

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE  
BANKRUPTCY COURT AND UNTIL APPROVED CANNOT BE USED FOR  
SOLICITATION OF OAKFABCO'S PLAN OF REORGANIZATION**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

IN RE:

OAKFABCO, INC.,

Debtor.

Chapter 11

Case No. 15-27062

Hon. Jack B. Schmetterer

**DISCLOSURE STATEMENT WITH RESPECT TO THE  
PLAN OF REORGANIZATION OF OAKFABCO, INC.**

Oakfabco, Inc. (the "Debtor") submits this Disclosure Statement (the "Disclosure Statement") in connection with the Plan of Reorganization of Oakfabco, Inc. dated March 31, 2017 (the "Plan"), to be distributed to all Holders of Claims and Interests in accordance with section 1125(b) of the Bankruptcy Code, and Federal Rules of Bankruptcy Procedure 2002, 3016 and 3017. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

Oakfabco was never a producer or distributor of asbestos-related products. It, however, assumed liability for certain boiler products of American Standard Corporation that may have contained asbestos. The purpose of the Plan described in this Disclosure Statement is to establish a Trust to which the Debtor's asbestos-related liabilities will be transferred along with its insurance assets. The Trust will review and, if appropriate, pay asbestos-related claims against the Debtor.

Please read this Disclosure Statement, the Plan, the exhibits and other supporting materials and any appropriate ballot carefully and follow the instructions set forth below to vote on the Plan. The Debtor believes that the Plan provides the best method of maximizing the recoveries for the Holders of Claims against the Debtor. Therefore, the Debtor recommends that all creditors who are entitled to vote should vote to accept the Plan.

**SUMMARY OF THE PLAN**

The following is a summary of the principal terms of the proposed Plan. The Plan contemplates the formation of a trust (the "Liquidating Trust") which will assume responsibility for the asbestos personal injury claims against the Debtor. The Liquidating Trust will review, resolve, and, if appropriate, pay asbestos personal injury claims. The Plan also treats non-asbestos-related general unsecured claims against the Debtor by paying

them a Pro Rata percentage of the General Unsecured Fund established under the Plan. The details of the Plan, the treatment of creditors and the means for funding and implementing the Plan are more fully described in other sections of this Disclosure Statement and in the Plan. In the event of conflict between the Plan and this Disclosure Statement, the provisions of the Plan shall control. Therefore, the reader is directed to the Plan for a more complete understanding of its terms.

The Plan classifies all Claims against and/or Interests in the Debtor, other than Administrative Expense Claims and Priority Tax Claims, for all purposes, including voting and Distribution. A summary of the classification of these Claims and Interests, the proposed treatment of each Class of Creditors, and the voting status of each Class of Claims or Interests follows:

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
<p>Unclassified: Administrative Expense Claims</p> <p>(Unpaid Administrative Expense Claims incurred during this Chapter 11 Case of approximately \$_____.)</p> <p><b>Estimated Recovery: 100%</b></p>	<p>Allowed Administrative Expense Claims will be paid in full on the Effective Date, or as soon thereafter as such Claims become Allowed, or such other date as is mutually agreed upon by the Debtor and the Holder of any such Claim.</p>	<p>Unimpaired</p>	<p>No</p>
<p>Unclassified: Priority Tax Claims</p> <p>There are no known Priority Tax Claims asserted against the Debtor.</p> <p><b>Estimated Recovery: 100%</b></p>	<p>Any Priority Tax Claims will be paid in full on the Effective Date, or as soon thereafter as such Priority Tax Claims are Allowed.</p>	<p>Unimpaired</p>	<p>No</p>

<p>Class 1: Other Priority Claims</p> <p>There are no known Class 1 Claims asserted against the Debtor.</p> <p><b>Estimated Recovery: 100%</b></p>	<p>Any Priority Claims will be paid in full on the Effective Date, or as soon thereafter as such Other Priority Claims are Allowed.</p>	<p>Unimpaired</p>	<p>No</p>
<p><b>CLASS</b></p>	<p><b>TREATMENT</b></p>	<p><b>STATUS</b></p>	<p><b>ENTITLED TO VOTE?</b></p>
<p>Class 2: Secured Claims</p> <p>There are no known Class 2 Secured Claims asserted against the Debtor.</p> <p><b>Estimated Recovery: 100%</b></p>	<p>On the later of the Effective Date or the Distribution Date, each Holder of an Allowed Class 2 Secured Claim will receive, at the option of the Debtor, cash in the full amount of its Class 2 Claim, the proceeds from the sale of the collateral securing its Class 2 Claim, or such other treatment as the Holder of the Claim and the Debtor shall agree.</p>	<p>Unimpaired</p>	<p>No</p>
<p>Class 3: General Unsecured Claims</p> <p>Claims of General Unsecured creditors other than Asbestos PI Claims estimated to total approximately \$280,000.</p> <p>Estimated Recovery: __%</p>	<p>Holders of Allowed Class 3 General Unsecured Claims shall receive a Distribution from the Debtor of their pro rata shares of the General Unsecured Fund of _____ on account of their Claims.</p>	<p>Impaired</p>	<p>Yes</p>

<p>Class 4: Asbestos PI Claims</p> <p>Class 4 includes Oakfabco Bar Date Asbestos PI Claims, most of which have not been liquidated, as well as Indirect Asbestos PI Claims, Derivative Liability Asbestos PI Claims and Direct Action Claims.</p> <p><b>Estimated Recovery: Unknown</b></p>	<p>All Asbestos PI Claims will be liquidated according to the Plan and Trust Distribution Procedures. Holders of Allowed Asbestos PI Claims shall receive a Distribution on their Claims in the amounts to be determined by the Liquidating Trust through the application of Trust Distribution Procedures.</p>	<p>Impaired</p>	<p>Yes</p>
<p>Class 5: Interests</p> <p><b>Estimated Recovery: 0%</b></p>	<p>All outstanding Interests shall be cancelled on the Effective Date.</p>	<p>Impaired</p>	<p>No</p>

**I. INTRODUCTION TO THE DEBTOR’S DISCLOSURE STATEMENT AND PLAN**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. It allows a debtor to remain in operation and work out its financial difficulties. In a chapter 11 bankruptcy case, the debtor continues to manage its affairs as a debtor in possession and as a fiduciary to the creditors of its estate.

Formulation and confirmation of a plan of reorganization are the principal goals of a chapter 11 case. A plan is the vehicle for satisfying claims against a debtor. After a plan has been filed, the holders of claims that will be impaired are permitted to vote to accept or reject the plan. In connection with the filing of a proposed plan, section 1125 of the Bankruptcy Code requires the plan proponent to prepare a disclosure statement containing adequate information of such kind, and in such detail, as to enable a hypothetical reasonable investor to make an informed judgment about the plan.

This Disclosure Statement sets forth certain information regarding the Debtor’s pre-petition history, significant events occurring during this Chapter 11 Case, and the contemplated post- confirmation liquidation of the Debtor’s remaining assets. This Disclosure Statement also describes the Plan, certain effects of confirmation of the Plan, and the manner in which Distributions will be made under the Plan. Finally, this Disclosure Statement discusses the confirmation process and the procedures that Holders of Claims or Interests in impaired Classes must follow to object to confirmation of the Plan.

Chapter 11 does not require that each Holder of a Claim against the Debtor vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. At a minimum, however, the Bankruptcy Code requires that the Plan be accepted by at least one Class of Claims impaired under the Plan. In order for a Class of Claims to accept the Plan, a majority in number and at least two-thirds in amount of those Claims that vote must vote in favor of the Plan.

Even though a Holder of a Claim may choose either not to vote or to vote against the Plan, the Holder will be bound by the terms and treatment set forth in the Plan if the Plan is confirmed by the Bankruptcy Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan.

Confirmation of a chapter 11 plan by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security 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 and other than as provided in the plan itself or the confirmation order, confirmation orders often limit the rights of creditors against a debtor with respect to any debt that arose prior to the date of confirmation of the plan and substitute therefor the obligations specified under the confirmed plan and terminate all rights and interests of equity security holders.

**For a description of the Plan and various risk and other factors pertaining to the Plan as it relates to Holders of Claims against and Interests in the Debtor, please see Sections V and XIII of this Disclosure Statement.**

This Disclosure Statement summarizes certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in this Chapter 11 Case, and certain financial information. Although the Debtor believes that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Factual information contained in this Disclosure Statement has been taken from the Debtor's records or provided by the Debtor's officer, except where otherwise specifically noted. The financial information contained in this Disclosure Statement has not been the subject of a certified audit. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or the documents referred to therein. Creditors are directed 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 control the actual treatment of Claims against and Interests in the Debtor under the Plan. The Plan will, upon occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtor, the Estate and other parties in interest. In the event of any conflict between this Disclosure Statement and the Plan or any other operative document, the terms of the Plan or such other operative document will control.

The statements contained in this Disclosure Statement are made as of the date hereof unless another date is specified. The delivery of this Disclosure Statement shall not, under any

circumstances, create an implication that there has been no change in the facts set forth in this Disclosure Statement since the date hereof.

**Nothing contained in this Disclosure Statement shall be deemed to be conclusive advice on the tax or other legal effects of the reorganization as to Holder of allowed Claims. You should consult your personal counsel or tax advisor on any questions or concerns respecting tax, securities or other legal consequences of the Plan.**

## **II. THE HISTORY OF THE DEBTOR AND ITS BUSINESS**

### **A. The Debtor's Former Business**

The Debtor was originally known as Kewanee Boiler Corporation ("Kewanee"), an Illinois corporation. In 1970, Kewanee purchased all of the assets and assumed certain of the liabilities of a business known as "Kewanee Boiler," which was then a division of American Standard, Inc. ("American Standard"). Kewanee Boiler had manufactured and sold commercial boilers, including boilers that were insulated with asbestos.

As part of the 1970 transaction, Kewanee assumed all of the debts, liabilities, obligations and commitments (fixed or contingent) connected with or attributable to Kewanee Boiler outstanding on the closing date of the transaction (collectively, the "Kewanee Liabilities"). Additionally, on the closing date Kewanee provided American Standard with an Undertaking, under which Kewanee assumed and agreed to pay and defend and hold American Standard harmless against all Kewanee Liabilities, including claims arising out of or in connection with any products manufactured, sold, leased, or installed by Kewanee Boiler on or prior to the closing date.

