

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING “ADEQUATE INFORMATION” WITHIN THE MEANING OF SECTION 1125(A) OF THE BANKRUPTCY CODE. ACCORDINGLY, THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE BANKRUPTCY COURT HAS APPROVED THIS DISCLOSURE STATEMENT. IN ADDITION, THIS DISCLOSURE STATEMENT MAY BE REVISED TO REFLECT EVENTS THAT OCCUR AFTER THE DATE HEREOF BUT PRIOR TO THE COURT’S APPROVAL OF THE DISCLOSURE STATEMENT.

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

In re:) Chapter 11
)
) Case No. 04-11300 (JKF)
THE FLINTKOTE COMPANY and) (Jointly Administered)
FLINTKOTE MINES LIMITED,)
)
Debtors.)
_____)

**DISCLOSURE STATEMENT REGARDING AMENDED
JOINT PLAN OF REORGANIZATION IN RESPECT OF
THE FLINTKOTE COMPANY AND FLINTKOTE MINES LIMITED**

TABLE OF CONTENTS

TABLE OF CONTENTS	i
IMPORTANT DATES	iii
DISCLAIMER	iv
ARTICLE I INTRODUCTION	1
1.1 Voting and Confirmation.	1
ARTICLE II OVERVIEW OF THE PLAN	2
2.1 General Overview	2
2.2 Summary Description of Classes and Treatment.....	3
ARTICLE III GENERAL INFORMATION.....	10
3.1 History and Business, Organizational Structure, and Assets of the Debtors	10
3.2 Events Leading to the Chapter 11 Cases.....	18
ARTICLE IV SUMMARY OF LIABILITIES AND RELATED INSURANCE OF THE DEBTORS	19
4.1 Description of Asbestos Personal Injury Liabilities	19
4.2 Description of Asbestos Insurance Coverage	24
4.3 Description of Non-Asbestos Liabilities of the Debtors	27
ARTICLE V EVENTS DURING THE CHAPTER 11 CASES.....	34
5.1 Commencement of the Chapter 11 Cases	34
5.2 First-Day Relief.....	34
5.3 Joint Administration of the Debtors’ Chapter 11 Cases	34
5.4 Appointment of the Asbestos Claimants Committee	34
5.5 Appointment of the Legal Representative for Future Claimants	35
5.6 Retention of Debtors’ Professionals	35
5.7 Filing of Schedules of Assets and Liabilities and Statements of Financial Affairs	35
5.8 Administrative Matters in the Chapter 11 Cases	35
5.9 Approval of Retention Plan and Employment Agreements	36
5.10 Establishment of the Qualified Settlement Fund	37
5.11 Third Party Causes of Action.....	37
ARTICLE VI THE PLAN OF REORGANIZATION.....	39
6.1 Treatment of Administrative Claims and Priority Tax Claims	40
6.2 Treatment of Classified Claims and Equity Interests.....	41
6.3 Executory Contracts and Unexpired Leases	46
6.4 Summary of Other Provisions of the Plan	47
6.5 Insurance Neutrality.....	55
6.6 Discharge, Releases and Injunctions.....	57
6.7 Corporate Indemnities.....	66

6.8 Conditions to Confirmation and Effectiveness	67
ARTICLE VII TRUST AND TRUST DISTRIBUTION PROCEDURES	70
7.1 The Trust	70
7.2 Trust Distribution Procedures	74
ARTICLE VIII CERTAIN FACTORS TO BE CONSIDERED	92
8.1 Risk Factors	92
8.2 Certain Bankruptcy Considerations	93
ARTICLE IX VOTING PROCEDURES AND REQUIREMENTS	94
9.1 Voting Procedures Summary	94
9.2 Voting Deadline	95
9.3 Holders of Claims and Equity Interests Entitled to Vote	95
9.4 Vote Required for Acceptance by a Class	96
9.5 Voting Procedures	96
ARTICLE X CONFIRMATION OF THE PLAN	98
10.1 Confirmation Hearing	98
10.2 Requirements for Confirmation of the Plan	98
ARTICLE XI ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	103
11.1 Alternative Plan of Reorganization	103
11.2 Liquidation under Chapter 7	103
ARTICLE XII CERTAIN TAX CONSEQUENCES OF THE PLAN	103
12.1 Tax Consequences to the Debtors	104
12.2 Tax Consequences to Holders of Allowed Claims	105
ARTICLE XIII CONCLUSION AND RECOMMENDATION	108

IMPORTANT DATES

Date by which Ballots¹ must be received: _____, 2008

Date by which objections to confirmation of the Plan must be filed and served:
_____, 2008

Date of Confirmation Hearing: _____, 2008

¹ Capitalized terms used but not defined in this Disclosure Statement have the meanings ascribed to them in Article I of the Plan.

DISCLAIMER

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

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS AND SCHEDULES ATTACHED TO THE PLAN AND THE PLAN SUPPLEMENT, WHICH CONTROL IN THE EVENT OF ANY INCONSISTENCY OR INCOMPLETENESS. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THIS DATE.

ANY STATEMENTS IN THIS DISCLOSURE STATEMENT CONCERNING THE PROVISIONS OF ANY DOCUMENT ARE NOT NECESSARILY COMPLETE, AND IN EACH INSTANCE REFERENCE IS MADE TO SUCH DOCUMENT FOR THE FULL TEXT THEREOF.

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

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

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

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS, AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE,"

“CONTINUE,” “ANTICIPATE,” “INTEND,” “EXPECT,” AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES, AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED IN ARTICLE VIII, “CERTAIN FACTORS TO BE CONSIDERED.” IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER OF THE DEBTORS NOR REORGANIZED FLINTKOTE UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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

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

ARTICLE I

INTRODUCTION

This Disclosure Statement is being furnished by Flintkote and Mines, the debtors and debtors in possession in the above-captioned cases, the Asbestos Claimants Committee and the Future Claimants Representative as co-proponents of the Amended Joint Plan of Reorganization in Respect of The Flintkote Company and Flintkote Mines Limited, dated _____, 2007 (the “Plan,” a copy of which is attached hereto as Exhibit A), pursuant to section 1125 of the Bankruptcy Code, and in connection with the solicitation of votes for the acceptance or rejection of the Plan.

The Disclosure Statement is being transmitted in order to provide adequate information to enable holders of allowed Claims and Equity Interests in Classes 5, 6, 7, 8, 9, 10 and 12 who are impaired and entitled to vote on the Plan, to make an informed judgment in exercising their right to vote to accept or reject the Plan.

By order dated _____, 2007, the Bankruptcy Court approved this Disclosure Statement, in accordance with section 1125 of the Bankruptcy Code, and found that it contained “adequate information” sufficient to enable a hypothetical investor of the relevant class to make an informed judgment about the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code.

1.1 Voting and Confirmation.

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

Each holder of a Claim or Equity Interest in Classes 5, 6, 7, 8, 9, 10 and 12 is entitled to vote to accept or reject the Plan. Classes 5, 6, 8, 9 and 10 shall have accepted the Plan if (a) the holders of at least two-thirds in dollar amount of the allowed Claims actually voting in such Classes have voted to accept the Plan, and (b) the holders of more than one-half in number of the allowed Claims actually voting in such Classes have voted to accept the Plan (in each instance, after giving effect to any designation of votes). Class 7 shall have accepted the Plan if the holders of 75% of the Claims actually voting in such Class have voted to accept the Plan. Class 12 shall have accepted the Plan if the holders of at least two-thirds in amount of the allowed Equity Interests actually voting in such Class have voted to accept the Plan. Assuming the requisite acceptances are obtained, the Plan Proponents intend to seek confirmation of the Plan at the Confirmation Hearing scheduled for _____, 2008, at _____ (Prevailing Eastern Time) before the Bankruptcy Court. In the event one or more of the Classes entitled to vote on

the Plan rejects the Plan (other than Class 7), the Plan Proponents intend to ask the Bankruptcy Court to confirm the Plan notwithstanding such rejection, pursuant to section 1129(b) of the Bankruptcy Code.

The Debtors have engaged the following Voting Agent to assist in the voting process:

THE GARDEN CITY GROUP, INC.
P.O. BOX 9000-6029
MERRICK, NEW YORK 11566-9000
(888) 212-5571

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

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY THE VOTING AGENT NO LATER THAN 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2008 (the “Voting Deadline”), unless the Plan Proponents, in their sole discretion, extend or waive the period during which votes will be accepted on the Plan, in which case the term “Voting Deadline” shall mean the last date on, and time by which, such period is extended. **Any executed Ballot that does not indicate either an acceptance or rejection of the Plan or indicates both an acceptance and rejection of the Plan will be deemed to constitute an acceptance of the Plan.**

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

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

ARTICLE II

OVERVIEW OF THE PLAN

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

2.1 General Overview

The overwhelming majority of the Debtors’ liabilities are Asbestos Personal Injury Claims, which vastly exceed the value of the Debtors’ assets. As of its Petition Date, Flintkote was named as a defendant in over 157,000 Asbestos Personal Injury Claims asserted by plaintiffs

seeking damages for personal injuries allegedly caused by exposure to asbestos-containing products manufactured or distributed by Flintkote. As of Mines' Petition Date, Mines was named as a defendant in over 2,800 Asbestos Personal Injury Claims asserted by plaintiffs seeking damages for personal injuries allegedly caused by exposure to asbestos-containing products mined, brokered or distributed by Mines. All but 55 of the 2,800 claims asserted against Mines were also asserted against Flintkote.

In light of their asbestos-related liabilities, the Debtors' filed their respective Chapter 11 Cases for the primary purpose of confirming a plan of reorganization that will create a trust mechanism to address both their current and future Asbestos Personal Injury Claims in a fair and equitable manner and to provide a means by which they can realize upon the value of their assets for the benefit of such claimants and their other creditors. As a consequence, the Plan establishes a Trust that will assume all present and future Asbestos Personal Injury Claims and use its assets to pay holders of Asbestos Personal Injury Claims in accordance with the Trust Distribution Procedures. The Trust will receive the overwhelming majority of the Debtors' assets, including, among other things, (i) all of the New Flintkote Stock, (ii) all of the Cash held by Flintkote as of the Effective Date other than the Flintkote Reserve Cash, (iii) all of the funds in the Qualified Settlement Fund, (iv) 98% of the Net Recoveries on account of Third Party Causes of Action Recoveries, (v) all assets of Mines other than the Mines Reserve Cash, and (vi) the Asbestos Insurance Actions and all proceeds thereof. The Trust will manage its assets, and liquidate such assets as appropriate to enable it to make Cash distributions to holders of Asbestos Personal Injury Claims pursuant to the Trust Distribution Procedures so as to provide fair and substantially similar treatment for all similarly situated present and future holders of Asbestos Personal Injury Claims. Under the Plan, the holders of allowed Unsecured Claims against the Debtors that are not Asbestos Personal Injury Claims will receive, at their election, either (i) a total Cash payment equal to 35% of the Allowed Amount of such Claim as soon as reasonably practicable after the Effective Date, or (ii) a Cash payment equal to 5% of the Allowed Amount of such Claim as soon as reasonably practicable after the Effective Date plus (a) in the case of holders of allowed Unsecured Claims against Flintkote (Class 5), potentially additional distributions at such time and in such identical percentage amount (less a credit for the 5% Distribution already paid) as is paid by the Trust on account of Flintkote Asbestos Personal Injury Claims (Class 7), or (b) in the case of holders of allowed Unsecured Claims against Mines (Class 6), potentially additional distributions at such time and in such identical percentage amount (less a credit for the 5% Distribution already paid) as is paid by the Trust on account of Mines Asbestos Personal Injury Claims (Class 8).

2.2 Summary Description of Classes and Treatment

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

**SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AGAINST
AND EQUITY INTERESTS IN THE DEBTORS**

<p align="center">Class² & Description (See Sections 4.3(c), 10.2(e) for information regarding estimated Claim amounts)</p>	<p align="center">Treatment Under the Plan</p>
<p>Administrative Claims:</p> <p>Any Claim for payment of an Administrative Claim.</p>	<p>Not Classified</p> <p>On the Distribution Date, each holder of an allowed Administrative Claim (other than Fee Claims, which are governed by Section 14.1 of the Plan) shall receive Cash equal to the unpaid Allowed Amount of such Administrative Claim, or such amount and on such other terms as may be agreed by the holder of such allowed Administrative Claim and the Debtors or Reorganized Flintkote, as the case may be.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Priority Tax Claims:</p> <p>Any Claim for payment of a Priority Tax Claim.</p>	<p>Not Classified</p> <p>On the Distribution Date, each holder of an allowed Priority Tax Claim shall receive Cash equal to the Allowed Amount of such Priority Tax Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Flintkote Priority Claims (Class 1):</p> <p>Class 1 consists of any and all Priority Claims against Flintkote.</p>	<p>Unimpaired</p> <p>On the Distribution Date, each holder of a Class 1 allowed Priority Claim shall receive Cash equal to the Allowed Amount of such Priority Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Mines Priority Claims (Class 2):</p> <p>Class 2 consists of any and all Priority Claims against Mines.</p>	<p>Unimpaired</p> <p>On the Distribution Date, each holder of a Class 2 allowed Priority Claim shall receive Cash equal to the Allowed Amount of such Priority Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

² The Plan Proponents reserve the right to eliminate any Class of Claims in the event they determine that there are no Claims in such Class.

<p>Flintkote Secured Claims (Class 3):</p> <p>Class 3 consists of any and all Secured Claims against Flintkote.</p>	<p>Unimpaired</p> <p>At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all allowed Secured Claims in Class 3 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable and contractual rights to which each allowed Secured Claim in Class 3 entitles the holder; (ii) an allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (iii) all of the collateral for such allowed Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Mines Secured Claims (Class 4):</p> <p>Class 4 consists of any and all Secured Claims against Mines.</p>	<p>Unimpaired</p> <p>At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all allowed Secured Claims in Class 4 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable and contractual rights to which each allowed Secured Claim in Class 4 entitles the holder; (ii) an allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (iii) all of the collateral for such allowed Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.</p> <p>Estimated Percentage Recovery: 100%</p>

<p>Flintkote Unsecured Claims (Class 5):</p> <p>Class 5 consists of any and all Unsecured Claims against Flintkote.</p>	<p>Impaired</p> <p>Each holder of an allowed Class 5 Unsecured Claim shall receive at its option, exercised on the ballot accepting or rejecting the Plan, either (i) on the Distribution Date, a total Cash payment equal to 35% of the Allowed Amount of such Claim, or (ii) on the Distribution Date, a total Cash payment equal to 5% of the Allowed Amount of such Claim, and thereafter the payment of additional subsequent Distributions, if any, at the time and in the identical percentage amount (less a credit for the 5% Distribution already paid) on account of the Allowed Amount of such Claim in the same percentage amount as is paid by the Trust on account of Claims in Class 7. Any such additional subsequent Distributions would be made from the Flintkote Reserve Cash, on or as soon as practicable after the Trust increases the Distribution percentage for Allowed Class 7 Claims. If a holder of an allowed Class 5 Unsecured Claim does not elect one of the above Distribution options, then the default election shall be to receive the second Distribution option involving an initial 5% Distribution followed by subsequent Distributions, if any.</p> <p>Estimated Percentage Recovery: 35% or 5% plus unknown amount depending upon outcome of litigation</p>
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<p>Mines Unsecured Claims (Class 6):</p> <p>Class 6 consists of any and all Unsecured Claims against Mines.</p>	<p>Impaired</p> <p>Each holder of an allowed Class 6 Unsecured Claim shall receive at its option, exercised on the ballot accepting or rejecting the Plan, either (i) on the Distribution Date, a total Cash payment equal to 35% of the Allowed Amount of such Claim, or (ii) on the Distribution Date, a total Cash payment equal to 5% of the Allowed Amount of such Claim, and thereafter the payment of additional subsequent Distributions, if any, at the time and in the identical percentage amount (less a credit for the 5% Distribution already paid) on account of the Allowed Amount of such Claim in the same percentage amount as is paid by the Trust on account of Claims in Class 8. Any such additional subsequent Distributions would be made from the Mines Reserve Cash, on or as soon as practicable after the Trust increases the Distribution percentage for Allowed Class 8 Claims. If a holder of an allowed Class 6 Unsecured Claim does not elect one of the above Distribution options, then the default election shall be to receive the second Distribution option involving an initial 5% Distribution followed by subsequent Distributions, if any.</p> <p>Estimated Percentage Recovery: 35% or 5% plus unknown amount depending upon outcome of litigation</p>
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<p>Flintkote Asbestos Personal Injury Claims (Class 7):</p> <p>Class 7 consists of any and all Flintkote Asbestos Personal Injury Claims.</p>	<p>Impaired</p> <p>As of the Effective Date, liability for all Class 7 Flintkote Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, assumed by the Trust. Except as expressly provided in the Hopkins Agreement in respect of the claims of the Hopkins Plaintiffs, and any other agreements entered into among a Claimant, Reorganized Flintkote, and the Trust with respect to the pursuit of Individual Third Party Causes of Action, each Flintkote Asbestos Personal Injury Claim in Class 7 shall be liquidated and, as appropriate, paid by the Trust pursuant to and in accordance with the Trust Distribution Procedures.</p> <p>Estimated Percentage Recovery: 5% plus unknown amount depending upon outcome of litigation</p>
<p>Mines Asbestos Personal Injury Claims (Class 8):</p> <p>Class 8 consists of any and all Mines Asbestos Personal Injury Claims.</p>	<p>Impaired</p> <p>As of the Effective Date, liability for all Class 8 Mines Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, assumed by the Trust. Each Mines Asbestos Personal Injury Claim in Class 8 shall be liquidated and, as appropriate, paid by the Trust pursuant to and in accordance with the Trust Distribution Procedures.</p> <p>Estimated Percentage Recovery: 5% plus unknown amount depending upon outcome of litigation</p>

<p>Present Affiliate Claims Against Flintkote (Class 9):</p> <p>Class 9 consists of any and all Present Affiliate Claims against Flintkote.</p>	<p>Impaired</p> <p>All Present Affiliate Claims in Class 9 shall be subordinated to the Flintkote Unsecured Claims in Class 5 and the Flintkote Asbestos Personal Injury Claims in Class 7. Mines and its Estate (as the sole holder of Present Affiliate Claims in Class 9) shall not be entitled to, and shall not receive or retain, any property or interest on account of such Present Affiliate Claims under the Plan unless and until all Flintkote Unsecured Claims in Class 5 and Flintkote Asbestos Personal Injury Claims in Class 7 have been paid in full.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Present Affiliate Claims Against Mines (Class 10):</p> <p>Class 10 consists of any and all Present Affiliate Claims against Mines.</p>	<p>Impaired</p> <p>All Present Affiliate Claims in Class 10 shall be subordinated to the Mines Unsecured Claims in Class 6 and the Mines Asbestos Personal Injury Claims in Class 8. Flintkote and its Estate (as the sole holder of Present Affiliate Claims in Class 10) shall not be entitled to, and shall not receive or retain, any property or interest on account of such Present Affiliate Claims under the Plan unless and until all Mines Unsecured Claims in Class 6 and Mines Asbestos Personal Injury Claims in Class 8 have been paid in full.</p> <p>Estimated Percentage Recovery: 0%</p>
<p>Flintkote Equity Interests (Class 11):</p> <p>Class 11 consists of the existing Flintkote Stock.</p>	<p>Impaired</p> <p>On the Effective Date, all existing shares of outstanding Flintkote Stock shall be cancelled, annulled and extinguished. The holder of the Class 11 Equity Interests shall not receive or retain any distribution on account of such Equity Interests under the Plan.</p> <p>Estimated Percentage Recovery: 0%</p>

<p>Mines Equity Interests (Class 12):</p> <p>Class 12 consists of the existing Mines Stock.</p>	<p>Impaired</p> <p>Mines shall be liquidated pursuant to the Plan. Flintkote, as the holder of all existing shares of outstanding Mines Stock, shall retain such Mines Stock on and after the Effective Date; provided, however, that Flintkote shall not receive any distribution on account of such Mines Stock unless and until all Claims against Mines are paid in full, including legal interest thereon from and after the Petition Date.</p> <p>Estimated Percentage Recovery: 0%</p>
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ARTICLE III

GENERAL INFORMATION

3.1 History and Business, Organizational Structure, and Assets of the Debtors

(a) The Flintkote Company

(1) History and Business

Flintkote was organized and incorporated in Massachusetts on July 12, 1917, and was later incorporated in Delaware following a merger with another entity. From 1917 until 1987, Flintkote was primarily engaged in the manufacture, processing and distribution of building materials. The materials were sold throughout the United States and Canada. Certain of the products manufactured, processed, or distributed during the period between approximately 1935 and the early 1980's contained asbestos.

By the mid 1980's, Flintkote's business included various building and construction products (including roofing, insulation, gypsum and flooring products), cement products, lime products and stone products. In 1985, Flintkote reported gross sales revenues of \$685 million from operations. At the end of 1985, Flintkote operated 5 wallboard, 9 roofing, 1 cement and 4 lime plants throughout the United States, as well as 44 plants in the United States engaged in producing and distributing various mineral aggregate and concrete related products.

Flintkote's stock was publicly traded from 1936 through 1979. In 1979, Genstar Corporation ("Genstar") acquired all of Flintkote's outstanding stock. In 1986, Imasco Limited, now known as Imperial Tobacco Canada Limited ("Imasco" or "Imperial Tobacco"), acquired Genstar. From mid 1986 through September 2003, Flintkote was an indirect wholly-owned subsidiary of Imasco. On September 29, 2003, Imasco established the Flintkote Trust as a charitable trust for the sole benefit of the Long Beach Memorial Medical Center and then

transferred all of the stock of Flintkote to that trust. Flintkote is now wholly owned by The Flintkote Trust. In the Dividend Recovery Litigation, Flintkote contends that the transfer of its stock to the charitable trust was done so that Imperial Tobacco did not have to disclose publicly the extent of Flintkote's asbestos-related liabilities and reflect them on its consolidated balance sheet.

Shortly after its takeover of Genstar, Imasco sold all of Flintkote's manufacturing operations to various third parties. The gross sale proceeds were approximately \$663,500,000 (US) and \$100,000,000 (CAD). In the case of the stone, gypsum, roofing and lime businesses, Imasco caused Flintkote to transfer the assets and certain of the non-asbestos liabilities for each division to separate, newly-formed subsidiary corporations. Imasco then caused Flintkote to sell the stock of these newly-formed subsidiaries to third-party purchasers. Flintkote's stock in its cement business subsidiaries was also sold to a third-party purchaser. In each case, the sale proceeds were immediately transferred out of Flintkote in such a way that Imperial Tobacco, or its affiliates, had immediate access to and control over the sale proceeds.

The following is a description of each of the five Flintkote businesses sold at the direction of Imasco:

- The stone business extracted, processed and sold mineral aggregates, including concrete, bituminous concrete, calcium carbonate, ballast materials and paving materials. It was sold to Redland North America Holdings, Inc., a subsidiary of Redland PLC.
- The gypsum business manufactured and distributed gypsum wallboard and other gypsum products. It was sold to Domtar Industries, Inc.
- The cement business produced cement and ready mix concrete and quarried sand and gravel. It was sold to S.A. Cimenteries CBR.
- The roofing business manufactured and distributed roofing products. It was sold to GS Acquisition Corp.
- The lime business manufactured and distributed various lime products, including high calcium, dolomitic quicklime and hydrates. It was sold to Newco Lime, Inc. a subsidiary of Chemical Lime Company.

Flintkote indemnified four of the above purchasers for any liabilities arising from exposure to asbestos or asbestos-related products processed, manufactured or distributed by Flintkote prior to the sale, and Imasco Enterprises Inc., which has since merged into Imperial Tobacco, either guaranteed Flintkote's performance or directly indemnified such purchasers with respect to asbestos-related liabilities.

In late 1986 and mid-1987, Flintkote declared two dividends in the aggregate amount of \$525.2 million that were ultimately received by, or paid for the benefit of, Imasco and its corporate affiliates. In conjunction with declaring these dividends, Imasco promised and undertook to repay both dividends to Flintkote to the extent needed to satisfy Flintkote's unpaid

creditors if a court of competent jurisdiction determined that the dividends were improperly paid. For a further discussion of the dividends and Imasco's related undertakings please see section 3.1(a)(3)(c) below.

For years following Imasco's sale of Flintkote's then-existing businesses, Flintkote had essentially no employed staff or any physical facilities. Subsequently, it employed a very small group of executives and staff personnel who were assisted by specialized outside professionals and consultants, including employees of and counsel for Imperial Tobacco or its affiliates. In the Dividend Recovery Litigation in support of its alter ego allegations, Flintkote contends that it was operated by Imasco as a corporate vehicle to "run off" asbestos liabilities, to attempt to provide a "ring fence" to insulate and protect Imasco from Flintkote's liabilities, including on alter ego grounds, and to pursue insurance recoveries to the extent available. Flintkote further contends that it was operated by Imasco to utilize its assets to extend the time period following the sale of assets for as long as possible, to realize on its insurance assets, and to manage its liability resolution activities – primarily asbestos-related liabilities – in a manner so as to attempt to minimize Imasco's exposure for such liabilities. Imasco, now Imperial Tobacco, denies these contentions.

(2) Existing Organizational Structure and Ongoing Businesses

Following the sale of its manufacturing operations, Flintkote focused on managing and preserving its assets, realizing on its insurance assets, and managing its liability resolution activities (including its asbestos-related liabilities). To accomplish these goals, Flintkote utilized a core group of executives and staff personnel who were assisted by specialized outside professionals and consultants.

Flintkote currently employs six (6) salaried employees, each of whom is involved in the day-to-day operations of Flintkote, including, without limitation, collecting from insurers, realizing maximum insurance coverage, managing the Company's assets, liabilities and litigation claims, and responding to the matters that arise in the Chapter 11 Cases. Flintkote also utilizes several outside professionals and consultants to assist it in negotiating with insurers, pursuing the collection of amounts owing under various insurance policies and related settlement agreements, and pursuing the Third Party Causes of Action.

The officers (with position) of Flintkote as appointed by its Board of Directors are: Mr. David Gordon (President and Chief Executive Officer); Mr. Eric Bower (Executive Vice-President and Chief Financial Officer); Mr. John Bay (Vice-President and Insurance Counsel); and Ms. Christie Hamilton (Assistant Secretary). The Board of Directors of Flintkote currently consists of two directors: Mr. David Gordon and Mr. Eric Bower. In addition, Mr. David Gordon is also the sole trustee of The Flintkote Trust.

Reorganized Flintkote will continue the business operations and activities of Flintkote from and after the Effective Date. For example, as contemplated under the Plan, Reorganized Flintkote will be retained by the Trust to provide claims processing services to the Trust after the Effective Date; Reorganized Flintkote will continue its efforts to realize upon and maximize the value of its remaining insurance assets after the Effective Date; and Reorganized Flintkote will

continue to coordinate the prosecution of the Dividend Recovery Litigation after the Effective Date. Reorganized Flintkote will also serve as the court-appointed “estate representative” for Mines on and after the Effective Date pursuant to which it shall have the authority to act on behalf of Mines and the Mines Estate for all purposes and shall have all of the rights and powers of a trustee appointed under the Bankruptcy Code. Moreover, if a Mines liquidating trust is formed, Reorganized Flintkote will serve as the liquidating trustee for such liquidating trust. These activities will benefit and materially enhance the Debtors’ Estates and the Trust (as the owner of Reorganized Flintkote) by processing asbestos liabilities in an efficient manner and maximizing the value of the assets potentially available for distribution to all creditors (including current and future asbestos claimants) under the Plan.

Flintkote, with the full support of the ACC and FCR, also is in the process of expanding its business operations to capitalize on the historic knowledge and experience of Flintkote’s executives (developed over the past 20 years) in the areas of mass tort claims processing and insurance realization. Reorganized Flintkote will engage in various additional business activities aimed at companies with asbestos or mass tort liabilities. Such business activities will range from consulting and executive management services, to claims processing, to insurance collection/realization activities, to financing and acquisitions.

Management has developed, and continues to refine, other business lines for Flintkote and Reorganized Flintkote. On the consulting front, Flintkote is engaged in active, on-going discussions with a non-debtor company with material asbestos liabilities to provide executive consulting services to the company. Flintkote also is investigating potential consulting relationships with other companies with asbestos liabilities.

Similarly, management has been reviewing market data on the claims processing industry as it prepares to market Flintkote’s claims processing services to other § 524(g) asbestos trusts that were recently established, or will be established in the near term, under confirmed plans of reorganization in other chapter 11 cases. Management believes that Flintkote (and Reorganized Flintkote) can and will be competitive in the claims processing arena, and that the Company is well-positioned to provide value-added support to these trusts in the area of insurance realization that other claims processing providers do not and cannot provide.

Finally, Flintkote intends to acquire an income-producing business. The income generated from such business may be used in a variety of ways, including, *inter alia*, to fund additional business/financing activities or acquisitions, to offset fixed overhead costs, or to provide a dividend to the Trust. For these reasons, the ACC and FCR support Flintkote’s efforts to acquire an income-producing business.

(3) Description of Flintkote Assets

Flintkote’s assets consist primarily of investments and cash on hand, insurance assets, the Third Party Causes of Action, and the stock of Mines. Each of these asset categories is described below.

(a) *Cash and Investments*

As of August 31, 2007, Flintkote held approximately \$53 million in cash and marketable securities. The cash and marketable securities are maintained, in part, in a general operating account with Wachovia Bank, N. A., in a payroll account at Wells Fargo Bank, N.A. and are otherwise invested in overnight and short-term commercial paper managed by Wachovia and Credit Suisse Asset Management. As of August 31, 2007, an additional amount of approximately \$98 million in cash and marketable securities generated from the proceeds of an insurance coverage settlement are held in a separate “Qualified Settlement Fund,” which is described in Section 5.10 of this Disclosure Statement.

(b) *Insurance Policies and Settlement Agreements*

Flintkote is the named insured under numerous insurance policies and coverage-in-place settlement agreements covering, among other things, liability for Asbestos Personal Injury Claims. Although Flintkote estimates that the nominal amount of remaining aggregate policy limits are material, the realizable value of such coverage is subject to any number of factors, including, without limitation, the solvency of the insurers and the outcome of existing and any future coverage disputes. Certain of Flintkote’s insurers are subject to insolvency proceedings. Flintkote is actively pursuing claims against such insurers. Additionally, Flintkote and Mines are pressing claims for substantial insurance coverage and collections against certain insurers, which claims are described in Article IV below. Finally, as of August 31, 2007, Flintkote reported approximately \$13 million as collectible from insurers on account of unpaid billings for pre-petition claims and approximately \$41 million due no later than December 31, 2007, including approximately \$39 million pursuant to a post-petition Bankruptcy Court-approved settlement.

