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John Kennedy (SBN 156009) (jkennedy@linerlaw.com)
LINER GRODE STEIN YANKELEVITZ SUNSHINE REGENSTREIF & TAYLOR LLP
1100 Glendon Avenue, 14th Floor
Los Angeles, California 90024-3503
Telephone: (310) 500-3500
Facsimile: (310) 500-3501

Joseph D. Frank (Illinois Bar No. 6216085) (jfrank@fgllp.com)
FRANKGECKER LLP
325 North LaSalle Street, Suite 625
Chicago, Illinois 60654
Telephone: (312) 276-1400
Facsimile: (312) 276-0035

*Special Counsel for CFB Liquidating Corporation
f/k/a Chicago Fire Brick Company, and WFB
Liquidating Corporation f/k/a Wellsville Fire Brick
Company, Joint Debtors in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

In re:) Chapter 11
)
CFB LIQUIDATING CORPORATION) Case No. 01-45483
f/k/a Chicago Fire Brick Company, an) Case No. 01-45484
Illinois corporation, *et al.*,)
) Honorable Roger Efremsky
Debtors.)

**DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT CHAPTER
11 PLAN OF CFB LIQUIDATING CORPORATION, F/K/A CHICAGO FIRE
BRICK COMPANY, AND WFB LIQUIDATING CORPORATION, F/K/A
WELLSVILLE FIRE BRICK COMPANY, AS MODIFIED**

CFB Liquidating Corporation f/k/a Chicago Fire Brick Company (“CFB”) and WFB Liquidating Corporation f/k/a Wellsville Fire Brick Company (“WFB” and, together with CFB, the “Debtors”) submit this Disclosure Statement (the “Disclosure Statement”) in connection with the Joint Chapter 11 Plan of CFB Liquidating Corporation f/k/a Chicago Fire Brick Company and WFB Liquidating Corporation f/k/a Wellsville Fire Brick Company, dated April 20, 2012 (as the same may be amended or modified, the “Plan”), to be submitted to all Holders of Claims and Interests in accordance with section 1125(b) of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure 2002, 3016 and 3017 and Local Bankruptcy Rule 3017-1. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

Please read this Disclosure Statement, the Plan, and any appropriate ballot carefully and follow the instructions set forth below to vote on the Plan. The Debtors believe that the Plan provides

the best method of maximizing the recoveries for the Holders of Claims against the Debtors. Therefore, the Debtors recommend that all creditors who are entitled to vote, vote to accept the Plan.

SUMMARY OF THE PLAN

The following is a summary of the principal terms of the proposed Plan. The Plan contemplates the formation of a Liquidating Trust to complete the liquidation of the remaining assets of the Debtors and to make Distributions to certain Holders of Claims. The details of the Plan, the treatment of creditors and the means for funding and implementing the Plan are more fully described in other sections of this Disclosure Statement and in the Plan.

A. Designation of Classes.

All Claims against and/or Interests in either of the Debtors, other than Administrative Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation and Distribution under the Plan. A summary of the classification of these Claims and Interests, the proposed treatment of each Class of Creditors, and the voting status of each Class of Claims or Interests follows:

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Unclassified: Administrative Claims (Professional fees and expenses of approximately \$580,000) (Unpaid Administrative Expense Claims incurred in ordinary course of business of Debtors during the Chapter 11 Case of approximately \$35,000 - 50,000.) Estimated Recovery: 100%	Allowed Administrative Claims will be paid in full on the Effective Date, or as soon thereafter as such Claims become Allowed, or such other date as is mutually agreed upon by the Liquidating Trustee and the Holder of any such Claim.	Unimpaired	No
Unclassified: Priority Tax Claims (Claims of taxing authorities- amount unknown) Estimated Recovery: 100%	Any Priority Tax Claims will be paid in full on the Effective Date, or as soon thereafter as such Priority Tax Claims are Allowed.	Unimpaired	No

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CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
<p>Class 1: Other Priority Claims</p> <p>There are no known Class 1 Claims asserted against the Debtors.</p> <p>Estimated Recovery: 100%</p>	<p>Any Other Priority Claims will be paid in full on the Effective Date, or as soon thereafter as such Other Priority Claims are Allowed.</p>	<p>Unimpaired</p>	<p>No</p>
<p>Class 2 Secured Claims</p> <p>There are no known Class 2 Secured Claims that remain pending against the Debtors.</p> <p>Estimated Recovery: 100%</p>	<p>On the later of the Effective Date or the Distribution Date, each Holder of an Allowed Class 2 Secured Claim will receive, at the option of the Liquidating Trustee, cash in the full amount of its Class 2 Claim, the collateral securing its Class 2 Claim or such other treatment as the Holder of a Class 2 Claim and the Liquidating Trustee shall agree in writing.</p>	<p>Unimpaired</p>	<p>No</p>
<p>Class 3 Bar Date Asbestos Personal Injury Claims</p> <p>Over 20,000 Claims have been asserted. Many of these Claims do not state a liquidated Claim amount.</p> <p>Estimated Recovery: Unknown</p>	<p>All Bar Date Asbestos Personal Injury Claims will be liquidated according to the Plan and the Trust Distribution Procedures. Holders of Allowed Bar Date Asbestos Personal Injury Claims shall receive a <i>pro rata</i> Distribution on their Claims from the amounts in the Class 3 Funds Account, after payment of an allocated 85% share of Allowed Administrative Claims and incurred and anticipated expenses of the Liquidating Trust (including professional fees and expenses). The Debtors anticipate that, within 60 days of the Effective Date, the Class 3 Funds Account will receive approximately \$14 million and may include further recoveries to the extent funds remain in the Class 4 Funds Account after paying 100% all Allowed Class 4 Claims, or from other funds received by the Trust pursuant to sections 5.3(b), 8.3 and/or 9.5 of the Plan.</p>	<p>Impaired</p>	<p>Yes</p>

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
<p>Class 4 Supplemental Bar Date Asbestos Personal Injury Claims:</p> <p>In connection with the Plan, the Debtors have set a Supplemental Bar Date for the assertion of Supplemental Bar Date Asbestos Personal Injury Claims and will not know the number and amount of Claims until that deadline passes.</p> <p>Estimated Recovery: Unknown</p>	<p>All Supplemental Bar Date Asbestos Personal Injury Claims will be liquidated according to the Plan and the Trust Distribution Procedures. Holders of Allowed Supplemental Bar Date Asbestos Personal Injury Claims shall receive a <i>pro rata</i> Distribution on their claims from amounts in the Class 4 Funds Account, after payment of an allocated 15% share of Allowed Administrative Claims and incurred and anticipated expenses of the Liquidating Trust (including professional fees and expenses). The Debtors anticipate that, within 60 days of the Effective Date, the Class 4 Funds Account will receive approximately \$2.45 million and may include further recoveries, to the extent funds remain in the Class 3 Funds Account after paying 100% of all Allowed Class 3 Claims, or from other funds obtained by the Trust pursuant to sections 5.4(b), 8.3 and/or 9.5 of the Plan, provided, however, that Holders of Class 4 Claims shall only receive Distributions up to the amount to which such Holder would have been entitled had his or her Claim been classified and liquidated as a Class 3 Bar Date Asbestos Personal Injury Claim.</p>	<p>Impaired</p>	<p>YES</p>
<p>Class 5 Unsecured Claims:</p> <p>Claims of unsecured creditors other than Asbestos Personal Injury Claims in an amount estimated to be between \$1.2 million and \$2 million.</p> <p>Estimated Recovery: 0.0%</p>	<p>Creditors in Class 5 are not expected to receive any distribution on account of their Claims. However, to the extent any funds are available for distribution; Allowed Class 5 General Unsecured Claims will receive a <i>pro rata</i> Distribution on their Claims, as soon as funds become available.</p>	<p>Impaired</p>	<p>No</p>

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CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Class 6: Interests Estimated Recovery: 0%	All outstanding Interests shall be cancelled on the Effective Date. No Holder of an Interest shall receive any Distribution from or retain any property of the Estate unless all Allowed Class 3 Claims, Class 4 Claims and Class 5 Claims have been paid in full, with interest.	Impaired	No

SECTION I

INTRODUCTION

A. Introduction to the Disclosure Statement and Plan.

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

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

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

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

Even though a Holder of a Claim may choose either not to vote or to vote against the Plan, the Holder will be bound by the terms and treatment set forth in the Plan if the Plan is confirmed by the

1 Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the
2 Plan.

3 Confirmation of a chapter 11 plan by the bankruptcy court makes the plan binding upon the
4 debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan,
5 and any creditor of or equity security holder in the debtor, whether or not such creditor or equity
6 security holder (i) is impaired under or has accepted the plan, or (ii) receives or retains any property
7 under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or
8 the confirmation order, confirmation orders often limit the rights of creditors against a debtor with
9 respect to any debt that arose prior to the date of confirmation of the plan and substitutes therefor the
10 obligations specified under the confirmed plan, and terminate all rights and interests of equity
11 security holders.

12 FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISK AND OTHER FACTORS
13 PERTAINING TO THE PLAN AS IT RELATES TO HOLDERS OF CLAIMS AGAINST AND
14 INTERESTS IN THE DEBTORS, PLEASE SEE SECTIONS II AND V THROUGH X OF THIS
15 DISCLOSURE STATEMENT.

16 THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN
17 PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN
18 DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CHAPTER 11 CASES,
19 AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT
20 THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH
21 SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE
22 ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL
23 INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN TAKEN
24 FROM THE DEBTORS' RECORDS AND/OR PROVIDED BY DEBTORS' PRIOR
25 MANAGEMENT AND/OR RESPONSIBLE INDIVIDUAL, EXCEPT WHERE OTHERWISE
26 SPECIFICALLY NOTED AND THE FINANCIAL INFORMATION CONTAINED IN THIS
27 DISCLOSURE STATEMENT HAS NOT BEEN THE SUBJECT OF A CERTIFIED AUDIT.

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

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL
THE ACTUAL TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS
UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE
BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE
DEBTORS, THE ESTATES AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY
CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE
PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF
THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

1 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE
2 AS OF THE DATE HEREOF UNLESS ANOTHER DATE IS SPECIFIED. THE DELIVERY OF
3 THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE
4 AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN
5 THIS DISCLOSURE STATEMENT SINCE THE DATE HEREOF.

6 NOTHING CONTAINED HEREIN SHALL BE DEEMED CONCLUSIVE ADVICE ON
7 THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF
8 ALLOWED CLAIMS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX
9 ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR
10 OTHER LEGAL CONSEQUENCES OF THE PLAN.

11 SECTION II

12 THE BUSINESS AND HISTORY OF THE DEBTORS

13 For nearly a century, CFB engaged in the manufacture, sale and distribution of ceramic
14 "firebrick" refractory products for use in high-temperature furnaces and other industrial equipment.
15 Some of these refractory products contained asbestos. As of the Petition Date, CFB and its affiliates
16 were defendants in numerous personal injury and wrongful death lawsuits pending in various parts of
17 the United States. In those lawsuits, over 22,000 individuals asserted Asbestos Personal Injury
18 Claims against CFB and its affiliates, resulting from exposure to asbestos products manufactured,
19 used or sold by CFB, its affiliates, and their respective predecessors, subsidiaries and former
20 operating divisions. WFB also engaged in the manufacture of ceramic fire brick refractory products.
21 However, WFB is not believed to have any significant asbestos-related liabilities.

