos-related personal injury and wrongful death lawsuits had been filed against UGL. Based upon information provided to UGL by counsel who have managed the Asbestos Personal Injury Claims in the tort system and UGL’s insurers, approximately 458 of such lawsuit have resolved through settlement or dismissal. As of the Petition Date, approximately 574 active Asbestos Personal Injury Claims and over 350 inactive Asbestos Personal Injury Claims were outstanding against UGL. The purpose of the Plan is to, among other things, provide for the resolution of all Asbestos Personal Injury Claims, all Indirect Asbestos Personal Injury Claims, and all Demands, pursuant to Section 524(g) of the Bankruptcy Code.

The Plan divides all Claims against, and Interests in the Debtor into six (6) classes. Each Claim will receive the same treatment as all other Claims in the same Class under the Plan (unless the holder thereof agrees to less favorable treatment), so that the applicable terms of the Plan for each Claim depend upon its classification. Section V(B) below, entitled “Provision for Classification and Treatment of Claims and Interests Under the Plan,” contains a summary description of the treatment of each Class under the Plan, including whether the Class is impaired or unimpaired by the Plan and whether the Class is channeled into and addressed by the Trust described below.

B. The Channeling Injunction and the Non-Settling Insurers Injunction

The Channeling Injunction to be issued under the Plan will cover Trust Claims against UGL and Reorganized UGL, as well as Asbestos Personal Injury Claims and Demands against the other Asbestos Protected Parties, based on any purported liability arising from their ownership of or relation to UGL, including parties that have a right of indemnity against UGL, and parties that have actual or alleged liability with respect to the channeled Claims, in each case related to or arising from the conduct or products of UGL that purportedly caused asbestos-related personal injury or wrongful death, including any claim based upon a theory of fraudulent conveyance. The Channeling Injunction will also protect the settling Asbestos Insurance Companies.

The effect of “channeling” Asbestos Personal Injury Claims, Indirect Asbestos Personal Injury Claims, and Demands to the Trust is that they may only be pursued through, and resolved by the Trust. No Asbestos Personal Injury Claim, Indirect Asbestos Personal Injury Claim, or Demand may be asserted against UGL, Reorganized UGL and any of their pre- and post-Confirmation Date officers, directors, employees, principals, financial advisors, agents, attorneys, investment bankers, accountants, consultants, members, shareholders, and other professionals, in their capacity as such, and any of their successors and assigns, including, but not limited to the UGL Shareholders.

In addition to providing the Settling Insurers with the benefit of the Channeling Injunction, the Plan provides for the issuance of a Non-Settling Insurers Injunction that will protect Asbestos Insurance Companies that have not settled with the Debtor and/or the Trust prior to the Effective Date of the Plan at the discretion of the Trust, to allow for negotiation by and among the Debtor, the Trust and such Entities as more fully described in Article 12.6 of the Plan.

C. Contributions to the Trust

As set forth in more detail below, the Trust will be funded with, among other things: (i) an assignment of any and all rights of the Debtor to (a) proceeds under existing insurance policies that provide coverage for Trust Claims, and (b) the proceeds of the Asbestos Insurance Settlement Agreements; (ii) the UGL Cash Contribution; (iii) the UGL Promissory Note (*see* Exhibit G to the Plan), which will be secured by a pledge of 100% of the Reorganized UGL Stock; and (iv) the UGL Shareholder Contribution, which includes (A) \$8.0 million in Cash to be contributed to the Debtor and/or Reorganized UGL by the UGL Shareholders, of which up to \$2.2 million shall be used to fund Distributions by the Debtor and/or Reorganized UGL to be

made to the holders of Allowed Settled Asbestos Claims and the remainder shall be paid to the Trust by the Debtor and/or the Reorganized UGL on the Effective Date, and (B) the UGL Shareholder Promissory Note in the principal amount of \$375,000 (*see* Exhibit H to the Plan). In return for the contributions to the Trust required under the Plan, Reorganized UGL and certain other Asbestos Protected Parties, including the UGL Shareholders, will be discharged from any further liability for Trust Claims.

The Trust Assets described above are limited and thus must be managed by the Trust's Trustee to ensure that funds are available to pay all current Asbestos Claimants as well as all Future Demand Holders.

The Trust will (i) possess the status and features of a "qualified settlement fund" for purposes of Section 468B of the Internal Revenue Code of 1986, as amended (the "IRC"), (ii) assume the Debtor's liabilities with respect to all Trust Claims, and (iii) use the assets of the Trust and income therefrom to pay Trust Claims in accordance with the Plan and the Trust Documents. All Trust Claims will be determined and paid by the Trust. In that regard, the Plan includes Trust Distributions Procedures that provide a process designed to ensure that legitimate claimants receive compensation utilizing mediation, and, if necessary, arbitration or litigation, to liquidate the amounts of the claims. The Trust Distribution Procedures are attached as Exhibit F to the Plan. The Trust Distribution Procedures are intended to insure that the payment of Asbestos Personal Injury Claims, Indirect Asbestos Personal Injury Claims and Demands by the Trust, as provided for in the Plan, is consistent with the Bankruptcy Code.

D. Purpose of Disclosure Statement

The purpose of the Disclosure Statement is to provide the holders of Asbestos Personal Injury Claims classified under Class 4 of the Plan with adequate information to make an informed judgment regarding whether they should vote to accept or reject the Plan. This information includes, among other things, (i) an operational overview and the history of the Debtor and its business, including the reasons for the Debtor's need to seek Chapter 11 protection; (ii) a summary of the Chapter 11 Case and significant events that occurred during the Chapter 11 Case; (iii) an explanation of the Plan, the injunctions contained therein and certain associated risk factors, (iv) a summary of procedures and voting requirements necessary for confirmation of the Plan; (v) a summary of what holders of Claims and Interests will receive under the Plan; and (vi) the anticipated organization, operations and financing of the Debtor following Confirmation of the Plan.

Under Section 1125 of the Bankruptcy Code, entry of the Order Approving Disclosure Statement and Solicitation Procedures by the Bankruptcy Court enabled the Debtor to send you this Disclosure Statement and solicit your acceptance of the Plan. The Bankruptcy Court has not passed on the Plan itself or conducted a detailed investigation into the contents of the Disclosure Statement.

The Debtor is furnishing this Disclosure Statement to each known holder of an Asbestos Personal Injury Claim or his/her known counsel of record in his/her pre-petition lawsuit against the Debtor. Because the Debtor does not have addresses for the overwhelming majority of individual holders of Asbestos Personal Injury Claims, in accordance with the Order Approving

the Disclosure Statement and Solicitation Procedures, this Disclosure Statement and a form of Ballot or Master Ballot is being sent to counsel of record for holders of Asbestos Personal Injury Claims listed on UGL's Schedules. The Order Approving the Disclosure Statement and Solicitation Procedures also provides that counsel of record for holders of Asbestos Personal Injury Claims not listed on the Schedules as well as individual holders of such Claims may request a copy of this Disclosure Statement in writing from UGL or the Claims and Balloting Agent.

This Disclosure Statement is to be used by each holder of Claims entitled to vote or his, her or its attorney-in-fact solely in connection with his, her or its evaluation of the Plan. Use of this Disclosure Statement for any other purpose is not authorized. This Disclosure Statement may not be reproduced or provided to others (other than to those advisors of any recipient of this Disclosure Statement who may review the information contained herein to assist such recipient in his, her or its evaluation of the Plan) without the prior written consent of the Debtor.

Because acceptance of the Plan will constitute acceptance of all the provisions thereof, each Claimant entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation materials, other than this Disclosure Statement and related materials transmitted herewith and approved by the Bankruptcy Court have been authorized for use in soliciting acceptance or rejection of the Plan.

The effectiveness of the Plan is subject to several material conditions precedent. There can be no assurance that those conditions will be satisfied. The Debtor presently intends to seek to consummate the Plan and to cause the Effective Date of the Plan to occur promptly after the Confirmation Date. There can be no assurance, however, as to when or whether the Confirmation Date and the Effective Date actually will occur.

Distributions under the Plan to creditors of the Debtor (other than distributions to holders of Trust Claims) will be the responsibility of the Reorganized Debtor. While the Debtor shall make Distributions to holders of Allowed Class 3B Settled Asbestos Claims, such Distributions shall be made from the UGL Shareholder Cash Contribution up to an amount not to exceed \$2.2 million. Pursuant to Section 524(g) of the Bankruptcy Code, distributions under the Plan to holders of Trust Claims will be the responsibility of the Trust, and the Reorganized Debtor shall have no liability therefor from and after the Effective Date.

Without the arrangements set forth in the Plan, there can be no assurance that the Debtor will be able to emerge from Chapter 11 of the Bankruptcy Code, and the Debtor may be forced into a liquidation under chapter 7 of the Bankruptcy Code. The Debtor believes that, if it were liquidated under chapter 7, the distributions to Creditors would be delayed and would be no more, and most likely significantly lower than the distributions contemplated by and under the Plan. See Section IX(B)(2) -- "Best Interests Test" -- below.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS (INCLUDING THE HOLDERS OF ASBESTOS PERSONAL INJURY CLAIMS). ACCORDINGLY, CREDITORS ENTITLED TO VOTE FOR PURPOSES OF SECTION 1126 OF THE BANKRUPTCY CODE OR FOR PURPOSES OF SECTION 524(g)

OF THE BANKRUPTCY CODE ARE URGED TO VOTE IN FAVOR OF THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, DELIVERED, AND ACTUALLY RECEIVED BY THE VOTING AGENT NO LATER THAN 5:00 P.M., PREVAILING EASTERN TIME, ON [_____], 2014. CREDITORS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ANNEXED HERETO AS EXHIBIT A, AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT UNDER ARTICLE XI, "RISK FACTORS TO BE CONSIDERED" AND ARTICLE XII, "ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN," PRIOR TO CASTING THEIR VOTES.

A reference in this Disclosure Statement to a "Section" refers to a section of this Disclosure Statement.

E. Disclosure Statement Exhibits and Enclosures

1. *Exhibits.*

The following exhibits to this Disclosure Statement are incorporated and made a part of this Disclosure Statement as if fully set forth herein:

- A copy of the Plan (Exhibit A);
- The Debtor's Income Statements for calendar years 2012 and 2013 (Exhibit B);
- The Debtor's Balance Sheets as of December 31, 2012 and December 31, 2013 (Exhibit C);
- The Debtor's year-to-date quarterly and monthly Income Statements for calendar year 2014 (Exhibit D);
- Projected Financial Information for calendar years 2015 and 2016 (Exhibit E); and
- A Liquidation Analysis (Exhibit F).

2. *Enclosures.*

Accompanying this Disclosure Statement are copies of:

- **Order Approving the Disclosure Statement and Solicitation Procedures.** A copy of the Order Approving Disclosure Statement and Solicitation Procedures, which among other things, establishes the procedures for voting on the Plan;
- **Notice of Confirmation Hearing.** A notice setting forth: (i) the deadline for casting Ballots either accepting or rejecting the Plan; (ii) the deadline for Filing objections to

confirmation of the Plan; and (iii) the date, time and location of the Confirmation Hearing (the “Notice of the Confirmation Hearing”); and

- **Ballots.** Individual Ballot, Indirect Claimant Ballot, or Master Ballot, as applicable, to be used by holders of Class 4 Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims, to accept or reject the Plan.

Certain Exhibits to the Plan are included with this Disclosure Statement. The remaining Exhibits to the Plan will be contained in a separate exhibit volume (the “Plan Supplement”), which will be filed with the Clerk of the Bankruptcy Court at least five (5) Business Days prior to [_____, 2014], the deadline established by the Bankruptcy Court for filing and serving objections to confirmation of the Plan. The Plan Supplement will be available for inspection in the office of the Clerk of the Bankruptcy Court during normal court hours, at the Debtor’s restructuring website at <http://www.gcginc.com/cases/ugl/>, or by visiting the Bankruptcy Court’s website at <http://www.pamb.uscourts.gov>. Claimants also may obtain a copy of the Plan Supplement, once filed, from the Debtor by written request sent to:

United Gilsonite Laboratories
c/o The Garden City Group, Inc.
5151 Blazer Parkway, Suite A
Dublin, Ohio 43017
(888) 425-7006
UGLTeam@gcginc.com

ARTICLE II

SUMMARY OF PLAN

A. Brief Explanation of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and shareholders. In addition to permitting rehabilitation of the debtor, Chapter 11 promotes equality of treatment of creditors and equity security holders who hold substantially similar claims against or interests in the debtor and its assets. In furtherance of these two goals, upon the filing of a petition for relief under Chapter 11, Section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the Chapter 11 case.

THE CONSUMMATION OF A PLAN OF REORGANIZATION IS THE PRINCIPAL OBJECTIVE OF A CHAPTER 11 CASE. A PLAN OF REORGANIZATION SETS FORTH THE MEANS FOR TREATING CLAIMS AGAINST AND EQUITY INTERESTS IN A DEBTOR. CONFIRMATION OF A PLAN OF REORGANIZATION BY THE BANKRUPTCY COURT MAKES THE PLAN BINDING UPON THE DEBTOR, ANY PERSON OR ENTITY ACQUIRING PROPERTY UNDER THE PLAN, AND ANY CREDITOR OF, OR INTEREST HOLDER IN, THE DEBTOR, WHETHER OR NOT SUCH

CREDITOR OR INTEREST HOLDER (I) IS IMPAIRED UNDER OR HAS ACCEPTED THE PLAN OR (II) RECEIVES OR RETAINS ANY PROPERTY UNDER THE PLAN. SUBJECT TO CERTAIN LIMITED EXCEPTIONS. 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 AND SUBSTITUTES THEREFOR THE OBLIGATIONS SPECIFIED UNDER THE CONFIRMED PLAN.

B. Overview of the Plan

The following is a brief summary of certain information contained elsewhere in this Disclosure Statement and in the Plan. The summary is necessarily incomplete and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Disclosure Statement, the exhibits attached hereto, the Plan itself, the exhibits thereto, and the other Plan Documents, as amended from time to time.

The primary purpose of the Plan and the Chapter 11 Case is to accomplish a reorganization of UGL that provides a fair, equitable and reasonable treatment to all holders of Claims and Interests and, in particular, holders of Impaired Class 4 Trust Claims. In addition to certain unclassified Claims, the Plan designates six (6) Classes, comprised of five (5) Classes of Claims (including Class 4 Trust Claims) and one Class of Interests in UGL. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

The Plan resolves UGL's liability for all Class 4 Trust Claims, including Asbestos Personal Injury Claims and Demands, by channeling them to the Trust. On the Effective Date, the Trust shall be created in accordance with the Plan Documents, the Trust Documents and Section 524(g) of the Bankruptcy Code. The Trust is intended to be a "qualified settlement fund" within the meaning of Treasury Regulation Section 1.468B-1(c). The assets of the Trust will be used to pay holders of Trust Claims, and certain other obligations associated with the Trust in accordance with the terms of the Trust Distribution Procedures established under the Plan.

On the Effective Date, the Trust will be funded with: (i) the UGL Cash Contribution, which consists of (a) Cash in an amount not to exceed \$11 million payable from the proceeds of the Exit Facility, and (b) the difference between \$3.5 million and (1) the Allowed Amount of Class 3A General Unsecured Claims, (2) the portion of Administrative Expense Claims entitled to priority under Section 503(b)(1)(B) and 503(b)(9) of the Bankruptcy Code, and (3) the Litigation Reserve; (ii) the UGL Promissory Note, in the principal amount of the difference between \$18.25 million and the portion of the UGL Cash Contribution which is paid from the proceeds of the Exit Facility (which difference is estimated at \$7.25 million), bearing interest at 7% per annum and payable over 20 years from the Effective Date as follows: quarterly interest only for year 1 through year 11, with quarterly principal payments commencing in year 12, amortized over the remaining 9 years of the UGL Promissory Note, secured by the UGL Shareholder Pledge and a Lien on the Debtor's assets, subordinate to the Exit Facility Lenders' Liens; (iii) an assignment of any and all rights of the Debtor to (a) proceeds under certain existing insurance policies that provide coverage for Trust Claims as set forth in Article VIII of

the Plan, and (b) the proceeds of the Asbestos Insurance Settlement Agreements; (iv) the UGL Shareholder Cash Contribution in the amount of \$8.0 million, less the amount of necessary to fund payments to holders of Allowed Class 3B Settled Asbestos Claims not to exceed \$2.2 million; and (v) the UGL Shareholder Note in the principal amount of \$375,000. On the Effective Date, without further order of the Bankruptcy Court or further act or agreement of any Entity, any and all claims, demands, rights and causes of action arising from or related to the Asbestos Insurance Rights shall vest with the Trust as described in Sections 8.1, 10.15 and 11.10 of the Plan.

As described in the Plan, in exchange for the consideration to be contributed by the Debtor, the UGL Shareholders, and the Settling Insurers to the Trust, holders of Trust Claims will be permanently enjoined from pursuing their Claims against the Debtor, Reorganized UGL, the UGL Shareholders and certain other Asbestos Protected Parties, including the Settling Insurers that elect to enter into an agreement with the Debtor or the Trust for payment of the proceeds of any insurance policy or coverage into the Trust. Further, as described in the Plan, from and after the Effective Date of the Plan, all holders of Trust Claims will be permanently enjoined from pursuing their Claims against Non-Settling Insurers, which injunction is at the discretion of UGL. The Debtor believes that the consideration that the UGL Shareholders and the Debtor will contribute to the Trust for ultimate distribution to holders of Trust Claims pursuant to the Trust Distribution Procedures, will result in a greater recovery for holders of such Claims than would otherwise be available absent such contributions.

C. Treatment of Claims and Interests Classified Under the Plan

The following table describes the classification and treatment of Claims and Interests classified under the Plan. The description of the Plan set forth below is qualified in its entirety by reference to the more detailed information contained in this Disclosure Statement (*see* Article V(B) below) and the Plan itself, which is attached as Exhibit A to this Disclosure Statement.

THIS PLAN SUMMARY TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES. THE PLAN SUMMARY TABLE IS NOT A SUBSTITUTE FOR A FULL REVIEW OF THIS DISCLOSURE STATEMENT AND THE PLAN (ATTACHED HERETO AS EXHIBIT A) IN THEIR ENTIRETY.

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
Class 1	Non-Tax Priority Claims	Unimpaired	No (conclusively presumed to accept)
Class 2	Secured Claims	Unimpaired	No (conclusively presumed to accept)
Class 3	Unsecured Claims		
Class 3A	General Unsecured Claims	Unimpaired	No (conclusively presumed to accept)

Class 3B	Settled Asbestos Claims	Unimpaired	No (conclusively presumed to accept)
Class 4	Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims	Impaired	Yes
Class 5	Workers' Compensation Claims	Unimpaired	No (conclusively presumed to accept)
Class 6	Interests	Unimpaired	No (conclusively presumed to accept)

The Claims in Classes 1, 2, 3A and 3B will be paid in full under the Plan. The Claims in Class 5 (Workers' Compensation Claims) are Unimpaired. The sole recourse of the holder of a Claim 5 Claim on account of such Claim will be to the proceeds of the Workers' Compensation Insurance, except for the Debtor's liability under the deductible contained in such policies, if any.

The Trust will assume full liability for all Class 4 Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims and all Demands, and the Debtor, Reorganized UGL, the UGL Shareholders, the other Asbestos Protected Parties and the Settling Insurers, will be released of any further liability with respect to any Trust Claims, *provided, however*, that nothing shall relieve Reorganized UGL from its obligations to make the payments called for under the UGL Promissory Note.

DISTRIBUTIONS UNDER THE PLAN TO CREDITORS OF THE DEBTOR (OTHER THAN DISTRIBUTIONS TO HOLDERS OF TRUST CLAIMS AND SETTLED ASBESTOS CLAIMS) WILL BE THE RESPONSIBILITY OF REORGANIZED UGL. PURSUANT TO SECTION 524(G) OF THE BANKRUPTCY CODE, DISTRIBUTIONS UNDER THE PLAN TO HOLDERS OF TRUST CLAIMS WILL BE THE RESPONSIBILITY OF THE TRUST, AND REORGANIZED UGL SHALL HAVE NO LIABILITY THEREFOR. DISTRIBUTIONS UNDER THE PLAN TO HOLDERS OF ALLOWED SETTLED ASBESTOS CLAIMS SHALL BE MADE BY REORGANIZED UGL BUT SHALL BE PAYABLE FROM THE UGL SHAREHOLDER CASH CONTRIBUTION ON THE EFFECTIVE DATE, AFTER WHICH PAYMENTS NEITHER REORGANIZED UGL NOR THE TRUST SHALL HAVE ANY FURTHER LIABILITY THEREFOR.

The holders of the Class 6 Interests will retain their stock in Reorganized UGL, but to secure the payment obligations under the UGL Promissory Note and the UGL Shareholder Promissory Note, the UGL Shareholders will pledge 100% of the Reorganized UGL Stock to the Trust pursuant to the terms of the Pledge Agreement (a copy of which is attached as Exhibit D to the Plan), which pledge shall remain in effect until such time as the UGL Promissory Note and the UGL Shareholder Promissory Note are paid in full.

Additionally, the Plan provides, among other things, for the payment in full of Allowed Administrative Claims and Allowed Priority Tax Claims in accordance with Section 1123(a)(1) of the Bankruptcy Code.

D. Solicitation and Voting Procedures, Ballots And Balloting Deadline

1. Solicitation of Votes.

Not every claimant is entitled to vote on the Plan. Pursuant to the Bankruptcy Code, only holders of claims or equity interests that are impaired under the terms of a plan and that receive distributions under a plan are entitled to vote for acceptance or rejection of the plan. The Plan designates Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims under Class 4 as Impaired. Accordingly, each holder of a Class 4 Claim is entitled to vote to accept or reject the Plan. Holders of Claims and Interests in Classes 1, 2, 3A, 3B, 5 and 6 are Unimpaired under the Plan. As such, they are deemed to have accepted the Plan and will not vote with respect to the Plan.

Pursuant to the solicitation and voting procedures (the “Solicitation and Voting Procedures”) approved by the Bankruptcy Court in the Order Approving the Disclosure Statement and Solicitation Procedures, a copy of which is included in the materials sent to you in connection with voting on the Plan (the “Solicitation Package”), the Debtor has sent or caused to be sent a single Solicitation Package containing this Disclosure Statement (including a copy of the Plan), a Master Ballot and other related documents (the “Attorney Solicitation Package”) to each attorney known by the Debtor to represent individuals who may hold or assert Class 4 Asbestos Personal Injury Claims listed on UGL’s schedules of assets and liabilities and the statements of financial affairs filed with the Bankruptcy Court (as such schedules and statements may be amended or supplemented from time to time, the “Schedules”). The Debtor has also sent or caused to be sent a single Attorney Solicitation Package to each attorney representing holders of Asbestos Personal Injury Claims not listed on the Schedules, to the extent such attorney requested a Solicitation Package in writing from the Claims and Balloting Agent. Solicitation Packages will not be served on individual holders of Asbestos Personal Injury Claims, except to the extent (i) an individual holder of an Asbestos Personal Injury Claim requests a Solicitation Package, (ii) a proof of claim is signed and filed by an individual holder of an Asbestos Personal Injury Claim prior to the Record Date (as defined below), or (iii) an attorney timely advises the Claims and Balloting Agent, pursuant to the Solicitation and Voting Procedures, of the names and addresses of individuals who hold or may assert Asbestos Personal Injury Claims who should receive their own Solicitation Packages.

The Debtor has also sent or caused to be sent a single Solicitation Package containing this Disclosure Statement (including a copy of the Plan), an Indirect Claimant Ballot and other related documents (the “Individual Solicitation Package”) to holders of Indirect Asbestos Personal Injury Claims who filed a proof of claim (or their counsel if a proof of claim was filed by such counsel on behalf of the claimant) or who requested a Solicitation Package in writing from the Debtor or the Claims and Balloting Agent.

The Ballots and the Order Approving the Disclosure Statement and Solicitation Procedures set forth detailed instructions concerning the voting of Class 4 Claims and

impose requirements on attorneys for holders of Asbestos Personal Injury Claims to notify the Claims and Balloting Agent immediately if they are not authorized to vote on the Plan on behalf of the holders of Asbestos Personal Injury Claims whom they represent.

The Bankruptcy Code defines “acceptance” of a plan by a class of claimants as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the Claims of that class that actually vote to accept or reject the plan. In addition, Section 524(g) of the Bankruptcy Code provides that in connection with confirmation of a plan seeking a channeling injunction under Section 524(g) of the Bankruptcy Code, such as the Channeling Injunction and the Non-Settling Insurers Injunction contained in the Plan, the Bankruptcy Court may issue such an injunction only if: (a) the holders of the claims to be channeled under the injunction are classified separately under the plan; and (b) at least 75% of the holders of the claims in that class (or classes) who actually vote on the plan vote to accept the plan. Accordingly, if at least two-thirds in dollar amount and at least seventy-five percent (75%) of the holders of Claims in Class 4 that have voted on the Plan vote to accept the Plan (the “Requisite Acceptances”), and such votes are received (and not revoked) by the Voting Deadline (as defined below), the Debtor expects to seek confirmation of the Plan at a hearing before the Bankruptcy Court on _____, 2014, at ___:_.m. If the Debtor does not receive the Requisite Acceptances by the Voting Deadline, it will be forced to evaluate other available options, including modification of the Plan or conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code.

THE DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN PROVIDES THE BEST POSSIBLE RECOVERY TO HOLDERS OF ASBESTOS PERSONAL INJURY CLAIMS AND INDIRECT ASBESTOS PERSONAL INJURY CLAIMS AND PROTECTS THE INTERESTS OF HOLDERS OF DEMANDS. OTHER ALTERNATIVES WOULD INVOLVE SIGNIFICANT DELAY, UNCERTAINTY AND SUBSTANTIAL ADDITIONAL ADMINISTRATIVE COSTS.

Consequently, the Debtor urges all holders of Class 4 Claims entitled to vote to ACCEPT the Plan, and to evidence their acceptance by duly completing and returning their Ballots so that they are actually received by Voting Deadline.

Notwithstanding anything in the Plan to the contrary, should the Plan fail to be accepted by the requisite number and amount of the holders of Class 4 Claims required to satisfy Sections 524(g) and 1129 of the Bankruptcy Code, then, notwithstanding any other provision of the Plan to the contrary, the Debtor reserves the right to amend the Plan.

