

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT**

In re:

Chapter 11

RAYTECH CORPORATION,
RAYMARK INDUSTRIES, INC., and
RAYMARK CORPORATION
UNIVERSAL FRICTION COMPOSITES,
INC.,

Debtors

Case No. 89-00293 (Lead Case)
Case No. 98-51532
Case No. 98-51540
Case No. 99-50421
(Jointly Administered under
Case No. 89-00293)

Re: 3264

ORDER AUTHORIZING LAUREEN M. RYAN, CHAPTER 11 TRUSTEE,
TO COMPROMISE AND SETTLE CLAIMS OF THE UNITED STATES OF
AMERICA, THE CONNECTICUT DEPARTMENT OF ENVIRONMENTAL PROTECTION
AND FMC CORPORATION, AND APPROVING CERTAIN AGREEMENTS WITH THE
RAYTECH CORPORATION ASBESTOS PERSONAL INJURY TRUST

THIS MATTER came before the Court on the motion of Lauren M. Ryan, Chapter 11 Trustee, for entry of an Order authorizing her, pursuant to Federal Rule of Bankruptcy Procedure 9019 to compromise and settle the claims of the United States of America, the Connecticut Department of Environmental Protection, and FMC Corporation, and approving certain Agreements with the Raytech Corporation Asbestos Personal Injury Trust (the "Approval Motion"). The terms of the compromise and settlement are set forth in detail herein, in the Approval Motion, and in agreements reached by and among the United States of America, the Connecticut Department of Environmental Protection and FMC Corporation (together, the "Environmental Creditors") and the Raytech Corporation Asbestos Personal Injury Trust dated June 8, 2000, October 31, 2001, and May 25, 2005 (the "Agreements"), which Agreements are

attached hereto as Exhibits A, B and C, and incorporated herein by this reference. Adequate and sufficient notice of the Approval Motion having been given by individual mailing, by first class mail, postage prepaid, to (i) the United States Trustee; (ii) the United States of America (by the Department of Justice, appearing on behalf of the United State Environmental Protection Agency); (iii) the Connecticut Department of Environmental Protection; (iv) Raytech Corporation, by its counsel; (v) counsel for the Future Claims Representative appointed in the Raytech Corporation bankruptcy case; (vi) counsel for the committee of unsecured creditors appointed in the Raytech Corporation bankruptcy case; (vii) counsel for the trustees of the Raytech Corporation Asbestos Personal Injury Trust (the "PI Trust"); (viii) the Pension Benefit Guaranty Corporation; (ix) the Commonwealth of Pennsylvania (including the Pennsylvania Department of Environmental Protection); (x) the State of Indiana, including the Indiana Department of Environmental Protection; (xi) all persons, other than Raymark, known to the Raymark Trustee to be named insureds under insurance policies issued to Raymark; (xii) all other governmental entities which, to the knowledge of the Trustee, have asserted claims against Raymark; (xiii) all parties requesting notice in this case; and (xiv) all other persons designated by the Bankruptcy Court as requiring notice.

UPON CONSIDERATION OF the Approval Motion, any objections thereto, briefs and arguments of counsel, and after notice and an actual hearing, all interested parties having been given an opportunity to be heard and to present evidence; and objections to the Approval Motion having been resolved by agreement or overruled; and after due deliberation and other good cause having been shown for granting the relief requested, the Court hereby FINDS as follows:

A. This Court has jurisdiction to approve the Approval Motion and the Agreements

pursuant to 28 U.S.C. §§ 157 and 1334 and Bankruptcy Rule 9019. The subject matter of the Approval Motion constitutes a "core" proceeding under 28 U.S.C. § 157(b). This Court has authority to approve the Approval Motion, and to approve the Agreements pursuant to Bankruptcy Rule 9019. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). This Order shall constitute this Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052. To the extent any finding of fact is determined to be a conclusion of law it shall so be deemed, and vice-versa.