22 Burdened by defense and liability costs associated with these Asbestos Personal Injury
23 Claims, the Debtors, their Affiliated Debtors filed voluntary petitions for relief under chapter 11 of
24 the Bankruptcy Code on October 10, 2001.

25 SECTION III

26 THE CHAPTER 11 CASES AND THE 27 DEBTORS' FINANCIAL PERFORMANCE

28 A. Debtors' Post-Petition Business Operations.

Between the Petition Date and late 2002, the Debtors continued to administer their affairs as
debtors in possession and maintained operations while pursuing a sale of their businesses as a going
concern. During this time, the Debtors continued their operations, fulfilling preexisting and
additional purchase orders and collecting accounts receivable from their customers which the Debtors
used to continue to fund their operations. After January 30, 2003, the Debtors did not conduct any
further active business operations. Throughout the first six years of the Debtors' Cases, they were
jointly administered with the chapter 11 cases of the Affiliated Debtors.

B. Sale of the Debtors' Operating Assets.

During the first fourteen months of the Debtors' Cases, the Debtors and Affiliated Debtors
marketed their operating assets for sale. On December 16, 2002, this Court approved the sale of the
Debtors' operating assets to Allied Mineral Products, Inc. The proceeds from the Debtors' sale of

1 their operating assets were used largely to satisfy the Claims of the Debtors' senior secured lenders
2 and Administrative Claims. No funds from the sale remain available to Holders of Asbestos Personal
3 Injury Claims or General Unsecured Claims.

4 Following the closing of the sale of their operating assets, the Debtors' Estates possessed few
5 remaining assets. The most valuable of these assets are the Debtors' rights under, interests in, and
6 claims against a variety of Insurance Policies, many of which provide coverage for Trust Claims,
7 which include Asbestos Personal Injury Claims asserted against the Debtors' Estates.

8 **C. Debtors' Retention of Professionals.**

9 Immediately following the Petition Date, the Debtors and the Affiliated Debtors retained the
10 law firm of Goldberg, Stinnett, Davis and Linchey as their bankruptcy counsel. The Debtors and
11 their affiliates also engaged the firm of Prolman Associates as Financial Advisor and Methven &
12 Associates as their special corporate counsel. On June 19, 2007, CFB obtained authority to retain
13 Joseph D. Frank and the attorneys of Frank/Gecker LLP as its special counsel. In August, 2008, the
14 Debtors obtained authority to retain George Kalikman and the law firm of Liner Yankelevitz
15 Sunshine & Regenstreif LLP as their Counsel, replacing the Goldberg, Stinnett firm.

16 While CFB has, for the last four years, been actively involved in the negotiation of the Plan,
17 WFB has, for most of that time, not had any significant operations. However, in order to accomplish
18 the settlements referenced in the Plan, CFB and WFB made the decision to seek confirmation of the
19 joint chapter 11 Plan. To that end, on April 3, 2012, WFB filed an application for authority to retain
20 Joseph D. Frank and the attorneys of Frank/Gecker LLP, as its special counsel.

21 **D. Investigation and Pursuit of Causes of Action and Rights under Insurance 22 Policies.**

23 During its operations, CFB purchased third-party liability Insurance Policies from a number
24 of insurers. These Insurance Policies did not contain exclusions from coverage for asbestos liability
25 until 1987. For each year from April 1, 1951, through November 25, 1959, the Travelers Insurance
26 Company insured CFB. CFB apparently exhausted its coverage under these Travelers Insurance
27 Policies prior to its bankruptcy filing. However, the Debtors have not yet exhausted additional
28 primary and excess Insurance Policies they purchased with coverage periods between November 25,
1959, and January 1, 1987. After Travelers ceased issuing primary Insurance Policies to CFB,
Hartford Accident & Indemnity Company became the Debtors' primary insurer, providing \$12.3
million in insurance coverage to the Debtors. Of this amount, the Debtors believe that not less than
\$8.5 million in applicable coverage limits remain available to pay Asbestos Personal Injury Claims.

During the course of the Debtors' Cases, the Debtors have undertaken substantial efforts to
identify any and all Insurance Policies providing coverage to the Debtors for Asbestos Personal Injury
Claims and to determine the full extent of coverage available under these Insurance Policies. These
efforts have included an exhaustive review of the Debtors' insurance files and Insurance Policies and
lengthy interviews with Mr. Curtis Helwig, who served as the Debtors' Chief Financial Officer from
1982 until 2000. As Chief Financial Officer, Mr. Helwig became familiar with the Debtors' then-
current and past business operations and their insurance program. In addition, Mr. Helwig managed
all asbestos-related litigation for the Debtors and worked extensively with the Debtors' national
coordinating defense counsel, Segal McCambridge Singer & Mahoney, Ltd. As a result of these
efforts, the Debtors determined that they have almost \$5 million in additional primary insurance

1 coverage from solvent insurers and additional excess insurance coverage under certain Insurance
2 Policies issued by Safety National. Nevertheless, several of the Debtors' insurers have asserted
3 potential coverage defenses or otherwise disputed their liability for the full balance of unexhausted
4 policy limits under their Insurance Policies. In addition, the Debtors are in the process of submitting
5 a claim in the insurance liquidation of the Home Insurance Company relating to three Insurance
6 Policies issued to the Debtors. These Insurance Policies cover periods between January 1, 1980, and
7 January 1, 1983, and each provides \$1 million in coverage.

8
9 **E. Dismissal of the Affiliated Debtors' Bankruptcy Cases.**

10 On January 4, 2007, the Court entered an order authorizing the Affiliated Debtors to make a
11 *pro rata* distribution on account of allowed chapter 11 Administrative Expense Claims and
12 dismissing the Affiliated Debtors' cases upon the filing of an *ex parte* motion for dismissal.

13 On November 14, 2008, Affiliated Debtors National Refractories & Minerals Corp., NAT
14 Liquidation Corporation f/k/a National Affiliated Technologies, Inc., and National Refractories &
15 Minerals, Inc., filed an *ex parte* motion seeking dismissal of their bankruptcy cases. On November
16 17, 2008, the Court entered an order dismissing their chapter 11 bankruptcy cases.

17
18 **F. The Debtors Efforts to Negotiate Settlements with Their Insurers and the**
19 **Provisions of this Plan.**

20 Since the dismissal of the Affiliated Debtors' bankruptcy cases, the Debtors have engaged
21 substantial efforts and substantial resources toward the drafting and negotiation of a consensual plan
22 that will (i) yield a significant pool of funds from which Holders of Asbestos Personal Injury Claims
23 can recover; and (ii) establish an efficient, centralized mechanism for the resolution of Asbestos
24 Personal Injury Claims that eliminates unnecessary transaction costs and expenses and allows
25 similarly-situated Claimants to receive substantially equivalent treatment.

26 As discussed below, the Debtors have negotiated settlements with three of their primary
27 insurance carriers, Hartford, Bituminous and ACE. These settlements, incorporated into the Plan,
28 will provide in excess of \$11 million to pay Asbestos Personal Injury Claims and over \$200,000 to
pay Administrative Claims, and allow those insurers to settle and repurchase their respective
Insurance Policies, resolving potential future liability thereunder.

In addition, the Debtors have negotiated a settlement with their excess insurance carrier,
Safety National, yielding \$4.9 million for the benefit of the Debtors' estates. Although the Insurance
Policies issued by Safety National provided coverage limits above the \$4.9 million settlement amount
being paid, as discussed at length in Section VI.D of this Disclosure Statement, the Debtors believe
that this settlement is consistent with the best interests of the Debtors, their Estates and the Claimants.
As part of the Debtors' settlement with Safety National, the Debtors have agreed to include a separate
class of Claimants in the Plan who did not file Proofs of Claim on or before the Bar Date because
they were unaware of being afflicted with any condition(s) giving rise to their Claim as of the Bar
Date, and to set a Supplemental Bar Date for those Claimants.

Finally, although the Debtors have been unable to negotiate a global settlement with
Continental, another of the Debtors' primary insurance carriers, the Debtors have negotiated an
agreed-upon mechanism by which (i) Claims will be submitted to Continental for evaluation and
payment; and (ii) the Trust established by the Plan and Continental will resolve any disputes relating
to those Claims. Furthermore, the Debtors are continuing to discuss other avenues of potential

1 settlement with Continental, including the possibility of entering into a settlement and buyback
2 transaction on terms similar to those contained in the Debtors' proposed settlements with Hartford,
3 ACE and Bituminous. The Debtors reserve the right to enter into such a settlement prior to the
4 Effective Date and, as part of such a settlement, to provide relief to Continental that includes its
5 designation as a Released Party pursuant to section 7.3 of the Plan.

6 In addition, the Debtors and/or Liquidating Trustee will continue to attempt to negotiate
7 settlements with additional issuers of Insurance Policies to the Debtors and shall amend the Plan and,
8 to the extent necessary, this Disclosure Statement, to incorporate any such settlements.

9 SECTION IV

10 DISCUSSION OF THE PLAN

11 A. Introduction.

12 The Debtors have submitted their Plan in order to provide a mechanism for the liquidation of
13 the Debtors' remaining assets and for the payment of certain Allowed Claims.

14 THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE
15 STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE PLAN, AND OF THE
16 CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN,
17 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE
18 EXHIBITS THERETO AND DEFINITIONS THEREIN).

19 B. Retention and Liquidation of the Debtors' Remaining Assets.

20 The Debtors have sold their operating assets and are no longer operating any business
21 enterprise. Nevertheless, the Debtors' Estates hold significant remaining assets, consisting primarily
22 of valuable causes of action and rights under several Insurance Policies, which provide coverage for
23 Asbestos Personal Injury Claims asserted against the Debtors. The Debtors seek to provide for the
24 orderly and efficient liquidation of the Debtors' assets for the benefit of the Debtors' creditors.
25 Accordingly, the Plan contemplates the creation of the Liquidating Trust to liquidate the Estates'
26 remaining assets and provide a meaningful distribution to the Debtors' creditors without delay. On
27 the Effective Date, the Estates shall transfer their remaining assets to the Liquidating Trust for the
28 benefit of these creditors. At this time, the Debtors' remaining assets include:

- 21 (a) All claims and causes of action held by the Debtors' Estates, whether direct,
22 indirect, derivative, asserted or unasserted, including, but not limited to any
23 Causes of Action relating to the Estates' interests in any of the Insurance
24 Policies and any claims against any other party for contribution and/or
25 indemnification;
- 26 (b) The Debtors' interests in any and all Insurance Policies, including, but not
27 limited to the Insurance Policies issued by Hartford; Bituminous; Continental;
28 Ace; Safety National and Home and/or their affiliates; and
- (c) the proceeds of any of the foregoing.

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C. Distributions from the Remaining Assets of the Debtors' Estates.

