

EXHIBIT NO. 1

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
NATIONAL FIRE INSURANCE COMPANY OF :
HARTFORD, as successor by merger to :
TRANSCONTINENTAL INSURANCE COMPANY; :
~~CONTINENTAL INSURANCE COMPANY;~~ as :
successor-in-interest to certain policies issued :
by HARBOR INSURANCE COMPANY; :

Index No. 08105522 E

IAS Part 53

Hon. Charles E. Ramos

Plaintiffs, :

- against - :

**AFFIRMATION IN SUPPORT
OF ORDER TO SHOW
CAUSE**

TRAVELERS CASUALTY AND :
SURETY COMPANY, formerly THE AETNA :
CASUALTY AND SURETY COMPANY; :
et al. :

Motion Seq. No. _____

Defendant. :
-----X

Paul E. Breene avers and states:

1. I am an attorney admitted to the practice of law in the State of New York and a partner in the firm Reed Smith LLP, counsel to Defendant, Counterclaimant and Cross-Claimant Metex Mfg. Corporation ("Metex") in this action.

2. I am submitting this Affirmation in support of the joint request of Metex and Defendant, Counterclaimant and Cross-Claimant Liberty Mutual Insurance Company ("Liberty Mutual") for an Order to Show Cause: (a) directing the New York State Insurance Department ("Department"), James J. Wynn, the Superintendent of the Department ("Superintendent"), the Department's Property/Casualty Insurer Security Fund ("Fund"), the New York State Liquidation Bureau ("NYLB"), and the Commissioner of Taxation and Finance

("Commissioner"), all acting on behalf of Defendant The Home Insurance Company (In Liquidation) ("Home") (collectively "Respondents") to:

i. Appear before this Court for the purpose of reporting on the status of the review, processing and payment of claims by the NYLB for asbestos liabilities of Kentile Floors, Inc. ("Kentile"), which was insured by Home from 1977 through 1981, and, more specifically, to explain: (a) why no payment has been made on behalf of Home on any asbestos bodily injury claim asserted against Kentile involving alleged exposures in New York ("Kentile Asbestos Claim"); (b) which Kentile Asbestos Claims have been submitted by NYLB to the Receivership Court for authorization to be paid and when they were submitted; (c) which Kentile Asbestos Claims have been received by NYLB but have not yet been submitted to the Receivership Court for authorization to be paid; (d) why those Kentile Asbestos Claims have not been submitted for authorization, and when NYLB expects to submit them;

ii. Establish a procedure before Justice York for submission to the Court of requests for approval to pay Kentile Asbestos Claims in a timely manner so that such requests may be approved by the Court for payment by the NYLB;

iii. In accordance with the procedure established before Justice York, to submit all prior and existing Kentile Asbestos Claims for approval by that Court and for payment by the NYLB by a date certain; and

(b) granting such other and further relief as this Court may deem just and proper under the circumstances.

3. As set forth below at ¶¶ 11-16, the NYLB already has appeared before this Court and made representations to the Court and the parties regarding its actions and planned actions which are at issue in this Order to Show Cause. In prior correspondence to this Court, the NYLB also stated that it is "our understanding that *unless requested by the Court*, the Security Fund need not make further appearances in this proceeding." See *infra* Exhibit 6 at 4 (emphasis added). Consequently, the NYLB should not have any objection to the requested appearance sought through this Order to Show Cause.

4. This is a declaratory judgment action commenced by certain insurers of Kentile against Kentile, Metex, the Reorganized Debtor that emerged from Kentile's Chapter 11

bankruptcy proceedings, and other insurers of Kentile. Kentile has been and continues to be a defendant in thousands of actions alleging personal injury resulting from exposure to asbestos products manufactured and sold by Kentile, *i.e.* the Kentile Asbestos Claims.