2. *Voting Deadline.*

The Order Approving the Disclosure Statement and Solicitation Procedures provides that the Voting Deadline (*i.e.*, the last date and time by which Individual Ballots and Master Ballots must be ACTUALLY RECEIVED by the Claims and Balloting Agent in order to be counted is 5:00 p.m. (Prevailing Eastern Time) on _____, 2014 (the “Voting Deadline”).

ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE CLAIMS AND BALLOTING AGENT BY THE VOTING DEADLINE WILL BE COUNTED AS EITHER

ACCEPTING OR REJECTING THE PLAN, EXCEPT AT THE DISCRETION OF THE DEBTOR. Ballots delivered to the Bankruptcy Court, the Debtor or any person or entity other than the Claims and Balloting Agent will not be counted.

3. *Voting Instructions and Procedures.*

Once an order confirming the Plan is issued by the Bankruptcy Court and affirmed by the District Court, or issued by the District Court, the Plan will bind all holders of Claims against and Interests in the Debtor, whether or not they are entitled to vote or did vote on the Plan and whether or not they receive (or retain) any distributions or property under the Plan. Thus, you are encouraged to read this Disclosure Statement carefully. **IN PARTICULAR, HOLDERS OF CLASS 4 CLAIMS WHO ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THE DISCLOSURE STATEMENT AS WELL AS THE PLAN AND BALLOTS ENCLOSED HERewith IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR TO REJECT THE PLAN. EACH HOLDER OF A CLASS 4 CLAIM (EITHER DIRECTLY OR THROUGH COUNSEL) SHOULD USE ONLY THE BALLOT THAT ACCOMPANIES THIS DISCLOSURE STATEMENT FOR PURPOSES OF VOTING WITHIN HIS, HER OR ITS CLASS.**

Because the Debtor does not have addresses for the overwhelming majority of individual holders of Asbestos Personal Injury Claims in Class 4, the Debtor has proposed special procedures for voting by counsel on behalf of holders of Asbestos Personal Injury Claims and only by individual holders of Asbestos Personal Injury Claims themselves in circumstances where counsel is not authorized to vote or a claimant is not represented by counsel. Accordingly, a Master Ballot or an Individual Ballot, as applicable, to be used to accept or to reject the Plan has been enclosed with all copies of the Disclosure Statement mailed to holders of Class 4 Asbestos Personal Injury Claims that are Impaired by the Plan and entitled to vote. A copy of the Order Approving the Disclosure Statement and Solicitation Procedures and the Notice of Confirmation Hearing, setting forth, among other things, the deadlines, procedures, and instructions for casting votes to accept or reject the Plan, the assumptions for tabulating Ballots, and the dates set for objections to and the hearing on confirmation of the Plan are also being transmitted to all holders of Class 4 Claims. In addition, detailed voting instructions accompany each Ballot for Class 4 Claims.

If you are a holder of a Class 4 Claim and did not receive a Ballot, it is because UGL believes that (i) you are not entitled to vote on the Plan or (ii) you are an individual holder of an Asbestos Personal Injury Claim who is represented by counsel to whom a Master Ballot has been sent. If your Ballot is damaged or lost, or if you have any questions about (i) the procedure for voting on your Class 4 Claim, or (ii) the packet of materials that you have received, you may request a replacement by contacting the Claims and Balloting Agent, by calling (888) 425-7006 or by writing to United Gilsonite Laboratories, c/o The Garden City Group, Inc., 5151 Blazer Parkway, Suite A, Dublin, Ohio 43017 or by emailing UGLTeam@gcginc.com.

PLEASE READ AND CAREFULLY FOLLOW THE VOTING INSTRUCTIONS BEFORE COMPLETING YOUR BALLOT. IN ORDER FOR A BALLOT TO BE COUNTED, IT MUST BE COMPLETED, SIGNED AND SENT IN THE ENCLOSED PRE-ADDRESSED ENVELOPE TO THE GARDEN CITY GROUP, INC. SO AS TO BE

ACTUALLY RECEIVED NO LATER THAN THE VOTING DEADLINE OR 5:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2014. ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE CLAIMS AND BALLOTING AGENT BEFORE THE VOTING DEADLINE, AT THE FOLLOWING ADDRESS, WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN, EXCEPT AT THE DISCRETION OF THE DEBTOR:

<p>By Hand Delivery or Overnight Courier to:</p> <p>United Gilsonite Laboratories c/o The Garden City Group, Inc. 5151 Blazer Parkway, Suite A Dublin, Ohio 43017</p>	<p>If by First Class Mail to:</p> <p>United Gilsonite Laboratories c/o The Garden City Group, Inc. P.O. Box 9742 Dublin, Ohio 43017-5642</p>
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ALL VOTES TO ACCEPT OR REJECT THE PLAN MUST BE CAST BY USING AN INDIVIDUAL BALLOT, AN INDIRECT CLAIMANT BALLOT, OR A MASTER BALLOT. VOTES THAT ARE CAST IN ANY MANNER OTHER THAN BY USING AN INDIVIDUAL BALLOT, AN INDIRECT CLAIMANT BALLOT, OR A MASTER BALLOT WILL NOT BE COUNTED AND ONLY BALLOTS RETURNED WITH ORIGINAL SIGNATURES WILL BE COUNTED. FACSIMILE BALLOTS WILL NOT BE ACCEPTED.

Only actual votes will be counted. Failure to return a Ballot will not be counted as either a vote for or against the Plan. Any Ballot that indicates both an acceptance and rejection of the Plan will not be counted. If the holder of a Class 4 Claim casts more than one Ballot voting the same Claim before the Voting Deadline, the latest dated Ballot received before the Voting Deadline will be deemed to reflect the voter’s intent and thus to supersede any prior Ballots. Claimants must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split their votes within a particular Class; thus, a Ballot (or a group of Ballots) within a particular Class received from a single creditor that partially rejects and partially accepts the Plan will not be counted. For further information and general instructions on voting to accept or to reject the Plan, see the instructions accompanying your Ballot.

E. Confirmation Hearing and Objections to Confirmation

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice to all creditors and interests holders, to hold a hearing on confirmation of the Plan. The hearing to consider confirmation of the Plan (the ‘Confirmation Hearing’) is scheduled for _____, 2014 at _:_ .m. (Prevailing Eastern Time). 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 hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be: (i) in writing, (ii) state the name and address of the objecting party and nature of the claim or interest of such party, (iii) state with particularity the basis and nature of any objection and/or proposed modification to the Plan, and (iv) be filed, together with

proof of service, with the Bankruptcy Court and served so as to be actually received no later than **5:00 p.m.** (prevailing Eastern Time), on _____, 2014 (the “Objection Deadline”), by:

Counsel for the Debtor

Mark B. Conlan, Esq.
Karen A. Giannelli, Esq.
Frank J. Vecchione, Esq.
Gibbons P.C.
One Gateway Center
Newark, NJ 07102

Counsel for the Creditors’ Committee

Natalie D. Ramsey, Esq.
Laurie A. Krepto, Esq.
Montgomery, McCracken, Walker & Rhoads LLP
123 South Broad Street
Philadelphia, PA 19109

Counsel for the Future Claimants’ Representative

Edwin J. Harron, Esq.
Young Conaway Stargatt & Taylor, LLP
Rodney Square
100 North King Street
Wilmington, DE 19801

Office of the United States Trustee

Gregory B. Schiller
Trial Attorney, U.S. Department of Justice
Office of the United States Trustee
228 Walnut Street, Suite 1190
Harrisburg, PA 17101

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

ARTICLE III

OVERVIEW OF THE DEBTOR'S BUSINESS AND OPERATIONS

A. Description and History of UGL's Business

1. UGL's Origins.

UGL is a small, family-owned Pennsylvania corporation headquartered in Scranton, Pennsylvania. Founded in 1932 by Gerald Payne, UGL quickly expanded in terms of sales and product lines. These product lines included the first asphalt aluminum paint "Gilsalume," drain openers, furniture polish and wall sizing. As the company grew after the Second World War, it developed additional products such as glazing, caulking compounds, and patching and repair products. It was in 1953 that UGL introduced the "DRYLOK®" line for waterproofing basements and stopping masonry leaks, which continues to be the primary product line today. Around the same time, the "ZAR®" line was introduced in the form of a polyurethane clear finish for wood. ZAR® is UGL's second largest source of revenue.

2. UGL's Asbestos Litigation History.

UGL was named as a defendant for the first time in an asbestos lawsuit in 1983. The typical asbestos lawsuit filed against UGL alleged exposure to UGL's joint cement, which contained chrysotile asbestos from 1954 through 1975. Asbestos was eliminated from this product on or about May 22, 1975. UGL's total sales of joint cement during the period totaled \$964,737. Most sales were made to "do-it-yourself" consumers, which was UGL's target market. The distribution of UGL's joint cement product was limited, with sales being made in states east of the Mississippi River during the 1950s through 1970s.

Between 1992 and 2000, UGL was sued in a total of 124 asbestos related lawsuits. With the exception of a single lung cancer claim, each of the 124 lawsuits involved non-malignant diseases. The first mesothelioma claims were brought against UGL in 2001, when two lawsuits were filed. That year, an additional sixteen lawsuits involving non-malignant diseases were filed against UGL. During the four-year period between 2002 and 2005, UGL saw a slight increase in the number of mesothelioma filings, with annual filings ranging between six and ten claims a year and averaging just over seven mesothelioma lawsuit filings a year. Lung cancer related lawsuits during this period ranged between one and seven claims, while non-malignancies ranged from a low of seven lawsuits to a high of 49. The average number of lung cancer related lawsuits during this period was just under four, while the average number of non-malignant lawsuits was just over 39.

In 2006, UGL began to see an increase in mesothelioma related filings, growing from 25 in 2006 to 254 in 2010, the last full year before UGL filed its chapter 11 petition. The number of non-malignancy related lawsuits during this period ranged from 39 to 84 filings a year. Lung cancer filings remained relatively steady during this period as well, with the range generally falling between 2 and 17 lung cancer related lawsuits being filed in a year. In 2010, UGL saw an increase in lung cancer lawsuits to 45. As of the Petition Date, there were approximately 900 pending lawsuits after removing duplicate filings. Out of the 900 pending lawsuits, only 574

were considered active cases against UGL. Additionally, of the 574 active cases, 471 involve malignancies consisting of 396 mesothelioma, 69 lung cancer, and 6 other cancer claims. The remaining 103 lawsuits involve non-malignancies.

In total, UGL has been sued 1,425 times in asbestos related lawsuits.³ Of those 1,425 lawsuits, 649 involved mesothelioma claims, 107 involved lung cancer claims, and 669 involved other disease types. Historically, 53% of the mesothelioma claims were dismissed without payment, while 84% of the lung cancer and 97% of the claims involving other diseases were dismissed without payment. During the period 2009 through 2011, 70.8% of the mesothelioma, 83.3% of the lung cancer, 100% of the other cancer, and 99.2% of the non-malignant claims were dismissed without payment. Only one asbestos-related lawsuit was tried to verdict and the verdict resulted in no liability on the part of UGL.

As of the Petition Date, it was estimated that UGL's insurance carriers had paid out approximately \$25 million in settlements. That estimate may include defense costs. Of that \$25 million, UGL's insurers have paid an estimated \$22.7 million to resolve mesothelioma related lawsuits, approximately \$200,000 to resolve lung cancer related claims, and approximately \$100,000 to resolve claims involving other disease types as of the Petition Date.

3. *UGL's Current Business, Officers and Directors.*

In addition to its manufacturing facility at its headquarters in Scranton, Pennsylvania, UGL maintains manufacturing facilities in Illinois, Mississippi, and Nevada. UGL sells to customers nationwide and internationally and has approximately 150 employees. Overall, UGL manufactures over 80 paint specialty and wood and masonry home maintenance products, which are sold at hardware stores, home centers, paint stores and lumberyards. In 2012 and 2013, UGL had sales of approximately \$45,047,871 and \$51,114,391, respectively.

UGL's Chairman of the Board of Directors is John Atkins, who has served in such position since August 18, 2006. The additional members of the Board of Directors are Patricia Payne Atkins, Karen MacKinnon Legan and Thomas R. White. Mr. White is also UGL's President. Donald R. Mancuso, is UGL's Secretary and Treasurer.

On or after the Effective Date, the existing members of the Debtor's Board of Directors will continue to serve in their respective capacities.

4. *UGL's Prepetition Capital Structure*

Prior to the Petition Date, the Debtor's principal capital structure consisted of cash, equity and a \$200,000 secured line of credit under a Visa Purchasing Card Agreement (the "PCard Facility") with PNC Bank.

(i) *The PCARD Facility.* The PCard Facility provided the Debtor and its employees with credit cards for business purchases with a maximum aggregate credit

³ In 2001, UGL was named as a defendant in approximately 1,450 cases involving approximately 5,000 plaintiffs in Mississippi. Those claims were subsequently summarily dismissed in 2002 without payment, and have not been included in UGL's calculations.

limit of \$200,000. On the Petition Date, the outstanding balance under the PCard Facility was approximately \$953.23. Other than the PCard Facility, as of the Petition Date, the Debtor had no secured debt, and outstanding payables of approximately \$2,900,000.

(ii) ***UGL's Equity Structure.*** The Debtor has two classes of stock. There are 4,044 issued shares of Voting Class A stock and 12,134 shares of issued Non-Voting Class B stock, for a total of 16,178 issued shares. There is no public market for the equity securities of UGL.

5. *Selected Financial Data.*

Set forth in Exhibits B, C and D hereto are certain of UGL's financial statements for each of the calendar years ended December 2012 and December 2013 as well as quarterly statements for the current calendar year to date.

UGL's financial information, including the statements attached hereto as Exhibits B, C and D, have been prepared on a going concern basis. UGL's historical financial information presented in Exhibits B and C has been derived from UGL's historical financial statements. Continuing as a going concern contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business. The accompanying financial information does not reflect adjustments that might result if UGL is unable to continue as a going concern.

B. UGL's Pension Plan and 401(k) Plan

Prior to the Petition Date, the Debtor maintained and administered a 401(k) savings plan for the benefit of its salaried employees and managers (the "401(k) Plan") and a pension plan for the benefit of its eligible hourly employees (the "Pension Plan").

The Debtor is responsible for the day-to-day administration of the 401(k) Plan and Vanguard Fiduciary Trust Company is the trustee. The 401(k) Plan is a defined contribution profit sharing plan. Pursuant to the 401(k) Plan, the Debtor deducts the appropriate amounts from each participating salaried employee's payroll check and transfers the withheld funds to the trustee of the 401(k) Plan. Under the 401(k) Plan, the Debtor is obligated to make a matching contribution of 100% for employees that contribute between 1% and 5% of their compensation as a pre-tax contribution. In addition to the matching contribution provided by the Debtor, the Debtor, at its discretion, also makes a profit sharing contribution to the 401(k) Plan for the benefit of its employees. To become eligible to receive matching and profit sharing contributions from the Debtor, an employee must complete one year of service, during which time 1,000 hours or more of service are completed. Employees are eligible to participate in the 401(k) Plan as soon as they are hired. As of the Petition Date, the Debtor was current on all required contributions to the 401(k) Plan.

Hourly employees are eligible for the Pension Plan after one year of employment in which 1,000 or more hours of service are completed. As of the date of this Disclosure Statement, approximately fifty-three (53) UGL employees are active in the Pension Plan. The Pension Plan is a defined benefit plan that is maintained for the exclusive benefit of the Plan participants and their beneficiaries. UGL makes all necessary contributions to the Pension Plan. Benefits under

the Pension Plan are based on the years of an employee's credited service to UGL multiplied by predetermined dollar amounts (which are based on date of termination). An employee is vested or has a nonforfeitable interest in the Pension Plan after seven years of service, for which 1,000 or more hours of service are completed per year. Aetna Life Insurance Company is the Pension Plan's Group Annuity Contract Issuer and the benefits under the Pension Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. In the event that the Pension Plan terminates without sufficient funds to pay all benefits, the PBGC guarantee generally covers (i) normal and early retirement benefits, (ii) disability benefits if a participant becomes disabled before the Pension Plan terminates, and (iii) certain benefits for participants' survivors.

The amounts withheld from the employees' pay and supplemented by the Debtor's matching obligation under the 401(k) Plan total approximately \$5,200 per week. The Debtor's estimated contribution to the Pension Plan is approximately \$44,906 per quarter (or \$179,624 annually). Pursuant to the Court's Order dated March 25, 2011, the Debtor was permitted to continue to remit and pay all pre-petition amounts withheld and due under the 401(k) Plan, to continue to perform all of its obligations under the 401(k) Plan and make quarterly contributions to the Pension Plan. As of the date of this Disclosure Statement, all post-petition obligations of the Debtor under the 401(k) Plan and the Pension Plan are current.

All benefit plans, including the 401(k) Plan and the Pension Plan, will remain in full force and effect as of the Effective Date. The Plan neither terminates nor impairs the 401(k) Plan or the Pension Plan. Upon confirmation of the Plan, Reorganized UGL will assume and continue the Pension Plan and the 401(k) Plan in accordance with their terms and the provisions of the Employment Retirement Income Security Act of 1974 and the IRC, as applicable.

C. Significant Events Leading to the Commencement of the Chapter 11 Case

1. Asbestos-Related Personal Injury Claims Against UGL.

From UGL's formation through 1975, it distributed many different products, a small percentage of which contained asbestos as an ingredient. UGL eliminated asbestos from all products between 1975 and 1978.

As noted above, the first asbestos-related suit alleging claims for personal injury or wrongful death was received by UGL in 1983. Between 2002 and 2005, the pace of claims quickened until the Petition Date, when UGL was a defendant in more than 900 (not accounting for duplicate filings) asbestos-related lawsuits across the country. The cost of defending and resolving Asbestos Personal Injury Claims asserted against UGL prior to the Petition Date was substantial. As of the Petition Date, UGL's insurance carriers had paid out over \$22 million in settlements.

In light of these circumstances, UGL determined that it was necessary to commence a case under Chapter 11 to preserve its remaining assets and to confirm a plan of reorganization that would allow UGL to satisfy its asbestos-related liabilities in accordance with the requirements of Section 524(g) of the Bankruptcy Code.

Although the Debtor was the target of a significant number of Asbestos Personal Injury Claims, as set forth above, to the best of the Debtor's knowledge, prior to the Petition Date, no claim for asbestos-related property damage or abatement ("Asbestos Property Damage Claims") had ever been asserted against the Debtor. A handful of Asbestos Property Damage Claims were filed in response to the notice fixing June 18, 2014 as a Supplemental Bar Date for such claims, however, the Debtor does not believe that any of those claims are valid.

2. *UGL's Asbestos Insurance Coverage for Asbestos-Related Personal Injury Claims.*

Beginning at least as early as 1972, UGL maintained primary comprehensive general liability ("CGL") insurance coverage applicable to Asbestos Personal Injury Claims. That primary coverage was issued by Commercial Union Insurance Company ("Commercial Union") from 1972 to 1977, Pennsylvania Manufacturers' Association Insurance Company ("PMA") from 1977 to 1982 and from 1984 to 1987, and Fireman's Fund Insurance Company ("FFIC") from 1982 to 1984 (collectively, the "Primary Policies"). There is evidence that insurers issued additional CGL coverage to UGL prior to 1972. Beginning in approximately 1988, UGL's CGL insurance policies appear to contain policy exclusions generally barring coverage for liabilities resulting from asbestos-related injuries or damage.

The Primary Policies include a duty on the part of the insurers to defend claims that are potentially covered under their policies and, in addition, a duty to indemnify UGL with respect to claims up to properly specified applicable limits of liability. The Primary Policies are 'occurrence-based' policies, which, subject to other policy terms, generally insure against 'occurrences' that result in bodily injury or property damage that trigger the applicable policy period, even if the injury or damage does not manifest itself until after the policy period. By their terms, UGL's CGL policies provide insurance coverage for asbestos and other "long-tail" claims, which are commonly asserted years or decades after the underlying injuries are alleged to have occurred. Commercial Union, PMA and FFIC have each taken the position that coverage for Asbestos Personal Injury Claims under their respective Primary Policies has been exhausted by the payment of claims prior to the Petition Date.

UGL also maintained excess liability coverage applicable to Asbestos Personal Injury Claims from various insurers from at least 1976 through 1985. After 1988, UGL's umbrella and excess insurance policies appear to contain policy exclusions generally barring coverage for liabilities resulting from asbestos-related injuries or damage. At least two insurers that issued umbrella coverage to UGL prior to 1988 likewise have taken the position that their policies contain similar "asbestos exclusions." In addition, certain UGL umbrella policies may arguably contain policy exclusions generally barring coverage for claims arising out of the products hazard.

In total, from 1972 to 1988, UGL purchased primary CGL, umbrella, and/or excess liability policies with undisputed combined per-occurrence limits of more than \$42 million. A list of all of UGL's asbestos-related insurance policies is attached to the Plan as Exhibit A. Some of that coverage was allegedly exhausted prior to the Petition Date. Insurers who issued some of the indisputably unexhausted policies have contested coverage for UGL's asbestos-related liabilities. Prior to the Petition Date, UGL was engaged in litigation with its historical

liability insurers in the Superior Court of Connecticut regarding coverage for those liabilities, as described in subsection 3 below.

Additionally, UGL, through two of its umbrella insurance carriers, has settled approximately seven (7) Asbestos Personal Injury Claims and paid settlements totaling \$2,012,500 during the 90 days preceding the Petition Date that may be avoidable and recoverable to the Debtor's estate as preferential payments under Section 547(b) of the Bankruptcy Code.

3. ***Pre-petition Coverage Litigation.***

Prior to the Petition Date, two of UGL's umbrella liability insurers, Hartford Accident and Indemnity Company ("Hartford") and Twin City Fire Insurance Company ("Twin City"), commenced litigation against the Debtor and its other historical primary and excess liability insurers in the Superior Court of Connecticut at Docket No. X06-UWY-CV-09-6005042-S. Hartford and Twin City sought a declaration of their coverage obligations to UGL for its asbestos liabilities and, also sought damages from certain insurer-defendants who refused to participate in the resolution of UGL's asbestos claims pre-petition. UGL filed counterclaims against Hartford and Twin City and cross claims against certain of the insurer-defendants alleging breach of contract and, in certain instances, bad faith claims' handling practices. That litigation was stayed by the filing of the Chapter 11 Case. Prior to the entry of the stay, the parties had engaged in limited motions practice and document discovery related to the existence and terms of historical liability policies.

4. ***Settlements with Asbestos Insurers.***

Beginning prior to the commencement of the Chapter 11 Case and continuing thereafter, UGL has engaged in settlement discussions with its asbestos insurers. To date, those discussions have resulted in an agreement in principle with one insurer and settlement talks continue with others. To the extent UGL is able to reach agreement with any of its other insurers, the proceeds of those settlements will be contributed to the Trust. UGL's rights to insurance proceeds for claims channeled to the Trust under any asbestos insurance policies will be assigned to the Trust pursuant to Article VIII of the Plan.

5. ***Non-Asbestos Legal Proceedings.***

Other than proceedings relating to Asbestos Personal Injury Claims and insurance coverage for such Claims, as described above, as of the date of this Disclosure Statement, the Debtor is not a party to any legal proceedings that the Debtor believes are likely, individually or in the aggregate, to have a material adverse effect on its financial condition or results of operations.

ARTICLE IV

OVERVIEW OF THE CHAPTER 11 CASE

A. Commencement of the Chapter 11 Case

On March 23, 2011 (the “Petition Date”), UGL commenced its bankruptcy case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor also filed a number of standard “first day” motions, as described in Section C below, including, without limitation, a motion for authority to pay pre-petition wages and salaries to its employees in the ordinary course of business and a motion for approval of the DIP Financing Facility from PNC Bank in the amount of \$8.2 million. As a result of these motions, the Debtor was able to continue operating its business seamlessly after the Petition Date. The Debtor has already paid all of its employees all amounts due to them as of the Petition Date.

The Debtor continues to operate its business and manage its properties pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code as a debtor-in-possession in the ordinary course of business. All but a very few of the Debtor’s vendors continued to sell inventory to the Debtor on normal credit terms which has enabled the Debtor to minimize the borrowings under the DIP Financing Facility. In fact, as of the date of this Disclosure Statement, the Debtor has not yet borrowed any money under the DIP Financing Facility.

B. Parties-in-Interest in the Chapter 11 Case

1. ***The Court.*** The Chapter 11 Case is pending in the United States Bankruptcy Court for the Middle District of Pennsylvania before the Honorable Robert N. Opel, II.

2. ***Retention of Bankruptcy Counsel.*** By Order dated April 13, 2011, the Debtor retained the law firm of Gibbons P.C. to serve as its bankruptcy counsel.

3. ***Retention of Special Insurance Counsel.*** By Order dated April 13, 2011, the Debtor retained K&L Gates LLP as special insurance counsel.

4. ***Retention of Ordinary Course Professionals.*** The Debtor also sought and received Bankruptcy Court authorization to retain the following professionals regularly employed by the Debtor in the ordinary course of its business, *nunc pro tunc* to the Petition Date:

- (a) Wilbraham, Lawler & Buba, to assist the Debtor and its bankruptcy counsel in assembling all relevant information related to the asbestos litigation that the firm has access to as a result of its pre-petition role as a liaison between the Debtor and its insurance carriers;
- (b) Joseph M. Alu & Associates, P.C., as auditors to the Debtor;
- (c) Steptoe & Johnson LLP, to provide a range of legal services primarily related to intellectual property law;

- (d) Lenahan & Dempsey, P.C., to provide legal services for personnel issues, contract preparation and review and shareholder issues;
- (d) Ballard Spahr LLP, to assist the Debtor in reviewing its retirement plan obligations and related compliance and administration issues, as well as providing general corporate and business consulting;
- (e) Cooley Manion Jones LLP now known as Manion Gaynor & Manning LLP (“Cooley Manion”), to assist the Debtor in conducting due diligence regarding the following non-asbestos personal injury litigation matters commenced against the Debtor in California: (1) *Fuentes v. 3M Co., et al.*, California Superior Court for San Francisco County, Case No. CGC 10-503256; and (2) *Lager v. 3M Co., et al.*, California Superior Court for Los Angeles County, Case No. BC447624. Unlike, the other ordinary course professionals, the Debtor’s retention of Cooley Manion was authorized by the Court, *nunc pro tunc* to December 28, 2012; and
- (f) Governo Law Firm LLC (“Governo”), to assist the Debtor in assembling all relevant information related to the Debtor’s pre-petition asbestos lawsuits in connection with the potential estimation of the Debtor’s aggregate asbestos liability, which retention was authorized by the Court, *nunc pro tunc* to January 14, 2014.