Flintkote’s relevant insurance history began in 1942 when it purchased primary general liability coverage from American Mutual Insurance Company. From 1942 until its acquisition by Genstar, Flintkote maintained an insurance program of primary and excess insurance covering Flintkote and its subsidiaries, including Mines, ranging from a few million dollars per year in the 1940’s to over \$60 million per year in the last half of the 1970’s. From the Genstar acquisition in 1979 until the sale of Flintkote’s manufacturing operations promptly following Imasco Limited’s acquisition of Genstar in 1986, Flintkote was insured as part of Genstar’s risk-management program. Likewise, during this period, primary and excess general liability insurance policies covering Flintkote and its subsidiaries, including Mines, were purchased every year, and ranged in stated aggregate limits from \$60 million in 1980 to over \$150 million by 1987. Policies purchased by Genstar covering the period from and after it acquired Flintkote in 1979 provide coverage for Genstar entities in addition to Flintkote.

Generally, Flintkote’s primary insurance provided separate aggregate limits for products bodily injury claims, products property damage claims, and non-products (primarily environmental) claims. At the excess level, products bodily injury claims and products property damage claims were generally subject to a single combined aggregate limit of coverage. As was typical of other companies with asbestos-related claims, Flintkote’s insurers instituted asbestos bodily injury exclusions beginning in mid-1982, and, by early 1985, absolute asbestos exclusions and absolute environmental pollution exclusions. Thereafter, although Flintkote continued to purchase general liability insurance, the insurance did not provide coverage for asbestos-related

personal injury or property damage claims or environmental claims. Flintkote's insurance coverage for Asbestos Personal Injury Claims and asbestos property damage claims is discussed more fully in Article IV below.

(c) *Third Party Causes of Action*

On April 5, 2006, Flintkote filed an action in Superior Court of the State of California, County of San Francisco (Case No. CGC-06-450944) against Imperial Tobacco and Sullivan & Cromwell LLP ("S&C"). That lawsuit, and other litigation and related matters are sometimes referred to collectively as the "Dividend Recovery Litigation" and comprise part of the Third Party Causes of Action as such term is defined in the Plan.

Imperial Tobacco, formerly Imasco Limited, is the major Canadian tobacco company. S&C is a law firm that jointly represented both Flintkote and Imasco beginning with Imasco's restructuring and sale of Flintkote's businesses in 1986. On April 27, 2006, following an order of the Bankruptcy Court, a First Amended Complaint ("Complaint") was filed which added as additional plaintiffs the Asbestos Claimants Committee and the Future Claimants Representative. The Asbestos Claimants Committee and the Future Claimants Representative are the only two organized creditor constituencies in the Chapter 11 Cases. They, together with Flintkote (collectively, the "Flintkote Plaintiffs"), represent the interests of Flintkote's estate in the Dividend Recovery Litigation. On November 20, 2006, a Second Amended Complaint ("SAC") was filed.

The SAC alleges causes of action against Imperial Tobacco, including for fraudulent transfer in connection with the transfer scheme involved in the creation of Flintkote subsidiaries and the sale of Flintkote businesses in 1986 and the resulting "repatriation" of the sale proceeds to Imasco in Canada. The SAC alleges claims against S&C, which initially represented Imasco in connection with its 1986 takeover of Genstar, and then represented Imasco and Flintkote jointly and continuously beginning with the creation of Flintkote subsidiaries and throughout the sale of Flintkote's operating businesses, the transfers of the sale proceeds, the declaration of dividends, and Imasco's subsequent operation of Flintkote until 2003.

The Flintkote Plaintiffs seek recovery of transfers totaling \$525,200,000 or more, plus interest. They allege causes of action against Imperial Tobacco (i) for receiving dividends paid illegally, suing both as Flintkote, the company which paid the dividends, and by asserting the rights of a creditor holding an allowable claim in the Chapter 11 Cases; (ii) for recovery, asserting the rights of a creditor, of fraudulent transfers; (iii) for breach of fiduciary duty; (iv) to enforce a constructive trust as to dividends held by Imperial Tobacco as a constructive trustee; (v) for restitution; and (vi) for an order declaring that the dividends were improperly paid within the meaning of a July 1987 contract whereby Imperial Tobacco is obligated to repay to Flintkote amounts (up to the dividend amounts) finally determined to be due to Flintkote creditors but that cannot be satisfied out of the Flintkote assets because of the payment of dividends finally determined to have been improper.

The Flintkote Plaintiffs seek damages from S&C caused by S&C's professional negligence in its advice to, and failure to advise, Flintkote in connection with the transfers and

dividends to and for the benefit of Imasco, and for return of legal fees based on a breach of duty and conflict of interest from S&C's joint and continuous representation of Flintkote and Imasco.

The Flintkote Plaintiffs are also seeking an order declaring that Imperial Tobacco is liable as the alter ego of Flintkote with respect to asbestos-related liabilities and is responsible to pay such liabilities. With respect to the alter ego claims, the Flintkote Plaintiffs are joined by the Hopkins Plaintiffs, who, following approval by the Bankruptcy Court, sued Imperial Tobacco for damages on account of its alleged responsibility as Flintkote's alter ego for the asbestos-related wrongful death of Norman Hopkins.

Some or all of the causes of action described above may be augmented, amended or dismissed by the Flintkote Plaintiffs during the course of the litigation. Both Imperial Tobacco and S&C have filed answers to the SAC denying any liability and raising numerous affirmative defenses. Discovery has begun and is ongoing.

Given the early status of the litigation with respect to the Third Party Causes of Action, it is not possible to predict the outcome of the litigation. Possible alternatives include (i) a determination that Imperial Tobacco is responsible for the payment of all Flintkote's current and future liabilities as its alter ego, which claims are estimated to exceed \$3 billion, (ii) avoidance of transfers to or for the benefit of Imperial Tobacco, with interest, which recovery could exceed \$1.5 billion, (iii) enforcement of contractual rights against Imperial Tobacco requiring return of the dividends paid, (iv) settlement of the asserted claims as approved by the Bankruptcy Court or, after the Effective Date, by Reorganized Flintkote and the Trust, or (v) a defense verdict. Similarly, the Third Party Causes of Action against S&C could result in a substantial judgment, settlement or a defense verdict, any one of which alternatives could be affected by settlement with or the relief, if any, granted against Imperial Tobacco.

To the extent any of these Third Party Causes of Action have not been liquidated or otherwise settled or resolved prior to the Effective Date of the Plan, these Third Party Causes of Action will be retained by Reorganized Flintkote on the Effective Date for enforcement by Reorganized Flintkote thereafter. Further information regarding the Third Party Causes of Action (as well as related litigation against S&C) is set forth in Section 5.11 of this Disclosure Statement.

(d) *Mines Stock*

Flintkote owns all of the outstanding stock in its subsidiary, Mines. The Plan provides for the liquidation of Mines, and that Flintkote shall retain Mines Stock on and after the Effective Date; provided, however, that Flintkote shall not receive any distribution or benefit on account of Mines Stock unless and until all Claims against Mines are paid in full, including legal interest thereon from and after the Petition Date. There is no expectation that this will occur.

(b) Flintkote Mines Limited

(1) History and Business

Mines was incorporated under Québec law in 1945 as a wholly-owned subsidiary of Flintkote for the purpose of mining, milling and supplying asbestos fiber. Mines operated a

mining and milling facility in the city of Thetford Mines, Québec, from 1946 until the mine closed in 1971. Afterwards, Mines also engaged in the brokering of asbestos for Flintkote and other companies until approximately 1980. Mines stopped producing asbestos fiber in 1971, and all of Mines' operating assets (including the mine) other than its brokering business were sold. The Québec government ultimately assumed possession and control of the real property where the mine was located.

Mines does not lease or own any office space. Mines does not have any material pre-petition liabilities other than liability for Asbestos Personal Injury Claims (discussed in detail in Article IV of this Disclosure Statement).

(2) Existing Organizational Structure

Mines is a wholly-owned subsidiary of Flintkote. Mr. David Gordon serves as Mines' sole Director and its President and Secretary, having been appointed to such positions just prior to Mines' Petition Date. Mines has no other officers or employees. Mr. Gordon's office is located in Flintkote's San Francisco office. Pursuant to the Plan, Mines shall be liquidated by transferring the Mines Reserve Cash to the Mines Distribution Reserve and the Trust Assets to the Trust, and, on the Effective Date, Mines' officers and directors shall resign and receive the releases provided under the Plan. In the event Reorganized Flintkote, as the Mines Estate Representative, concludes that Mines may hold assets that do not constitute Mines Reserve Cash or Trust Assets, Reorganized Flintkote reserves the right to establish a liquidating trust into which such additional assets of Mines would be transferred on or after the Effective Date and which would be administered by Reorganized Flintkote, as trustee.

On the Effective Date, Reorganized Flintkote shall be appointed as the Mines Estate Representative pursuant to and in accordance with section 1123(b)(3) of the Bankruptcy Code. The Mines Estate Representative shall have the authority to act on behalf of Mines and the Mines Estate for all purposes and shall have all of the rights and powers of a trustee appointed under the Bankruptcy Code. Among other things, the Mines Estate Representative shall be authorized to effectuate the liquidation of Mines; to prosecute, settle or abandon claims, rights and causes of action; to tender insurance claims; to enforce the terms of the Plan; to appear on behalf of Mines or defend Mines in any judicial or administrative proceedings brought against Mines; to act as a foreign representative of Mines; and to file tax returns and annual returns as required by Canadian law.

(3) Description of Mines' Assets

Mines' assets consist of its cash and investments and its rights to insurance shared with Flintkote.

(a) *Cash and Investments*

As of August 31, 2007, Mines held cash and marketable securities totaling approximately \$6.8 million (US).

(b) *Insurance Policies*

Mines' most significant asset is the liability insurance coverage it shares with Flintkote. The Debtors are both insured under virtually all of the same insurance policies and settlement agreements providing coverage for their respective Asbestos Personal Injury Claims. There are no products liability insurance policies or settlement agreements that are owned exclusively by, or which provide insurance coverage exclusively to, Mines. Under most of the policies and settlement agreements, Flintkote is a named insured and coverage extends to Mines either as a subsidiary of Flintkote or as an additionally named insured. Under the Aviva Policy (defined in section 4.2(d) below) issued by General Accident Assurance Company of Canada, a predecessor of Aviva Insurance Company of Canada Limited and/or Aviva plc (collectively, "Aviva"), Mines and Flintkote Canada (since subsumed into Flintkote) are specifically named as insureds, and Flintkote contends that it directly enjoys coverage as a named insured and/or additional insured in addition to any other rights it may have under such policies (as more particularly described below in section 4.2(d) below). Mines' historical coverage and coverage for asbestos-related liabilities are discussed more fully in Article IV of this Disclosure Statement.

3.2 Events Leading to the Chapter 11 Cases

(a) Flintkote.

Flintkote filed its voluntary chapter 11 petition on May 1, 2004. As of its Petition Date, Flintkote was subject to over 157,000 Asbestos Personal Injury Claims asserted by plaintiffs seeking damages for personal injuries allegedly caused by exposure to asbestos-containing products manufactured or distributed by Flintkote.

Flintkote elected to file for chapter 11 protection because of the growing number of asbestos-related lawsuits filed against it and the increasing expense required to resolve them. The first asbestos-related lawsuits were filed against Flintkote in the early 1970's. The number of claims (and the incremental cost to resolve such claims through settlement or litigation) increased over the years. In addition, beginning around the middle of 2001, recoveries from insurers increasingly lagged behind the expenditure dates for such costs, with some insurers significantly delaying their reimbursements, others contesting their insurance obligations through litigation, and still others being subject to their own insolvency proceedings. Recovery from the estates of insolvent insurers and appropriate state insurance guarantee funds has been subject to significant delays. Accordingly, the magnitude of the asbestos-related litigation combined with decreasing recovery levels from insurers left Flintkote with no realistic alternative but to seek protection under chapter 11 of the Bankruptcy Code.

(b) Mines.

Mines filed its voluntary chapter 11 petition on August 25, 2004. As of its Petition Date, Mines was subject to approximately 2,800 Asbestos Personal Injury Claims asserted by plaintiffs seeking damages for personal injuries allegedly caused by exposure to asbestos fiber mined, distributed or brokered by Mines. There are no known Asbestos Personal Injury Claims pending against Mines in Canada. Historically, Mines was named in a small fraction of the asbestos personal injury lawsuits brought against Flintkote and only rarely named in lawsuits apart from

Flintkote. As of Mines' Petition Date, all but approximately 55 of the 2,800 Asbestos Personal Injury Claims against Mines are also asserted against Flintkote.

Flintkote historically defended Mines in asbestos-related litigation filed against it. Those joint defense efforts stopped on May 1, 2004, when Flintkote filed for chapter 11 relief. Flintkote's filing led certain asbestos claimants (with Asbestos Personal Injury Claims against both of the Debtors) to seek affirmative recoveries against Mines and the insurance it shares with Flintkote. In order to prevent claimants from seeking judgments against Mines and Flintkote's shared insurance, on June 9, 2004, Flintkote filed a Complaint for Declaratory and Injunctive Relief and a Motion for Preliminary Injunction, seeking a 90-day preliminary injunction to enjoin any and all persons from commencing or continuing asbestos-related litigation against Mines and its insurers while Flintkote, in consultation with its principal creditor constituencies, evaluated how best to liquidate Mines. By order dated July 19, 2004, the Court granted the preliminary injunction until August 30, 2004. Mines filed its chapter 11 petition five days prior to the expiration of that injunction.

ARTICLE IV

SUMMARY OF LIABILITIES AND RELATED INSURANCE OF THE DEBTORS

4.1 Description of Asbestos Personal Injury Liabilities

The Debtors' most significant liabilities are the numerous Asbestos Personal Injury Claims, and projected Demands, against the Debtors, which are described in detail below.

(a) Flintkote

(1) Introduction

From its origins, Flintkote has been involved in the business of manufacturing products used in the building trades industry. From the 1930's until the early 1980's numerous products manufactured and/or distributed and/or imported by Flintkote contained asbestos. Flintkote ceased manufacturing any asbestos-containing products by May 15, 1982, and stopped distributing all asbestos-containing products by March 15, 1984.

The asbestos-containing products manufactured by Flintkote included (i) asphalt and vinyl floor tile, (ii) liquid products that were generally asphalt-based emulsion and solvent products used as waterproofing, coatings, adhesives and sealers, and (iii) cement products such as asbestos cement pipe, shingles, roofing and siding. These products were distributed throughout the United States and Canada. In Canada, Flintkote manufactured and sold the same types of products as in the United States.

(2) Asbestos-Containing Products Manufactured or Sold by Flintkote

Flintkote manufactured floor tile containing asbestos at six different sites: Chicago Heights, Illinois (1945 to March, 1980); Vernon, California (1946 to November, 1980); New Orleans, Louisiana (1946 to September 1978); Watertown, Massachusetts (1963 to 1968); Chillicothe, Ohio (1970 to October 1974); and Whippany, New Jersey (1947 to 1949). For

various periods of time Flintkote floor tile was marketed and sold on a national basis under the “Tile-Tex” and Sears brand names.

Flintkote’s liquid products containing asbestos were manufactured in Vernon, California; New Orleans, Louisiana; East Rutherford, New Jersey; Chicago Heights, Illinois; Whippany, New Jersey; Manayunk, Pennsylvania; and St. Paul, Minnesota. Generally, the liquid products were used as waterproofing, coatings, adhesives and sealers, and were troweled, sprayed or brushed on an underlying substance. These liquid products were used for such things as (i) protective coatings for roofs, underbodies, railroad cars and insulation, (ii) joint sealing compounds, automotive sealants and rubber and plastic cements, and (iii) coatings for tennis courts and non-slip surfaces, and smoothing compound for pavements.

Flintkote also manufactured and distributed a variety of cement products containing asbestos. Asbestos cement board, shingles and siding were manufactured at different facilities around the country during the 1945-1972 time period. In Chicago Heights, Illinois, Flintkote manufactured asbestos cement board during the 1950’s and 1960’s, while asbestos cement shingles and siding were manufactured from this facility from 1935 to 1972. In New Orleans, Louisiana, asbestos cement shingles and siding were manufactured by Flintkote from 1940 to approximately 1965, while asbestos cement board (manufactured by others) was resold from the New Orleans facility under Flintkote’s name in the 1950’s and 1960’s. In East Rutherford, New Jersey, Flintkote manufactured asbestos cement board from 1950 to 1970 and manufactured shingles and siding from 1935 to 1957. Flintkote utilized its plant in San Bernardino, California to manufacture asbestos cement shingles and siding from 1952 to approximately 1960. Flintkote’s asbestos cement siding was marketed under the following names: Stri-Color Design; Flintwood 32 Design; Striwood Shake Design; Woodgrain Narro-lap Design; Bark Brick Design; and Ledgerock Design. Asbestos cement board was referred to as “Flexboard” and manufactured in 1/4 inch, 1/8 inch and 1/16 inch thicknesses.

Flintkote manufactured asbestos cement pipe from 1962 to 1976 in Ravenna, Ohio, using technology acquired pursuant to a licensing arrangement with Johns-Manville Corporation. The pipe was marketed under the name “Flintite,” a name similar to the “Transite” pipe for which Johns-Manville was known. Asbestos cement pipe manufactured at Flintkote’s Ravenna facility utilized crocidolite asbestos fiber. Flintite, designed for the pressure pipe market, was used mostly in water supply and waste disposal systems where high durability and water tightness were necessary. It was manufactured in the larger sizes, generally 6 inches to 16 inches in diameter. The asbestos-cement conduit and pressure pipe manufactured at Ravenna were stenciled “Flintite” (the stenciling was color-coded and in the center of the pipe).

The Van Packer Company was owned by Flintkote from 1956 to 1971. Van Packer manufactured pre-fabricated chimneys for residential and commercial use at a facility in Buda, Illinois. Asbestos was used in the liner portion of certain of the chimneys. Generally, such chimneys were distributed in the New England states and New York, New Jersey, Pennsylvania, Maryland, Virginia, Ohio, Illinois, Indiana, Michigan, Wisconsin, Washington and Oregon.

Flintkote purchased the Orangeburg Manufacturing Company in Orangeburg, New York in 1958. That facility produced “Orangeburg fiber pipe” which was sold by Flintkote until

approximately 1972. Orangeburg fiber pipe was used for non-pressurized applications, including drainage and as a conduit for electrical wires. Some Orangeburg fiber pipe contained asbestos.

From approximately 1940 through 1976, Flintkote purchased asbestos-containing felt from other manufacturers and saturated it with asphalt in its own facilities, primarily in the Vernon, California and East Rutherford, New Jersey and facilities. This product was used in waterproofing and in constructing built up roofing.

Flintkote sold a number of asbestos-containing products that were manufactured by other companies including joint treatment compound from 1955-1976; ceiling tile from 1973-1974; asphalt-saturated asbestos felt (built-up roofing) intermittently from approximately 1941-1982; asbestos-cement shingles from 1948-1977; and Super Stakool White (West Coast only) from 1948-1977. From available records, it appears that Flintkote purchased the joint treatment compound sold under the Flintkote name from U.S. Gypsum, Murco, Ruco, Celotex, National Gypsum, Welcote and U-DO-IT Company of America. Flintkote also purchased various of its asbestos-containing liquid products from Purr, Inc., W.W. Henry Company, Grundy Industries, Inc. Palmer Industries, Weikel Industries and Monsey Products Company. Flintkote's asbestos-containing ceiling tile was manufactured by Conwed Co.

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

During the period of 1978 to 1982, Flintkote discontinued the manufacture of asbestos-containing products. In 1978, Flintkote discontinued the manufacture of asbestos-containing asphalt pipe and related cement products. By 1981, Flintkote had discontinued the manufacture of asbestos-containing floor tile in both the United States and Canada and had discontinued the manufacture of asbestos-containing liquid products in Canada. By May 15, 1982, the remaining asbestos-containing products manufactured by Flintkote (which were liquid products produced in Vernon, California) were discontinued. After Flintkote ceased manufacturing asbestos-containing products in 1982, it continued to distribute certain asbestos-containing liquid products to commercial customers that were manufactured by unaffiliated third parties until March 15, 1984, after which Flintkote was not involved in the distribution of any asbestos-related products.

Following Flintkote's termination of all of its asbestos-related manufacturing operations in May of 1982, Flintkote decontaminated and monitored the facilities that it had used to produce asbestos-containing products. By 1986, Flintkote had sold or decommissioned all of its asbestos-related manufacturing locations. Other than the Chicago Heights, Illinois, roofing and flooring manufacturing facilities which were decommissioned in the early 1980s but not sold until 1989 and 1997 respectively, all of Flintkote's other asbestos-manufacturing facilities were disposed of by 1986.

(4) Names Under Which Flintkote May Have Conducted its Asbestos-Related Businesses

Flintkote organized itself internally in a variety of ways over the years. It was primarily organized by division, but it also operated a variety of subsidiaries from time to time. Flintkote did not segregate its manufacture of asbestos-containing products from its manufacture of non-

asbestos-containing products. Accordingly, some of the following divisions and subsidiaries of Flintkote may have been involved in the manufacture of asbestos-containing products.

The following is an alphabetized list of the various division names into which certain Flintkote operations were organized for different periods in its history:

- Atlas Adhesives
- Beckman-Dawson
- Blue Diamond Gypsum
- Building Materials Division
- Calaveras Cement Division
- Diamond Portland Cement
- Flintkote Supply Division
- Flooring and Adhesives Division
- Glen Falls Cement
- Gypsum Products Division
- Hankins Containers
- Hollywood Paper Box
- H.T. Campbell/Grove Division
- Industrial Products Division
- Insulrock Building Slabs Division
- King Paving and Materials Division
- Lime Products Division
- M.J. Grove Lime Products
- Orangeburg Pipe Conduits
- Pioneer Building and Paperboard Products
- Pipe Products Division
- Roofing Products Division
- Sealzit Division
- Stone Products Division
- Tile-Tex
- Van Packer Prefabricated Chimneys
- Western Packaging Division

The following is an alphabetized list of Flintkote's various wholly-owned or partially-owned subsidiaries which existed during various periods of its history:

- Arizona Quarry and Stone Company
- Atlantic Carbonates Corporation
- Atlas Steel Stud Company
- Basic Management, Inc.
- Beckman-Dawson Roofing Company
- Calco Supply Company
- Colas Newfoundland Limited
- Colas Roads Limited
- Columbia River Carbonates

Commercial Waste Paper, Inc.
CWP International, Inc.
EBW, Inc.
Flintkote Holdings, Limited
Flintkote Mines Limited
Genstar Calaveras Cement Corporation
Genstar Carbonates, Inc.
Genstar Cement Company
Genstar Cement Northwest Inc.
Genstar Gypsum Products Company
Genstar Lime Company
Genstar Products Inc.
Genstar Roofing Products Company
Genstar Sand & Gravel Co.
Genstar Stone Products Company
Genstar Western Stone Products, Inc.
Harry T. Campbell Sons Corporation
King Paving Company
Kosmos Portland Cement Company
Kosmos Towing Company
Orangeburg Manufacturing Company
Patent and Licensing Corporation
Sigeco Joint Venture
St. George Gypsum Mines Incorporated
Standard Materials Company
Stockton Building Materials Company
Stradwick Industries Limited
The Flintkote Communications Company
The Flintkote Company Limited
The Flintkote Company (Nfld.) Limited
The Flintkote Company of Canada Limited
The Munroe Falls Paper Company
The Van Packer Company
U.S. Lime Products Corporation
Utah Lime and Stone Company
Valley-Redimix Corporation

(b) Mines

Mines was incorporated in 1945 and began mining operations in Thetford Mines, Québec in 1946. Mines' mining operations ended in 1971 as a result of the depletion of the mine. The Québec government ultimately took over the real property where the mine was located. Mines continued to operate as a broker of asbestos until 1980.

Mines supplied Flintkote with asbestos it extracted during the period of its operations from 1946 through 1971, but was not the sole source supplier of asbestos to Flintkote. Mines also acted as a broker for Flintkote, purchasing raw asbestos from other suppliers and arranging for its delivery to Flintkote. Due to ordinary fluctuations in the supply of particular quantities

and grades of asbestos fiber coupled with fluctuations in Flintkote's demand for such fiber, Mines purchased, traded and sold raw asbestos fiber to other asbestos mines and manufacturers from time to time. Mines also brokered the sale of asbestos fiber to third-party purchasers. Some of these purchasers were located in countries outside of North America, including Europe, Asia, South America and Australia.

(c) Estimate of Asbestos Personal Injury Liabilities

As of their respective Petition Dates, there were 157,000 Asbestos Personal Injury Claims asserted against Flintkote and 2,800 Asbestos Personal Injury Claims asserted against Mines, with all but 55 of the 2,800 claims also having been asserted against Flintkote. Substantially all of the claimants who sued Mines prior to the Petition Date also sued Flintkote. Flintkote, by and through its national defense counsel, typically defended such suits on behalf of both Flintkote and Mines and settled the Claims against both Flintkote and Mines by a single settlement agreement providing for a single payment to the claimant coupled with the claimant's release of its Claims against both Flintkote and Mines.

The respective experts for the Asbestos Claimants Committee and Future Claimants Representative estimate that the amount of the Debtors' present and future liabilities on all present Asbestos Personal Injury Claims and all Asbestos Personal Injury Demands will exceed \$3 billion. The Plan Proponents reserve the right, in their sole discretion, to seek a formal estimation of the Debtors' total liability for Asbestos Personal Injury Claims, if it is desirable or appropriate to seek such an estimation in conjunction with the confirmation of the Plan.

4.2 Description of Asbestos Insurance Coverage

(a) Historic Asbestos Insurance Coverage

The first Asbestos Personal Injury Claims were made against Flintkote in the early 1970s and were provisionally defended by certain of its primary insurers. In 1983, one of the Company's primary insurers filed a declaratory relief action to determine the scope of insurance coverage for Asbestos Personal Injury Claims under its policies. This coverage action was ultimately litigated in San Francisco Superior Court, was expanded to involve 26 insurers, resulted in a one year trial, and ultimately resulted in Asbestos Personal Injury Claims coverage settlements with all insurers involved in the action and asbestos property damage claims coverage settlements with all but one excess insurer.

From 1985 to 2001, Flintkote's annual Asbestos Personal Injury Claims filings and payments increased, and in mid-2001, certain insurers began to withhold or delay reimbursement payments due to Flintkote under prior settlement agreements. By 2003, the increase in claims and related payments, and the difficulties in collecting from certain insurers, created material cash flow difficulties for Flintkote. Flintkote then estimated the potential amount of future asbestos-related claims that might be asserted against it, and concluded that the estimated amount of its future liability would be substantially in excess of Flintkote's and Mines' remaining insurance and non-insurance assets.

For descriptive purposes, the status of the Debtors' insurance assets are separated into three (3) groupings: Pre-Petition Receivables, Coverage In-Place and Buyout Agreements and Coverage Disputes.

(b) Pre-Petition Receivables

Prior to its Petition Date, Flintkote sent regular billings to its various insurers for reimbursement of the costs and expenses related to the Asbestos Personal Injury Claims pursuant to agreements with all but one of its insurers. As of the Petition Date, Flintkote estimated that \$59 million was collectible from these billings. From the Petition Date through August 31, 2007, Flintkote has billed its insurers for an additional \$14 million of pre-petition costs and expenses related to the Asbestos Personal Injury Claims. Of these billings, \$60 million have been collected and an estimated \$13 million remained to be collected as of August 31, 2007. Flintkote continues its efforts to collect the estimated \$13 million in remaining outstanding pre-petition receivables and believes that it will be successful in recovering a substantial portion of the amounts due.

(c) Coverage In-Place and Buyout Agreements

(1) Settled Coverage – Solvent Insurers

Of the 20 solvent insurers that have policies with remaining products liability limits applicable to Asbestos Personal Injury Claims, 19 are covered by coverage-in-place agreements ("Coverage Agreements") entered into prior to the Petition Date with Aviva being the sole exception as described in Section 4.2(d) below.

Since the Petition Date, the Debtors have entered into buy-out arrangements with 4 of these 19 solvent insurers, which have been approved by the Bankruptcy Court in these Chapter 11 Cases and provide for payments to the Estates and/or the Trust (as applicable) of approximately \$45 million (subject to the terms of such settlement agreements).

The remaining aggregate limits under the Coverage Agreements with the other 15 solvent insurers have an estimated realizable value of approximately \$64 million available to pay claims covered under such agreements, which is in addition to the \$13 million in recoverable billed costs noted above. The estimate of remaining aggregate limits does not include any anticipated recovery on the Aviva Policy discussed below in section 4.2(d), and certain coverage limits are denominated in Canadian dollars and therefore are subject to fluctuations in currency exchange rates.

Past experience indicates that certain insurers that entered into Coverage Agreements may still raise objections, contract issues, and otherwise dispute their obligation to pay claims in the future. The Debtors are attempting to determine the existence, nature, and scope of any such disputes and resolve them before the Effective Date through negotiation and/or litigation.

Additionally, Flintkote holds in a separate "Qualified Settlement Fund" approximately \$98 million in cash and marketable securities generated from the proceeds of an insurance coverage settlement with certain Underwriters at Lloyd's (as further described in section 5.10 of this Disclosure Statement).

(2) Settled Coverage – Insolvent Insurers

From 1986 to date, a number of Flintkote’s insurers have been placed into receivership, and/or liquidation. Flintkote has filed proofs of claims with the receivers, liquidators, and state insurance guarantee associations, as appropriate. Currently, Flintkote is pursuing claims relating to Midland Insurance Company, Highlands Insurance Company (“Highlands”), English & American Insurance Company, Limited (“EAIC”), and Orion Insurance Company PLC. The face value of the insurance coverage for asbestos-related claims issued by these insolvent insurers exceeds \$125 million, however, the ultimate recoveries from these insolvent insurers will depend upon establishing allowed claims against their respective estates (by way of settlement or otherwise) and the ultimate distribution percentages paid on these claims. The Debtors have reached settlement agreements with two of these insurers (Highlands and EAIC) for an estimated realization between \$15 million and \$20 million, which settlements have been submitted to the Bankruptcy Court for approval.

(d) Coverage Disputes

(1) Aviva Policy

Flintkote is pursuing an action against an insurer with which it has not previously reached a settlement regarding insurance coverage for asbestos-related personal injury liability.

Aviva issued a three-year general liability insurance policy that the Debtors believe includes coverage for both Flintkote’s and Mines’ asbestos-related personal injury liabilities (the "Aviva Policy"). The Aviva Policy covers the years 1958 through 1960 and contains a per occurrence/per individual limit but no aggregate limit of liability.

At various times in the past, Flintkote has made demands on Aviva (or its predecessors) for coverage of asbestos-related personal injury claims. In 2003, when Flintkote again repeated its demand on Aviva to pay claims and confirm its obligation to provide indemnification and defense costs to Flintkote and Mines, Aviva disputed, *inter alia*, the scope of coverage available to pay claims against the Debtors and whether Flintkote was an insured under the Aviva Policy. Face-to-face meetings in 2003 and 2004 failed to produce a resolution, and Flintkote filed suit in San Francisco Superior Court. Aviva removed the matter to federal court where it is being actively litigated. (The Flintkote Company v. General Accident Assurance Company of Canada et al., Case No. C 04-01827 MHP (United States District Court for the Northern District of California, San Francisco Division (the "District Court")) (the "San Francisco Action"). Aviva also responded to Flintkote’s suit by commencing an action in the Superior Court of Justice for Ontario, Canada a short time later, seeking declaratory relief regarding coverage under the Aviva Policy. (Aviva Insurance Company Limited, et al. v. Genstar Stone Products Inc., The Flintkote Company, Court File No. 04-CV-267616CM3 (Superior Court of Justice, Ontario, Canada) (the "Ontario Action") (together with the San Francisco Action, the "Aviva Litigation"). The Ontario Action has been stayed pending resolution of Flintkote’s Chapter 11 Case.

