

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE  
BANKRUPTCY COURT AND UNTIL APPROVED CANNOT BE USED FOR  
SOLICITATION OF THE PLAN OF LIQUIDATION OF OAKFABCO, INC.**

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 LIQUIDATION OF OAKFABCO, INC.**

This Disclosure Statement (the “Disclosure Statement”) is submitted in connection with the Plan of Liquidation proposed by Oakfabco, Inc. dated December 1, 2017 (the “Plan”), and is being 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. The Plan is attached hereto as **Exhibit A**. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

Oakfabco 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 liquidating trust to which the Debtor’s asbestos-related liabilities and insurance assets will be transferred. The trust will review and, if appropriate, pay asbestos-related claims against the Debtor.

Please carefully read this Disclosure Statement, the Plan, the exhibits and other supporting materials and any appropriate ballot 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:

<b>CLASS</b>	<b>TREATMENT</b>	<b>STATUS</b>	<b>ENTITLED TO VOTE?</b>
Unclassified: Administrative Expense Claims  <b>Estimated Recovery:                      100%</b>	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.	Unimpaired	No
Unclassified: Priority Tax Claims  There are no known Priority Tax Claims asserted against the Debtor.  <b>Estimated Recovery:                      100%</b>	Any Priority Tax Claims will be paid in full on the Effective Date, or as soon thereafter as such Priority Tax Claims are Allowed.	Unimpaired	No

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
<p>Class 1: Other Priority Claims</p> <p>There are no known Class 1 Claims asserted against the Debtor.</p> <p><b>Estimated Recovery:</b> <b>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>Class 2: Secured Claims</p> <p>There are no known Class 2 Secured Claims asserted against the Debtor.</p> <p><b>Estimated Recovery:</b> <b>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>Allowed Claims of General Unsecured creditors other than Asbestos PI Claims are estimated to total approximately \$280,000, not including the disputed and unliquidated rejection Claim of CNA, to which the Debtor has objected.</p> <p><b>Estimated Recovery:</b> <b>Unknown</b></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 \$100,000 on account of their Claims.</p>	<p>Impaired</p>	<p>Yes</p>

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
<p>Class 4: Asbestos PI Claims</p> <p>Class 4 includes Oakfabco 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 acts as a fiduciary for the creditors of its estate.

Formulation and confirmation of a chapter 11 plan 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, XI and XIII of this Disclosure Statement.**

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 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 advice on the tax or other legal effects of the Plan 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 assumed and agreed to pay, and to 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 that 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, aside from its involvement in defending and resolving numerous tort claims against it (as discussed in more detail below). Following that sale, the Debtor's primary remaining assets were 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 primarily have sought money damages for personal injury and wrongful death alleged as a result of exposure to asbestos-containing products manufactured or sold by the Debtor or a predecessor in interest. As of the commencement of this Chapter 11 Case, the Debtor estimates that it faced approximately 3,400 active asbestos-related tort claims and over 30,000 inactive asbestos-related tort claims. 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 that provide coverage for asbestos-related tort claims. Among the issuers of these 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"). These insurers coordinated and funded the defense and resolution of the asbestos-related tort claims against the Debtor for several years prior to the Petition Date.

After years of covering the Debtor's defense and indemnity costs relating to the asbestos-related tort claims, prior to the Petition Date, these insurers advised Oakfabco that coverage for defense costs was or soon would be exhausted. Apart from its insurance policies, the Debtor had no resources with which to defend any asbestos-related tort claims.

Absent the ability to defend asbestos-related tort claims, the remaining value of the insurance policies that provided indemnity coverage for those claims 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 claimants. As a result, in consultation with its counsel, the Debtor determined that it was in the best interests of itself and 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 Leadings to the Debtor's 2015 Bankruptcy Filing**

The Debtor conducted negotiations with Affiliated FM, Hartford, and CNA prior to filing this Chapter 11 Case. Those negotiations resulted in proposed settlement agreements that, if approved by the Bankruptcy Court, would have monetized the policies issued by those insurance companies 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.

Under these settlement agreements, the settling insurers agreed to payment of a portion of the settlement proceeds to the Debtor in advance of the settlements' approval by the Bankruptcy Court to fund the professional fees and expenses incurred as part of the Chapter 11 Case. A total of \$2,025,000 was paid by the settling insurers for this purpose. Pursuant to orders of the Bankruptcy Court, these funds were used later by the Debtor to pay those fees and expenses.