### **B. The Debtor's 1986 Bankruptcy Proceeding**

On October 28, 1986, Kewanee filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court") for the purpose of dealing with ongoing losses associated with its boiler business. During the 1986 bankruptcy case, Kewanee sold its boiler manufacturing assets to Coppus Engineering Corporation and was renamed Oakfabco, Inc. In March 1988, the Bankruptcy Court confirmed Oakfabco's second amended chapter 11 plan of reorganization (the "1988 Plan"). Although the 1988 Plan included terms which attempted to address the Debtor's liability to claimants who had claims for asbestos-related diseases prior to the confirmation of that Plan, Kewanee did not take any steps in the 1988 Plan to limit its liability to claimants who might assert such claims after confirmation of that plan. The main reason for the 1986 chapter 11 filing was to deal with the Debtor's ongoing losses associated with its boiler business.

### **C. Sale of the Debtor's Remaining Operating Assets**

In 2009, the Debtor sold off its remaining operating assets. Since then, it has not conducted any business. Following that sale, the Debtor's primary remaining assets have been its insurance policies. Because the Debtor did not take steps in connection with its 1986

bankruptcy case to limit its liability to future tort claimants, such claimants continued to file claims against the Debtor following confirmation of its 1988 Plan.

#### **D. Asbestos-Related Claims Against Oakfabco**

The tort claims asserted against the Debtor since confirmation of its 1988 Plan have primarily sought money damages for personal injury and wrongful death alleged as a result of exposure to asbestos-containing products allegedly manufactured or sold by the Debtor or a predecessor in interest (the "Asbestos PI Claims"). As of the commencement of this Chapter 11 Case, the Debtor estimates that there were approximately 3,400 active Asbestos PI Claims and over 30,000 inactive Asbestos PI Claims outstanding against it. The vast majority of these claims have not been liquidated.

#### **E. The Debtor's Liability Insurance Coverage**

As of the Petition Date, the Debtor was the policyholder under various insurance policies (the "Policies") that provide coverage for Asbestos PI Claims ("Asbestos Insurance Policies"). Among the issuers of such insurance policies are: (i) First State Insurance Company, New England Reinsurance Company, and Twin City Fire Insurance Company (collectively, "Hartford"); (ii) Affiliated FM Insurance Company ("Affiliated FM"); and (iii) American Casualty Company, Continental Casualty Company and Columbia Casualty Company (collectively, "CNA"). Hartford, Affiliated FM, and CNA are collectively referred to hereinafter as the "Settling Insurers." Resolution of the Asbestos PI Claims had been handled exclusively by the Settling Insurers for several years prior to the Petition Date.

After years of covering the Debtor's defense and indemnity costs relating to the Asbestos PI Claims, prior to the Petition Date, the Settling Insurers advised Oakfabco that coverage for defense costs was or soon would be exhausted. Apart from its insurance policies and Insurance Settlement Agreement proceeds, the Debtor has no resources with which to defend any Asbestos PI Claims.

Absent the ability to defend Asbestos PI Claims, the Debtor's remaining insurance asset -- the remaining value of the Asbestos Insurance Policies -- would be subject to a "race to the courthouse" by claimants. The claimants who first obtained judgments against the Debtor would be the only ones likely to benefit from the remaining insurance -- to the detriment of all other Asbestos PI Claimants. As a result, in consultation with its counsel, the Debtor determined that it was in its best interests and those of its asbestos-related creditors to seek to monetize its remaining insurance policies via settlement and file this Chapter 11 Case to effect a fair and efficient distribution of the insurance settlement proceeds to those creditors.

#### **F. Events Leading to the Debtor's 2015 Bankruptcy Filing**

The Debtor conducted negotiations with the Settling Insurers prior to filing this Chapter 11 Case. Those negotiations resulted in proposed settlement agreements that, if approved by the Bankruptcy Court, the Settlement Agreements would monetize the policies issued by the Settling Insurers in the aggregate amount of \$17,333,079. Of that total amount, \$4,550,000

would result from a settlement with Affiliated FM, \$3,000,000 from a settlement with Hartford, and \$9,783,079 from a settlement with CNA.

The Insurance Settlement Agreements reached with the Settling Insurers allowed a portion of the proceeds of the proposed settlements to be paid to the Debtor to fund the professional fees and expenses incurred by the Debtor for this Chapter 11 case. The Settling Insurers provided, for the benefit of the Debtor, advance payments totaling \$2,025,000 in connection with their respective obligations under the Insurance Settlement Agreements. All such sums provided by the Settling Insurers were deposited in Reed Smith's client trust account. Reed Smith used a portion of these funds to pay its outstanding fees and expenses incurred prior to this Chapter 11 filing from the balance in its trust account

In order to seek approval for the settlements and propose a chapter 11 plan, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on August 7, 2015 (the "Petition Date"). Shortly after the Petition Date, Reed Smith transferred the balance of the funds remaining in its trust account to a debtor-in-possession account of the Debtor. Funds of the Debtor, after payment of administrative expenses of this Chapter 11 Case, will be used to pay Class 1, Class 2 and Class 3 Claims in accordance with the Plan and to be used, together with other Trust Assets, to administer the Liquidating Trust and pay Class 4 Asbestos PI Claims.

#### **G. Debtor's Current Status**

In cooperation with the Settling Insurers, since 2009 the Debtor's sole business has been defending and, where appropriate, settling Asbestos PI Claims through the use of insurance proceeds. The Debtor has not manufactured boilers since 1988 when it sold its Kewanee boiler business to Coppus Engineering Corporation during the course of the Debtor's prior bankruptcy proceeding, as described above. In early 2009, the Debtor sold all of its remaining operating assets. The Debtor has no employees, and Fred Stein is the Debtor's sole officer and director. Other than cash on hand, the Debtor's sole remaining asset is its insurance policies, and it has few known liabilities other than Asbestos PI Claims.

### **III. PURPOSE OF THIS CHAPTER 11 CASE**

The Debtor filed this Chapter 11 Case for the purpose of resolving all existing Asbestos PI Claims. It is not the Debtor's intention to treat so-called future asbestos claims or demands under the Plan. To resolve current claims, the Debtor has been seeking to monetize its policies of insurance and confirm a chapter 11 plan as soon as practicable. The Plan provides for the establishment of a Liquidating Trust into which the Trust Assets will be transferred upon the Effective Date. The Liquidating Trust will assume liability for all Asbestos PI Claims and will use certain Trust Distribution Procedures ("TDP") to resolve and liquidate the Asbestos PI Claims. By establishing TDP to administer Asbestos PI Claims and govern Trust Distributions, the Liquidating Trust will be able to value and pay current Asbestos PI Claims in a fair and efficient manner. The approval of the Insurance Settlement Agreements or other resolution of

the claims and rights against the Settling Insurers and confirmation of the Plan will ensure that resources exist for a fair and equitable distribution among Holders of Asbestos PI Claims.

#### **IV. THE CHAPTER 11 CASE**

##### **A. Debtor's Remaining Assets**

The Debtor sold its remaining operating assets in 2009 and therefore has not been conducting any business operations since the Petition Date. The Debtor's Estate possesses few remaining unliquidated assets, which are primarily the Debtor's rights under, interests in, and claims against a variety of Insurance Policies, certain of which provide coverage for Asbestos PI Claims.

##### **B. Debtor's Retention of Professionals**

Immediately following the Petition Date, the Debtor retained the law firm of Reed Smith LLP as its bankruptcy counsel. The Debtor has since engaged the accounting firm of Alan Lasko & Associates to prepare its income tax returns and handle other accounting issues.

##### **C. Formation of the Asbestos PI Claimants Committee**

The United States Trustee formed an official Committee of Asbestos Claimants (the "Asbestos Claimants Committee"). The Asbestos Claimants Committee hired the law firm of FrankGecker LLP as its counsel. It also engaged R.M. Fields as its insurance archeologist, Colin Gray as its insurance erosion specialist, and Dennis Connolly as a consulting expert on insurance issues.

##### **D. The Bar Date for Non-Asbestos Related Claims**

On September 22, 2015, the Bankruptcy Court entered an order establishing dates for filing proofs of claim for all claims against the Debtor except for Asbestos PI Claims. The General Bar Date, for claims other than Asbestos PI Claims and claims by governmental entities, was set for November 30, 2015. The bar date for claims by governmental entities was set for February 29, 2016.

##### **E. Objections to Proofs of Claim**

The Debtor reviewed the various proofs of claim filed in this Chapter 11 Case and the bases for those claims. Where appropriate, the Debtor filed objections to proofs of claim. These objections have resulted in the withdrawal or disallowance of proofs of claim totaling in excess of \$3.1 million.

##### **F. The Debtor's Efforts to Obtain Approval of the Settlements with Its Insurers**

The Debtor has made substantial efforts to obtain approval of its settlements with the Settling Insurers. On September 11, 2015, the Debtor filed motions to approve those settlements.

Thereafter, formal notice was sent out to creditors regarding the settlement motions, and notices were published in USA Today and the Wall Street Journal newspapers. On June 27, 2016, the Bankruptcy Court entered an order approving the Debtor's settlement with Affiliated FM, and this settlement was consummated thereafter, with the Debtor receiving the total settlement amount of \$4,550,000 from Affiliated FM.

After reviewing the Debtor's settlement motions and various documents relating to the settlements, the Asbestos Claimants Committee filed an objection to the Debtor's settlements with CNA and Hartford on August 1, 2016. The Asbestos Claimants Committee filed amended objections to those settlements on November 15, 2016. The Debtor, Hartford, and CNA each have filed responses to those objections.

The main contention raised in the Asbestos Claimants Committee's objections is that the settlement amounts are too low given the potential coverage amounts that it contends could be available under the CNA and Hartford policies that are subject to the proposed compromises. In view of the Asbestos Creditors Committee's objection to the Hartford settlement, Hartford raised its settlement offer from \$3,000,000 to \$3,500,000; CNA has not extended any additional consideration for its settlement. After consideration of the Asbestos Claimants Committee's objections, the Debtor has concluded that the settlements it reached (as now augmented by Hartford's increased offer) are fair and reasonable and represent the best way to monetize those policies for the benefit of the Asbestos PI Claimants and the Debtor's other creditors.

The Debtor's motions to approve its settlements with Hartford and CNA remain pending before the Bankruptcy Court. Further information regarding the resolution of those motions and the potential impact of the resolution of those motions is set forth in Article VII of this Disclosure Statement.