B. The notice of the Approval Motion described above was good, adequate and sufficient and is the best notice practicable under the circumstances of these cases and constitutes due, sufficient, adequate and timely notice to all persons entitled thereto in accordance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the applicable Local Rules of this Court, the Notice of Hearing on the Approval Motion and the procedural due process requirements of the United States Constitution. The notice of the Approval Motion constitutes due, sufficient, adequate and timely notice under the circumstances of this case to all holders of asbestos claims and environmental claims, regardless of whether they are represented by an attorney who filed a notice of appearance and demand for service of papers in these cases under Bankruptcy Rule 2002(i). Notice of the relief requested by the Approval Motion has been provided by means reasonably calculated to inform all those affected by this Order and opportunity to object to the relief requested was afforded to all interested parties. No other or further notice of the Approval Motion or of this Order is necessary.

C. The claims asserted by the Environmental Creditors will substantially affect the administration of these estates and the distributions paid to other creditors in these cases. The

Approval Motion seeks approval of a compromise settlement that resolves all issues respecting the Environmental Creditors' proofs of claim.

D. The Raymark Trustee and the PI Trust have represented that the Raymark Trustee has informed the PI Trust that there are a very limited number of unsecured claimants ("General Creditors") of the Raymark estates not included among the Environmental Creditors and the asbestos personal injury creditors. Several of the claims of the General Creditors are disputed. The Raymark Trustee estimates, based on all information currently available, that the claims of the General Creditors, should they be allowed in their full face amount, do not total in excess of \$8,150,000, an amount that equates to roughly one one-thousandth of the total unsecured pool of general unsecured claims. In order to expedite final resolution of the Raymark bankruptcy cases, streamline implementation of a plan, eliminate unnecessary and cost-inefficient post-confirmation administration, and assure prompt and favorable distributions to the holders of allowed non-PI, non-Environmental Creditor claims without the need to await the results of unresolved and contingent events, the Raymark Trustee has negotiated a resolution whereby the PI Trust and the Environmental Creditors will not object to a plan under which non-PI / non-Environmental Creditor claimants would receive a percentage distribution based on a value that assumes maximum contingent recoveries by the estates, and that all disputed claims are disallowed. Solely for the purposes of calculating such distribution the Raymark Trustee, the PI Trust, and the Environmental Creditors understand that: (a) should the American Home Assurance Company litigation (*i.e.*, Adversary Proceeding no. 5-04-ap-05013) and the related administrative claims of Raytech Corporation and Raybestos Products Company not then be resolved by a final order of the Court, the reserve held in connection with the American Home

Assurance Company litigation (*i.e.*, Adversary Proceeding no. 5-04-ap-05013) and the related administrative claims of Raytech Corporation and Raybestos Products Company shall be assumed to have been released in full to the Raymark estates as if said proceedings had been resolved fully in favor of the Raymark Trustee, and without deduction for the cost, risk or expense of litigation; (b) the Raymark Trustee's objections to the proofs of claims of the former members of the Raymark National Trial Team shall be assumed to have been sustained and those disputed claims disallowed in full, and without deduction for the cost, risk or expense of litigation, and (c) to the extent that the Trustee's pending adversary proceedings seeking avoidance recoveries from members of the Raymark National Trial Team have not been resolved by a final order of the Court, such recoveries shall be estimated at the full face amount, \$7,900,000, sought by the Trustee, and without deduction for the cost, risk or expense of litigation. In addition, the Raymark Trustee agrees that a plan to be submitted in the Raymark estates by the Raymark Trustee shall transfer to the PI Trust for its prosecution any objections to claims that are then pending, and any other pending litigation in which the Raymark Trustee is a plaintiff, so that the PI Trust is empowered to prosecute and continue to conclusion or settlement all such litigation and objections by the PI Trust in the place of the Raymark Trustee and so as to avoid the necessity of a litigation trust and otherwise limit the amount of post-confirmation activity and the expenses associated therewith.

E. The compromise settlement provides substantial benefits and reasonably equivalent value to the Raymark estates, eliminates the delay, uncertainty and expense of further litigation among the parties regarding various proofs of claim and potential special entitlements to various assets or classes thereof, and advances the orderly, economical and expeditious

administration of these cases. The compromise settlement ensures a substantial financial benefit to the Raymark estates which will result in more proceeds being available for, *inter alia*, payments of dividends to holders of other claims in these cases as allowed by this Court.