Home Insurance Policies

5. Home provided five annual "Manuscript Excess Liability" insurance policies to Kentile, effective from January 1, 1977 through January 1, 1982 ("Home Policies"). Each of the Home Policies has an aggregate limit of \$5 million applicable to product liability claims such as the Kentile Asbestos Claims.

6. Each of the Home Policies is immediately above a primary comprehensive general liability ("CGL") policy issued by Aetna Insurance Company ("Aetna") (1977-78) or National Union Fire Insurance Company ("National Union") (1979-1981). Each of the underlying primary CGL policies included an aggregate limit of \$1 million applicable to products liability claims.

7. There is no dispute that the aggregate limit applicable to product liability claims in each of these underlying primary CGL policies has been exhausted by payment of judgments or settlements for Kentile Asbestos Claims. Copies of the notices of exhaustion provided by Aetna and National Union are annexed as Exhibits 1 and 2, respectively.

8. Although the primary policy underlying each of the Home Policies has been exhausted, Home has not made any payment on any Kentile Asbestos Claim. Home was declared insolvent and unable to meet its insurance obligations by a New Hampshire Court on June 13, 2003. The Insurance Commissioner of the State of New Hampshire was appointed as Liquidator of Home. A copy of the order of the New Hampshire Court is annexed as Exhibit 3.

Robert A. Sevigny, the Commissioner of Insurance of the State of New Hampshire, in his capacity as Liquidator of Home, is a named defendant in this action.

NYLB and Ancillary Receivership of Home

9. By Order of Justice Louis V. York, dated September 24, 2003 (annexed as Exhibit 4), the Superintendent of Insurance of the State of New York was appointed as Ancillary Receiver of Home pursuant to New York Insurance Law Article 74.

10. Justice York's Order triggered the application of the Fund with regard to eligible claims asserted against Kentile. The NYLB is the entity that carries out the claims handling duties of the Superintendent in his capacity as Ancillary Receiver and as administrator of the Fund. The Fund is the entity created under New York Insurance Law Article 76 to pay claims on behalf of an authorized but insolvent New York insurer. Finally, the Commissioner is the custodian of funds for the Fund.

NYLB's Prior Representations to This Court

11. On January 14, 2010, in response to an Order to Show Cause issued by this Court, representatives of NYLB informed the Court that Kentile had submitted to NYLB information concerning more than 900 Kentile Asbestos Claims that had been settled and paid, for which Kentile was making a claim "against the New York Security Fund." See Transcript of Hearing, January 14, 2010, annexed as Exhibit 5 ("Tr."), at 11-12. The NYLB stated that it had taken that information and "we have subjected it to audit; we have subjected it to an allocation report, or analysis" in order to determine "to what extent the Home would have been required to pay under its policies" on those claims. Tr. at 12-13. The NYLB represented to the Court that "[w]e did an allocation analysis to determine that coverage exists for the New York covered claims" and that

"[w]e have some preliminary projections as to what kinds of payments may have to be made" from the Security Fund. Tr. at 18.

12. Finally, in response to questions from the Court about the exhaustion of coverage available through the Fund and the effect of such exhaustion on the next layer of coverage above the Home Policies (Tr. at 18-19), the NYLB representatives stated that "[w]e have strong indication there is coverage and a lots (sic) of coverage," and that the NYLB would "undertake to get back to you on that issue as to whether the policies have been exhausted." Tr. at 18, 21.

13. In a follow-up report to the Court dated January 28, 2010, the Fund confirmed that in "April 2009, Kentile submitted approximately 964 settled and paid asbestos claims ("Settled Claims") to the Security Fund for payment." See Letter dated January 28, 2010 from David Axinn, Deputy General Counsel of NYLB to The Hon. Charles E. Ramos, annexed as Exhibit 6 ("January 28, 2010 Letter"), at 2. The January 28, 2010 Letter expressly stated that NYLB's consultant had informed counsel for Kentile "that the [Security Fund] on behalf of The Home Insurance Company in Liquidation will cover Kentile asbestos bodily injury claims (other than those as to which policy defenses exist), up to \$1,000,000 per injured claimant (subject to the aggregate policy limit contained in the Home policies), where the injured party suffered injurious exposure to asbestos in New York and suffered injury in fact during the policy period." *Id.* at 2-3. The January 28, 2010 Letter confirmed that there were five Home Policies, each with an aggregate limit of \$5 million, such that "the aggregate limit of all payment by the Security Fund to Kentile is \$25 million for all claims determined to be eligible for coverage under Article 76." *Id.* at 3.