On the Effective Date, the Disbursing Agent shall pay in full all Allowed Unclassified Claims (Administrative Claims and Priority Tax Claims), Allowed Class 1 Claims (Other Priority Claims), and Allowed Class 2 Claims (Secured Claims).

On and after the Effective Date, Asbestos Personal Injury Claims will be liquidated pursuant to certain Trust Distribution Procedures adopted by the Liquidating Trust. A copy of the current proposed Trust Distribution Procedures is attached hereto as Exhibit G. As set forth in detail below, the Plan contemplates providing *pro rata* Distributions to the Holders of Allowed Class 3 Bar Date Asbestos Personal Injury Claims from the Class 3 Funds Account, and to the Holders of Allowed Class 4 Supplemental Bar Date Asbestos Personal Injury Claims from the Class 4 Funds Account, respectively.

Specifically, Holders of Allowed Bar Date Asbestos Personal Injury Claims will receive a *pro rata* Distribution from the Class 3 Funds Account, after payment of an allocated 85% share of Administrative Claims and present and anticipated expenses of the Liquidating Trust (including professional fees and expenses), with Class 3 Claims to be liquidated pursuant to the Trust Distribution Procedures. The Class 3 Funds Account will be funded with approximately \$14 million, to be paid within 60 days of the Effective Date, plus potential distributions from the Class 4 Funds Account to the extent Class 4 Claims are paid in full.

Holders of Allowed Supplemental Bar Date Asbestos Personal Injury Claims will receive a *pro rata* Distribution from the Class 4 Funds Account, after payment of an allocated 15% share of Administrative Claims and present and anticipated expenses of the Liquidating Trust (including professional fees and expenses), except to the extent that such Distribution would provide a greater amount than the amount to which such Holder would have been entitled if that Holder's Claim had been Allowed as a Bar Date Asbestos Personal Injury Claim. Class 4 Claims will be liquidated pursuant to the Trust Distribution Procedures. The Class 4 Funds Account will be funded with not less than \$2.45 million, plus potential distributions from the Class 3 Funds Account to the extent Class 3 Claims are paid in full.

In addition, Holders of Allowed Asbestos Personal Injury Claims may also be entitled to certain payments pursuant to Insurance Policies issued by Continental. Any such entitlement will be governed by section 8.3 of the Plan.

Although the Debtors do not expect additional funds to be available, to the extent funds are available after paying and/or reserving sufficient funds for Disputed Unclassified Claims, Class 1 Claims and Class 2 Claims; (ii) paying Class 3 Claims and Class 4 Claims in full; and (iii) reserving additional funds to pay present and estimated future expenses of the Liquidating Trust (including professional fees); the Liquidating Trustee will make a Distribution to holders of Allowed Class 5 Claims (General Unsecured Claims) based upon their *Pro Rata* Share of any funds available for Distribution.

D. Releases and Injunctions.

THE PLAN PROVIDES CERTAIN LIMITED RELEASES AND INJUNCTIONS IN FAVOR OF THE PROFESSIONALS RETAINED BY THE DEBTORS. AS SET FORTH IN ARTICLE 7.2 OF THE PLAN, ON THE EFFECTIVE DATE, THE DEBTORS AND THEIR ESTATES WILL RELEASE UNCONDITIONALLY: (I) THE DEBTORS' OFFICERS AND

1 DIRECTORS (II) THE DEBTORS' PROFESSIONALS, AND (III) THE RESPONSIBLE
2 INDIVIDUAL, EACH SOLELY IN HIS, HER OR ITS RESPECTIVE CAPACITY AS SUCH,
3 FROM ANY AND ALL CLAIMS WHATSOEVER (OTHER THAN THE RIGHT TO
4 ENFORCE THE PERFORMANCE OF THEIR RESPECTIVE OBLIGATIONS, IF ANY, TO
5 THE DEBTORS, UNDER THE PLAN AND THE CONTRACTS, INSTRUMENTS,
6 RELEASES AND OTHER AGREEMENTS DELIVERED UNDER THE PLAN OR ANY
7 OTHER AGREEMENTS ENTERED INTO DURING THE CASES), WHETHER
8 LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR
9 UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN
10 EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, WHICH
11 ARE BASED IN WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION,
12 EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE
13 EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE CASES, THE
14 PLAN OR THIS DISCLOSURE STATEMENT.

15 IN ADDITION, AS OF THE EFFECTIVE DATE, AND WITHOUT THE NECESSITY
16 OF ANY FURTHER ACT, IN PARTIAL CONSIDERATION FOR THE PAYMENTS
17 MADE PURSUANT TO THIS PLAN AND THE SETTLEMENTS INCORPORATED
18 THEREIN, AND OTHER CONTRACTS, ASSIGNMENTS, INSTRUMENTS, RELEASES,
19 AGREEMENTS OR DOCUMENTS RELATING THERETO, THE ADEQUACY AND
20 SUFFICIENCY OF WHICH IS ACKNOWLEDGED BY THE DEBTORS AND THEIR
21 ESTATES, ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS WHO VOTE IN
22 FAVOR OF THE PLAN, ON BEHALF OF THEMSELVES AND THEIR RESPECTIVE
23 SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, OFFICERS, DIRECTORS,
24 ATTORNEYS, AND REPRESENTATIVES (IN THEIR CAPACITY AS SUCH)
25 (COLLECTIVELY, THE "RELEASORS"), SHALL BE DEEMED TO RELEASE AND
26 WAIVE ANY AND ALL CLAIMS OF ANY KIND, NATURE OR DESCRIPTION,
27 WHETHER MATURED OR UNMATURED, CONTINGENT OR ABSOLUTE,
28 LIQUIDATED OR UNLIQUIDATED, RELATING TO THE DEBTORS OR THEIR
ESTATES AND/OR CASES, THAT ANY OF THE RELEASORS HAD, HAS OR MAY
HAVE FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE
AGAINST: (I) THE DEBTORS, THEIR ESTATES AND THE RESPONSIBLE
INDIVIDUAL, (II) THE DEBTORS' OFFICERS, DIRECTORS AND PROFESSIONALS,
EACH IN THEIR CAPACITIES AS SUCH; (III) HARTFORD, BITUMINOUS, ACE AND
SAFETY NATIONAL, IN THEIR CAPACITIES AS THE ISSUERS OF THE HARTFORD
INSURANCE POLICIES, BITUMINOUS INSURANCE POLICIES ACE INSURANCE
POLICIES, AND SAFETY NATIONAL INSURANCE POLICIES, RESPECTIVELY, AND
(IV) ANY ADDITIONAL ISSUERS OF INSURANCE POLICIES WITH WHOM THE
DEBTORS HAVE ENTERED INTO A SETTLEMENT IN PRINCIPLE THAT PROVIDES
FOR SUCH RELIEF AND IS INCORPORATED INTO THE PLAN (COLLECTIVELY,
THE "RELEASED PARTIES"), INCLUDING, WITHOUT LIMITATION, THOSE
ARISING UNDER CHAPTER 5 OF THE CODE AND APPLICABLE NON-BANKRUPTCY
LAW, AND ANY AND ALL TORT, SUBORDINATION, ALTER-EGO, LENDER
LIABILITY, INDEMNIFICATION OR CONTRIBUTION THEORIES OF RECOVERY,
AND INTEREST OR OTHER COSTS, PENALTIES, LEGAL, ACCOUNTING AND
OTHER PROFESSIONAL FEES AND EXPENSES, AND INCIDENTAL,
CONSEQUENTIAL AND PUNITIVE DAMAGES PAYABLE TO THIRD PARTIES.

1 SECTION 7.3 OF THE PLAN PROVIDES THAT THE DEBTORS' RESPONSIBLE
2 INDIVIDUAL AND THE DEBTORS' PROFESSIONALS, EACH IN THEIR CAPACITY AS
3 SUCH, WILL BE RELEASED FROM ANY CLAIM, OBLIGATION, CAUSE OF ACTION,
4 OR LIABILITY TO ONE ANOTHER, TO ANY CLAIM HOLDER OR INTEREST
5 HOLDER, TO ANY OTHER PARTY IN INTEREST, OR TO ANY OF THEIR RESPECTIVE
6 AGENTS, EMPLOYEES, REPRESENTATIVES, FINANCIAL ADVISORS, ATTORNEYS,
7 OR AFFILIATES, OR TO ANY OF THEIR SUCCESSORS OR ASSIGNS, FOR ANY
8 POSTPETITION ACT OR OMISSION THROUGH AND INCLUDING THE EFFECTIVE
9 DATE IN CONNECTION WITH, RELATING TO, OR ARISING OUT OF THE DEBTORS'
10 BUSINESSES, THE CASES, THE FORMULATION, PREPARATION, DISSEMINATION,
11 APPROVAL, CONFIRMATION, ADMINISTRATION, OR CONSUMMATION OF THE
12 PLAN, THE DISCLOSURE STATEMENT, OR THE PROPERTY TO BE DISTRIBUTED
13 UNDER THE PLAN, EXCEPT FOR ANY ACT OR OMISSION TO THE EXTENT SUCH
14 ACT OR OMISSION IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED
15 WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

16 THE PLAN ALSO PROVIDES THAT THE RELEASES AND EXCULPATIONS
17 PURSUANT TO ARTICLE 7 OF THE PLAN SHALL ALSO ACT AS AN INJUNCTION
18 AGAINST ANY PERSON COMMENCING OR CONTINUING ANY ACTION,
19 EMPLOYMENT OF PROCESS, OR ACT TO COLLECT, OFFSET, OR RECOVER ANY
20 CLAIM OR CAUSE OF ACTION SATISFIED, RELEASED, OR DISCHARGED UNDER
21 THE PLAN TO THE FULLEST EXTENT AUTHORIZED OR PROVIDED BY THE
22 BANKRUPTCY CODE, EXCEPT AS OTHERWISE DIRECTED BY SECTION 8.3 OF THE
23 PLAN.

24 THE PLAN ALSO PROVIDES THAT UPON THE COURT'S APPROVAL OF THE
25 SETTLEMENT AGREEMENTS, THE COURT WILL ISSUE AN ORDER BARRING AND
26 ENJOINING ANY PERSONS FROM ASSERTING ANY CLAIMS AGAINST THE
27 SETTLING INSURERS RELATING TO THE INSURANCE POLICIES ISSUED BY THE
28 SETTLING INSURERS TO THE DEBTORS, INCLUDING ASBESTOS PERSONAL
INJURY CLAIMS.

E. Appointment of Responsible Individual

The Plan provides for the affirmation of the appointment of the Responsible Individual. The Responsible Individual shall have the power and authority to act on behalf of the Debtors in these Cases and among other things, to propose the Plan and to execute the Settlement Agreements on behalf of the Debtors; *provided, however*, the Responsible Individual will not have the power to reinstate the Debtors under applicable non-bankruptcy law. The Responsible Individual appointed is Bradley Sharp.