F. The compromise settlement, as described in the Approval Motion, is a fair, reasonable and equitable compromise and settlement of the Environmental Creditors' proofs of claim. The compromise settlement represents the results of arms-length negotiations among the Raymark Trustee, the Environmental Creditors and the PI Trust, and has been reached in good faith. The compromise described in the Approval Motion is a valid and proper exercise of Trustee's business judgment. There has been no self-dealing, bad faith, fraud or undue influence in connection with the Approval Motion, the Agreements or the implementation of the compromise settlement thereby.

G. This Court has considered the probability of each party's success in litigating the the issues identified in the Approval Motion relating to the Environmental Creditors' proofs of claim and the parties' potential special entitlements to various assets or classes of assets; the difficulties, if any, to be encountered in a prompt and efficient resolution of the disputes as to the proofs of claim; the complexity of the resulting litigation should the matter not be resolved and the expense, inconvenience and delay necessarily attending it; and the best interests of the creditors, and finds that the compromise settlement is fair, reasonable and equitable in accordance with the requirements of Bankruptcy Rule 9019, and that approval of the Agreements is in the best interests of the Raymark estates and their creditors, and will substantially enhance the estates' ability to successfully confirm any Raymark plan in these cases.

Accordingly, for all the reasons set forth herein, this Court hereby ORDERS that:

1. The Approval Motion is GRANTED in all respects, and the Agreements be and hereby are APPROVED in their entirety.

2. In compromise of their claims, the Environmental Creditors shall receive from the Raymark estates \$1,572,619 (the "Environmental Creditors' Payment Amount"). Said disbursement from the Raymark estates to the Environmental Creditors shall be in full settlement of the claims, whether filed as proofs of claim, asserted or otherwise, of the United States, the State of Connecticut Department of Environmental Protection, and FMC (except to the extent of any additional consideration to which the Environmental Creditors may become entitled to receive directly from the PI Trust in accordance with the Agreements), and shall be made no later than five (5) business days following the Effective Date of any plan of reorganization or liquidation confirmed in these cases. In the event no plan of reorganization is confirmed, the Environmental Creditors shall nonetheless be entitled to receive the Environmental Creditors' Payment Amount, pursuant to further application and court order. Payment of the Environmental Creditors' Payment Amount to the Environmental Creditors shall be made in accordance with Exhibit E to the Approval Motion.

3. The terms of the agreements between the Raymark Trustee and the PI Trust set forth at paragraph D. of the recitals above are hereby approved and entered as an order of this Court.

4. This Court shall retain jurisdiction over any action or proceeding that involves the validity, enforcement, application, construction or modification of this Order and/or the Agreements and may make such other and further orders with respect thereto as are proper and appropriate. Nothing in this Order shall be construed to vary, negate or impair the obligation of

any party under the Agreements, or to prohibit any party from enforcing the Agreements through appropriate proceedings in this Court.

5. This Order, the Agreements and all related agreements and/or documents necessary to effectuate and implement the Agreements shall be binding upon and inure to the benefit of Raymark, the Raymark estates, the Trustee and any of their respective successors and assigns including, without limitation, any subsequently appointed trustee under any chapter of the Bankruptcy Code which may be appointed in these cases and/or any trust which may be created pursuant to any confirmed Raymark plan in these cases. The provisions of this Order shall be incorporated into any Raymark plan and confirmation order entered in these cases and shall survive any order dismissing any or all of these cases or converting any or all of these cases under any chapter of the Bankruptcy Code.

6. The failure to specifically include any particular provision of the Agreements in this Order shall not diminish or impair the efficacy of such provisions, it being the intent of this Court that the Agreements and each and every provision, term and condition thereof be authorized and approved in its entirety.

SO ORDERED at Bridgeport, Connecticut, this 16 day of August, 2005.



ALAN H.W. SHIFF
UNITED STATES BANKRUPTCY JUDGE