5. ***Retention of Special Advisors.*** By separate Orders dated April 13, 2011, August 23, 2011 and April 6, 2012, respectively, the Debtor retained (i) Analysis Research Planning Corporation as the Debtor’s asbestos claims estimation consultants, (ii) Value Management, Inc., as its business valuation advisor, and (iii) EisnerAmper LLP as its financial advisor.⁴

6. ***Retention of Bankruptcy Claims, Noticing and Balloting Agent.*** By Order dated April 13, 2011, the Debtor was authorized to employ The Garden City Group, Inc. to serve as its bankruptcy claims, noticing and balloting agent.

7. ***The Official Committee of Unsecured Creditors.*** On April 15, 2011, the Office of the United States Trustee appointed an Official Committee of Unsecured Creditors (the “Creditors’ Committee”) consisting of the following five members, four of which are holders of Asbestos Personal Injury Claims and one a holder of a General Unsecured Claim:

- (a) Allen Rabinowitz, the Estate of Stanley Rabinowitz;
- (b) Joseph Bayer;
- (c) John J. Juliano;
- (d) Estate of Grady Peeler; and
- (e) E.W. Kaufmann Company (Holder of General Unsecured Claim).

⁴ EisnerAmper LLP replaced Wiss & Company, LLP as the Debtor’s financial advisor in January 2012.

The Creditors' Committee retained the following professionals: (i) the law firm of Montgomery, McCracken, Walker & Rhoads, LLP, as its counsel; (ii) Legal Analysis Systems, Inc. as its consultant on the valuation of asbestos liabilities; (iii) Charter Oak Financial Consultants, LLC, jointly with the Future Claimants' Representative (as defined below), as their financial advisor; and (iv) Gilbert, LLP, jointly with the Future Claimants' Representative, as their insurance counsel.

8. ***The Future Claimants' Representative.*** Upon motion of the Debtor, by Order dated June 30, 2011, the Bankruptcy Court approved the appointment of James L. Patton, Jr. as the legal representative for future asbestos claimants (the "Future Claimants' Representative"). Mr. Patton sought and obtained Bankruptcy Court authorization to retain the law firm of Young Conaway Stargatt & Taylor, LLP as his counsel.

9. ***Retention of Claims Evaluation Consultant.*** On June 19, 2014, the Future Claimants' Representative filed his application to employ Dr. Timothy Wyant as a claims evaluation consultant *nunc pro tunc* to June 13, 2014 [Doc. No. 1848]. By Order dated July 7, 2014, the Bankruptcy Court granted the application and authorized the employment and retention of Dr. Timothy Wyant as the claims' evaluation consultant to the Future Claimants' Representative. [Doc. No. 1857].

C. Significant Events During the Chapter 11 Case

1. First Day Motions/Applications.

Concurrent with filing its bankruptcy petition, the Debtor Filed several emergency motions and applications (collectively, the "First Day Motions") with the Bankruptcy Court that were intended to stabilize the Debtor and enable it to continue regular business operations.

Pursuant to its First Day Motions, the Debtor sought and obtained from the Bankruptcy Court, among other relief: (i) authority to (a) list addresses of top twenty counsel for asbestos claimants in the creditor matrix in lieu of claimants' addresses, (b) honor pre-petition employee wages and benefits, (c) honor obligations to its customers under certain pre-petition marketing and rebate programs and to continue such customer programs, and (d) maintain its pre-petition cash management system; and (ii) the establishment of adequate assurance procedures with respect to its utility providers.

Shortly thereafter, the Debtor Filed other routine administrative motions with the Bankruptcy Court, including motions seeking an extension of time to File its Schedules and Statements of Financial Affairs and Executory Contracts, as well as a motion establishing interim compensation procedures for Professionals. Orders were entered by the Bankruptcy Court granting the relief requested in each of these motions.

2. Motion to Approve DIP Financing and Authorized Continued Use of Cash Collateral.

On April 1, 2011, the Debtor Filed a motion for authority to enter into the DIP Financing Credit Agreement with PNC Bank, as the DIP Lender through March 23, 2013, and to continue

to use PNC's cash collateral (as that term is defined in Section 363(a) of the Bankruptcy Code) to fund the Debtor's working capital needs for the duration of the Chapter 11 Case.

(i) **Interim DIP Financing Order.** By interim order of the Bankruptcy Court dated April 8, 2011 (the "Interim Order"), UGL, as debtor-in-possession, was authorized to obtain post-petition financing, pursuant to the terms and conditions of the Debtor-in-Possession Financing Agreement (the "DIP Credit Agreement"), by and between the Debtor, as borrower, and PNC, as lender, in the form of a revolving credit facility in an aggregate principal amount at any time outstanding not to exceed \$8.2 million, inclusive of the \$200,000 PCard Facility (the "DIP Financing Facility"). The DIP Lender was granted a superpriority Administrative Expense Claim and a senior, first priority lien on, and security interest in, substantially all of the Debtor's Collateral (as defined in the DIP Credit Agreement). Under the Interim Order, the Bankruptcy Court granted approval of the DIP Credit Agreement up to \$1,500,000 for an interim period.

The Debtor was authorized to use the proceeds of the DIP Financing Facility to (a) fund, among other things, ongoing working capital and general corporate needs of the Debtor, (b) pay certain fees, costs and expenses related to the administration of the Chapter 11 Case, (c) pay off the outstanding balance under the PCard Facility, and (d) pay fees and expenses arising under and related to the DIP Financing Facility.

(ii) **Final DIP Financing Order.** The Bankruptcy Court held a further hearing on the relief requested in the motion and on May 3, 2011, entered an Order approving the DIP Financing Facility and the use of cash collateral on a final basis (the "Final Order"). The Debtor was authorized to increase the amount of the financing under the DIP Credit Agreement in such amounts as may be made available to the Debtor by the DIP Lender, but in an aggregate principal amount at any time outstanding not to exceed \$8.2 million, in accordance with all of the lending formulae, sublimits, terms and conditions set forth in the DIP Credit Agreement. All loans and all other obligations under the DIP Financing Facility are (a) entitled to superpriority claim status pursuant to Section 364(c)(1) of the Bankruptcy Code; and (b) secured by a first priority perfected priming lien on and security interest in all of the Debtor's assets pursuant to Sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code.

(iii) **First Amendment to DIP Credit Agreement.** On or about May 10, 2013, the Debtor filed the *Motion of the Debtor for Entry of an Order (I) Authorizing the Debtor to Enter into First Amendment to DIP Credit Agreement Nunc Pro Tunc to March 23, 2013; and (II) Amending the Final Order* [Doc. No. 1226] ("Amended Financing Motion"). Under the Amended Financing Motion, the Debtor sought to, among other things, extend the DIP Financing Facility through March 23, 2014, and to include the Future Claimants' Representative and his professionals within the professional fees carve-out provision contained in the Final Order.

By Order dated June 6, 2013, the Bankruptcy Court granted the relief requested in the Amended Financing Motion. Under the Order, the Debtor was authorized to enter into the First Amendment to DIP Credit Agreement *nunc pro tunc* to March 23, 2013, and Section 2.34 of the Final Order was amended to include an additional carve-out for the payment of the fees and expenses incurred by the Future Claimants' Representative and his professionals.

(iv) ***Second Amendment to DIP Credit Agreement.***

On March 20, 2014, the Debtor filed the *Motion of the Debtor for Entry of an Order (I) Authorizing the Debtor to Enter into Second Amendment to DIP Credit Agreement Nunc Pro Tunc to March 23, 2014; and (II) Amending the Final Order* [Doc. No. 1724] (“Second Amended Financing Motion”). Under the Second Amended Financing Motion, the Debtor sought to, among other things, extend the DIP Financing Facility through March 23, 2015 or the earlier of plan confirmation and the Debtor’s exit from Chapter 11 and authorization to make certain payments to PNC Bank in its capacity as agent under the DIP Credit Agreement.

By Order dated April 18, 2014, the Bankruptcy Court granted the relief requested in the Second Amended Financing Motion.

3. ***Motions for Relief From the Automatic Stay.***

(a) ***Rans Stay Motion***

As of the Petition Date, Rans Custom Builders, Inc. (“Rans”), had a case pending against UGL in St. Joseph County, Indiana (Case No. 71D04-1007-PL-0012) to recover for property damage (the “Indiana Litigation”). UGL had insurance coverage for the damage at issue in the Indiana Litigation. On June 6, 2011, the Bankruptcy Court approved a stipulation between Rans and UGL, which lifted the stay to permit Rans to collect from UGL’s insurance carrier with the understanding that UGL would not be personally liable to pay or satisfy any portion of the settlement, judgment or other award issued in the Indiana Litigation beyond the limits of insurance available to UGL without the approval of the Bankruptcy Court.

(b) ***Fuentes Stay Motion and Dismissal of State Court Action***

On or about August 16, 2011, Marie Fuentes, Carol Kelliher, Thomas Fuentes, Dominic Fuentes and Genevieve Charbonneau (collectively, “Fuentes”) filed a motion for relief from the automatic stay (the “Fuentes Stay Motion”), seeking to continue pre-petition litigation against UGL in the Superior Court of the State of California for the County of Los Angeles (the “State Court”) titled *MARIE FUENTES, et. al., v. 3M COMPANY, et. al.*, Case Number CGC-10-503256 (the “State Court Action”), in which Fuentes alleged personal injury damages based on exposure to benzene contained in UGL’s Safe Grip Contact Cement, to the extent of the Debtor’s available insurance coverage under unidentified liability policies.

On August 31, 2011, the Debtor filed an objection to the Fuentes Stay Motion on the basis that, among other things, the termination of the stay to permit prosecution of the State Court Action would undermine the Debtor’s efforts to reorganize because the Debtor’s general and excess liability insurance policies and the proceeds thereof are limited and insufficient to pay all personal injury claims, constitute property of the Debtor’s bankruptcy estate and are an integral part of a potential plan of reorganization centered on the implementation of a trust for the benefit of present and future asbestos claimants. After a hearing held on October 13, 2011, the Bankruptcy Court denied the Fuentes Stay Motion.

On May 30, 2014, the State Court entered an order to show cause (“OSC”) directed to all counsel and self-represented litigants in the State Court Action. The OSC recites that the State

Court has been notified that this case has been settled and schedules a hearing for September 16, 2014 at 10:30 am for a complete dismissal of the case.

4. ***Motions to Extend Exclusivity***

Section 1121(b) and (c) of the Bankruptcy Code provide that a debtor has the exclusive right to (a) propose a Chapter 11 plan for the first 120 days of a Chapter 11 case and (b) solicit votes for its plan for an additional 60 days. Section 1121(d) of the Bankruptcy Code authorizes a bankruptcy court to extend these exclusive periods, for cause shown, for up to 18 months (to file a plan) and 20 months (to solicit votes) (together, the “Statutory Maximum”). In accordance with Section 1121(c) of the Bankruptcy Code, and with the consent or lack of opposition from the Creditors’ Committee, the Future Claimants’ Representative and the United States Trustee, the Bankruptcy Court has granted the Debtor’s requests to extend its exclusive periods to propose a Chapter 11 plan and solicit votes thereon from time to time, through the Statutory Maximum.

5. ***Claims Bar Date Motions***

(a) ***General Bar Date***

Upon the Debtor’s motion, and with the consent of the Creditors’ Committee and the Future Claimants’ Representative, by Order dated June 20, 2012 (the “Bar Date Order”), the Bankruptcy Court established **July 24, 2012 at 5:00 p.m., Eastern Time** (the “Claims Bar Date”), as the last date by which all persons and entities holding pre-petition Claims against the Debtor, except for certain excluded claims (including Asbestos Personal Injury Claims), are permitted to File proofs of claim.

Pursuant to Bankruptcy Rule 2002(a)(8), the Bankruptcy Court approved the form of notice of the Claims Bar Date to be mailed to creditors and other parties in interest (including governmental units). In accordance with the Bar Date Order, notice (the “Bar Date Notice”) of the Claims Bar Date was mailed to all the entities identified in the Schedules (other than holders of Asbestos Personal Injury Claims) and the Claims and Balloting Agent published notice of the Claims Bar Date in *U.S.A. Today* (National Edition) and on the Debtor’s dedicated website.

As provided in the Bar Date Notice, the following types of Creditors were not required to file proofs of claim on or before the Claims Bar Date:

- Creditors holding Claims against the Debtor that already had been filed with the Clerk of the Bankruptcy Court or with the Claims and Balloting Agent using a claim form that substantially conforms to Official Form No. 10;
- Creditors holding Claims that (a) are listed on the Schedules, (b) are not described in the Schedules as “disputed,” “contingent,” or “unliquidated,” and (c) are in the same amount and of the same nature as set forth in the Schedules;

- Creditors holding Claims that had already been Allowed by an order of the Bankruptcy Court entered on or before the Claims Bar Date;
- Creditors holding Claims that have been paid in full by the Debtor;
- Creditors holding Claims for which a specific deadline had previously been fixed by the Court;
- Creditors asserting an Administrative Expense Claim against the Debtor's Chapter 11 Estate under Sections 503(b) and 507(a)(1) of the Bankruptcy Code; and
- Creditors holding Asbestos-Related Personal Injury Claims (as defined in the Bar Date Order), including a Claim for contribution, indemnity, reimbursement or subrogation.

After the entry of the Bar Date Order and service of the Bar Date Notice on all known claimants, the Debtor identified certain other potential claimants whose Claims were not excluded from the Claims Bar Date, but who did not receive notice of the Claims Bar Date. On July 27, 2012, the Bankruptcy Court entered an Order (the "Supplemental Bar Date Order"), approving the *Stipulation Setting Supplemental Bar Dates(s) and Establishing Noticing Procedures for Claims That are Not Excluded Claims*, made by and among the Debtor, the Creditors' Committee and the Future Claimants' Representative, and approving the form of supplemental Bar Date Notice (the "Supplemental Notice"). Three Supplemental Notices were sent to potential claimants, which set September 5, 2012, September 11, 2012 and January 7, 2013, respectively (the "Supplemental Bar Dates"), as the deadlines for the identified claimants to file Proofs of Claim.

Pursuant to the Bar Date Order and the Supplemental Bar Date Order, the holders of any pre-petition Claim (other than an Excluded Claim as defined in the Bar Date Order) that is not Scheduled by the Debtor, or is Scheduled as "disputed," "contingent" or "unliquidated," and who has failed to file a Proof of Claim on or before the Claims Bar Date or the Supplemental Bar Dates, as applicable, shall be forever barred, estopped and enjoined from (a) asserting any and all Claims that such holder possesses against the Debtor, and (ii) voting upon, or receiving distributions under, the Plan. As of the date of this Disclosure Statement, one hundred eighty-seven (187) Proofs of Claim have been filed with the Claims and Balloting Agent.

(b) Asbestos Property Damage Claim Bar Date

Although asbestos-related property damage claims ("Asbestos Property Damage Claims") were not excluded from the Claims Bar Date, no such claims were Filed by the Claims Bar Date. Out of an abundance of caution, the Debtor determined that a specific bar date should be fixed for Asbestos Property Damage Claims as a supplement to the Claims Bar Date. As such, on May 7, 2014, the Debtor filed a *Stipulation Setting Supplemental Bar Date And Establishing Noticing Procedures For Asbestos Property Damage Claims* (the "PD Supplemental Bar Date Stipulation") [Doc. No. 1767], under which the Debtor, the Creditors' Committee and the Future Claimants' Representative agreed on the procedures governing the fixing and notice of a supplemental bar date for Asbestos Property Damage Claims (the

“Asbestos Property Damage Claims Supplemental Notice”). On May 9, 2014, the Bankruptcy Court entered an order the *Order Approving Stipulation Setting Supplemental Bar Date And Establishing Noticing Procedures For Asbestos Property Damage Claims*, approving the PD Supplemental Bar Date Stipulation, including the Asbestos Property Damage Claims Supplemental Notice (the “Asbestos Property Damage Claims Supplemental Order”) [Doc. No. 1771]. The Asbestos Property Damage Claims Supplemental Notice established **June 18, 2014 at 5:00 p.m., Eastern Time** (the “Asbestos Property Damage Claims Bar Date”), as the last date for holders of Asbestos Property Damage Claims to file proofs of claim against the Debtor.

In accordance with the Asbestos Property Damage Claims Supplemental Order, the Asbestos Property Damage Claims Notice was published twice in *USA Today, National, Marketplace* and in internet banner advertisements through Haven Home’s Digital Network and its Partners, which includes behavioral targeting to home owners with an interest in home improvement projects/installing projects/cleaning projects or repair projects and DIY enthusiasts Aged 55+. These publications served as appropriate forms of notice of the Asbestos Property Damage Claims Bar Date to unknown claimants in accordance with controlling case law.

A total of four (4) Asbestos Property Damage Claims have been Filed in response to the Asbestos Property Damage Claims Supplemental Notice, three (3) of which were filed after the Asbestos Property Damage Claims Bar Date and are, therefore, untimely. The Debtor believes that none of the Filed Asbestos Property Damage Claims are valid and intends to file objections to all such claims.

6. ***Reclamation Claims and 503(b)(9) Claims.***

During the initial stages of the Chapter 11 Case, the Debtor received demands from one entity (the “Reclamation Claimant”) asserting rights of reclamation pursuant to Section 546(c) of the Bankruptcy Code net of its 503(b)(9) claim in the aggregate amount of approximately \$100,000 (the “Reclamation Claim”). The Reclamation Claim requested that the Debtor return certain goods purportedly delivered to it prior to the Petition Date. The Debtor believes that the Reclamation Claim is valid and should be paid as an Administrative Expense Claim.

The Debtor also has received claims from approximately six (6) parties (the “503(b)(9) Claimants”), pursuant to Section 503(b)(9) of the Bankruptcy Code, requesting the allowance, as an Administrative Expense Claim, of the value of any goods sold to the Debtor in the ordinary course of the Debtor’s business and received by the Debtor within twenty (20) days before the Petition Date (the “503(b)(9) Claims”) in the aggregate amount of approximately \$90,000.00. As of the date hereof, only two (2) of the 503(b)(9) Claims have been allowed as Administrative Expense Claims in the Chapter 11 Case (the “Allowed 503(b)(9) Claims”). The Allowed 503(b)(9) Claims were filed by Spray Products Corporation and E.W. Kaufmann Co., and allowed by *Consent Order Resolving Motion for Allowance of Administrative Claim Pursuant to 11 U.S.C. § 503(b)(9)* entered by the Bankruptcy Court on July 12, 2011 and August 10, 2011, respectively. The Debtor is working to reconcile and resolve the remaining 503(b)(9) Claims and believes that the valid 503(b)(9) Claims (including the Allowed 503(b)(9) Claims) will not exceed \$66,000.

7. ***Abandonment or Tolling of Certain Avoidance Actions.***

Pursuant to Sections 108(a), 546(a)(1) and 549(d) of the Bankruptcy Code, the time within which the Debtor may commence certain causes of action extends for two years after the Petition Date, which date was set to expire on March 23, 2013 (the “March 23 Deadline”). In anticipation of the March 23 Deadline, the Debtor completed an analysis of the Debtor’s Schedules, among other things, identifying payments and/or other transfers made by or on behalf of the Debtor that may be avoidable under Chapter 5 of the Bankruptcy Code and/or other applicable law, and other causes of action that the Debtor may have against other third parties under applicable bankruptcy and/or non-bankruptcy law. Based on this analysis, the Debtor determined that it was in the best interests of its estate and creditors to abandon certain potential avoidance actions against Trade Vendors (as defined below), taxing authorities and certain charitable organizations to which the Debtor made payments and/or donations during the avoidance periods, but that it was appropriate to pursue several business entities and individuals (the “Potential Defendants”) that had received potentially avoidable transfers and/or against whom the Debtor’s estate may hold other causes of action under applicable bankruptcy and/or non-bankruptcy law (the “Potential Actions”).

The Debtor, the Creditors’ Committee, and the Future Claimants’ Representative conferred and agreed that instead of commencing numerous actions prior to the March 23 Deadline, the Debtor would enter into tolling agreements with the Potential Defendants that wish to toll and extend the limitations periods contained in Sections 108(a), 546(a)(1) and 549(d) of the Bankruptcy Code and other applicable bankruptcy and non-bankruptcy law (collectively, as extended, the “Limitations Periods”). All of the potential Defendants had signed tolling agreements by the March 23 Deadline and such tolling agreements have been extended and are currently still in effect, as discussed in subparagraph (b) below.

(a) ***Notice of Abandonment of Certain Potential Avoidance Actions***

Based on its analysis of its books and records, the Debtor does not believe that there are any material amounts of recoveries to be had from preferences or other Chapter 5 causes of action against its trade suppliers, consultants, logistics providers, service providers, utilities, ordinary course professionals and other vendors (collectively, “Trade Vendors”), taxing authorities, charitable organizations, and its retained bankruptcy counsel, principally because (i) the Debtor has in almost all cases made payments to these parties in the ordinary course of business and in accordance with the terms in effect between the Debtor and these parties, and (ii) the professional time, costs and fees necessary to prosecute avoidance actions against the Trade Vendors, taxing authorities, charitable organizations and the Debtor’s retained bankruptcy counsel would be burdensome to the estate. Accordingly, after communication with the Creditors’ Committee and the Future Claimants’ Representative, on February 25, 2013, the Debtor filed the *Notice of Debtor’s Proposed Abandonment of Certain Potential Avoidance Actions* [Doc. No. 1104]. By order dated March 19, 2013, the Court entered an order authorizing the Debtor to abandon all known and unknown potential avoidance actions against the Trade Vendors, taxing authorities, charitable organizations and the Debtor’s retained bankruptcy counsel.

(b) Tolling Agreements With Respect to Potential Avoidance Actions

On February 27, 2013, the Debtor filed a motion for the entry of an order authorizing and approving the forms of tolling agreement to be entered into between the Debtor and (i) certain holders of Asbestos Personal Injury Claims and their counsel (“Asbestos Personal Injury Claim Tolling Agreement”), (ii) certain of its pre-petition legal counsel (“Defense Counsel Tolling Agreement”), and (iii) the UGL Shareholders and certain of the Debtor’s officers and directors (collectively, the ‘Shareholders’ Tolling Agreement’, and with the Asbestos Personal Injury Claim Tolling Agreement and the Defense Counsel Tolling Agreement, collectively, the “Tolling Agreements”) pursuant to Bankruptcy Code Sections 105(a) and 363. The Bankruptcy Court entered an order on March 19, 2013 granting the motion (the “Tolling Order”).

Specifically, the Tolling Order authorized the Debtor:

(i) to request counsel for Potential Defendants who are holders of Asbestos Personal Injury Claims to enter into Asbestos Personal Injury Claim Tolling Agreements on behalf of their clients and themselves that extend and toll the Limitations Periods within which the Debtor could commence any cause of action with respect to any claims that the Debtor may have against such parties arising from certain transfers made by or on behalf of the Debtor to or for the benefit of the claimants and/or their counsel, and any other claims that the Debtor may hold against the claimants and/or their counsel, to and including March 23, 2014;

(ii) to enter into Defense Counsel Tolling Agreements with certain of its pre-petition legal counsel that extend and toll the Limitations Periods, and any other unexpired statute of limitations or repose under state or federal law applicable, with respect to any claims that the Debtor may have against such pre-petition legal counsel to and including March 23, 2014, subject to renewal upon further agreement between the Debtor and each such Potential Defendant;

(iii) to enter into Shareholders’ Tolling Agreements with the UGL Shareholders and certain of the Debtor’s officers and directors that extend and toll the Limitations Periods, and any other unexpired statute of limitations or repose under state or federal law applicable, with respect to any claims that the Debtor may have against such persons through and including July 31, 2013, subject to renewal upon further agreement between the Debtor and each such Shareholder or director. The Shareholders’ Tolling Agreement also provided that should any such potential defendant fail to provide written notice not to renew the Tolling Agreements by May 31, 2013, the Tolling Agreement as to that potential defendant would automatically extend until September 13, 2013.

By consent of the parties to the Defense Counsel Tolling Agreements and the Shareholders’ Tolling Agreements, as applicable, and in light of the global settlement reached between the parties, the Limitations Periods set forth in the Defense Counsel Tolling Agreement and the Shareholders’ Tolling Agreements, were extended to and including December 31, 2014, in order to give the parties time to seek confirmation of the Plan. Notice of the December 31, 2014 extended deadline was filed with the Court on April 30, 2014 [Doc. No. 1762].

8. ***Motion of the Creditors' Committee and the Future Claimants' Representative for Standing to Pursue Certain Estate Claims.***

On June 24, 2013, the Creditors' Committee and the Future Claimants' Representative filed the *Joint Motion of the Official Committee of Unsecured Creditors and the Future Claimants' Representative for Entry of an Order Granting Leave, Standing, and Authority to Prosecute Claims on Behalf of the Debtor's Estate* (the "Standing Motion") [Doc. No. 1303], which included a draft complaint filed under seal, seeking entry of an order granting leave, standing, and authority to prosecute claims on behalf of the Debtor's estate. The claims asserted in the draft complaint primarily related to certain distributions made to the UGL Shareholders between 2007 and the Petition Date and included claims for (i) fraudulent transfer, (ii) breach of fiduciary duty, and (iii) negligence. In addition to naming each UGL Shareholder, the draft complaint also named certain of the Debtor's officers and directors. On July 18, 2013, the Debtor filed its response to the Standing Motion, citing various reasons why the Standing Motion should be denied [Doc. No 1328]. Also on July 18, 2013, the UGL Shareholders and/or certain of its directors filed their Limited Objection to the Standing Motion, arguing, *inter alia*, that the Standing Motion is premature [Doc. No. 1329]⁵.

In connection with the Standing Motion, on July 25, 2013, the Creditors' Committee and the Future Claimants' Representative also filed an application to extend the scope of retention and employment of counsel to the Creditors' Committee to include prosecution of any litigation commenced by the Creditors' Committee as a result of the Standing Motion (the "Employment Application") [Doc. No 1346]. On August 1, 2013, the Debtor filed its objection to the Employment Application, arguing, among other things, that the Employment Application was premature [Doc. No 1355].