F. Classification and Treatment of Claims and Interests.

1. Generally.

Section 1123 of the Bankruptcy Code provides that a Chapter 11 plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims, and Priority Tax Claims which, pursuant

1 to section 1123(a)(1) of the Bankruptcy Code, need not be and have not been classified). The Debtors
2 also are required, under section 1122 of the Bankruptcy Code, to classify Claims against, and
3 Interests in, the Debtors, into Classes that contain Claims and Interests that are substantially similar to
4 the other Claims and Interests in such Class. Because both Debtors are insured under the Insurance
5 Policies, the Debtors have classified Claimants with Claims against either Debtor together.

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

12 **2. Unclassified Claims.**

13 In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative
14 Claims, and Priority Tax Claims are not classified and are excluded from the Classes established in
15 Article 4 of the Plan. The treatment accorded Administrative Claims and Priority Tax Claims is set
16 forth in Article 3 of the Plan.

17 **3. Classes.**

18 The remaining Claims against and Interests in the Debtors are classified for all
19 purposes, including voting, confirmation and Distribution, pursuant to the Plan, and pursuant to
20 sections 1122 and 1123(a)(1) of the Bankruptcy Code, as follows:

- 21 Class 1: Other Priority Claims;
- 22 Class 2: Secured Claims;
- 23 Class 3: Bar Date Asbestos Personal Injury Claims;
- 24 Class 4: Supplemental Bar Date Asbestos Personal Injury Claims;
- 25 Class 5: General Unsecured Claims; and
- 26 Class 6: Interests.

27 **G. Treatment of Administrative Claims and Priority Tax Claims.**

28 **1. Administrative Claims.**

Each Administrative Claim shall be paid in full on the Effective Date, to the extent
Allowed, or either as soon thereafter as each such Administrative Claim is Allowed, or such date
thereafter as is mutually agreed upon by the Liquidating Trustee and the holder of such Allowed
Claim.

(a) Professionals.

The Debtors estimate that unpaid professional fees and expenses will total
approximately \$600,000. Few professionals were retained solely by the Debtors, with the majority
retained in the consolidated cases of the Affiliated Debtors.

(i) As of the date of the filing of this Disclosure Statement, the law firm of
Goldberg, Stinnett, Davis and Linchey, is owed not less than \$5,000, in unpaid fees and expenses. To
date, Goldberg, Stinnett, Davis and Linchey has received interim compensation and reimbursement
from the Debtors totaling not less than \$137,453.65.

1 (ii) As of February 29, 2012, the law firm of Liner Grode Stein
2 Yankelevitz Sunshine Regenstreif & Taylor LLP is owed \$20,510.01, in unpaid fees and expenses
and to date has not received any interim compensation.

3 (iii) As of March 31, 2012, the law firm of FrankGecker LLP, Debtors'
4 special counsel, is owed approximately \$461,000 in unpaid fees and expenses. To date,
Frank/Gecker LLP has not received any interim compensation.

5 (iv) As of the date of the filing of this Disclosure Statement, Bradley Sharp
6 and his firm, Development Specialists, Inc., the Debtors' Responsible Individual, is owed
7 approximately \$55,000 in unpaid fees and expenses. To date, Development Specialists, Inc., has not
8 received interim compensation and reimbursement of expenses from the Debtors' Estates but has
9 received fees for services rendered to the Debtors' affiliate, National Refractories.

10 (b) Additional Administrative Claims.

11 The Pension Benefit Guaranty Corporation asserts an Administrative Claim
12 relating to unfunded pension contributions totaling \$2,312,261.63. The Pension Benefit Guaranty
13 Corporation agreed to accept payment in the amount of \$359,735.88 in full satisfaction of its
14 Administrative Claim and has already received this amount. The Pension Benefit Guaranty
Corporation has agreed not to seek additional payment from the proceeds of the Debtors' Insurance
Policies, or any rights, Claims, causes of action or settlements relating thereto. In addition, during the
bankruptcy case, the Debtors have incurred additional unpaid Administrative Claims totaling between
\$35,000 and \$50,000.

15 All Allowed Administrative Claims, including Fee Claims that have not been
16 previously satisfied, will be paid from the funds currently on hand and the allocated proceeds of the
17 Debtors' settlements with Hartford, Bituminous, ACE, and Safety National and/or additional
18 settlements incorporated into the Plan. Specifically, these Claims will be paid from both the Class 3
19 Funds Account and the Class 4 Funds Account, to be allocated, along with incurred and anticipated
20 expenses of the Liquidated Trust, on an 85/15% basis. To the extent funds are inadequate, a number
21 of holders of Administrative Claims have agreed to delay the receipt of payments until sufficient
22 funds are available.

23 (c) U.S. Trustee's Fees.

24 While the Cases remain pending, the Estates remain responsible for payment
25 of fees due to the United States Trustee's office. Through March 31, 2012, the Debtors' Estates have
26 incurred Quarterly Fees due to the United States Trustee totaling \$2,000, which will be paid on or
27 before the Effective Date.

28 **2. Priority Tax Claims.**

Priority Tax Claims are those Claims of governmental taxing entities entitled to
priority under section 507(a)(8) of the Bankruptcy Code. Each Priority Tax Claim shall be paid in
full by the Disbursing Agent on the later of (i) the Effective Date or (ii) the date on which such
Priority Tax Claim becomes Allowed, or on such other date as is mutually agreed upon by the
Liquidating Trustee and the holder of such Allowed Claim.

The Debtors do not believe any Priority Tax Claims remain outstanding.

H. Treatment of Classified Claims and Interests.

The proposed treatment of all other Allowed Claims and Interests is set forth in Article 4 of the Plan, and is summarized as follows:

1. Class 1 – Other Priority Claims.

(a) Description.

Class 1 Claims are Claims entitled to priority treatment pursuant to subsections (a)(1), (4), (5), or (7) of section 507 of the Bankruptcy Code. The Debtors do not believe any Other Priority Claims remain outstanding.

(b) Impairment and Voting.

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

(c) Treatment.

The Debtors are unaware of any Class 1 Claims that remain outstanding. Nevertheless, unless otherwise agreed in writing by the Holder of a Class 1 Claim and either the Debtors or, after the Effective Date, the Liquidating Trustee, Class 1 Claims, if any, will be paid in full on the later of the Effective Date or on the date such Class 1 Claim becomes Allowed.

2. Class 2 –Secured Claims.

(a) Description.

Class 2 Secured Claims are Claims that are secured by an interest in property owned by the Debtors or in which the Debtors holds an interest, but only to the extent of such interest. The Debtors are unaware of any Class 2 Claims that remain outstanding.

(b) Impairment and Voting.

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

(c) Treatment.

Nevertheless, on the Effective Date or as soon as practicable thereafter, Allowed Class 2 Claims shall be satisfied, at the option of the Debtors or, after the Effective Date, the Liquidating Trustee, either by surrender of the collateral securing the Claim; by payment of the Class 2 Claim in full; or by such other treatment as to which the Holder of the Allowed Secured Claim and the Debtors or Liquidating Trustee shall have agreed in writing.

3. Class 3— Bar Date Asbestos Personal Injury Claims

(a) Description.

1 Class 3 Bar Date Asbestos Personal Injury Claims are comprised of any and all
2 Allowed Asbestos Personal Injury Claims filed by the Bar Date.

3 (b) Impairment and Voting.

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

6 (c) Treatment.

7 Over 20,000 unresolved Bar Date Asbestos Personal Injury Claims have been
8 asserted against the Debtors. Certain of these Claims have been filed in an unliquidated amount,
9 while others are asserted in facial amounts that, in the aggregate, exceed \$50 million. Bar Date
10 Asbestos Personal Injury Claims shall be liquidated pursuant to the Trust Distribution Procedures.
11 Each Holder of an Allowed Bar Date Asbestos Personal Injury Claim shall receive, in satisfaction of
12 the Holder's Claim, a single Distribution, of cash or its equivalent, in an amount equal to the Holder's
13 *Pro Rata* Share of the funds available in the Class 3 Funds Account to pay Class 3 Claims. The
14 Debtors anticipate that, the Class 3 Funds Account will be funded with approximately \$14 million.
15 Those funds shall be used to pay Class 3 Claims and 85% of Administrative Claims and incurred and
16 anticipated expenses of the Liquidating Trust. In addition, the Liquidating Trust will also contribute
17 to the Class 3 Funds Account 85% of any additional insurance-related recoveries, including any
18 settlement with Continental (discussed below), and/or any distribution on the Claim asserted against
19 Home Insurance Company, an insolvent insurer.

20 Distributions from the Liquidating Trust on account of Allowed Bar Date
21 Asbestos Personal Injury Claims shall commence as soon as practicable following the liquidation of
22 all timely-filed Bar Date Asbestos Personal Injury Claims. Each Holder of an Allowed Bar Date
23 Asbestos Personal Injury Claim shall receive up to 100% of the Allowed amount of his or her Class 3
24 Claim from the funds available for Distribution. In the event that funds remain in the Class 3 Funds
25 Account after payment of all Allowed Bar Date Asbestos Personal Injury Claims, any remaining
26 portion of the Class 3 Funds Account shall be used first to pay Allowed Class 4 Claims on a *pro rata*
27 basis, up to 100% of the Allowed amount of Class 4 Claims (when combined with all *pro rata*
28 Distributions from the Class 4 Funds Account) and second, to pay Class 5 Claims.

(d) Special Treatment of Claims for Which Continental May Have
Financial Responsibility.

The Plan contains a special set of procedures for the treatment of Asbestos
Personal Injury Claims as to which the Debtors allege Continental may have financial responsibility
under one or more Insurance Policies. Specifically, Section 8.3 of the Plan governs the rights of the
Debtors, the Liquidating Trust and the Holders of Asbestos Personal Injury Claims with respect to the
Insurance Policies issued by Continental to the Debtors. In substance, these procedures provide that
to the extent the Trust determines that Continental may have responsibility for a Claim, the Trust is
required to provide Continental with notice of the Claim, and a proposal for: (a) the liquidated value
of the Claim and payment from Continental of the liquidated value of the Claim multiplied by
Continental's allocated percentage under the terms of the applicable Insurance Policies; and (b) the
proportion of the liquidated value for which the Trust contends that Continental is responsible. Upon
receipt of that notice, Continental may accept the proposal (on the terms proposed by the Trust, or
such modified terms as may be negotiated between the Trust and Continental), or reject it. If
Continental rejects the proposal, the Trust may then elect to: (a) abandon efforts to seek insurance
coverage from Continental for the Claim; (b) proceed to liquidate and pay the Claim in accordance

1 with the terms of the Trust Distribution Procedures, and thereafter seek to obtain insurance coverage
2 and payment from Continental under the terms of the applicable Insurance Policies; or (c) cede the
3 Claim to the Claimant, who may then seek to obtain a judgment against the Debtors, that it could then
4 seek to enforce against Continental, among others. In the event the Trust adopts options (b) or (c),
5 the Plan provides that confirmation shall not affect or impair the rights of the Trust, the Claimant or
6 Continental regarding claims for insurance coverage or defenses thereto. Notwithstanding these
7 procedures, the Debtors are continuing to discuss alternative mechanisms to resolve Continental's
8 insurance liabilities, if any. Among the mechanisms being discussed is a potential settlement
9 buyback transaction similar in form to those into which the Debtors have entered with Hartford,
10 Bituminous and ACE. At Continental's option, the Debtors will enter into such an agreement prior to
11 the Effective Date, and provide Continental releases and other protections provided under the Plan, so
12 long as Continental pays at least its remaining coverage limits in connection therewith. If the Debtors
13 do enter into such a transaction with Continental, certain provisions of sections 8.3 (a)-(c) of the Plan
14 will be rendered moot.

