

Garlock Bankruptcy

Overview of the Disclosure Statement and the Plan of Reorganization

There is a Chapter 11 bankruptcy case involving Garlock Sealing Technologies (“GST”) about the production of asbestos-containing gaskets and packing products used to prevent leaks in pipes and valves. In addition to GST, the Garrison Litigation Management Group, Ltd. (“Garrison”), and The Anchor Packing Company (“Anchor”) are also involved in the bankruptcy. Collectively, the three companies are known as the “Debtors.” They filed for bankruptcy as a result of asbestos-related claims against them.

- If you have an asbestos-related personal injury claim against the Debtors (or certain other kinds of claims), you may have an opportunity to vote on a plan that governs how claims will be funded and paid. This is called the Plan of Reorganization (the “Plan”).
- If approved, the Plan will pay unresolved asbestos-related claims against GST or Garrison from a Settlement Facility with \$327.5 million and Litigation Fund with up to \$162 million. It will also prohibit the filing of asbestos-related claims against GST or Garrison, and affiliated companies.
- GST Asbestos Claimants who have not yet been diagnosed with any disease or experienced any symptoms are represented in the bankruptcy proceeding by the Court-appointed Future Claimants’ Representative (“FCR”), and will be treated like any other GST Asbestos Claimants.
- **Certain GST Asbestos Claimants must file their personal injury claim by October 6, 2015 (see Questions 6 & 11).**

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GENERAL INFORMATION

1. What is this Bankruptcy Case about?

GST is a manufacturing company that made gaskets, packing, and other sealing products. GST's asbestos litigation has principally involved two asbestos-containing sealing products: compressed asbestos sheet gaskets and asbestos packing. Anchor was a sealing products distributor, and subsidiary of GST that sold fluid sealing materials, including gaskets and packing. The products were used in places where steam, hot liquid, or acids moved through pipes, including in shipbuilding, oil refinery, chemical, paper and pulp, semi-conductor, power, and construction industries as well as in maritime/naval vessels.

In 1994, Anchor stopped operations and GST transferred its equity interest (ownership interest) to Garrison. Garrison manages the defense and resolution of asbestos claims against GST and Anchor.

Some of the gasket and packing products GST manufactured before 2001 contained asbestos bound in rubber or other encapsulating material. Although the Debtors deny that the asbestos in these products was a health hazard, for decades GST has received thousands of claims from individuals who claim asbestos-related disease caused in part by GST's products. Given the number of pending claims, the Debtors have decided to resolve their responsibility for asbestos claims in a Chapter 11 bankruptcy.

2. What is a Disclosure Statement?

You received the Disclosure Statement because it is a summary of information about the case. It contains more detailed information about GST's history, asbestos litigation against GST, and significant events that have occurred and are expected to occur during this Chapter 11 bankruptcy case. It also provides more detail about the Plan, what happens if the Plan is confirmed, and how claims will be resolved and payments will be

made. In addition, the Disclosure Statement discusses the confirmation process and the voting procedures that holders of claims and equity interests must follow for their votes to be counted.

3. What is Chapter 11?

Chapter 11 of the Bankruptcy Code permits a debtor (bankruptcy filer) to either reorganize or sell (liquidate) its business for the benefit of its creditors, interest holders, claimants, and other parties involved. The main objectives of Chapter 11 are to: 1) propose a plan of reorganization (to manage debt and preserve a company's business) or liquidation (selling off assets to pay debt), 2) have eligible claimants (claim holders) or investors vote to accept or reject the plan, and, 3) after the court approves the plan, carry out the plan.

THE PLAN

4. What is the purpose of the Plan?

The primary purpose of the Plan is to resolve and pay asbestos-personal injury claims, non-asbestos claims, and preserve GST's business for the benefit of its employees and shareholders. Under the Plan, a \$327.5 million Settlement Facility will be established to pay current and future GST Asbestos Claims. A \$30 million Litigation Fund, with backup funding of up to \$132 million available over forty years, also will be established to cover the costs of resolving GST Asbestos Claims that are litigated rather than settled. As part of the Plan, GST and Garrison will be reorganized and continue in business.