#### **G. Establishment of a Qualified Settlement Fund**

With authority from the Bankruptcy Court, the Debtor has established a qualified settlement fund pursuant to section 468B of the Internal Revenue Code into which the settlement proceeds received and to be received by the Debtor during this Chapter 11 Case may be deposited. Upon payment of settlement proceeds into the qualified settlement fund, the Debtor will be able to take a current deduction and avoid payment of income tax liability with respect to those settlement proceeds. The Debtor deposited the proceeds of its settlement with Affiliated FM Insurance into the qualified settlement fund.

#### **H. Bar Date for Oakfabco Asbestos PI Claims**

No date has yet been set by which all holders of Asbestos PI Claims against the Debtor must submit a proof of claim or else be forever barred from asserting a claim against the Debtor or its Estate. The Plan contemplates that a bar date for submitting proofs of claim for Oakfabco Asbestos PI Claims will be set by the Bankruptcy Court after the Effective Date. Oakfabco

Asbestos PI Claims for which a Proof of Claim is filed on or before such bar date are referred to herein as "Oakfabco Bar Date Asbestos PI Claims."

## **V. DETAILS OF THE PLAN**

The Debtor has submitted its Plan to establish a process and framework for resolving and paying Allowed Claims, as well as providing a mechanism for resolving any insurance issues remaining after the Bankruptcy Court's rulings on the pending Settlement Motions.

The remainder of this Section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan. This Section is qualified in its entirety by reference to the Plan (and to the exhibits to the Plan and the definitions contained therein).

### **A. Retention and Liquidation of the Debtor's Remaining Assets**

The Debtor has not been operating any business enterprise since 2009. The Debtor's remaining assets consist primarily of rights under several Asbestos Insurance Policies, which provide coverage for Asbestos PI Claims asserted against the Debtor. The Debtor proposes the Plan to provide for the orderly and efficient administration of the Debtor's assets for the benefit of the Debtor's creditors. Accordingly, the Plan contemplates the creation of the Liquidating Trust to administer Asbestos PI Claims and provide a meaningful distribution to the Holders of such Claims by the use of TDP. On the Effective Date, the Estate shall transfer the Trust Assets, which shall include the Excess Cash, all rights under Approved Insurance Settlement Agreements, the Asbestos Insurance Rights, and the Qualified Settlement Fund, to the Liquidating Trust for the benefit of Asbestos PI Claims.

At this time, the Debtor is currently holding approximately \$4.5 million in cash, after payment of allowed professional fees and other accrued costs of administration. The bulk of these funds is held in the qualified settlement fund account established with authority from the Bankruptcy Court pursuant to section 468B of the Internal Revenue Code, which represents the proceeds of the Debtor's settlement with Affiliated FM. In addition, the Debtor's remaining non-cash assets include the following:

- All claims and causes of action held by the Debtor's Estate, whether direct, indirect, derivative, asserted or unasserted, including, but not limited to any Asbestos Insurance Rights and other claims and causes of action relating to the Estate's interests in its remaining Insurance Policies;
- The Debtor's interests in any and all Insurance Policies, including, but not limited to the Asbestos Insurance Policies issued by CNA and Hartford; and
- The proceeds of any of the foregoing.

**B. Distributions from the Remaining Assets of the Debtor's Estate**

On the Distribution Date, the Debtor shall pay all Allowed Administrative Expense Claims (other than the Administrative Expense Claims of Professionals which shall be paid in accordance with the procedures established in the Confirmation Order), the Allowed Priority Tax Claims, the Class 1 Allowed Priority Claims, the Class 2 Allowed Secured Claims and the Class 3 General Unsecured Claims in accordance with the Plan. Holders of Allowed Class 3 General Unsecured Claims will receive a distribution based on their pro rata share of the General Unsecured Fund as provided under the Plan in the amount of \$\_\_\_\_\_.

Following the Effective Date, Asbestos PI Claims will be resolved and liquidated pursuant to the TDP adopted by the Liquidating Trust. A copy of the TDP is attached as Exhibit \_\_ to the Plan. As set forth in further detail below, the Plan provides that the Liquidating Trust will be making Distributions to the Holders of Allowed Class 4 Asbestos PI Claims based on the TDP.

Holders of Allowed Class 4 Asbestos PI Claims will receive Distributions from the Liquidating Trust, after payment of expenses of the Liquidating Trust accruing after the Effective Date.

**C. Classification and Treatment of Claims and Interests**

Section 1123 of the Bankruptcy Code requires a chapter 11 plan to classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Expense Claims, and Priority Tax Claims which, pursuant to section 1123(a)(1) of the Bankruptcy Code, need not be and have not been classified). The Debtor is also required, under section 1122 of the Bankruptcy Code, to classify Claims against, and Interests in, the Debtor, into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The classification of Claims and Interests and the nature of the Distributions to be made to members of each Class are summarized below. The Debtor believes that the consideration provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests. The Bankruptcy Court must find, however, that a number of statutory tests are met before the Plan may be confirmed. Many of these tests are designed to protect the interests of Holders of Claims or Interests who will be bound by the provisions of the Plan if it is confirmed.

**D. Unclassified Claims**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified and are excluded from the Classes established in Article III of the Plan. The treatment accorded Administrative Expense Claims and Priority Tax Claims is set forth in Article II of the Plan. Administrative Expense Claims and Priority Tax Claims are not impaired under the Plan and therefore do not vote on the Plan.

**E. Classes**

The Plan classifies the remaining Claims against and Interests in the Debtor for all purposes, including voting, confirmation and Distribution, as follows:

- Class 1: Other Priority Claims;
- Class 2: Secured Claims;
- Class 3: General Unsecured Claims;
- Class 4: Asbestos PI Claims; and
- Class 5: Interests.

**F. Treatment of Administrative Expense Claims and Priority Tax Claims**

**1. Administrative Expense Claim**

Each Administrative Expense Claim shall be paid in full on the Effective Date, to the extent Allowed, or either as soon thereafter as each such Administrative Expense Claim is Allowed, or such date thereafter as is mutually agreed upon by the Debtor and the Holder of such Allowed Claim. The professional fees and costs incurred by the Debtor and the Asbestos Claimants Committee are subject to approval of the Bankruptcy Court. The Debtor is also responsible for payment of the charges accrued by its claims and noticing agent, Logan & Company.

While the Case remains pending, the Estate remains responsible for payment of quarterly fees due to the United States Trustee's office. The Debtor's Estate is current on payment of the quarterly fees to the United States Trustee through December 31, 2016. Any quarterly fees that remain unpaid for later periods will be paid on or before the Effective Date.

**2. Priority Tax Claims**

Priority Tax Claims are those Claims of Governmental Units entitled to priority under section 507(a)(8) of the Bankruptcy Code. Each Priority Tax Claim shall be paid in full by the Debtor on the later of (i) the Distribution Date or (ii) the date on which such Priority Tax Claim becomes Allowed, or on such other date as is mutually agreed upon by the Debtor and the Holder of such Allowed Claim. The Debtor believes that no such Priority Tax Claims exist.

**G. Treatment of Classified Claims and Interests**

The proposed treatment of all other Allowed Claims and Interests is set forth in Article IV of the Plan, and is summarized as follows:

**1. Class 1 – Other Priority Claims**

- (a) Description.

Class 1 Claims are Claims entitled to priority treatment pursuant to subsections (a)(1), (4), (5), or (7) of section 507 of the Bankruptcy Code. The Debtor believes that no such Class 1 Other Priority Claims exist.

(b) Impairment and Voting.

Class 1 is unimpaired under the Plan. Holders of Allowed Claims, if any, in Class 1 are presumed to have accepted the Plan and therefore shall not be entitled to vote to accept or reject the Plan.

(c) Treatment.

The Debtor is unaware that any Class 1 Claims exist. Nevertheless, unless otherwise agreed in writing by the Holder of a Class 1 Claim and the Debtor, Class 1 Claims, if any, will be paid in full on the later of the Distribution Date or on the date such Class 1 Claim becomes Allowed.

**2. Class 2 – Secured Claims**

(a) Description.

Class 2 Secured Claims are Claims that are secured by an interest in property owned by the Debtor or in which the Debtor holds an interest, but only to the extent of such interest. The Debtor believes that no such Class 2 Secured Claims exist.

(b) Impairment and Voting.

Class 2 is unimpaired under the Plan. The Holders of Allowed Class 2 Claims are presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(c) Treatment.

The Debtor is unaware that any Class 2 Secured Claims exist. Nevertheless, on the Effective Date or as soon as practicable thereafter, Allowed Class 2 Claims shall be satisfied, at the option of the Debtor either by transferring the collateral securing the Class 2 Claim to the Holder of such Claim in satisfaction of such Claim; by payment of the cash proceeds received from the sale of the collateral of such Holder of a Class 2 Claim in full satisfaction of such Claim; or by such other treatment as to which the Holder of the Allowed Secured Claim and the Debtor shall have agreed in writing.

**3. Class 3— General Unsecured Claims**

(a) Description.

Class 3 General Unsecured Claims consist of all Unsecured Claims against the Debtor's Estate that are not Administrative Expense Claims, Priority Tax Claims, Other

Priority Claims, or Asbestos PI Claims. Most Class 3 Claims are unpaid bills owed to law firms that had been defending the Debtor in asbestos-related litigation. Based on the Debtor's Schedules and the proofs of claim filed in this Chapter 11 Case that have not been withdrawn or disallowed, the Debtor estimates that the Allowed Class 3 Claims total approximately \$280,000.

(b) Impairment and Voting.

Class 3 is impaired under the Plan. Therefore Holders of Class 3 Claims are entitled to vote for or against the Plan.

(c) Treatment.

Holders of Class 3 General Unsecured Claims will receive from the Debtor, in satisfaction of the Holders' Claims, their pro rata shares of the General Unsecured Fund, which is in the amount of \$\_\_\_\_\_.

**4. Class 4 – Asbestos PI Claims**

(a) Description.

Class 4 Asbestos PI Claims are comprised of: (i) all Oakfabco Bar Date Asbestos PI Claims; (ii) all Indirect Asbestos PI Claims; (iii) all Derivative Liability Asbestos PI Claims; and (iv) all Direct Action Claims.

(b) Impairment and Voting.

Class 4 is impaired under the Plan. Therefore, Holders of Class 4 Claims are entitled to vote for or against the Plan.

(c) Treatment.

Asbestos PI Claims, including the over 34,000 unresolved Asbestos PI Claims, the vast majority of which have been asserted in an unliquidated amount, shall be liquidated pursuant to the TDP. Each Holder of an Allowed Asbestos PI Claim shall receive, in satisfaction of the Holder's Claim, a Distribution of cash or its equivalent in an amount to be determined under the TDP. The funds in the Liquidating Trust shall also be used to pay expenses of the Liquidating Trust accruing after the Effective Date.