14. The January 28, 2010 Letter also confirmed that Kentile already had "provided the Security Fund with information concerning the Settled Claims" and that the "Security Fund

completed its allocation analysis at the end of 2009 and is now in the process of determining the manner in which those claims covered by the Security Fund will be submitted to the Receivership Court and to the Domestic Liquidator.” See January 28, 2010 Letter at 3. Specifically, NYLB stated that it was required to submit each claim to the Receivership Court for allowance and “would require prior court approval to bundle the submission of these claims into a single order.” *Id.* However, NYLB assured the Court that it was “taking all diligent steps to resolve the remaining issues and begin making eligible payments” on the Kentile Settled Claims, had “requested a conference with the Receivership Court to discuss the most efficient manner to submit claims for an allowance” and expected “to hear from the Receivership Court later this week” on that request. *Id.* at 4. .

15. In addition to the Settled Claims, NYLB reported that “Kentile has more than 23,000 pending asbestos claims, which may be eligible for Security Fund coverage (‘Pending Claims’).” *Id.* at 3. Based on its analysis, NYLB predicted “that Security Fund payments to Kentile for covered Settled and Pending Claims will exceed the Security Fund’s \$25 million coverage limit,” but that “at present the Settled Claims submitted by Kentile will not exhaust the Security Fund’s \$25 million limit.” *Id.* The Letter estimated that “it may take between two and four years for a sufficient number of Kentile’s Pending Claims to become covered Settled Claims and exhaust the Security Fund’s limit.” *Id.*

16. Finally, the January 28, 2010 Letter stated at 4 that the Fund already had “held discussions this month with the Domestic Liquidator for the purpose of determining what documentation the Domestic Liquidator requires in order to reimburse the Security Fund for covered payments.”

17. Thereafter, the NYLB's consultant obtained voluminous documentary support for prior settlements of Kentile Asbestos Claims from Kentile's defense counsel.

NYLB's Subsequent Refusal to Contribute to Prior Settlements

18. Notwithstanding the representations that it had made to the parties and to this Court, in a letter dated March 10, 2011 the NYLB reversed course and took the position that it will not pay on the Settled Claims submitted by Kentile. Specifically, the NYLB stated that "we have concluded that the security fund statute will not allow payment on the closed files," because the statute purportedly "requires a claim to be 'unpaid,' which is not the case here with the closed claims." See Letter dated March 10, 2011 from Ellen M. Russell to Paul E. Breene, annexed as Exhibit 7 (the "March 10 Letter").

19. Thus, even though it had represented, both to me, as counsel for Metex, and to this Court and to the other parties in this case that it would contribute to the Settled Claims, the NYLB has not contributed to a single past or present settlement of any Kentile Asbestos Claim.

20. The statements made by the NYLB in the March 11 Letter, that claims must remain "unpaid" for the NYLB to have any liability for them, are even more shocking and disingenuous in light of my prior conversations and dealings with the NYLB and its consultants. Prior to the appearance of the NYLB before this Court, in January 2010, and prior to the NYLB sending this Court its January 28 letter report, I had numerous telephone conferences with both Ms. Russell, the NYLB's head of claims and the author of the March 10 Letter, and with David Axinn, Esq., an attorney with the NYLB. During those conversations I made it absolutely clear that up to that time—and continuing to this day—the Home's share of indemnity payments owed by Kentile with respect to asbestos settlements was being paid by various other Kentile insurance

companies. Thereafter, and for more than a year, until the March 10 Letter, the NYLB represented to me and to this Court that it was processing these Settled Claims and intended to submit them to Justice York for approval of payment. It therefore came as quite a shock when, after having relied, to our detriment, on the NYLB's protestations of good faith for 14 months, we received the March 10 Letter which gave the lie to everything the NYLB had said, both to Metex and to this Court.