If approved, the Plan will pay asbestos-related claims against GST or Garrison from a Settlement Facility with \$327.5 million and Litigation Fund with up to \$162 million. GST, Garrison, and Coltec (the Debtors' parent company) will fund the Settlement Facility and Litigation Fund. In exchange, the Court will enter an "injunction" (a ban) permanently prohibiting the filing of asbestos-related claims against GST, Garrison, Coltec, and other affiliated companies.

The Plan classifies all affected people and entities by types of claims and interests ("Classes"). There are twelve Classes of claims and interests under the Plan. Some Classes will receive compensation while others will not.

5. How was the Plan developed?

The Plan is the product of months of extensive negotiations between the Debtors and the Future Claimants' Representative or FCR. The FCR is an independent lawyer who was appointed by the Bankruptcy Court to represent the interests of Future GST Asbestos Claimants. Future GST Asbestos Claimants are individuals who may have been exposed to Garlock products in the past but are not yet ill with an asbestos disease. The FCR engaged experienced legal counsel, financial advisors, and asbestos claims experts to

represent and advise him in these cases. The Plan was formulated by the Debtors and the FCR in consultation with their respective counsel and experts.

The Plan provides for significant improvements for asbestos claimants as compared to an earlier plan of reorganization proposed by the Debtors that was not supported by the FCR. The claims payment procedures under the Plan are designed to pay valid current and future GST Asbestos Claimants fairly over time from increased funding provided by the Debtors following their negotiations with the FCR.

6. How will each Class be treated under the Plan?

The chart below summarizes the Classes and how they are treated under the Plan. More detail is available in the Disclosure Statement. Classes 3, 4, 5, and 6 relate to GST Asbestos Claimants.

Class	Vote on Plan?	Estimated Amount of Claims Allowed
Class 1 – Priority Claims	No	\$70,000
Class 2 – Secured Claims	No	\$250,000
Class 3 – Settled GST Asbestos Claims	Yes	\$3.1 - \$16.4 million
Class 4 – Current GST Asbestos Claims	Yes	TBD
Class 5 – Future GST Asbestos Claims	Yes	TBD
Class 6 – Pre-Petition Judgment GST Asbestos Claims	Yes	\$0 - \$3 million
Class 7 – General Unsecured Claims	Yes	\$3.75 million
Class 8 – Anchor Claims	No	TBD
Class 9 – Intercompany Claims	No	TBD
Class 10 – GST Equity Interests	Yes	N/A
Class 11 – Garrison Equity Interests	Yes	N/A
Class 12 – Anchor Equity Interests	No	N/A

7. How does the Plan affect Asbestos Claimants?

There are four principal Classes of asbestos-related claims:

- Settled GST Asbestos Claims (Class 3),
- Current GST Asbestos Claims (Class 4),
- Future GST Asbestos Claims (Class 5), and
- Pre-Petition Judgment GST Asbestos Claims (Class 6).

In addition, some asbestos-personal injury claims are also in the Anchor Claims (Class 8).

Settled GST Asbestos Claims – Class 3

September 30, 2014 was the “bar date” (or deadline) for filing claims with supporting documentation (proofs of claim) for Settled GST Asbestos Claims. Payment of allowed claims will take place on the date the Plan becomes effective or as soon thereafter as they are allowed.

- Allowed Settled GST Asbestos Claims are claims that are determined to be valid. These Claims will be paid in full.
- Settled GST Asbestos Claims that are invalid, and therefore disallowed, may be submitted:
 - To the Settlement Facility for evaluation and settlement, or
 - For claims allowance proceedings if the Litigation Option is selected as outlined below.

Current and Future GST Asbestos Claims – Classes 4 and 5

Current and Future GST Asbestos Claimants can choose one of two options:

- (1) Settlement Option - Qualifying claimants will receive settlement offers based on predetermined, objective valuation criteria.
- (2) Litigation Option - Claimants may bring their claims in court under the Case Management Order (“CMO”) and, if successful, be paid in full.