Distributions from the Liquidating Trust on account of Allowed Asbestos PI Claims shall commence as soon as practicable following the liquidation of all timely-filed Asbestos PI Claims by application of the TDP.

**5. Class 5 – Equity Interests**

(a) Description.

Class 5 is comprised of all Interests of any person or entity arising from ownership or beneficial ownership of shares of stock issued by the Debtor.

(b) Impairment and Voting.

Class 5 is impaired under the Plan. Because Holders of Class 5 Interests will not receive any Distribution under the Plan, Class 5 is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

(c) Treatment.

All Interests in the Debtor shall be deemed cancelled as of the Effective Date, and the Holders of such Interests shall neither receive nor retain any property on account of such Interests.

## **H. Acceptance or Rejection of the Plan**

1. Each Impaired Class Entitled to Vote Separately. The Holders of Claims or Interests in each impaired Class of Claims or Interests shall be entitled to vote separately to accept or reject the Plan if, at any time prior to the voting deadline, (a) its Claim is an Allowed Claim, or (b) its Claim (other than an Asbestos PI Claim) has been temporarily allowed for voting purposes only by order of the Bankruptcy Court (in which case such Claim may be voted in such temporarily allowed amount).

2. Acceptance by Impaired Classes of Claims. An Impaired Class of Claims shall have accepted the Plan if (a) the Holders of at least two-thirds in dollar amount of the Allowed Claims or the amount temporarily allowed, actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code), have voted to accept the Plan and (b) more than one-half in number of such Allowed Claims actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code) have voted to accept the Plan.

3. Presumed Acceptance of Plan. Classes 1 and 2 are not Impaired. Therefore, the Holders of Claims in such Classes are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code.

4. Presumed Rejection of the Plan. The Holders of Class 5 Interests in the Debtor will not receive any distribution under the Plan on account of their Interests. Therefore, the Holders of Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and may not vote on the Plan.

## **I. Means for Implementation of the Plan**

1. Funding of the Liquidating Trust. On the Effective Date, the Debtor will transfer the Trust Assets to the Liquidating Trust. The Trust Assets shall include, without limitation: Excess Cash; all rights under Approved Insurance Settlement Agreements; the Asbestos

Insurance Rights; and the Qualified Settlement Fund. The assets in the Liquidating Trust shall be administered for the benefit of the Holders of Asbestos PI Claims.

2. Withholding of Taxes. In connection with the Plan, the Debtor and the Liquidating Trust, as applicable, shall comply with all applicable withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities, and all distributions hereunder shall be subject to those withholding and reporting requirements. Creditors may be required to provide certain tax information as a condition to receiving distributions pursuant to the Plan. Notwithstanding any other provision of the Plan, each Person receiving a distribution pursuant to the Plan will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income and other tax obligations, on account of that distribution. The Debtor or the Liquidating Trust, as applicable, shall withhold from any assets or property distributed under the Plan any assets or property which must be withheld for foreign, federal, state, and local taxes payable with respect thereto or payable by the Person entitled to such assets or property to the extent required by applicable law.

#### **J. Plan Distributions**

1. Distributions by the Debtor. The Debtor shall make Distributions to Holders of Allowed Administrative Expense Claims, Priority Tax Claims, Class 1 Claims, Class 2 Claims and Class 3 Claims as provided under the Plan. Distributions to Holders of such Claims shall be made by check or other commercially reasonable means and shall be sent to any of the following addresses: (a) the address set forth on the Proof of Claim of such Holder; or (b) if no Proof of Claim has been filed, at the address reflected in the list of creditors filed with the Bankruptcy Court or in the Schedules.

2. Distributions by the Liquidating Trust. The Liquidating Trustee shall make Distributions to Holders of Asbestos PI Claims as provided under the Plan and the Liquidating Trust Agreement. Distributions to Holders of such Claims shall be made by check or other commercially reasonable means and shall be sent to any of the following addresses: (a) the address set forth on the claim submitted by such Holder to the Liquidating Trust; or (b) if no such Claim has been submitted, at the address reflected in the list of creditors filed with the Bankruptcy Court or in the Schedules.

3. Unclaimed Property. Any Cash, assets, or other property to be distributed under the Plan that remain unclaimed (including by an Entity's failure to negotiate a check issued to such Entity) after 120 days after being issued to the Entity entitled thereto shall be transferred to the Liquidating Trust and shall become the property of the Liquidating Trust. In such event, such Entity's Claim shall be deemed to be no longer Allowed, and such Entity shall be deemed to have waived its rights to such Distributions under the Plan pursuant to section 1143 of the Bankruptcy Code and shall have no further Claim in respect of such Distribution and shall not participate in any further Distributions under the Plan with respect to such Claim.

#### **K. Procedures for Objections to Claims**

The Debtor is entitled under the Plan to file objections to Claims that have been or should have been brought in the Bankruptcy Court, other than Asbestos PI Claims, on or before the ninetieth (90<sup>th</sup>) day after the later of the Effective Date or the date such Claim is filed, as provided in Section 7.2 of the Plan. If an objection is filed against a Claim, such Claim will become a Disputed Claim. Disputed Claims may become Allowed Claims by entry of a Final Order allowing the Claim in whole or in part.

**L. Estimation of Claims**

The Plan provides that the Debtor 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. 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.

All Asbestos PI Claims shall be resolved by the Liquidating Trust in accordance with the Liquidating Trust Documents. All Asbestos PI Claims must be submitted solely to the Liquidating Trust for payment, and only the Liquidating Trust will have the right to object to and/or resolve Asbestos PI Claims.

**M. Preservation of Debtor's Rights to Settle Claims**

After the Effective Date, the Debtor has the right under the Plan to 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 and its Estate may hold against any Entity, without the necessity for Bankruptcy Court approval. However, the Debtor shall not retain and may not enforce, sue on, settle, or compromise any Trust Assets after the Effective Date.

**N. Dissolution of Oakfabco, Inc.**

The Plan provides that no later than thirty (30) days after the Effective Date, Oakfabco, Inc. shall file any and all documents, and take any and all other actions that may be necessary and appropriate, to terminate its corporate existence. The Liquidating Trust shall be authorized to seek reinstatement of Oakfabco, Inc.'s corporate existence if the Liquidating Trust determines that such reinstatement is necessary in order to enforce any Asbestos Insurance Rights as to Oakfabco Bar Date PI Claims and/or to seek recovery under any Asbestos Insurance Policy. In the event of such reinstatement, the Liquidating Trust shall control Oakfabco, Inc. for all purposes as to Oakfabco Bar Date PI Claims.

**O. Authority of Liquidating Trust to File Petition For Final Decree**

In the event that the corporate existence of Oakfabco, Inc. has been terminated prior to the filing of a motion for Final Decree, the Plan provides that the Liquidating Trust shall have the authority to file a Motion for Final Decree and to take all actions that are necessary and appropriate to secure entry of the Final Decree.

## **VI. THE LIQUIDATING TRUST**

### **A. Formation of the Liquidating Trust**

On the Effective Date, the Liquidating Trust will receive, and oversee the administration of, the Trust Assets. The Liquidating Trust shall assume responsibility for resolving and liquidating the Asbestos PI Claims and for making the Distributions to the Holders of Asbestos PI Claims pursuant to the TDP. The Liquidating Trust shall be governed by, and shall operate pursuant to, the Liquidating Trust Agreement, a copy of which is attached to the Plan as Exhibit \_\_\_\_.

The Liquidating Trust shall administer the Trust Assets transferred to the Trust. In accordance with the Liquidating Trust Agreement, the Liquidating Trust shall be authorized to litigate, settle, sell or abandon the Trust Assets as the Trustee deems appropriate.

### **B. Appointment of Initial Liquidating Trustee.**

The Liquidating Trustee will serve as the initial trustee of the Liquidating Trust. The individual who will serve as the Liquidating Trustee shall be identified by the Debtor in a Plan Supplement to be filed with the Bankruptcy Court not later than the tenth (10th) day prior to the Confirmation Hearing. All subsequent Liquidating Trustees shall be appointed in accordance with the terms of the Liquidating Trust Agreement. For purposes of performing duties and fulfilling obligations under the Liquidating Trust Agreement and the Plan, the Liquidating Trustee shall be deemed to be a “party in interest” within the meaning of section 1109(b) of the Bankruptcy Code.

### **C. Compliance with Documentation Requirements**

The TDP shall specifically provide for a form of release to be executed in favor of Settling Asbestos Insurance Companies, by each Holder of an Oakfabco Bar Date Asbestos PI Claim as a condition of, and prior to, payment to such Holder.

With respect to any payment made for an Oakfabco Bar Date Asbestos PI Claim, the Liquidating Trust Agreement shall provide that the Liquidating Trust will perform any actions and make any filings that may be required by the Debtor for timely compliance with all requirements of the Medicare Secondary Payer Act, 42 U.S.C. § 1395y *et seq.*, or any other similar statute or regulation, any related rules, regulations, or guidance issued in connection therewith or amendments thereto (“MSP”), including Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (P.L. 110-173), or another similar statute or regulation and any related rules, regulations, or guidance issued or amendments or amendatory statutes passed

in connection therewith (“MMSEA”). Such performance by the Liquidating Trust shall continue regardless of dissolution or other termination of the existence of the Debtor.

The Liquidating Trust’s obligations to Settling Asbestos Insurance Companies with respect to the statutes referenced in the foregoing subparagraph, including as to reporting, indemnity, provision of documents and information, and certification by Holders of Oakfabco Bar Date Asbestos PI Claims as to payment resolution of obligations under such statutes, will be set forth in the Liquidating Trust Agreement and TDP.

The Liquidating Trust Agreement may provide for retention of a qualified third-party service provider to perform any actions required for timely compliance with MSP and/or MMSEA.

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

The Liquidating Trust shall be empowered to initiate, prosecute, defend, settle and resolve all legal actions and other proceedings related to any asset (including the Trust Assets), liability or responsibility of the Liquidating Trust. The Liquidating Trust shall be responsible for the payment of all damages, awards, judgments, settlements, expenses, costs, fees and other charges incurred subsequent to the Effective Date arising from or associated with any legal action or other proceeding which is the subject of Section 5.6 of the Plan. In order to facilitate the powers granted to the Liquidating Trust in the Plan, the Liquidating Trust may initiate legal actions in the name of “Oakfabco, Inc.”