9 **4. Class 4— Supplemental Bar Date Asbestos Personal Injury Claims**

10 (a) Description.

11 Class 4 consists of any and all Asbestos Personal Injury Claims filed by the
12 Supplemental Bar Date (i) which do not qualify as Class 3 Bar Date Asbestos Personal Injury Claims
13 and (ii) for which the Holder of such Asbestos Personal Injury Claim was unaware of the condition(s)
14 giving rise to such Asbestos Personal Injury Claim as of the General Bar Date.

14 (b) Impairment and Voting.

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

16 (c) Treatment.

17 The Deadline for filing Supplemental Bar Date Asbestos Personal Injury
18 Claims has not yet passed and has been set for July 16, 2012. Timely-filed Supplemental Bar Date
19 Asbestos Personal Injury Claims shall be liquidated pursuant to the Trust Distribution Procedures.
20 Each Holder of an Allowed Supplemental Bar Date Asbestos Personal Injury Claim shall receive, in
21 satisfaction of the Holder's Claim, a single Distribution of cash or its equivalent in an amount equal
22 to the Holder's *Pro Rata* Share of funds available in the Class 4 Funds Account to pay Class 4
23 Claims. The Debtors anticipate that the Class 4 Funds Account will be funded with approximately
24 \$2.45 million. Those funds shall be used to pay Class 4 Claims and 15% of Administrative Claims
25 and incurred and anticipated expenses of the Liquidating Trust. In addition, the Liquidating Trust
26 will also contribute to the Class 4 Funds Account 15% of any additional insurance-related recoveries,
27 including any settlement with Continental (discussed below), and/or any distribution on the claim
28 asserted against Home Insurance Company, an insolvent insurer.

25 Distributions from the Liquidating Trust on account of Allowed Supplemental
26 Bar Date Asbestos Personal Injury Claims shall commence as soon as practicable following the
27 liquidation of all timely-filed Supplemental Bar Date Asbestos Personal Injury Claims asserted
28 against the Debtors' Estates. Each Holder of an Allowed Supplemental Bar Date Asbestos Personal
Injury Claim shall receive up to 100% of the Allowed amount of his or her Class 4 Claim from the
funds available for Distribution from the Class 4 Funds Account remaining; provided, however, that
the Distribution to such Claimant on account of his or her Allowed Class 4 Supplemental Bar Date

1 Asbestos Personal Injury Claim shall not exceed the amount of the Distribution to which that
2 Claimant would have been entitled had the Class 4 Claim qualified as a Class 3 Bar Date Asbestos
3 Personal Injury Claim. In the event that funds remain in the Class 4 Funds Account after payment of
4 all Allowed Supplemental Bar Date Asbestos Personal Injury Claims, any remaining portion of the
5 Class 4 Funds Account shall be used first to pay Allowed Class 3 Claims on a *pro rata* basis, up to
6 100% of the Allowed amount of Class 3 Claims (when combined with all *pro rata* Distributions from
7 the Class 3 Fund Account) and second, to pay Class 5 Claims.

8 (d) Special Treatment of Claims for Which Continental May Have Financial
9 Responsibility.

10 The Plan contains a special set of procedures for the treatment of Asbestos
11 Personal Injury Claims as to which the Debtors allege Continental may have financial responsibility
12 under one or more Insurance Policies. Specifically, Section 8.3 of the Plan governs the rights of the
13 Debtors, the Liquidating Trust and the Holders of Asbestos Personal Injury Claims with respect to the
14 Insurance Policies issued by Continental to the Debtors. In substance, these procedures provide that
15 to the extent the Trust determines that Continental may have responsibility for a Claim, the Trust is
16 required to provide Continental with notice of the Claim, and a proposal for: (a) the liquidated value
17 of the Claim and payment from Continental of the liquidated value of the Claim multiplied by
18 Continental's allocated percentage under the terms of the applicable Insurance Policies; and (b) the
19 proportion of the liquidated value for which the Trust contends that Continental is responsible. Upon
20 receipt of that notice, Continental may accept the proposal (on the terms proposed by the Trust, or
21 such modified terms as may be negotiated between the Trust and Continental), or reject it. If
22 Continental rejects the proposal, the Trust may then elect to: (a) abandon efforts to seek insurance
23 coverage from Continental for the Claim; (b) proceed to liquidate and pay the Claim in accordance
24 with the terms of the Trust Distribution Procedures, and thereafter seek to obtain insurance coverage
25 and payment from Continental under the terms of the applicable Insurance Policies; or (c) cede the
26 Claim to the Claimant, who may then seek to obtain a judgment against the Debtors, that it could then
27 seek to enforce against Continental, among others. In the event the Trust adopts options (b) or (c),
28 the Plan provides that confirmation shall not affect or impair the rights of the Trust, the Claimant or
Continental regarding claims for insurance coverage or defenses thereto. Notwithstanding these
procedures, the Debtors are continuing to discuss alternative mechanisms to resolve Continental's
insurance liabilities, if any. Among the mechanisms being discussed is a potential settlement
buyback transaction similar in form to those into which the Debtors have entered with Hartford,
Bituminous and ACE. At Continental's option, the Debtors will enter into such an agreement prior to
the Effective Date, and provide Continental releases and other protections provided under the Plan, so
long as Continental pays at least its remaining coverage limits in connection therewith. If the Debtors
do enter into such a transaction with Continental, certain provisions of sections 8.3 (a)-(c) of the Plan
will be rendered moot.

23 **5. Class 5– General Unsecured Claims**

24 (a) Description.

25 Class 5 General Unsecured Claims consist of all Claims against the Debtors'
26 Estate that are not Administrative Claims, Other Priority Claims, Priority Tax Claims, Secured
27 Claims, or Asbestos Personal Injury Claims. The Debtors estimate that the total amount of Allowed
28 General Unsecured Claims will be between approximately \$1.2 million and \$2 million.

(b) Impairment and Voting.

1 Class 5 is impaired under the Plan. Because Holders of Class 5 General
2 Unsecured Claims are not expected to receive any Distribution under the Plan, Class 5 is deemed to
3 have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

4 (c) Treatment.

5 It is not anticipated that Holders of Class 5 General Unsecured Claims will
6 receive a Distribution from the Disbursing Agent. However, to the extent any funds are available for
7 Distribution to Holders of Allowed Class 5 General Unsecured Claims, each such Holder shall
8 receive, in satisfaction of the Holder's Claim, a single Distribution of cash or its equivalent in
9 amounts equal to the Holder's *Pro Rata* Share of all funds available for Distribution.

10 **6. Class 6 – Equity Interests.**

11 (a) Description.

12 Class 6 is comprised of all interests of any entity arising from ownership or
13 beneficial ownership of shares of stock issued by the Debtors.

14 (b) Impairment and Voting.

15 Class 6 is impaired under the Plan. Because Holders of Class 6 Interests are
16 not expected to receive any Distribution under the Plan, Class 6 is deemed to have rejected the Plan
17 pursuant to section 1126(g) of the Bankruptcy Code.

18 (c) Treatment.

19 On the Effective Date, all Interests in the Debtors shall be deemed cancelled as
20 of such date, and the Holders of such Interests shall neither receive nor retain any property on
21 account of such Interests.

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

23 **1. Retention of Debtors' Assets; Title to Assets.**

24 On and after the Effective Date, title to all of the Debtors' property shall be transferred
25 to the Liquidating Trust. This property expressly includes all Retained Causes of Action and the right
26 to receive the proceeds from the Debtors' settlements with Hartford, Bituminous, ACE and Safety
27 National, which settlement agreements are incorporated into the Plan, and the Debtors' claim against
28 Home Insurance Company, an insolvent insurer. Except as expressly stated in the Plan or this
Disclosure Statement, the Debtors do not waive any claims held by the Debtors' Estates. All of the
Estates' remaining assets shall be liquidated by the Liquidating Trustee, for the benefit of the holders
of Administrative Claims and Trust Claims.

2. Plan Distributions.

At the direction of the Liquidating Trustee, the Disbursing Agent shall make all
Distributions to Holders of Allowed Claims required under the Plan. Distributions to Holders of
Allowed Claims shall be made by check or other commercially reasonable means. The Disbursing
Agent shall make Distributions to Holders of Allowed Claims: (i) at the addresses set forth on the
Proofs of Claim filed by the Holders; (ii) at the addresses set forth in any written notice of address
change delivered to the Liquidating Trustee after the date of filing of any related Proof of Claim; (iii)
at the addresses reflected in the Schedules if no Proof of Claim has been filed and the Debtors or the

1 Liquidating Trustee have not received a written notice of a change of address; or (iv) at the last
2 known address of the Holder if no Proof of Claim has been filed. If any Holder's Distribution is
3 returned as undeliverable, no further Distributions to the Holder will be made unless and until the
4 Liquidating Trustee is notified of the Holder's then-current address, at which time all missed
5 Distributions will be made to the Holder without interest. Amounts of undeliverable Distributions
6 made through the Liquidating Trustee will be returned to the Disbursing Agent until the Distributions
7 are claimed.

3. Procedures for Objections to Claims.

6 Following the Effective Date, the Liquidating Trustee will have the sole authority
(subject to the provisions of Section 8.3 of the Plan) to object to the allowance of any Claims filed
7 with the Court or listed in the Debtors' Schedules and to prosecute and/or resolve any objections
8 asserted before or after the Effective Date. Objections to Administrative Claims and Priority Tax
9 Claims must be filed by the Administrative Claims Objection Deadline. Objections to Fee Claims
10 must be filed within forty-five (45) days of the filing and service of the particular Fee Application.
11 As discussed in section II.G.3 of the Disclosure Statement, all Trust Claims will be liquidated
12 pursuant to the Trust Distribution Procedures, and any objections to Trust Claims will be resolved
13 according to the Trust Distribution Procedures and need not be filed with the Court. Objections to all
14 other Claims must be filed by the Claims Objection Deadline unless such deadline is extended by
15 order of the Court. As set forth in the Plan, the Claims Objection Deadline will not occur unless and
16 until the Liquidating Trustee files a notice of determination that assets will be available for
17 Distribution to Holders of General Unsecured Claims. Because Holders of General Unsecured
18 Claims are not anticipated to receive any Distribution from the assets of the Debtors' Estates, the
19 Debtors have sought to avoid incurring or imposing any costs related to the litigation of Objections to
20 General Unsecured Claims. If an objection is filed against a Claim, such Claim will become a
21 Disputed Claim. Disputed Claims may become Allowed Claims by entry of a Final Order allowing
22 the Claim in whole or in part.