21. Thus, more than two years into the process of trying to get the NYLB to begin paying claims, the NYLB for the first time took the position that it would only pay "unpaid claims" as of March 10, 2011. Thereafter, as set forth in more detail in the accompanying affidavit of Robert L. Hoegle, Esq., counsel for Liberty Mutual, Liberty Mutual sought to avoid any future funding issue by informing the NYLB of its expected contributions to settlements of Kentile Asbestos Claims early in the process so that the NYLB could obtain any necessary Court approval of its payments on a current basis.

22. Thereafter, despite the NYLB's claims that it was "processing features[claims]" for payment, the NYLB has refused to make any payment whatsoever, ostensibly on the grounds that it is not subject to the "21 day rule", forcing Liberty Mutual to pay the Home's share of even current settlements or be in breach of the settlement agreements entered into. Of course, once Liberty Mutual pays these claims, the claims are no longer "unpaid" in the NYLB's mind so that, according to the March 10 Letter, they are no longer payable by the NYLB.

23. The NYLB has created a classic "Catch—22." It refuses to make timely payments on admittedly covered claims, and then when others are forced to make those payments in its stead, it claims that the payments are no longer due because they are no longer "unpaid."

Conclusion

24. The NYLB has refused to contribute to past settlements and to participate in pending settlements in a timely manner. Over the past seventeen months since it appeared before this Court, the NYLB has not paid one dollar for the past or present settlement of any Kentile Asbestos Claim, and its actions have been contrary to its prior representations to me and to this Court.

25. The Court should order the NYLB to appear and explain: (a) why no payment has been made on behalf of Home on any Kentile Asbestos Claim; (b) which Kentile Asbestos Claims have been submitted by NYLB to the Receivership Court for authorization to be paid and when they were submitted; (c) which Kentile Asbestos Claims have been received by NYLB but have not yet been submitted to the Receivership Court for authorization to be paid; (d) why those Claims have not been submitted for authorization, and when NYLB expects to submit them.

26. No prior application for the relief sought herein has been made by Metex to this or any other court.

WHEREFORE, Metex, along with Liberty Mutual, respectfully requests that the Court enter the Order to Show Cause.


Paul E. Breene

EXHIBIT NO. 2

THIS SOLICITATION IS BEING CONDUCTED, PRIOR TO THE FILING OF A VOLUNTARY PETITION UNDER CHAPTER 11 OF TITLE 11 OF THE UNITED STATES CODE, IN ORDER TO OBTAIN SUFFICIENT VOTES IN FAVOR OF A CHAPTER 11 PLAN OF REORGANIZATION TO ENABLE CONFIRMATION OF SUCH PLAN. BECAUSE NO CHAPTER 11 CASE HAS YET BEEN COMMENCED, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. FOLLOWING COMMENCEMENT OF ITS CHAPTER 11 CASE, METEX MFG. CORPORATION EXPECTS TO PROMPTLY SEEK AN ORDER OF THE BANKRUPTCY COURT APPROVING THIS DISCLOSURE STATEMENT, AS WELL AS THE SOLICITATION OF VOTES, AND CONFIRMING THE PREPACKAGED PLAN OF REORGANIZATION DESCRIBED HEREIN.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

..... X
 In re: :
 : Chapter 11
 METEX MFG. CORPORATION, : Case No. - _____ (____)
 (f/k/a Kentile Floors, Inc.) :
 :
 Debtor. :
 :
 X