Aviva’s attempt to dismiss the San Francisco Action based on a purported lack of personal jurisdiction failed. On January 3, 2006, the District Court entered an order finding that Flintkote was entitled to coverage under the Aviva Policy and that an “occurrence” as defined in

the Aviva Policy means “an event that causes and immediately precedes an injury giving rise to liability under the policy.” The District Court has also determined that Flintkote’s complaint permissibly includes a request for a declaration of rights encompassing future asbestos bodily injury claims which have not yet been brought. The parties have produced tens of thousands of pages of discovery material, and discovery is ongoing. Recently, the District Court ruled that the Aviva Policy provides coverage for and a duty to defend asbestos personal injury claims when the claim results from exposure to relevant asbestos or asbestos-containing products during the policy period (including exposure-in-residence). The District Court consequently found Aviva in breach of these obligations. Issues in the Aviva Litigation involving damages and the impact of other insurance policies and settlements were not resolved, and not all questions involving the statute of limitations have been answered, although the District Court ruled that the doctrine of equitable tolling would apply to preserve at least some past claims. The District Court also granted permission for Flintkote to amend its complaint to add a claim for the breach of the implied covenant of good faith and fair dealing, and Aviva has responded to the amended complaint with an answer asserting new affirmative defenses. No final judgment has been entered in the Aviva Litigation, and as of the filing of this Disclosure Statement no trial date has been set, and the Debtors cannot predict when the Aviva Litigation and all related appeals will conclude.

The parties have attended two mediation sessions before the Honorable Daniel Weinstein (Ret.), of the Superior Court of California, under the auspices of JAMS, but these did not produce a resolution. Further sessions and/or settlement talks may be scheduled.

(2) London Companies ADR

Certain London Companies, all signatories to the Agreement Concerning Asbestos Related Claims (the “Wellington Agreement”) or similar agreements, were not part of the buyout agreement reached with certain other Underwriters at Lloyd’s prior to Flintkote’s Petition Date. At various times, some or all of these London Companies have raised disputes concerning claims handling procedures and coverage issues. In mid-2006, Flintkote initiated Alternative Dispute Resolution proceedings to collect the unpaid receivables and resolve any disputes concerning claims handling and future coverage. The parties are currently mediating their disputes, and if necessary, have agreed to participate in binding arbitration. The parties are actively involved in the mediation stage and it is anticipated that, if arbitration is necessary, it will occur in early 2008. The Plan provides that to the extent the Wellington Agreement constitutes an Executory Contract such contract shall be assumed by the applicable Debtor(s) and assigned to the Trust.

4.3 Description of Non-Asbestos Liabilities of the Debtors

Flintkote and Mines were generally current on their known pre-petition payables as of their respective Petition Dates. Neither Flintkote nor Mines is a party to any secured financing arrangements, nor did they seek debtor-in-possession financing during the Chapter 11 Cases. Neither Debtor has outstanding public debt. The scheduled and filed Claims against the Debtors fall into several categories.

(a) Environmental Liability

Flintkote has been named on occasion as a defendant in certain actions filed by plaintiffs seeking damages for environmental liability purportedly caused by Flintkote's products or prior operations. Over the past 25 years, Flintkote has been named as a defendant or a Potentially Responsible Party ("PRP") in, or conducted remediation with respect to, approximately twenty environmental actions brought by governmental units or private property owners against Flintkote, seeking recovery for clean-up costs or remediation allegedly related to Flintkote's prior manufacturing activities at various sites. As of its Petition Date, Flintkote was subject to pending demands for environmental remediation or compensation related to only two of its prior manufacturing sites, and was named as a *de minimus* PRP for one U.S. EPA Superfund site, each of which is described below. On September 4, 2007, Flintkote was served with a summons and complaint relating to a fourth site, the Camden Site, which also is described below.

(1) The San Bernardino Property

Between approximately 1951 and 1961, Flintkote operated a manufacturing plant in San Bernardino, California. The site of the former plant is located at (what is presently) 271 and 271 ½ South "I" Street, San Bernardino, California (the "San Bernardino Property"). Flintkote manufactured asbestos-containing materials used in the construction industry and other products at the San Bernardino plant. Flintkote operated the plant pursuant to a ground lease of the San Bernardino Property. Under the terms of the lease, Flintkote was granted an express easement to dispose of wastes in the vicinity of the plant, and it appears that it exercised its rights in this regard.

Flintkote ceased operations at the San Bernardino Property on or about the time that the California Department of Transportation ("CalTrans") commenced an eminent domain action against Flintkote's lessor. The eminent domain proceeding was commenced to permit CalTrans to acquire land necessary for the construction of Interstate 215 and appurtenant infrastructure. In approximately 1999, CalTrans commenced a lane expansion project, during which asbestos waste was discovered in an area that encompassed a portion of the San Bernardino Property and an area appurtenant to Interstate 215. Upon the discovery of the asbestos, CalTrans undertook asbestos remediation and, shortly thereafter, commenced an action against Flintkote alleging that Flintkote had improperly disposed asbestos containing waste at and near the San Bernardino Property. Flintkote and CalTrans ultimately settled CalTrans' claims arising therefrom and entered into a stipulated judgment on June 26, 2003, which included a provision that limited Flintkote's maximum damages to CalTrans based on the asbestos contamination at the San Bernardino Property (which CalTrans currently is considering acquiring by eminent domain) to approximately \$1,500,000, subject to certain contingencies which could possibly increase Flintkote's damages to CalTrans, but which are not likely to occur in the near future, if at all. Pursuant to the stipulated judgment, Flintkote established an escrow account funded in the amount of the judgment. Approximately half of the approximately \$1,500,000 was withdrawn for the purpose of reimbursing CalTrans for past asbestos remediation expenses that it incurred. The remaining approximately \$750,000 may be used to allow CalTrans to investigate and remediate asbestos it may encounter in certain areas in the future. It is Flintkote's understanding that CalTrans has not withdrawn the second approximately \$750,000 from the escrow account.

In addition to the CalTrans litigation, claims were asserted against Flintkote by Rancho San Bernardino 6 & 7, a general partnership (“RSB”) that owns land collectively referred to herein as the RSB land, located in an area to the east of the San Bernardino Property. The land directly to the north of the RSB land is collectively referred to as the Yellow Ribbon land.

Over the past three years, the owners of the RSB land and the Yellow Ribbon land have received various notices of compliance and notices of violation relating to the presence of asbestos waste on these properties from a number of agencies. Flintkote also received notices of violation from the South Coast Air Quality Management District (“SCAQMD”) and the County of San Bernardino requiring Flintkote to conduct asbestos site investigation activities.

Over the past two years, Flintkote has conducted a series of site investigation activities and remediation activities at both the RSB and Yellow Ribbon land. Flintkote has been evaluating the extent to which it would be necessary or appropriate to conduct additional investigation and remediation at the RSB and Yellow Ribbon land. The Deputy District Prosecutor for the SCAQMD threatened enforcement actions against the owners of the RSB land if they failed to conduct, or have conducted, additional remediation on the RSB land by April 1, 2007. It is Flintkote’s understanding that the Deputy District Prosecutor has not threatened the owners of the Yellow Ribbon land with enforcement actions. Neither has the Deputy District Prosecutor expressly threatened Flintkote with enforcement action, but he has asserted that he has the authority to commence such actions. In response to the Deputy District Prosecutor’s statements and further discussions regarding Flintkote’s liability, if any, for the contamination, Flintkote prepared and submitted a revised workplan for further remediation (the “Procedure 5 Plan”) to the SCAQMD. On or about April 11, 2007, SCAQMD approved the Procedure 5 Plan, which sets forth the remaining remediation activities required on the RSB land and Yellow Ribbon land in order for SCAQMD to accept the completion report to be submitted in connection therewith. Flintkote has completed the remediation under the Procedure 5 Plan in respect of the RSB land.

The respective owners of the RSB land and the Yellow Ribbon land filed proofs of claim on account of alleged contamination at the San Bernardino Property. Flintkote has been engaged in active, ongoing discussions with these claimants regarding its remediation activities and resolution of their filed proofs of claim. To this end, the owners of the RSB land and Flintkote have entered into that certain Settlement Agreement and Release, which confirms Flintkote’s remediation obligations that exist under the Procedure 5 Plan for the RSB land and provides for a complete release of all claims of the RSB land owners against the Debtors and their respective estates. The Debtors intend to seek Bankruptcy Court approval of the RSB Settlement and Release Agreement. Flintkote is continuing its discussions with the owners of the Yellow Ribbon land to determine if a comparable settlement agreement can be reached.

(2) The Cedar Knolls Properties

Between 1945 and 1972, Flintkote operated a manufacturing facility located in Cedar Knolls, New Jersey (the “Cedar Knolls Site”). Prior to the Petition Date, Flintkote received demands from the New Jersey Department of Environmental Protection (“NJDEP”), as well as the property owner of a portion of the Cedar Knolls Site (now identified as 8 East Frederick Place) and from the owner of another portion of the Cedar Knolls Site (now identified as 4 East

Frederick Place) (collectively, the “Cedar Knolls Properties”), with respect to environmental contamination alleged to have resulted from Flintkote’s prior operations at the Cedar Knolls Site.

Flintkote is subject to a Memoranda of Agreement, dated June 14, 1994, (the “MOA”) with the New Jersey Department of Environmental Protection (“NJDEP”) in respect of the Cedar Knolls Properties. Pursuant to the MOA, Flintkote conducted numerous rounds of investigation of identified areas of concern on the Cedar Knolls Properties. Flintkote has submitted “Remedial Action Work Plans” to the NJDEP and the respective owners of the Cedar Knolls Properties for the remediation of certain identified areas of concern. Flintkote’s remediation plans have not yet been approved by the NJDEP. The respective property owners filed unliquidated proofs of claim on account of alleged contamination at the Cedar Knolls Properties. The NJDEP did not file a proof of claim. The property owner of 8 East Frederick Place subsequently asserted that its Claim may be in excess of \$10 million, and that the Plan appears improperly to seek a discharge of Flintkote’s responsibilities to remediate the Cedar Knolls Site. The Debtors disagree with this assertion and believe Flintkote’s discharge under the Plan is fully consistent with section 1141(d)(1) of the Bankruptcy Code. The Debtors also dispute the Claim and the Claim amount asserted by the 8 East Frederick Place property owner and have filed a non-substantive objection seeking to disallow the Claim on the basis that it lacks supporting documentation (D.I. 2658). The Debtors are in discussions with the respective property owners regarding the scope of any remediation of the affected properties and the resolution of such Claims.

(3) Camden Site

During the period from approximately 1963 until 1987, Flintkote, or its then wholly-owned subsidiary Genstar Gypsum Products Company, Inc. (“Genstar Gypsum”), operated a gypsum processing plant and manufacturing facility located in Camden City, New Jersey (the “Camden Site”). Flintkote transferred the Camden Site to Genstar Gypsum, its wholly owned subsidiary, on September 30, 1986. On or about February 29, 1987, Flintkote sold all of the outstanding shares of Genstar Gypsum to Domtar Industries, Inc. On April 15, 1991, Imasco Enterprises, Inc., Flintkote, Domtar Industries Inc., and Domtar Gypsum Inc. (formerly Genstar Gypsum), entered into an agreement clarifying the indemnity obligations of Flintkote and Imasco Enterprises, Inc. to Domtar Industries Inc. and Domtar Gypsum Inc. related to the Camden Site.

On June 26, 2007, NJDEP, the Commissioner of NJDEP and the Administrator of the New Jersey Spill Compensation Fund (collectively, the “Camden Action Plaintiffs”) commenced a civil action in the New Jersey Superior Court against Flintkote, Public Service Electric and Gas Company, and G-P Gypsum Corporation. The Camden Action Plaintiffs’ complaint was filed in the Superior Court of New Jersey Law Division – Camden County (Docket No. L-3337-07) (the “Camden Action”). The complaint in the Camden Action alleges that Flintkote and certain other defendants are jointly and severally liable to the Camden Action Plaintiffs for unliquidated cleanup and removal costs and compensatory and other actual damages related to alleged environmental contamination located on the Camden Site. Flintkote has not yet answered, moved or otherwise responded to the complaint in the Camden Action, and has obtained a stipulated extension of the response deadline to December 7, 2007, from the Camden Action Plaintiffs.

Upon information and belief, in 1996, Georgia Pacific Corporation acquired Domtar Gypsum Inc. and changed its name to G-P Gypsum Corporation. Furthermore, on information and belief, in 1991, Public Service Electric and Gas Company agreed to assume responsibility for remediating the Camden Site and has been working with the consent and approval of NJDEP to remediate and assess potential environmental damage at the Camden Site. Pursuant thereto, Public Service Electric and Gas Company prepared and submitted a Remedial Investigation Report to NJDEP in December 1996, proposed a Classification Exception Area in 2002, and submitted a groundwater monitoring report in July 2005. In addition, in December 2006, Public Service Electric and Gas Company provided NJDEP with a biennial certification monitoring report for the Classification Exception Area, which concluded that the remediation remains protective of public health and safety and the environment.

On October 3, 2007, Flintkote commenced an adversary proceeding against the Camden Action Plaintiffs in the Bankruptcy Court seeking a declaratory judgment that (i) each count of the complaint asserted against Flintkote represents a “claim” pursuant to section 101(5) of the Bankruptcy Code, and (ii) each count of the complaint asserted against Flintkote is based on a claim subject to the Bar Date Order issued by the Bankruptcy Court, and as such each count is enjoined from prosecution in the state court action or elsewhere (Adv. No. 07-51721, Adv. Docket No. 1). The Debtors also filed a motion with the Bankruptcy Court seeking an order enlarging the removal period for the Camden Action. (Bankr. Docket No. 2707).

None of Domtar Gypsum Inc., G-P Gypsum Corporation, Public Service Electric and Gas Company, Georgia Pacific Corporation, NJDEP, the Commissioner of NJDEP or the Administrator of the New Jersey Spill Compensation Fund has filed any proofs of claim against the Debtors’ estates in conformity with the Bankruptcy Court’s Bar Date Order. Domtar Industries Inc. filed a late proof of claim against Flintkote’s estate, which proof of claim does not specify that it relates to environmental costs associated with the Camden Site.

(4) Casmalia Superfund Site

Flintkote was named as a *de minimus* PRP in a U.S. EPA Superfund clean-up site which is located in Santa Barbara County, California (the “Casmalia Site”), and the EPA has asserted a *de minimus* liability against Flintkote in connection with the Casmalia Site. The EPA contends that Flintkote’s former operations were responsible in some measure for contamination at the Casmalia Site. Flintkote entered into a tolling agreement with the EPA with respect to the Casmalia Site, which extends through May 2008. The tolling agreement maintains Flintkote’s status as a *de minimus* PRP with respect to cleanup liability at this Site. The EPA did not file a proof of claim in respect of the Casmalia Site. However, Flintkote has been in discussions with the EPA regarding a potential settlement of Flintkote’s alleged liabilities arising from the Casmalia Site. While an agreement in principle has been reached, no firm agreement has been documented at this time.

(b) Asbestos Property Damage Liability

In addition to the Asbestos Personal Injury Claims asserted against Flintkote over the years, Flintkote historically has been named in asbestos property damage claims allegedly caused by products manufactured and sold by Flintkote. From the mid 1940’s until 1980, Flintkote

manufactured vinyl and asphalt resilient floor covering products composed of a combination of one or more of the following ingredients: vinyl resin, limestone, hydrocarbons, plasticizers, asbestos fiber (between 5% and 20% of the total volume of constituents), stabilizers and pigments. The formulation changed constantly due to the availability of materials and other factors. Flintkote ceased manufacturing floor covering products containing asbestos by 1981. Flintkote distributed resilient floor covering products throughout the United States and in Canada. Resilient floor covering products were manufactured at Flintkote's Vernon, California; Chicago Heights, Illinois; New Orleans, Louisiana; Watertown, Massachusetts and Chillicothe, Ohio plants. Any floor covering products still in use are at least twenty-five years old.

Historically, Flintkote has been named as a defendant in a total of 125 asbestos property damage lawsuits (including consolidated and class action cases) brought by various private and governmental building owners seeking damages, primarily associated with the alleged presence in specified buildings of liquid coatings or resilient floor covering products manufactured and sold by Flintkote. The majority of the 125 lawsuits were filed against Flintkote during 1984 and 1985. Only three cases have been filed against Flintkote since 1994. Flintkote has successfully resolved 121 of these lawsuits, in many cases without payment. In addition to expenditures by insurers, Flintkote has paid a total of approximately \$11 million to claimants on account of their asbestos property damage claims.

As of the Petition Date, there were four asbestos property damage lawsuits pending against Flintkote. Each of the following cases is dormant and has been inactive for years: (i) The District of Columbia v. Owens-Corning Fiberglas Corp., filed in 1984, and has been dormant since early 1996; (ii) Mike Moore, Attorney General ex rel. State of Mississippi v. The Flintkote Company, et al., filed on April 26, 1989, and has been dormant since 1995; (iii) Brooklyn Law School v. Johns-Manville Products Corp., filed in 1987, and has been dormant since 1992; and (iv) Board of Directors of City Trusts, filed in 1994, and has been dormant since 1996. Flintkote listed these lawsuits in its Schedules as contingent, disputed and unliquidated liabilities of Flintkote. However, no proofs of claim were filed on account of such liabilities (or on account of any other asbestos property damage claims) as of the Bar Date.

(c) Claims Filed Against the Debtors

As described in Article V of this Disclosure Statement, on October 13, 2004, the Bankruptcy Court entered an order establishing January 31, 2005 as the Bar Date by which Claims could be timely asserted against the Debtors. Although the Bar Date does not apply to Asbestos Personal Injury Claims, a total of 2,151 Asbestos Personal Injury Claims were filed against Flintkote as of the Bar Date. These and all other Asbestos Personal Injury Claims will be channeled to the Trust pursuant to the Plan and each Asbestos Personal Injury Claim will be liquidated and, as appropriate, paid solely by the Trust pursuant to the Trust Distribution Procedures.

The non-Asbestos Personal Injury Claims filed against Flintkote and Mines fall into several discrete categories: contribution and indemnification Claims; insurance Claims; environmental Claims; tax Claims; and miscellaneous Claims. The Plan Proponents estimate that the total Allowed Amount of Claims in Classes 5 and 6 will be between \$3.5 million and \$11.2 million. The Debtors are currently working to resolve certain Claims through stipulations,

which, in the case of environmental claims may involve remediation; hence, the ultimate Allowed Amount of the Claims may be materially lower or higher than the range set forth in the preceding sentence.

- Twelve contribution and indemnification Claims were filed against the Debtors. All but three of such claims are unliquidated and seek non-contractual contribution. The remaining three Claims seek contractual indemnification. The Debtors believe that all but one of the contribution and indemnification Claims seek asbestos-related contribution, indemnity or reimbursement. Based upon preliminary analysis, the Debtors believe that a large number of these claims should either be disallowed pursuant to section 502(e)(1) of the Bankruptcy Code and/or should be administered by the Trust.
- Thirteen insurance Claims were filed against the Debtors. All but two of such Claims have been withdrawn or settled by stipulation. The Debtors are working to resolve the remaining two Claims although they disclaim any liability to the insurer in question.
- Seven environmental Claims have been filed against the Debtors. These environment Claims seek to recover in excess of \$7 million (excluding any amount for the Claim filed by 8 East Frederick Place, which Claim the Debtors dispute and the owner asserts may exceed \$10 million). The Debtors are in the process of reviewing these Claims and are in discussions with the respective property owners regarding the scope of any remediation of the effected properties and the resolution of such Claims, the amount of which Claims are disputed by the Debtors.
- Six tax Claims were filed against Flintkote. All six Claims have been withdrawn or resolved.
- Forty-Four miscellaneous Claims were filed against the Debtors seeking payment for certain legal related trade liabilities, non-asbestos property damage liability, data storage fees, potential lease rejection damages, and workers compensation liability. These Claims seek approximately \$800,000. The Debtors have reviewed, and where appropriate resolved by way of stipulation modifying, allowing or reducing such claim, the majority of these Claims and believe them to now be consistent with their books and records. The Debtors are currently working to resolve certain remaining miscellaneous Claims.

The Debtors continue to review and analyze the proofs of claim filed to date. To this end, the Debtors will file objections and seek stipulations with respect to certain Claims. Moreover, certain parties may attempt to file additional Claims notwithstanding the passage of the Bar Date and seek allowance of such Claims by the Bankruptcy Court. In addition, certain existing Claims may be amended to seek increased amounts. Accordingly, the Debtors do not presently know and cannot reasonably determine the actual number and aggregate amount of the Claims that will ultimately be allowed against the Debtors.

ARTICLE V

EVENTS DURING THE CHAPTER 11 CASES

5.1 Commencement of the Chapter 11 Cases

Flintkote and Mines have continued to operate their businesses and manage their affairs as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code since the commencement of their Chapter 11 Cases on May 1, 2004 and August 25, 2004, respectively.

5.2 First-Day Relief

On its Petition Date, Flintkote filed a number of motions seeking typical “first-day” relief in chapter 11 cases. The purpose of such motions was to ensure that Flintkote was able to transition into the chapter 11 process and function smoothly while its case was progressing.

In particular, the “first day” motions sought authority to: (i) pay prepetition wages and other benefits to employees; (ii) continue use of the existing cash management system and bank accounts and waive the requirements of section 345 of the Bankruptcy Code; (iii) retain professionals to assist in the Chapter 11 Cases; (iv) appoint a Future Claimants Representative to assert the interests of future Asbestos Personal Injury Claimants; and (v) implement a key employee retention program. The relief sought in each of the motions was eventually granted by the Bankruptcy Court.

5.3 Joint Administration of the Debtors’ Chapter 11 Cases

On September 8, 2004, the Bankruptcy Court entered an order making several orders entered in Flintkote’s Chapter 11 Case, including relevant first day orders and the appointment of James J. McMonagle as the Future Claimants Representative, applicable to the Mines’ Chapter 11 Case (the “Joint Administration Order”). Thereafter, on October 5, 2004, the Bankruptcy Court entered an order jointly administering the Debtors’ Chapter 11 Cases. The Debtors have not substantively consolidated their Chapter 11 Cases.

5.4 Appointment of the Asbestos Claimants Committee

On May 19, 2004, the Office of the United States Trustee appointed the Asbestos Claimants Committee in the Chapter 11 Cases. Those individuals comprising the Asbestos Claimants Committee are: (i) Donald A. Borel, Sr.; (ii) Joel Turenne, Sr.; (iii) Calvin E. Clark; (iv) Juanita Deason, Independent Executrix for the Estate of Kenneth Wagner, Deceased; (v) Margaret May St. Charles, Individually and as Personal Representative of the Estate of Roger W. St. Charles; (vi) Foston James Breau; (vii) Patricia Shea as Executrix for the Estate of John Turbridy; (viii) John Hyrb; and (ix) Robert Lustgarten & Phyllis Lustgarten. The Asbestos Claimants Committee has retained Caplin & Drysdale, Chartered and Campbell & Levine, LLC, as counsel and Frank Gecker LLP as special insurance counsel. The Asbestos Claimants Committee also retained L. Tersigni Consulting as financial advisors, but the services of L. Tersigni Consulting were subsequently terminated.

5.5 Appointment of the Legal Representative for Future Claimants

On August 26, 2004, the Bankruptcy Court entered an order appointing Mr. James J. McMonagle as the Future Claimants Representative in the Flintkote Chapter 11 Case. That order was applied to the Mines' Chapter 11 Case by the Joint Administration Order (as described above). The Future Claimants Representative has retained the law firms of Vorys, Sater, Seymour & Pease LLP and Young Conaway Stargatt & Taylor LLP, as counsel, and Analysis Research and Planning Corporation, as his asbestos personal injury claims consultant.

5.6 Retention of Debtors' Professionals

The Debtors have retained (i) Sidley Austin LLP, as primary reorganization counsel; (ii) Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C., as Delaware reorganization counsel; (iii) Blake, Cassels & Graydon LLP, as Canadian reorganization counsel to provide restructuring advice in connection with Mines; (iv) Frantz Ward, LLP, as asbestos litigation counsel; (v) Nossaman Guthner Knox & Elliott, as special insurance litigation counsel for the Pru-Re Litigation and other insurance matters; (vi) Irell & Manella, LLP as special environmental and insurance counsel, and (vii) McCarter & English, LLP, as special environmental and insurance counsel. In addition, as described in Section 5.11 of this Disclosure Statement, the Debtors have retained certain counsel to prosecute the Third Party Causes of Action. The Bankruptcy Court has also authorized the Debtors to engage other law firms and professionals in the ordinary course of business.

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

On May 28, 2004, and September 24, 2004, Flintkote and Mines, respectively, filed their schedules of assets and liabilities and statements of financial affairs (as amended from time to time, the "Schedules") with the Bankruptcy Court. The Schedules provide detailed summaries of the assets held by each of the Debtors, as well as a listing of the secured, unsecured priority, and unsecured non-priority claims pending against each of the Debtors during the period prior to the Petition Date, based upon the Debtors' books and records. The statements of financial affairs provide additional information concerning the Debtors' financial affairs during the period prior to the Petition Date. A description of the scheduled liabilities is provided in Article IV of this Disclosure Statement.

5.8 Administrative Matters in the Chapter 11 Cases

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

The Debtors have sought and obtained several unopposed extensions of the periods during which they may propose and solicit acceptances of a chapter 11 plan beyond the initial 120-day and 180-day periods for plan proposal and solicitation set forth in section 1121 of the Bankruptcy Code. The Bankruptcy Court extended the exclusive period during which the Debtors could propose a plan of reorganization through August 31, 2007, and extended the solicitation period for acceptances of such a plan through October 31, 2007. As of the date of this Disclosure Statement, the Debtors have pending before the Bankruptcy Court a motion seeking to further extend the exclusive period through and including December 31, 2007 and the solicitation period through and including February 29, 2008.

(b) Assumption/Rejection of Executory Contracts and Leases

The Debtors sought and obtained several unopposed extensions of the periods within which they were required to assume or reject unexpired leases of non-residential real property beyond the initial statutory 60-day period. The Debtors' period within which to assume or reject such leases was extended through and including August 31, 2007. The Debtors did not seek a further extension of the assumption/rejection deadline because the Debtors no longer have any unexpired pre-petition leases of non-residential real property.

(c) Establishment of Bar Dates

The Debtors filed a motion seeking the establishment of January 31, 2005, as the last date by which claimants could assert any Claims against the Debtors, other than direct Asbestos Personal Injury Claims. The Debtors' motion also sought Bankruptcy Court approval to set bar dates for any Claims resulting from any future rejections by the Debtors of executory contracts and unexpired leases. Finally, the Debtors sought approval of a proposed notice of the general bar date to be mailed and published, as well as a specialized proof of claim form on which parties could assert Claims. On October 13, 2004, the Bankruptcy Court entered an order establishing January 31, 2005 (the "Bar Date"), as the final date by which Claims could be timely asserted against the Debtors and approved the proposed notice of the bar date (the "Bar Date Order").

(d) Recognition Order from Canadian Court

On or about November 8, 2004, Mines obtained an Initial Order of the Superior Court, Province of Québec, District of Montréal, which order, among other relief, recognized and extended the effect of the automatic stay in Canada, recognized the Bar Date Order and the bar date as binding on claimants located in Canada, and approved the form and manner for publishing notice of the bar date in Canada. The recognition of the automatic stay in Canada has been extended through and including February 29, 2008.

5.9 Approval of Retention Plan and Employment Agreements

On August 30, 2004, the Bankruptcy Court entered an order authorizing Flintkote (i) to implement a Retention and Severance Program for its employees, (ii) to assume the Employment Agreements of its senior management (consisting of Messrs. Gordon, Bower and Bay), and (iii) to assume an Indemnification Agreement with Flintkote's outside director (Mr. Jack West) (the "Key Employee Retention Plan" or "KERP"). The KERP provided for quarterly retention payments to Flintkote's senior management and other employees covering the period of May 1, 2004, through April 30, 2005, as well as a one-time payment of certain "vested" retention payments upon the Effective Date of the Plan (which payment obligations total approximately \$305,000 in the aggregate and are now fully-earned and payable upon the Effective Date). The KERP also provides for an additional one-time payment to senior management upon the Effective Date (which payment obligations total \$442,500 in the aggregate), so long as each applicable executive is employed by Flintkote on such date.

On February 16, 2006, the Bankruptcy Court entered an order approving a revised retention and incentive plan for Flintkote's executive officers (the "Incentive Plan"). The

Incentive Plan provided for (i) a one-time retention payment to Flintkote's senior management for the period of May 1, 2005 through October 31, 2005, (ii) quarterly retention payments for the period of November 1, 2005 through Plan confirmation (of which approximately \$135,000 in the aggregate is deferred and has been fully-earned and is payable upon entry of an order of the Bankruptcy Court confirming the Plan or a "Qualifying Termination" as such term is defined in the Incentive Plan), and (iii) a one-time incentive payment calculated based upon the value of insurance recoveries and payable upon the earlier of (a) entry of an order of the Bankruptcy Court confirming the Plan, or (b) January 1, 2008. The incentive payments for senior management in the aggregate will total one percent (1%) of the cumulative "insurance realizations" (as defined in the Incentive Plan) in excess of \$50 million, subject to a maximum incentive payment of 75% of the cumulative average base salaries for the senior management. The Incentive Plan supplements and does not in any way modify, replace or reduce any of the benefits provided to Flintkote's senior management under the Key Employee Retention Plan.

5.10 Establishment of the Qualified Settlement Fund

On May 23, 2005, the Debtors filed a motion seeking to establish a qualified settlement fund pursuant to Section 468B of the Internal Revenue Code and the Treasury Regulations promulgated thereunder to serve as the repository of certain funds to be paid to holders of certain Claims against Flintkote in accordance with the Plan. On July 13, 2005, the Bankruptcy Court entered an order granting the motion and authorizing the establishment of the Qualified Settlement Fund. The Qualified Settlement Fund reflects proceeds of an insurance settlement agreement among Flintkote, Genstar Corporation, Genstar Pacific Corporation, and The Flintkote Trust, on the one hand, and certain Underwriters at Lloyd's, London, on the other hand, pursuant to which certain London insurers settled their respective obligations to Flintkote under various insurance policies and settlement agreements. The Qualified Settlement Fund, which is managed by Credit Suisse Asset Management, holds cash and marketable securities of approximately \$98 million invested in short-term commercial paper. The Plan provides that all funds held in the Qualified Settlement Fund shall be transferred to the Trust on the Effective Date of the Plan to be used to pay Asbestos Personal Injury Claims.