At the initial hearing on the Standing Motion and the Employment Application scheduled for August 5, 2013, the Debtor, the UGL Shareholders, the Creditors' Committee and Future Claimants' Representative agreed to mediate the claims asserted by the Creditors' Committee and the Future Claimants' Representative in the complaint attached to the Standing Motion before The Honorable John J. Thomas, U.S.B.J. The parties participated in telephone conferences and/or in person meetings with Judge Thomas over the course of several weeks, including an "all hands on" in-person mediation session with Judge Thomas on October 24, 2013. While the mediation sessions did not result in an agreement among the parties, they were helpful in identifying the issues that divided the parties and ultimately led to fruitful settlement negotiations among the parties themselves.

In the interim, on October 14, 2013, the Creditors' Committee and the Future Claimants' Representative filed supplemental pleadings in connection with the Standing Motion. [See Doc. No. 1463.] The Debtor and the UGL Shareholders each filed a response to the supplemental pleadings and the hearing on the Standing Motion and the Employment Application was

⁵ Several other pleadings were filed in connection with this motion, including the *Joint Reply of the Official Committee of Unsecured Creditors and the Future Claimants Representative to the Response and Limited Objection to their Motion for Entry of an Order Granting Leave, Standing, and Authority to Prosecute Claims on Behalf of the Debtors Estate* [Doc. No. 1343] and *U.S. Trustee's Response to Joint Motion of the Official Committee of Unsecured Creditors and the Future Claimants' Representative for Entry of an Order Granting Leave, Standing, and Authority to Prosecute Claims on Behalf of the Debtor's Estate* [Doc. No. 1345].

rescheduled for February 7, 2014 but was later adjourned to February 19, 2014, to address the resolution of certain discovery issues between the parties. On or about February 18, 2014, however, the parties reached an agreement with respect to a consensual plan in the Chapter 11 Case, including a settlement of the Standing Motion and the Employment Application, and thus the February 18, 2014 hearing was cancelled by the Bankruptcy Court.

9. ***Solicitation Procedures Motion.***

On _____, 2014, the Debtor filed a motion requesting the entry of an order (a) approving form and manner of notice of hearing on, and adequacy of the Disclosure Statement; (b) establishing procedures for solicitation and tabulation of votes with respect to the Plan; (c) approving forms of ballots and establishing a voting deadline to accept or reject the Plan, (d) scheduling a Confirmation Hearing, and (e) approving the form and manner of notice of the Confirmation Hearing (the “Solicitation Procedures Motion”).

As noted above, on _____, 2014, the Bankruptcy Court entered the Order Approving the Disclosure Statement and Solicitation Procedures, which granted the relief requested in the Solicitation Procedures Motion.

D. Due Diligence and Plan Negotiations

The Debtor, the UGL Shareholders, the Creditors’ Committee and the Future Claimants’ Representative, personally, and/or through their various representatives, have conducted extensive due diligence concerning, *inter alia*, the background, nature, and scope of UGL’s liability for Asbestos Personal Injury Claims and the value of UGL’s assets. The investigation has included, among other things, careful review of the facts concerning UGL’s historical involvement with asbestos; the nature and extent of past and pending asbestos litigation against UGL, including the types of claims asserted and the legal issues raised; the projected value of present and future Asbestos Personal Injury Claims; and the extent to which insurance and other UGL assets may be available to satisfy these liabilities in whole or in part.

Following and during the extensive due diligence process described above, representatives of UGL, the UGL Shareholders, the Creditors’ Committee and the Future Claimants’ Representative engaged in negotiations regarding, among other things, the amount and terms of the contributions to be made to the Trust by UGL, Reorganized UGL and the UGL Shareholders, the parameters of the Channeling Injunction, the issues relating to potential insurance recoveries, and the indemnification provisions. The negotiations leading to the Plan occurred over a period of fifteen months, not including the periodic negotiations which occurred during the pendency of the Standing Motion.

As noted above, the Plan is the result of the settlement reached between the Debtor, the UGL Shareholders, the Creditors’ Committee and the Future Claimants’ Representative. In exchange for the substantial contributions to be made to the Trust by the Debtor, Reorganized UGL, and the UGL Shareholders to fund the payment of the Trust Claims, the Debtor, Reorganized UGL, the UGL Shareholders and certain other Asbestos Protected Parties will obtain the benefits of the Channeling Injunction under Section 524(g) of the Bankruptcy Code,

which, among other things, results in a permanent injunction enjoining the holders of Trust Claims from taking any action against such parties.

In addition to the Plan negotiations described above, the Debtor also negotiated with certain of the Asbestos Insurance Companies. Based on these negotiations, the Debtor and one of the Asbestos Insurance Companies have reached an agreement in principle, which will be brought before the Court for approval once the parties have agreed to the terms of a written settlement agreement. It is therefore contemplated that such Asbestos Insurance Company will become a Settling Insurer who will be protected under the Channeling Injunction.

ARTICLE V

DISCUSSION OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE OF, THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN, AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS EXHIBIT A, AND TO THE EXHIBITS AND SCHEDULES ATTACHED TO THE PLAN.

ALTHOUGH THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN, THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO BE A PRECISE OR COMPLETE STATEMENT OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF HOLDERS OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTOR, THE REORGANIZED UGL, AND ALL OTHER PARTIES IN INTEREST.

A. Classification and Treatment of Claims and Interests Under The Plan

Article IV of the Plan sets forth the provisions for classification and treatment of Claims and Interests under the Plan. A Claim or Interest shall be deemed classified in a particular Class only to the extent that it qualifies within the description of such Class, and shall be deemed classified in other Classes to the extent that any portion of such Claim or Interest qualifies within the description of such other Classes. Notwithstanding anything to the contrary in the Plan, a Claim or Interest shall be deemed classified in a Class only to the extent that such Claim or Interest has not been paid, released, or otherwise settled and withdrawn prior to the Effective Date.

EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF (I) ANY CLAIM THAT IS NOT AN ALLOWED CLAIM, OR (II) ANY INTEREST THAT IS NOT AN ALLOWED INTEREST.

Administrative Expense Claims, Priority Tax Claims and the Allowed DIP Claim are not classified and are excluded from the Classes established in Article IV of the Plan. They do not vote on the Plan because they are automatically entitled to the specific treatment provided for them in the Bankruptcy Code or are Unimpaired. As such, the treatment of such Claims is set forth in Article II of the Plan and summarized below.

1. *Unclassified Claims.*

(a) *Administrative Expense Claims*

Subject to (a) the Bar Date provisions in Article II of the Plan, except to the extent that a holder of an Allowed Administrative Expense Claim (including a holder of a Professional Fee Claim, as defined below) agrees to a different treatment, in full satisfaction, settlement and discharge of and in exchange for such claims, the Debtor or Reorganized UGL shall pay each Allowed Administrative Expense Claim in Cash on the later of (a) the Effective Date, (b) the date that such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, and (c) the date such Allowed Administrative Expense Claim becomes due and payable according to its terms; *provided, however*, that Allowed Administrative Expense Claims representing liabilities incurred by the Debtor-in-Possession in the ordinary course of business or liabilities under loans or advances to or other obligations incurred by the Debtor-in-Possession may be paid by the Debtor 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.

(i) *Administrative Expense Claim Bar Date*

Section 2.2 of the Plan requires that requests for payment of Administrative Expense Claims (except Professional Fee Claims) must be Filed with the Bankruptcy Court and served on counsel for the Debtor on or before the date that is thirty (30) days after notice of the Effective Date is Filed with the Bankruptcy Court (the “Administrative Expense Claim Bar Date”). Holders of Administrative Expense Claims (including, without limitation, the holders of any Claims for federal, state or local taxes), that are required to File an Administrative Expense Claim request and that do not File such requests by the Administrative Expense Claim Bar Date shall be forever barred from asserting such claims against the Debtor, the Estate and/or any of its property. Notwithstanding the foregoing, any bar dates established during the course of the Chapter 11 Case shall remain in full force and effect.

All objections to allowance of Administrative Expense Claims must be Filed by the Debtor, Reorganized UGL, the Creditors’ Committee and/or the Future Claimants’ Representative, as applicable, no later than 180 days after the Administrative Expense Claim Bar Date (the “Administrative Expense Claim Objection Deadline”). The Administrative Expense Claim Objection Deadline may be initially extended for an additional ninety (90) days at the sole

discretion of the Debtor upon the filing of a notice of the extended Administrative Expense Claim Objection Deadline with the Bankruptcy Court. Thereafter, the Administrative Expense Claim Objection Deadline may be extended only by an Order of the Bankruptcy Court upon application by the Debtor, which Order may be granted without notice to any Creditors. Unless the Debtor, Reorganized UGL, the Creditors' Committee and/or the Future Claimants' Representative timely objects to an Administrative Expense Claim, such Administrative Expense Claim shall be deemed Allowed in the amount requested. In the event that the Debtor or Reorganized UGL timely objects to an Administrative Expense Claim, and the parties are unable to reach a settlement, the Bankruptcy Court shall determine whether such Administrative Expense Claim should be Allowed and, if so, in what amount.

(ii) ***Professional Fee Claim Bar Date***

All Professionals requesting compensation for services rendered or reimbursement of expenses pursuant to Sections 330 and/or 503(b) of the Bankruptcy Code (the "Professional Fee Claims") shall File and serve on counsel for the Debtor, counsel for the Creditors' Committee, counsel for the Future Claimants' Representative and the United States Trustee, an application for final allowance of compensation and reimbursement of expenses accruing from the Petition Date to the Effective Date, no later than (a) thirty (30) days after the Effective Date, or (b) such later date as the Bankruptcy Court shall order upon application made prior to the end of such 30-day period.

Objections to Professional Fee Claims must be Filed and served on counsel for the Debtor, counsel for the Creditors' Committee, counsel for the Future Claimants' Representative, the United States Trustee, and the Professional to whose application the objections are addressed within the time frame set forth in the notice served with the application seeking payment of such Professional Fee Claim, unless an extension is granted by the applicant or the Bankruptcy Court.

Reorganized UGL is authorized to pay compensation to Professionals for services rendered and reimbursement of expenses incurred after the Effective Date in the ordinary course of business and without the need for Bankruptcy Court approval.

(b) ***Priority Tax Claims***

With respect to each Allowed Priority Tax Claim not paid prior to the Effective Date, the Plan provides that each holder of an Allowed Priority Tax Claim 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, in the sole and absolute discretion of Reorganized UGL: (i) Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, on the later of: (a) the Effective Date; (b) the date such Priority Tax Claim becomes an Allowed Claim, or as soon thereafter as is practicable; and (c) the date such Allowed Priority Tax Claim becomes due and payable under applicable non-bankruptcy law, or (ii) regular installment payments in Cash: (a) of a total value, as of the Effective Date, equal to the allowed amount of such Allowed Priority Tax Claim; (b) over a period ending not later than five (5) years after the Petition Date; and (c) 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) of the Bankruptcy Code).

(c) *Allowed DIP Claim*

Except to the extent that the holder of the Allowed DIP Claim agrees to a different treatment, the Allowed DIP Claim shall be satisfied on the Effective Date through a secured credit facility to be entered into as of the Effective Date by Reorganized UGL as described in Section 11.4 of the Plan (the “Exit Facility”).

2. *Classified Claims.*

For purposes of the Plan, the Claims against, and Interests in, the Debtor are grouped in the following Classes in accordance with Section 1122(a) of the Bankruptcy Code:

(a) *Class 1 – Non-Tax Priority Claims*

Except to the extent a holder of an Allowed Non-Tax Priority Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Non-Tax Priority Claim shall receive in full satisfaction, settlement and discharge of and in exchange for such Non-Tax Priority Claim, Cash in an amount equal to the unpaid portion of such Allowed Non-Tax Priority Claim on, or as soon as practicable after, the later of: (a) the Distribution Date; or (b) such other date as may be mutually agreed to by and between the holder of such Non-Tax Priority Claim and the Debtor or Reorganized UGL. This Class is Unimpaired. The Debtor is not aware of any Claims in this Class.

(b) *Class 2 – Secured Claims*

Except to the extent a holder of a Secured Claim agrees to a different treatment, each holder of an Allowed Secured Claim shall have such Claim reinstated pursuant to Section 1124(2) of the Bankruptcy Code such that the Claim is rendered Unimpaired. The failure of the Debtor or any other party in interest to file an objection, prior to the Effective Date, with respect to any Secured Claim that is reinstated under the Plan shall be without prejudice to the rights of Reorganized UGL or any other party in interest to contest or otherwise defend against such Secured Claim in an appropriate forum when and if such Secured Claim is sought to be enforced. Any amount that the Debtor may be required to pay pursuant to Section 1124(2) of the Bankruptcy Code on account of any such reinstated Allowed Secured Claim shall be paid in full, in Cash, on, or as soon as practicable after, the later of: (a) the Distribution Date; or (b) such other date as mutually may be agreed to by and between the holder of such Secured Claim and the Debtor or Reorganized UGL. This Class is Unimpaired. The Debtor is not aware of any Claims in this Class.

(c) *Class 3 – Unsecured Claims*

(i) *Class 3A - General Unsecured Claims*

Except to the extent a holder of an Allowed Class 3A General Unsecured Claim agrees to a different treatment of such General Unsecured Claim, each holder of an

Allowed Class 3A Claim shall receive, in full and final satisfaction of such Claim, a Distribution from Reorganized UGL, in Cash, equal to the Allowed Amount of such Claim on, or as soon as practicable after, the later of: (a) the Distribution Date; or (b) such other date as mutually may be agreed to by and between the holder of such General Unsecured Claim and the Debtor or Reorganized UGL.

(ii) ***Class 3B - Settled Asbestos Claims***

Except to the extent a holder of an Allowed Class 3B Settled Asbestos Claim agrees to a different treatment of such Claim, each holder of an Allowed Class 3B Claim shall receive, in full and final satisfaction of such Claim, a Distribution payable from the UGL Shareholder Cash Contribution, in Cash, equal to the Allowed Amount of such Claim on the Distribution Date. For the avoidance of doubt, the sole recourse of a holder of a Settled Asbestos Claim is the Distribution being made to such holder under the Plan.

Class 3 is Unimpaired under the Plan. As of the date hereof, the Debtor estimates that the aggregate of its General Unsecured Claims (not including the Settled Asbestos Claims) does not exceed \$3 million dollars.

(d) ***Class 4 - Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims***

On the Effective Date, all Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims shall be discharged as against the Debtor, Reorganized UGL and the Released Debtor Parties pursuant to the terms and conditions of the Plan and the Trust Documents. Pursuant to the Channeling Injunction, as of the Effective Date, without further act or deed, each holder of an Asbestos Personal Injury Claim or an Indirect Asbestos Personal Injury Claim shall have its Claim permanently channeled to and assumed by the Trust, which shall be funded with the Trust Assets, and neither the Debtor, Reorganized UGL, the Released Debtor Parties, nor any Settling Insurer shall have any further liability for such Claims. Each Asbestos Personal Injury Claim and Indirect Asbestos Personal Injury Claim shall be resolved, after the Effective Date, in accordance with the terms, provisions and procedures of the Trust Agreement and the Trust Distribution Procedures. The sole recourse of the holders of Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims on account of such Claims shall be to the Trust and each such holder shall have no right whatsoever at any time to assert any Asbestos Personal Injury Claim or Indirect Asbestos Personal Injury Claim against any Asbestos Protected Party or Settling Insurer.

Class 4 is Impaired under the Plan. Each holder of an Asbestos Personal Injury Claim or an Indirect Asbestos Personal Injury Claim shall be entitled to vote to accept or reject the Plan to the extent and in the manner provided in Article V of the Plan and in the Solicitation Procedures Order.

(e) ***Class 5 - Workers' Compensation Claims***

Each holder of a Workers' Compensation Claim shall be entitled to have such Claim determined and paid pursuant to the Workers' Compensation Insurance in accordance with the

applicable statutory, regulatory and other procedures governing Workers' Compensation Claims. This Class is Unimpaired.

(f) Class 6 –Interests

On the Effective Date, the holders of Interests in the Debtor shall retain their Interests, which shall become Reorganized UGL Stock as of the Effective Date. On or before the Effective Date, the UGL Shareholders shall (a) make the UGL Shareholder Cash Contribution to the Debtor and (b) execute and deliver to the Trust the UGL Shareholder Promissory Note and the UGL Shareholder Pledge, pursuant to which their Reorganized UGL Stock will be pledged to the Trust and held by the Trust until such time as the UGL Promissory Note and the UGL Shareholder Promissory Note are paid in full.

3. Treatment of Demands.

As of the Effective Date, in consideration of the Trust Contributions, each holder of a Demand shall have its Demand permanently channeled to and assumed by the Trust pursuant to the Channeling Injunction and such Demand may thereafter be asserted against the Trust in accordance with the provisions set forth in the Plan and the Trust Distribution Procedures. Each Demand shall be liquidated and payable as and to the extent provided in the Trust Agreement and the Trust Distribution Procedures and neither the Debtor nor Reorganized UGL shall have any further liability for such Demands. As more fully set forth in Article XII of the Plan, holders of Demands are enjoined from filing any future litigation, claims or causes of action arising out of such Demands against any Asbestos Protected Party or Settling Insurer, in any state or federal court or administrative or arbitral forum, and are required to pursue their Demands solely against the Trust as provided in the Trust Distribution Procedures.

B. Treatment of Executory Contracts

1. Assumption And Rejection Of Executory Contracts.

(a) Assumption. Except as otherwise provided in the Plan, pursuant to Section 7.1(a) of the Plan, any Executory Contract that has not been expressly rejected by the Debtor by Order of the Bankruptcy Court on or prior to the Confirmation Date shall, as of the Confirmation Date (subject to the occurrence of the Effective Date), be deemed to have been assumed by the Debtor unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to reject such Executory Contract.

(b) Cure Payments. Except to the extent that a different treatment has been agreed to by the non-debtor party or parties to any Executory Contract to be assumed (including any Executory Contract to be assumed and assigned) pursuant to Section 7.1(a) of the Plan and consistent with the requirements of Section 365 of the Bankruptcy Code, Reorganized UGL shall satisfy any monetary defaults under such Executory Contracts by Cure within thirty (30) days of the entry of a Final Order determining the amount, if any, of the Debtor's or Reorganized UGL's liability with respect thereto and approving the assumption or assumption and assignment, as the case may be, unless otherwise agreed to by the parties to such Executory Contract; *provided, however,* that the Debtor or Reorganized UGL, as applicable, shall be authorized to reject any Executory Contract, effective as of the day before the Effective Date, to the extent the Debtor or

Reorganized UGL shall, in the exercise of its sound business judgment, conclude that the amount of the Cure obligation as determined by such Final Order renders the assumption of such Executory Contract unfavorable to the Debtor or Reorganized UGL.

(c) **Rejection.** Notwithstanding subsection (a) above, the Debtor shall reject those Executory Contracts listed on Exhibit I to the Plan (as such list may be amended or supplemented up to and including the Confirmation Date). The Debtor shall provide notice of any amendment to Exhibit I to the parties to the Executory Contract(s) affected thereby and to parties on any master service list maintained in the Chapter 11 Case. The fact that any contract or lease is listed on Exhibit I to the Plan shall not constitute or be construed to constitute an admission that such contract or lease is an executory contract or unexpired lease within the meaning of Section 365 of the Bankruptcy Code or that the Debtor or any successor in interest to the Debtor (including Reorganized UGL) has any liability thereunder.

The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejections, assumptions, or assignments, as the case may be, effectuated by the Debtor on or before the Confirmation Date pursuant to Sections 365 and 1123 of the Bankruptcy Code, effective as of the Effective Date.

2. ***Rejection Damages Bar Date.***

In the event that the rejection of an Executory Contract by the Debtor 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 Debtor, Reorganized UGL, or their respective properties or interests in property, unless a Proof of Claim with respect to such damages is filed with the Claims and Balloting Agent and served upon counsel for the Debtor as follows: (a) if such Executory Contract is rejected pursuant to Section 7.1(b) 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 7.1(b) of the Plan; and (b) if such Executory Contract is rejected pursuant to a Final Order of the Bankruptcy Court, thirty (30) days after entry of such Final Order. To the extent any such Claim is Allowed, such Claim shall become, and shall be treated for all purposes under the Plan as, a Class 3A Claim (General Unsecured Claim), and the holder thereof shall receive Distributions as a holder of an Allowed Claim in such Class pursuant to the Plan.

3. ***Compensation and Benefit Plans; Treatment of Retiree and Pension Benefits.***

Except as otherwise expressly provided in the Plan or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, all of the Debtor's programs, plans, agreements and arrangements relating to the Debtor's employee compensation and benefits, including programs, plans, agreements and arrangements subject to Sections 1114 and 1129(a)(13) of the Bankruptcy Code and including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance plans, incentive plans, bonus payment plans, life, accidental death and dismemberment insurance plans, workers' compensation plans, severance, salary continuation and retention agreements entered into before the Petition Date and not since terminated, will be deemed to be, and will be treated as though they are, Executory Contracts that are assumed under Section 7.1 of the Plan, and the Debtor's

obligations under such programs, plans, agreements and arrangements will survive confirmation of the Plan, except for Executory Contracts or plans that previously have been rejected, are the subject of a motion to reject pending on the Confirmation Date or have been specifically waived by the beneficiaries of any plans or contracts. In addition, pursuant to the requirements of Section 1129(a)(13) of the Bankruptcy Code, the Plan provides for the continuation of payment by the Debtor of all “retiree benefits,” as defined in Section 1114(a) of the Bankruptcy Code, if any, at previously established levels.

4. ***Indemnification and Reimbursement Obligations of the Debtor.***

As of the Effective Date, except to the extent otherwise provided in the Plan, the obligations of the Debtor to indemnify and reimburse persons who are current or former shareholders, directors, officers, or employees of the Debtor for any obligations as provided in the Debtor’s certificate of incorporation, bylaws, shareholders’ agreement, applicable state law, or any other agreement, or any combination of the foregoing, including without limitation the UGL Shareholders’ Agreement executed on March 4, 1987, as same may be amended, requiring the disbursement of dividends to shareholders to pay their federal and state tax obligations on an annual basis, shall survive confirmation of the Plan, remain unaffected thereby, and not be discharged in accordance with Section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with an event occurring before, on, or after the Petition Date. Such obligations shall be assumed by Reorganized UGL on the Effective Date. In furtherance of the foregoing, Reorganized UGL shall use its commercially reasonable efforts to maintain or procure insurance for the benefit of such shareholders, directors, officers, or employees at levels satisfactory to Reorganized UGL.

C. **Distributions under the Plan on Account of Claims other than Trust Claims**

1. ***Distributions.***

Reorganized UGL will make all Distributions required under the Plan as provided under Article VI of the Plan, other than distributions related to Class 4 Claims. For the avoidance of doubt, while UGL shall make Distributions to holders of Allowed Class 3B Settled Asbestos Claims, such Distributions shall be made from the UGL Shareholder Cash Contribution up to an amount not to exceed \$2.2 million. All distributions to be made on account of Class 4 (Trust Claims) shall be made in accordance with the terms of the Trust Agreement and the Trust Distribution Procedures, as more fully described in Exhibit F to the Plan and Article VII below.

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 after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

2. ***Post-petition Interest on Claims.***

Unless expressly provided for in the Plan, the Plan Documents, the Confirmation Order, or any contract, instrument, release, settlement or other agreement entered into in connection with the Plan, interest shall not accrue on or after the Petition Date on account of any Claim, except with respect to the following Claims, which shall accrue interest from and after the

Petition Date until paid at the federal judgment rate in effect on the Confirmation Date: (i) the Allowed portion of Administrative Expense Claims entitled to priority under Section 503(b)(9) of the Bankruptcy Code; (ii) the Allowed Class 3A General Unsecured Claims; and (iii) the Allowed Class 3B Settled Asbestos Claims.

3. ***Means of Cash Payment.***

At the option of the Debtor, any Cash payment to be made under the Plan may be made by a check, or wire transfer or as otherwise required or provided in any applicable agreement.

4. ***Delivery of Distributions.***

Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim (except Trust Claims) shall be made at the address of such holder as set forth on the Schedules or on the books and records of the Debtor, unless a different address is specified in any Proof of Claim filed by such holder, or the Debtor and/or its Claims and Balloting Agent has been notified in a writing of a change of address.

If any holder's Distribution is returned as undeliverable, then no further Distributions to such holder shall be made unless and until Reorganized UGL is notified of such holder's then current address, at which time all missed Distributions shall be made to such holder without further interest. Nothing contained in the Plan shall require the Debtor or Reorganized UGL to attempt to locate any holder of an Allowed Claim.

5. ***Time Bar to Cash Payments.***

Checks issued by Reorganized UGL in respect of Distributions on Allowed Claims (except Trust Claims) shall be null and void if not presented for payment within ninety (90) days after the date of issuance thereof. Requests for reissuance of any check shall be made in writing to Reorganized UGL by the holder of the Allowed Claim to whom such check originally was issued on or before thirty (30) days after the expiration of the ninety (90) 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 become the property of Reorganized UGL, or the Trust (if such void check relates to a Settled Asbestos Claim), and the Claim of any holder otherwise entitled to such Distributions shall be discharged and forever barred.

6. ***Holders of Claims on Record Date.***

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Record Date shall be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Record Date. The Debtor and/or Reorganized UGL shall have no obligation to recognize any Claim transfer occurring after the 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.

7. *Setoff.*

Subject to the limitations provided in Section 553 of the Bankruptcy Code, the Debtor, Reorganized UGL or the Trust, as applicable, may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever the Debtor or Reorganized UGL may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtor or Reorganized UGL of any claim that the Debtor may have against such holder.

D. Claims Administration; Resolution of Disputed Claims

1. *Disputed Claims Other than Trust Claims.*

All Disputed Claims against the Debtor (other than Trust Claims) will be resolved in accordance with the provisions of Article IX of the Plan and described briefly below. In accordance with the terms of the Trust Agreement and the Trust Distribution Procedures, only the Trust will have the right to object to and/or resolve Trust Claims.