SECTION V

THE LIQUIDATING TRUST

A. Formation of the Liquidating Trust.

20 On the Effective Date, the Liquidating Trust will receive, and oversee the liquidation of, the
21 Debtors' remaining assets. The Liquidating Trust shall assume responsibility for the Asbestos
22 Personal Injury Claims, and all other Claims against the Debtors, and be responsible for making the
23 Distributions to the Holders of Trust Claims pursuant to the Trust Distribution Procedures. The
24 Liquidating Trust shall be formed by, and shall operate pursuant to, the Liquidating Trust Agreement,
25 a copy of which is attached hereto as Exhibit A. The Liquidating Trust shall be the sole
26 representative of the Debtors as of the Effective Date but shall not maintain, revive, reinstate or
27 operate the Debtors.

B. Appointment of Initial Liquidating Trustee.

26 The Initial Liquidating Trustee shall be Barry A. Chatz. He shall serve in this capacity, and
27 be entitled to reasonable compensation for serving in such capacity subject to the provisions of the
28 Liquidating Trust Agreement.

1 Settlement. On December 15, 2008, the Court conducted a hearing on the motion to approve the
2 Debtors' settlement with Hartford, but declined to grant the motion on the basis that the relief sought
3 in the motion constituted a *sub rosa* plan and that the injunctive relief could only be obtained in
4 conjunction with an adversary proceeding or a chapter 11 plan. Pursuant to the Court's ruling and
5 instruction, Hartford has agreed to reduce the scope of the injunctive relief it requires from the
6 Debtors and their Creditors and to pay \$9,191,305.20 to the Debtors or the Liquidating Trust, as
7 appropriate, within thirty (30) days following the Effective Date, subject to the terms and conditions
8 set forth in the Hartford Settlement Agreement. The Hartford Settlement Agreement requires
9 Hartford to pay more than the amount of unexhausted coverage limits asserted by the Debtors and
10 provides a substantial pool of funds from which Holders of Allowed Asbestos Personal Injury Claims
11 may recover. A summary of the principal terms and conditions of the Hartford Settlement
12 Agreement follows:

13 (i) The Insurance Policies issued by Hartford shall be transferred on the
14 Effective Date to Hartford free and clear of all liens, claims, interests and encumbrances pursuant to
15 sections 363(b), (f) and (m) and 1123(a)(5)(d) of the Bankruptcy Code; with any such liens, claims,
16 interests and encumbrances to attach to these settlement proceeds with the same priority and validity
17 as they had relating to the Insurance Policies, to be satisfied pursuant to Articles 4 and 5 of the Plan;

18 (ii) Of the amount being paid by Hartford, the Debtors agrees that not less
19 than \$9,027,674 shall be segregated exclusively for the benefit of Holders of Class 3 Claims;

20 (iii) On and after the Effective Date, the Debtors, their Estates and the
21 Liquidating Trustee shall refrain from filing any suit or legal action against Hartford relating to the
22 Hartford Insurance Policies, except to the extent necessary to enforce the terms of the Hartford
23 Settlement Agreement;

24 (iv) The Debtors shall release, remise, acquit and forever discharge
25 Hartford of and from any and all Claims or causes of action relating to or arising out of the Cases
26 against Hartford with respect to any Insurance Policies, known or unknown, under which the Debtors
27 may claim to be insured or entitled to benefits;

28 (v) Hartford shall release, remise, acquit and forever discharge the Debtors
of and from any and all Claims or causes of action relating to or arising out of the Cases against the
Debtors with respect to any Insurance Policies, known or unknown, under which the Debtors may
claim to be insured or entitled to benefits;

(vi) The parties agree not to pursue any claims that, contrary to the parties'
intent, are not released pursuant to the terms of the Hartford Settlement Agreement and/or the Plan;

(vii) Hartford agrees not to seek reimbursement for any payments it is
obligated to make under the terms of the Hartford Settlement Agreement, whether by way of a Claim
for contribution, subrogation, indemnification or otherwise, from anyone other than Hartford's
reinsurers in their capacity as reinsurers unless a third party pursues a contribution subrogation or
indemnification claim against Hartford relating to any of the Insurance Policies it issued; and

(viii) Hartford shall be a Released Party entitled to the benefits of Section 7.3
of the Plan, as discussed in Section IV.D. of this Disclosure Statement.

B. The Debtors' Settlement with Bituminous Casualty Corporation.

In July, 2008, the Debtors reached an agreement in principle with Bituminous Casualty Corporation, whereby Bituminous would repurchase the Bituminous Insurance Policies from the Debtors and obtain a broad release and injunctive relief similar to that requested by Hartford, in exchange for Bituminous' payment to the Debtors of \$1,585,394.63, of which \$1,566,994.63 would be required to be preserved for the exclusive benefit of Class 3 Claimants. The non-monetary terms and conditions of the Debtors' agreement in principle with Bituminous were substantially similar to those of the Hartford Settlement Agreement. As a result, the Debtors and Bituminous agreed that the Debtors would refrain from seeking Court approval of their settlement until the Debtors had obtained Court approval of their settlement with Hartford. Now, as part of their Plan, the Debtors seek approval of their settlement with Bituminous. Like the Hartford Settlement Agreement, this Agreement requires Bituminous to pay more than the amount of unexhausted coverage limits asserted by the Debtors. A summary of the principal terms and conditions of the Bituminous Settlement Agreement follows:

(i) Bituminous will pay the amount of \$1,585,394.63 to the Debtors or the Liquidating Trust, as appropriate, within thirty (30) days following the Effective Date;

(ii) The Bituminous Insurance Policies shall be sold and transferred on the Effective Date to Bituminous free and clear of all liens, claims, interests and encumbrances pursuant to sections 363(b), (f) and (m) and 1123(a)(5)(d) of the Bankruptcy Code, with any such liens, claims, interests and encumbrances to attach to the settlement proceeds with the same priority and validity as they had previously relating to the Bituminous Insurance Policies;

(iii) The Debtors shall dedicate not less than \$1,566,994.63 of the amount being paid by Bituminous, for the exclusive benefit of Holders of Class 3 Claims;

(iv) On and after the Effective Date, the Debtors, their Estates and the Liquidating Trustee shall refrain from filing any suit or legal action against Bituminous relating to the Bituminous Insurance Policies, except to the extent necessary to enforce the terms of the Bituminous Settlement Agreement;

(v) Upon receipt of the settlement payment, the Debtors shall release, remise, acquit and forever discharge Bituminous of and from any and all Claims or causes of action relating to or arising out of the Cases against Bituminous with respect to any Insurance Policies, known or unknown, under which the Debtors may claim to be insured or entitled to benefits;

(vi) Bituminous shall release, remise, acquit and forever discharge the Debtors of and from any and all Claims or causes of action relating to or arising out of the Cases against the Debtors with respect to any Insurance Policies, known or unknown, under which the Debtors may claim to be insured or entitled to benefits;

(vii) The Debtors and Bituminous each agree not to pursue any claims that, contrary to the parties' intent, are not released pursuant to the terms of the Bituminous Settlement Agreement and/or the Plan;

(viii) Bituminous shall not seek reimbursement for any payments it is obligated to make under the terms of the Agreement, whether by way of a Claim for contribution, subrogation, indemnification or otherwise, from anyone other than Bituminous' reinsurers in their

1 capacity as reinsurers unless a third party pursues a contribution subrogation or indemnification
2 claim against Bituminous relating to any of the Insurance Policies it issued; and

3 (ix) Bituminous shall be a Released Party entitled to the benefits of Section
4 7.3 of the Plan, as discussed in Section IV.D. of this Disclosure Statement.

5 **C. The Debtors' Settlement with ACE Property & Casualty Insurance Company.**

6 In November, 2009, the Debtors and ACE reached an agreement in principle, whereby ACE
7 would repurchase the ACE Insurance Policies from the Debtors and obtain a broad release and
8 injunctive relief similar to that requested by Hartford, in exchange for ACE's payment to the Debtors
9 of \$797,296.54. Pursuant to the terms of the parties' agreement in principle, a substantial portion of
10 the funds being paid would be required to be preserved for the exclusive benefit of Class 3
11 Claimants. Now, as part of their Plan, the Debtors seek approval of their settlement with ACE. Like
12 the Hartford Settlement Agreement, this Agreement requires ACE to pay more than the amount of
13 unexhausted coverage limits asserted by the Debtors. A summary of the principal terms and
14 conditions of the ACE Settlement Agreement follows:

15 (i) ACE will pay the amount of \$797,296.54 to the Debtors or the
16 Liquidating Trust, as appropriate, within forty-five (45) days after the date upon which ACE is
17 notified in writing by the Debtors or the Liquidating Trust, as appropriate, that the Confirmation
18 Order has been entered and has become a Final Order;

19 (ii) The ACE Insurance Policies shall be sold and transferred on the
20 Effective Date to ACE free and clear of all liens, claims, interests and encumbrances pursuant to
21 sections 363(b), (f) and (m) and 1123(a)(5)(d) of the Bankruptcy Code, with any such liens, claims,
22 interests and encumbrances to attach to the settlement proceeds with the same priority and validity
23 as they had previously relating to the ACE Insurance Policies;

24 (iii) The Debtors shall dedicate not less than \$700,000.00 of the amount
25 being paid by ACE for the exclusive benefit of Holders of Class 3 Claims;

26 (iv) On and after the Effective Date, the Debtors, their Estates and the
27 Liquidating Trustee shall refrain from filing any suit or legal action against ACE relating to the ACE
28 Insurance Policies, except to the extent necessary to enforce the terms of the ACE Settlement
29 Agreement;

30 (v) Upon receipt of the full settlement payment, the Debtors shall release,
31 remise, acquit and forever discharge ACE of and from any and all Claims or causes of action
32 relating to or arising out of the Cases against ACE with respect to any Insurance Policies, known or
33 unknown, under which the Debtors may claim to be insured or entitled to benefits;

34 (vi) ACE shall release, remise, acquit and forever discharge the Debtors of
35 and from any and all Claims or causes of action relating to or arising out of the Cases against the
36 Debtors with respect to any Insurance Policies, known or unknown, under which the Debtors may
37 claim to be insured or entitled to benefits;

38 (vii) The Debtors and ACE each agree not to pursue any claims that,
39 contrary to the parties' intent, are not released pursuant to the terms of the ACE Settlement
40 Agreement and/or the Plan;

1 (viii) ACE shall not seek reimbursement for any payments it is obligated to
2 make under the terms of the ACE Settlement Agreement, whether by way of a Claim for
3 contribution, subrogation, indemnification or otherwise, from anyone other than ACE's reinsurers in
4 their capacity as reinsurers unless a third party pursues a contribution, subrogation or
5 indemnification claim against ACE relating to any of the Insurance Policies it issued; and

6 (ix) ACE shall be a Released Party entitled to the benefits of Section 7.3 of
7 the Plan, as discussed in Section IV.D. of this Disclosure Statement.