**E. Excess Liquidating Trust Assets**

After the payment in full of all Allowed Asbestos PI Claims and Liquidating Trust Expenses, any monies remaining the Liquidating Trust shall be transferred to one or more charities qualified under § 501 (c)(3) of the Internal Revenue Code, as determined by the Trustee in his or her reasonable discretion. If practicable, such charities shall be related to the treatment of, research on, or the relief of suffering of individuals with asbestos-related disorders.

**VII. STATUS OF SETTLEMENTS WITH CERTAIN OF THE DEBTOR’S INSURERS**

The Bankruptcy Court is in the process of determining whether to approve the Debtor’s settlements with Hartford and CNA. The Bankruptcy Court has put in place separate procedures to resolve the Debtor’s two motions seeking approval of those settlements and the Asbestos Claimants Committee’s objections to them. The contested CNA settlement motion has been set for evidentiary hearing beginning on June 6, 2017. Because the contested Hartford settlement appears to primarily involve a matter of contract interpretation, the Bankruptcy Court required the parties to brief a motion for partial summary judgment regarding the maximum amount for which Hartford could potentially be liable under the disputed insurance policies. Briefing is complete, and the matter has been taken under advisement. Resolution of this issue is expected to assist the Bankruptcy Court’s determination of the reasonableness of the Debtor’s proposed settlement with Hartford.

If either or both of the Debtor's proposed settlements with CNA and Hartford have not been approved by the Bankruptcy Court as of the Effective Date of the Plan, then the Debtor will retain whatever rights it may have with respect to CNA and Hartford. Following the Effective Date of the Plan, the Debtor and/or the Liquidating Trustee can thereafter pursue whatever litigation or settlement strategies are deemed appropriate with respect to the CNA and Hartford insurance policies.

The Debtor expects that its remaining Asbestos Insurance Rights, including those with respect to Asbestos Insurance Policies issued by CNA and Hartford, will be resolved either through the pending settlements or through litigation of those Asbestos Insurance Rights by the Liquidating Trust.

### **VIII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

All executory contracts and unexpired leases will be deemed rejected on the Confirmation Date pursuant to Section 365 of the Bankruptcy Code. In the event the rejection of an executory contract or unexpired lease results in damages to the non-debtor contracting party, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtor or the Liquidating Trust, unless a Proof of Claim with respect to such damage Claim is filed with the Bankruptcy Court and served upon the Master Service List on or before the thirtieth (30th) day after entry of the Confirmation Order.

### **IX. INJUNCTIONS AND RELEASES**

**Article IX of the Plan provides for certain releases and injunctions as set forth below:**

#### **A. Exculpation**

*The Debtor, any Settling Asbestos Insurance Company, and the Asbestos Claimants Committee, as well as their respective stockholders, directors, officers, agents, employees, members, attorneys and representatives, shall not be liable other than for bad faith or willful misconduct to any holder of a Claim or Interest or to any other Entity with respect to any action, omission, forbearance from action, decision or exercise of discretion taken at any time after the Petition Date and prior to the Effective Date in connection with: (a) the management or operation of the Debtor or the discharge of their respective duties under the Bankruptcy Code (if any); (b) the implementation of any of the transactions provided for, or contemplated in, the Plan or the Plan Documents; (c) any action or inaction taken in connection with either the enforcement of the Debtor's rights against any Entities or the defense of Claims asserted against the Debtor with regard to the Chapter 11 Case; (d) any action taken in the negotiation, formulation, development, proposal, disclosure, Confirmation or implementation of the Plan Documents filed in the Chapter 11 Case; and (e)*

*the administration of the Plan or the Liquidating Trust or the assets and property to be distributed pursuant to the Plan.*

#### **B. General Injunction**

*Except as otherwise expressly provided in the Plan or in the Confirmation Order, and except in connection with the enforcement of the terms of the Plan or any documents provided for or contemplated in the Plan, all entities who have held, hold or may hold Claims against or Interests in the Debtor or the Estate that arose prior to the Effective Date are permanently enjoined from: (i) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against the Debtor, or any property of the Debtor, with respect to any such Claim or Interest; (ii) the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, of any judgment, award, decree or order against the Debtor, or any property of the Debtor, with respect to any such Claim or Interest; (iii) creating, perfecting or enforcing, directly or indirectly, any lien or encumbrance of any kind against the Debtor, or any property of the Debtor, with respect to any such Claim or Interest; (iv) effecting, directly or indirectly, any setoff or recoupment of any kind against any obligation due to the Debtor, or any property of the Debtor, with respect to any such Claim or Interest, unless approved by the Bankruptcy Court; and (v) any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to such Claim or Interest.*

*Nothing contained in this release shall (i) prohibit the Holder of an Asbestos PI Claim from asserting such Claim against the Liquidating Trust, (ii) prohibit the Liquidating Trust from taking any action with respect to any Asbestos Insurance Policies or any Asbestos Insurance Rights, or (iii) prohibit the Holder of a Disputed Claim from litigating its right to seek to have such Disputed Claim declared an Allowed Claim and paid in accordance with the distribution provisions of the Plan, or enjoin or prohibit the enforcement by the Holder of such Disputed Claim of any of the obligations of the Debtor under the Plan.*

#### **C. Asbestos Injunction**

*Pursuant to Section 105(a) of the Bankruptcy Code, the Confirmation Order shall provide that all Entities which have held or asserted, which hold or assert, or which may in the future hold or assert an Asbestos PI Claim shall be permanently 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 Asbestos PI Claim, including, but not limited to:*

- (i) Commencing or continuing in any manner any action or other proceeding of any kind with respect to any Asbestos PI Claim against*

*any of the Asbestos Protected Parties, or against the property of any Asbestos Protected Party with respect to any such Asbestos PI Claim;*

*(ii) Enforcing, attaching, collecting, or recovering, by any manner or means, any judgment, award, decree, or order against any of the Asbestos Protected Parties or against the property of any Asbestos Protected Party with respect to any Asbestos PI Claim;*

*(iii) Creating, perfecting, or enforcing any lien of any kind against any Asbestos Protected Party or the property of any Asbestos Protected Party with respect to any Asbestos PI Claim;*

*(iv) Except as otherwise specifically provided in the Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind against any obligation due any Asbestos Protected Party or against the property of any Asbestos Protected Party with respect to any Asbestos PI Claim; and*

*(v) Taking any act, in any manner, in any place whatsoever, against any of the Asbestos Protected Parties or their property, that does not conform to, or comply with, the provisions of the Plan Documents pertaining to an Asbestos PI Claim.*

*The foregoing Asbestos Injunction shall not enjoin:*

*(i) 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 PI Claims to assert such Claims against the Liquidating Trust in accordance with the TDP;*

*(ii) the rights of Entities to assert any Claim, debt, obligation, or liability for payment of Liquidating Trust Expenses against the Liquidating Trust; and*

*(iii) the rights of the Liquidating Trust to take any action with respect to any and all of the Asbestos Insurance Policies not issued by a Settling Asbestos Insurance Company.*

#### **D. Policy Injunction**

*The Confirmation Order shall contain an injunction, pursuant to section 105(a) of the Bankruptcy Code, permanently and forever prohibiting and enjoining the commencement, conduct, or continuation of any Claim (including a Direct Action Claim and an Oakfabco Asbestos PI Claim), action or cause of action, whether known or unknown, present or future, the employment of process or*

*any act to collect, recover from, or offset any Claim, known or unknown, present or future, against any Settling Asbestos Insurance Company based on, arising from, or attributable to, in any way, an Asbestos Insurance Policy issued by such Settling Asbestos Insurance Company, including (without limitation) any Claim released in an Approved Insurance Settlement Agreement; but such injunction pursuant to section 105(a) of the Bankruptcy Code shall not affect or modify the rights of any person who is insured, by agreement, under the express terms of any policy of insurance, except to the extent such rights were released in an Approved Insurance Settlement Agreement. For the avoidance of doubt, this Policy Injunction bars any Claim released in an Approved Insurance Settlement Agreement, and any Claim otherwise barred, as to which a person asserts to be an insured on a third-party beneficiary theory or other similar theory or by virtue of having a judgment or Allowed Claim against the Debtor.*

*The protection of the foregoing injunction includes but is not limited to any and all Claims that are based in whole or in part on the insurance relationship between the Settling Asbestos Insurance Company and the Debtor arising from, attributable to, in any way, or under an Asbestos Insurance Policy, whether arising from statute, common law, or otherwise.*

**E. Release of Avoidance Actions**

*As of the Effective Date, the Debtor hereby releases all Avoidance Actions and all other Claims and Causes of Action it holds against any third parties solely as a result of the status as a Debtor in Possession, including all Chapter 5 Causes of Action. Nothing herein shall be deemed to release rights against an Asbestos Insurance Company or rights against third parties that have arisen in the ordinary course of business.*

**F. Release of Directors, Officers and Stockholders**

*In addition to the protections afforded to former or current officers, directors and stockholders of the Debtor as Asbestos Protected Parties, the acceptance of any distribution by a Holder of a Claim against the Debtor, and, with respect to Asbestos PI Claims, the acceptance of payment from the Liquidating Trust by a Holder of an Asbestos PI Claim, will constitute a waiver and release of any and all Causes of Action that such Holder, including the Liquidating Trust, did commence or could have commenced against any former or current officer, director or stockholder of the Debtor solely in his or her capacity as such (serving in such capacity from and after 1974) that is based upon, attributable to, or arising from any acts or omissions of such officer or director occurring prior to the Effective Date, to the fullest extent permitted under applicable law (as now in effect or subsequently extended), except for willful misconduct or gross negligence as determined by a Final Order.*

**X. MATTERS INCIDENT TO PLAN CONFIRMATION**

**A. Insurance Neutrality**

The Plan contemplates protecting the rights of Asbestos Insurance Companies that are not parties to Approved Asbestos Insurance Settlement Agreements with the Debtor. Section 10.1 of the Plan, titled “Insurance Neutrality,” preserves defenses and rights of such Asbestos Insurance Companies, and provides additional protections against the impairment of those insurers’ rights and against the assertion of issue or claim preclusion (and other similar theories), notwithstanding anything in the Plan, the Plan Documents, or the Confirmation Order. Nonetheless, Section 10.1(d) of the Plan requires that the Confirmation Order shall: (i) include a determination that the Debtor’s transfer and assignment of the Asbestos Insurance Rights to the Liquidating Trust is valid and binding, and in no way impairs or affects the Asbestos Insurance Rights or the Liquidating Trust’s ability to access and/or otherwise enforce those rights; and (ii) provide that the Liquidating Trust is authorized to enforce all Asbestos Insurance Rights as if, with respect to those rights, the Liquidating Trust were the policyholder under the Asbestos Insurance Policies giving rise to those Asbestos Insurance Rights. The complete text of the Plan’s “Insurance Neutrality” provisions is set forth at Sections 10.1(a) through 10.1(d) of the Plan.