**DISCLOSURE STATEMENT WITH RESPECT TO THE PREPACKAGED
 PLAN OF REORGANIZATION OF METEX MFG. CORPORATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: June 29, 2012

The Plan of Reorganization, attached hereto as Exhibit 1, provides for an "Asbestos PI Channeling Injunction" pursuant to section 524(g) of the Bankruptcy Code and an "Insurance Policy Injunction" pursuant to section 105 of the Bankruptcy Code. For a description of the causes of action to be enjoined and the identities of the entities that would be subject to the injunction, see Section VIII.D of this Disclosure Statement and Article XI of the Plan.

**SUMMARY OF THE PLAN OF REORGANIZATION
AND THE ASBESTOS PI TRUST DISTRIBUTION PROCEDURES**

A. Introduction.

Metex Mfg. Corporation (“Metex” or the “Debtor”), formerly known as Kentile Floors, Inc., is soliciting votes for the acceptance of its Plan from holders of Asbestos PI Claims. *Please refer to Article I of the Plan for definitions of terms used but not defined in this Disclosure Statement.*

The Plan contemplates the establishment of a trust under section 524(g) of the Bankruptcy Code (as defined in the Plan, the “Asbestos PI Trust”) and an injunction (specifically, the Asbestos PI Channeling Injunction) that will channel to the Asbestos PI Trust all current Claims and Demands for asbestos-related personal injury and wrongful death based in whole or in part on the alleged conduct or products of Kentile Floors, Inc. (“Kentile”), a New York corporation whose name was changed to Metex Mfg. Corporation in 1998. The injunction will also channel all current Claims and future Demands based in whole or in part upon asbestos-related personal injury and wrongful death Claims and Demands against certain parties related to Metex, including, but not limited to, past and present affiliates of Metex, past and present officers and directors of Metex, predecessors in interest to Metex, and any entity that owned a financial interest in Metex or its affiliates or predecessors. Finally, the Asbestos PI Channeling Injunction will protect various insurers who have agreed to fund the Asbestos PI Trust pursuant to an Insurance Settlement Agreement.

Since 2000, Metex has resolved approximately 10,000 Kentile asbestos-related personal injury and wrongful death claims, all through settlement or dismissal. Approximately 6,000 active Asbestos PI Claims and over 20,000 inactive Asbestos PI Claims are outstanding as of the date hereof. The purpose of the Plan is to provide for the resolution of all such existing Asbestos PI Claims and future Demands, pursuant to Section 524(g) of the Bankruptcy Code.

All Claims other than Asbestos PI Claims are unimpaired by the Plan. The holders of such Claims are directed to other portions of this Disclosure Statement and to the Plan for a discussion of such Claims.

B. The Channeling Injunction and the Insurance Policy Injunction.

The Asbestos PI Channeling Injunction to be issued under the Plan will cover Asbestos PI Claims and Demands against Metex and Reorganized Metex, as well as Asbestos PI Claims and Demands against Metex Related Parties, based on any purported liability arising from their ownership of or relation to Metex, parties that have a right of indemnity against Metex, and parties that have actual or alleged liability with respect to Asbestos PI Claims or Demands in each case related to or arising from the conduct or products of Kentile that purportedly caused asbestos-related personal injury or wrongful death, including any claim based upon a theory of veil piercing, alter ego, successor liability, fraudulent conveyance or conspiracy. The Asbestos PI Channeling Injunction will also protect the Settling Asbestos Insurance Entities.

The effect of “channeling” Asbestos PI Claims and Demands to the Asbestos PI Trust is that they may be pursued through, and paid from, only the Asbestos PI Trust; Asbestos PI Claims or Demands may not be asserted against Metex, Metex Related Parties and the Settling Asbestos Insurance Entities.