2. *Objections to Claims and Amended Schedules.*

As soon as practicable, but in no event later than the first 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), unless otherwise ordered by the Bankruptcy Court or as set forth in the Plan, objections to Claims (other than Trust Claims) shall be Filed with the Bankruptcy Court; *provided, however*, that Reorganized UGL may seek to extend such period (or any extended period) for cause. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Debtor or Reorganized UGL, as the case may be, shall have the exclusive right to make and file objections to Proofs of Claims (other than Proofs of Claim in respect of Trust Claims).

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

3. *Disallowance of Improperly Filed Claims.*

Subject to Section 502 of the Bankruptcy Code and Bankruptcy Rules 3008 and 9006, any Claim for which the filing of a Proof of Claim or motion with the Bankruptcy Court is required under the terms of the Bankruptcy Code, the Bankruptcy Rules, any order of the Bankruptcy Court (including one providing a bar date) or the Plan, shall be Disallowed if and to the extent that such Proof of Claim (or other filing) is not timely and properly made.

4. *No Distributions Pending Allowance.*

No payments or Distributions will be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order, and the Disputed Claim has become an Allowed Claim; *provided, however*, that in the event that only a portion of such Claim is an Allowed Claim, the Debtor or Reorganized UGL, as the case may be, may, in its discretion, make a Distribution pursuant to the Plan on account of the portion of such Claim that is an Allowed Claim.

5. *Estimation of Claims.*

Except Trust Claims, the Debtor or Reorganized UGL, 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 Debtor 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.

6. *Preservation of Rights to Settle Claims.*

In accordance with Section 1123(b) of the Bankruptcy Code, except as otherwise provided in the Plan, the Debtor and Reorganized UGL shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, Causes of Action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtor or its Estate may hold against any Entity, without the necessity for Bankruptcy Court approval under Bankruptcy Rule 9019.

ARTICLE VI

INSURANCE RIGHTS

A. **Transfer of Insurance Proceeds to the Trust**

Pursuant to Section 8.1 of the Plan, on the Date, the Debtor irrevocably transfers, grants and assigns to the Trust any and all of the Asbestos Insurance Rights. This transfer, grant and assignment is made to the maximum extent permitted under applicable law. This transfer, grant and assignment is not an assignment of any insurance policy. From and after the Effective Date, the Trust shall be empowered and entitled, in its sole and absolute discretion, to pursue, compromise or settle the Asbestos Insurance Rights.

Notwithstanding anything in the Plan to contrary, the Trust shall be responsible for any applicable deductibles and/or self-insured retentions that may be required by the terms of any Asbestos Insurance Policies. The Trust shall have no recourse against the Debtor or Reorganized

Debtor in the event any deductibles and/or self-insured retentions reduce the amounts otherwise payable to the Trust under any Asbestos Insurance Policy.

B. Debtor's Obligation to Pursue Asbestos Insurance Rights

In the event that the transfer, grant and assignment set forth in Section 8.1 of the Plan is determined to be invalid by a court of competent jurisdiction, upon request by the Trust, the Debtor or Reorganized UGL shall: (i) pursue any of the Asbestos Insurance Rights for the benefit of and to the fullest extent required by the Trust; and (ii) immediately transfer any amounts recovered under or on account of any of the Asbestos Insurance Rights to the Trust. While any such amounts are held by or under the control of the Debtor or Reorganized UGL, such amounts shall be held in an interest-bearing account for the benefit of the Trust. For purposes of implementing this Section 8.2 only, the Debtor and Reorganized UGL appoint the Trust as their agent solely for the purpose of pursuing recovery of the Asbestos Insurance Rights, and the Trust shall accept such appointment.

C. Cooperation

To the extent permitted by applicable law and not inconsistent with any of the provisions of the Plan, the Debtor and Reorganized UGL shall provide the Trust with such cooperation as the Trust may request in connection with the pursuit by the Trust of the Asbestos Insurance Rights. Upon request by the Debtor or Reorganized UGL, the Trust shall promptly reimburse the Debtor and/or Reorganized UGL for its reasonable out-of-pocket costs and expenses (including attorneys' and consultants' fees) incurred at any time in connection with providing such cooperation.

D. Unidentified Asbestos Insurance Policies

If after the Effective Date, the Debtor or Reorganized UGL discovers the existence of an insurance policy that falls within the definition of "Asbestos Insurance Policy" that is not identified on Exhibit A to the Plan, the Debtor or Reorganized UGL shall promptly notify the Trust of such discovery and shall cooperate with the Trust to effectuate an assignment of rights under said policy to the Trust in a manner consistent with Section 8.1 of the Plan.

E. Representations and Warranties.

As of the Confirmation Date, the Debtor pursuant to Section 8.5 of the Plan, shall represent to the Trust that, to the Debtor's knowledge, (i) there is no currently operative assignment to any third party of any Asbestos Insurance Rights under any Asbestos Insurance Policy; and (ii) any written information pertaining to the Asbestos Insurance Policies provided by the Debtor or its authorized representatives to the Committee, the Future Claimants' Representative, or the Trust was true and correct in all material respects as of the respective dates specified therein or, in the absence of any such specification, at the time it was so provided.

ARTICLE VII

THE TRUST AND ASBESTOS CLAIMS RESOLUTION FACILITY

The following summarizes the terms of the Trust Documents. It is intended to be a summary and is qualified in its entirety by reference to the terms of such documents. A copy of the Trust Agreement is attached to the Plan as Exhibit E. A copy of the Trust Distribution Procedures is attached to the Plan as Exhibit F. Holders of Trust Claims are referred to the foregoing Trust Documents for a complete understanding of the operations of the Trust.

A. The Trust

1. *Creation and Purpose of the Trust.*

On the Effective Date, the Trust shall be created in accordance with the Plan and the Trust Documents and in particular, pursuant to the Trust Agreement, copy of which is attached to the Plan as Exhibit E. The Trust shall be a “qualified settlement fund” within the meaning of Treasury Regulation Section 1.468B-1(c).

The purpose of the Trust shall be to (a) assume, liquidate and resolve all liabilities determined to arise from, or relate to, the Trust Claims (whether existing as of the Effective Date or arising at any time thereafter) in accordance with the Plan, the Trust Agreement, the Trust Distribution Procedures and the Confirmation Order, (b) preserve, hold, and manage the Trust Assets for use in resolving and paying Trust Claims, and in such a way as to provide reasonable assurance that the Trust will value, and be in a financial position to pay, Asbestos Personal Injury Claims and Demands that involve similar claims in substantially the same manner, and (c) otherwise comply in all respects with the requirements of Section 524(g)(2)(B) of the Bankruptcy Code.

The Trust shall have no liability for any Claim other than a Trust Claim. On the Effective Date, all right, title and interest in and to the Trust Assets, and any proceeds thereof, will be transferred to, and vested in, the Trust, free and clear of all Claims, Liens, demands, Interests, Encumbrances (except Trust Claims) and other interests of any Entity without any further action of the Bankruptcy Court or any Entity, except as provided in Articles VIII and X of the Plan.

2. *Funding and Receipt of Trust Assets.*

(a) *Cash Contributions to the Trust.* *Cash Contributions to the Trust.* On the Effective Date, the Debtor and/or Reorganized UGL shall make the UGL Cash Contribution and the UGL Shareholder Cash Contribution to the Trust less an amount not to exceed \$2.2 million to fund Distributions to the holders of Allowed Class 3B Settled Asbestos Claims.

(b) *Promissory Notes.* On the Effective Date, (i) as part of the UGL Contribution, Reorganized UGL shall execute and deliver to the Trust the UGL Promissory Note and (ii) as part of the UGL Shareholder Contribution, the UGL Shareholders shall execute and deliver the UGL Shareholder Promissory Note. As security for the UGL Promissory Note and the UGL Shareholder Promissory Note, on the Effective Date, the UGL Shareholders shall execute and deliver to the Trust the Pledge Agreement.

(c) ***Insurance Proceeds Assignment.*** On the Effective Date, the Asbestos Insurance Rights shall automatically be transferred and vested in the Trust pursuant to Article VIII of the Plan.

(d) ***Asbestos Records.*** On the Effective Date, the Debtor and the Trust shall execute an agreement that provides for the Debtor to make the Asbestos Record available to the Trust.

3. ***Assumption of Liabilities.***

Pursuant to the Plan and the Trust Agreement, immediately upon the Effective Date, and without any further action of the Bankruptcy Court or further act or agreement of any Entity, (a) all liabilities, obligations and responsibilities for all Trust Claims shall automatically be transferred and channeled to, and assumed by, the Trust and (b) the Trust shall be solely responsible for the determination, allowance and payment of Trust Claims in accordance with the Trust Agreement and the Trust Distribution Procedures, *provided, however*, that any Claim not subject to the Channeling Injunction because of the terms, conditions, reservations or termination provisions set forth in Section 12.5 of the Plan is not and shall not be transferred and/or channeled to the Trust.

4. ***Institution and Maintenance of Legal and Other Proceedings.***

From and after the Effective Date, the Trust shall be empowered and entitled, in its sole and absolute discretion, to pursue, compromise or settle the Debtor's or Reorganized UGL's interests in any and all Asbestos Insurance Rights.

5. ***Payment of Trust Claims.***

The Trust shall not pay any Trust Claims except those that have been determined to be payable pursuant to the provisions governing the Trust and the Trust Distributions Procedures.

6. ***Excess Trust Assets.***

To the extent there are any Trust Assets remaining after the payment, in full, of all Trust Claims, and the payment, in full, of all Trust Expenses, such excess Trust Assets shall be transferred in accordance with the Trust Agreement.

7. ***Appointment of Trustee.***

On the Confirmation Date, effective as of the Effective Date, the Bankruptcy Court will appoint the individual selected jointly by the Creditors' Committee and the Future Claimants' Representative to serve as the initial Trustee for the Trust, effective as of the Effective Date.

8. ***Appointment of Future Claimants' Representative.***

The Trust Agreement and the Plan provide that James L. Patton, Jr., the Future Claimants' Representative appointed by the Bankruptcy Court to serve in the Chapter 11 Case,

will continue to serve in a fiduciary capacity from and after the Effective Date for the purpose of protecting the rights of persons that might subsequently assert Demands.

9. ***Appointment of Trust Advisory Committee Members.***

The initial members of the Trust Advisory Committee shall be those persons designated in the Confirmation Order, upon the advice and nomination of the Future Claimants' Representative and the Creditors' Committee.

10. ***Trust Claims Review.***

From and after the Effective Date, the Trust may retain such third-party claims reviewers as the Trustee and the Future Claimants' Representative deem appropriate to review and liquidate all Trust Claims submitted to the Trust in accordance with the Trust Agreement and the Trust Distribution Procedures.

11. ***Discharge of Liabilities to Holders of Trust Claims.***

The transfer to, vesting in, and assumption by the Trust of the Trust Assets on or after the Effective Date, as contemplated by the Plan, shall, among other things, discharge the Asbestos Protected Parties for and in respect of all Trust Claims as of the Effective Date.

12. ***Payment of Trust Expenses.***

As of the Effective Date, all liabilities for all Trust Expenses shall automatically, and without further act, deed or court order, be assumed by the Trust and resolved in accordance with the terms, provisions and procedures of the Trust Agreement. Neither the Debtor, Reorganized UGL, nor any Entity other than the Trust shall have any obligation to pay any Trust Expenses.

13. ***Indemnification by the Trust.***

As and to the extent provided in the Trust Agreement, the Trust will indemnify and hold harmless each of (a) the Debtor and Reorganized UGL and their successors and assigns, in their capacities as such; and (b) the Released Parties. In addition, the Trust will provide the Trustee and the Future Claimants' Representative with insurance that is usual and customary for those acting in a fiduciary capacity.

14. ***Medicare Obligations.***

If and when necessary, the Trust shall implement procedures to comply with any and all obligations it may have to satisfy the requirements of the Medicare Secondary Payer Act (42 U.S.C. 1395y(b)) and Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007 (42 U.S.C. 1395y(b)(8)).

15. *Vesting of Causes of Action in the Trust.*

In accordance with Sections 8.1 and 11.10 of the Plan, any and all claims, demands, rights and causes of action arising from or related to the Asbestos Insurance Rights shall vest with and in the Trust on the Effective Date.

16. *Investment Policy.*

Investment of monies held in the Trust shall be administered in the manner which individuals of ordinary prudence, discretion, and judgment would act in the management of their own affairs, subject to any applicable limitations and provisions as set forth in the Trust Agreement.

ARTICLE VIII

INJUNCTIONS AND RELEASES

A. General

The Plan contemplates the establishment of a trust under Section 524(g) of the Bankruptcy Code and an injunction (specifically, the Channeling Injunction) that will channel all Trust Claims (including Demands). The Channeling Injunction, which, among other things, bars the assertion of Trust Claims against UGL and the other Asbestos Protected Parties, is the cornerstone of the Plan. It will preserve and promote the settlements contemplated by and provided for in the Plan, and supplement, where necessary, the injunctive effect of the discharge provided by Sections 1141 and 524 of the Bankruptcy Code.

The Bankruptcy Court shall be asked to issue the Channeling Injunction if the Plan has been accepted by at least two-thirds (2/3) in amount of those holders of Class 4 Claims actually voting on the Plan, determined in accordance with Section 1126(c) of the Bankruptcy Code and the Solicitation Procedures Order, and at least seventy-five percent (75%) in number of those holders of Class 4 Claims actually voting on the Plan, in accordance with Section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code.

Except as specifically provided for in the Plan to the contrary, as of the Effective Date, the rights provided in the Plan shall be in exchange for and in complete satisfaction, settlement and discharge of all Claims (including Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims), Demands, Liens on, and interests in the assets and property of the Debtor, Reorganized UGL and/or the Trust.

B. Discharge Injunction

The discharge injunctions set forth in Sections 12.1 and 12.2 of the Plan shall act as an injunction against any Entity commencing or continuing any action, employment of process or other act to collect, offset, affect or recover any Claim, Demand, Interest or obligation of any kind due from, the Debtor, Reorganized UGL, or the Trust, and with respect to any cause of action, whether known or unknown, against any of the Asbestos Protected Parties or Settling Insurer based on the same subject matter as any Claim or Demand.

Specifically, Section 12.1 of the Plan provides that except as specifically provided in the Plan, the Confirmation Order or the Trust Documents, confirmation of the Plan shall discharge the Debtor and Reorganized UGL from any and all Claims (including Trust Claims and any Claim of a kind specified in Sections 502(g) 502(h) or 502(i) of the Bankruptcy Code), all Demands, and all Liens on, or interests in the assets and property of the Debtor or Reorganized UGL, based on any act or omission, transaction or other activity or security, instrument or other agreement of any kind or nature, that occurred, arose, or existed prior to the Effective Date, whether known or unknown, regardless of whether a Proof of Claim was filed, the Claim was Allowed, or the holder of such Claim or Demand voted on the Plan; *provided, however*, that nothing contained in Section 12.1 of the Plan shall be deemed to release and/or discharge (a) the Trust from making any distribution it is required to make to any holder of a Trust Claim pursuant to other provisions of the Plan or the Trust Documents; (b) UGL and/or Reorganized UGL from any indemnification and/or contribution obligations owed to the UGL Shareholders and/or any of the Debtor's former or current officers and/or directors as set forth in Section 12.8 of the Plan; and (c) UGL, Reorganized UGL and/or the UGL Shareholders from making any and all payments due and owing under the UGL Promissory Note and the UGL Shareholder Promissory Note.

C. Exculpation

Except as otherwise provided in the Plan or in the Confirmation Order, none of the following Released Parties (but solely in respect of their specific capacities as listed below) will have or incur any liability to any Entity (including any holder of a Claim or Interest) for any act or omission in connection with, related to, or arising out of: (a) the formulation, negotiation, preparation, dissemination, prosecution, confirmation, consummation, discussion, implementation or administration of the Plan, the Disclosure Statement, the Plan Documents, and/or any settlement, contract, release, or other agreement or document created or entered into in connection with the Plan; (b) the property to be distributed under the Plan; or (c) any other action or omission in connection with, related to, or arising out of the administration of the Chapter 11 Case or the Plan, except for fraud or willful misconduct as determined by a Final Order, and, in all respects, the Debtor, Reorganized UGL, and each of the other Released Parties shall be entitled to rely upon the good faith and informed advice of counsel with respect to their duties and responsibilities under the Plan and the Plan Documents:

- the Debtor, Reorganized UGL and any of their pre- and post-Confirmation Date officers, directors, shareholders (including, but not limited to, the UGL Shareholders), employees, principals, financial advisors, agents, attorneys, investment bankers, accountants, consultants, and other professionals, in their capacity as such, any Debtor-indemnified party, whether by contract or otherwise (but only to the extent of the Debtor's indemnification obligations (if any) to such Debtor-indemnified party related to Trust Claims), and any successors and assigns of the foregoing;
- the Creditors' Committee, its members, representatives, professionals and/or experts;
- the Future Claimants' Representative, his professionals and experts;

- the DIP Lender;
- any Settling Insurer entitled to protection by agreement of the parties;
- any Entity that, pursuant to the Plan or otherwise, on or after the Effective Date, makes a loan to any of Reorganized UGL, the Trust, or to a successor to, or transferee of any of the respective assets of, the Debtor, Reorganized UGL, or the Trust (but only to the extent that any liability is asserted to exist as a result of its becoming such a lender or to the extent any Encumbrance made in connection with such a loan is sought to be invalidated, upset or Impaired in whole or in part as a result of its being such a lender); and
- any current or former representative of any of the above.

Any act taken, or any omission to act made, with the approval of the Bankruptcy Court will be conclusively deemed not to constitute willful misconduct.

D. Releases

1. ***By the Debtor, Reorganized UGL, and the Trust vis à vis the Released Parties.*** Except as otherwise specifically provided in the Plan, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtor, Reorganized UGL, the Trust and any Entity seeking to exercise the rights of the Estate, whether individually or collectively, including, without limitation, any successor to the Debtor or any Estate representative appointed or selected pursuant to the applicable provisions of the Bankruptcy Code, shall be deemed to forever release, waive and discharge the Released Parties of all claims, obligations, suits, judgments, remedies, damages, demands, debts, rights, liabilities and Causes of Action that the Debtor, Reorganized UGL, the Trust, or any other Entity seeking to exercise the rights of the Estate, are entitled to assert, whether known or unknown, liquidated or unliquidated, fixed or contingent, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, or occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Estate, the conduct of the Debtor's business, the Chapter 11 Case, the Plan or Reorganized UGL (other than the rights under the Plan, the Plan Documents, and the contracts, instruments, releases and other agreements or documents delivered or to be delivered hereunder); *provided, however*, that: (i) nothing contained in the Plan (1) is intended to operate as a release of any potential Causes of Action based upon willful misconduct, or (2) shall apply to obligations arising under the Exit Facility; and (ii) the foregoing release applies to the Released Parties solely in their respective capacities described in the Plan.

2. ***By the Released Non-Debtor Parties vis à vis the Released Debtor Parties and the Trust.*** As provided in Section 12.4(b) of the Plan, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Settling Insurer and the following Released Non-Debtor Parties (but solely in respect of their specific capacities as listed below) will be deemed to forever release, waive and discharge the Debtor, Reorganized UGL, and any of their pre- and post-Confirmation Date officers, directors, shareholders (including, but

not limited to, the UGL Shareholders), employees, principals, financial advisors, agents, attorneys, investment bankers, accountants, consultants, and other professionals, in their capacity as such, any Debtor-indemnified party, whether by contract or otherwise (but only to the extent of the Debtor's indemnification obligations (if any) to such Debtor-indemnified party related to Trust Claims), any successors and assigns of the foregoing, and the Trust, of and from all claims, obligations, suits, judgments, remedies, damages, demands, debts, rights, liabilities and causes of action that the Settling Insurer and/or Released Non-Debtor Parties are entitled to assert, whether known or unknown, liquidated or unliquidated, fixed or contingent, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, or occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Estate, the conduct of the Debtor's business, the Chapter 11 Case, the Plan or Reorganized UGL (other than the rights under the Plan, the Plan Documents, and the contracts, instruments, releases and other agreements or documents delivered or to be delivered hereunder), including any claims asserted, or which could have been asserted, by the Debtor, the Creditors' Committee, the Future Claimants' Representative, and any other party in the action against the UGL Shareholders and others contemplated by the Standing Motion, including the claims asserted in the draft complaint (as amended) filed in connection therewith; *provided, however*, that: (i) nothing contained in the Plan (1) is intended to operate as a release of any potential Causes of Action based upon willful misconduct, or (2) shall apply to obligations arising under the Exit Facility; and (ii) the foregoing release applies to the Released Parties solely in their respective capacities described in the Plan:

- the Creditors' Committee, its members, representatives, professionals and/or experts;
- the Future Claimants' Representative, his professionals and experts;
- the DIP Lender;
- any Entity that, pursuant to the Plan or otherwise, on or after the Effective Date, makes a loan to any of Reorganized UGL, the Trust, or to a successor to, or transferee of any of the respective assets of, the Debtor, Reorganized UGL, or the Trust (but only to the extent that any liability is asserted to exist as a result of its becoming such a lender or to the extent any Encumbrance made in connection with such a loan is sought to be invalidated, upset or impaired in whole or in part as a result of its being such a lender); and
- any current or former representative of any of the above.

3. ***By Holders of Claims.*** Pursuant to the Plan, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, any Entity who has accepted the Plan and/or who is entitled to receive any distribution pursuant to the Plan or the Trust Distribution Procedures shall be deemed to forever release, waive, and discharge all claims, obligations, suits, judgments, remedies, damages, demands, debts, rights, liabilities and causes of action whatsoever against the Released Parties and the Settling Insurers based in whole or in part upon any act or omission, transaction, or occurrence taking place on or prior to the

Effective Date in any way relating to the Debtor, the Estate, the conduct of the Debtor's business, the Chapter 11 Case, the same subject matter as the Claim for which a distribution is received, the Plan or Reorganized UGL (other than the rights under the Plan, the Plan Documents, and the contracts, instruments, releases and other agreements or documents delivered or to be delivered thereunder), including, for the avoidance of doubt, any and all causes of action that an Asbestos Claimant, the Trust or the Future Claimants' Representative did commence or could have commenced against any officer or director of the Debtor (serving in such capacity) that is based upon or arising from any acts or omissions of such officer or director occurring prior to the Effective Date on account of a Trust Claim, to the fullest extent permitted under Section 524(e) of the Bankruptcy Code and applicable law (as now in effect or subsequently extended); *provided, however*, that nothing contained in the Plan is intended to operate as a release of (a) any potential claims based upon willful misconduct or (b) any claim by any federal, state or local authority under the Internal Revenue Code or other tax regulation or any applicable environmental or criminal laws. The foregoing release will be enforceable as a matter of contract law against any Entity who has accepted the Plan and/or who is entitled to receive any property or interest in property pursuant to the Plan or any distribution under the Trust Distribution Procedures.

Notwithstanding anything contained in Section 12.4(c) of the Plan to the contrary, nothing contained in the Plan will discharge or release any claims, obligations, suits, judgments, remedies, damages, demands, debts, rights, liabilities and causes of action held by any of the Released Parties, the Trust or any holder of a Trust Claim against any Asbestos Insurance Company.

E. Section 524(g) Channeling Injunction

1. *Parties Covered by the Channeling Injunction.*

Pursuant to the Channeling Injunction and the Plan, the Settling Insurers and the following entities, which are Asbestos Protected Parties, are protected by the scope of the Channeling Injunction:

- the Debtor, Reorganized UGL and any of the their pre- and post-Confirmation Date officers, directors, employees, principals, financial advisors, agents, attorneys, investment bankers, accountants, consultants, members, shareholders, and other professionals, in their capacity as such, and any of their successors and assigns, including, but not limited to the UGL Shareholders;
- the DIP Lender;
- any Entity that, pursuant to the Plan or otherwise, on or after the Effective Date, makes a loan to any of Reorganized UGL, the Trust, or to a successor to, or transferee of any of the respective assets of, the Debtor, Reorganized UGL, or the Trust (but only to the extent that any liability is asserted to exist as a result of its becoming such a lender or to the extent any Encumbrance made in connection with such a loan is sought to be

invalidated, upset or impaired in whole or in part as a result of its being such a lender); and

- the Trustee and the employees, representatives, agents, financial advisors, accountants and attorneys of or for the Trust.

2. *Terms of the Channeling Injunction.*

In order to preserve and promote the settlements contemplated by and provided for in the Plan, and to supplement, where necessary, the injunctive effect of the discharge provided by Sections 1141(a) and 524(g) of the Bankruptcy Code and as described in Article XII of the Plan, and pursuant to the exercise of the legal and equitable jurisdiction as set forth in Section 524(g) of the Bankruptcy Code and the Confirmation Order, all Asbestos Personal Injury Claims, Indirect Asbestos Personal Injury Claims, and Demands shall be channeled to, and paid solely from, the Trust.

Except as expressly provided for in the Plan and Plan Documents, the sole recourse of any Asbestos Claimant or Future Demand Holder shall be against the Trust pursuant to the provisions of the Channeling Injunction as described in Section 12.5 of the Plan. Each such holder will be enjoined from taking legal action directed against the Debtor, Reorganized UGL, the Settling Insurers, or any other Asbestos Protected Party or the property of any of them for the purpose of, directly or indirectly, collecting, recovering or receiving payment or recovery with respect to a Trust Claim.

Specifically, pursuant to Section 12.5 of the Plan, from and after the Effective Date, all Entities which have held or asserted, which hold or assert, or which may in the future hold or assert any Trust Claim, or cause of action against the Asbestos Protected Parties (or any one of them) or the Settling Insurers, including, but not limited to, all Asbestos Claimants and all Future Demand Holders, shall be permanently and forever stayed, restrained, and enjoined from taking any action for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on, or with respect to any such Trust Claim other than from the Trust in accordance with the Plan and the Channeling Injunction and pursuant to the Trust Agreement, including but not limited to:

- commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding (including a judicial, arbitration, administrative, or other proceeding) with respect to any such Trust Claim in any forum against or affecting any Asbestos Protected Party or Settling Insurer, or any property or interest in property of any Asbestos Protected Party or Settling Insurer;
- enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering by any means or in any manner with respect to any such Trust Claim, whether directly or indirectly, any judgment, award, decree, or other order against any Asbestos Protected Party or Settling Insurer, or any property or interest in property of any Asbestos Protected Party or Settling Insurer;

- creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Encumbrance against any Asbestos Protected Party or Settling Insurer, or any property or interest in property of any Asbestos Protected Party or Settling Insurer with respect to any such Trust Claim;
- asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, directly or indirectly, against any obligation of any Asbestos Protected Party or Settling Insurer, or any property or interest in property of any Asbestos Protected Party or Settling Insurer with respect to any such Trust Claim, except as otherwise specifically provided in the Plan; and
- proceeding in any other manner with regard to any matter that is subject to resolution pursuant to the Trust Agreement with respect to any such Trust Claim, except in conformity and compliance with the Trust Distribution Procedures and, if applicable, any other Plan Documents.