**B. Conditions to Confirmation and Consummation of the Plan**

The Plan identifies various conditions precedent to Confirmation and consummation of the Plan. As provided in Section 11.1 of the Plan, unless waived by the Debtor, Confirmation of the Plan requires that: (i) at least two-thirds (2/3) in amount and fifty percent (50%) in number of Holders of Class 3 General Unsecured Claims (other than Asbestos PI Claims) or Class 4 Asbestos PI Trust claims actually voting on the Plan shall have voted to accept/in favor of the Plan; and (ii) a Final Order has been issued that resolves any motion that (a) seeks the Bankruptcy Court’s approval of an Insurance Settlement Agreement, and (b) was pending as of the time all other conditions precedent to Confirmation of the Plan have been satisfied or (of applicable under the terms of the Plan) waived. Various items that are required to be included in the Confirmation Order as conditions precedent to Confirmation are identified in Section 11.2 of the Plan. Specific provisions addressing the waiver of the aforementioned conditions precedent, modifications of the Plan, the Debtor’s right to revoke or withdraw the Plan prior to Confirmation and the effect thereof, the Plan’s Effective Date, and the effect of the failure of the Effective Date are set forth at Sections 11.3 through 11.7 of the Plan.

**C. Post-Confirmation Jurisdiction of the Bankruptcy Court**

The Plan provides various measures regarding the Bankruptcy Court’s continued jurisdiction over the Chapter 11 Case until and after the case is closed. As set forth in Plan Section 12.1, until the Chapter 11 Case is closed, 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. Pursuant to Plan Section 12.2, following Confirmation, administration of the Chapter 11 Case shall continue at least until the transfers necessary to implement the Plan have been completed; the Liquidating Trust shall be subject to the continuing jurisdiction of the Bankruptcy Court in accordance with the requirements of section 468B of the IRC and the regulations issued pursuant to it. Additionally, the Bankruptcy Court shall retain

jurisdiction after Confirmation for a number of limited, specific purposes that are identified in Section 12.3 of the Plan.

**D. The Asbestos Claimants Committee**

Section 12.5 of the Plan provides that the Asbestos Claimants Committee shall continue in existence after Confirmation and until the Effective Date, with the Debtor to pay the fees and expenses of the Asbestos Claimants Committee and its counsel through that date in such amounts as approved by the Bankruptcy Court. Upon the formation of the Liquidating Trust, the Asbestos Claimants Committee shall be dissolved, and the members, attorneys, and other professionals of that committee shall be released and discharged of and from all further authority, duties, responsibilities, liabilities and obligations related to, or arising from, their service on or to the Asbestos Claimants Committee in the Chapter 11 Case.

**E. No Successor Liability**

As specified in Section 12.12 of the Plan, upon creation of the Liquidating Trust on the Effective Date, it shall assume the obligations for Asbestos PI Claims. However, neither the Liquidating Trust, nor the Debtor, nor any of the Debtor Related Parties is or shall be a successor to the Debtor or to any Entity for which the Debtor may be held legally responsible by reason of any theory of law or equity, and none shall be responsible for any successor or transferee liability of any kind or character.

**XI. RISK FACTORS**

The Debtor's remaining unliquidated assets of significant value are its Asbestos Insurance Rights and any other rights, Claims and interests in and under its Asbestos Insurance Policies (other than policies subject to an Approved Asbestos Insurance Settlement Agreement). While the Debtor believed it was entitled to the full measure of its available insurance coverage under its Asbestos Insurance Policies in order to satisfy its Asbestos PI Claim liabilities and the associated costs of liquidating these Claims, several of the Debtor's insurance carriers asserted potential coverage defenses that could impact the Debtor's ability to recover from these insurance carriers.

In addition, although the Debtor negotiated settlement agreements with the Settling Insurers which provide for the recovery of over \$17 million for the benefit of Holders of Asbestos PI Claims, the CNA and Hartford settlement agreements remain subject to Bankruptcy Court approval, and the Asbestos Claimants Committee has objected to them. The CNA and Hartford settlement terms are expressly conditioned on the requirement that the Bankruptcy Court grant certain injunctive relief to protect them from further liability to the Debtor and its Creditors. If the Bankruptcy Court declines to approve these Insurance Settlement Agreements or to provide for such injunctive relief in connection with them for any reason, the settlements may not be viable. Such a decision could affect the viability of the settlements, forcing all parties to incur substantial additional costs litigating the Debtor's rights and interests in those Asbestos Insurance Policies on a case-by-case basis. Therefore, the

amount that will ultimately be available to distribute to Asbestos PI Claims is subject to uncertainty and cannot be known at this time.

## **XII. ALTERNATIVES TO THE PLAN**

If the Plan is not confirmed and consummated, the alternatives to the Plan include either (a) a dismissal of this Chapter 11 Case, (b) liquidation of the Debtor under chapter 7 of the Bankruptcy Code, or (c) an alternative plan of reorganization or liquidation in accordance with the requirements of chapter 11 of the Bankruptcy Code.

### **A. Dismissal of the Debtor's Chapter 11 Case**

If the Plan cannot be confirmed, the Debtor could elect to dismiss this Chapter 11 Case. The Debtor anticipates that such a dismissal would trigger a "race to the courthouse" among Holders of Asbestos PI Claims, eliminating any likelihood of an equality of distribution among similarly-situated Holders of Asbestos PI Claims. In addition, the cost of defending against such actions would likely exhaust the Debtor's funds and any coverage for defense costs that may remain available under the Asbestos Insurance Policies. At this time, the Debtor has a limited amount of funds on hand and no other significant assets except for its rights under the Asbestos Insurance Policies. If the pending Insurance Settlement Agreements cannot be approved, the Debtor may lack the funds to fully litigate its Asbestos Insurance Rights and other claims and interests arising in connection with its Asbestos Insurance Policies on a case-by-case basis outside of this Chapter 11 Case. It also is conceivable that Holders of Asbestos PI Claims could seek to assert claims directly against any Asbestos Insurance Company that is not a party to an Approved Asbestos Insurance Settlement Agreement.

### **B. Liquidation under Chapter 7**

If no plan can be confirmed, this Chapter 11 Case also could be converted to a case under chapter 7 of the Bankruptcy Code. Following a conversion to chapter 7, a chapter 7 trustee would be appointed to liquidate the assets of the Debtor and make distributions in accordance with the priorities established by the Bankruptcy Code. There would be no framework like the Plan for creating a trust which would take responsibility for administering Asbestos PI Claims through trust distribution procedures and making a distribution to them from assets of the Estate. Moreover, bankruptcy courts lack jurisdiction to enter judgments determining personal injury claims, including Asbestos PI Claims. Since virtually none of the Asbestos PI Claims have been liquidated, they would have to be determined through litigation in one or more other forums.

A chapter 7 trustee likely would also have greater difficulty providing the agreed upon releases to Settling Asbestos Insurance Companies, which are inducements to the cooperation of those insurers in the liquidation of their Asbestos Insurance Policies to fund recoveries against the Estate. As such, the administration of a chapter 7 estate would be made more difficult. The Debtor believes that liquidation under chapter 7 would also result in smaller distributions being made to creditors than those provided for in the Plan because, among other things, in chapter 7 case, the Debtor's Estate would bear the cost of the chapter 7 trustee's

compensation, pursuant to section 326 of the Bankruptcy Code, the fees of the trustee's professionals who are previously unfamiliar with this Case and the issues in dispute, and the costs of litigating the Asbestos PI Claims. In addition, the time necessary to complete a chapter 7 liquidation is likely to be extended by the need to resolve the Asbestos PI Claims through litigation in a non-bankruptcy forum.

Attached hereto as Exhibit B is a Liquidation Analysis for the Debtor, which compares the liquidation proposal in the Plan with a hypothetical liquidation assuming that (i) a bankruptcy case under chapter 7 is commenced immediately, (ii) the liquidation of the Debtor's assets is completed by a court-appointed chapter 7 trustee rather than under the Plan, and (iii) the Asbestos PI Claims are resolved through litigation in a non-bankruptcy forum rather than through trust distribution procedures under a liquidating trust. The Liquidation Analysis is based upon a number of estimates and assumptions which, although reasonable, are inherently beyond the control of the Debtor or any chapter 7 trustee. Accordingly, there can be no assurances that the net value reflected in the Liquidation Analysis would be realized if the Debtor were to undergo a chapter 7 liquidation. Instead, actual results could vary materially from those shown in the Liquidation Analysis. In addition, any liquidation would necessarily take place in the future under circumstances that presently cannot be predicted, and no representation or warranty can be made with respect to the actual net proceeds that could be available to distribute to creditors in a chapter 7 liquidation.

### **C. Alternate Chapter 11 Plan**

If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different chapter 11 plan. However, the Plan has been proposed by the Debtor taking into consideration the competing and conflicting interests held by the Asbestos PI Claimants and the Debtor's other creditors, the Settling Asbestos Insurance Companies, and the priorities of the Bankruptcy Code, and is the result of substantial negotiations. Furthermore, the fact that the Debtor no longer maintains any business operations suggests that a reorganization or liquidation on terms substantially different than those proposed may be unlikely or infeasible. As a result, any attempt to propose an alternative plan containing different terms for any of these parties may not be confirmable and could delay distributions to creditors.

The Debtor believes that Confirmation and implementation of the Plan is preferable to any of these other alternatives and should provide greater recoveries than those available in a liquidation under chapter 7 of the Bankruptcy Code, an alternative plan, or a dismissal of this Chapter 11 Case.

## **XIII. TAX CONSEQUENCES**

In connection with the Plan, the Debtor and the Liquidating Trust shall comply with all applicable withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities, and all distributions hereunder shall be subject to those withholding and reporting requirements. Creditors may be required to provide certain tax information as a condition to receiving distributions pursuant to the Plan. Notwithstanding any other provision

of the Plan, each Person receiving a distribution pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of that distribution.