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.

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

In cooperation with its participating insurers, since 2009 the Debtor's sole business has been defending and, where appropriate, settling asbestos-related tort 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 Frederick W. Stein is the Debtor's sole officer and director. The Debtor's only remaining assets are cash and its rights under non-settled insurance policies; other than liabilities arising from asbestos-related tort claims, it has few known liabilities.

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

The Debtor filed this Chapter 11 Case for the purpose of resolving all Asbestos PI Claims (as defined in the Plan). It is not the Debtor's intention to treat so-called future asbestos claims or demands under the Plan. To provide funds to resolve Asbestos PI Claims, the Debtor has been seeking to monetize its Asbestos Insurance Policies and confirm a plan of liquidation as soon as possible. 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 follow certain Trust Distribution Procedures ("TDP") to resolve and liquidate the Asbestos PI Claims. The Liquidating Trustee 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 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 D. Lasko & Associates, P.C. to prepare its income tax returns and handle other accounting issues.

##### **B. 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 testifying expert on insurance issues.

##### **C. 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.

##### **D. 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.

##### **E. The Debtor's Settlements with Its Insurers**

On September 11, 2015, the Debtor filed motions to approve its settlements with Affiliated FM, Hartford and CNA. 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. That settlement was consummated thereafter, with the Debtor receiving the total settlement amount of \$4,550,000 from Affiliated FM. On August 4, 2017, the Bankruptcy Court entered an order approving the Debtor's settlement with Hartford. This settlement has resulted in the Debtor receiving the amount of \$4,500,000 from Hartford, as a result of Hartford's agreement to add \$1,500,000 to the originally agreed-to \$3,000,000

settlement amount while the motion to approve the settlement was pending before the Bankruptcy Court.

The Debtor withdrew its motion to approve the CNA settlement on July 13, 2017. Prior to the withdrawal of this motion, CNA had paid the Debtor a total of \$900,000 as advances under the settlement agreement. On September 29, 2017, the Bankruptcy Court entered an order authorizing rejection of the CNA settlement agreement. On November 6, 2017, CNA filed an application for allowance of a rejection Claim seeking allowance of an Administrative Expense Claim of at least \$900,000 and an unsecured rejection Claim in the amount of at least \$6,520,342.20. The Debtor has filed an objection to CNA's application.

#### **F. 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. All proceeds from the Insurance Settlement Agreements have been set aside as part of the qualified settlement fund.

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

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 Plan provides for the orderly and efficient administration of the Debtor's assets for the benefit of the Debtor's creditors. 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 Asbestos Insurance Settlement Agreements and the Asbestos Insurance Rights, to the Liquidating Trust for the benefit of Holders of Asbestos PI Claims.

As of November 30, 2017, the Debtor was currently holding approximately \$6.6 million in Cash. 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, including Causes of Action against Entities related to Asbestos Insurance Companies, including subsidiaries and affiliates, arising from or related to fraud or misrepresentation, which, for avoidance of doubt, may include claims against National Indemnity Company and Resolute Management, Inc. for fraud and tortious interference with contract, among other claims. CNA does not believe that any such claims exist;
- The Debtor's interests in any and all Insurance Policies, including, but not limited to the Asbestos Insurance Policies issued by CNA; 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), any Allowed Priority Tax Claims, any Class 1 Allowed Priority Claims, any 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 \$100,000.

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 B 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 Claims based on the TDP.

Holders of Allowed Class 4 Asbestos PI Claims will receive distributions from the Liquidating Trust, after payment of the 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 Plan 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 on 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 incurred by its claims and noticing agent, Logan & Company.

Following the Effective Date, the Liquidating Trust will be responsible for payment of quarterly fees due to the United States Trustee's office on behalf of the Estate. The Debtor's Estate is current on payment of the quarterly fees to the United States Trustee through September 30, 2017. Any quarterly fees that remain unpaid for later periods up until the Effective Date 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, any 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, not including the disputed and unliquidated General Unsecured Claim asserted by CNA arising from the rejection of its settlement agreement with the Debtor. CNA contends that it has a General Unsecured Claim in the amount of at least \$6,520,342.20, representing the difference between: (i) the coverage amounts of two Asbestos Insurance Policies whose existence CNA disputes and (ii) the amount it had agreed to pay with respect to those policies under the settlement that the Debtor rejected. If this CNA Claim is allowed, the distribution to Allowed Class 3 Claims will be substantially diluted. The Debtor has objected to the CNA rejection Claim.