5.11 Third Party Causes of Action

After an extensive analysis of the facts and legal theories underlying the claims ultimately asserted as part of the litigation pursuing Third Party Causes of Action (see Section 3.1(a)(3)(c) above), the Flintkote Plaintiffs conducted a nationwide search for litigation counsel to pursue these claims on behalf of the Flintkote estate. Ultimately, after interviewing several firms, the Flintkote Plaintiffs selected a group of litigation counsel located in the San Francisco Bay Area to represent the estate's interests in the Third Party Causes of Action. The firms and counsel selected were Snyder Miller & Orton LLP, Schiff Hardin LLP,³ The Law Office of Alan

³ On February 22, 2007, the Court issued its "Order Authorizing Substitution of Schiff Hardin LLP for Morgenstein & Jubelirer LLP as Special Litigation Counsel in Connection with the Dividend Recovery Litigation Pursuant to 11 U.S.C. §§ 327(e) and 328(a)" authorizing both the substitution of Schiff Hardin LLP for Morgenstein & Jubelirer LLP, and approving the First Amendment to Retention and Contingency Fee Agreement, *nunc pro tunc* to January 1, 2007 (Docket No. 2178).

Pedlar, A Professional Corporation, and Kelly C. Wooster, Esq. (collectively, the “Dividend Recovery Litigation Counsel”). On February 27, 2006, the Dividend Recovery Litigation Counsel were employed by Flintkote subject to approval of the Bankruptcy Court pursuant to a “Retention And Contingency Fee Agreement,” which generally provides for the Dividend Recovery Litigation Counsel to work at 40% of their normal hourly rates, not to exceed \$200 per hour, which fees will be enhanced by recoveries on account of the Third Party Causes of Action, if any, up to 20% of the first \$100 million in recoveries, and 15% of any recoveries in excess of \$100 million, all as more expressly provided in the Retention And Contingency Fee Agreement.

On April 5, 2006, Flintkote, represented by the Dividend Recovery Litigation Counsel, together with the Hopkins Plaintiffs (as defined in Section 3.1(a)(3)(c) above), filed an action against Imperial Tobacco and S&C (the “Hopkins Case”),⁴ and immediately filed motions before the Bankruptcy Court to (i) approve the employment of counsel and the Retention And Contingency Fee Agreement, (ii) approve a “Agreement For Joint Prosecution Of Dividend Recovery Litigation” (the “Joint Prosecution Agreement”) among the Debtors, the Asbestos Creditors Committee and the Future Claimants Representative, which agreement authorizes the Asbestos Creditors Committee and the Future Claimants Representative to join in the Hopkins Case as co-plaintiff representatives of the Flintkote estate’s interests, and (iii) to approve an “Agreement Providing For Joint Pursuit Of Alter Ego Remedies” (the “Alter Ego Agreement”) with the Hopkins Plaintiffs, which provided the ground rules for joint prosecution of the Hopkins Case and authorized the Hopkins Plaintiffs to assert whatever alter ego rights they may have held against Imperial Tobacco absent the filing of the Flintkote chapter 11 case.

After a hearing conducted on April 17, 2006, the Bankruptcy Court entered its “Order Authorizing The Debtors To Employ Special Litigation Counsel In Connection With The Dividend Recovery Litigation Pursuant to 11 U.S.C. §§ 327(e) and 328(a) And Granting Related Relief,” which order approved the employment of the Dividend Recovery Litigation Counsel and the terms of the Retention And Contingency Fee Agreement *nunc pro tunc* to February 27, 2006. As a result of the April 17, 2006, hearing, the Bankruptcy Court also entered its “Order Approving Certain Joint Prosecution Agreement In Connection With The Dividend Recovery Litigation,” which order approved the Joint Prosecution Agreement and expanded the role of the Dividend Recovery Litigation Counsel under the Retention and Contingency Fee Agreement to include the representation of the Asbestos Creditors Committee and the Future Claimants Representative in the Hopkins Case. Following the entry of this order, on April 27, 2006, a First Amended Complaint was filed in the Hopkins Case adding as additional plaintiffs the Asbestos Creditors Committee and the Future Claimants Representative.

As a result of opposition filed by Imperial Tobacco, Bankruptcy Court approval of the Alter Ego Agreement was continued for further hearing to May 15, 2006. After extensive

⁴ The Hopkins case, presently pending in the Superior Court of the State of California for the County of San Francisco, Case Nos. CGC-06-450944, is one of two cases that presently comprise the Dividend Recovery Litigation. The other case is against S&C to recover Flintkote’s files in S&C’s possession (the “Files Recovery Action”), presently pending in the Superior Court of the State of California for the County of San Francisco as Case No. CGC-06-452568.

briefing by the parties and oral argument, the Bankruptcy Court authorized the prosecution of the Third Party Causes of Action, as filed, and entered its “Order Approving Alter Ego Agreement In Connection With The Dividend Recovery Litigation,” which order approved the Alter Ego Agreement, as modified, and lifted the automatic stay to enable the Hopkins Plaintiffs to prosecute their alter ego claims against Imperial Tobacco.

The Hopkins Case was filed in San Francisco Superior Court. The defendants removed the case to the federal court and attempted to transfer the case to Delaware. However, on the request of Flintkote and the other plaintiffs, the Hopkins Case was remanded to the San Francisco Superior Court, where it is now pending. Imperial Tobacco has challenged the jurisdiction of that Court, which challenge has been rejected by the California Supreme Court.

S&C was originally retained as an ordinary course professional in the case, which representation was subsequently terminated by Flintkote. On May 24, 2006, Flintkote commenced the Files Recovery Action by filing a complaint against S&C to redress S&C’s refusal to turn over to Flintkote all of Flintkote’s files held by such firm. The Files Recovery Action alleges that S&C’s conduct in not turning over Flintkote’s files to it is a violation of Rule 3-700(D) of the Rules of Professional Conduct and Section 2018.080 of the California Code of Civil Procedure. S&C removed the Files Recovery Action to the federal court, which remanded it to the Superior Court where it is now pending. S&C then impleaded Imperial Tobacco, which has challenged jurisdiction. That challenge has been rejected by the California Supreme Court. However, Imperial Tobacco may pursue its jurisdictional challenge to the United States Supreme Court.

ARTICLE VI

THE PLAN OF REORGANIZATION

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

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

6.1 Treatment of Administrative Claims and Priority Tax Claims

(a) Administrative Claims (Unclassified)

Administrative Claims are any Claims for the payment of an administrative expense, which is defined in the Plan as any cost or expense of administration of the Chapter 11 Cases under section 503(b) of the Bankruptcy Code including, but not limited to: (i) any actual and necessary post-petition cost or expense of preserving the Estates or operating the businesses of the Debtors; (ii) any payment to be made under the Plan to cure a default on an assumed executory contract or unexpired lease; (iii) any post-petition cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of business; (iv) compensation or reimbursement of expenses of professionals to the extent allowed by the Bankruptcy Court under sections 328, 330(a) or 331 of the Bankruptcy Code; and (v) any fee or charge assessed against the Estates under 28 U.S.C. § 1930.

(b) Treatment of Allowed Administrative Claims

The Plan provides that, on the Distribution Date, each holder of an allowed Administrative Claim (other than Fee Claims, which are governed by Section 14.1 of the Plan) shall receive Cash equal to the unpaid Allowed Amount of such Administrative Claim, in full satisfaction, settlement, release, and discharge of and in exchange for such Claims, or such amounts and on such other terms as may be agreed on between the holders of such Claims and the Debtors or Reorganized Flintkote, as the case may be; provided, however, that allowed Administrative Claims representing liabilities incurred on or after the Petition Date in the ordinary course of business by either of the Debtors shall be paid by Reorganized Flintkote in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements relating thereto.

(c) Priority Tax Claims (Unclassified)

Priority Tax Claims are allowed Claims of Governmental Units (as defined in section 101(27) of the Bankruptcy Code) for taxes owed by the Debtors that are entitled to priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are: (i) taxes on income or gross receipts that meet the requirements of Section 507(a)(8)(A); (ii) property taxes meeting the requirements of Section 507(a)(8)(B); (iii) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in Section 507(a)(8)(C); (iv) employment taxes on wages, salaries, or commissions that are entitled to priority pursuant to Section 507(a)(3), to the extent such taxes also meet the requirements of Section 507(a)(8)(D); and (v) pre-petition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in Section 507(a)(8)(G).

(d) Treatment of Priority Tax Claims

The Plan provides that, on the Distribution Date, holders of allowed Priority Tax Claims shall receive Cash equal to the amount of such allowed Priority Tax Claims, in full satisfaction, settlement, release and discharge of and in exchange for such Claims.

6.2 Treatment of Classified Claims and Equity Interests

The classification and treatment of Claims against and Equity Interests in each Debtor are set forth in detail in Article III of the Plan. The Plan Proponents reserve the right to eliminate any Class of Claims in the event the Debtors determine that there are no Claims in such Class. A summary of the treatment of Claims against and Equity Interests in each Debtor is provided below.

(a) Class 1 –Flintkote Priority Claims

- (1) Classification: Class 1 consists of all Priority Claims Against Flintkote. Class 1 Priority Claims shall include, without limitation, any allowed unsecured claims (i) for wages and salaries, vacation, severance, and sick leave pay earned by individuals employed by Flintkote within 90 days before its Petition Date, up to \$4,925, and (ii) for certain contributions to an employee benefit plan arising from services rendered to Flintkote within 180 days before its Petition Date. However, such Priority Claims shall not include any Administrative Claims, Priority Tax Claims, or Fee Claims against Flintkote.
- (2) Treatment: On the Distribution Date, each holder of a Class 1 allowed Priority Claim shall receive Cash equal to the Allowed Amount of such Priority Claim.
- (3) Impairment and Voting: Class 1 is Unimpaired and each holder of an allowed Class 1 Claim is not entitled to vote to accept or reject the Plan.

(b) Class 2 –Mines Priority Claims

- (1) Classification: Class 2 consists of all Priority Claims Against Mines. Class 2 Priority Claims shall include, without limitation, any allowed unsecured claims (i) for wages and salaries, vacation, severance, and sick leave pay earned by individuals employed by Mines within 90 days before its Petition Date, up to \$4,925, and (ii) for certain contributions to an employee benefit plan arising from services rendered to Mines within 180 days before its Petition Date. However, such Priority Claims shall not include any Administrative Claims, Priority Tax Claims, or Fee Claims against Mines.
- (2) Treatment: On the Distribution Date, each holder of a Class 2 allowed Priority Claim shall receive Cash equal to the Allowed Amount of such Priority Claim.
- (3) Impairment and Voting: Class 2 is Unimpaired and each holder of an allowed Class 2 Claim is not entitled to vote to accept or reject the Plan.

(c) Class 3 – Flintkote Secured Claims

- (1) Classification: Class 3 consists of all Secured Claims Against Flintkote including, without limitation, a Claim that is (i) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or other applicable law, or (ii) subject to setoff under the Bankruptcy Code or other applicable law, but, with respect to both (i) and (ii) above, only to the extent of the value of the holder of such Claim's interest in the particular Estate's property securing any such Claim or the amount subject to setoff.
- (2) Treatment: At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all allowed Secured Claims in Class 3 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable and contractual rights to which each allowed Secured Claim in Class 3 entitles the holder; (ii) an allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (iii) all of the collateral for such allowed Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.
- (3) Impairment and Voting: To the extent any Class 3 allowed Secured Claims are treated in the manner set forth above, Class 3 is Unimpaired and such holders are not entitled to vote to accept or reject the Plan.

(d) Class 4 – Mines Secured Claims

- (1) Classification: Class 4 consists of all Secured Claims Against Mines including, without limitation, a Claim that is (i) secured in whole or in part as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or other applicable law, or (ii) subject to setoff under the Bankruptcy Code or other applicable law, but, with respect to both (i) and (ii) above, only to the extent of the value of the holder of such Claim's interest in the particular Estate's property securing any such Claim or the amount subject to setoff.
- (2) Treatment: At the option of the Plan Proponents and in accordance with section 1124 of the Bankruptcy Code, all allowed Secured Claims in Class 4 will be treated pursuant to one of the following alternatives: (i) the Plan will leave unaltered the legal, equitable and contractual rights to which each allowed Secured Claim in Class 4 entitles the holder; (ii) an allowed Secured Claim shall receive such other treatment as the Debtor and the holder shall agree; or (iii) all of the collateral for such allowed Secured Claim will be surrendered by the Debtor to the holder of such Claim on the Effective Date or as soon as practicable thereafter.

- (3) Impairment and Voting: To the extent any Class 4 allowed Secured Claims are treated in the manner set forth above, Class 4 is Unimpaired and such holders are not entitled to vote to accept or reject the Plan.

(e) Class 5 – Flintkote Unsecured Claims

- (1) Classification: Class 5 consists of all Unsecured Claims against Flintkote including, without limitation, any Claim that is not a Secured Claim, an Administrative Claim, a Priority Claim, a Priority Tax Claim, or an Asbestos Personal Injury Claim. Such Unsecured Claims in Class 5 shall include any Environmental Claims against Flintkote to the extent such Claims (or any portion thereof) do not constitute Secured Claims or Administrative Claims.
- (2) Treatment: Each holder of an allowed Class 5 Unsecured Claim shall receive at its option, exercised on the ballot accepting or rejecting the Plan, either (i) on the Distribution Date, a total Cash payment equal to 35% of the Allowed Amount of such Claim, or (ii) payment on the Distribution Date of a Cash payment equal to 5% of the Allowed Amount of such Claim, and thereafter the payment of additional subsequent Distributions, if any, at the time and in the identical percentage amount (less credit for the 5% Distribution already paid) on account of such Claim in the same percentage amount as is paid by the Trust on account of Claims in Class 7. If a holder of an allowed Class 5 Unsecured Claim does not elect one of the above Distribution options, then the default election shall be to receive the second Distribution option involving an initial 5% Distribution followed by subsequent Distributions, if any.
- (3) Impairment and Voting: Class 5 is Impaired and each holder of an allowed Class 5 Claim is entitled to vote to accept or reject the Plan.

(f) Class 6 – Mines Unsecured Claims

- (1) Classification: Class 6 consists of all Unsecured Claims against Mines including, without limitation, any Claim that is not a Secured Claim, an Administrative Claim, a Priority Claim, a Priority Tax Claim, or an Asbestos Personal Injury Claim. Such Unsecured Claims in Class 6 shall include any Environmental Claims against Mines to the extent such Claims (or any portion thereof) do not constitute Secured Claims or Administrative Claims.
- (2) Treatment: Each holder of an allowed Class 6 Unsecured Claim shall receive at its option, exercised on the ballot accepting or rejecting the Plan, either (i) on the Distribution Date, a total Cash payment equal to 35% of the Allowed Amount of such Claim, or (ii) payment on the Distribution Date of a Cash payment equal to 5% of the Allowed Amount of such Claim, and thereafter the payment of additional subsequent

Distributions, if any, at the time and in the identical percentage amount (less credit for the 5% Distribution already paid) on account of such Claim in the same percentage amount as is paid by the Trust on account of Claims in Class 8. If a holder of an allowed Class 6 Unsecured Claim does not elect one of the above Distribution options, then the default election shall be to receive the second Distribution option involving an initial 5% Distribution followed by subsequent Distributions, if any.

- (3) Impairment and Voting: Class 6 is Impaired and each holder of an allowed Class 6 Claim is entitled to vote to accept or reject the Plan.

(g) Class 7 – Flintkote Asbestos Personal Injury Claims

- (1) Classification: Class 7 consists of all Flintkote Asbestos Personal Injury Claims. Such Flintkote Asbestos Personal Injury Claims shall include, without limitation, Flintkote Indirect Asbestos Personal Injury Claims.
- (2) Treatment: As of the Effective Date, liability for all Class 7 Flintkote Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, assumed by the Trust. Except as expressly provided in the Hopkins Agreement in respect to the claims of the Hopkins Plaintiffs, and any other agreements entered into among a Claimant, Reorganized Flintkote, and the Trust with respect to the pursuit of Individual Third Party Causes of Action, each Flintkote Asbestos Personal Injury Claim in Class 7 shall be liquidated and, as appropriate, paid by the Trust pursuant to and in accordance with the Trust Distribution Procedures.
- (3) Impairment and Voting: Class 7 is Impaired and each holder of an allowed Class 7 Claim is entitled to vote to accept or reject the Plan.

(h) Class 8 – Mines Asbestos Personal Injury Claims

- (1) Classification: Class 8 consists of all Mines Asbestos Personal Injury Claims. Such Mines Asbestos Personal Injury Claims shall include, without limitation, Mines Indirect Asbestos Personal Injury Claims.
- (2) Treatment: As of the Effective Date, liability for all Class 8 Mines Asbestos Personal Injury Claims shall be automatically and without further act, deed or Court order, assumed by the Trust. Each Mines Asbestos Personal Injury Claim in Class 8 shall be liquidated and, as appropriate, paid by the Trust pursuant to and in accordance with the Trust Distribution Procedures.
- (3) Impairment and Voting: Class 8 is Impaired and each holder of an allowed Class 8 Claim is entitled to vote to accept or reject the Plan.

- (i) Class 9 – Present Affiliate Claims Against Flintkote
- (1) Classification: Class 9 consists of all Present Affiliate Claims (if any) against Flintkote.
 - (2) Treatment: All Present Affiliate Claims in Class 9 shall be subordinated to the Flintkote Unsecured Claims in Class 5 and the Flintkote Asbestos Personal Injury Claims in Class 7. Mines and its Estate (as the sole holder of Present Affiliate Claims in Class 9) shall not be entitled to, and shall not receive or retain, any property or interest on account of such Present Affiliate Claims under the Plan unless and until all Flintkote Unsecured Claims in Class 5 and Flintkote Asbestos Personal Injury Claims in Class 7 have been paid in full.
 - (3) Impairment and Voting: Class 9 is Impaired and Mines, as the sole holder of Class 9 Claims and as a co-proponent of the Plan, intends to vote to accept the Plan.
- (j) Class 10 Present Affiliate Claims Against Mines
- (1) Classification: Class 10 consists of all Present Affiliate Claims (if any) against Mines.
 - (2) Treatment: All Present Affiliate Claims in Class 10 shall be subordinated to the Mines Unsecured Claims in Class 6 and the Mines Asbestos Personal Injury Claims in Class 8. Flintkote and its Estate (as the sole holder of Present Affiliate Claims in Class 10) shall not be entitled to, and shall not receive or retain, any property or interest on account of such Present Affiliate Claims under the Plan unless and until all Mines Unsecured Claims in Class 6 and Mines Asbestos Personal Injury Claims in Class 8 have been paid in full.
 - (3) Impairment and Voting: Class 10 is Impaired and Flintkote, as the sole holder of Class 10 Claims and as a co-proponent of the Plan, intends to vote to accept the Plan.
- (k) Class 11 – Equity Interests in Flintkote
- (1) Classification: Class 11 consists of all outstanding shares of Flintkote Stock.
 - (2) Treatment: On the Effective Date, all existing shares of outstanding Flintkote Stock shall be cancelled, annulled and extinguished. The holder of the Class 11 Equity Interests shall not receive or retain any distribution on account of such Equity Interests under the Plan.

- (3) Impairment and Voting: Class 11 is Impaired and the holder of the Class 11 Equity Interests is conclusively presumed to have rejected the Plan pursuant to section 1126 of the Bankruptcy Code.
- (1) Class 12 – Equity Interests in Mines
 - (1) Classification: Class 12 consists of all outstanding shares of Mines Stock.
 - (2) Treatment: Mines shall be liquidated. Flintkote, as the holder of the Class 12 Equity Interests, shall retain such Equity Interests on and after the Effective Date; provided, however, that Flintkote shall not receive any distribution on account of such Equity Interests unless and until all Claims against Mines are paid in full, including legal interest thereon from and after the Petition Date.
 - (3) Impairment and Voting: Class 12 is Impaired and Flintkote, as the sole holder of Class 12 Equity Interests and as a co-proponent of the Plan, intends to vote to accept the Plan..

6.3 Executory Contracts and Unexpired Leases

Under section 365 of the Bankruptcy Code, the Debtors have the right, subject to Bankruptcy Court approval, to assume or reject any executory contracts or unexpired leases. If either Debtor rejects an executory contract or unexpired lease that was entered into before its respective Petition Dates, as applicable, such rejection will be treated as if that Debtor breached the contract or lease immediately before the applicable Petition Date, and the other party to the agreement may assert a Claim for damages incurred as a result of the rejection. In the case of the rejection of employment agreements and real property leases, damages are subject to certain limitations imposed by sections 365 and 502 of the Bankruptcy Code.

The Plan provides that to the extent the Wellington Agreement constitutes an Executory Contract such contract shall be assumed by the applicable Debtor(s) and assigned to the Trust. All other Executory Contracts to which any Debtor is a party and which have not been expressly assumed by such Debtor with the Bankruptcy Court's approval on or prior to the Confirmation Date shall, as of the Effective Date, be deemed to have been rejected by the Debtors.

The Plan provides that the Debtors shall identify in the Plan Supplement any Executory Contract that they wish to assume and, in certain cases, assign pursuant to section 365 of the Bankruptcy Code, together with the proposed "cure" amount in accordance with section 365(b)(1) of the Bankruptcy Code for any Executory Contract to be assumed, or assumed and assigned, in the Plan Supplement. No amount shall be due for the Cure or other compensation to the parties to any Executory Contracts to be assumed, or assumed and assigned, except as expressly provided in the Plan Supplement or as otherwise ordered by the Bankruptcy Court pursuant to a Final Order. Pursuant to entry of the Confirmation Order, effective as of the Effective Date, all Executory Contracts of either Debtor specifically listed in the Plan Supplement for assumption and, in certain cases, assumption and assignment, shall be deemed to be automatically assumed, and assumed and assigned, as the case may be, as of the Effective Date.

abandon claims, rights and causes of action; to tender insurance claims; to enforce the terms of the Plan; to appear on behalf of Mines or defend Mines in any judicial or administrative proceedings brought against Mines; to act as a foreign representative of Mines; and to file tax returns and annual returns as required by Canadian law.

(e) Transfer of Mines Reserve Cash to Mines Distribution Reserve.

On the Effective Date, the Mines Reserve Cash shall be transmitted to the Mines Distribution Reserve free and clear of all Claims, Liens, and Encumbrances, except as specifically provided in the Plan and the Confirmation Order. From and after the Effective Date, the Disbursing Agent shall make Distributions from the Mines Reserve Cash to holders of allowed Administrative Claims, Priority Tax Claims, Priority Claims and Unsecured Claims against Mines, in accordance with Article III and other applicable provisions of the Plan. To the extent there is any Mines Reserve Cash remaining after all holders of allowed Administrative Claims, Priority Tax Claims, Priority Claims and Unsecured Claims against Mines have received the Distributions to which they are entitled under the Plan, such excess Mines Reserve Cash shall be transferred to the Trust. In the event Reorganized Flintkote, as the Mines Estate Representative, concludes that Mines may hold assets that do not constitute Mines Reserve Cash or Trust Assets, Reorganized Flintkote reserves the right to establish a liquidating trust into which such additional assets of Mines would be transferred on or after the Effective Date and which would be administered by Reorganized Flintkote, as trustee.

(f) Distributions Under the Plan

(1) General Matters

Distributions on account of allowed Claims (other than Asbestos Personal Injury Claims and Fee Claims) shall be made on the Distribution Date except to the extent a holder of an Unsecured Claim elects to receive a Deferred Distribution. All Disputed Claims against the Debtors, other than Asbestos Personal Injury Claims or Fee Claims, shall be subject to the provisions of Article VII of the Plan. All Asbestos Personal Injury Claims shall be liquidated and, as appropriate, paid by the Trust in accordance with the Trust Agreement and the Trust Distribution Procedures. All Fee Claims shall be determined and, if allowed, paid by Reorganized Flintkote (on behalf of itself or Mines, as applicable) in accordance with Section 14.1 of the Plan.

(2) Distribution of Third Party Causes of Action Recoveries.

Third Party Causes of Action Recoveries shall be promptly distributed by Reorganized Flintkote in accordance with the following priorities: *first*, to satisfy all unpaid Litigation Expenses; *second*, to reimburse the Trust for all Litigation Expenses that it has previously paid; and *third*, to reserve an amount sufficient for any Deferred Distribution arising as a result of the Third Party Causes of Action Recovery. The portion of the Third Party Causes of Action Recoveries remaining after paying for the foregoing is defined hereafter as the “Net Recovery.” Following the distribution of any and all Third Party Causes of Action Recoveries set forth above, Reorganized Flintkote shall promptly distribute 98% of the Net Recovery to the Trust in

full satisfaction of the Litigation Note and Security Agreement, and shall retain the remaining 2% of the Net Recovery to fund Reorganized Flintkote's ongoing business operations.

(3) Execution of the Litigation Note and Security Agreement.

Upon the Effective Date, and in furtherance of the distributions to the Trust set forth in the Plan, Reorganized Flintkote shall execute and deliver the Litigation Note and Security Agreement to the Trustees, for the benefit of the Trust, evidencing Reorganized Flintkote's obligation to pay 98% of the Net Recovery to the Trust, and granting the Trust a security interest in the Third Party Causes of Action and the Net Recovery therefrom to secure such obligation, junior in priority only to the attorneys' lien granted and acknowledged in favor of the Dividend Recovery Litigation Counsel.

(4) Means of Cash Payment.

Cash payments made pursuant to the Plan shall be in United States dollars, by check drawn on a bank located in the United States or by wire transfer from such bank.

(5) Delivery of Distributions.

The delivery of Distributions to holders of allowed Claims (other than Asbestos Personal Injury Claims and Fee Claims) shall be made at the addresses set forth on the Proofs of Claim filed by such holders or as listed in the Schedules if no Proof of Claim is filed, or such other address if the holder of the applicable Claim has duly notified the Claims Agent of a change of address. If any Distribution to the holder of a Claim is returned as undeliverable, then no further Distributions to such holder shall be made unless and until the Claims Agent or Reorganized Flintkote are notified of such holder's then-current address, at which time all missed Distributions shall be made to such holder without interest. Cash Distributions that are not claimed (including due to an Entity's failure to negotiate a check issued to such Entity) by the expiration of twelve (12) months from the Distribution Date shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code, shall revert in Reorganized Flintkote. Following the expiration of such twelve (12) month period, the right of any holder of a Claim to such Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Debtors or Reorganized Flintkote to attempt to locate any holder of an allowed Claim.

(6) Transfers of Claims

In the event that the holder of any Claim shall transfer such Claim on and after the Distribution Record Date, it shall immediately advise the Disbursing Agent, or the Trust (to the extent it pertains to an Asbestos Personal Injury Claim), in writing of such transfer. The Disbursing Agent or the Trust, as the case may be, shall be entitled to assume that no transfer of any Claim has been made by any holder unless and until written notice of a transfer has been actually received by the Disbursing Agent or the Trust. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan, and, except as provided in a notice of transfer, the Disbursing Agent or the Trust, as the case may be, shall be entitled to assume conclusively that the transferee named in any notice of transfer shall thereafter be vested with all rights and powers of the transferor of such Claim.

(7) Interest on Impaired Claims.

Except as specifically provided for in the Plan, Trust Distribution Procedures or the Confirmation Order, interest shall not accrue on Impaired Claims, and no holder of an Impaired Claim shall be entitled to interest accruing on or after the Petition Date on any such Impaired Claim. Interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a Distribution is made thereon if and after such Disputed Claim becomes an allowed Claim. Except as expressly provided herein, no pre-petition Impaired Claim shall be allowed to the extent that it is for post-petition interest or other similar charges.

(8) Setoffs

Each Debtor and Reorganized Flintkote (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may, pursuant to the applicable provisions of the Bankruptcy Code, or applicable non-bankruptcy law, set off against any applicable allowed Claim (before any Distribution is made on account of such Claim) any and all claims, rights, causes of action, debts or liabilities of any nature that the applicable Debtor or Reorganized Flintkote (or the Trust to the extent it pertains to an Asbestos Personal Injury Claim) may hold against the holder of such allowed Claim; provided, however, that the failure to effect such a setoff shall not constitute a waiver or release of any such claims, rights, causes of action, debts or liabilities.

(g) Revesting of Flintkote Non-Trust Assets; Preservation of Non-Asbestos Insurance Assets.

Pursuant to section 1141(b) of the Bankruptcy Code, and except as otherwise provided in the Plan or the Confirmation Order, the property of Flintkote and its Estate that does not constitute Trust Assets (collectively referred to herein as the “Flintkote Non-Trust Assets”), including, without limitation, the Flintkote Reserve Cash, the Third Party Causes of Action and the Non-Asbestos Insurance Assets, will revest in Reorganized Flintkote on the Effective Date. Upon the Effective Date, Reorganized Flintkote, together with the Trust to the extent provided for in Section 14.2 of the Plan, shall be authorized to pursue the Third Party Causes of Action, including as estate representative appointed for such purposes pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, with the Net Proceeds derived therefrom distributed as provided in Section 6.2 of the Plan. From and after the Effective Date, Reorganized Flintkote may use, acquire, and dispose of the Flintkote Non-Trust Assets free of any restrictions imposed under the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court other than those restrictions and obligations imposed by the Plan and the Confirmation Order. As of the Effective Date, the Flintkote Non-Trust Assets will be vested in Reorganized Flintkote, free and clear of all Claims, Liens, and Encumbrances, except as specifically provided in the Plan, the Confirmation Order, and the Litigation Note and Security Agreement. Without limiting the generality of the foregoing, and subject only to Section 14.1 of the Plan, Reorganized Flintkote may pay Professional fees and expenses, including without limitation, the Litigation Expenses, that it incurs after the Effective Date without further application or order of the Bankruptcy Court.

(h) Preservation of Causes of Action; Defenses.

Except as otherwise provided in the Plan or the Confirmation Order, in accordance with section 1123(b) of the Bankruptcy Code, Reorganized Flintkote shall retain and may enforce such claims, rights and causes of action (other than those that constitute Trust Assets) that were property of Flintkote and its Estate, including without limitation, the Third Party Causes of Action. Except as otherwise provided in the Plan or the Confirmation Order, all claims, rights and causes of action (other than those that constitute Trust Assets) that were property of Mines and its Estate shall be retained for the benefit of Mines' creditors and may be enforced by the Mines Estate Representative. Reorganized Flintkote (on behalf of itself or Mines, as applicable) shall retain and enforce all defenses and counterclaims to all Claims (other than Asbestos Personal Injury Claims) that were or could have been asserted against Flintkote or Mines, respectively, or their respective Estates, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code. On or after the Effective Date, Reorganized Flintkote (on behalf of itself or Mines, as applicable) may pursue, settle or withdraw, without Bankruptcy Court approval, such claims, rights, or causes of action (other than the Trust Causes of Action) as it determines in accordance with its best interests provided, however, that any such determination related to the pursuit, settlement or withdrawal of a claim, right or cause of action related to the Third Party Causes of Action shall require the consent of the Trustees or such other person as specified in the Trust Documents.

(i) Preservation of Trust Causes of Action; Defenses.