The federal income tax consequences to any particular Holder of a Claim may also be affected by matters not discussed herein. For example, to the extent that a Holder of a Claim previously deducted a loss with respect to its Claim, the receipt of money under the Plan may require such Holder to recognize income. Furthermore, certain Holders of Claims, including foreign persons, life insurance companies, and tax-exempt organizations may be subject to special rules not addressed herein. There also may be state, local, or foreign tax considerations applicable to each Holder.

**ACCORDINGLY, EACH HOLDER OF A CLAIM IS URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL AND APPLICABLE STATE, LOCAL, AND FOREIGN TAX LAWS.**

Notwithstanding the foregoing, the Debtor or the Liquidating Trust may withhold from any assets or property distributed under the Plan any assets or property which must be withheld for foreign, federal, state and local taxes payable with respect thereto to the extent required by applicable law.

#### **XIV. PLAN VOTING INSTRUCTIONS, PROCEDURES AND DEADLINE**

Along with this Disclosure Statement, the Debtor has included a copy of the Plan and either an individual and/or master ballot for Holders of General Unsecured Claims and Asbestos PI Claims, all of whom are impaired and entitled to vote for the acceptance or rejection of the Plan. A Claim is impaired if the Plan proposes to modify, alter or exchange its legal, contractual, or equitable rights.

##### **A. Claim Holders Entitled to Vote**

Holders of Allowed Unclassified Claims and Allowed Claims in Classes 1 and 2 are unimpaired and are conclusively presumed to vote in favor of Plan Confirmation. Classes 3, 4 and 5 are impaired. Because Holders of Class 5 Interests will not receive or retain any property on account of their Interests, they are presumed to vote against Confirmation of the Plan. Holders of Class 3 Claims (General Unsecured Claims) and Class 4 Claims (Asbestos PI Claims) are therefore the sole classes of Creditors entitled to vote for or against Confirmation of the Plan.

##### **B. Summary of Voting Procedures**

Most Class 4 Asbestos PI Claims are unliquidated and, under the Plan, will be liquidated by application of the TDP. The Debtor, by separate Motion, has sought the approval of certain procedures governing the voting by Holders of Asbestos PI Claims. **[VOTING**

**PROCEDURES TO BE DETERMINED.]** In addition, the Debtor does not have individual addresses for the majority of the Holders of Asbestos PI Claims, most of whom have asserted Claims against the Debtor through their law firms. In order to avoid unnecessary administrative burden, the Debtor shall send a ballot, in the form attached hereto as Exhibit \_\_\_\_, and/or a Master Ballot, in the form attached hereto as Exhibit \_\_\_\_, to all Holders of Asbestos PI Claims and/or their counsel.

If at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of the Class 3 General Unsecured Claims or Class 4 Asbestos PI Claims that voted on the Plan vote to accept the Plan, and such votes are received (and not revoked) by the voting deadline (the "Requisite Acceptances"), the Debtor intends to seek confirmation of the Plan promptly. If the Requisite Acceptances are not received by the voting deadline, the Debtor will evaluate other available options for confirmation of the Plan.

In order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received by the Clerk of the Bankruptcy Court, no later than 4:00 p.m., Central Time, on \_\_\_\_\_, 2017 (the "Ballot Deadline"), at the following address:

Clerk, U.S. Bankruptcy Court  
Northern District of Illinois  
219 S. Dearborn Street  
Chicago, IL 60604

If you are a Holder of a Claim entitled to vote on the Plan and did not receive a ballot, received a damaged ballot or lost your ballot, you should contact Anne Arundel by telephone at (312) 207-6411 or by email at [earundel@reedsmith.com](mailto:earundel@reedsmith.com). If you have any questions about this Disclosure Statement, the Plan or the procedures for voting on the Plan, you should contact: (i) your attorney; or (ii) counsel to the Debtor, Paul Singer at [psinger@reedsmith.com](mailto:psinger@reedsmith.com); Stephen Bobo at [sbobo@reedsmith.com](mailto:sbobo@reedsmith.com); or Andrew Muha at [amuha@reedsmith.com](mailto:amuha@reedsmith.com).

If you are the Holder of a Class 3 General Unsecured Claim, please see the detailed voting instructions accompanying your Ballot, attached to this Disclosure Statement as Exhibit \_\_\_\_.

If you are the Holder of a Class 4 Asbestos PI Claim, please see the detailed voting instructions accompanying your Ballot and/or Master Ballot, attached to this Disclosure Statement as Exhibits \_\_\_\_ and \_\_\_\_, respectively.

**C. Section 1129(b) Cramdown with Respect to Class 5 Interests**

Because Holders of Class 5 Interests do not vote and are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, the Debtor is requesting that the Bankruptcy Court confirm the Plan notwithstanding section 1129(a)(8) of the Bankruptcy Code, which generally requires that each Class of Claims either accept the Plan or be unimpaired by it. Because the Plan does not discriminate unfairly, and is fair and equitable with respect to the treatment of Class 5 Interests in accordance with the requirements of section

1129(b), the Debtor believes that the Plan satisfies the requirements for confirmation. The Debtor asserts that the Plan provides for fair and equitable treatment of all Classes of Claims, and that the only sources of funds available to distribute to creditors are cash on hand, including the proceeds from the Affiliated FM settlement, the Debtor's Asbestos Insurance Rights and its rights and interests in any other remaining insurance policies.

As detailed in Section V of this Disclosure Statement, the Plan allocates all of those assets to pay Administrative Expense Claims, any Class 1 and 2 Claims, General Unsecured Claims, Asbestos PI Claims, and expenses of the Liquidating Trust. In a chapter 7 liquidation, the available assets would not be sufficient to pay the Claims against the Debtor in full, and therefore Holders of Class 5 Interests would have no right to recover from these assets. Finally, in accordance with the requirements of section 1129(b)(ii), no Holder of a Claim or Interest junior to Holders of Class 5 Interests will receive or retain any property under the plan on account of such junior Claim or Interest.

## **XV. CONFIRMATION HEARING AND DEADLINE FOR FILING OBJECTIONS**

The Bankruptcy Court conducted a hearing to consider the adequacy of this Disclosure Statement, pursuant to section 1125 of the Bankruptcy Code. On \_\_\_\_\_, 2017, the Bankruptcy Court entered an order approving this Disclosure Statement as adequate. The Bankruptcy Court has scheduled a hearing on Confirmation of the Plan to take place on \_\_\_\_\_, 2017, at \_\_\_\_\_, before the Honorable Jack B. Schmetterer, in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, 219 S. Dearborn Street, Courtroom 682, Chicago, Illinois 60604 (the "Confirmation Hearing").

The Bankruptcy Court has required that objections to Confirmation of the Plan, if any, are to be filed with the Clerk of the Bankruptcy Court by no later than \_\_\_\_\_, 2017. **Objections to Confirmation of the Plan must be placed in writing, and filed and served so that they are RECEIVED on or before that date by:**

### **Counsel to the Debtor:**

Stephen Bobo  
Reed Smith LLP  
10 S. Wacker Drive, 40<sup>th</sup> Floor  
Chicago, Illinois 60606

Paul Singer  
Andrew Muha  
Reed Smith LLP  
225 Fifth Avenue, Suite 1200  
Pittsburgh, Pennsylvania 15222

**Counsel to the Asbestos Claimants Committee:**

Joseph Frank  
FrankGecker LLP  
325 North LaSalle Street, Suite 625  
Chicago, Illinois 60654

**United States Trustee:**

Stephen Wolfe  
Office of the United States Trustee  
219 South Dearborn Street  
Suite 873  
Chicago, Illinois 60604

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned hearing.

**XVI. RECOMMENDATION**

The Debtor believes that the Plan provides for the highest and most timely recovery available for Holders of Claims in Classes 3 and 4. Therefore, the Debtor recommends that all Holders of Claims in Class 3 and Class 4 vote to accept the Plan and urges each of them to evidence such acceptance by returning their ballot so that it will be received by the Clerk of the Bankruptcy Court on or before 4:00 p.m., Central Time, on \_\_\_\_\_, 2017.

The undersigned have executed this Disclosure Statement as of the \_\_\_\_, \_\_\_\_\_, 2017.

Dated: March \_\_, 2017

OAKFABCO, INC.

By: \_\_\_\_\_  
Fred Stein, President

Attorneys for OAKFABCO, INC.

By: \_\_\_\_\_

REED SMITH LLP

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*Counsel to the Debtor and Debtor-in-Possession*

# **EXHIBIT A**

(To Be Provided)

# **EXHIBIT B**

**EXHIBIT B TO THE DISCLOSURE STATEMENT OF OAKFABCO, INC.**

**OAKFABCO, INC.  
LIQUIDATION ANALYSIS**

**Introduction**

The Debtor prepared this Liquidation Analysis in connection with the Disclosure Statement for the purpose of evaluating whether the Plan meets the “best interest of creditors” test of section 1129(a)(7) of the Bankruptcy Code. The Debtor believes that the Plan meets this test and that the members of each impaired class of Claims and Interests that have not voted to accept the Plan or that are not deemed to accept the Plan will receive under the Plan at least as much as they would if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. This analysis is summarized below.

In determining whether the best interests of creditors test has been met, the first step is to estimate the proceeds that would be realized if the Debtor was to be liquidated in accordance with chapter 7 of the Bankruptcy Code. The Debtor’s assets are primarily Asbestos Insurance Policies and the proceeds of the Debtor’s settlement with Affiliated FM Insurance Company.

The total value available in a chapter 7 liquidation would be the sum of the proceeds from the Debtor’s rights in the Asbestos Insurance Policies and the cash held by the Debtor at the time of the commencement of the chapter 7 case. This available value would then be reduced by the various costs and expenses of liquidation. These would include the statutory fee of the chapter 7 trustee and the fees and expenses of the trustee’s professionals, including litigation counsel to resolve the Asbestos PI Claims. The available value would next be reduced by the amount of any claims secured by enforceable security interests and liens against assets of the Debtor, and also reduced by such additional administrative expenses and priority claims that may exist or result from the termination of the Debtor’s Chapter 11 Case and liquidation under chapter 7. After these various reductions, any remaining funds would be allocated to creditors and equity holders in strict priority in accordance with section 726 of the Bankruptcy Code. This Liquidation Analysis has been prepared assuming that this Chapter 11 Case would be converted to a case under chapter 7 of the Bankruptcy Code effective as of May 1, 2017. The chapter 7 trustee would commence a liquidation of the Debtor and its assets. This Liquidation Analysis has been prepared based on the Debtor’s asset values as of February 28, 2017.