In addition to providing for the Channeling Injunction, the Insurance Settlement Agreements and the Plan contemplate the issuance of an Insurance Policy Injunction that will protect the Settling Asbestos Insurance Entities from any Claims or suits arising from or attributable to the insurance relationship between Metex and each Settling Asbestos Insurance Entity as more fully described in Article 11.6 of the Plan.

C. Contributions to Asbestos PI Trust.

The Asbestos PI Trust will be funded with \$165 million (in nominal dollars) from the Settling Asbestos Insurance Entities. Copies of the agreements with those Settling Asbestos Insurance Entities are attached to the Plan as Exhibits C-1 to C-8. Additionally, Metex will issue a \$250,000, 10-year Note to the Asbestos PI Trust. The Asbestos PI Trust’s assets, which are limited, must be managed by the Asbestos PI Trustee to ensure that funds are available to pay all current asbestos claimants as well as all expected future asbestos claimants. For all the reasons detailed in this Disclosure Statement, Metex believes that there will be substantially more assets available to pay claimants under the Plan than would be the case if there were no Plan.

Substantially more assets will be available under the Plan because, among other reasons, the Settling Asbestos Insurance Entities are contributing significant assets to the Asbestos PI Trust as part of the Plan in exchange for the protections provided which would not be contributed otherwise. Moreover, without the distribution procedures in the Plan, there likely would be years of costly and time-consuming litigation involving asbestos claimants that will be avoided through the Plan’s orderly administrative process. Absent the Plan, distributions to asbestos claimants would be delayed and, due to the costs of litigation, the funds actually available for asbestos claimants would be reduced. For this and other reasons explained in detail herein, Metex believes that each of the holders of asbestos-related personal injury and wrongful death Claims who are entitled to vote should vote to accept the Plan.

RECOMMENDATION:

Metex, the Asbestos Claimants Committee and the Future Claimants’ Representative believe that the Plan provides a fair and reasonable recovery to current claimants and future Demand holders and that acceptance of the Plan is in the best interests of all claimants and Demand holders. Accordingly, Metex, the Asbestos Claimants Committee and the Future Claimants’ Representative urge you to vote to accept the Plan.

Please note that if there is any inconsistency between the Plan and the descriptions in the Disclosure Statement, the terms of the Plan will govern.

D. How Asbestos Claimants Receive Distributions from the Asbestos PI Trust.

1. *The Asbestos PI Trust Distribution Procedures.*

The goal of the Asbestos PI Trust is to treat all present and future asbestos claimants similarly and equitably and in accordance with the requirements of section 524(g) of the Bankruptcy Code. Under the Plan, to further that goal, the Asbestos PI Trust will resolve Asbestos PI Claims in accordance with the “Asbestos PI Trust Distribution Procedures,” the form of which is attached to the Plan as Exhibit B and is incorporated herein by reference. The Asbestos PI Trust Agreement provides that the Asbestos PI Trust will make payments to holders of Asbestos PI Claims pursuant to the Asbestos PI Trust Distribution Procedures while maintaining sufficient resources to pay future valid Asbestos PI Claims on a substantially equivalent basis.

(a) *Disease Categories and Scheduled and Maximum Values.*

The Asbestos PI Trust Distribution Procedures establish a schedule of eight asbestos-related diseases (“Disease Levels”): (i) Mesothelioma (Disease Level VIII), (ii) Lung Cancer 1 (Disease Level VII), (iii) Lung Cancer 2 (Disease Level VI), (iv) Other Cancer (Disease Level V), (v) Severe Asbestosis (Disease Level IV), (vi) Asbestosis / Pleural Disease (Disease Level III), (vii) Asbestosis / Pleural Disease (Disease Level II), and (viii) Other Asbestos Disease (Disease Level I).

To qualify for payment, claimants must submit specific medical and exposure evidence as provided in the Asbestos PI Trust Distribution Procedures.

The Asbestos PI Claim values for each Disease Level are set forth below.¹ The Asbestos PI Trust Distribution Procedures also provide values for “Extraordinary Claims” (as that term is defined in the Asbestos PI Trust Distribution Procedures) that exceed those set forth below.