8 **D. The Debtors' Settlement with Safety National Casualty Company**

9 In November, 2011, the Debtors and Safety National reached an agreement in principle,
10 whereby Safety National would repurchase the Safety National Insurance Policies from the Debtors
11 and obtain a broad release and injunctive relief similar to that requested by Hartford, in exchange for
12 Safety National's payment to the Debtors of \$4.9 million. Pursuant to the terms of the parties'
13 agreement in principle, the Debtors have amended CFB's prior proposed plan to provide for the
14 inclusion of Class 4 Creditors that hold Supplemental Bar Date Asbestos Personal Injury Claims.
15 Now, as part of their Plan, the Debtors seek approval of the Safety National Settlement Agreement,
16 the principal terms of which are as follows.

17 (i) Safety National will pay the amount of \$4,900,000.00 to the Debtors or
18 the Liquidating Trust, as appropriate, within thirty (30) days after the date all Conditions Precedent
19 (as that term is defined in the Safety National Settlement Agreement) have been met;

20 (ii) The Safety National Insurance Policies shall be sold and transferred on
21 the Effective Date to Safety National free and clear of all liens, Claims, interests and encumbrances
22 pursuant to sections 363(b), (f) and (m) and 1123(a)(5)(d) of the Bankruptcy Code, with any such
23 liens, Claims, interests and encumbrances to attach to the settlement proceeds with the same priority
24 and validity as they had previously relating to the Safety National Insurance Policies;

25 (iii) Upon receipt of the full settlement payment, the Debtors, shall release,
26 remise, acquit and forever discharge Safety National of and from any and all claims or causes of
27 action relating to or arising out of the Cases against Safety National with respect to any Insurance
28 Policies, known or unknown, under which the Debtors may claim to be insured or entitled to
benefits;

(iv) Safety National shall release, remise, acquit and forever discharge the
Debtors of and from any and all Claims or causes of action relating to or arising out of the Cases
against the Debtors with respect to any Insurance Policies, known or unknown, under which the
Debtors may claim to be insured or entitled to benefits;

(v) Safety National shall not seek reimbursement for any payments it is
obligated to make under the terms of the Agreement, whether by way of a Claim for contribution,
subrogation, indemnification or otherwise, from anyone other than Safety National's reinsurers in
their capacity as reinsurers unless a third party pursues a contribution, subrogation or
indemnification claim against Safety National relating to any of the Insurance Policies it issued; and

(vi) Safety National shall be a Released Party entitled to the benefits of
Section 7.3 of the Plan, as discussed in Section IV.D. of this Disclosure Statement.

1 The Debtors' settlements with ACE, Bituminous and Hartford each require payment in excess
2 of acknowledged limits in exchange for the repurchase of their Insurance Policies and receiving the
3 status of a Released Party under Section 7.3 of the Plan. The Safety National Settlement Agreement
4 contemplates a settlement payment of \$4.9 million, representing approximately one-quarter of the
5 potential limits of coverage under the Safety National Insurance Policies and also contemplates the
6 repurchase of the Safety National Insurance Policies and Safety National receiving the status of a
7 Released Party under Section 7.3 of the Plan. This disparity results from several factors. First, the
8 Insurance Policies issued by ACE, Bituminous and Hartford are primary coverage policies, while the
9 Safety National Insurance Policies are excess Insurance Policies, which appear to require the
10 exhaustion of all primary Insurance Policies before any defense or indemnity coverage is triggered.
11 Because one of the Debtors' primary insurance carriers, Home Insurance Company, is in liquidation
12 and is not expected to pay sufficient funds to exhaust the coverage available under its Insurance
13 Policies, there is a dispute over whether Safety National's coverage obligation would be triggered.
14 Second, based on data obtained prior to the Petition Date, Safety National has disputed whether the
15 Asbestos Personal Injury Claims asserted against the Debtors would exhaust the coverage provided
16 by the other primary insurance carriers, as well as the limits of the Safety National Policies. Third,
17 Safety National has argued that the Debtors' settlements with Hartford, Bituminous and ACE would
18 vitiate or reduce Safety National's coverage obligations because those insurers have not satisfied
19 defense obligations necessary to trigger Safety National's excess coverage obligations. Finally,
20 Safety National has argued that the potential application of Illinois law to the interpretation of Safety
21 National's Insurance Policies could further reduce the Claims for which the Safety National
22 Insurance Policies could provide coverage even if there were a significant amount of liabilities.

23 Although the Debtors disagree with several of Safety National's contentions, the Debtors
24 recognize that litigating these complex issues would impose substantial additional costs, delay
25 distributions to Holders of Asbestos Personal Injury Claims and subject Claimants to the risks
26 inherent in the litigation of these issues. In light of these circumstances, the Debtors and Safety
27 National engaged in extensive negotiations which ultimately resulted in the terms of the Safety
28 National Settlement Agreement. The Debtors have determined that the terms of the Safety National
Settlement Agreement, including the releases contained therein, are appropriate and consistent with
the best interests of the Debtors, their Estates and their creditors and have incorporated this
settlement into the Plan for approval.

E. Additional Settlements

21 As of the time of the filing of this Plan, the Debtors have not yet reached settlements with any
22 of their other insurance carriers. As set forth in Section 8.3(d) of the Plan, the Debtors have
23 continued to engage in settlement discussions with Continental. The Debtors have agreed to provide
24 Continental with the option to enter into an agreement similar in form to the Debtors' settlement
25 agreements with Hartford, ACE and Bituminous, so long as Continental pays not less than its
26 remaining coverage limits in settlement of any and all potential Claims against Continental and to
27 repurchase the Continental Insurance Policies. This amount equals or exceeds the amount of
28 acknowledged remaining coverage limits under the Continental Insurance Policies. Although the
Debtors have not yet negotiated a binding agreement pursuant to which Continental will repurchase
the Continental Insurance Policies, the Debtors have agreed, subject to Court approval in connection
with the Plan, to provide Continental with an option to enter into such an agreement prior to the
Effective Date of the Plan, and thereby become a Released Party entitled to the benefits of Section
7.3 of the Plan.

1 the expectation that the Court will grant limited injunctive relief to protect these settling parties from
2 additional liability to the Debtors and their Creditors. If the Court declines to provide such injunctive
3 relief in connection with the Plan for any reason, it is possible that these insurance carriers will
4 abandon the settlements, forcing all parties to incur costs litigating the Debtors' entitlements on a
5 case-by-case basis.

6 SECTION IX

7 ALTERNATIVES TO CONFIRMATION 8 AND CONSUMMATION OF THE PLAN

9 If the Plan is not confirmed and consummated, the alternatives to the Plan include either (a) a
10 dismissal of the Debtors' Cases, (b) liquidation of the Debtors under chapter 7 of the Bankruptcy
11 Code, or (c) an alternative plan of reorganization or liquidation in accordance with the requirements
12 of chapter 11 of the Bankruptcy Code.

13 A. Dismissal of the Debtors' Cases.

14 If no plan can be confirmed, the Debtors may elect to dismiss their Cases as their affiliates
15 have done. At this time, the Debtors have no appreciable assets other than their Insurance Policies
16 and lack the funds to litigate coverage disputes on a case-by-case basis. If the Debtors cannot reach a
17 settlement with their insurance carriers that may be approved by the Court, the Debtors will lack both
18 any additional prospect of reorganization and any funds with which to continue in chapter 11. If the
19 Debtors were to dismiss their Cases, the Debtors anticipate that there would be a "race to the
20 courthouse" among holders of Trust Claims, eliminating any likelihood of an equality of distribution
21 among similarly-situated holders of Trust Claims.

22 B. Liquidation under Chapter 7.

23 If no plan can be confirmed, the Debtors' Cases could also be converted to cases under
24 chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the
25 assets of the Debtors and to make distributions in accordance with the priorities established by the
26 Bankruptcy Code. Unfortunately, the trustee would have difficulty funding his efforts from the
27 current assets of the Debtors' Estates. The Debtors believe that liquidation under chapter 7 would
28 also result in smaller distributions being made to creditors than those provided for in the Plan
because, among other things, in chapter 7 cases, the Debtors' Estates would bear the costs of the
chapter 7 trustee's compensation, pursuant to section 326 of the Bankruptcy Code, and the fees of
professionals previously unfamiliar with the Case and the issues in dispute in these Cases.

Attached hereto as Exhibit F is a Liquidation Analysis for the Debtors, which compares the
liquidation proposal in the Plan with a hypothetical liquidation assuming that (i) bankruptcy cases
under chapter 7 are commenced immediately, and (ii) the Debtors' assets are liquidated by a
court-appointed trustee in an orderly liquidation. The Liquidation Analysis is based upon a number
of estimates and assumptions which, while considered reasonable, are inherently beyond the control
of the Debtors or any chapter 7 trustee. Because the sole valuable assets being liquidated are
Insurance Policies under which both Debtors were named insureds, the Debtors have prepared a
Liquidation Analysis on a consolidated basis. Accordingly, there can be no assurances that the values
reflected in the Liquidation Analysis would be realized if the Debtors were to undergo chapter 7
liquidations. Instead, actual results could vary materially from those shown here. In addition, any

1 liquidation would necessarily take place in the future under circumstances that presently cannot be
2 predicted. Accordingly, if the remaining assets of the Debtors' Estates were liquidated at a later date
3 by a chapter 7 trustee, the actual liquidation proceeds could be materially lower or higher than the
4 amounts set forth in Exhibit F, and no representation or warranty can be made with respect to the
5 actual proceeds that could be received in a chapter 7 liquidation.

6 C. Alternative Plan of Reorganization.

7 If the Plan is not confirmed, the Debtors or any other party in interest could attempt to
8 formulate a different plan of reorganization. However, the Plan has been proposed by the Debtors
9 taking into consideration the competing and conflicting interests held by the Debtors' various
10 creditors and the priorities of the Bankruptcy Code and is the result of years of negotiations.
11 Furthermore, the fact that the Debtors no longer maintain any business operations suggests that a
12 reorganization or liquidation on terms different than those proposed may be unlikely or infeasible.
13 As a result, any attempt to propose an alternative plan containing different terms for any of these
14 parties may not be confirmable and could delay distributions to creditors.

15 THE DEBTORS BELIEVE THAT THE CONFIRMATION AND IMPLEMENTATION OF
16 THE PLAN IS PREFERABLE TO ANY OF THE LIQUIDATION ALTERNATIVES BECAUSE IT
17 SHOULD PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN LIQUIDATION
18 UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

19 SECTION X

20 TAX CONSEQUENCES

21 In connection with the Plan, the Debtors shall comply with all applicable withholding and
22 reporting requirements imposed by federal, state, local and foreign taxing authorities, and all
23 distributions hereunder shall be subject to those withholding and reporting requirements. Creditors
24 may be required to provide certain tax information as a condition to receiving distributions pursuant
25 to the Plan. Notwithstanding any other provision of the Plan, each Person receiving a distribution
26 pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of
27 any tax obligations imposed by any governmental unit, including income, withholding and other tax
28 obligations, on account of that distribution.