GST Asbestos Claimants who choose the Settlement Option will be compensated by the Settlement Facility established by the Plan. Claims will be evaluated with individual compensation determined based on an agreed upon set of guidelines called the Claims Resolution Procedures (“CRP”). The CRP are provided in the Plan.

Future GST Asbestos Claimants, those who have not yet been diagnosed with any disease or experienced any symptoms, are represented by the Court-appointed Future Claimants’ Representative, and will be treated like any other GST Asbestos Claimants.

Pre-Petition Judgment GST Asbestos Claims – Class 6

Pre-Petition Judgment GST Asbestos Claimants filed their Claims prior to the bankruptcy filing and received judgments (rulings) that are currently on appeal either by GST or the claimant. These claimants can choose one of the following options:

- Settlement Option – Receive settlement payments based on predetermined, objective criteria.
- Litigation Option – Continue the pending appeals of their judgments in court and, if successful, be paid in full. Or, if the judgment is reversed on appeal and returned for a new trial, litigate their claims under the CMO.

Any Pre-Petition Judgment GST Asbestos Claimant who chooses the Settlement Option will be treated like any other GST Asbestos Claimant.

Anchor Claims – Class 8

Anchor will assume responsibility for Anchor Claims, but Anchor has no property and will be dissolved and liquidated and no claims will be paid.

Overview of Asbestos-Related Classes and Options

Class	Options	Handled by
Class 4 – Current Class 5 – Future Class 6 – Pre-Petition Judgment	Settlement Expedited Review – up to \$200,000 Individual Review – up to \$2.5 million or Litigation Court – approved procedures	Settlement Facility \$327.5 million Litigation Fund
Class 3 – Settled	Allowed Claims - Paid in full	Reorganized GST
	Disallowed Claims – Choose Settlement or Litigation Option	Settlement Facility or Litigation Fund
Class 8 – Anchor Claims	No options	N/A

Claimants who choose the Litigation Option will be able to reverse that choice and select the Settlement Option at any time. However, the settlement offers under the CRP, will be reduced by the defense costs incurred by Reorganized Garrison during the litigation phase.

8. How are Asbestos Claims funded under the Plan?

The Settlement Facility will be funded as follows:

Settlement Facility	Contribution
GST and Garrison	\$297,500,000
Parent Settlement	\$30,000,000
Total Amount:	\$327,500,000

In addition, Garlock and Garrison will contribute \$30 million to the Litigation Fund after the Plan is approved to fund the costs of defending and paying asbestos claims under the Litigation Option. If the initial contribution to the Litigation Fund is depleted faster than projected, additional funding of up to \$132 million will be available over forty years.

The Debtors have reserved the right to object to the allowance of any claim that elects the Litigation Option.

The Reorganized Debtors will pay allowed Settled GST Asbestos Claims (Class 3) from funds independent of the Settlement Facility.

9. What is the Claims process?

Settlement Option

GST Asbestos Claimants must file a Claim Form with the Settlement Facility following the terms of the CRP with all necessary supporting documentation.

Claimants will have the option of choosing Expedited Review or Individual Review.

- Expedited Review requires submission of less information than Individual Review and for most claimants will result in higher settlement offers.
- Individual Review requires submission of more information but could produce higher payments for certain claimants.

All claimants who choose the Settlement Option must pay a \$250 filing fee, which will be refunded if the claim is paid.

Litigation Option

GST Asbestos Claimants must file a Proof of Claim Form with the Bankruptcy Court. Or, if the Claimant already filed a Proof of Claim in response to the Asbestos Claims Bar Date, the Claimant must file a Notice of Election of Litigation Option.

Reorganized Garrison will object to the claim and the litigation process will proceed under the CMO. Litigation Option Claimants can only file a claim against the Litigation Fund. Claims cannot be filed against Reorganized GST or the Settlement Facility.

10. What is my remedy if my Claim is denied or I disagree with the amount of my payment?

Any GST Asbestos Claimant who elects the Settlement Option and does not receive a settlement offer under the CRP or is dissatisfied with such offer may cancel such election and elect the Litigation Option.