Level	Disease Category	Scheduled Value	Average Value	Maximum Value
VIII	Mesothelioma	\$135,000	\$175,000	\$330,000
VII	Lung Cancer 1	\$65,000	\$78,000	\$100,000
VI	Lung Cancer 2	NONE	\$15,000	\$25,000
V	Other Cancers	\$17,500	\$20,000	\$25,000
IV	Severe Asbestosis	\$65,000	\$78,000	\$100,000
III	Asbestosis/Pleural Disease	\$5,000	NONE	NONE
II	Asbestosis/Pleural Disease	\$2,500	NONE	NONE
I	Other Asbestos Disease	\$100	NONE	NONE

¹ The figures presented here represent claim values for settlement purposes only. The parties reserve all rights with respect to actual claim values in the event the Plan is not confirmed.

(b) *Review and Payment of Claims under the Asbestos PI Trust Distribution Procedures.*

The Debtor has engaged MFR Claims Processing, Inc. (“MFR”) to review, commencing on the Solicitation Date, Asbestos PI Claims pending against Metex in the tort system on such date and which are submitted to MFR for such review, using the standards set forth in the Asbestos PI Trust Distribution Procedures (the “Pre-Effective Date Claims Review”). Asbestos PI Claims determined by MFR in the Pre-Effective Date Claims Review to be approved for payment are referred to herein and in the Plan as “Qualified Asbestos PI Claims,” and, in accordance with Article 4.4 of the Plan, will be paid by the Asbestos PI Trust on the Effective Date or as soon thereafter as is reasonably practicable.

With respect to Asbestos PI Claims not approved in the Pre-Effective Date Claims Review and not constituting “Qualified Asbestos PI Claims,” the Asbestos PI Trust Distribution Procedures provide that claims generally will be processed in “First In, First Out” (“FIFO”) order so that the oldest claims will be processed first.

Asbestos PI Claims will be processed through either the “Expedited Review Process” or the “Individual Review Process” provided for in the Asbestos PI Trust Distribution Procedures. The “Expedited Review Process” is intended to provide an expeditious, efficient and inexpensive method for liquidating Asbestos PI Claims based on the assigned, disease-specific “Scheduled Value” applicable to the Asbestos PI Claim as set forth in the schedules contained in the Asbestos PI Trust Distribution Procedures and as set forth in the table above. Pursuant to the Asbestos PI Trust Distribution Procedures, claimants (other than those alleging Disease Level VI (Lung Cancer 2) and those holding Asbestos PI Claims based on exposure to asbestos outside of the United States and Canada, which may be liquidated only pursuant to the Individual Review Process) will have the option to submit their Asbestos PI Claims through the Individual Review Process to pursue a value in excess of “Scheduled Value” or to seek approval of a claim that does not satisfy the presumptive medical and exposure criteria. A claimant alleging Disease Levels I-V, VII and VIII that does not meet the presumptive medical and exposure criteria for the relevant Disease Level may be offered an amount up to the Scheduled Value of that Disease Level if the Asbestos PI Trust is satisfied that the claim would be cognizable and valid in the tort system.

Claimants also have the option of engaging in binding or nonbinding arbitration to establish their Asbestos PI Claims, but only after they have completed the Individual Review Process as well as a mediation process, in accordance with Alternative Dispute Resolution Procedures to be adopted by the Asbestos PI Trust in accordance with the provisions of the Asbestos PI Trust Documents. The arbitrator may return awards only in accordance with the values set forth in the Asbestos PI Trust Distribution Procedures. Only if a claimant elects nonbinding arbitration and rejects the arbitration award may the claimant then litigate in court against the Asbestos PI Trust to establish its claim. Awards in litigation will be paid as specifically provided in the Asbestos PI Trust Distribution Procedures.