3. *Non-Waiver.*

Except as otherwise expressly provided in the Plan or the Confirmation Order, nothing contained in Section 12.5 of the Plan shall (a) constitute or be deemed a waiver of any claim, right, or cause of action that the Debtor, Reorganized UGL, or the Trust may have against any Entity in connection with or arising out of or related to any Trust Claim, or (b) enjoin the Trust from enforcing any of its Asbestos Insurance Rights, including but not limited to the assertion of any claim, debt, obligation, or liability for payment against an Asbestos Insurance Company to the extent that the coverage obligations of that insurer are not resolved in an Asbestos Insurance Settlement Agreement.

F. Non-Settling Insurers Injunction

1. *Terms.*

In order to promote and preserve the property of the Estate, pursuant to Section 105(a) of the Bankruptcy Code, Section 12.6 of the Plan contains the Non-Settling Insurers Injunction and provides that all Entities except the Trust, the Debtor or Reorganized UGL that have held or asserted, that hold or assert, or that may in the future hold or assert any Claim, Demand or cause of action, against any Asbestos Insurance Company that is not a Settling Insurer, based on, relating to, arising out of, or in any way connected with any Trust Claim under any Asbestos Insurance Policy, including all Claims in the nature of or sounding in tort, or under contract, warranty, or any other theory of law, equity, or admiralty, shall be stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery with respect to any such Claim, Demand, or cause of action, including:

- **commencing, conducting, or continuing, in any manner, directly or indirectly, any suit, action, or other proceeding (including a judicial, arbitration, administrative, or other proceeding) in any forum against**

or affecting any Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement;

- **enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering, by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement ;**
- **creating, perfecting, or otherwise enforcing, in any manner, directly or indirectly, any Encumbrance against any Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement; and**
- **asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, directly or indirectly, against any obligation of any Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement, or against the property of any such Asbestos Insurance Company.**

Reorganized UGL and the Trust shall have the exclusive authority at any time to terminate, reduce, or limit the scope of, the Non-Settling Insurers Injunction. The Non-Settling Insurers Injunction is issued solely for the benefit of the Trust and is not issued for the benefit of any Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement, and no Asbestos Insurance Company that is not a party to an Asbestos Insurance Settlement Agreement is a third-party beneficiary of the Non-Settling Insurers Injunction.

2. *Non-Waiver.*

In accordance with Section 12.6 of the Plan, the Non-Settling Insurers Injunction shall not (a) constitute or be deemed a waiver of any claim, right, or cause of action that the Debtor, Reorganized UGL, or the Trust may have against any Entity in connection with or arising out of or related to any Trust Claim, (b) enjoin the rights of Entities to the treatment accorded them under the Plan, including the rights of Asbestos Claimants to assert their Trust Claims against the Trust in accordance with the Trust Distribution Procedures, or (c) enjoin the Trust from enforcing any of the Asbestos Insurance Rights, including but not limited to the right to assert any claim, debt, obligation, or liability for payment against an Asbestos Insurance Company to the extent that the coverage obligations of that insurer are not resolved in an Asbestos Insurance Settlement Agreement.

G. Limitations of Injunctions

The discharges, releases, injunctions and other provisions contained in the Plan, including those set forth in Sections 12.1, 12.2, 12.3, 12.4, 12.5 and 12.6 of the Plan, will not serve to satisfy, discharge, release, or enjoin:

- the rights of Entities to the treatment accorded to them under Articles III and IV of the Plan, as applicable, including the rights of Entities with Asbestos Personal Injury Claims, Demands or Indirect Asbestos Personal Injury Claims to assert such Claims or Demands against the Trust in accordance with the Trust Distribution Procedures;
- the rights of Entities to assert any claim, debt, obligation, or liability for payment of Trust Expenses against the Trust; and
- claims by the Debtor, the Trust, and/or Reorganized UGL, pursuant to the terms of any Asbestos Insurance Settlement Agreement, including, without limitation, claims against a Settling Insurer concerning any obligation of such company not released in an Asbestos Insurance Settlement Agreement.

H. Reduction of Insurance Judgments

Section 12.9 of the Plan provides that any right, claim or cause of action that an Asbestos Insurance Company may have under applicable non-bankruptcy law against any Settling Insurer, including, but not limited to, any contribution claim, shall be channeled to and become a right, claim or cause of action solely as an offset claim against the Trust and not against the Settling Insurer in question. Any such right, claim or cause of action to which an Asbestos Insurance Company may be entitled, if any, shall be solely a setoff against any recovery of the Trust from that non-settling Asbestos Insurance Company and under no circumstances shall that Asbestos Insurance Company receive an affirmative recovery of funds from the Trust or any other Asbestos Insurance Company for such right or cause of action. Any setoff in favor of an Asbestos Insurance Company shall not constitute a classified or unclassified Claim under the Plan and shall not be subject to or impaired by the Plan, except as provided in Section 12.9 of the Plan. Instead, any such setoff shall be determined, calculated, and applied solely as a matter of applicable non-bankruptcy law without regard to the Plan (except as provided therein) or any bankruptcy law or decision. Notwithstanding anything in Section 12.9 of the Plan to the contrary, Section 12.9 of the Plan does not affect or limit any rights granted to a Settling Insurer under the terms of any Asbestos Insurance Settlement Agreement or the obligations of any party to an Asbestos Insurance Settlement Agreement.

ARTICLE IX

IMPLEMENTATION OF THE PLAN AND EFFECT OF CONFIRMATION

A. Generally

On the Confirmation Date, the Debtor shall be empowered and authorized to take or cause to be taken, prior to the Effective Date, all actions necessary to enable it to implement the provisions of the Plan, including, without limitation, the creation of the Trust. From and after the Effective Date, Reorganized UGL shall be governed pursuant to the Amended Certificate of Incorporation and Amended Bylaws described in Section 11.5 of the Plan.

B. Transactions on the Effective Date

1. On the Effective Date, the UGL Shareholders shall retain their Interests in the Debtor as shareholders of Reorganized UGL, subject to the Pledge Agreement, and the following shall be deemed for all purposes to have occurred simultaneously:

- (a) the establishment of the Trust;
- (b) the making of the UGL Contribution and the UGL Shareholder Contribution to the Trust;
- (c) The security to be conveyed pursuant to the Shareholders Pledge Agreement shall be effective;
- (d) the vesting in the Trust of the Trust Assets, as more fully described in, and subject to the conditions set forth in, Article IX of the Plan; and
- (e) the UGL Shareholders' Agreement dated March 4, 1987, shall be deemed to be amended as set forth in the Plan.

2. Distributions required to be made on the Effective Date shall be deemed actually made on the Effective Date if made either (a) on the Effective Date or (b) as soon thereafter as is reasonably practicable.

3. The UGL Shareholder Contribution shall be made in consideration for the releases and injunctions, including the Channeling Injunction, afforded the UGL Shareholders under the Plan and on account of the retention by the UGL Shareholders of their Interests in UGL and Reorganized UGL.

C. Funding for Plan Distributions

The Debtor or Reorganized UGL shall fund its obligations under the Plan, including the payment of Administrative Expense Claims and Distributions on account of Allowed Claims (except for satisfaction of Class 4 and Class 5 Claims) with Cash on hand, including Cash from operations, the proceeds of the Exit Facility, if necessary, and up to \$2.2 million from the UGL Shareholder Cash Contribution (which shall be used to fund Distributions to the holders of Allowed Class 3B Settled Asbestos Claims).

D. Exit Facility

By Order of the Bankruptcy Court dated August 7, 2014, 2014, the Debtor was authorized to (a) enter into a proposal letter with PNC Bank, National Association ("PNC Bank") relating to a preliminary exit financing term sheet, which provides for senior secured financing in the aggregate amount of \$14 million consisting of a revolving loan and a term loan (the "Exit Facility"); and (b) pay certain fees and grant PNC Bank certain indemnities as provided thereunder.

Pursuant to Section 11.4 of the Plan, the Debtor shall be authorized without the need for any further corporate action or without any further action by the Debtor or Reorganized UGL, as applicable, to enter into the Exit Facility Agreement with the Exit Facility Lenders. The Exit Facility Agreement shall provide for senior secured financing in the aggregate amount of \$14 million consisting of a revolving loan and a term loan. Reorganized UGL may use the Exit Facility to (a) fund its obligations under the Plan, (b) repay any existing senior debt; (c) pay fees and expenses associated with the Exit Facility, and (d) such other uses as permitted under the Exit Facility Agreement.

Confirmation of the Plan shall be deemed approval of the Exit Facility (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Debtor and/or Reorganized UGL in connection therewith) and authorization and direction for Reorganized UGL to enter into and execute the Exit Facility Agreement and such other documents as may be required to consummate the Exit Facility, subject to such modifications as the Debtor may deem to be reasonably necessary to consummate its entry into the Exit Facility.

E. Amended Certificate of Incorporation and Bylaws

Pursuant to the Plan, the Certificate of Incorporation and Bylaws of UGL shall, as of the Effective Date, be deemed amended as necessary to effectuate the provisions of Section 1123(a)(6) of the Bankruptcy Code to prohibit the issuance of non-voting equity securities. Except as otherwise provided in the Plan, such Amended Certificate of Incorporation and Amended Bylaws shall contain indemnification provisions applicable to the officers and employees of Reorganized UGL and such other Entities as may be deemed appropriate in the discretion of Reorganized UGL.

Pursuant to the Plan, the existing members of UGL's Board of Directors will continue to serve in their respective capacities after the Effective Date.

F. Reorganized UGL Stock

On the Effective Date, all of the issued and outstanding shares of Class A Voting and Class B Non-Voting stock of the Debtor shall become Reorganized UGL Stock, specifically Class A Voting and Class B Non-Voting stock, respectively, as those classes existed prior to the Petition Date.

Except for payment of state and federal income taxes as required under the UGL Shareholders' Agreement, no distribution shall be made to any UGL Shareholder on account of any Reorganized UGL Stock unless and until the UGL Promissory Note and the UGL Shareholder Note are paid in full.

G. Effectuating Documents; Further Transactions

The Debtor, Reorganized UGL, and all other parties, including all holders of Claims entitled to receive Distributions under the Plan, shall execute any and all documents and instruments that must be executed under or in connection with the Plan in order to implement the

terms of the Plan or to effectuate the Distributions under the Plan; *provided, however*, that such documents and instruments are reasonably acceptable to such party or parties.

H. Vesting of Reorganized UGL's Assets

Pursuant to Section 1141(b) of the Bankruptcy Code, except as otherwise provided in the Plan, the Plan Documents or the Confirmation Order, the property of the Estate (except for the UGL Contribution) will vest in Reorganized UGL on the Effective Date, free and clear of any and all Liens, Claims, Encumbrances and other interests of any Entity, except for Liens securing repayment of the Exit Facility and/or otherwise permitted under the Exit Facility Agreement, including Liens securing the UGL Promissory Note. From and after the Effective Date, Reorganized UGL may operate its business and may use, acquire, and dispose of property free of any restrictions imposed under the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Without limiting the generality of the foregoing, Reorganized UGL may, without application to, or approval by, the Bankruptcy Court, pay Professional fees and expenses that Reorganized UGL incurs after the Effective Date.

I. Title to Trust Assets

On the Effective Date, title to all of the Trust Assets shall vest in the Trust free and clear of all Claims, Liens, Interests, Encumbrances and other interests of any Entity, subject to the provisions of Articles VIII and X of the Plan. The Trust shall be empowered and entitled to process and pay Trust Claims in accordance with the Trust Distribution Procedures and the Trust Agreement.

J. Preservation of Certain Causes of Action; Defenses

Subject to the limitations of Section 11.12 of the Plan relating to successor liability, in accordance with Section 1123(b) of the Bankruptcy Code, Reorganized UGL, as successor in interest to the Debtor and its Estate, shall retain and may enforce any and all rights, claims, and Causes of Action accruing to or that are property of the Debtor or its Estate 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 Debtor, but not including any Asbestos Insurance Rights (except to the extent provided in Section 8.2 of the Plan), and any rights, claims, and Causes of Action against third parties related to or arising out of Allowed Claims, and Reorganized UGL shall retain and may enforce all defenses and counterclaims to all Claims asserted against the Debtor or its Estate, including, but not limited to, setoff, recoupment and any rights under Section 502(d) of the Bankruptcy Code. Reorganized UGL may pursue such claims, rights, or Causes of Action, as appropriate, in its sole and absolute discretion. Notwithstanding anything in Section 11.10 of the Plan to the contrary, neither the Debtor, Reorganized UGL, the Trust, the Creditors' Committee nor the Future Claimants' Representative shall have any rights to pursue any Avoidance Actions or Causes of Action against any of the UGL Shareholders. Nor shall the Debtor, Reorganized UGL, the Creditors' Committee or the Future Claimants' Representative, as applicable, pursue any Avoidance Action against any pre-petition attorney of record for an Asbestos Claimant or the Debtor relating to any transfer made to such attorney of record prior to the Petition Date in connection with, on account of, or relating to a Trust Claim.

Notwithstanding anything in Section 11.10 of the Plan to the contrary, but subject to Section 11.2 of the Plan, on the Effective Date all claims, demands, defenses, rights and Causes of Action of the Debtor and Reorganized UGL relating to Trust Claims and all Asbestos Insurance Rights shall be transferred and assigned to the Trust. Except as otherwise provided in Section 11.10 of the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, the Trust shall retain and may enforce such claims, demands, defenses, rights and Causes of Action and shall retain and may enforce all defenses and counterclaims to all Claims or Demands asserted against the Trust with respect to such Trust Claims, including, but not limited to, setoff, recoupment and any rights under Section 502(d) of the Bankruptcy Code; *provided, however*, that no such claims, demands, defenses, rights, Causes of Action, or counterclaims may be asserted against any Asbestos Protected Party, Settling Insurer, or any Released Party. The 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.

Except as expressly provided in the Plan, nothing contained in the Plan, shall be deemed to be a transfer by the Debtor or Reorganized UGL to the Trust of any claims, demands, rights, Causes of Action, or defenses relating to assumed Executory Contracts (other than Asbestos Insurance Policies and Asbestos Insurance Settlement Agreements) or which otherwise are required by Reorganized UGL to conduct its business in the ordinary course subsequent to the Effective Date.

K. Terms of Injunction and Automatic Stay

All of the injunctions and/or stays in existence immediately prior to the Confirmation Date, whether pursuant to Sections 105, 362 or any other provisions of the Bankruptcy Code, the Bankruptcy Rules or other applicable law, shall remain in full force and effect until the Injunction set forth in the Plan become effective pursuant to a Final Order, and shall continue to remain in full force and effect thereafter as and to the extent provided by the Plan, the Confirmation Order, or by their own terms. In addition, from and after the Confirmation Date, the Debtor may seek such further orders as it may deem necessary or appropriate to preserve the status quo during the time between the Confirmation Date and the Effective Date.

Each of the injunctions contained in the Plan or the Confirmation Order shall become effective on the Effective Date and shall continue in effect at all times thereafter unless otherwise provided by the Plan or the Confirmation Order. All actions of the type or nature of those to be enjoined by such injunctions shall be enjoined during the period between the Confirmation Date and the Effective Date.

L. No Successor Liability

Except as otherwise expressly provided in the Plan, neither the Debtor, Reorganized UGL, any Asbestos Protected Party, nor the Trust (except, as it relates to the Trust Claims) does, or shall be deemed to, assume, agree to perform, pay, or indemnify Creditors or have any responsibility whatsoever for any liabilities or obligations of the Debtor relating to or arising out of the operations of, or assets of, the Debtor, or resulting from actions, events, or circumstances occurring or existing prior to, on, or after the Effective Date.

M. Dissolution of Creditors' Committee; Continuation of Future Claimants' Representative; Creation of the Trust Advisory Committee

On the Effective Date, the Creditors' Committee shall be dissolved automatically, whereupon its members, Professionals, representatives and agents shall be released from any further duties and responsibilities in the Chapter 11 Case and under the Bankruptcy Code, except that the Creditors' Committee shall have standing and capacity to: (a) object to any proposed modification of the Plan; (b) object to or defend Professional Fee Claims (as defined in Art. II, Section 2.2(b) of the Plan); (c) participate in any appeals of the Confirmation Order; and (d) participate as a party in interest in any proceeding involving Section 524(g) of the Bankruptcy Code. Reorganized UGL shall pay the reasonable fees and expenses incurred by the Creditors' Committee and the Future Claimants' Representative relating to any post-Effective Date activities authorized in the Plan, but only to the extent such fees and expenses are not Trust Expenses, provided, further, that any portions of such fees and expenses that are Trust Expenses shall be paid as Trust Expenses in accordance with the Trust Agreement.

The Confirmation Order shall provide for the appointment of the Trust Advisory Committee as provided in Section 10.9 of the Plan, 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 Trust Agreement, to perform the functions specified and required therein.

Except as expressly provided in Section 11.13 of the Plan, all reasonable and necessary post-Effective Date fees and expenses of the professionals retained by the Trust Advisory Committee and the Future Claimants' Representative shall be paid exclusively by the Trust in accordance with the terms of the Trust Agreement, and Reorganized UGL shall not be liable for any such fees and expenses. 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.

N. Payment of Statutory Fees

All fees due and owing under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, and as pro-rated to the Effective Date, shall be paid on or before the Effective Date. Reorganized UGL shall pay all such fees that arise after the Effective Date but before the closing of the Chapter 11 Case, as pro-rated to the closing of the Chapter 11 Case.

ARTICLE X

ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Acceptance or Rejection of the Plan

1. *Persons Entitled to Vote on the Plan.*

Pursuant to the provisions of the Bankruptcy Code, only classes of claims that are impaired under the terms and provisions of a plan are entitled to vote to accept or reject the plan. Generally speaking, under Section 1124 of the Bankruptcy Code, a class of claims or interests is

“impaired” under a plan of reorganization unless, with respect to each claim or interest in such class, the plan: (a) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or (b) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default, (i) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of the kind specified in Section 365(b)(2) thereof, (ii) reinstates the maturity of such claim or interest as such maturity existed before such default, (iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Under the Plan, Classes 1, 2, 3, 5 and 6 are Unimpaired; therefore, the holders of Claims and/or Interests in such Classes are conclusively presumed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code. The Debtor will not solicit acceptances of the Plan from these Classes.

Class 4 is Impaired; therefore, the holders of Claims in Class 4 are entitled to vote to accept or reject the Plan.

2. *Acceptance Pursuant to Section 524(g) of the Bankruptcy Code.*

With respect to holders of Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims classified under Class 4 of the Plan, the Bankruptcy Code provides that, in connection with confirmation of a plan seeking an injunction under Section 524(g), such as the Channeling Injunction, the Bankruptcy Court may issue such an injunction only if: (a) the holders of the Class 4 Claims to be channeled under the injunction are classified separately under the Plan; and (b) at least seventy-five percent (75%) in number of the holders of the Class 4 Claims who actually vote on the Plan vote to accept the Plan.

Each holder of a Class 4 Claim shall be entitled to one vote. Each Ballot for Class 4 Creditors will be assigned a value of a Dollar (\$1.00) for purposes of voting only. This valuation designation will be for voting purposes only and will not be binding upon the holder, the Debtor, or the Trust for any purpose other than for voting on the Plan.

B. Requirements of Confirmation

1. *Confirmation Under § 1129(a) of the Bankruptcy Code.*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements specified in Section 1129(a) of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter the Confirmation Order finding that:

- (i) The Plan complies with the applicable provisions of the Bankruptcy Code;
- (ii) UGL has complied with the applicable provisions of the Bankruptcy Code;

- (iii) The Plan has been proposed in good faith and not by any means forbidden by law;
- (iv) Any payment made or promised by UGL or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the Chapter 11 Case, is subject to the approval of the Bankruptcy Court as reasonable;
- (v) UGL has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of UGL, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy, and UGL has disclosed the identity of any insider that will be employed or retained by UGL, and the nature of any compensation for such insider;
- (vi) The Plan is in the “best interests” of all holders of Claims or Interests in an impaired Class by providing to creditors or interest holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if UGL were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. *See* discussion of “Best Interests Test,” in Section X(B)(2) below;
- (vii) Each Class of Claims or Interests has either accepted the Plan or is not Impaired under the Plan;
- (viii) Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expense Claims and Priority Tax Claims will be paid in full on the Effective Date or in the ordinary course of business (to the extent incurred in the ordinary course of business post-petition);
- (ix) At least one Impaired and non-insider Class of Claims has accepted the Plan;
- (x) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of Reorganized UGL, unless such liquidation or reorganization is proposed in the Plan. *See* discussion of “Feasibility of the Plan” in Section X(B)(3) below;
- (xi) All fees payable under § 1930 of Title 28 will be paid on or prior to the Effective Date; and
- (xii) Reorganized UGL will assume any and all obligations with respect to retiree benefits (as defined in Section 1114 of the Bankruptcy Code) owed to former employees of UGL as of the Effective Date.

Certain of these requirements are discussed in detail below. The Debtor believes that the Plan satisfies all applicable requirements of Section 1129(a) of the Bankruptcy Code.

2. *Best Interests Test.*

Section 1129(a)(7) of the Bankruptcy Code contains the “best interests” test, which requires, with respect to each Impaired Class of Claims, that each holder of an Allowed Claim in such Class, either (a) has accepted the Plan or (b) will receive or retain under the Plan, on account of its Claim, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if UGL was liquidated under chapter 7 of the Bankruptcy Code.

To determine the value that a holder of a Claim in an impaired Class would receive if the Debtor was liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtor’s assets in a hypothetical chapter 7 case (the “Liquidation Value”). The Liquidation Value would consist of the net proceeds from distribution of the Debtor’s assets, augmented by Cash held by the Estate. Such Cash amount would be reduced by the costs and expenses of the liquidation and by any additional Administrative Expense Claims that would result from the termination of the Debtor’s business and the liquidation of its assets in a chapter 7 case.

For the reasons set forth in the Liquidation Analysis (*see* Exhibit F attached hereto), the Debtor believes that the distributions that would be made in a chapter 7 case would be substantially smaller than the distributions contemplated by the Plan because, among other reasons, in a chapter 7 case, (i) a Section 524(g) injunction cannot be provided to the Asbestos Insurance Companies, which would result in less favorable settlements or no settlements at all; (ii) there would be no funded Trust available to pursue Asbestos Insurance Rights against carriers that have not settled; and (iii) no value would be provided to Class 4 Creditors on account of the going concern of the Debtor.

Furthermore, substantially more assets will be available under the Plan because, among other reasons, the Plan incorporates a compromise by and among the Debtor, the Creditors’ Committee, the Future Claimants’ Representative and the UGL Shareholders, under which UGL and the UGL Shareholders are making substantial Cash contributions and delivering the UGL Promissory Note, secured with 100% of Reorganized UGL Stock, and the UGL Shareholder Promissory Note in exchange for the protections provided to these parties under the Plan. Absent the compromises in the Plan, distributions to creditors likely would be delayed by time-consuming litigation and due to the costs of such litigation, the funds actually available for Creditors would be reduced substantially.

The Debtor therefore believes that the Plan is in the best interests of the holders of Class 4 Impaired Claims.

3. *Feasibility Of The Plan.*

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to Section 1129(a)(11) of the Bankruptcy Code, which requires that confirmation of a plan is not likely to be followed by liquidation or the need

for further financial reorganization of the Debtor. In determining whether a plan of reorganization is feasible, a court will consider (i) the adequacy of the proposed capital structure of the reorganized entity, (ii) its earning power, (iii) the overall economic conditions in which it will operate, (iv) the capability of its management, (v) the continuity of its management, and (vi) any other factors the court deems relevant to the successful operation of the reorganized entity to perform the provisions of the Plan.

Upon the Effective Date of the Plan, Reorganized UGL will be generally free of pre-petition debt and anticipates that the cash flow generated by its core business will be sufficient to pay its ongoing business expenses, including its obligations under the UGL Promissory Note, assumed Executory Contracts and the Exit Facility. *See* Exhibit E (Projected Financial Information) attached hereto. Based upon Projected Financial Information, the Debtor believes that the Plan complies with the financial feasibility standard of Section 1129(a)(11) of the Bankruptcy Code.

The financial projections contained in Exhibit E to this Disclosure Statement cover the operations of Reorganized UGL through fiscal year 2016 and consist of Projected Statements of Cash Flow of Reorganized UGL for calendar years 2015 and 2016.

Projected Financial Information is based on numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms; realization of the operating strategy of Reorganized UGL's industry performance; no material adverse changes in applicable legislation or regulations or the administration thereof, or generally accepted accounting principles; no material adverse changes in general business and economic conditions; no material adverse changes in competition; Reorganized UGL's retention of key management and other key employees; adequate financing; and the absence of material contingent or unliquidated litigation, indemnity, or other claims; among other matters.

To the extent that the assumptions inherent in the Projected Financial Information are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtor, many of the assumptions on which the Projected Financial Information is based are subject to significant uncertainties outside the control of Reorganized UGL. Inevitably, some assumptions will not materialize, and events and circumstances occurring after the date on which the Projected Financial Information was prepared may be different from those assumed or may be unanticipated, and may affect adversely Reorganized UGL's financial results. Therefore, the actual results achieved throughout the projection period may vary from the projected results, and the variations may be material and are likely to increase over time. In light of the foregoing, holders of Class 4 Claims entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Projected Financial Information is based in evaluating the Plan.

The Debtor does not intend to update or otherwise revise the Projected Financial Information, including any revisions to reflect events or circumstances existing or arising after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtor does

not intend to update or revise the Projected Financial Information to reflect changes in general economic or industry conditions.