On the Effective Date, all Trust Causes of Action and defenses relating to Asbestos Personal Injury Claims shall be transferred and assigned to the Trust. Except as otherwise provided in the Plan or the Confirmation Order, in accordance with section 1123(b) of the Bankruptcy Code, the Trust shall retain and may enforce such Trust Causes of Action and defenses relating to Asbestos Personal Injury Claims and shall retain and may enforce all defenses and counterclaims to all Asbestos Personal Injury Claims asserted against the Trust, including, but not limited to, setoff, recoupment, and any rights under section 502(d) of the Bankruptcy Code. The Trust may pursue such defenses, rights, or causes of action, as appropriate, in accordance with its and its beneficiaries' best interests.

(j) Asbestos Insurance Actions

Any Asbestos Insurance Action, or the claims and causes of action asserted or to be asserted therein, shall be preserved for the benefit of the Trust, for prosecution by the applicable Debtor(s) until the Effective Date, and thereafter either by Reorganized Flintkote (on behalf of itself or Mines, as applicable) or the Trust (as mutually agreed by such parties) in accordance with the Trust Agreement. As of the date subsequent to the Effective Date on which the Trust confirms in writing to Reorganized Flintkote that the Trust is in a position to assume such responsibility, such actions, along with the rights and obligations of the Debtors and Reorganized Flintkote with respect to Asbestos Insurance Policies and claims thereunder, to the extent that such Policies and claims relate to Asbestos Personal Injury Claims but not as to any other claims covered thereby and subject to the assignability without prejudice of such claims and Policies, shall be assigned to and vested in the Trust as the representative of the Debtors' Estates, each being appointed by the Bankruptcy Court in accordance with section 1123(b)(3) of the

Bankruptcy Code without any further action by the Debtors or Reorganized Flintkote, the Trust or the Bankruptcy Court. Such Asbestos Insurance Actions shall be free and clear of all Liens, security interests and other Claims or causes of action, except for Asbestos Insurer Coverage Defenses as otherwise provided in the Plan. Until such time as the Asbestos Insurance Actions have become vested in the Trust, Reorganized Flintkote or the Mines Estate Representative, as applicable, shall be entitled to compromise or settle any Asbestos Insurance Action; provided, however, that any such compromise or settlement shall require the consent of the Future Claimants Representative and either the Asbestos Claimants Committee or the Trust Advisory Committee, as applicable, and the approval of the Bankruptcy Court. Upon vesting in the Trust, the prosecution of the Asbestos Insurance Actions shall be governed by the Trust Documents.

(k) Institution And Maintenance Of Legal And Other Proceedings

As of the date immediately following the Effective Date, the Trust shall be empowered to initiate, prosecute, defend, settle, maintain, administer, preserve, pursue, and resolve all legal actions and other proceedings related to any asset, liability or responsibility of the Trust, including without limitation the Asbestos Insurance Actions, Asbestos Personal Injury Claims, Indirect Asbestos Personal Injury Claims and other Trust Causes of Action. Without limiting the foregoing, after the Effective Date the Trust shall be empowered to initiate, prosecute, defend, settle, maintain, administer, preserve, pursue and resolve all such actions in the name of either of the Debtors or Reorganized Flintkote if deemed necessary or appropriate by the Trust. The 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 11.7 of the Plan and shall pay or reimburse all deductibles, retrospective premium adjustments or other charges (not constituting Indirect Asbestos Personal Injury Claims) which may arise from the receipt of any insurance proceeds by the Trust. Furthermore, without limiting the foregoing, the Trust shall be empowered to maintain, administer, preserve, or pursue the Asbestos-In-Place Insurance Coverage and the Asbestos Insurance Action Recoveries.

(l) The Future Claimants Representative and the Asbestos Claimants Committee.

The Future Claimants Representative and the Asbestos Claimants Committee shall continue in their official capacity until the Effective Date. The Debtors shall pay the reasonable fees and expenses incurred by the Future Claimants Representative and the Asbestos Claimants Committee through the Effective Date, in accordance with the Order Appointing Fee Auditor and Establishing Related Procedures Concerning the Allowance and Payment of Compensation and Reimbursement of Expenses of Professionals and Members of the Official Committee and Consideration of Fee Applications, dated August 19, 2004 (Docket No. 183) and Section 14.1 of the Plan (but only to the extent such fees and expenses are not Trust Expenses, in which case those portions of such fees and expenses shall be paid as Trust Expenses in accordance with the Trust Agreement, with the remainder to be paid by the Debtors). After the Effective Date, the official capacities of the Future Claimants Representative and the Asbestos Claimants Committee in these Chapter 11 Cases shall be limited to having standing and capacity to (i) prosecute their pre-Effective Date intervention in any adversary proceedings; (ii) object to any proposed modification of the Plan; (iii) object to or defend the Fee Claims of professionals employed by or on behalf of the Estates; (iv) participate in any appeals of the Confirmation

Order; (v) participate as a party in interest in any proceeding involving section 524(g) of the Bankruptcy Code; and (vi) participate as a party in interest in any proceeding relating to the Trust, and the Future Claimants Representative and the members of the Asbestos Claimants Committee shall be released and discharged from all further authority, duties, responsibilities, liabilities and obligations involving these Chapter 11 Cases. Upon the closing of these Chapter 11 Cases the Asbestos Claimants Committee shall be dissolved. After the Effective Date, in addition to the standing and capacity to engage in the activities designated in subparts (i) through (vi) above, the Future Claimants Representative shall have the rights, duties and responsibilities set forth in the Trust Agreement. Reorganized Flintkote shall pay the reasonable fees and expenses incurred by the Future Claimants Representative and the Asbestos Claimants Committee relating to any post-Effective Date activities authorized hereunder (but only to the extent such fees and expenses are not Trust Expenses, in which case those portions of such fees and expenses shall be paid as Trust Expenses in accordance with the Trust Agreement, with the remainder to be paid by the Debtors). Nothing in Section 11.9 of the Plan shall limit or otherwise effect the rights of the United States Trustee under section 502 of the Bankruptcy Code or otherwise to object to Claims or requests for Allowance of Fee Claims or other Administrative Expenses.

(m) Resolution of Asbestos Personal Injury Claims.

Asbestos Personal Injury Claims shall be resolved in accordance with the Trust Distribution Procedures, subject to the right of any Asbestos Insurance Company to raise any Asbestos Insurance Coverage Defense in response to a demand by the Trust that such insurer handle, defend, or pay any such claim.

(n) Modification of the Plan

The Plan Proponents may propose amendments to or modifications of the Plan under section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After Confirmation, the Plan Proponents (or, as the case may be, Reorganized Flintkote after the Effective Date) may remedy any defects or omissions or reconcile any inconsistencies in the Plan Documents for the purpose of implementing the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan, so long as the interests of the holders of allowed Claims are not adversely affected thereby.

(o) Revocation or Withdrawal of the Plan

The Plan Proponents reserve the right to revoke and withdraw the Plan as to either Debtor prior to entry of the Confirmation Order. If the Plan Proponents revoke or withdraw the Plan, or if Confirmation of the Plan as to such Debtor does not occur, then, with respect to such Debtor, the Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against such Debtor, or any other Entity (including the Plan Proponents), or to prejudice in any manner the rights of such Debtor, or such Entity (including the Plan Proponents) in any further proceedings involving such Debtor.

(p) Objection Deadline.

Unless otherwise ordered by the Bankruptcy Court, objections to Claims (other than Asbestos Personal Injury Claims or Fee Claims) shall be filed with the Bankruptcy Court and served upon the holders of each such Claim to which objections are made on or before the date ninety (90) days after the Effective Date, unless extended by order of the Bankruptcy Court prior to the expiration of such period. Objections to late-filed Claims against the Debtors shall be filed not later than the later of (i) six months following the Effective Date, or (ii) ninety (90) days after Reorganized Flintkote receives actual notice of the filing of such Claim. Subject to Article IV of the Plan, objections to Asbestos Personal Injury Claims shall be handled by the Trust in accordance with the Trust Distribution Procedures.

(q) Prosecution of Objections.

Subject to the provisions of Section 10.8 of the Plan, after the Effective Date, only Reorganized Flintkote (on behalf of itself or Mines, as applicable) may object to the allowance of any Claim, except that (i) the United States Trustee, the Asbestos Claimants Committee and the Future Claimants Representative shall also have standing and capacity to object to the Fee Claims of professionals employed or retained in these Chapter 11 Cases, and (ii) all rights of any Asbestos Insurance Company with respect to the defense and settlement of Insured Non-Asbestos Claims, or claims asserted by any non-debtor party against either Debtor or an Asbestos Insurance Company for coverage under any Asbestos Insurance Policy, are preserved. After the Effective Date, Reorganized Flintkote (on behalf of itself or Mines, as applicable) shall be accorded the power and authority to allow or settle and compromise any Claim, except for Fee Claims and Insured Non-Asbestos Claims, without notice to any other party or approval of or notice to the Bankruptcy Court.

(r) No Distributions Pending Allowance.

No Distributions or other consideration shall be paid with respect to any Claim that is a Disputed Claim unless and until all objections to such Disputed Claim are resolved and such Disputed Claim becomes an allowed Claim.

(s) Professional Compensation and Reimbursement Claims

All final fee requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 329, 330, 331, 503(b), or 1103 of the Bankruptcy Code for services rendered to the Debtors, the Asbestos Claimants Committee or the Future Claimants Representative, all Claims of members of the Asbestos Claimants Committee for reimbursement of expenses, and all requests or Claims under section 503(b)(4) of the Bankruptcy Code, must be filed and served on Reorganized Flintkote and its counsel, and in accordance with the Compensation Procedures Order, by no later than 120 days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. The terms of the Compensation Procedures Order shall govern the allowance and payment of any final Fee Claims submitted in accordance with Section 14.1 of the Plan. The Fee Auditor appointed under the Compensation Procedures Order shall continue to act in this appointed capacity unless and until all final Fee Claims have been approved by order of the Bankruptcy Court, and the Debtors and Reorganized Flintkote, as the case may be, shall be

responsible to pay the fees and expenses incurred by the Fee Auditor in rendering services prior to and after the Effective Date.

(t) Post Effective Date Retention and Compensation of the Dividend Recovery Litigation Counsel.

On the Effective Date, Reorganized Flintkote shall be deemed to have (i) adopted, ratified, and assumed all obligations under the Retention and Contingency Fee Agreement; (ii) retained the Dividend Recovery Litigation Counsel to pursue the Third Party Causes of Action on the terms and conditions provided in the Retention and Contingency Fee Agreement to the extent the Third Party Causes of Action have not been resolved prior to the Effective Date; and (iii) granted and acknowledged a first priority attorneys' lien in favor of the Dividend Recovery Litigation Counsel on the Third Party Causes of Action and on any Third Party Causes of Action Recoveries to secure payments of amounts due under the Retention and Contingency Fee Agreement. No further order of the Bankruptcy Court shall be required to pay the hourly and contingency fees due the Dividend Recovery Litigation Counsel or to reimburse them for their expenses promptly in accordance the terms of the Retention and Contingency Fee Agreement, including from Third Party Causes of Action Recoveries. Furthermore, on the Effective Date, the Trust shall be automatically substituted for the Asbestos Creditors Committee and the Future Claimants Representative for all purposes under the "Agreement For Joint Prosecution Of Dividend Recovery Litigation" previously approved by the Bankruptcy Court, and the Trust and all parties to such agreement other than the Asbestos Creditors Committee and the Future Claimants Representative, shall be deemed to have adopted, ratified, and assumed all obligations thereunder, all without the need for any further orders of the Bankruptcy Court or the consent of any party, including any member of the Dividend Recovery Litigation Counsel. The Trust (i) shall be the successor to the Asbestos Claimants Committee and the Future Claimants Representative in any Third Party Causes of Action; and (ii) shall have the authority to substitute in as the successor plaintiff to such parties (subject to obtaining court approval in the litigation asserting such Third Party Causes of Action), as co-representative with Reorganized Flintkote, for purposes of enforcing the estates' rights asserted in any Third Party Causes of Action.

(u) Payment of Statutory Fees.

All fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date. Reorganized Flintkote shall pay all such fees that arise after the Effective Date, but before the Closing of the Chapter 11 Cases, and shall comply with all applicable statutory reporting requirements.

6.5 Insurance Neutrality.

The Plan contains numerous "insurance neutrality" provisions set forth below which are designed to minimize the effect that confirmation of the Plan will have on the insurers' rights, and thereby preserve most of the insurers' coverage defenses for post-Effective Date coverage negotiation or litigation with the Trust. These insurance neutrality provisions replicate similar provisions that numerous insurers have agreed to in other asbestos chapter 11 cases and that

courts within the Third Circuit have approved as parts of plans of reorganization that comply with section 524(g) of the Bankruptcy Code.

- (a) Nothing in the Plan, the Plan Documents, the Confirmation Order, or any finding of fact and/or conclusion of law with respect to the Confirmation of the Plan, shall limit the right of any Asbestos Insurance Company to assert any Asbestos Insurer Coverage Defense.
- (b) The Plan, the Plan Documents, and the Confirmation Order, shall be binding on the Debtors, Reorganized Flintkote, the Trust and the beneficiaries of the Trust. The obligations, if any, of the Trust to pay holders of Asbestos Personal Injury Claims and Demands shall be determined pursuant to the Plan and the Plan Documents. Except as provided in subparagraph (4) below, none of (a) the Court's approval of the Plan or the Plan Documents, (b) the Confirmation Order or any findings and conclusions entered with respect to Confirmation, nor (c) any estimation or valuation of Asbestos Personal Injury Claims, either individually or in the aggregate (including, without limitation, any agreement as to the valuation of Asbestos Personal Injury Claims) in the Chapter 11 Cases shall, with respect to any Asbestos Insurance Company, constitute a trial or hearing on the merits or an adjudication or judgment; or accelerate the obligations, if any, of any Asbestos Insurance Company under its Asbestos Insurance Policies; or be used as evidence in any forum to prove:
 - (1) that any of the Debtors, the Trust, or any Asbestos Insurance Company is liable for, or otherwise obligated to pay with respect to, any individual Asbestos Personal Injury Claim or Demand;
 - (2) the procedures established by the Plan, including the Trust Distribution Procedures, for evaluating and paying Asbestos Personal Injury Claims and Demands are reasonable;
 - (3) that the procedures established by the Plan, including the Trust Distribution Procedures, for evaluating and paying Asbestos Personal Injury Claims and Demands are consistent with any procedures that were used to evaluate or settle Asbestos Personal Injury Claims against the Debtors before the Petition Date;
 - (4) that the settlement of, or the value assigned to, any individual Asbestos Personal Injury Claim pursuant to the Trust Distribution Procedures was reasonable and/or otherwise appropriate;
 - (5) that any of the Asbestos Insurance Companies participated in and/or consented to the negotiation of the Plan or any of the Plan Documents;
 - (6) that any of the Debtors or the Trust has suffered an insured loss with respect to any Asbestos Personal Injury Claim or Demand; or

- (7) as to (A) the liability of the Debtors or the Trust for Asbestos Personal Injury Claims or Demands, whether such Claims or Demands are considered individually or on an aggregate basis; or (B) the value of such Asbestos Personal Injury Claims or Demands, individually or in the aggregate.
- (c) No provision of the Plan, other than those provisions contained in the applicable injunctions set forth in Section 12.3 of the Plan, shall be interpreted to affect or limit the protections afforded to any Settling Asbestos Insurance Company by the Third Party Injunction or the Insurance Entity Injunction.
- (d) Nothing in Section 11.6 of the Plan is intended or shall be construed to preclude otherwise applicable principles of *res judicata* or collateral estoppel from being applied against any Asbestos Insurance Company with respect to any issue that is actually litigated by such Asbestos Insurance Company as part of its objections, if any, to Confirmation of the Plan or as part of any contested matter or adversary proceeding filed by such Asbestos Insurance Company in conjunction with or related to Confirmation of the Plan. Plan objections that are withdrawn prior to the conclusion of the Confirmation Hearing shall be deemed not to have been actually litigated.
- (e) Nothing in the Plan, the Plan Documents, the Confirmation Order, or any finding of fact and/or conclusion of law with respect to the Confirmation or consummation of the Plan shall limit the right, if any, of (a) any Asbestos Insurance Company, in any Asbestos Insurance Action, to assert any Asbestos Insurance Coverage Defense, including by presenting evidence and/or argument with respect to any of the matters specified in clauses (i) through (vii) of Section 11.6.2 of the Plan, or (b) any other party in any such Asbestos Insurance Action to assert any appropriate position. Except as provided in Section 11.6.4 of the Plan, none of the matters specified in clauses (i) through (vii) of Section 11.6.2 of the Plan shall have any *res judicata* or collateral estoppel effect against any Asbestos Insurance Company.

6.6 Discharge, Releases and Injunctions.

The release, injunction and exculpation provisions are set forth in Article XII of the Plan, and a summary of such provisions is provided below.

- (a) Terms of Injunction and Automatic Stay
- (1) All of the injunctions and/or automatic stays provided for in or in connection with the Chapter 11 Cases, whether pursuant to sections 105, 362, or any other provision of the Bankruptcy Code, Bankruptcy Rules, or other applicable law in existence immediately prior to the Confirmation Date, shall remain in full force and effect until the injunctions set forth in the Plan become effective pursuant to a Final Order, and shall continue to remain in full force and effect thereafter as and to the extent provided by

the Plan, the Confirmation Order, or by their own terms. In addition, on and after the Confirmation Date, the Debtors and Reorganized Flintkote may seek such further orders as they deem necessary or appropriate to preserve the status quo during the time between the Confirmation Date and the Effective Date.

- (2) Each of the Injunctions contained in the Plan or the Confirmation Order shall become effective on the Effective Date and shall continue in effect at all times thereafter unless otherwise provided by the Plan or the Confirmation Order.

(b) Discharge and Injunctions.

- (1) Discharge of Claims Against and Termination of Equity Interests in Flintkote.

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, confirmation of the Plan shall afford Flintkote a discharge as authorized by Bankruptcy Code section 1141(d)(1).

- (2) Non-Discharge of Claims Against and Equity Interests in Mines.

In accordance with Bankruptcy Code section 1141(d)(3), confirmation of the Plan shall not afford Mines a discharge.

- (3) Flintkote Discharge Injunction

(a) Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that hold, have held, or may hold a Claim, Demand or other debt or liability that is discharged, or an Equity Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan, are permanently enjoined from taking any of the following actions on account of, or on the basis of, such discharged Claims, debts or liabilities, or terminated Equity Interests or rights: (i) commencing or continuing any action or other proceeding against Flintkote, Reorganized Flintkote, the Trust or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against Flintkote, Reorganized Flintkote, the Trust or their respective property; (iii) creating, perfecting or enforcing any Lien or Encumbrance against Flintkote, Reorganized Flintkote, the Trust or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due Flintkote, Reorganized Flintkote, the Trust or their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

(b) Except as provided in the Plan or the Confirmation Order, as of the Effective Date all Entities that hold, have held, or may hold a Claim, Demand, or other debt, right, cause of action, liability or Equity Interest against or in Flintkote, which is afforded treatment pursuant to the provisions of the Plan, are permanently enjoined from

taking any of the following actions on account of or based upon such Claims, Demands, debts, rights, causes of action, liabilities, or Equity Interest: (i) commencing or continuing any action or other proceeding against the Released Parties or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Released Parties or their respective property; (iii) creating, perfecting or enforcing any Lien or Encumbrance against the Released Parties or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Released Parties or against their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

(4) **Mines Liquidating Injunction.**

(a) *Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all Persons that hold, have held, or may hold a Claim (including a Mines Asbestos Personal Injury Claim), Demand or other debt or liability against Mines, or an Equity Interest or other right of an equity security holder in Mines, are permanently enjoined from taking any of the following actions on account of, or on the basis of, such Claims, Demands, debts or liabilities, or Equity Interests or rights: (i) commencing or continuing any action or other proceeding against the Mines Estate Representative, the Trust, the Trust's property, or any property that constituted property of the Mines Estate or is derived from property of the Mines Estate, including the Mines Estate property that is transferred to the Trust, to the Mines Distribution Reserve, or to a Mines liquidating trust (if any); (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Mines Estate Representative, the Trust, the Trust's property, or any property that constituted property of the Mines Estate or is derived from property of the Mines Estate, including the Mines Estate property that is transferred to the Trust, to the Mines Distribution Reserve, or to a Mines liquidating trust (if any); (iii) creating, perfecting or enforcing any Lien or Encumbrance against the Mines Estate Representative, the Trust, the Trust's property, or any property that constituted property of the Mines Estate or is derived from property of the Mines Estate, including the Mines Estate property that is transferred to the Trust, to the Mines Distribution Reserve, or to a Mines liquidating trust (if any); (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Mines Estate Representative, the Trust, the Trust's property, or any property that constituted property of the Mines Estate or is derived from property of the Mines Estate, including the Mines Estate property that is transferred to the Trust, to the Mines Distribution Reserve, or to a Mines liquidating trust (if any); and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.*

(b) *Except as provided in the Plan or the Confirmation Order, as of the Effective Date all Entities that hold, have held, or may hold a Claim (including a Mines Asbestos Personal Injury Claim), Demand, or other debt, right, cause of action, liability or Equity Interest against or in Mines, which is afforded treatment pursuant to the provisions of the Plan, are permanently enjoined from taking any of the following*

actions on account of or based upon such Claims, Demands, debts, rights, causes of action, liabilities, or Equity Interests: (i) commencing or continuing any action or other proceeding against the Released Parties or their respective property; (ii) enforcing, attaching, collecting or recovering any judgment, award, decree or order against the Released Parties or their respective property; (iii) creating, perfecting or enforcing any Lien or Encumbrance against the Released Parties or their respective property; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due the Released Parties or against their respective property; and (v) commencing or continuing any judicial or administrative proceeding, in any forum, that does not comply with or is inconsistent with the provisions of the Plan.

(c) Releases

(1) Releases by Debtors and Estates.

Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, the Debtors and Reorganized Flintkote on their own behalf and as representatives of their respective Estates, release unconditionally, and are hereby deemed to release unconditionally, each and all of (i) the Debtors' present and former officers and directors, and (ii) the attorneys, accountants, financial advisors, restructuring consultants and investment bankers of the Debtors, of and from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property. Notwithstanding the foregoing, nothing contained in Section 12.2(a) of the Plan or any other provision of the Plan, constitutes or is intended to constitute a release, waiver, discharge or injunction of any claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever, presently asserted or in the future asserted against any Person who is, as of the entry of the Confirmation Order, a defendant in any litigation asserting Third Party Causes of Action, except as expressly provided as part of an agreement to settle all or any portion of such claims, obligations, suits, judgments, damages, rights, causes of action and liabilities.

(2) Releases by Holders of Claims and Equity Interests.

Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, each holder of a Claim that submits a Ballot and does not elect to withhold consent to the releases by checking the appropriate box on the Ballot, shall be deemed to have unconditionally released each and all of (i) the Debtors' former and current officers and directors, and (ii) the attorneys, accountants, investment bankers, restructuring consultants and financial advisors of each of the Debtors, excluding, to the extent applicable, any Person who is a defendant in any litigation asserting Third Party Causes of Action, except as expressly provided as part of an agreement to settle all or any

portion of such claims, obligations, suits, judgments, damages, rights, causes of action and liabilities, of and from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever (including, without limitation, those arising under the Bankruptcy Code), whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act, omission, transaction, event or other occurrence taking place before the Petition Date in connection with the Debtors or any of them, or their respective property. Notwithstanding the foregoing, except as expressly provided as part of an agreement to settle all or any portion of such claims, obligations, suits, judgments, damages, rights, causes of action and liabilities, nothing contained in Section 12.2(b) of the Plan or any other provision of the Plan, constitutes or is intended to constitute a release, waiver, or discharge of any claims, obligations, suits, judgments, damages, rights, causes of action and liabilities of any nature whatsoever, presently asserted or in the future asserted against any Person, by any holder of a Claim with respect to an Individual Third Party Causes of Action.

(d) **The Third Party Injunction and The Insurance Entity Injunction.**

In order to supplement the injunctive effect of the Flintkote Discharge Injunction, and pursuant to sections 524(g) and 105(a) of the Bankruptcy Code, the Confirmation Order shall provide for the following permanent injunctions to take effect as of the Effective Date.

(1) **Third Party Injunction**

(a) **Terms.** In order to preserve and promote the settlements contemplated by and provided for in the Plan and agreements previously or concurrently approved by the Bankruptcy Court, and pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under section 524(g) of the Bankruptcy Code, all Entities which have held or asserted, which hold or assert or which may in the future hold or assert any claim, demand or cause of action (including, but not limited to, any Flintkote Asbestos Personal Injury Claim or Flintkote Demand, or any claim or demand for or respecting any Trust Expense) directly or indirectly against the Protected Parties (or any of them) (i) based upon, attributable to, or arising out of any Flintkote Asbestos Personal Injury Claim or Flintkote Demand, whenever and wherever arising or asserted, whether in the United States of America, or anywhere else in the world, whether sounding in tort, contract, warranty or any other theory of law, equity or admiralty, or (ii) as a result of the conduct of, claims against, or demands on Flintkote to the extent such alleged liability of such Protected Party arises by reason of (I) the Protected Party's ownership of a financial interest in Flintkote, a past or present affiliate of Flintkote, or a predecessor in interest of Flintkote; (II) the Protected Party's involvement in the management of Flintkote or a predecessor in interest of Flintkote, or service as an officer, director or employee of Flintkote or a related party; (III) the Protected Party's provision of insurance to Flintkote or a related party; or (IV) the Protected Party's involvement in a transaction changing the corporate structure, or in a loan

or other financial transaction affecting the financial condition, of Flintkote or a related party, including but not limited to--(aa) involvement in providing financing (debt or equity), or advice to an entity involved in such a transaction; or (bb) acquiring or selling a financial interest in an entity as part of such a transaction (collectively, a “Third Party Claim”), shall be permanently stayed, restrained and enjoined, from taking any action for the purpose of directly or indirectly collecting, recovering or receiving payments or recovery with respect to any such Third Party 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 such Third Party Claim against any Protected Party or against the property of any Protected Party with respect to any such Third Party Claim;*

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

(iii) *creating, perfecting or enforcing any Lien of any kind against any Protected Party or the property of any Protected Party on the basis of such Third Party Claim;*

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

(v) *taking any act relating to such Third Party Claim in any manner, and in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents or the Trust Documents.*

(b) *Reservations. Notwithstanding anything to the contrary in Section 12.3.1(a) of the Plan, this Third Party Injunction shall not impair:*

(i) *the rights of holders of Asbestos Personal Injury Claims to assert such Asbestos Personal Injury Claims solely against the Trust or otherwise in accordance with the Trust Distribution Procedures; or*

(ii) *the rights of Entities to assert any Claim, debt, obligation or liability for payment of Trust Expenses solely against the Trust or otherwise in accordance with the Trust Distribution Procedures.*

(c) *Bankruptcy Rule 3016 Compliance. The Plan Proponents’ compliance with the formal requirements of Bankruptcy Rule 3016(c) shall not*

constitute an admission that the Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.

(d) If a non-Settling Asbestos Insurance Company asserts that it has rights of contribution, indemnity, reimbursement, subrogation or other similar claims (collectively, “Contribution Claims”) against a Settling Asbestos Insurance Company, (i) such Contribution Claims may be asserted as a defense or counterclaim against the Trust or Reorganized Flintkote (as applicable) in any Asbestos Insurance Action involving such non-Settling Asbestos Insurance Company, and the Trust or Reorganized Flintkote (as applicable) may assert the legal or equitable rights, if any of the Settling Asbestos Insurance Company, and (ii) to the extent such Contribution Claims are determined to be valid, the liability (if any) of such non-Settling Asbestos Insurance Company to the Trust or Reorganized Flintkote (as applicable) shall be reduced by the amount of such Contribution Claims.

(2) Insurance Entity Injunction

(a) Purpose. In order to protect the Trust and to preserve the Trust Assets, pursuant to the equitable jurisdiction and power of the Bankruptcy Court, the Bankruptcy Court shall issue the Insurance Entity Injunction; provided, however, that the Insurance Entity Injunction is not issued for the benefit of any Asbestos Insurance Company, and no Asbestos Insurance Company is a third-party beneficiary of the Insurance Entity Injunction, except as otherwise specifically provided in any Asbestos Insurance Settlement Agreement.

(b) Terms Regarding Claims Against Asbestos Insurance Companies. Subject to the provisions of Sections 12.3.1 and 12.3.2 (a) of the Plan, all Entities that have held or asserted, that hold or assert, or that may in the future hold or assert any claim, demand or cause of action (including any Asbestos Personal Injury Claim or any claim or demand for or respecting any Trust Expense) against any Asbestos Insurance Company based upon, attributable to, arising out of, or in any way connected with any such Asbestos Personal Injury Claim, whenever and wherever arising or asserted, whether in the United States of America or anywhere else in the world, whether sounding in tort, contract, warranty, or any other theory of law, equity, or admiralty, shall be stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery with respect to any such claim, demand, or cause of action including, without limitation:

(i) commencing, conducting, or continuing, in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including a judicial, arbitration, administrative, or other proceeding) in any forum with respect to any such claim, demand, or cause of action against any Asbestos Insurance Company, or against the property of any

Asbestos Insurance Company, with respect to any such claim, demand, or cause of action;

(ii) enforcing, levying, attaching, collecting, or otherwise recovering, by any means or in any manner, whether directly or indirectly, any judgment, award, decree, or other order against any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such claim, demand, or cause of action;

(iii) creating, perfecting, or enforcing in any manner, directly or indirectly, any Encumbrance against any Asbestos Insurance Company, or the property of any Asbestos Insurance Company, with respect to any such claim, demand, or cause of action; and

(iv) except as otherwise specifically provided in the Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, directly or indirectly, against any obligation of any Asbestos Insurance Company, or against the property of any Asbestos Insurance Company, with respect to any such claim, demand or cause of action;

provided, however, that (a) the injunction set forth in Section 12.3.2(b) of the Plan shall not impair in any way any actions brought by the Trust and/or Reorganized Flintkote against any Asbestos Insurance Company; and (b) the Trust shall have the sole and exclusive authority at any time to terminate, or reduce or limit the scope of, the injunction set forth in Section 12.3.2(b) of the Plan with respect to any Asbestos Insurance Company upon express written notice to such Asbestos Insurance Company, except as otherwise specifically provided in any Asbestos Insurance Settlement Agreement.

(c) Reservations. Notwithstanding anything to the contrary above, this Insurance Entity Injunction shall not enjoin:

(i) the rights of Entities to the treatment accorded them under the Plan, as applicable, including the rights of holders of Asbestos Personal Injury Claims to assert such Claims, as applicable, in accordance with the Trust Distribution Procedures;

(ii) the rights of Entities to assert any claim, debt, obligation, cause of action or liability for payment of Trust Expenses against the Trust;

(iii) the rights of the Trust (or Reorganized Flintkote, in accordance with the Plan) to prosecute any action based on or arising from the Asbestos Insurance Policies;

(iv) the rights of the Trust (or Reorganized Flintkote, in accordance with the Plan) to assert any claim, debt, obligation, cause of action or liability for payment against an Asbestos Insurance Company based on or arising from the Asbestos Insurance Policies or Asbestos Insurance Settlement Agreements; and

(v) The rights of any Asbestos Insurance Company to assert any claim, debt, obligation, cause of action or liability for payment against any other Asbestos Insurance Company that is not a Settling Asbestos Insurance Company, or as otherwise specifically provided in any Asbestos Insurance Settlement Agreement.