(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 \$100,000.

**4. Class 4 – Asbestos PI Claims**

(a) Description.

Class 4 Asbestos PI Claims are comprised of: (i) all Oakfabco 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. Each Holder of a Claim or Interest 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 Asbestos 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 Asbestos PI Claims shall be made by check or other commercially reasonable means and shall be sent to Holders of Asbestos PI Claims at the address given by the Holders of such Claims to the Liquidating Trust.

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.

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.

**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, other than Asbestos PI Claims, 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.

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

Except as released in the Plan, 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. Termination of Corporate Existence of Oakfabco, Inc.**

The Plan provides that no later than thirty (30) days after the Debtor has, in accordance with this Plan, (a) paid (i) all Administrative Expense Claims of Professionals, (ii) all other Allowed Administrative Expense Claims, (iii) any Allowed Priority Tax Claims, (iv) any Allowed Priority Claims, (v) any Allowed Secured Claims, and (vi) any Allowed Unsecured Claims; and (b) conveyed all of the Trust Assets to the Liquidating Trust, it 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 in its sole discretion to reinstate 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 Asbestos 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.

**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 A.

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 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 Asbestos PI Claim as a condition of, and prior to, payment to such Holder. As a condition to making any payment to a Holder of an Asbestos PI Claim, the Liquidating Trust shall obtain a release of all of such Holder’s Claims against (i) the Debtor, (ii) the Liquidating Trust, and (iii) any Settling Asbestos Insurance Company, that relate in any way to the Debtor or the Asbestos Insurance Policies addressed under the Approved Asbestos Insurance Settlement Agreements.

With respect to any payment made for an Oakfabco 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

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. 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 on or before the thirtieth (30th) day after entry of the Confirmation Order upon the Persons listed on the master service list established for this Chapter 11 Case pursuant to an order entered on September 21, 2015.

**VIII. INJUNCTIONS AND RELEASES**

**Article IX of the Plan provides for certain exculpation, injunctions and releases 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, solely in his or her capacity as such, 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: (i) the management or operation of the Debtor or the discharge of their respective duties under the Bankruptcy Code (if any); (ii) the implementation of any of the transactions provided for, or contemplated in, the Plan or the Plan Documents; (iii) 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; (iv) any action taken in the negotiation, formulation, development, proposal, disclosure, confirmation or implementation of the Plan Documents filed in the Chapter 11 Case; and (v) 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 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 the Asbestos Insurance Rights and 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 and effectuating the free and clear sales under Section 363 of the Bankruptcy Code, as previously approved by the Bankruptcy Court, 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 Asbestos 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 Asbestos Insurance Settlement Agreement. For the avoidance of doubt, this Policy Injunction bars any Claim released in an Approved Asbestos 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 its status as a Debtor in Possession, including all Causes of Action arising under Chapter 5 of the Bankruptcy Code. Nothing herein shall be deemed to release rights against an Asbestos Insurance Company, the Asbestos Insurance Rights, 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.*

**G. No Section 1141(d)(3) Discharge**

*For the avoidance of doubt, the Plan does not result in the Debtor receiving a discharge pursuant to section 1141(d)(3) of the Bankruptcy Code.*

**IX. 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, Confirmation of the Plan requires that at least two-thirds (2/3) in amount and fifty percent (50%) in number of Holders of either 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/voted in favor of the Plan. Various provisions 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 Plan Proponent'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 in 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, and 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 the Confirmation Date and until the Effective Date, with the Debtor to pay the fees and expenses of the Asbestos Claimants Committee and its counsel through the Effective Date in such amounts as approved by the Bankruptcy Court. Upon the Effective Date, 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 12.13 of the Plan, the Liquidating Trust shall assume the obligations for Asbestos PI Claims on the Effective Date. 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.