Estimating recoveries in a chapter 7 liquidation is an uncertain process due to the number of unknown variables and is necessarily speculative. Thus this Liquidation Analysis relies upon the use of estimates and assumptions that, although considered reasonable by the Debtor, are inherently subject to significant uncertainties and contingencies beyond the control of the Debtor.

This Liquidation Analysis should be reviewed in conjunction with the Disclaimer and the accompanying Notes below.

## **Disclaimer**

*The information herein is furnished solely in connection with acceptance or rejection of the Debtor's Plan. Each Claimant should consult with his, her or its own legal, business, financial and tax advisors with respect to any matters contained herein and should not consider the contents of the enclosed information, or any prior or subsequent communications from, or information provided by the Debtor or any of its representatives or advisors, as legal, business, financial or tax advice.*

*The analysis contained herein is based on information from the Debtor and was developed with the assistance of the Debtor's advisors. The information provided by the Debtor has not been subjected to an examination in accordance with generally accepted auditing standards, and no opinion is expressed on the fairness of the Debtor's data. The Debtor's advisors have not independently verified the accuracy of the data provided and assume no responsibility for the accuracy or correctness of the enclosed analyses and the financial and other data upon which the enclosed presentation is based. The Debtor and its advisors expressly disclaim any representations or warranties as to the accuracy or completeness of the Debtor's books and records and the enclosed information and do not make and expressly disclaim any representations, warranties or guarantees of any kind with respect to the value or nature of the assets.*

*Estimates of liquidation value are presented for informational purposes only and merely reflect the estimated liquidation value of the Debtor's assets if certain conditions and assumptions can be achieved. No representations are being made that such conditions or assumptions can be achieved. It should be noted that the estimated liquidation valuation is calculated using various assumptions, which may be beyond the control of the Debtor and are inherently subject to uncertainty. No assurance can be given that such assumptions will prove to have been correct.*

## **Liquidation Analysis**

As noted in the Disclosure Statement, the Debtor sold its remaining operating assets in 2009 and has not operated a business since then. Its remaining known assets are cash on hand, and rights under certain Asbestos Insurance Policies. The Debtor's Plan proposes to liquidate those remaining assets. Subject to the Notes to the Liquidation Analysis set forth at the end of this document, the following table presents a projected summary of a potential liquidation of the Debtor in a chapter 7 proceeding based on the Debtor's records as of February 28, 2017, as well as certain estimates and projections:

**Oakfabco  
Assets as of  
February 28,  
2017**

Cash on hand	\$4,508,534
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Rights under CNA and Hartford Asbestos Insurance Policies. The value of these rights is unknown and subject to pending settlement agreements, to which the Asbestos Claimants Committee has objected. unknown

Other possible rights against insurance companies, if any unknown

**Estimated Value of Assets** \$4,508,534 plus the value of rights under insurance policies

**Oakfabco  
 Post-Petition  
 Liabilities**

Estimated Fees of Ch. 7 Trustee’s Professionals, including cost of liquidating Asbestos PI claims in forums other than the Bankruptcy Court. \$750,000

Estimated Chapter 7 trustee fee \$357,992

Accrued and Unpaid Ch. 11 Professional Fees through February 28, 2017 \$617,811

Estimated Ch. 11 Professional Fees From 3/1/2017 through the Conversion Date \$150,000

**Estimated Total Post-Petition Liabilities** \$1,875,803

**Oakfabco  
 Pre-Petition  
 Liabilities**

Estimated Asbestos PI unknown

Claims (based on approximately 34,000 known claims, virtually all of which are unliquidated)

Indirect Asbestos PI Claims	unknown
Derivative Liability Asbestos PI Claims	unknown
Other General Unsecured Claims	\$280,000
<b>Estimated Total Pre-Petition Liabilities</b>	unknown

In a chapter 7 liquidation, section 726 of the Bankruptcy Code provides that the fees of the trustee and his or her professionals and other costs of administering the chapter 7 estate are entitled to the highest priority of payment after the payment of any secured Claims. The next priority of payment would be accrued chapter 11 professional fees and other chapter 11 costs of administration.

Following a conversion to a case under chapter 7, the trustee would have to determine whether to continue the Debtor's efforts to monetize its remaining Asbestos Insurance Policies, under which policies (or applicable law) the issuing insurers may have defenses to coverage obligations. The chapter 7 trustee would need to employ to expert insurance coverage counsel and other insurance-related professionals to evaluate and assert the estate's rights regarding those insurance policies. Because conversion of the case to chapter 7 would not enhance a trustee's ability to recover on account of rights under the insurance policies, there is no basis for assuming that a better result regarding those policies will be reached in chapter 7 compared to chapter 11.

However, conversion to chapter 7 would substantially impact the costs and efficiency of administering the Asbestos PI Claims against the Debtor compared to the Liquidating Trust proposed in the Plan. Chapter 7 of the Bankruptcy Code contains no provision for establishing a liquidating trust or other efficient means to resolve the 34,000 Asbestos PI Claims. Therefore, those claims would need to be resolved through litigation, and the trustee would need to engage litigation counsel to defend against those claims. This differs significantly from the Plan which proposes to establish the Liquidating Trust to resolve such claims through Trust Distribution Procedures. Because the Bankruptcy Court lacks jurisdiction to enter judgments determining personal injury claims, the Asbestos PI Claims would have to be litigated in one or more other courts. The resulting litigation to resolve the various Asbestos PI Claims is likely to be far more costly and time-consuming than the Liquidating Trust mechanism to be established under the Plan.

In all likelihood, conversion to chapter 7 would result in a considerably longer process for resolving all of the Asbestos PI Claims and would in substantially less funds being available

to distribute to creditors after paying for litigation counsel to defend the Asbestos PI Claims, insurance coverage professionals to attempt to monetize the Asbestos Insurance Policies, a substantial chapter 7 trustee's fee of at least 3% of the amounts distributed, and other chapter 7 costs of administration.

Based upon the foregoing, the Debtor believes that its chapter 11 Plan offers more value to Holders of Asbestos PI Claims and General Unsecured Claims than would result from a liquidation under chapter 7 because: (i) the Plan proposes an efficient of administration of the Asbestos PI Claims through the Liquidating Trust and the Trust Distribution Procedures rather than litigating those claims, (ii) the Liquidating Trust would not have to incur the cost of a new set of professionals learning the details regarding the Estate's rights and claims under its Asbestos Insurance Policies, (iii) the Estate would not have to pay the statutory chapter 7 trustee's fee, and (iv) the chapter 11 Plan offers no less certainty, and likely greater certainty, of maximizing recoveries from the Asbestos Insurance Policies.

### **Notes to the Liquidation Analysis**

1. The liquidation analysis set forth above was based on the estimated values of the Debtor's assets on February 28, 2017, and it was assumed the case would be converted to a chapter 7 liquidation effective as of May 1, 2017. If different dates were used for an analysis, the asset values may change. These values have not been subject to any review, compilation or audit by any independent accounting firm.

2. The projections regarding the value realized from liquidation of the Debtor's assets in a chapter 7 proceeding rely on the most recent monthly operating report filed by the Debtor with the Bankruptcy Court with regard to the amount of cash on hand.

3. The value of the Debtor's rights under its Asbestos Insurance Policies with CNA and Hartford is unknown. The Debtor's pending settlement agreements with CNA and Hartford are subject to objection by the Asbestos Claimants Committee. The aggregate additional amount that would be available to the Debtor under those proposed settlements, if approved by the Bankruptcy Court, is \$11,933,079. Portions of the proceeds of those two settlements were advanced to the Debtor's estate in 2015 and are part of the Debtor's available cash to the extent they have not been used to pay administrative costs in this Chapter 11 Case. The Asbestos Claimants Committee contends that the total amount of coverage that should be available under the CNA and Hartford Asbestos Insurance Policies is \$28,000,000 (without accounting for any amounts already received by the Debtor under the pending settlement agreements). If the Debtor's pending settlements are not approved and the coverage disputes with CNA and Hartford are instead resolved through litigation, there can be no assurance that the resulting net amount from those insurance policies available to pay Asbestos PI Claims would be at least the \$11,933,079 settlement amount, particularly after factoring in the costs of such litigation. Instead, such coverage litigation could result in a lesser recovery for the Estate and the holders of Asbestos PI Claims.

4. The Debtor may have rights against under insurance policies issued by other insurance companies, but no information is available regarding either the existence or value, if any, of such possible rights.

5. There can be no assurance that the liquidation of the Asbestos Insurance Policies or any other rights under insurance policies would be completed in a limited time frame. Section 704 of the Bankruptcy Code requires a trustee to collect and convert the property of the estate as expeditiously as is compatible with the best interests of the parties-in-interest.

6. The estimated chapter 7 trustee's fee of \$357,992 is based on 3% of the \$4,508,534 of funds on hand as of February 28, 2017 plus the \$11,933,079 that would be paid to the estate under the pending Insurance Settlement Agreements, if approved. For the sake of convenience, this estimate uses a flat 3% amount, although Section 326(a) of the Bankruptcy Code provides for a somewhat higher trustee's fee based on 3% of all amounts in excess of \$1 million disbursed or turned over by the trustee plus certain larger percentages for amounts disbursed less than \$1 million. If the net amount actually realized by the estate in connection with the CNA and Hartford Asbestos Insurance Policies is greater or less than \$11,933,079, then this difference would increase or decrease the amount of the chapter 7 trustee's fee proportionately.

7. As of the Petition Date, the Debtor was aware of in excess of 34,000 Asbestos PI Claims that had been asserted against it. Most of those Asbestos PI Claims are unliquidated, and therefore the aggregate amount of such claims is unknown. The Plan calls for these claims to be liquidated and resolved by the Liquidating Trust pursuant to the Trust Distribution Procedures. Because of the unliquidated nature of the vast majority of the Asbestos PI Claims, the Debtor does not have sufficient information to estimate the total amount of these claims for purposes of this analysis.

8. Because no bar date has been fixed for asbestos-related claims in this Chapter 11 Case prior to issuance of the Disclosure Statement and this Liquidation Analysis, the Debtor is unable to estimate the number and dollar amount of any Indirect Asbestos PI Claims and Derivative Liability Asbestos PI Claims against it that may exist. Although the Debtor is not aware of any such claims, if they existed they would tend to increase the total amount of Asbestos PI claims and reduce the amount available to distribute on account of each Asbestos PI Claim.

9. The Debtor estimates that the General Unsecured Claims total approximately \$280,000 based on its Schedules and a review of the proofs of claim filed by General Unsecured creditors.