(3) Reservation of Rights

Notwithstanding any other provision of the Plan to the contrary, the satisfaction, release and discharge and the Injunctions set forth in Article XII of the Plan, shall not be deemed or construed to satisfy, discharge, release or enjoin claims by the Trust, Reorganized Flintkote, or (subject to Article IV of the Plan) any other Entity, as the case may be, against (a) the Trust for payment of Asbestos Personal Injury Claims in accordance with the Trust Distribution Procedures, (b) the Trust for the payment of Trust Expenses, or (c) any Asbestos Insurance Company that has not performed under an Asbestos Insurance Policy or an Asbestos Insurance Settlement Agreement. Nothing in Section 12.4 of the Plan is intended or shall be construed to limit the assertion, applicability, or effect of any Asbestos Insurance Coverage Defense.

(4) Disallowed Claims and Disallowed Equity Interests.

On and after the Effective Date, the Debtors and Reorganized Flintkote shall have no liability or obligation on a disallowed Claim or a disallowed Equity Interest, and any Order disallowing a Claim or an Equity Interest which is not a Final Order as of the Effective Date solely because of an Entity's right to move for reconsideration of such Order pursuant to section 502 of the Bankruptcy Code or Rule 3008 of the Bankruptcy Rules shall, nevertheless, become and be deemed to be a Final Order on the Effective Date. The Confirmation Order, except as otherwise provided herein, shall constitute an Order: (a) in relation to each Debtor, disallowing all Claims (other than Asbestos Personal Injury Claims) and Equity Interests to the extent such Claims and Equity Interests are not allowable under any provision of section 502 of the Bankruptcy Code, including, but not limited to, time-barred Claims and Equity Interests, and Claims for unmatured interest, and (b) in relation to each Debtor, disallowing or subordinating to all other Claims, as the case may be, any Claims for penalties, punitive damages or any other damages not constituting compensatory damages.

(5) Exculpation.

None of the Debtors, Reorganized Flintkote, the members of the Asbestos Claimants Committee, the Future Claimants Representative nor any of their respective officers, directors and employees, members, agents, attorneys, accountants, financial advisors or restructuring professionals, nor any other professional Person employed by any of them, shall have or incur any liability to any Person or Entity for any act or omission in connection with, relating to, or

arising out of the Chapter 11 Cases, the negotiation of the Plan, the pursuit of confirmation of the Plan, the administration, consummation and implementation of the Plan or the property to be distributed under the Plan, the Disclosure Statement, the Plan Documents, the releases and Injunctions, or the management or operation of the Debtors (except for any liability that results primarily from such Person's or Entity's gross negligence, bad faith or willful misconduct); provided, however, that this exculpation shall not apply to (i) Tersigni Consulting, pending the outcome of the examination and/or review of Tersigni Consulting's professional fees and expenses in the Chapter 11 Cases by the United States Trustee and the Office of the United States Attorney for the District of Delaware, and (ii) Asbestos Insurer Coverage Defenses. In all respects, each and all of such Persons, firms and Entities shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under, or in connection with, the Chapter 11 Cases, the Plan, and the administration of each of them.

(6) No Successor Liability.

Except as otherwise expressly provided in the Plan, Reorganized Flintkote (on behalf of itself and Mines, as applicable) does not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify any Entity or Person, or otherwise have any responsibility for any liabilities or obligations of the Debtors relating to or arising out of the operations of or assets of the Debtors, whether arising prior to, on or after the Effective Date. Neither the Plan Proponents, Reorganized Flintkote (on behalf of itself and Mines, as applicable) nor the Trust is, or shall be deemed to be, a successor to either of the Debtors by reason of any theory of law or equity (except as otherwise provided in Article IV of the Plan), and none shall have any successor or transferee liability of any kind or character; provided, however, Reorganized Flintkote (on behalf of itself and Mines, as applicable) and the Trust shall assume and remain liable for their respective obligations specified in the Plan and the Confirmation Order.

6.7 Corporate Indemnities.

Section 6.6 of the Plan provides for certain corporate indemnities, a summary of which is set forth below.

(a) Prepetition Indemnification and Reimbursement Obligations

The respective obligations of the Debtors to indemnify and reimburse Persons who are or were directors, officers or employees of the Debtors on the Petition Date or at any time thereafter, against and for any obligations pursuant to the articles of incorporation, codes of regulation, bylaws, applicable state or non-bankruptcy law, or specific agreement or any combination of the foregoing, (i) shall survive confirmation of the Plan and remain unaffected thereby, (ii) are assumed by Reorganized Flintkote (on behalf of itself and Mines, as the Mines Estate Representative), and (iii) shall not be discharged under section 1141 of the Bankruptcy Code, irrespective of whether indemnification or reimbursement is owed in connection with any event occurring before, on or after the Petition Date. In furtherance of, and to implement the foregoing, as of the Effective Date, the Debtors shall obtain and maintain in full force insurance for the benefit of each and all of the above-indemnified directors, officers and employees, at levels no less favorable than those existing as of the date of entry of the Confirmation Order, and for a period of no less than three (3) years following the Effective Date.

(b) Plan Indemnity.

In addition to the matters set forth above and not by way of limitation thereof, Reorganized Flintkote (on behalf of itself and Mines, as the Mines Estate Representative) shall indemnify and hold harmless all Persons who are or were officers or directors of the Debtors on the Petition Date or thereafter on account of and with respect to any claim, cause of action, liability, judgment, settlement, cost or expense (including attorney's fees) on account of claims or causes of action threatened or asserted by any third party against such officers or directors that seek contribution, indemnity, equitable indemnity, or any similar claim, based upon or as the result of the assertion of primary claims against such third party by any representative of the Debtors' Estates.

(c) Limitation on Indemnification.

Notwithstanding anything to the contrary set forth in the Plan or elsewhere, Reorganized Flintkote shall not be obligated to indemnify and hold harmless any Entity for any claim, cause of action, liability, judgment, settlement, cost or expense that results primarily from such Entity's bad faith, gross negligence or willful misconduct.

6.8 Conditions to Confirmation and Effectiveness

The Plan contains numerous conditions precedent to the confirmation of the Plan and the occurrence of the Effective Date of the Plan, which are set forth below.

(a) Conditions Precedent to the Confirmation of the Plan

Confirmation of the Plan shall not occur unless each of the following conditions has been satisfied or waived by the Plan Proponents and the Bankruptcy Court and/or the District Court, as applicable, shall have made such findings and determinations regarding the Plan as shall enable the entry of the Confirmation Order and any other order entered in conjunction therewith. These findings and conditions to confirmation, which are designed, among other things, to ensure that the Injunctions, releases and discharges set forth in Article XII of the Plan shall be effective, binding and enforceable shall be in substantially the following form

- (1) The Third Party Injunction and the Insurance Entity Injunction are to be implemented in connection with the Trust;
- (2) As of the Petition Date, each of the Debtors had been named as defendants in personal injury, wrongful death or property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products;
- (3) Upon the Effective Date, the Trust shall assume the liabilities of the Debtors with respect to Asbestos Personal Injury Claims;
- (4) The Trust will be funded in part by the New Flintkote Stock and all rights to receive dividends or other distributions on account of such Stock;

- (5) On the Effective Date, the Trust will own all of the voting shares of Reorganized Flintkote;
- (6) The Trust will use its assets and income to pay Asbestos Personal Injury Claims;
- (7) The Debtors are likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Asbestos Personal Injury Claims, that are addressed by the Third Party Injunction and the Insurance Entity Injunction;
- (8) The actual amounts, numbers and timing of future Demands cannot be determined;
- (9) Pursuit of Asbestos Personal Injury Claims, including Demands, outside of the procedures prescribed by the Plan and the Plan Documents, including the Trust Distribution Procedures, is likely to threaten the Plan's purpose to treat the Asbestos Personal Injury Claims and Demands equitably;
- (10) The terms of the Third Party Injunction and the Insurance Entity Injunction, including any provisions barring actions against third parties, are set out in conspicuous language in the Plan and in the Disclosure Statement;
- (11) Pursuant to court orders or otherwise, the Trust shall operate through mechanisms such as structured, periodic or supplemental payments, pro rata distributions, matrices or periodic review of estimates of the numbers and values of Asbestos Personal Injury Claims or other comparable mechanisms, that provide reasonable assurance that the Trust will value, and be in a financial position to pay present Asbestos Personal Injury Claims and Demands that involve similar Claims in substantially the same manner regardless of the timing of the assertion of such present Asbestos Personal Injury Claims and Demands;
- (12) The Future Claimants Representative was appointed by the Bankruptcy Court as part of the proceedings leading to the issuance of the Third Party Injunction and the Insurance Entity Injunction for the purpose of, among other things, protecting the rights of persons that might subsequently assert Demands of the kind that are addressed in the Third Party Injunction and the Insurance Entity Injunction, and transferred to and assumed by the Trust;
- (13) The inclusion of Flintkote or other Protected Party within the protection afforded by the Third Party Injunction and the Insurance Entity Injunction, as applicable, is fair and equitable with respect to the persons that might subsequently assert Flintkote Demands against Flintkote or other Protected

Party in light of the benefits provided, or to be provided, to the Trust by or on behalf of Flintkote or other Protected Party;

- (14) The Plan complies with section 524(g) of the Bankruptcy Code in all respects;
- (15) The Third Party Injunction and the Insurance Entity Injunction are essential to the Plan and Flintkote's reorganization efforts; and
- (16) The Bankruptcy Code authorizes the Assignment by preempting any terms of the Asbestos Insurance Policies or provisions of applicable non-bankruptcy law that otherwise might prohibit the Assignment.

(b) Conditions Precedent to the Effectiveness of the Plan.

Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur unless and until each of the following conditions has been satisfied or waived by the Plan Proponents:

- (1) Confirmation Order. The Confirmation Order shall have been issued or affirmed by the District Court, and the Confirmation Order shall have become a Final Order; provided, however, that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the sole option of the Plan Proponents unless the effectiveness of the Confirmation Order has been stayed or vacated, in which case the Effective Date may be, again at the sole option of the Plan Proponents, the first Business Day immediately following the expiration or other termination of any stay of effectiveness of the Confirmation Order.
- (2) Trust. The Trust Assets shall have been transferred to, vested in and assumed by the Trust in accordance with Article IV of the Plan, other than any Trust Assets to be transferred to, vested in and assumed by the Trust after the Effective Date.
- (3) Retained Assets. Reorganized Flintkote shall have reserved and retained the Flintkote Reserve Cash, the Third Party Causes of Action (subject to the obligation to distribute the Third Party Causes of Action Recoveries in accordance with the Plan) and such other assets and causes of action set forth in the Plan.
- (4) Mines Distribution Reserve. Mines shall have transmitted the Mines Reserve Cash to the Mines Distribution Reserve, in accordance with Section 11.2 of the Plan.
- (5) Plan Documents. The Trust Documents and the other applicable Plan Documents necessary or appropriate to implement the Plan shall have been executed, delivered and, where applicable, filed with the appropriate governmental authorities.

- (6) United States Trustee's Fees. The fees of the United States Trustee then owing by the Debtors shall have been paid in full.
- (7) Other Assurances. The Plan Proponents shall have obtained tax rulings, decisions, opinions or other assurances regarding certain tax consequences of the Plan, as they deem satisfactory in their reasonable discretion.
- (8) Notice of Effective Date. The Debtors shall have filed with the Bankruptcy Court a notice of the occurrence of the Effective Date, which notice shall confirm that the foregoing conditions have been satisfied or waived.

(c) Waiver of Conditions Precedent

To the greatest extent permitted by law, each of the conditions precedent in Article IX of the Plan may be waived or modified, in whole or in part, but only with the unanimous written consent of the Plan Proponents. Any such waiver or modification of a condition precedent in Article IX of the Plan may be effected at any time, without notice, without leave or order of the Bankruptcy Court or District Court, and without any other formal action.

ARTICLE VII

TRUST AND TRUST DISTRIBUTION PROCEDURES

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

7.1 The Trust

(a) Establishment and Purpose of the Trust

On the Effective Date, the Trust shall be created in accordance with the Plan Documents. The Trust shall be a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code and the regulations issued thereunder. The purposes of the Trust shall be to assume all present and future Asbestos Personal Injury Claims and to use the Trust Assets to pay holders of Asbestos Personal Injury Claims in accordance with the Trust Agreement and the Trust Distribution Procedures in such a way that provides reasonable assurance that the Trust shall value and be in a financial position to pay present and future Asbestos Personal Injury Claims that involve similar Claims in substantially the same manner, and to otherwise comply in all respects with the requirements of section 524(g)(2)(B)(i) of the Bankruptcy Code, notwithstanding the fact that the plan of reorganization involving Mines does not purport to issue an injunction pursuant to section 524(g) of the Bankruptcy Code. The Trust Distribution Procedures provide, among other things, for the resolution of Asbestos Personal Injury Claims pursuant to the terms of the Trust Documents, and that resolution of an Asbestos Personal Injury Claim by the Trust will result in a full or partial release of such Claim against the Trust in accordance with the Trust Distribution Procedures. The Trust shall pay Asbestos Personal Injury Claims in accordance with the Trust Documents. The Trust Distribution Procedures provide for

a single valuation and payment process for all Asbestos Personal Injury Claims regardless of whether holders of such claims assert liability against only Flintkote or only Mines or both Flintkote and Mines; provided, however, that to the extent the Trustees determine it appropriate to do so in the future, the Trustees, with the consent of the Future Claimants Representative and the Trust Advisory Committee, may implement separate valuation and payment processes for and/or segregate the assets available to each of holders of Flintkote Asbestos Personal Injury Claims and holders of Mines Asbestos Personal Injury Claims. In the event that an Indirect Asbestos Personal Injury Claim against the Debtors is disallowed pursuant to section 502(e)(1)(B) of the Bankruptcy Code, the right of a holder of such disallowed Claim under applicable non-bankruptcy law to setoff payments by the Trust against such holder's liability to an asbestos personal injury claimant shall be preserved. In the event of a conflict between the terms or provisions of the Plan and the Trust Documents, the terms of the Plan shall control over the terms of the Trust Documents.

(b) Selection of the Initial Trustees

The three (3) initial Trustees of the Trust shall be the persons identified in the Trust Agreement. All successor Trustees shall be appointed in accordance with the terms of the Trust Agreement. For purposes of performing their duties and fulfilling their obligations under the Trust Agreement and the Plan, each Trustee shall be deemed to be (and the Confirmation Order shall so provide) a “party in interest” within the meaning of section 1109(b) of the Bankruptcy Code.

(c) Advising the Trust

(1) The Trust Advisory Committee

The Trust Advisory Committee shall be established pursuant to the Trust Agreement. The Trust Advisory Committee shall have three (3) members and shall have the functions, duties and rights provided in the Trust Agreement. The Asbestos Claimants Committee shall select the three (3) initial members of the Trust Advisory Committee and disclose their identity in the Plan Supplement at least thirty (30) days prior to the Confirmation Hearing.

(2) Successor Committee Members.

Each member of the Trust Advisory Committee shall serve in accordance with the terms and conditions contained in the Trust Agreement.

(3) Future Claimants Representative.

From and after the Effective Date, the Future Claimants Representative shall continue to serve in that capacity as an advisor to the Trust in accordance with the terms and provisions of the Trust Agreement.

(d) Assumption of Liability for Asbestos Personal Injury Claims and Demands by the Trust.

On the Effective Date, the Trust shall assume the liabilities of the Debtors for all Asbestos Personal Injury Claims, including, but not limited to, Indirect Asbestos Personal Injury Claims. This assumption shall not affect the existence of (i) Flintkote Asbestos Personal Injury Claims as debts of Flintkote, which debts are subject in all respects to the Discharge Injunction and the Third Party Injunction, or (ii) Mines Asbestos Personal Injury Claims as debts of Mines, which debts are not discharged pursuant to the Plan; provided, however, that Mines Asbestos Personal Injury Claims shall be liquidated and, as appropriate, paid by the Trust pursuant to and in accordance with the Trust Distribution Procedures from assets that constituted property of Mines' Estate or are derived from property of Mines' Estate, including Mines Estate property that is transferred to the Trust.

(e) Transfer of Trust Assets to the Trust.

(1) Transfers on Effective Date.

On the Effective Date, all right, title, and interest in and to the Trust Assets, consisting of: (a) the New Flintkote Stock, (b) all Cash and instruments held by the Debtors as of the Effective Date other than the Reserve Cash, (c) the Trust Causes of Action and any and all proceeds thereof, (d) the Litigation Note and Security Agreement, (e) Asbestos Insurance Actions, (f) Asbestos Insurance Action Recoveries, (g) the Qualified Settlement Fund Proceeds, and (h) any and all other funds, proceeds or other consideration otherwise contributed to the Trust pursuant to this Plan and/or the Confirmation Order or other order of the Bankruptcy Court, and any income, profits or proceeds derived therefrom shall be automatically, and without further act or deed, transferred to, vested in and assumed by the Trust.

(2) Transfers on Distribution Date.

To the extent any of the Trust Assets are not transferred to the Trust by operation of law on the Effective Date pursuant to Section 4.5.1 of the Plan, then on the Distribution Date, the Debtors, or Reorganized Flintkote, as the case may be, shall transfer, assign and contribute, such remaining Trust Assets to the Trust. In particular, on the Distribution Date Reorganized Flintkote shall issue the New Flintkote Stock and deliver such stock to the Trust, such that the Trust shall be the sole holder of the New Flintkote Stock.

(f) Trust Expenses

The Trust shall pay all Trust Expenses from the Trust Assets, including proceeds of applicable Asbestos Insurance Policies, except to the extent specific Trust Assets are precluded by agreement with an Asbestos Insurance Company from being used for payment of Trust Expenses. Neither the Debtors' Estates nor Reorganized Flintkote shall have any obligation to pay any Trust Expenses (except for Reorganized Flintkote's obligation to reimburse the Trust for any Litigation Expenses paid by the Trust pursuant to the Litigation Guaranty). Additionally, the Trust shall promptly pay all Trust Expenses incurred by Reorganized Flintkote for any and all liabilities, costs or expenses as a result of taking any action on behalf of or at the direction of the Trust.

(g) Execution of the Litigation Guaranty.

Upon the Effective Date, the Trustees, on behalf of the Trust, shall execute and deliver the Litigation Guaranty to the Dividend Recovery Litigation Counsel.

(h) Execution of the Claims Processing Agreement.

Upon the Effective Date, the Trustees, on behalf of the Trust, and Reorganized Flintkote shall execute the Claims Processing Agreement.

(i) Excess Trust Assets.

To the extent there are any Trust Assets remaining at such time as the Trust is terminated, such excess Trust Assets shall be transferred to a charity or charities for such charitable purposes as the Trustees, in their reasonable discretion, shall determine, provided that, if practicable, the charity or charities to which such excess Trust Assets are transferred shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos-related disorders.

(j) Funds and Investment Guidelines.

Pursuant to the Trust Agreement, all monies held in the Trust shall be invested, subject to the investment limitations and provisions enumerated in the Trust Agreement, and shall not be limited to the types of investments described in section 345 of the Bankruptcy Code.

(k) Termination of the Trust

The Trust will automatically terminate ninety (90) days after the first to occur of any of the following events:

- (1) The Trustees decide to terminate the Trust because (i) they deem it unlikely that new Asbestos Personal Injury Claims will be filed against the Trust, (ii) all Asbestos Personal Injury Claims duly filed with the Trust have been liquidated and paid or disallowed by a final, non-appealable order, and (iii) twelve (12) consecutive months have elapsed during which no new Asbestos Personal Injury Claim has been filed with the Trust; or
- (2) If the Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the Trust Distribution Procedures, the date on which the Bankruptcy Court order approving such insurance and other arrangements becomes a Final Order; or
- (3) To the extent that any rule against perpetuities shall be deemed applicable to the Trust, twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all of the descendants of Joseph P. Kennedy,

Sr., of Massachusetts, father of the late President John F. Kennedy, living on the date of the Trust Agreement.

7.2 Trust Distribution Procedures

(a) Trust Goals

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

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

Substantially all of the claimants who sued Mines prior to the Petition Date also sued Flintkote. Flintkote, by and through its national defense counsel, typically defended such suits on behalf of both Flintkote and Mines and settled the Claims against both Flintkote and Mines by a single settlement agreement providing for a single payment to the claimant coupled with the claimant’s release of its Claims against both Flintkote and Mines. Accordingly, the Trust Distribution Procedures provide a single valuation and payment process for all Asbestos Personal Injury Claims regardless of whether holders of such claims assert liability against only Flintkote or only Mines or both Flintkote and Mines. However, to the extent the Trustees determine it appropriate to do so in the future, the Trustees, with the consent of the Future Claimants Representative and the Trust Advisory Committee, may implement separate valuation and payment processes for and/or segregate the assets available to each of holders of Flintkote Asbestos Personal Injury Claims and holders of Mines Asbestos Personal Injury Claims.

(b) Trust Funds

The assets of the Trust will consist principally of (i) all of the New Flintkote Stock, (ii) all of the Cash held by Flintkote as of the Effective Date other than the Flintkote Reserve Cash, (iii) all of the funds in the Qualified Settlement Fund, (iv) 98% of the Net Recoveries on

account of Third Party Causes of Action Recoveries, (v) all assets of Mines other than the Mines Reserve Cash, and (vi) the Asbestos Insurance Actions and all proceeds thereof. Claims asserted against the Trust will be liquidated, processed and paid by the Trust pursuant to the terms of the Trust Distribution Procedures.

(c) Disease Levels, Scheduled Values and Presumptive Medical/Exposure Criteria Set Forth in the Trust Distribution Procedures

The seven (7) Disease Levels covered by the Trust Distribution Procedures, together with the presumptive Medical/Exposure Criteria and Scheduled Values for each, are set forth below. These Disease Levels, Scheduled Values, and Medical/Exposure Criteria will apply to all Trust Claims (as defined in the Trust Distribution Procedures) filed with the Trust on or before the Initial Trust Claims Filing Date (defined below). Thereafter, with the consent of the Trust Advisory Committee and the Future Claimants Representative, the Trustees may (i) add to, change, or eliminate Disease Levels, Scheduled Values, or Medical/Exposure Criteria, (ii) develop subcategories of Disease Levels, Scheduled Values or Medical/Exposure Criteria, or (iii) determine that a novel or exceptional Asbestos Personal Injury Claim is compensable even though it does not meet the Medical/Exposure Criteria for any of the then-current Disease Levels.

<u>Disease Level</u>	<u>Scheduled Value</u>	<u>Presumptive Medical/Exposure Criteria</u>
Mesothelioma (Level VII)	\$184,000	(1) Diagnosis ⁵ of mesothelioma; and (2) credible evidence of Flintkote Exposure (as defined in Section 7.2(p)(3) below).

⁵ The requirements for a diagnosis of an asbestos-related disease that may be compensated under the provisions of this Trust Distribution Procedures are set forth in Section 7.2(p).

Lung Cancer 1 (Level VI)	\$20,000	(1) Diagnosis of a primary lung cancer plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, ⁶ (2) six months Flintkote Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos (as defined in the Trust Distribution Procedures), and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.
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Lung Cancer 2 (Level V)	None	(1) Diagnosis of a primary lung cancer; (2) Flintkote Exposure prior to December 31, 1982, and (3) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the lung cancer in question.
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Lung Cancer 2 (Level V) claims are claims that do not meet the more stringent medical and/or exposure requirements of Lung Cancer 1 (Level VI) claims. All claims in this Disease Level will be individually evaluated. The estimated likely Average Value of the individual evaluation awards for this category is \$6,000, with such awards capped at \$10,000, unless the claim qualifies for Extraordinary Claim treatment discussed in Section 7.2(n) below).

Level VI claims that show no evidence of either an underlying Bilateral Asbestos-

⁶ Evidence of “Bilateral Asbestos-Related Nonmalignant Disease” for purposes of meeting the criteria for establishing Disease Levels I, II, IV, and VI, means either (i) a chest X-ray read by a qualified B reader of 1/0 or higher on the ILO scale or, (ii) (x) a chest X-ray read by a qualified B reader, (y) a CT scan read by a qualified physician, or (z) pathology, in each case showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification. Solely for claims filed against Flintkote or another asbestos defendant in the tort system prior to the Petition Date, if an ILO reading is not available, either (i) a chest X-ray or a CT scan read by a qualified physician or, (ii) pathology, showing bilateral interstitial fibrosis, bilateral pleural plaques, bilateral pleural thickening, or bilateral pleural calcification consistent with, or compatible with, a diagnosis of asbestos-related disease shall be evidence of Bilateral Asbestos-Related Nonmalignant Disease for purposes of meeting the presumptive medical requirements of Disease Levels I, II, IV and VI. Pathological proof of asbestosis may be based on the pathological grading system for asbestosis described in the Special Issue of the Archives of Pathology and Laboratory Medicine, “Asbestos-associated Diseases,” Vol. 106, No. 11, App. 3 (October 8, 1982).

Related Non-malignant Disease or Significant Occupational Exposure may be individually evaluated, although it is not expected that such claims will be treated as having any significant value, especially if the claimant is also a Smoker. In any event, no presumption of validity will be available for any claims in this category.

Other Cancer (Level IV)	\$4,500	(1) Diagnosis of a primary colo-rectal, laryngeal, esophageal, pharyngeal, or stomach cancer, plus evidence of an underlying Bilateral Asbestos-Related Nonmalignant Disease, (2) six months Flintkote Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the other cancer in question.
Severe Asbestosis (Level III)	\$15,000	(1) Diagnosis of asbestosis with ILO of 2/1 or greater, or asbestosis determined by pathological evidence of asbestos, plus (a) TLC less than 65%, or (b) FVC less than 65% and FEV1/FVC ratio greater than 65%, (2) six months Flintkote Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.

Asbestosis/ Pleural Disease (Level II)	\$1,400	(1) Diagnosis of Bilateral Asbestos-Related Nonmalignant Disease, plus (a) TLC less than 80%, or (b) FVC less than 80% and FEV1/FVC ratio greater than or equal to 65%, and (2) six months Flintkote Exposure prior to December 31, 1982, (3) Significant Occupational Exposure to asbestos, and (4) supporting medical documentation establishing asbestos exposure as a contributing factor in causing the pulmonary disease in question.
Asbestosis/ Pleural Disease (Level I)	\$650	(1) Diagnosis of a Bilateral Asbestos-Related Nonmalignant Disease, and (2) six months Flintkote Exposure prior to December 31, 1982, and (3) five years cumulative Occupational Exposure to asbestos.

(d) Claims Liquidation Procedures

When a claim is filed with the Trust, it will be placed in a FIFO Processing Queue (as defined below) to be established pursuant to the Trust Distribution Procedures. Trust Claims involving Disease Levels I-IV, VI and VII that do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level may undergo the Trust's Individual Review process described below. In such a case, notwithstanding that the claim does not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level, the Trust can offer the claimant an amount up to the Scheduled Value for that Disease Level if the Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the relevant tort system.

Claimants holding Trust Claims involving Disease Levels III through VII may also seek to establish a liquidated value for their claims that is greater than the Scheduled Value for such claims by electing the Trust's Individual Review process. However, the liquidated value of a Trust Claim that undergoes the Trust's Individual Review process for valuation purposes may be determined by the Trust to be less than such claim's Scheduled Value, and in any event may not exceed the Maximum Value for the relevant Disease Level, unless the claim qualifies as an Extraordinary Claim (as defined below), in which case its liquidated value cannot exceed the extraordinary maximum value specified in that provision for such claims. Disease Level V (Lung Cancer 2) claims, Secondary Exposure Claims and all Foreign Claims may be liquidated only pursuant to the Trust's Individual Review Process.

All unresolved disputes over a claimant's medical condition, exposure history and/or the liquidated value of the claim shall be subject to pro bono evaluation and mediation and then to binding or non-binding arbitration pursuant to the Trust Distribution Procedures, at the election

of the claimant, under the ADR Procedures. Trust Claims that are the subject of a dispute with the Trust that cannot be resolved by non-binding arbitration may enter the tort system as provided in the Trust Distribution Procedures. However, if and when a claimant obtains a judgment in the tort system, the judgment will be payable (subject to the Payment Percentage, Maximum Available Payment, and Claims Payment Ratio provisions set forth below).

(e) Payment Percentage

After the liquidated value of a Trust Claim is determined by the Trust, the claimant will ultimately receive a pro rata share of that value based on a payment percentage (the “Payment Percentage”).

Following the establishment of the Trust, the Trustees, with the consent of the Trust Advisory Committee and the Future Claimants Representative, will set an initial Payment Percentage or Percentages (the “Initial Payment Percentage(s)”) for the Trust when sufficient information concerning the assets and liabilities of the Trust become available. The Initial Payment Percentage has been calculated on the assumption that the Average Values will be achieved with respect to existing present claims and projected future claims involving Disease Levels III-VII.

The Payment Percentage for the Trust may be adjusted upwards or downwards from time to time by the Trust, with the consent of the Trust Advisory Committee and the Future Claimants Representative, to ensure that the Trust will be in a financial position to pay holders of unliquidated and/or unpaid claims, as well as present and future claims against any of the Trust Funds, in substantially the same manner. In making any adjustment, the Trust will take into account then-current estimates of the Trust’s assets and liabilities, as well as the then-estimated value of then-pending and future claims. Because there is uncertainty in predicting both the number and severity of future claims, and the amount of the Trust’s assets, no guarantee can be made of any Payment Percentage for any Trust Claims. However, in the event of a substantial insurance or Third Party Claim recovery, the Payment Percentage may be adjusted upwards and supplemental payments may be made to claimants who received payments in prior periods based on a lower Payment Percentage.

(f) Maximum Annual Payment and Maximum Available Payment

The Trust will estimate or model the amount of cash flow anticipated to be necessary over its entire life to ensure that funds will be available to treat all holders of present and future Asbestos Personal Injury Claims as similarly as possible. In each year, the Trust will be empowered to pay out all of the interest earned during the year, together with a portion of its principal, calculated so that the application of the assets over its life will correspond with the needs created by the anticipated flow of claims (the “Maximum Annual Payment”). The Trust’s distributions to all claimants for that year shall not exceed the Maximum Annual Payment determined for that year.

In distributing the Maximum Annual Payment, the Trust will first allocate the amount in question to outstanding Pre-Petition Liquidated Trust Claims (as defined below) The remaining portion of the Maximum Annual Payment (the “Maximum Available Payment”), if any, will then

be allocated and used to satisfy all other previously liquidated Trust Claims, subject to the Claims Payment Ratio (discussed below).