11. How and when will payment amounts be calculated?

If the Bankruptcy Court approves the Plan, payment amounts will be calculated by the Settlement Facility using the guidelines and processes outlined in the CRP. Claimants who elect the Litigation Option will have their claims allowed or disallowed under the CMO.

To assist GST Asbestos Claimants in deciding whether to elect the Settlement Option or Litigation Option, the Settlement Facility's website shall include a calculator tool. GST Asbestos Claimants may use the tool to estimate and compare the payment amounts offered under the Expedited Review and Individual Review. That calculator is available at gstonlinecalculator.com and can be used now to estimate your likely settlement offer under the CRP if the Plan is approved.

12. Is there a date by which GST Asbestos Claimants must file a Claim?

The Bankruptcy Court has set October 6, 2015 as the Asbestos Claims Bar Date for any GST Asbestos Claimant who:

- Has a claim against Garlock or Garrison based on an asbestos-related injury diagnosed on or before August 1, 2014,
- Has not settled with the Debtors, and
- Filed a lawsuit against any other defendant or a claim against any asbestos trust as of August 1, 2014.

Claimants with Class 6 Pre-Petition Judgment GST Asbestos Claims must also file their claims by the Bar Date. GST Asbestos Claimants diagnosed with disease after August 1, 2014 do not have to file a claim at this time, but can vote on the Plan.

These GST Asbestos Claimants must file a claim by **October 6, 2015**. **If you do not file a Claim, you may lose your right to bring your claim in the future.**

THE VOTING PROCESS

13. Who can vote?

The Debtors believe that all Classes of claims are “unimpaired.” This means that all Classes of claims are assumed to approve the Plan because the holders of the claims, if allowed, will be paid in full under the Plan, CRP, and CMO.

However, certain Classes may receive a ballot to vote in case the Court determines that their claims may be impaired (not paid in full) or that their votes are necessary to confirm the Plan. The Order Approving Disclosure Statement and Establishing Asbestos Claims Bar Date and Procedures for Solicitation, which was entered by the bankruptcy court on April 10, 2015 and is available at www.GarlockNotice.com provides more information on voting rights.

14. How will the voting process work?

To be counted, your signed ballot indicating your acceptance or rejection of the Plan must be received by Rust Consulting/Omni Bankruptcy, the appointed voting agent, no later than October 6, 2015. Ballots should be sent by mail or overnight delivery to:

Garlock Sealing Technologies LLC, et. al
c/o Rust Consulting/Omni Bankruptcy
Attn: Balloting Agent
5955 DeSoto Avenue, Suite 100
Woodland Hills, CA 91367

The Order Approving Disclosure Statement and Establishing Asbestos Claims Bar Date and Procedures for Solicitation, available at www.GarlockNotice.com, provides more information on the voting process.

15. What happens if I send more than one vote for the same Claim or I don't file a ballot on time?

If you send more than one vote for the same claim, the last ballot received will be the vote that is counted. Any ballot not filed on time will not be counted.

16. What if I don't like the Plan, can I object to it?

If you object to the Plan, you must file any objections by mail or courier on or before October 6, 2015 (except for objections based on the results of voting on the Plan, which must be filed on or before December 18, 2015). Your objection must be filed on time and follow the guidelines in the attached Disclosure Statement on page 76 or it may not be considered by the bankruptcy court. The Disclosure Statement has more details on how to object to the Plan.

THE CONFIRMATION HEARING

17. When and where will the Bankruptcy Court decide whether to approve the Plan?

The Bankruptcy Court will hold a confirmation hearing at 10:00 a.m. Eastern time on June 20, 2016 at the United States Bankruptcy Court, Room 1-4, 401 West Trade Street, Charlotte, NC. The Honorable J. Craig Whitley, United States Bankruptcy Judge, will oversee the hearing. The Court may adjourn the hearing from time to time without notice except for an announcement of the adjourned date at the hearing or any adjournment of the hearing.