The Projected Financial Information should be read in conjunction with Article XII, below, entitled “RISK FACTORS TO BE CONSIDERED,” and with the assumptions, qualifications and footnotes set forth in the Projected Financial Information (attached as Exhibit E hereto), and the historical consolidated financial information (including the notes and schedules thereto) set forth in Exhibits B, C and D to the Disclosure Statement.

4. *Acceptance by an Impaired Class.*

Because the Plan impairs a Class of Claims, Section 1129(a)(10) of the Bankruptcy Code requires, in order for the Plan to be confirmed, that at least one Impaired Class must accept the Plan by the requisite vote of at least two-thirds in dollar amount and a majority in number of claims of that class who vote. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. *See also* ¶ C(4) *infra*.

5. *Issuance of the Channeling Injunction Under § 524(g) of the Bankruptcy Code.*

As noted above, the Plan contemplates establishing the Trust pursuant to Section 524(g) of the Bankruptcy Code to be funded by the Debtor. The Trust would pay all qualifying Trust Claims. The Plan also includes a channeling injunction to be issued under Section 524(g) of the Bankruptcy Code. Section 524(g) of the Bankruptcy Code authorizes the Bankruptcy Court to supplement the injunctive effect of a discharge by enjoining Entities from taking action to collect, recover, or receive payment or recovery with respect to any claim or demand that is to be paid in whole or in part by a trust created by a plan of reorganization that satisfies the requirements of Section 524(g)(2)(B)(i) of the Bankruptcy Code. The injunction may also bar any action by any Entity based on such claims or demands against the debtor that are directed at third parties. To obtain this supplemental injunction, a trust must be established that (a) assumes asbestos-related claims pending against a debtor on the petition date; (b) is funded in whole or in part by the debtor or with an obligation by the debtor to make future payments; (c) owns or is entitled to own, if specific contingencies occur, a majority of the voting shares of the debtor; and (d) uses its assets or income to satisfy such claims and demands.

As a requirement before issuing an injunction under Section 524(g) of the Bankruptcy Code, the Bankruptcy Court must determine that (a) the debtor is likely to be subject to substantial future demands for payment arising out of the same or similar conduct or events that give rise to the claims that are addressed by the injunction; (b) the actual amounts, numbers and timing of such future demands cannot be determined; (c) pursuit of such demands outside the procedures prescribed by the plan is likely to threaten the plan’s purpose to deal equitably with claims and demands; (d) the terms of the injunction proposed to be issued under Section 524(g) are set out in the plan and the disclosure statement; 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. The Bankruptcy Court must also insure that the

claims that are the subject of the trust are set forth in one or more separate classes and at least seventy-five percent (75%) of the holders of such claims who actually vote on the plan vote to approve it.

Moreover, the injunction will be valid and enforceable as to future demand holders only if a legal representative is appointed to protect their rights in the proceedings and if the Bankruptcy Court determines that applying the injunction to future demand holders in favor of the beneficiaries of the injunction is fair and equitable with respect to the Persons that might subsequently assert such demands, in light of the benefits provided, or to be provided, to the trust on behalf of the debtor or a beneficiary of the channeling injunction. The order confirming the plan must be issued or affirmed by the District Court. After the expiration of the time for appeal of the order, the injunction becomes valid and enforceable.

The Debtor believes that it will be able to satisfy all the requirements of Section 524(g), so long as the requisite numbers of holders of Class 4 Claims vote in favor of the Plan and thus, the Channeling Injunction to be issued under the Plan and set forth in Section XII(E) of the Plan will be valid and enforceable.

C. Conditions Precedent to Confirmation of the Plan

Confirmation of the Plan shall not occur unless each of the conditions precedent to confirmation of the Plan set forth in Article XIII of the Plan has been satisfied or waived in writing by the Debtor, the Creditors' Committee and the Future Claimants' Representative acting jointly. These conditions, which are designed, among other things, to ensure that the Injunction, releases, and discharges set forth in Article XII of the Plan shall be effective, binding and enforceable, are as follows:

1. The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information in accordance with Section 1125 of the Bankruptcy Code;
2. The Confirmation Order, in form and substance reasonably acceptable to the Debtor, the Creditors' Committee, the Future Claimants' Representative, and the Exit Facility Lenders, shall have been entered by the Bankruptcy Court and accepted and affirmed by the District Court, or issued by the District Court;
3. The Debtor shall have received binding commitments with respect to the Exit Facility on terms and conditions satisfactory to the Debtor;
4. At least two-third (2/3) in amount and at least seventy-five percent (75%) of the holders of Class 4 Claims actually voting on the Plan shall have voted to accept the Plan as contemplated by Sections 1126(c) and 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code;
5. The Trust is approved by the Bankruptcy Court and is subject to its continuing jurisdiction;
6. The Confirmation Order shall, among other things:

- (i) decree that the Confirmation Order shall supersede any Bankruptcy Court orders issued prior to the Confirmation Date that may be inconsistent with the Confirmation Order;
- (ii) provide that, except with respect to obligations specifically preserved in the Plan, including without limitation, Section 12.8 of the Plan, the Debtor is discharged effective on the Effective Date (in accordance with the Plan) from any Claims and Demands, and the Debtor's liability in respect thereof, whether reduced to judgment or contingent, asserted or unasserted, fixed or unliquidated, matured or unmatured, disputed or undisputed, legal or equitable, or known or unknown, that arose from any agreement of the Debtor entered into or obligation of the Debtor incurred before the Effective Date, or from any conduct of the Debtor prior to the Effective Date, or whether such liability accrued before or after the Petition Date, is extinguished completely;
- (iii) provide for the Injunction, including the Channeling Injunction;
- (iv) provide that, as part of the UGL Contribution, the Debtor or Reorganized UGL is obligated to assign (or cause to be assigned) the Asbestos Insurance Rights pursuant to Section 8.1 of the Plan;
- (v) provide that, as part of the UGL Contribution, the Debtor is obligated, on the Effective Date, to deliver to the Trust the UGL Cash Contribution and the UGL Shareholder Cash Contribution (less the sum necessary to satisfy the Allowed Settled Asbestos Claims), and execute and deliver the UGL Promissory Note;
- (vi) provide that, as part of the UGL Shareholder Contribution, the UGL Shareholders are obligated, on or before the Effective Date, to (a) contribute Cash in the amount of \$8 million and the Debtor is obligated to contribute such amount to the Trust (a portion of which shall be used to satisfy the Allowed Settled Asbestos Claims), and (b) execute and deliver the UGL Shareholder Promissory Note, and (c) execute and deliver the Pledge Agreement;
- (vii) provide that the UGL Shareholders shall retain their Interests, which shall become Reorganized UGL Stock as of the Effective Date;
- (viii) provide that, subject to the limitations expressly set forth in Articles VIII and X of the Plan, all transfers of assets of the Debtor contemplated under the Plan shall be free and clear of all Claims, Liens and Encumbrances against or on such assets;
- (ix) authorize the implementation of the Plan in accordance with its terms;
- (x) decree that any transfers effected or entered into, or to be effected or entered into, under this Plan, including under the Exit Facility, 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;

- (xi) approve in all respects the other settlements, transactions and agreements to be effected pursuant to the Plan, including, without limitation, the Trust Agreement, the Trust Distribution Procedures, the UGL Promissory Note, the UGL Shareholder Promissory Note, and the other Trust Documents;
 - (xii) provide that all Executory Contracts assumed or assumed and assigned by the Debtor during the Chapter 11 Case or under the Plan shall remain in full force and effect for the benefit of Reorganized UGL or any assignee thereof 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;
 - (xiii) provide that the transfers of property by the Debtor to Reorganized UGL (a) are or will be legal, valid, and effective transfers of property, (b) vest or will vest Reorganized UGL with good title to such property, except as expressly provided in Section 11.8 of the Plan, (c) do not and will not constitute avoidable transfers under the Bankruptcy Code or under other applicable bankruptcy or non-bankruptcy law; and (d) do not and will not subject Reorganized UGL 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;
 - (xiv) approve the Exit Facility Agreement and authorize the Debtor and Reorganized UGL, as applicable, to execute, deliver and perform their obligations under the Exit Facility Agreement; and
 - (xv) provide that Reorganized UGL shall continue to provide monthly and annual financial reporting to the Trust until such time as the UGL Promissory Note and the UGL Shareholder Promissory Note are paid in full, and
7. The Bankruptcy Court shall have made findings of fact and conclusions of law, among others, in substantially the following form:
- (i) as of the Petition Date, the Debtor had been named as a defendant 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;
 - (ii) the Debtor is likely to be subject to substantial future demands for payment arising out of similar conduct or events that gave rise to the Trust Claims which are addressed by the Channeling Injunction;

- (iii) the actual amounts, numbers and timing of future demands cannot be determined;
- (iv) the Channeling Injunction and the Non-Settling Insurers Injunction shall be issued and implemented in accordance with the Plan and the Trust;
- (v) the Plan does not provide for the liquidation of all or substantially all of the property of the Debtor, Reorganized UGL will continue in business, and confirmation of the Plan is not likely to be followed by the liquidation of Reorganized UGL or the need for further financial reorganization;
- (vi) 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;
- (vii) the Trust, upon the Effective Date, shall assume the liabilities of the Debtor with respect to Trust Claims (subject to the limitations of Sections 10.3 and 12.5 of the Plan);
- (viii) the Trust is to be funded by the Trust Contributions, including the Asbestos Insurance Rights;
- (ix) the Trust, on the Effective Date, by the exercise of contingent rights granted under the Plan, and pursuant to the UGL Promissory Note, the UGL Shareholder Promissory Note, and the Pledge Agreement, would be entitled to own the majority of Reorganized UGL Stock in accordance with the terms of the Pledge Agreement;
- (x) the Trust is to use its assets and income to pay Trust Claims;
- (xi) pursuit of demands outside the procedures prescribed by the Plan and the Trust Distribution Procedures is likely to threaten the Plan's purpose to deal equitably with Trust Claims;
- (xii) the terms of the Channeling Injunction, including any provisions barring actions against third parties, are set forth in the Plan and the Disclosure Statement;
- (xiii) the Plan separately classifies Class 4 Asbestos Personal Injury Claims and Indirect Asbestos Personal Injury Claims, and at least two-thirds (2/3) in amount and at least seventy-five percent (75%) of the members in such Class that voted on the Plan have voted to accept the Plan;
- (xiv) pursuant to the Trust Distribution Procedures, court order or otherwise, 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 Trust Claims or other comparable mechanisms, that provide reasonable assurance that the Trust

will value, and be in a financial position to pay, similar Trust Claims in substantially the same manner;

- (xv) the Future Claimants' Representative was appointed by the Bankruptcy Court to protect the rights of persons who may, subsequent to the date of confirmation of the Debtor's Plan, assert "demands," as defined by Section 524(g) of the Bankruptcy Code, for personal injury or wrongful death from alleged exposure to asbestos and asbestos-containing products against the Debtor, which demands are subject to the Channeling Injunction;
- (xvi) in light of the benefits provided, or to be provided, to the Trust by or on behalf of each Asbestos Protected Party and each Settling Insurer, the Channeling Injunction and the Non-Settling Insurers Injunction are fair and equitable with respect to all Creditors and all Future Demand Holders that might subsequently assert Demands against any Asbestos Protected Party or Settling Insurer and shall be approved as part of the Plan;
- (xvii) the Plan and its acceptance otherwise comply with Sections 524(g) and 1126 of the Bankruptcy Code, and confirmation of the Plan is in the best interests of all Creditors;
- (xviii) the Trust will have the sole and exclusive authority as of the Effective Date to satisfy or defend against all Trust Claims;
- (xix) the Channeling Injunction and the Non-Settling Insurers Injunction are essential to the Plan and the Debtor's reorganization efforts;
- (xx) the UGL Shareholder Contribution constitutes a contribution of substantial assets to the Debtor, the Plan and the Debtor's reorganization, is essential to the feasibility of the Plan and the successful reorganization of the Debtor, constitutes actual and necessary new value to Reorganized UGL and constitutes a sufficient basis upon which to provide the UGL Shareholders with the protections afforded to them under the Plan, Plan Documents and Confirmation Order;
- (xxi) the terms and conditions of the UGL Promissory Note, the UGL Shareholder Promissory Note, the Pledge Agreement and any related documents are essential to the success and feasibility of the Plan. All such documents, when executed by the parties thereto, shall constitute legal, valid, binding and authorized obligations of the parties obligated thereunder, enforceable in accordance with their terms. On the Effective Date, all of the liens and security interests granted in accordance with such documents shall be deemed approved and shall be legal, valid, binding and enforceable liens on the collateral in accordance with the terms of each agreement;

- (xxii) Reorganized UGL and the Trust to be established pursuant to the Plan are valid legal Entities separate and distinct from one another and each of Reorganized UGL and the Trust are not and may not in the future be held liable for any liability of the other Entity based upon any legal or equitable theory, including those consisting of or relating to veil piercing, alter ego, successor liability, fraudulent transfer, or conspiracy, including but not limited to fraudulent transfer or fraudulent conveyance claims under applicable state or federal law;
- (xxiii) the Trust is a “designated settlement fund” as defined in Section 468B of the Internal Revenue Code and a “qualified settlement fund” as defined in Treasury Regulation Section 1.468(B)-1(c) and shall be interpreted and administered in accordance with the rules governing such a fund and the regulations issued pursuant thereto;
- (xxiv) the Exit Facility is approved, and the Debtor or Reorganized UGL, as applicable, are authorized to execute, deliver and perform their obligations under the Exit Facility Agreement with the Exit Facility Lender, upon terms and conditions substantially consistent with those contained in the Exit Facility term sheet, with such changes as may be agreed between the Debtor or Reorganized UGL, as applicable, and the Exit Facility Lenders, as necessary or appropriate to the funding of the Exit Facility in accordance with the Plan; and
- (xxv) the Exit Facility Agreement and all documents relating thereto are approved and shall constitute legal, valid, binding and authorized obligations of the Debtor or Reorganized UGL, as applicable, enforceable in accordance with their terms, and the Exit Facility Lenders are authorized to file at any time and from time to time such financing statements indicating as the collateral all now existing or hereafter arising or acquired property and assets of Reorganized UGL as the Exit Facility Lenders may require, together with any amendments or continuations with respect thereto.

D. Conditions to Effective Date of Plan

In accordance with Section 13.2 of the Plan, the Effective Date of the Plan shall not occur unless and until each of the following conditions has been satisfied or, if applicable, waived:

1. The Channeling Injunction and the Non-Settling Insurers Injunction shall be in full force and effect;
2. The UGL Shareholders shall have made the UGL Shareholder Cash Contribution to the Debtor and/or the Reorganized Debtor;
3. The Exit Facility Agreement shall be in form and substance reasonably acceptable to the Debtor and to the extent that any of such documents contemplate execution by one or more Persons, any such document shall have been executed and

delivered by the respective parties thereto, and all conditions precedent to the effectiveness of each such document and to the funding and credit of the Exit Facility thereunder shall have been satisfied or waived;

4. All authorizations, consents and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained;
5. All actions, documents, certificates and agreements necessary to implement the Plan, including the Plan Documents, shall have been effected or executed and delivered, as the case may be, to the required parties and, to the extent required, filed with the applicable governmental agencies in accordance with applicable laws; and
6. 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; provided, however, that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the option of the Debtor unless the effectiveness of the Confirmation Order has been stayed, reversed or vacated.

E. Waiver of Conditions

The Debtor, with the consent of the Creditors' Committee and the Future Claimants' Representative, may waive, in whole or in part, the conditions set forth above at any time, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan.

F. Effect of Failure of the Effective Date of the Plan

1. If the Effective Date of the Plan does not occur, and the Debtor, in consultation with the Creditors' Committee and the Future Claimants' Representative, determine it is appropriate, then upon notification submitted by the Debtor to the Bankruptcy Court:

- (i) the Confirmation Order shall be vacated, reversed, or modified;
- (ii) no Distributions under the Plan shall be made; and
- (iii) the Debtor and all holders of Claims against and Interests in the Debtor shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred.

2. If the Confirmation Order is vacated modified or reversed pursuant to Section 13.4 of the Plan or otherwise, the Debtor, the Creditors' Committee and the Future Claimants' Representative shall negotiate in good faith to determine if they can agree upon a modified Plan acceptable to all such parties. If the parties are unable to do so within ninety (90) days from the date of such vacating, modification, or reversal of the Confirmation Order (which period may be extended by the agreement of the Debtor, the Creditors' Committee, and Future

Claimants' Representative, filed with the Bankruptcy Court), then the following shall thereupon occur::

- (i) the Trust shall immediately return the UGL Cash Contribution and the portion of the UGL Shareholder Cash Contribution transferred to the Trust to the Debtor and the UGL Promissory Note issued as part of the UGL Contribution shall immediately become null and void and unenforceable against the Debtor and/or Reorganized UGL;
- (ii) the Debtor and/or Reorganized UGL shall return the UGL Shareholder Cash Contribution to the UGL Shareholders;
- (iii) the UGL Shareholder Promissory Note and Pledge Agreement issued as part of the UGL Shareholder Contribution shall immediately become null and void and unenforceable against any UGL Shareholder;
- (iv) the Trust shall immediately transfer all of its assets to the Debtor;
- (v) all rights and interests relating to insurance previously transferred by the Debtor to the Trust shall immediately and automatically revert to the Debtor;
- (vi) the Trust shall immediately thereafter be dissolved and its determinations with respect to any Trust Claim shall be deemed void;
- (vii) the Asbestos Record shall be returned to the Debtor;
- (viii) each of the injunctions and releases contained in the Plan or the Confirmation Order shall be deemed terminated; and
- (ix) nothing contained in the Plan and the Disclosure Statement shall:
 - (A) constitute a waiver or release of any Claims or Interests by, against, or in the Debtor or any other Entity;
 - (B) prejudice in any manner the rights of the Debtor, any holders of Claims against or Interests in the Debtor, or any other Entity in any other or further proceedings involving the Debtor; or
 - (C) constitute an admission, acknowledgement, offer or undertaking by the Debtor, any holders of Claims or any other Entity.

G. Effects of Plan Confirmation

1. *Binding Effect of the Plan.*

Except as otherwise provided in Section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, subject to the occurrence of the Effective Date, the provisions of the Plan

shall bind any holder of a Claim against, or Interest in, the Debtor, the Estate, the Trust and their respective successors or assigns, whether or not the Claim or Interest of such holder is Impaired under the Plan, whether or not such holder has accepted the Plan and whether or not the holder has Filed a Claim. The rights, benefits and obligations of any Person named or referred to in the Plan, whose actions may be required to effectuate the terms of the Plan, shall be binding on and shall inure to the benefit of any heir, executor, administrator, successor or assign of such Person (including, but not limited to, any trustee appointed for the Debtor under Chapters 7 or 11 of the Bankruptcy Code). The Confirmation Order shall provide that the terms and provisions of the Plan and the Confirmation Order shall survive and remain effective after entry of any order which may be entered converting the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, and the terms and provisions of the Plan shall continue to be effective in this or any superseding case under the Bankruptcy Code.

2. ***Exoneration and Reliance.***

As set forth in the Plan and in Section VIII(C) above, the Debtor, Reorganized UGL, the Creditors' Committee, the DIP Lender and the Future Claimants' Representative, as well as their respective stockholders, directors, officers, agents, employees, members, attorneys, accountants, financial advisors, and representatives shall not be liable, other than for willful misconduct, to any holder of a Claim or Interest or any other Entity with respect to any action, omission, forbearance from action, decision or exercise of discretion taken at any time prior to the Effective Date in connection with the Chapter 11 Case. The Debtor may rely upon the opinions of counsel, certified public accountants, and other experts or professionals employed by the Debtor and such reliance shall conclusively establish good faith and the absence of willful misconduct.

ARTICLE XI

ADMINISTRATIVE PROVISIONS

A. Modification, Revocation or Withdrawal of the Plan

1. ***Modification and Amendments.***

Pursuant to the Plan, the Debtor, with the consent of the Creditors' Committee and the Future Claimants' Representative, may alter, amend, or modify the Plan or any schedules or exhibits thereto under Section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date, *provided, however*, that the Plan, as modified, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with Section 1125 of the Bankruptcy Code, to the extent necessary. After the Confirmation Date and prior to "substantial consummation" (as such term is defined in Section 1101(2) of the Bankruptcy Code) of the Plan, Reorganized UGL may alter, amend or modify the Plan or any schedules or exhibits thereto in accordance with Section 1127(b) of the Bankruptcy Code by filing a motion on notice to the Bankruptcy Rule 2002 service list only, and the solicitation of all Creditors and other parties in interest shall not be required unless directed by Bankruptcy Court, *provided, however*, that: (a) the Plan, as modified, altered, or amended, meets the requirements of Sections 1122 and 1123 of the Bankruptcy Code; and (b) the Bankruptcy Court, after notice

and a hearing, confirms the Plan as modified, under Section 1129 of the Bankruptcy Code, and finds that the circumstances warrant such modification.

2. ***Effect of Confirmation on Modification.***

Entry of the Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation of votes on the Plan and prior to entry of the Confirmation Order are approved pursuant to Section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

3. ***Revocation or Withdrawal of the Plan.***

The Debtor reserves the right to revoke and/or withdraw the Plan any time prior to the entry of the Confirmation Order and to file subsequent plans of reorganization. If the Debtor revokes or withdraws the Plan, or if confirmation of the Plan does not occur, then: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts effected by the Plan and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (c) nothing contained in the Plan shall: (i) be deemed to constitute a waiver or release of any Claims by or against, or Interests in, the Debtor, the Estate, or any other Entity; (ii) prejudice in any manner the rights of the Debtor, the Estate or any other Person in any further proceedings involving the Debtor; or (iii) be deemed an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other Entity including with respect to the amount or allowability of any Claim or the value of any property of the Estate.

B. Retention of Jurisdiction

1. ***General Retention.***

Following the Confirmation of the Plan, the Bankruptcy Court shall retain the fullest and most extensive jurisdiction permissible, including that necessary to ensure that the purposes and intent of the Plan are carried out. Nothing contained herein or in the Plan or the Confirmation Order shall prevent the Debtor, Reorganized UGL, or the Trust from taking such action as may be necessary in the enforcement of any claim or Cause of Action which the Debtor has or may have and which may not have been enforced or prosecuted by the Debtor, which claims and/or Causes of Action shall survive Confirmation of the Plan and shall not be affected thereby except as specifically provided in the Plan.

2. ***Specific 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 Case and the Plan, including, among other things, jurisdiction to:

(i) 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 Trust Claims);

(ii) 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 Trust, the Debtor and/or Reorganized UGL after the Effective Date, including any proceedings with respect to any Avoidance Actions (except to the extent that any such Avoidance Action has been released under the Plan or the Confirmation Order) or otherwise to recover assets for the benefit of the Estate or the Trust;

(iii) hear and determine all objections to the termination of the Trust;

(iv) hear and determine such other matters that may be set forth in or arise in connection with the Plan, the Confirmation Order, the Injunction, or the Trust Agreement;

(v) hear and determine any proceeding that involves the validity, application, construction, enforceability, or modification of the Channeling Injunction;

(vi) hear and determine any conflict or other issues that may arise in the Chapter 11 Case and the administration of the Trust;

(vii) enter such orders as are necessary to implement and enforce the injunctions described in the Plan, including, if necessary, in connection with application of the protections afforded by Section 524(g) of the Bankruptcy Code to the Asbestos Protected Parties;

(viii) hear and determine any and all applications pursuant to Section 330 or 503 of the Bankruptcy Code for allowance of any compensation for Professional services rendered and reimbursement of expenses incurred in connection therewith and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;

(ix) enter such orders authorizing non-material modifications to the Plan as may be necessary to comply with Section 468B of the Internal Revenue Code;

(x) 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 the Debtor is a party, and to hear and determine and, if necessary, liquidate any and all Claims arising therefrom;

(xi) 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 the Trust, the Debtor and/or Reorganized UGL or any other party in interest subsequent to the Effective Date;

(xii) 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, however*, that

there shall be no modification made at any time that would reduce or eliminate any of the protections provided under the Plan to the Asbestos Protected Parties;

(xiii) 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;

(xiv) hear and determine any proposed compromise and settlement of any claim against or cause of action by or against the Debtor that has been or properly should have been brought in the Bankruptcy Court;

(xv) hear and determine any objections to Administrative Expense Claims 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;

(xvi) hear and determine matters concerning state, local and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

(xvii) 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;

(xviii) 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 under the Plan, including, but not limited to, performance of the Debtor's duties under the Plan;

(xix) enforce remedies upon any default under the Plan;

(xx) hear and determine any other matter not inconsistent with the Bankruptcy Code;

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

(xxii) enter a final decree closing the Chapter 11 Case.

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" shall be deemed to be a reference to the "District Court." Notwithstanding anything in the Plan to the contrary, the Trust Agreement and the Trust Distribution Procedures shall govern the satisfaction of Trust Claims and the forum in which Trust Claims shall be determined.

C. Miscellaneous Provisions

1. *Governing Law.*

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), or a schedule or exhibit to the Plan or an instrument, agreement or other document executed under the Plan provides otherwise, the rights, duties and obligations arising under the Plan, and the instruments, agreements and other documents executed in connection with the Plan, shall be governed by, and construed and enforced in accordance with, the internal laws of the Commonwealth of Pennsylvania without giving effect to the principles of conflicts of law thereof.

2. *Notices.*

All notices, requests or demands to or upon the Debtor, the Future Claimants' Representative or the Creditors' Committee under or in connection with the Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage prepaid, (ii) hand delivery or (iii) reputable overnight delivery services, all charges prepaid, and shall be deemed to have been given when received by the following parties:

If to the Debtor:

United Gilsonite Laboratories
c/o Thomas R. White
1396 Jefferson Avenue
P.O. Box 70
Scranton, PA 18509-2425

with a copy (which alone will not constitute notice) to:

Mark B. Conlan, Esq.
Karen A. Giannelli, Esq.
Frank J. Vecchione, Esq.
Gibbons P.C.
One Gateway Center
Newark, NJ 07102

If to the Future Claimants' Representative:

James L. Patton, Jr., Esq.
Young Conaway Stargatt & Taylor, LLP
Rodney Square
100 North King Street
Wilmington, DE 19801

with a copy (which alone will not constitute notice) to:

Edwin J. Harron, Esq.
Young Conaway Stargatt & Taylor, LLP
Rodney Square

100 North King Street
Wilmington, DE 19801

If to the Creditors' Committee:

Brian Fitzpatrick
Belluck & Fox LLP
546 Fifth Ave, 4th Floor
New York, NY 10036

with a copy (which alone will constitute notice) to:

Natalie D. Ramsey, Esq.
Laurie A. Krepto, Esq.
Montgomery, McCracken, Walker & Rhoads LLP
123 South Broad Street
Philadelphia, PA 19109

3. ***Filing of Additional Documents.***

Any and all exhibits, lists, or schedules referred to herein or in the Plan but not Filed with the Plan shall be Filed with the Clerk of the Bankruptcy Court at least five (5) Business Days prior to the deadline established by the Bankruptcy Court for the Filing and service of objections to the Plan. Thereafter, the Plan Documents will be available for inspection in the office of the Clerk of the Bankruptcy Court during normal court hours and at an internet site maintained for UGL by the Claims and Balloting Agent at <http://www.gcginc.com/cases/ugl/index.php>.