(g) Claims Payment Ratios

Based upon Flintkote's settlement history and analysis of present and future claims, a Claims Payment Ratio has been determined, which, as of the Effective Date, has been set at 88% for Trust Claims involving severe asbestosis and malignancies (Disease Levels III-VII) ("Category A") that were unliquidated as of the Petition Date, and at 12% for Trust Claims involving non-malignant asbestosis or pleural disease (Disease Levels I and II) ("Category B") that were similarly unliquidated as of the Petition Date. In each year, after the determination of the Maximum Available Payment, 88% of that amount shall be available to pay Category A claims and 12% shall be available to pay Category B claims that have been liquidated since the Petition Date. The Claims Payment Ratio will not apply to any Pre-Petition Liquidated Trust Claims.

The 88% and the 12% Claims Payment Ratios will apply to all Asbestos Trust Voting Claims, except Pre-Petition Liquidated Trust. The term "Asbestos Trust Voting Claims" includes (i) Pre-Petition Liquidated Trust Claims; (ii) claims filed against Flintkote in the tort system or actually submitted to Flintkote pursuant to an administrative settlement agreement prior to the Petition Date of May 1, 2004 in the case of The Flintkote Company and August 25, 2004 in the case of Flintkote Mines Limited; and (iii) all claims filed against another defendant in the tort system prior to October 8, 2007, the date that the Plan was filed with the Bankruptcy Court (the "Plan Filing Date"), provided, however, that the holder of such claims described in subsection (i), (ii) or (iii) above or his or her authorized agent, actually voted to accept or reject the Plan pursuant to the voting procedures established by the Bankruptcy Court, unless such holder certifies to the satisfaction of the Asbestos Trustees that he or she was prevented from voting in this proceeding as the result of circumstances resulting in a state of emergency affecting, as the case may be, the holder's residence, principal place of business or legal representative's principal place of business at which the holder or his or her legal representative receives notice and/or maintains material records relating to his or her Asbestos Trust Voting Claim, and provided further that the claim was subsequently filed with the by the Initial Claims Filing Date. The initial 88%/12% Claims Payment Ratio shall not be amended until the second anniversary of the date the Trust first accepts for processing proof of claim forms and other materials required to file a claim with the Trust. Thereafter, the Claims Payment Ratio will be continued absent circumstances, such as a significant change in law or medicine, which would necessitate amendment to avoid a manifest injustice. No amendment to the Claims Payment Ratio may be made without the consent of the Trust Advisory Committee and the Future Claimants' Representative. However, the Trustees, with the consent of the Trust Advisory Committee and the Future Claimants' Representative, may offer the option of a reduced Payment Percentage to holders of claims in Levels III-VII and Levels I and II in return for prompter payment.

(h) Indemnity and Contribution Claims

Indirect Trust Claims for indemnity and contribution ("Indirect Trust Claims") will be treated as presumptively valid and will be paid by the Trust, subject to the applicable Payment

Percentage, if the following conditions are met: (a) the claim was filed prior to the Bar Date of January 31, 2005, for the filing of such claims and (b) the holder of such claim (the “Indirect Claimant”) establishes to the satisfaction of the Trustees that (i) the Indirect Claimant has paid in full the existing liability and obligation of the Trust to the individual claimant to whom the Trust would otherwise have had a liability or obligation under these Procedures (the “Direct Claimant”), (ii) the Direct Claimant and the Indirect Claimant have forever and fully released the Trust from all liability to the Direct Claimant with respect to the Trust Claim satisfied by the Indirect Claimant, and (iii) the claim is not otherwise barred by a statute of limitations or repose or by other applicable law.

If these requirements cannot be met, the Indirect Claimant may request that the Trust review the applicable Indirect Trust Claim individually to determine whether the Indirect Claimant can establish that it has paid a liability or obligation that the Trust would otherwise have to a Direct Claimant. If the Indirect Claimant can make such a showing, the Trust will reimburse the Indirect Claimant for the amount of the liability or obligation so paid, multiplied by the then-applicable Payment Percentage. However, in no event will such reimbursement to the Indirect Claimant be greater than the amount to which the Direct Claimant would have been entitled. Further, the liquidated value of any Indirect Trust Claim paid by the Trust to an Indirect Claimant will be treated as an offset to or reduction of the full liquidated value of any Trust Claim that might be subsequently asserted by the Direct Claimant against the Trust.

Any dispute between the Trust and an Indirect Claimant over whether the indirect claimant has a right to reimbursement will be subject to alternative dispute resolution procedures to be adopted by the Trustees with the consent of the Trust Advisory Committee and the Future Claimants Representative. If such a dispute cannot be resolved through the ADR procedures, the indirect claimant may litigate the dispute in the tort system as provided in the Trust Distribution Procedures.

Nothing in the Trust Distribution Procedures are intended to preclude another asbestos personal injury settlement trust to which asbestos-related liabilities are channeled from asserting an Indirect Trust Claim against the Trust subject to the requirements set forth in the Trust Distribution Procedures.

(i) Ordering of Claims

The Trust will, as a general matter, order claims that are sufficiently complete to be reviewed for processing purposes pursuant to the FIFO Processing Queue. For all claims filed on or before the date six (6) months after the Effective Date (the “Initial Claims Filing Date”), a claimant’s position in the FIFO Processing Queue will be determined as of the earlier of (i) the date prior to the Petition Date (if any) that the specific claim was either filed against Flintkote in the tort system or was actually submitted to Flintkote pursuant to an administrative settlement agreement, (ii) the date before the Petition Date that an asbestos claim was filed against another defendant in the tort system if at the time the claim was subject to a tolling agreement with Flintkote, (iii) the date after the Petition Date (if any) but before the date that the Trust makes available the claims materials required to file a Trust Claim that the asbestos claim was filed against another defendant in the tort system, (iv) the date after the Petition Date (if any) but before the Effective Date that the claimant filed a proof of claim against Flintkote in Flintkote’s

Chapter 11 proceeding, or (v) the date the claimant submitted a ballot in Flintkote's Chapter 11 proceeding for purposes of voting on the Plan pursuant to the voting procedures approved by the Bankruptcy Court.

Following the Initial Claims Filing Date, a claimant's position in the FIFO Processing Queue will be determined by the date the claim was filed with the Trust.

(j) Effect of Statutes of Limitation and Repose

To be eligible for a place in the FIFO Processing Queue, a claim must meet either (i) for claims first filed in the tort system against Flintkote prior to the Petition Date, the applicable federal, state and foreign statute of limitations and repose that was in effect at the time of the filing of the claim in the tort system, or (ii) for claims that were not filed against Flintkote in the tort system prior to the Petition Date, the applicable federal, state or foreign statute of limitations that was in effect at the time of the filing with the Trust.

However, the running of the relevant statute of limitation will be tolled as of the earliest of (i) the actual filing of the claim against Flintkote prior to the Petition Date, whether in the tort system or by submission of the claim to Flintkote pursuant to an administrative settlement agreement; (ii) the tolling of the claim against Flintkote prior to the Petition Date by an agreement or otherwise, provided such tolling is still in effect on the Petition Date; or (iii) the Petition Date.

If a Trust Claim meets any of the tolling provisions described in the preceding sentence and the claim was not barred by the applicable statute of limitation at the time of the tolling event, it will be treated by the Trust as if it is actually filed with the Trust within three (3) years after the Initial Claims Filing Date. In addition, any claims that were first diagnosed after the Petition Date, irrespective of the application of any relevant statute of limitation or repose, may be filed with the Trust within three years after the date of diagnosis or within three years after the Initial Claims Filing Date, whichever occurs later. However, the processing of any Trust Claim by the Trust may be deferred at the election of the claimant.

(k) Payment of Claims

Trust Claims that have been liquidated by the Expedited Review process (as described below), by arbitration, or by litigation in the tort system, will be paid pursuant to the FIFO Payment Queue, subject to the applicable Payment Percentages, the Maximum Annual Payment, the Maximum Available Payment, and the Claims Payment Ratio.

(l) Resolution of Pre-Petition Liquidated Asbestos Personal Injury Claims

As soon as practicable after the Effective Date, the Trust shall pay, upon submission by the claimant of all appropriate documentation required by the Trust, all Trust Claims that were liquidated (i) by a binding settlement agreement for the particular claim entered into prior to the Petition Date that is judicially enforceable by the claimant, (ii) after the Petition Date according to the terms of a binding settlement agreement entered into prior to the Petition Date (a "Pre-Petition Agreement), (iii) by a jury verdict or non-final judgment in the tort system obtained prior to the Petition Date, or (iv) by a judgment that became final and non-appealable prior to the

Petition Date (collectively “Pre-Petition Liquidated Trust Claims”). In order to receive payment from the Trust, the holder of a Pre-Petition Liquidated Trust Claim must submit all documentation necessary to demonstrate to the Trust that the claim was liquidated in the manner described in (i), (ii), (iii) or (iv), which documentation shall include (A) a court authenticated copy of the jury verdict (if applicable), non-final judgment (if applicable), or final judgment (if applicable), and (B) the name, social security number and date of birth of the claimant and the name and address of the claimant’s lawyer; provided, however, that such documentation shall not be required with respect to any Pre-Petition Liquidated Trust Claim that Flintkote has identified to the Trust as a Pre-Petition Liquidated Trust Claim as to which all conditions to payment under the applicable agreement, jury verdict or judgment have been satisfied. Flintkote shall deliver to the Trust a list of the Pre-Petition Liquidated Trust Claims that Flintkote has approved for payment (the “Approved Pre-Petition Liquidated Trust Claims”), which claims shall be entitled to rely upon the exception set forth in the preceding sentence.

The liquidated value of a Pre-Petition Liquidated Trust Claim shall be Flintkote’s share of the unpaid portion of the amount agreed to in the binding settlement agreement or Pre-Petition Agreement, the unpaid portion of the amount awarded by the jury verdict or non-final judgment, or the unpaid portion of the amount of the final judgment, as the case may be, plus interest, if any, that has accrued on that amount in accordance with the terms of the binding settlement agreement or Pre-Petition Agreement, if any, or under applicable state law for settlements or judgments as of the Petition Date; however, except as otherwise provided in the Trust Distribution Procedures, the liquidated value of a Pre-Petition Liquidated Trust Claim shall not include any punitive or exemplary damages. In addition, the amounts payable with respect to such claims shall not be subject to or taken into account in consideration of the Claims Payment Ratio and the Maximum Available Payment limitations, but shall be subject to the Maximum Annual Payment and Payment Percentage provisions. In the absence of a Final Order of the Bankruptcy Court determining whether a settlement agreement is binding and judicially enforceable, a dispute between a claimant and the Trust over this issue shall be resolved pursuant to the same procedures in the Trust Distribution Procedures that are provided for resolving the validity and/or liquidated value of a Trust Claim.

The other Pre-Petition Liquidated Trust Claims shall be processed and paid in accordance with their order in a separate FIFO queue to be established by the Trust based on the date the Trust received all required documentation for the particular claim; however, the amounts payable with respect to such claims shall not be subject to or taken into account in consideration of the Claims Payment Ratio, but shall be subject to the Maximum Annual Payment and Payment Percentage provisions set forth herein.

(m) Resolution of Unliquidated Asbestos Personal Injury Claims

(1) Trust Claims

Within six (6) months after the establishment of the Trust, the Trustees, with the consent of the Trust Advisory Committee and the Future Claimants Representative, will adopt procedures for reviewing and liquidating all unliquidated Trust Claims, which will include deadlines for processing such claims. Such procedures will also require claimants seeking resolution of unliquidated Trust Claims to first file a proof of claim form, together with the

required supporting documentation. The proof of claim form to be submitted to the Trust shall require the claimant to (i) assert the highest Disease Level for which the claim qualifies at the time of filing and shall include a certification by the claimant or his or her attorney sufficient to meet the requirements of Rule 11(b) of the Federal Rules of Civil Procedure, and (ii) provide sufficient information for the Trust to determine whether the claim resulted from exposure for which the Flinkote Company, Flintkote Mines Limited or both the Flintkote Company and Flintkote Mines Limited have legal responsibility.

Upon filing of a valid proof of claim form with the required supporting documentation, the claim shall be placed in the FIFO Processing Queue. The Trust shall provide the claimant with six-months notice of the date by which it expects to reach the claim in the FIFO Processing Queue, following which the claimant shall promptly (i) advise the Trust whether the claim should be liquidated under the Trust's Expedited Review Process, or, in certain circumstances, under the Trust's Individual Review Process; (ii) provide the Trust with any additional medical and/or exposure evidence that was not provided with the original claim submission; and (iii) advise the Trust of any change in the claimant's Disease Level. If a claimant fails to respond to the Trust's notice prior to the reaching of the claim in the FIFO Processing Queue, the Trust will process and liquidate the claim under the Expedited Review Process based upon the medical/exposure evidence previously submitted by the claimant, although the claimant shall retain the right to request Individual Review.

(a) *Expedited Review Process – General*

The Trust's Expedited Review process (“Expedited Review”) is designed primarily to provide an expeditious, efficient and inexpensive method for liquidating all Trust Claims (except those involving Disease Level V – Lung Cancer 2, Secondary Exposure Claims and all Foreign Claims, which shall all be subject to Individual Review) where the claim can easily be verified by the Trust as meeting the presumptive Medical/Exposure Criteria for the relevant Disease Level. Expedited Review is intended to provide claimants with a substantially less burdensome process for pursuing Trust Claims than the Individual Review process, as well as a fixed and certain claims liquidated value and payment.

A “Foreign Claim” is a Trust Claim with respect to which the claimant's exposure to an asbestos-containing product for which Flintkote has legal responsibility occurred outside of the United States and its Territories and Possessions, and outside of the Provinces and Territories of Canada. Thus, claims of individuals exposed in Canada who were resident in Canada when such claims were filed were routinely litigated and resolved in the courts of the United States, shall not be considered Foreign Claims and shall be eligible for liquidation under the Expedited Review Process.

Thus, claims that undergo Expedited Review and meet the presumptive Medical/Exposure Criteria for the relevant Disease Level shall be paid the Scheduled Value for such Disease Level. However, all claims liquidated by Expedited Review shall be subject to the applicable Payment Percentage, the Maximum Annual Payment, the Maximum Available Payment, and the Claims Payment Ratio limitations set forth herein. Claimants holding claims that (i) cannot be liquidated by Expedited Review because they do not meet the presumptive Medical/Exposure Criteria for the relevant Disease Level or (ii) have otherwise failed to qualify

for payment through the Expedited Review Process may elect the Trust's Individual Review Process.

(b) Claims Processing Under Expedited Review

All claimants seeking liquidation of Trust Claims pursuant to Expedited Review must file the Trust's proof of claim form. As a proof of claim form is reached in the FIFO Processing Queue, the Trust will determine whether the claim described therein meets the Medical/Exposure Criteria for one of the seven Disease Levels eligible for Expedited Review, and will advise the claimant of its determination. If a Disease Level is determined, the Trust will tender to the claimant an offer of payment of the Scheduled Value for the relevant Disease Level multiplied by the applicable Payment Percentage, together with a form of release approved by the Trust. If the claimant accepts the Scheduled Value (as adjusted by the Payment Percentage), and returns the release properly executed, the claim shall be placed in the FIFO Payment Queue, and the Trust will disburse payment subject to the limitations of the Maximum Available Payment, and the Claims Payment Ratio, if any.

(c) Individual Review Process – General

The Trust's Individual Review process provides a claimant with an opportunity for individual consideration and evaluation of a Trust Claim or Claims that fail to meet the presumptive Medical/Exposure Criteria for Disease Levels I-IV, and VI and VII. In any such case, the Trust will either deny the claim, or, if the Trust is satisfied that the claimant has presented a claim that would be cognizable and valid in the relevant tort system, the Trust can offer the claimant a liquidated value amount up to the Scheduled Value for that Disease Level, unless the claim qualifies as an Extraordinary Claim (discussed below), in which case its liquidated value cannot exceed the extraordinary maximum value for such a claim (generally up to five (5) times its Scheduled Value). Claimants holding Trust Claims involving Disease Levels III-VII will also be eligible to seek Individual Review of the liquidated value of their claims.

In valuing Foreign Claims under Individual Review, the Trust shall take into account all relevant procedural and substantive legal rules to which the claims would be subject in the Claimant's Jurisdiction, and shall determine the liquidated value of such claims based on historical settlements and verdicts in such jurisdiction, as well as other valuation factors described in the Trust Distribution Procedures. In addition, the Trust may establish a separate valuation matrix for claims in a particular foreign jurisdiction at such time as sufficient historical settlement, verdict, and other valuation data are available for that jurisdiction.

The Individual Review process is intended to result in payments equal to the full liquidated value for each claim multiplied by the Payment Percentage; however, the liquidated value of any Trust Claim that undergoes Individual Review may be determined to be less than the Scheduled Value the claimant would have received under Expedited Review. Moreover, the liquidated value for a claim involving Disease Levels III-VII will not exceed the Maximum Value for the relevant Disease Level, unless the claim meets the requirements of an Extraordinary Claim, in which case its liquidated value cannot exceed the extraordinary maximum value set forth in that provision for such claims. Because the detailed examination and valuation process pursuant to Individual Review will require substantial time and effort,

claimants electing to undergo the Individual Review process will necessarily be paid the liquidated value of their Trust Claims (subject to the applicable Payment Percentages, the Maximum Available Payment, and the Claims Payment Ratio) later than would have been the case had the claimant elected Expedited Review.

(d) *Individual Review Process - Valuation Factors to be Considered*

The Trust will liquidate the value of each Trust Claim that undergoes Individual Review based on the historic liquidated values of other similarly situated claims in the relevant tort system for the same Disease Level. The Trust will thus take into consideration the factors that affect the severity of damages and values within the tort system including, but not limited to (i) the degree to which the characteristics of a claim differ from the presumptive Medical/Exposure Criteria for the Disease Level in question; (ii) factors such as the claimant’s age, disability, employment status, disruption of household, family or recreational activities, dependencies, special damages, and pain and suffering; (iii) evidence that the claimant’s damages were (or were not) caused by asbestos exposure, including exposure to an asbestos-containing product of any of the Debtors prior to December 31, 1982 (for example, alternative causes and/or the strength of documentation of injuries); (iv) the industry of exposure; and (v) settlements, verdicts and the claimant’s and other law firms’ experience in the claimant’s jurisdiction with respect to similarly-situated claims.

(e) *Scheduled, Average and Maximum Values*

The Scheduled, Average, and Maximum Values for all Trust Claims are as follows:

Asbestos Personal Injury Claims:

Scheduled Disease	Scheduled Value	Average Value	Maximum Value
Mesothelioma (Level VII)	\$184,000	\$210,000	\$450,000
Lung Cancer 1 (Level VI)	\$20,000	\$25,000	\$40,000
Lung Cancer 2 (Level V)	None	\$6,000	\$10,000
Other Cancer (Level IV)	\$4,500	\$6,000	\$10,000
Severe Asbestosis (Level III)	\$15,000	\$20,000	\$35,000
Asbestosis/Pleural Disease (Level II)	\$1,400	\$1,400	\$1,400
Asbestosis/Pleural Disease (Level I)	\$650	\$650	\$650

These Scheduled Values, Average Values, and Maximum Values will apply to all Trust Voting Claims other than Pre-Petition Liquidated Trust-Claims filed with the Trust on or before the Initial Claims Filing Date. Thereafter, the Trustees, with the consent of the Trust Advisory Committee and the Future Claimants' Representative, may change these valuation amounts for good cause and consistent with other restrictions on the amendment power.

(n) Extraordinary Claims and Exigent Hardship Claims

An "Extraordinary Claim" is a Trust Claim that otherwise satisfies the Medical Criteria for Disease Levels III-VII and that is held by a claimant whose exposure to asbestos (i) occurred predominantly as the result of working in a manufacturing facility of Flintkote during a period in which Flintkote was manufacturing asbestos-containing products at that facility, or (ii) was at least 75% the result of exposure to an asbestos-containing product for which Flintkote has a legal responsibility, and in either case there is little likelihood of a substantial recovery elsewhere. All such Extraordinary Claims will be presented for Individual Review and, if valid, shall be entitled to an award of up to an extraordinary maximum value of five (5) times the Scheduled Value for claims qualifying for Disease Levels III, IV, VI and VII, and five (5) times the Average Value for claims in Disease Level V, multiplied by the applicable Payment Percentage. An Extraordinary Claim, following its liquidation, will be placed in the Trust's FIFO Payment Queue ahead of all other Trust Claims except Pre-Petition Liquidated Claims and Exigent Hardship Claims, which shall be paid first in that order in said Queue, based on its date of liquidation and shall be subject to the Maximum Available Payment and Claims Payment Ratio described above.

At any time, the Trust may liquidate and pay Trust Claims that qualify as "Exigent Hardship Claims." Such claims may be considered separately no matter what the order of processing otherwise would have been under the Trust Distribution Procedures. An Exigent Hardship Claim, following its liquidation, will be placed first in the FIFO Payment Queue ahead of all other liquidated Trust Claims except Pre-Petition Liquidated Claims, and shall be subject to the Maximum Available Payment and Claims Payment Ratio described above. A Trust Claim qualifies for payment as an Exigent Hardship Claim if the claim meets the Medical/Exposure Criteria for Severe Asbestosis (Disease Level III) or an asbestos-related malignancy (Disease Levels IV-VII), and the Trust, in its sole discretion, determines (i) that the claimant needs financial assistance on an immediate basis based on the claimant's expenses and all sources of available income, and (ii) that there is a causal connection between the claimant's dire financial condition and the claimant's asbestos-related disease.

(o) Secondary Exposure Claims

If a claimant asserting a Trust Claim alleges an asbestos-related disease resulting solely from exposure to an occupationally exposed person, such as a family member, the claimant must seek Individual Review of his or her claim. In such a case, the claimant must establish that the occupationally exposed person would have met the exposure requirements under the Trust Distribution Procedures that would have been applicable had that person filed a direct claim against the Trust. In addition, the claimant with secondary exposure must establish that he or she is suffering from one of the Disease Levels described in Section 5.3(a)(3) of the Trust

Distribution Procedures or an asbestos-related disease otherwise compensable under the Trust Distribution Procedures, that his or her own exposure to the occupationally exposed person occurred within the same time frame as the occupationally exposed person was exposed to asbestos products produced by Flintkote, and that such secondary exposure was a cause of the claimed disease. All liquidation and payment rights and limitations under the Trust Distribution Procedures are applicable to Secondary Exposure Claims.

(p) Evidentiary Requirements for Trust Claims

(1) Medical Evidence

For Trust Claims, all diagnoses of a Disease Level must be accompanied by either (i) a statement by the physician providing the diagnosis that at least ten (10) years have elapsed between the date of first exposure to asbestos or asbestos-containing products and the diagnosis, or (ii) a history of the claimant's exposure sufficient to establish a ten (10) year latency period. A finding by a physician after the Effective Date that a claimant's disease is "consistent with" or "compatible with" asbestosis will not alone be treated by the Trust as a diagnosis.

(a) Disease Levels I-III. Except for claims filed against Flintkote or another asbestos defendant in the tort system prior to the Petition Date, all diagnoses of a non-malignant asbestos-related disease (Disease Levels I-III) shall be based, in the case of a claimant who was living at the time the claim was filed, upon a physical examination of the claimant by the physician providing the diagnosis of the asbestos-related disease. In addition, all living claimants must provide evidence of Bilateral Asbestos-Related Nonmalignant Disease (in the case of Disease Levels I-II), pulmonary function testing (in the case of Disease Levels II and III), and an ILO reading of 2/1 or greater or pathological evidence of asbestosis (in the case of Disease Level III). In the case of a claimant who was deceased at the time the claim was filed, all diagnoses of non-malignant asbestos-related disease must be based on either (i) a physical examination of the claimant by the physician providing the diagnosis, (ii) pathological evidence of the non-malignant asbestos-related disease, or (iii) in the case of Disease Levels I and II, evidence of Bilateral Asbestos-Related Non-Malignant Disease, and, for Disease Level III, either an ILO reading of 2/1 or greater or pathological evidence of asbestosis, and (iv) for either Disease Levels II or III, pulmonary function testing.

(b) Disease Levels IV-VII. All diagnoses of an asbestos-related malignancy (Disease Levels IV-VII) submitted to the Trust must be based upon either (i) a physical examination of the claimant by the physician providing the diagnosis of the malignant asbestos-related disease, or (ii) on a diagnosis of such a malignant Disease Level by a board-certified pathologist; or (iii) a pathology report prepared at or on behalf of a hospital accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO").

However, if the holder of a Trust Claim that was filed against Flintkote or another defendant in the tort system prior to the Petition Date has available a report of a diagnosing physician engaged by the holder or his or her law firm who conducted a physical examination of

the holder, but the holder, or if the holder has filed such medical evidence and/or diagnosis of the asbestos-related disease by a physician not engaged by the holder or his or her law firm who conducted a physical examination of the claimant with another asbestos-related personal injury settlement trust that requires such evidence, without regard to whether the holder or the law firm engaged the diagnosing physician, the holder shall provide such diagnosis to the Trust notwithstanding the exception described above.

(2) Credibility of Medical Evidence

The Trust must have reasonable confidence that the medical evidence provided in support of a claim is credible and consistent with recognized medical standards before making any payment to a claimant. Accordingly, the Trust may require the submission of X-rays, CT scans, detailed results of pulmonary function tests, laboratory tests, tissue samples, results of medical examination(s) or reviews of other medical evidence, and may require that medical evidence submitted comply with recognized medical standards regarding equipment, testing methods and procedure to assure that such evidence is reliable. Medical evidence (i) that is of a kind shown to have been received in evidence by a state or federal judge at trial, (ii) that is consistent with evidence submitted to Flintkote to settle for payment similar disease cases prior to the Petition Date, or (iii) that is a diagnosis by a physician shown to have previously qualified as a medical expert with respect to the asbestos-related disease in question before a state, federal or foreign judge, is presumptively reliable, although the Trust may seek to rebut the presumption.

In addition, claimants who otherwise meet the requirements of the Trust Distribution Procedures for payment of a Trust Claim will be paid by the Trust irrespective of the results in any litigation at any time between the claimant and any other defendant(s) in the relevant tort system. However, any relevant evidence submitted in a proceeding in the relevant tort system involving another defendant, other than any findings of fact, a verdict, or a judgment, involving another defendant, may be introduced by either the claimant or the Trust in any Individual Review proceeding or any Extraordinary Claim proceeding conducted by the Trust.

(3) Exposure Evidence

To qualify for any Disease Level, holders of Trust Claims must demonstrate a minimum exposure to an asbestos-containing product manufactured or distributed by Flintkote. Claims based on conspiracy theories that involve no such exposure to an asbestos-containing product produced by Flintkote are not compensable under the Trust Distribution Procedures. The specific exposure requirements for each Disease Level are set forth in Section 7.2(c) of the Trust Distribution Procedures. If the claimant cannot meet the relevant presumptive exposure requirements for a Disease Level eligible for Expedited Review, the claimant may seek Individual Review of his or her exposure to an asbestos-containing product for which Flintkote has legal responsibility.

For a claimant seeking to evidence meaningful and credible exposure evidence in order to satisfy the requirements of Flintkote Exposure, such evidence may be established by an affidavit or sworn statement of the living claimant; by an affidavit or sworn statement of a co-worker or an affidavit or sworn statement of a family member in the case of a deceased claimant (providing the Trust finds such evidence reasonably reliable); by invoices, employment, construction, or

similar records; or by other credible evidence. The Trust may also require submission of other or additional evidence of exposure when it deems such to be necessary. The specific exposure information required by the Trust to process a claim under either Expedited Review or Individual Review is set forth on the proof of claim form to be used by the Trust.

(q) Second Disease (Malignancy) Claims

The holder of a Trust Claim involving a non-malignant asbestos-related disease (Disease Levels I-III) can assert a new Trust Claim against the Trust for a malignant disease (Disease Levels IV-VII) that is subsequently diagnosed. Any additional payments to which such claimant may be entitled with respect to such malignant asbestos-related disease shall not be reduced by the amount paid for the non-malignant asbestos-related disease, provided that the malignant disease had not been diagnosed at the time the claimant was paid with respect to his or her original claim involving the non-malignant disease.

(r) Punitive Damages

In determining the value of any Trust Claim, punitive or exemplary damages, *i.e.*, damages that are not compensatory damages, shall not be considered or allowed, notwithstanding their availability in the tort system. No punitive or exemplary damages will be payable with respect to any claim litigated against the Trust in the tort system, as described below. The only damages that may be awarded pursuant to this TDP to Alabama Claimants who are deceased and whose personal representatives pursue their claims only under the Alabama Wrongful Death Statute shall be compensatory damages determined pursuant to the statutory and common law of the Commonwealth of Pennsylvania, without regard to its choice of law principles.

(s) Interest

Interest shall be paid on all Trust Claims with respect to which the claimant has had to wait a year or more for payment; provided, however, that no claimant will receive interest for a period in excess of seven (7) years. The interest rate for each year shall be the coupon issue yield equivalent (as determined by the Secretary of the Treasury) of the average accepted auction price for the first auction of 5-year Treasury Notes occurring in such year.

Interest shall be payable on the Scheduled Value of any unliquidated Trust Claim that meets the requirements of Disease Levels I-IV, VI and VII, whether the claim is liquidated under Expedited Review, Individual Review, or by arbitration. Interest on an unliquidated Trust Claim that meets the requirements of Disease Level V shall be based on the Average Value of such a claim.

Interest shall also be payable on the liquidated value of all Pre-Petition Liquidated Trust Claims. In the case of Pre-Petition Liquidated Trust Claims liquidated by verdict or judgment, interest shall be measured from the date of payment back to the date that is one year after the date that the verdict or judgment was entered. In the case of Pre-Petition Liquidated Trust Claims liquidated by a binding, judicially enforceable settlement, interest shall be measured from the date of payment back to the date that is one year after the Petition Date.

(t) Arbitration of Trust Claims

The Trust, with the consent of the Trust Advisory Committee and the Future Claimants Representative, shall institute binding and non-binding arbitration procedures in accordance with Alternative Dispute Resolution (“ADR”) procedures for resolving disputes concerning whether a pre-petition settlement agreement with Flintkote is binding and judicially enforceable, whether the Trust’s outright denial rejection or denial of a claim was proper, or whether the claimant’s medical condition or exposure history meets the requirements of the Trust Distribution Procedures for purposes of categorizing a Trust Claim involving Disease Levels I, IV, VI and VII.

(u) Suits in the Tort System

If the holder of a disputed claim disagrees with the Trust’s determination regarding the Disease Level of the claim, the claimant’s exposure history, or the liquidated value of the claim, and if the holder has first submitted the claim to non-binding arbitration, the holder may file a lawsuit in the claimant’s jurisdiction. All defenses (including, with respect to the Trust, all defenses which could have been asserted by the applicable Debtor(s)) will be available to both sides at trial; however, the Trust may waive any defense and/or concede any issue of fact or law. If the claimant was alive at the time the initial pre-petition complaint was filed or on the date the proof of claim was filed the Trust, the case will be treated as a personal injury case with all personal injury damages to be considered even if the claimant has died during the pendency of the claim.