29 The federal income tax consequences to any particular Claim Holder may also be affected by
30 matters not discussed herein. For example, to the extent that a Claim Holder previously deducted a
31 loss with respect to its Claim, the receipt of money under the Plan may require such Holder to
32 recognize income. Furthermore, certain Claim Holders, including foreign persons, life insurance
33 companies, and tax-exempt organizations may be subject to special rules not addressed herein. There
34 also may be state, local, or foreign tax considerations applicable to each Claim Holder.
35 **ACCORDINGLY, EACH CLAIM HOLDER IS URGED TO CONSULT HIS, HER OR ITS
36 OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL
37 AND APPLICABLE STATE, LOCAL, AND FOREIGN TAX LAWS.**

38 Notwithstanding the foregoing, the Liquidating Trustee and/or the Disbursing Agent may
withhold from any assets or property distributed under the Plan, any assets or property which must be
withheld for foreign, federal, state and local taxes payable with respect thereto or payable by the
Person entitled to such assets to the extent required by applicable law.

SECTION XI

PLAN VOTING INSTRUCTIONS, PROCEDURES AND DEADLINES

Along with this Disclosure Statement, the Debtors have included a copy of the Plan and either an individual and/or master ballot for Holders of either Asbestos Personal Injury Claims and/or Supplemental Bar Date Personal Injury Claims, each of whom are impaired and entitled to vote for the acceptance or rejection of the Plan. A Claim is impaired if the Plan proposes to modify, alter or exchange its legal, contractual, or equitable rights.

A. Claim Holders Entitled to Vote.

1 Holders of Allowed Unclassified Claims and Allowed Claims in Classes 1 and 2 are 2 unimpaired and are conclusively presumed to vote in favor of Plan Confirmation. Classes 3, 4, 5 and 3 4 5 6 are impaired, but because Holders of Class 5 General Unsecured Claims and Class 6 Interests are 6 not expected to receive or retain any property on account of their Interests, they are presumed to vote 7 against Confirmation of the Plan. Holders of Class 3 Claims (Bar Date Asbestos Personal Injury 8 9 10 11 Claims) and Class 4 Claims (Supplemental Bar Date Asbestos Personal Injury Claims) are therefore 11 the sole classes of Creditors entitled to vote for or against Confirmation of the Plan.

B. Summary of Voting Procedures.

12 Most Class 3 Bar Date Asbestos Personal Injury Claims and Class 4 Supplemental Bar Date 13 Asbestos Personal Injury Claims are unliquidated and, under the Plan, will be liquidated under the 14 Trust Distribution Procedures. As a result, the Debtors, by separate Motion, have sought the approval 15 of certain procedures governing the voting by Holders of Bar Date Asbestos Personal Injury Claims 16 and Supplemental Bar Date Asbestos Personal Injury Claims. Specifically, the Debtors propose that 17 each Bar Date Asbestos Personal Injury Claim and/or Supplemental Bar Date Asbestos Personal 18 Injury Claim be valued, solely for voting purposes in the amount of \$1.00. In addition, the majority 19 of the Holders of Bar Date Asbestos Personal Injury Claims filed consolidated Proofs of Claim 20 through their law firms, and holders of Supplemental Bar Date Asbestos Personal Injury Claims are 21 expected to file consolidated Proofs of Claim as well. In order to avoid unnecessary administrative 22 burden, the Debtors shall send a ballot, in the form attached hereto as Exhibit H, and/or a Master 23 Ballot, in the form attached hereto as Exhibit I to all Holders of Bar Date Asbestos Personal Injury 24 Claims and/or their counsel, who have filed Proofs of Claim on or before the applicable bar date and 25 if such Claim has not been the subject of an objection filed before the Voting Record Date. 26 Furthermore, the Debtors shall send a ballot, in the form attached hereto as Exhibit J, and/or a Master 27 Ballot in the form attached hereto as Exhibit I, to all Holders of Supplemental Bar Date Asbestos 28 Personal Injury Claims, and/or their counsel, who file Proofs of Claim on or before the applicable bar date and if such claim has not been the subject of an objection filed before the Voting Record Date. The Holder of a Claim to which an objection has been filed, however, may seek temporary allowance of the Claim solely for purposes of voting on the Plan pursuant to Bankruptcy Rule 3018(a) upon application to the Court.

If at least two-thirds in amount and more than one-half in number of the Allowed Claims of the Class 3 Bar Date Asbestos Personal Injury Claims and Class 4 Supplemental Bar Date Asbestos Personal Injury Claims that voted on the Plan vote to accept the Plan, and such votes are received (and not revoked) by the voting deadline (the "Requisite Acceptances"), the Debtors intend to seek

FRANKGECKER LLP
325 NORTH LASALLE STREET, SUITE 625
CHICAGO, ILLINOIS 60654

1 confirmation of the Plan promptly. If the Requisite Acceptances are not received by the voting
2 deadline, the Debtors will evaluate other available options.

3 **In order to be counted for voting purposes, ballots for the acceptance or rejection of the**
4 **Plan must be received by the Debtors' counsel, no later than 4:00 p.m., Pacific Time, on August**
5 **23, 2012 (the "Ballot Deadline"), at the following address:**

6 FrankGecker LLP
7 325 North LaSalle Street, Suite 625
8 Chicago, Illinois 60654
9 Attn: CFB/WFB Balloting

10 If you are a holder of a Claim entitled to vote on the Plan and did not receive a ballot,
11 received a damaged ballot or lost your ballot, you should contact Christina Smith at (312) 276-1400.
12 If you have any questions about this Disclosure Statement, the Plan or the procedures for voting on
13 the Plan, you should contact: (i) your attorney; or (ii) counsel to the Debtors, Joseph D. Frank,
14 FrankGecker LLP, 325 North LaSalle Street, Suite 625, Chicago, Illinois 60654; (312) 276-1400;
15 jfrank@fgllp.com.

16 If you are the Holder of a Class 3 Bar Date Asbestos Personal Injury Claim, please see the
17 detailed voting instructions accompanying your Ballot and/or Master Ballot, attached to this
18 Disclosure Statement as Exhibits H and I, respectively.

19 If you are the Holder of a Class 4 Supplemental Bar Date Asbestos Personal Injury Claim,
20 please see the detailed voting instructions accompanying your Ballot and/or Master Ballot, attached
21 to this Disclosure Statement as Exhibits J and K, respectively.

22 C. Section 1129(b) Cramdown with respect to Class 5 Claims

23 Because Holders of Class 5 Claims do not vote and are deemed to reject the Plan pursuant to
24 section 1126(g) of the Bankruptcy Code, the Debtors are requesting that the Bankruptcy Court
25 confirm the Plan notwithstanding the requirements of section 1129(a)(8) of the Bankruptcy Code,
26 which generally require that each Class of Claim must either accept the Plan or be unimpaired by it.
27 Because the plan does not discriminate unfairly, and is fair and equitable with respect to the treatment
28 of Class 5 Claims in accordance with the requirements of section 1129(b) the Debtors believe that the
Plan satisfies the requirements for confirmation. The Debtors assert that this Plan provides for fair
and equitable treatment of all Classes of Claims, that the only sources of funds available to creditors
are the proceeds from the transactions detailed in Sections 9.1 through 9.4 of the Plan, and the
Debtors' rights against Continental and their insolvent insurance carrier, all of which is being
allocated to pay Administrative Expense Claims or Asbestos Personal Injury Claims and related
expenses of the Liquidating Trust, each of which the Debtors assert are covered by one or more of the
Insurance Policies that form the basis of the Settlement Agreements. The Debtors believe that, even
in a chapter 7 liquidation, Holders of Class 5 Claims would have no right to recover from these
assets. Finally, in accordance with the requirements of section 1129(b)(ii), no holder of Claim or
Interest junior to Holders of Class 5 Claims will receive or retain under the plan, on account of such
junior Claim or Interest, any property under this Plan.

If you have any questions about the packet of materials that you have received, or the amount
of your Claim, please contact:

1 Joseph D. Frank
2 Jeremy C. Kleinman
3 FrankGecker LLP
4 325 North LaSalle Street, Suite 625
5 Chicago, Illinois 60654
6 (312) 276-1400
7 jfrank@fgllp.com
8 jkleinman@fgllp.com

9 **D. Disclosure Statement Hearing, Confirmation Hearing and Deadlines for Objections.**

10 In connection with an earlier version of the Plan, the Bankruptcy Court conducted a hearing to
11 consider the adequacy of the prior version of this Disclosure Statement, pursuant to section 1125 of
12 the Bankruptcy Code. On August 23, 2010, the Court entered an order approving that Disclosure
13 Statement as adequate. Subsequently, the Debtors have made numerous amendments to and
14 modifications of the Disclosure Statement as a result of Plan Amendments and further settlement
15 discussions with the insurers. The Court conducted a hearing on the adequacy of this Disclosure
16 Statement on May 31, 2012 (the "Disclosure Statement Hearing"), and determined that this
17 Disclosure Statement meets the adequacy requirements of 11 U.S.C. § 1125(a). The Court has
18 scheduled a hearing on confirmation of the Plan to take place on September 6, 2012, at 11:00 a.m.,
19 before the Honorable Roger Efremsky, in the United States Bankruptcy Court for the Northern
20 District of California, Oakland Division, 1300 Clay Street, Courtroom No. 201, Oakland, CA 94612
21 (the "Confirmation Hearing") has required that objections to confirmation of the Plan, if any, are to
22 be filed with the Clerk of the Bankruptcy Court by no later than August 23, 2012. **Objections to**
23 **confirmation of the Plan must be in writing, and served so that they are RECEIVED on or**
24 **before the applicable deadline by:**

25 **Counsel to the Debtors:**

26 Joseph D. Frank
27 Jeremy C. Kleinman
28 FRANKGECKER LLP
325 North LaSalle Street, Suite 625
Chicago, Illinois 60654

and

John Kennedy
LINER GRODE STEIN YANKELEVITZ SUNSHINE REGENSTREIF & TAYLOR, LLP
1100 Glendon Avenue
14th Floor
Los Angeles, California 90024-3503

and

Debtors' Responsible Individual:

Bradley D. Sharp
DEVELOPMENT SPECIALISTS, INC.
333 South Grand Avenue
Suite 4070

1 Los Angeles, California 90071-1544

2 **United States Trustee:**

3 The Office of the United States Trustee
4 1301 Clay Street, Suite 690N
5 Oakland, California 94612-5231
6 Attn: Margaret H. McGee

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

10 **SECTION XII**

11 **RECOMMENDATION AND CONCLUSION**

12 The Debtors believes that the Plan provides for the highest and most timely recovery available
13 for Holders of Claims in Classes 3 and 4. Therefore, the Debtors recommend that all holders of
14 Claims in Class 3 and Class 4 vote to accept the Plan and urge each of them to evidence such
15 acceptance by returning their ballot in the enclosed envelope so that it will be received by the Debtors
16 on or before 4:00 p.m., Pacific Time, on August 23, 2012.

17 The undersigned has executed this Disclosure Statement as of the 1st day of June, 2012.

18 CFB LIQUIDATING CORPORATION
19 F/K/A CHICAGO FIRE BRICK COMPANY

20 AND

21 WFB LIQUIDATING CORPORATION
22 F/K/A WELLSVILLE FIRE BRICK COMPANY

23 By: /s/ Bradley Sharp
24 Their Responsible Individual

25 and

26 By: /s/ Joseph D. Frank
27 One of their attorneys
28