4. ***Controlling Documents.***

In the event and to the extent that any provision of the Plan or the Trust Agreement is inconsistent with any provision of the Disclosure Statement, the provisions of the Plan or Trust Agreement, as applicable, shall control and take precedence. In the event and to the extent that any provision of the Trust Agreement is inconsistent with any provision of the Plan, the Plan shall control and take precedence. In the event and to the extent that any provision of the Confirmation Order is inconsistent with any provision of the Plan or the Trust Agreement, the provisions of the Plan shall control and take precedence.

5. ***Compromises of Controversies.***

From and after the Effective Date, Reorganized UGL shall be authorized to compromise controversies not involving the Trust or Trust Claims, on such terms as Reorganized UGL may determine, in its sole discretion, to be appropriate, without further order of the Bankruptcy Court.

6. ***Reservation of Rights.***

If the Plan is not confirmed by a Final Order, or if the Plan is confirmed and does not become effective, the rights of all parties in interest in the Chapter 11 Case are and shall be reserved in full. Any concessions or settlements reflected in the Plan are made for purposes of the Plan only, and if the Plan does not become effective, no party in interest in the Chapter 11

Case shall be bound or deemed prejudiced by any such concession or settlement. Moreover, if the Plan does not become effective, no party in interest in the Chapter 11 Case shall be bound or prejudiced by any representation, written or oral, made by any party in connection with the Plan or the negotiation or prosecution of the Plan, including without limitation the representations made in the Plan, the Disclosure Statement or the Confirmation Order.

7. *No Waiver.*

Neither the failure to list a Claim in the Schedules filed by the Debtor, the failure of any Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim prior to Confirmation or the Effective Date, the failure of any Person to assert a Cause of Action prior to Confirmation or the Effective Date, the absence of a Proof of Claim having been Filed with respect to a Claim, nor any action or inaction of any Person with respect to a Claim or Cause of Action other than a legally effective express waiver or release shall be deemed a waiver or release of the right of the Estate or its successors or representatives, before or after solicitation of votes on the Plan or before or after Confirmation or the Effective Date, to (a) object to or examine such Claim, in whole or in part, or (b) retain and either assign or exclusively assert, pursue, prosecute, utilize, otherwise act or enforce any Causes of Action.

8. *Severability.*

Upon the unanimous agreement of the Debtor or Reorganized UGL, as applicable, the Creditors' Committee, unless such committee has been dissolved, the Trust Advisory Committee but only if the Creditors' Committee has been dissolved, and the Future Claimants' Representative, any provision of the Plan, the Confirmation Order, the Channeling Injunction, or any of the exhibits to the Plan that is determined to be prohibited, unenforceable, or invalid by a court of competent jurisdiction or any other governmental Entity with appropriate jurisdiction, may be deemed ineffective as to any jurisdiction in which such provision is prohibited, unenforceable, or invalidated to the extent of such prohibition, unenforceability, or invalidation without invalidating the effectiveness of the remaining provisions of the Plan, the Plan Documents, the Confirmation Order, the Channeling Injunction and the exhibits to the Plan or affecting the validity or enforceability of such provision and such remaining provisions in any other jurisdiction, *provided, however*, that nothing contained in the Plan shall be construed or interpreted to invalidate any provision of the Plan or the Confirmation Order which is required under Sections 524(g) and 1129 of the Bankruptcy Code.

9. *Further Authorizations.*

The Debtor and Reorganized UGL, as applicable, and, after the Effective Date, the Trust, if and to the extent necessary, may seek such orders, judgments, injunctions, and rulings as each deems necessary to carry out further the intentions and purposes of, and to give full effect to the provisions of, the Plan.

ARTICLE XII

RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLASS 4 CLAIMS AGAINST THE DEBTOR 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 INCORPORATED 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. General

The successful reorganization of UGL is dependent on several factors. Among these factors are the continuing contributions of key employees – both management and non-management. The following is intended as a summary of certain risks associated with the Plan, but is not exhaustive and must be supplemented by the analysis and evaluation of the Plan and this Disclosure Statement as a whole by each holder of a Class 4 Claim with such holder's own advisors.

B. Confirmation Risks

For the Plan to be confirmed, Class 4, the only Impaired Class of Claims, is given the opportunity to vote to accept or reject the Plan. Only those members of Class 4 who vote to accept or reject the Plan will be counted for voting purposes. The Plan will be deemed accepted by Class 4 if the Plan is accepted by at least two-thirds (2/3) in amount and at least one-half in number of holders of Claims of such Class actually voting on the Plan. In addition, the Debtor must meet all of the requirements for confirmation set forth in Section 1129 of the Bankruptcy Code. The Plan must also comply with the requirements of Section 524(g) of the Bankruptcy Code, including acceptance of the Plan by at least seventy-five (75%) of the holders of Class 4 who vote on the Plan. *See* Section X(A) and (B) above.

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Any objection to the Plan by a party in interest could either prevent, or delay for a significant period of time, confirmation of the Plan.

C. Projected Financial Information

The Projected Financial Information contained in Exhibit E attached hereto consists of estimates by the Debtor's management based on what are currently believed to be reasonable assumptions regarding the future earnings of Reorganized UGL. Unanticipated events and circumstances occurring subsequent to the preparation of these financial projections may affect the actual financial results of Reorganized UGL. While the management of the Debtor believes that the financial projections are reasonable and attainable, there can be no assurance that the

Debtor's assumptions will prove to be valid and the effect of any variance from the projections may be material and adverse and may affect adversely Reorganized UGL's ability to meet its obligations.

D. Risks to Class 4 Recoveries

1. ***UGL Asbestos Insurance Rights Assigned to the Trust.***

The ultimate recoveries, if any, under the Plan to holders of Trust Claims will depend to some extent upon the magnitude of recoveries realized by the Trust or the Debtor under the Asbestos Insurance Policies. A discussion of the insurance coverage available for Trust Claims is provided in Sections III(C)(2) and VII(A)(2)(c) above. Estimating the insurance recovery under the Asbestos Insurance Rights is inherently uncertain and depends on a number of factors, including but not limited to, the potential for disputes over coverage issues with Asbestos Insurance Companies or arising under Asbestos Insurance Settlement Agreements, the principles of law which would likely apply in resolving such disputes, the amount that will be received under Asbestos Insurance Settlement Agreements, the financial stability of the Asbestos Insurance Companies and their ability to meet their obligations, and the costs which may be incurred to settle or otherwise dispose of disputes with Asbestos Insurance Companies over coverage issues. These factors are beyond the control of the Debtor and changes in these factors could materially affect the ultimate insurance recovery and the amount of funding for the Trust.

2. ***Distributions under the Trust Distribution Procedures.***

Payments that will be made on Trust Claims shall be determined under the Trust Distribution Procedures and shall be based on current estimates of the number, types and values of Asbestos Personal Injury Claims and Demands, the value of the assets available to the Trust for their payment, all anticipated administrative and legal expenses, and any other material matters that are reasonable and likely to affect the sufficiency of funds to pay a comparable percentage of full value to all holders of Trust Claims. There can be no certainty as to the precise amounts that will be distributed by the Trust in any particular time period or when Trust Claims will be paid by the Trust.

3. ***The Channeling Injunction.***

The Channeling Injunction, which, *inter alia*, bars the assertion of Trust Claims against the Debtor, Reorganized UGL and the Settling Insurers, is the cornerstone of the Plan. In 1994, the United States Congress added subsection (g) 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 asbestos-related claims and demands. Although the Plan and the Trust Documents have been drafted with the intention of complying with Section 524(g), and establishment of the Channeling Injunction is a condition precedent to confirmation of the Plan, there is no guarantee of the continued validity and enforceability of the Channeling Injunction or Section 524(g), either before or after confirmation of the Plan.

E. Risk of Post-Confirmation Default

Although no guarantees can be given, the Debtor believes that sufficient operating cash flow will be generated to meet Reorganized UGL's operating requirements and to satisfy its future obligations to the Trust, including obligations under the UGL Promissory Note. The Projected Financial Information, attached as Exhibit E hereto, describes Reorganized UGL's projected statement of operations for calendar years 2015 and 2016. At the Confirmation Hearing, the Bankruptcy Court will be required to make a judicial 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 UGL) in order to confirm the Plan.

ARTICLE XIII

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords holders of Claims and Demands the potential for the greatest realization of assets from the Estate and, therefore, that it is in the best interests of all Creditors. The Plan is the product of extensive negotiations among the Debtor, the UGL Shareholders, the Creditors' Committee and the Future Claimants' Representative, and is a delicate balance of the competing and conflicting interests held by those parties. Any attempt to propose an alternative plan containing different terms would threaten to disrupt the balance established by the settlement between the parties that is memorialized in the Plan. This, in turn, could reduce recoveries from the Asbestos Insurance Companies and result in years of costly litigation for all parties. However, if the Plan is not confirmed, or is not confirmable, the alternatives to the Plan include: (a) liquidation of the Debtor under chapter 7 of the Bankruptcy Code; and (b) an alternative plan of reorganization.

A. Liquidation under Chapter 7

The Debtor believes that, when the relevant facts and circumstances are taken into account, the Plan provides a recovery to Creditors that is greater than the probable recoveries by Creditors if the Debtor was liquidated under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate UGL's assets. A discussion of the negative effects that a chapter 7 liquidation would have on the recoveries by holders of Claims and the Debtor's Liquidation Analysis are set forth in Section X(B)(2) above -- "Best Interests Test".

Attached to this Disclosure Statement as Exhibit F is a Liquidation Analysis for UGL, which assumes that a bankruptcy case under chapter 7 has been commenced for UGL, and that the Debtor's assets are liquidated by a court appointed trustee in an orderly liquidation. In performing the Liquidation Analysis, the Debtor has assumed that all holders of Trust Claims (whether presently known or unknown) will be determined to have "claims" that are entitled to share in the proceeds from any such liquidation. The Debtor believes that liquidation under chapter 7 would result in smaller distributions being made to Creditors than those provided for in the Plan because of: (i) the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee; (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation; (iii) the inability to maximize the value of all of the Debtor's assets; and (iv) the

absence of the UGL Shareholder Contribution. The Debtor further believes it is likely that distributions in a chapter 7 liquidation would not occur for a substantial time, primarily due to the time required to liquidate the Debtor's insurance-related assets and the likelihood of potentially protracted litigation to resolve Claims against the Debtor.

Accordingly, if the Debtor was liquidated, the actual liquidation proceeds could be materially lower than the amounts set forth in Exhibit F, and no representation or warranty can be made with respect to the actual proceeds that could be received in a chapter 7 liquidation.

B. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtor or any other party in interest, could attempt to formulate a different plan. Such a plan might involve either a reorganization and continuation of UGL's businesses or an orderly liquidation of its assets. However, any attempt to propose an alternative plan would threaten recoveries from the Asbestos Insurance Companies and the UGL Shareholder Contribution and could result in added years of costly litigation for all parties with no certainty of positive results.

THE DEBTOR BELIEVES THAT THE CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES BECAUSE IT SHOULD PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN LIQUIDATION OR UNDER ANY ALTERNATIVE PLAN.

ARTICLE XIV

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

The following discussion summarizes certain material federal income tax consequences of the implementation of the Plan to the Debtor and to certain holders of Allowed Claims. This summary does not address the federal income tax consequences to (i) holders whose Claims are entitled to payment in full in Cash or are otherwise Unimpaired under the Plan (e.g., allowed Administrative Expense Claims and Allowed Priority Tax Claims), or (ii) holders whose Claims are extinguished without distribution in exchange therefore. This discussion does not purport to be a complete analysis or listing of all potential tax considerations.

The following discussion is based upon existing provisions of the Internal Revenue Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming that would require significant modification of the statements expressed in this Section. Certain tax aspects of the Plan may be uncertain due to recent legislation and the lack of applicable regulations and other tax precedent. Moreover, the tax consequences to holders of Claims may vary based upon the individual tax circumstances of each such holder.

NO RULING HAS OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. ACCORDINGLY, NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE

WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. THE TAX CONSIDERATIONS APPLICABLE TO CERTAIN HOLDERS (SUCH AS PENSION OR PROFIT-SHARING TRUSTS OR FOREIGN INVESTORS) MAY BE DIFFERENT THAN THE GENERAL DISCUSSION CONTAINED HEREIN. THERE MAY ALSO BE STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS APPLICABLE TO EACH HOLDER OF A CLAIM OR INTEREST THAT ARE NOT ADDRESSED HEREIN. EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER'S CLAIM OR INTEREST. THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH ANY OFFERING FOR SALE OF SECURITIES.

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 CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE PLAN.

A. Consequences to the Debtor

1. *Discharge of Indebtedness.*

Cancellation of debt income ("COD") is generally includible in a taxpayer's gross income. COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefore, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as when the payment of the cancelled debt would have given rise to a tax deduction). In addition, any COD realized by a debtor in a bankruptcy case is excluded from the debtor's gross income. The IRC provides that a debtor in a bankruptcy case must reduce certain of its tax attributes (such as net operating loss ("NOL") carryforwards, current year NOLs, general business tax credits, and tax basis in assets) by the amount of any COD that arises by reason of the discharge of the debtor's indebtedness. In the case of an S corporation, any losses previously disallowed under IRC Section 1366(d) because of a shareholder's insufficient basis in the corporation's stock and debt is treated as an NOL, and thus subject to reduction by reason of excluded COD income.

If the amount of such a debtor's COD is sufficiently large, it can eliminate these favorable tax attributes; to the extent the amount of COD exceeds the amount of such tax attributes, the excess COD has no adverse federal income tax consequence (i.e., the remaining COD is simply forgiven). Any reduction in tax attributes under these rules does not occur until the end of the taxable year after such attributes have been applied to determine the tax in the year of discharge and, in the case of asset basis reduction, the first day of the taxable year following the taxable year in which the COD occurs.

Under the Plan, each holder of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and other Allowed Claims in Classes 1, 2, and 3 will be paid the full amount of their Allowed Claims. Since these claims will be paid in full, satisfaction of such Claims should not give rise to COD to the Debtor. The Debtor's partial satisfaction of the Trust Claims generally should not give rise to COD because payment of such Claims generally would have given rise to a deduction for the Debtor.

2. *The Debtor's Tax Status.*

The Debtor is an S corporation for federal income tax purposes as well as in certain states in which it conducts business. As such, taxable income and losses accruing to the Debtor are reported on the Debtor's federal income tax return and allocated among the UGL Shareholders who actually pay income tax on that income, or deduct those losses to the extent allowable against other income of each shareholder. Losses allocated to a shareholder are deductible only to the extent of that individual shareholder's tax basis in his or her stock and debt in the Debtor.

Assuming that each UGL Shareholder has sufficient basis with respect to his or her interests in Reorganized UGL, business losses allocated to such shareholder could generate an individual NOL to an UGL Shareholder. As a general rule, an NOL incurred by a taxpayer during a taxable year can be carried back and deducted against his or her taxable income generated within the two preceding taxable years, and the remainder carried forward and deducted from the taxable income of the twenty (20) succeeding taxable years. NOLs attributable to certain tort liability losses ("specified liability losses"), however, may be carried back for ten years. An NOL constitutes a specified liability loss to the extent it is attributable to product liability, or to expenses incurred in the investigation or settlement of, or opposition to, claims against the taxpayer on account of product liability. The Debtor believes that any otherwise deductible NOL resulting from the payments to the Trust should constitute a specified liability loss and, therefore, should qualify for the ten-year carry-back period.

If, subsequent to the Effective Date and pursuant to the terms of the UGL Promissory Note and the UGL Shareholder Pledge, Reorganized UGL defaults on its obligations under any of those agreements in a manner such that the Trust becomes a UGL Shareholder, the Debtor's S status will immediately terminate. In that event, Reorganized UGL would become a regular taxable C corporation, subject to federal and state income tax obligations, and the UGL Shareholders would be subject to tax on dividends paid to them, if any.

3. *Property Transfer to the Trust.*

It is currently intended that the Trust will constitute a "qualified settlement fund" within the meaning of section 468B of the IRC and the Treasury regulations promulgated thereunder. The regulations promulgated under Section 468B of the IRC provide that a fund, account or trust will be a qualified settlement fund if three conditions are satisfied. First, the fund, account or trust must be 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. A court order giving preliminary approval to a fund, account or trust will satisfy this requirement even though the order is subject to review or revision. Second, the fund, account or trust must be established to resolve or satisfy one or more contested or uncontested claims that have resulted

or may result from an event or related series of events that has occurred and that has given rise to at least one claim asserting liability arising, among other things, out of a tort. Third, the fund, account or trust must be 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.

The Trust will be established pursuant to the Plan with the express purpose of satisfying the requirements of a qualified settlement fund. While ultimate discretion on the federal income tax treatment of the Trust rests with the IRS and the courts, the Debtor anticipates that the Trust will be treated as a qualified settlement fund subject to the tax regime set forth in Section 468B of the IRC and the regulations promulgated thereunder or, in the alternative, the other decisions, opinions or assurances referred to above.

Assuming the Trust is treated as a qualified settlement fund, the Debtor generally would be entitled to a current federal income tax deduction for all transfers of cash and other property (other than its own notes or stock) to the Trust to the same extent it would have been entitled to a deduction if such amounts had been paid directly to the holder of a Trust Claim. The Debtor expects to obtain a deduction with respect to its transfer on the Effective Date to the Trust of cash and certain interests in its insurance coverage. The Debtor generally will not be entitled to a deduction, however, to the extent that it funds the Trust with assets representing amounts not previously included in its income, including insurance proceeds or interests in its insurance coverage previously excluded from its income. If the Debtor's interest in any property transferred to the Trust constitutes appreciated property, the Debtor will recognize gain as of the transfer of such property to the Trust.

If, however, the Trust does not qualify as a qualified settlement fund under Treasury Regulation Section 1.468B-1(c), the Trust would likely be deemed a grantor trust of the Debtor, which would not allow the Debtor to take a tax deduction in the year of the payment to the Trust, but instead in the year the funds are paid to the Asbestos Personal Injury Claimants. In addition, if the Trust were deemed a grantor trust, any income earned by the Trust would be treated as taxable income earned by the Debtor.

B. Consequences to the Trust

Assuming that, as expected, the Trust qualifies as a qualified settlement fund, the Trust will be required to pay federal income tax on its modified gross income, as defined in the Treasury regulations promulgated under Section 468B of the IRC, at the highest rate applicable to estates and trusts. The Trust generally will not be required to include in income amounts transferred to it pursuant to the Plan. Any sale, exchange, or distribution of Trust property generally will result in gain or loss equal to the difference between the consideration received (or the fair market value of the property) on the date of such sale, exchange, or distribution and the adjusted tax basis of such property. For this purpose, the tax basis of property received by the Trust will be its fair market value at the time of receipt. The Trust will not be entitled to deduct amounts that it pays with respect to Trust Claims, but will be entitled to deduct amounts paid for administrative costs and other incidental costs of the Trust.

Dividends on the common stock of Reorganized UGL held by the Trust, if any, will be includible in gross income by the Trust.

C. Consequences to Holders of Claims and Interests

1. *General.*

THE DEBTOR MAKES NO REPRESENTATIONS OR WARRANTIES CONCERNING THE TAX CONSEQUENCES, IF ANY, OF THE PLAN TO ITS CREDITORS AND INTEREST HOLDERS. EACH CREDITOR AND INTEREST HOLDER SHOULD CONSULT WITH HIS, HER, OR ITS TAX ADVISOR CONCERNING THE PLAN.

The U.S. federal income tax consequences to a holder of a Claim that is impaired, including the character and amount of income, gain, or loss recognized as a consequence of the Plan and the distributions provided for thereby, will be determined by reference to the Claim in respect of which the distribution is made and as if the distribution was made directly by the Debtor. Accordingly, a holder's tax consequences will depend upon, among other things: (i) the nature of the Claim, (ii) the manner in which the holder acquired the Claim, (iii) the length of time the Claim has been held, (iv) whether the Claim was acquired at a discount, (v) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years, (vi) whether the holder has previously included in income accrued but unpaid interest with respect to the Claim, (vii) the method of tax accounting of the holder, and (viii) whether the Claim constitutes a security for U.S. federal income tax purposes. There also may be state, local and/or foreign income or other tax considerations or U.S. federal estate and gift tax considerations applicable to holders of Claims or Interests, which are not addressed herein. EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

2. *Holders of Class 1, 2 and 3A Claims.*

The holders of Class 1, Class 2 and Class 3A Claims should not recognize gain or loss, for tax purposes, to the extent that the payment made by the Debtor will be equal to their respective Claims.

3. *Holders of Class 3B Claims.*

Payments to Class 3B claimants funded from the UGL Shareholder Cash Contribution may have tax consequences. Generally, Section 104 of the IRC provides that amounts received as compensation for personal physical injuries are not includable in income, except to the extent attributable to deductions for medical expenses previously taken by the recipient under Section 213 of the IRC. Thus, to the extent that Distributions to holders of Class 3B Settled Asbestos Claims constitute damages received by holders of such Claims on account of personal physical injuries or sickness, such payments should not constitute gross income to such recipients pursuant to Section 104 of the IRC. However, to the extent such payments are attributable to medical expense deductions allowed under Section 213 of the IRC for a prior taxable year, such payments will be taxable as ordinary income to the recipient.

Each holder of a Settled Asbestos Claim should consult his or her own tax advisor as to the proper tax treatment of any amounts received with respect to such Claim.

4. ***Holders of Class 4 Claims.***

The funding of the Trust should not have tax consequences to the Holders of Class 4 Claims. However, payments from the Trust to Class 4 claimants may have tax consequences. Generally, Section 104 of the IRC provides that amounts received as compensation for personal physical injuries are not includable in income, except to the extent attributable to deductions for medical expenses previously taken by the recipient under Section 213 of the IRC. Thus, to the extent that payments from the Trust to holders of Class 4 Trust Claims (other than Indirect Asbestos Personal Injury Claims) constitute damages received by holders of such Claims on account of personal physical injuries or sickness, such payments should not constitute gross income to such recipients pursuant to Section 104 of the IRC. However, to the extent such payments are attributable to medical expense deductions allowed under Section 213 of the IRC for a prior taxable year, such payments will be taxable as ordinary income to the recipient.

Each holder of an Asbestos Personal Injury Claim should consult his or her own tax advisor as to the proper tax treatment of any amounts received with respect to such Claim.

5. ***Holders of Class 5 Workers' Compensation Claims.***

Holders of Class 5 Claims will (i) have their legal, equitable and contractual rights unaltered by the Plan, or (ii) otherwise be treated in a manner that results in them being unimpaired under Section 1124 of the Bankruptcy Code. The confirmation of the Plan will not change the tax treatment which the holders of Class 5 Claims would otherwise have incurred in connection with payments under the Workers' Compensation Insurance.

6. ***Holders of Class 6 Interests.***

Although holders of a Class 6 Interest may not have any direct tax consequences resulting from the implementation of the Plan, in that they are not receiving any payments under the Plan and they are not exchanging their interests, they may realize indirect consequences. The Debtor is an S corporation for federal income tax purposes. As such, any taxable income or losses accruing to the Debtor from the implementation of the Plan will be reported on the Debtor's federal income tax return and allocated among the UGL Shareholders who actually pay income tax on that income, or deduct those losses to the extent allowable against other income of each shareholder. In addition, if, under the terms of the UGL Promissory Note and the UGL Shareholder Pledge, Reorganized UGL defaults on its obligations under any of those agreements in a manner such that the Trust becomes a UGL Shareholder, the Debtor's S status will immediately terminate pursuant to the IRC, with potentially adverse consequences to the UGL Shareholders.

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

All distributions to holders of Allowed Claims under the Plan are subject to any 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 it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX ADVISOR. THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES ALSO MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS URGED STRONGLY TO CONSULT WITH HIS, HER, OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.

ARTICLE XV

SOURCES OF INFORMATION PROVIDED AND THE ACCOUNTING METHOD USED

A. Sources of Information

The information set forth in this Disclosure Statement was provided by and/or prepared in consultation with the Debtor's officers.

B. Accounting Method

The Debtor maintains its books and records on an accrual basis, in accordance with generally accepted accounting principles. The financial statements of the Debtor have been audited by the accounting firm of Joseph M. Alu and Associates through December 31, 2013.

ARTICLE XVI

CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan are preferable to any of the alternatives described above because it will provide the greatest recoveries to all Creditors, including the holders of Class 4 Trust Claims. In addition, other alternatives would involve significant delay, uncertainty, and substantial additional administrative costs.

THE DEBTOR, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND THE FUTURE CLAIMANTS' REPRESENTATIVE URGE HOLDERS OF CLASS 4 ASBESTOS PERSONAL INJURY CLAIMS TO VOTE TO ACCEPT THE PLAN AND TO EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR CLASS 4 BALLOTS SO THAT THEY WILL BE RECEIVED BEFORE THE VOTING DEADLINE OF 5:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2014.

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The undersigned has executed this Disclosure Statement as of the 14th day of August, 2014.

Respectfully submitted,

UNITED GILSONITE LABORATORIES

By: /s/ Thomas R. White

Name: Thomas R. White

Title: President

EXHIBIT A

[TO BE SUPPLIED]

EXHIBIT B

[TO BE SUPPLIED]

EXHIBIT C

[TO BE SUPPLIED]

EXHIBIT D

[TO BE SUPPLIED]

EXHIBIT E

[TO BE SUPPLIED]

EXHIBIT F

[TO BE SUPPLIED]