## **X. 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). The issues relating to the CNA insurance policies will be subject to resolution after the Effective Date, to be pursued by the Liquidating Trust. Based on the insurance neutrality provisions of the Plan, CNA may be able to assert various coverage defenses that could impact the Liquidating Trust's ability to recover from it. Similarly, other Asbestos Insurance Companies, if any, could also assert defenses that would impede the Liquidating Trust's ability to monetize those policies. Given all these variables, the amount that will ultimately be available to distribute to Asbestos PI Claims is subject to uncertainty and cannot be known at this time.

## **XI. 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 chapter 11 plan 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. 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 a 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 may be 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 likely would 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, the Debtor's other creditors, and the Settling Asbestos Insurance Companies, as well

as the priorities of the Bankruptcy Code. The Plan 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.

## **XII. 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.

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



Included along with this Disclosure Statement are a copy of the Plan and an individual ballot for Holders of General Unsecured Claims and either an individual and/or a master ballot for Holders of 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 are not entitled to vote on the Plan. Holders of Allowed Claims in Classes 1 and 2 are unimpaired and are conclusively presumed to vote in favor of Confirmation of the Plan. 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. Voting on the Plan**

Most Class 4 Asbestos PI Claims are unliquidated and, under the Plan, will be resolved by the Asbestos Trust through 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. 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 or a Master Ballot along with the Notice of Combined Hearing, the Plan, this Disclosure Statement, and Voting Instructions, to all Holders of Asbestos PI Claims and/or their counsel.

For voting purposes, each Holder of an Asbestos PI Claim (other than a Holder of an Indirect Asbestos PI Claim) is required to indicate on the ballot which of the following asbestos-related diseases forms the basis for their Asbestos PI Claim: (i) Mesothelioma (Disease Level V)--\$135,000; (ii) Lung Cancer 1 (Disease Level IV)--\$60,000; (iii) Lung Cancer 2 (Disease Level III)--\$30,000; (iv) Other Cancer (Disease Level II)--\$47,500; (v) Asbestosis/Pleural Disease (Disease Level I)--\$4,500. These disease levels and claim amounts are for voting purposes only. Indirect Asbestos PI Claims will be allowed in the amount of \$1.00 in the aggregate per claimant *solely for voting purposes*.

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, no later than 5:00 p.m., Eastern Time, on \_\_\_\_\_, 2018 (the "Ballot Deadline"), at the following address:

Oakfabco, Inc. Balloting Agent  
c/o Logan & Company, Inc.  
546 Valley Road  
Upper Montclair, NJ 07043

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. 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; Stephen Bobo at sbobo@reedsmith.com; or Andrew Muha at amuha@reedsmith.com.

If you are the Holder of a Class 3 General Unsecured Claim, please see the detailed voting instructions accompanying your Class 3 Ballot.

If you are the Holder of a Class 4 Asbestos PI Claim, please see the detailed voting instructions accompanying your Class 4 Ballot and/or Master Ballot.

### **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 and Hartford settlements, 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.

**XIV. JOINT HEARING ON THE DISCLOSURE STATEMENT AND CONFIRMATION AND DEADLINE FOR FILING OBJECTIONS**

On \_\_\_\_\_, 2017, the Bankruptcy Court entered an order conditionally approving this Disclosure Statement and authorizing its use in soliciting acceptances of the Plan. The Bankruptcy Court has scheduled a joint hearing to consider any objections to the adequacy of this Disclosure Statement, pursuant to section 1125 of the Bankruptcy Code, as well as to Confirmation of the Plan. This joint hearing will take place on \_\_\_\_\_, 2018, 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 either to the adequacy of this Disclosure Statement or to Confirmation of the Plan, if any, are to be filed with the Clerk of the Bankruptcy Court by no later than \_\_\_\_\_, 2018. **Objections to the Disclosure Statement or 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 joint hearing on the Disclosure Statement and Confirmation of the Plan 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 hearing or at any subsequent adjourned hearing.

## **XV. 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 urge all of them to evidence such acceptance by returning their ballots so that they will be received by the Oakfabco Balloting Agent, Logan & Company, on or before 5:00 p.m., Eastern Time, on \_\_\_\_\_, **2018**.

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

OAKFABCO, INC.

By: \_\_\_\_\_  
Frederick W. Stein, President

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Attorneys for OAKFABCO, INC.

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