(v) Payment of Judgment for Money Damages

If and when a claimant obtains a judgment in the tort system, the claim will be placed in the FIFO Payment Queue established by the FIFO Payment Queue based on the date on which the judgment became final. Thereafter, the claimant will receive an initial payment (subject to the applicable Payment Percentage, the Maximum Available Payment, and the Claims Payment Ratio provisions) of an amount equal to one hundred percent (100%) of the greater of (i) the Trust’s last offer to the claimant or (ii) the award that the claimant declined in non-binding arbitration. The claimant will receive the balance of the judgment, if any, in five (5) equal installments in years six (6) through ten (10) following the year of the initial payment (also subject to the applicable Payment Percentage, the Maximum Available Payment and the Claims Payment Ratio provisions).

In the case of non-Extraordinary Claims involving Disease Levels III-VII, the total amounts paid with respect to such claims shall not exceed the Maximum Values for such Disease Levels. In the case of Extraordinary Claims, the total amounts paid with respect to such claims shall not exceed the relevant maximum value for such claims. Under no circumstances shall interest be paid pursuant to Section 7.5 of the Trust Distribution Procedures or under any statute on any judgments obtained in the tort system pursuant to Sections 5.11 and 7.6 of the Trust Distribution Procedures.

(w) Amendments to the Trust Distribution Procedures

Except as otherwise provided in the Trust Distribution Procedures, the Trustees may amend, modify, delete or add to any provisions of the Trust Distribution Procedures (including, without limitation, amendments to conform this TDP to advances in scientific or medical knowledge or other changes in circumstances), provided they first obtain the consent of the Trust Advisory Committee and the Future Claimants' Representative pursuant to the Consent Process set forth in Sections 6.7(b) and 7.7(b) of the Trust Agreement; provided, however, that the right to amend the Claims Payment Ratio will be governed by the restrictions in Section 2.5 of the Trust Distribution Procedures and the right to adjust the Payment Percentage will be governed by Section 4.2 of the Trust Distribution Procedures.

ARTICLE VIII

CERTAIN FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH OR INCORPORATED BY REFERENCE, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

8.1 Risk Factors

(a) Non-Comparability of Historical Financial Information

The Debtors' future profitability and financial performance may differ materially from its anticipated performance. Furthermore, as a result of the consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of Reorganized Flintkote from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

(b) Risk of No Insurance Coverage

The extent and timing of any recovery in respect of the Debtors' existing insurance coverage may depend upon, among other things, (i) the pendency and outcome of any coverage disputes, (ii) the solvency of the relevant insurers and (iii) the insurers' performance of their respective payment obligations under such coverage (including under any Asbestos Insurance Settlement Agreement approved by the Bankruptcy Court in these Chapter 11 Cases).

In this regard, Fireman's Fund Insurance Company and possibly other related insurance companies (collectively, "FFIC") are parties to certain Asbestos Insurance Policies and Asbestos Insurance Settlement Agreements (collectively, the "FFIC Agreements"). FFIC has asserted that the FFIC Agreements are executory contracts within the meaning of section 365 of the Bankruptcy Code and that the FFIC Agreements must be assumed as a condition to FFIC's continuing obligation to provide coverage. The Debtors disagree with FFIC's assertion, and

Section 5.3 of the Plan provides that the FFIC Agreements shall be considered non-executory contracts and shall neither be assumed nor rejected by the Debtors. FFIC also has asserted that the FFIC Agreements require the Debtors, as insureds, to satisfy certain continuing contractual obligations in order for coverage to be provided and that the Plan fails to require Debtors and/or Reorganized Debtors to satisfy such continuing contractual obligations. FFIC also believes that the Plan seeks to provide Debtors with certain injunctive relief that alters Debtors' ongoing contractual obligations under the FFIC Agreements that would also vitiate any available insurance coverage. The Debtors disagree with FFIC's contentions. However, in the event FFIC were to successfully obtain a final determination from a court of competent jurisdiction sustaining its contentions (which the Debtors and/or the Trust would contest), the Trust may not be able to recover any insurance proceeds from FFIC under the FFIC Agreements for distribution to holders of Asbestos Personal Injury Claims.

FFIC has reserved all of its rights, claims and defenses under the FFIC Agreements including, but not limited to, its rights to deny coverage if, as or when any Asbestos Personal Injury Claims are tendered under the FFIC Agreements because the Plan fails to require Debtors, Reorganized Debtors and or the Trust to satisfy the obligations of the insured under the FFIC Agreements and otherwise prejudices FFIC's rights, claims and defenses. Accordingly, FFIC has indicated that it may object to confirmation of the Plan and/or seek declaratory relief in a court of competent jurisdiction that the treatment of the FFIC Agreements under the Plan relieves it of any further obligation to provide coverage thereunder.

8.2 Certain Bankruptcy Considerations

(a) Failure to Confirm the Plan

Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the plan will not be followed by liquidation or the need for further financial reorganization of the Debtors, and that the value of distributions to dissenting holders of Claims and Equity Interests may not be less than the value such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Plan Proponents believe that the Plan will meet these tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Bankruptcy Code also requires that a Plan must provide the same treatment for each claim or interest in a particular class, unless a holder agrees to a less favorable treatment of its particular claim or interest. The Plan Proponents believe that they have complied with the requirements of the Bankruptcy Code by their classification and treatment of various holders of Claims and Equity Interests under the Plan. However, if a member of a Class objects to its treatment, or if the Bankruptcy Court finds that the Plan does not comply with the requirements of the Bankruptcy Code, confirmation of the Plan could be delayed or prevented. In addition, each Impaired Class of Claims that will (or may) be entitled to receive property under the Plan will have the opportunity to vote to accept or reject the Plan. If an Impaired Class of Claims (other than Class 7) rejects the Plan, the Plan Proponents may request confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Even if the requirements for "cramdown" are met, the Bankruptcy Court, which, as a court of equity may exercise substantial discretion, may choose not to confirm the Plan.

(b) Non-Occurrence of the Effective Date

The Plan provides that there are several conditions precedent to the occurrence of the Effective Date. The Plan Proponents cannot assure you as to the timing of the Effective Date. If the conditions precedent to the Effective Date have not been satisfied or waived, the Bankruptcy Court may vacate the Confirmation Order. In that event, the Plan would be deemed null and void and the Plan Proponents may propose or solicit votes on an alternative reorganization plan that may not be as favorable to parties in interest as the Plan.

ARTICLE IX

VOTING PROCEDURES AND REQUIREMENTS

9.1 Voting Procedures Summary

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

- (a) The Voting Procedures Order, which, among other things, approves this Disclosure Statement as containing adequate information, establishes the voting procedures (the “Voting Procedures”), schedules the Confirmation Hearing, and sets the voting deadline and the deadline for objecting to confirmation of the Plan;
- (b) The notice of Confirmation Hearing and entry of Voting Procedures Order; and
- (c) One or more Ballots and a return envelope (ballots are provided only to holders of Claims in Classes 5, 6, 7, 8, 9 and 10 and Equity Interests in Class 12, the Classes that are entitled to vote on the Plan).

The Voting Procedures Order, the Voting Procedures, the notice of the Confirmation Hearing, and the instructions attached to your Ballot should be read in connection with this section of the Disclosure Statement as they set forth the voting procedures and deadlines in detail. If you are a holder of a Claim who is entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, please contact the Voting Agent at 1-800-290-0537; their web site (<http://www.flintkotebankruptcy.com>) or as follows:

IF BY MAIL:

THE GARDEN CITY GROUP, INC.
ATTN: FLINTKOTE VOTING AGENT
P.O. BOX 9000-6230
MERRICK, NEW YORK 11566-9000

IF BY HAND OR OVERNIGHT COURIER:

THE GARDEN CITY GROUP, INC.
ATTN: FLINTKOTE VOTING AGENT
105 MAXESS ROAD
MELVILLE, NEW YORK 11747

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

9.2 Voting Deadline

TO BE CONSIDERED FOR PURPOSES OF ACCEPTING OR REJECTING THE PLAN, ALL BALLOTS MUST BE **RECEIVED BY THE VOTING AGENT NO LATER THAN THE VOTING DEADLINE OF 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2008.** ONLY THOSE BALLOTS ACTUALLY RECEIVED BY THE VOTING AGENT BEFORE THE VOTING DEADLINE WILL BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN.

9.3 Holders of Claims and Equity Interests Entitled to Vote

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

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

Classes 1, 2, 3 and 4 are Unimpaired by the Plan. Holders of Claims or Equity Interests in Classes 1, 2, 3 and 4 are not entitled to vote on the Plan. Classes 5, 6, 7, 8, 9, 10, 11 and 12 are Impaired by the Plan. Of the Impaired Classes, only those holders of Claims in Classes 5, 6, 7, 8, 9 and 10 and Equity Interests in Class 12 are entitled to vote on the Plan. Holders of Equity Interests in Class 11 are to receive no distributions under the Plan, are therefore not entitled to vote on the Plan and are conclusively presumed to reject the Plan.

IF THE DEBTORS HAVE OBJECTED TO A CLAIM PRIOR TO _____, 2007, THE HOLDER OF SUCH CLAIM WILL NOT BE ENTITLED TO VOTE ON THE PLAN ON ACCOUNT OF SUCH CLAIM, UNLESS SUCH HOLDER FILES A MOTION TO HAVE

SUCH CLAIM TEMPORARILY ALLOWED FOR VOTING PURPOSES ON OR BEFORE _____, 2008.

9.4 Vote Required for Acceptance by a Class

(a) Class of Claims

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

(b) Class of Asbestos Personal Injury Claims

Pursuant to section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code, Class 7 (Flintkote Asbestos Personal Injury Claims) shall have accepted the Plan only if the holders of at least 75 percent of the allowed Claims actually voting in such Class have voted to accept the Plan in accordance with the Voting Procedures Order.

(c) Cramdown

With respect to any Impaired Class of Claims or Equity Interests that fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code (other than Class 7), including such Classes as may be created pursuant to amendments to the Plan, the Plan Proponents shall request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to such non-accepting Classes, in which case or cases the Plan shall constitute a motion for such relief.

9.5 Voting Procedures

(a) Ballots

All votes to accept or reject the Plan with respect to any Class of Claims must be cast by properly submitting the duly completed and executed form of Ballot designated for such Class. Holders of Impaired Claims voting on the Plan should complete and sign the Ballot in accordance with the instructions thereon, being sure to check the appropriate box entitled "Accept the Plan" or "Reject the Plan." In addition, if any holder of a Claim elects not to grant the releases set forth in Section 12.2(b) of the Plan, then it should check the appropriate box on its Ballot.

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

Ballots must be delivered to the Voting Agent, at its address set forth above in the introduction to this Article, and received by the Voting Deadline. THE METHOD OF SUCH DELIVERY IS AT THE ELECTION AND RISK OF THE VOTER. Although the method of

delivery is at the risk of the voter, for the convenience of each holder of an Impaired Claim entitled to vote on the Plan the Solicitation Package contains a pre-stamped and addressed envelope for return of such holder's Ballot by first class mail through the United States Postal Service. If such delivery is by mail, it is recommended that voters use an air courier with a guaranteed next day delivery or registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to ensure timely delivery.

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

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

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

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

(b) Withdrawal or Change of Votes on the Plan

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

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

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

ARTICLE X

CONFIRMATION OF THE PLAN

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

10.1 Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan of reorganization. By order of the Bankruptcy Court, the Confirmation Hearing is scheduled for _____, 2008 at _____ (Prevailing Eastern Time) before the Honorable Judith K. Fitzgerald, United States Bankruptcy Judge for the District of Delaware, in the United States Bankruptcy Court for the [District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801]. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan of reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objecting party, the nature and amount of Claims held or asserted by the objecting party against the Debtors' Estates or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Judge Fitzgerald's chambers, together with proof of service thereof, and served upon counsel to the Plan Proponents, so as to be received no later than 4 p.m. (Prevailing Eastern Time), on _____, 2008.

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

10.2 Requirements for Confirmation of the Plan

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

(a) Acceptance

Classes 5, 6, 7, 8, 9, 10 and 12 are Impaired under the Plan, and the holders of Claims and Equity Interests in such Classes are entitled to vote on the Plan. Therefore, such Classes must accept the Plan in order for it to be confirmed without application of the "fair and equitable test," described below, to such Classes. As stated above, Classes of Claims (other than Class 7) will have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and a

majority in number of the Claims of each such Class (other than any Claims designated under section 1126(e) of the Bankruptcy Code) that has voted to accept or reject the Plan.

Classes 1, 2, 3, and 4 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, confirmation of the Plan will not require application of the “fair and equitable test,” described below, to those Classes.

Class 11 is Impaired, and the holders of Equity Interests in such Class will not receive or retain any property under the Plan. Accordingly, Class 11 is deemed not to have accepted the Plan and confirmation of the Plan will require application of the “fair and equitable test,” described below, to those Classes.

(b) Unfair Discrimination and Fair and Equitable Tests

The Plan Proponents will seek to confirm the Plan, notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any Impaired Class of Claims or Equity Interests other than Class 7. Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all Impaired Classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. This procedure of obtaining confirmation is commonly known as “cram down.” To obtain such confirmation, it must be demonstrated that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each dissenting Impaired Class.

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

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

(1) Secured Claims

Either the plan must provide (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder’s interest in the estate’s interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such holders of the indubitable equivalent of such claims.

(2) Unsecured Claims

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

(3) Equity Interests

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

THE PLAN PROPONENTS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE PLAN PROPONENTS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS OTHER THAN CLASS 7.

(c) Feasibility

The Bankruptcy Code also requires as a condition to confirmation of a plan of reorganization that the confirmation of the plan is not likely to be followed by the liquidation or the need for further financial reorganization of the reorganized debtor. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. The Plan Proponents believe that Reorganized Flintkote will be able to make all payments required pursuant to the Plan, and therefore, that confirmation of the Plan is not likely to be followed by the need for further reorganization.

(d) “Best Interests” Test

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

(e) Liquidation Analysis

The Plan Proponents have prepared the following Liquidation Analysis to demonstrate the Plan’s compliance with the provisions of section 1129(a)(7) of the Bankruptcy Code. The Liquidation Analysis is based upon a number of reasonable assumptions that, ultimately, are subject to significant uncertainties and contingencies. The Plan Proponents cannot assure you

that these assumptions would be accepted by a Bankruptcy Court. **ACTUAL LIQUIDATION PROCEEDS COULD BE MATERIALLY LOWER OR HIGHER THAN THE AMOUNTS SET FORTH BELOW. NO REPRESENTATION OR WARRANTY CAN OR IS BEING MADE WITH RESPECT TO THE ACTUAL PROCEEDS THAT COULD BE RECEIVED IN A CHAPTER 7 LIQUIDATION OF THE DEBTORS. THE LIQUIDATION VALUATIONS HAVE BEEN PREPARED SOLELY FOR PURPOSES OF ESTIMATING PROCEEDS AVAILABLE IN A CHAPTER 7 LIQUIDATION OF THE ESTATE AND DO NOT REPRESENT VALUES THAT MAY BE APPROPRIATE FOR ANY OTHER PURPOSE. NOTHING CONTAINED IN THESE VALUATIONS IS INTENDED TO OR MAY BE ASSERTED TO CONSTITUTE A CONCESSION OR ADMISSION OF THE PLAN PROPONENTS FOR ANY OTHER PURPOSE.**

The Liquidation Analysis demonstrates that holders of Claims in Class 5 (Flintkote Unsecured Claims), Class 6 (Mines Unsecured Claims), Class 7 (Flintkote Asbestos Personal Injury Claims) and Class 8 (Mines Asbestos Personal Injury Claims) would receive far less in a chapter 7 case than under the Plan. Additionally, the holders of allowed Administrative Claims and Priority Tax Claims, Class 1 (Flintkote Priority Claims), Class 2 (Mines Priority Claims), Class 3 (Flintkote Secured Claims), Class 4 (Mines Secured Claims) and Class 11 (Flintkote Equity Interests) will receive the same distribution or treatment under the Plan as they would in a chapter 7 case. Flintkote and Mines, as the sole holders of Claims in Class 9 (Affiliate Claims against Flintkote) and Class 10 (Affiliate Claims against Mines) and Equity Interests in Class 12 (Mines Equity Interests) and as co-proponents of the Plan, both intend to vote to accept the Plan.

The Debtors estimate that the allowed Claims in Class 5 will total between \$4 million and \$11 million, and that there will be no separate allowed Claims in Class 6 (depending upon completion of the Debtors' claims analysis, and the outcome of settlement negotiations and formal adjudication in respect of such Claims). In contrast, as described Section 4.1(c) above, the respective experts for the Asbestos Creditors Committee and the Future Claimants Representative agree that the current and future Asbestos Personal Injury Claims are in excess of \$3 billion. See Section 4.1(c) above for further information regarding this estimate of the Debtors' asbestos liabilities. The Liquidation Analysis assumes that, in both a chapter 7 and chapter 11 case, Flintkote and Mines would have to reserve for and take into account future Asbestos Personal Injury Claims (or Demands) for distribution purposes under applicable Delaware law. As such, both in a chapter 7 and chapter 11 case, the allowed Amount of Unsecured Claims in Classes 5 and 6, respectively, is a minor fraction of the aggregate estimated Asbestos Personal Injury Claims in Classes 7 and 8, respectively.

For simplicity of calculation, the Liquidation Analysis assumes that the assets available for distribution to all holders of allowed Claims and Equity Interests total approximately \$200 million, including proceeds from Asbestos Insurance Policies but excluding any future potential recoveries from the Aviva Litigation or Third Party Causes of Action. The Plan provides for distributions to creditors in Classes 5 and 6 (Unsecured Claims against Flintkote and Mines, respectively) from the Flintkote Reserve Cash and Mines Reserve Cash, respectively. The allocation and amount of the Reserve Cash is based upon a compromise between the Plan Proponents and includes proceeds of insurance that otherwise would only be available for payment of claims covered by such insurance (e.g., Asbestos Personal Injury Claims). The Plan provides Classes 5 and 6 with the ability to elect either (i) on the Distribution Date, a total Cash

payment equal to 35% of the Allowed Amount of such Claim, or (ii) for Class 5 (Unsecured Claims against Flintkote), the same treatment and distribution percentage to be received by Flintkote Asbestos Personal Injury Claims in Class 7, and, for Class 6 (Unsecured Claims against Mines), the same treatment and distribution percentage to be received by Mines Asbestos Personal Injury Claims in Class 8. The Plan provides for distributions with respect to holders of Asbestos Personal Injury Claims in Classes 7 and 8 from the Trust Assets. The Trust Assets include, among other assets, the proceeds from Settling Asbestos Insurance Companies. The entities making these contributions are willing to do so only in connection with a chapter 11 plan containing a section 524(g) injunction. Such an injunction is unavailable in chapter 7. Similarly, the Debtors' inability to offer settling parties the benefit of a section 524(g) injunction in a chapter 7 liquidation would limit the prospect of settlement with Asbestos Insurance Companies and potentially other third-parties, which could impact upon the timing for resolving the Aviva Litigation and the Third Party Causes of Action. The Liquidation Analysis assumes that the ultimate recovery from the Aviva Litigation and the Third Party Causes of Action will be the same or lower in a chapter 7 liquidation as compared to chapter 11, where section 524(g) protection is available to settling parties with respect to future Demands. Because there will be less settlement proceeds to distribute to creditors in a chapter 7 case and given the inherent uncertainty and delay attendant with litigation, the value that creditors receive in a chapter 7 case would be less than the amount they would receive under the Plan.

The costs associated with a chapter 7 case would diminish the assets otherwise available for distribution to creditors under the Plan. Such costs include a chapter 7 trustee's fee and expenses, and the fees and expenses of professionals retained by the trustee. Under section 326(a) of the Bankruptcy Code, a chapter 7 trustee may be awarded compensation not to exceed 3% on all moneys in excess of \$1,000,000 disbursed or turned over in the case by the trustee to parties in interest. A chapter 7 trustee and its professional would need to devote substantial time and resources (thereby incurring significant fees and expenses in the process) to understand the nature and extent of the Debtors' complicated insurance assets so that the estate could, without interruption or delay, continue to seek to maximize and realize upon the value of such insurance. The trustee and its professionals also would need to understand the myriad issues presented in the Aviva Litigation and the Third Party Causes of Action so that it could effectively manage that litigation. In the current chapter 11 cases, the Debtors' management possesses the requisite knowledge, factual background and experience to properly and efficiently manage both the insurance collection activities (which the Debtors have been doing for the past 19 years) as well as orchestrate the pending Aviva Litigation and prosecution of the Third Party Causes of Action. There would be duplication costs associated with a transition from current management to a chapter 7 trustee, and the Liquidation Analysis reasonably assumes that, to the extent it is called upon to assist a chapter 7 trustee during a period of transition, management would require compensation payable from the chapter 7 estate. The Liquidation Analysis further assumes that there will be higher "carry" costs associated with pursuing insurance recoveries, the Aviva Litigation and Third Party Causes of Action in a chapter 7 case because, among other reasons, of the diminished prospect for settlement without the ability to offer section 524(g) protection to settling parties and the attorneys' fees associated with litigating these matters to final judgment.

Accordingly, the Plan Proponents believe that confirmation of the Plan will provide creditors in the Impaired Classes (Classes 5, 6, 7 and 8) with value that is not less than (and, in

fact, substantially greater than) the amount that such holder would so receive or retain in the Debtors were liquidated under chapter 7. The Plan meets the “best interests” test.

ARTICLE XI

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

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

11.1 Alternative Plan of Reorganization

The Plan is the product of extensive negotiations among the Debtors, the Asbestos Claimants Committee and the Future Claimants Representative, and reflects a balance of the respective interests held by the parties. If the Plan is not confirmed, the Debtors or any other party in interest (upon the expiration of the Debtors’ exclusivity period) could attempt to formulate a different plan of reorganization. During the negotiations prior to the filing of the Plan, however, the Plan Proponents explored various alternatives to the Plan and believe that the Plan enables Reorganized Flintkote to emerge from its Chapter 11 Case more successfully and expeditiously than any alternative plan, while preserving and maximizing the Debtors’ assets, and allowing Claimants of each Debtor to realize the highest recoveries under the circumstances.

11.2 Liquidation under Chapter 7

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

As described above in the Liquidation Analysis, the Plan Proponents believe that in a liquidation under chapter 7 would result in a substantial diminution in the value of the estates. The Debtors further believe that it is likely that distributions in a chapter 7 liquidation would not occur for a substantial time, primarily due to the time required to liquidate the Debtors’ insurance-related assets and the likelihood of protracted litigation related to the Third Party Causes of Action and the Aviva Litigation.

ARTICLE XII

CERTAIN TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes the material U.S. federal income tax consequences expected to result from the consummation of the Plan. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder of a Claim subject to special treatment under the federal income tax laws (such as non-U.S. taxpayers, banks, insurance companies, financial institutions, or regulated investment companies), and does not

discuss any aspects of state, local or non-U.S. tax laws. Furthermore, this summary does not address all of the tax consequences that may be relevant to a holder of a Claim, such as the potential application of the alternative minimum tax. This discussion is based on current provisions of the Internal Revenue Code, applicable Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (“IRS”) in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). The Plan Proponents have not received an opinion of counsel as to the federal income tax consequences of the Plan and do not intend to seek a ruling from the IRS as to any aspect of the Plan. The Plan Proponents are not making any representations or warranties regarding the particular tax consequences of the confirmation and consummation of the Plan as to any holder of a Claim against any of the Debtors. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

Any discussion of U.S. federal tax issues set forth in this Disclosure Statement is written in connection with the description by the Plan Proponents of the transactions set forth in this Disclosure Statement. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each holder of a Claim should seek advice based on its particular circumstances from an independent tax advisor.

12.1 Tax Consequences to the Debtors

(a) Cancellation of Indebtedness

Cancellation of debt income (“COD”) is generally includible in a taxpayer’s gross income. COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefore, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD. For example, COD is not realized to the extent the payment of the indebtedness discharged would have given rise to a deduction. In addition, any COD realized by a debtor in a bankruptcy case is excluded from the debtor’s gross income provided certain conditions are met (the “Bankruptcy Exception”). The Internal Revenue Code provides that a bankrupt debtor must reduce certain of its tax attributes such as net operating losses, excess tax credits, and tax basis in its assets by the amount of any COD excluded from gross income under the Bankruptcy Exception.

The Debtors’ generally do not expect to realize a significant amount of COD as a result of the Plan, because the vast majority of the Impaired Claims (namely, the Unsecured Claims and the Asbestos Personal Injury Claims) would have given rise to a deduction for the Debtors when paid. The Debtors further expect that any COD that does arise under the Plan will qualify for the Bankruptcy Exception.

(b) Treatment of the Trust

It is anticipated that the Trust will be a “qualified settlement fund” within the meaning of Section 468B of the Internal Revenue Code and the Treasury Regulations promulgated

thereunder. Such Treasury Regulations provide that a fund, account, or trust will be a qualified settlement fund if three conditions are met. First, the fund, account, or trust must be established pursuant to an order of or be approved by a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority. A court order giving preliminary approval to a fund, account, or trust will satisfy this requirement even though the order is subject to review or revision. Second, the fund, account, or trust must be established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event (or related series of events) that has occurred and that has given rise to at least one claim asserting liability arising, among other things, out of a tort. Third, the fund, account, or trust must be a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor. The Trust has been established with the express purpose of satisfying the requirements of a qualified settlement fund and will be treated as a separate taxable entity. Its modified gross income, which will consist generally of investment earnings on amounts on deposit in the Trust (less administrative fees and related costs), will generally be subject to U.S. federal income tax at the highest rate applicable to estates and trusts (currently 35%). For purposes of determining the Trust's modified gross income, payments to the Trust and payments from the Trust to Asbestos Personal Injury Claimants in settlement of their Claims will not be taken into account.

12.2 Tax Consequences to Holders of Allowed Claims

The U.S. federal income tax consequences to a holder of a Claim that is Impaired, including the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for thereby, will be determined by reference to the Claim in respect of which the distribution is made and as if the distribution were made directly by the Debtors. Accordingly, a holder's tax consequences will depend upon, among other things: (i) the nature of the Claim, (ii) the manner in which the holder acquired the Claim, (iii) the length of time the Claim has been held, (iv) whether the Claim was acquired at a discount, (v) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years, (vi) whether the holder has previously included in income accrued but unpaid interest with respect to the Claim, and (vii) the method of tax accounting of the holder. Accordingly, each holder of a Claim is urged to consult its tax advisor regarding the tax consequences of the Plan to such holder.

(a) Tax Consequences for Holders of Allowed Unsecured Claims

In general, the treatment of a holder of an allowed Unsecured Claim will depend on whether or not the Claim constitutes a debt obligation for U.S. federal income tax purposes. If the Claim does not constitute a debt obligation, the holder of the Claim generally should not recognize any income, gain or loss, if at all, until actual receipt of consideration under the Plan (in the case of a cash basis taxpayer) or at such time as the holder's right to consideration under the Plan becomes fixed and determinable (in the case of an accrual basis taxpayer). In either case, the holder generally should be treated no differently for U.S. federal income tax purposes than had the consideration been received with respect to the holder's original Claim.

If an allowed Unsecured Claim constitutes a debt obligation for U.S. federal income tax purposes, the holder will generally recognize gain or loss on the exchange of such allowed

Unsecured Claim for the consideration to be received under the Plan equal to the difference between (i) the sum of the Cash and fair market value of other consideration received in respect of such allowed Unsecured Claims (other than amounts allocable to accrued and unpaid interest) and (ii) such holder's adjusted tax basis in such allowed Unsecured Claim.

In general, to the extent that an amount received by a holder of debt is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized original issue discount was previously included in its gross income and is not paid in full. Holders are urged to consult their tax advisors regarding the allocation of consideration and the deductibility of accrued, but unpaid interest for federal income tax purposes.

(b) Tax Consequences to Holders of Asbestos Personal Injury Claims

The tax consequences of payments received by holders of Asbestos Personal Injury Claims will depend on the individual nature of each such Claim and the particular circumstances and facts applicable to such holder at the time each such payment is made. To the extent that payments from the Trust to holders of Asbestos Personal Injury Claims constitute damages received by such holders on account of physical injuries or physical sickness, such payments should not constitute gross income to such recipients under Section 104 of the Internal Revenue Code, except to the extent that such payments are attributable to medical expense deductions allowed under Section 213 of the Internal Revenue Code for a prior taxable year. To the extent that any payments from the Trust to holders of Asbestos Personal Injury Claims constitute damages received by such holders on account of claims other than physical injuries (such as lost wages) or received as interest (or any other amounts not excludable from income under Section 104 of the Internal Revenue Code), such payments will be includible in gross income to such holders.

(c) Information Reporting

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

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX ADVISOR. THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES

ALSO MAY VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH ITS, HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.

FURTHERMORE, ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY PLAN DOCUMENTS, AND ANY EXHIBITS OR ATTACHMENTS TO ANY SUCH DOCUMENTS, WERE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER BY THE INTERNAL REVENUE SERVICE.

ARTICLE XIII

CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that the Plan is in the best interests of all holders of Claims and urge all holders of Impaired Claims in Classes entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they WILL BE actually received on or before 4 p.m. (Prevailing Eastern Time), on _____, 2007.

San Francisco, California
10/10, 2007

THE FLINTKOTE COMPANY,
a Debtor and Debtor in Possession


By: _____
Name: _____
Its: _____

San Francisco, California
10/10, 2007

FLINTKOTE MINES LIMITED,
a Debtor and Debtor in Possession


By: _____
Name: _____
Its: _____

_____, 2007

OFFICIAL COMMITTEE OF ASBESTOS
PERSONAL INJURY CLAIMANTS

By: _____
Name: _____
Its: _____

_____, 2007

JAMES J. MCMONAGLE, as THE FUTURE
CLAIMANTS REPRESENTATIVE

By: _____

ARTICLE XIII

CONCLUSION AND RECOMMENDATION

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San Francisco, California
_____, 2007

THE FLINTKOTE COMPANY,
a Debtor and Debtor in Possession

By: _____
Name: _____
Its: _____

San Francisco, California
_____, 2007

FLINTKOTE MINES LIMITED,
a Debtor and Debtor in Possession

By: _____
Name: _____
Its: _____

Washington D.C.
October 8, 2007

OFFICIAL COMMITTEE OF ASBESTOS
PERSONAL INJURY CLAIMANTS

By: Peter Van N. Lockwood
Name: Peter Van N. Lockwood
Its: Counsel to the ACC

_____, 2007

JAMES J. MCMONAGLE, as THE FUTURE
CLAIMANTS REPRESENTATIVE

By: _____

ARTICLE XIII

CONCLUSION AND RECOMMENDATION

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San Francisco, California
_____, 2007

THE FLINTKOTE COMPANY,
a Debtor and Debtor in Possession

By: _____
Name: _____
Its: _____

San Francisco, California
_____, 2007

FLINTKOTE MINES LIMITED,
a Debtor and Debtor in Possession

By: _____
Name: _____
Its: _____

_____, 2007

OFFICIAL COMMITTEE OF ASBESTOS
PERSONAL INJURY CLAIMANTS

By: _____
Name: _____
Its: _____

October 8
_____, 2007

JAMES J. MCMONAGLE, as THE FUTURE
CLAIMANTS REPRESENTATIVE

By:  _____

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