As a condition to making payment to a claimant with respect to an Asbestos PI Claim, the Asbestos PI Trust shall obtain, for the benefit of the Asbestos PI Trust and the Asbestos Protected Parties, a release of liability with respect to the claimant’s Asbestos PI Claim.

Prior to receiving a distribution from the Asbestos PI Trust, a claimant will also be requested to certify that the claimant will provide for the payment and/or resolution of any obligations owing or potentially under 42 U.S.C. § 1395y(b), or related rules or regulations, or guidelines, in connection with, or relating to, such Asbestos PI Claims as required by the Medicare, Medicaid and SCHIP Extension Act of 2007 (“MMSEA”).

2. *Maximum Annual Payment.*

Aggregate distributions to claimants in each year shall not exceed a “Maximum Annual Payment” amount determined for that year. The Asbestos PI Trust shall determine the Maximum Annual Payment for each year by modeling the cash flow, principal, and income year-by-year to be paid over the Asbestos PI Trust’s entire life in a manner designed to ensure that all present and future holders of Asbestos PI Claims are compensated in an amount equal to the liquidated value of their respective Asbestos PI Claims multiplied by the payment percentage. If there are insufficient funds to pay Asbestos PI Claims in any year, the unpaid Claims will be carried over for priority payment in the next year.

3. *Application of the Payment Percentage.*

Except for Asbestos PI Claims involving Other Asbestos Disease (Disease Level I – Cash Discount Payment), all Asbestos PI Claims paid by the Asbestos PI Trust are subject to the payment percentage. The payment percentage is the percentage of the full liquidated value of a claim that claimants will receive from the Asbestos PI Trust. The claimant will receive a payment equal to the payment percentage multiplied by the liquidated value of the claim.

There can be no certainty as to the precise amounts that will be distributed by the Asbestos PI Trust in any particular time period or when Asbestos PI Claims will be paid by the Asbestos PI Trust. Payments that will be made on Asbestos PI Claims will be determined under the Asbestos PI Trust Distribution Procedures and will be based, on the one hand, on estimates of the number, types, and amount of current Asbestos PI Claims and expected future Demands, and on the other hand, on the value of the assets of the Asbestos PI Trust, the liquidity of the Asbestos PI Trust, the Asbestos PI Trust’s expected future income and expenses, and other matters that are likely to affect the sufficiency of funds to pay all holders of Asbestos PI Claims.

The initial payment percentage has been set at 15% and was developed by comparing the assets of the Asbestos PI Trust against its projected liability for Asbestos PI Claims and Asbestos Trust Expenses. The Asbestos PI Trust’s projected liability for Asbestos PI Claims is based on a number of assumptions, including the assumption that the rate at which the Asbestos PI Trust approves claims for payment will remain consistent with the rate at which the Debtor previously settled and paid Asbestos PI Claims. Should any assumption from which the initial payment percentage was developed prove to be materially inaccurate based on the Asbestos PI Trust’s actual experience, the Asbestos PI Trust may have to adjust the payment percentage upwards or downwards from time to time, pursuant to the provisions of the Asbestos PI Trust Distribution Procedures and the Trust Agreement, to reflect current estimates of the Asbestos PI Trust’s assets and liabilities.

4. *Analysis of Current and Future Claims.*

As of the date of this Disclosure Statement, Metex believes there are approximately 6,000 active Asbestos PI Claims and over 20,000 inactive Asbestos PI Claims pending against Kentile. As these numbers are estimates, it is possible there could be additional Asbestos PI Claims against Kentile.

In its Pre-Effective Date Claims Review, which will begin on the date hereof and will continue through to the Effective Date, Metex has contracted with MFR to review each individual Asbestos PI Claim submitted to it. In analyzing an Asbestos PI Claim, MFR will determine whether the Asbestos PI Claim should be approved for payment in accordance with the terms of the Asbestos PI Trust Distribution Procedures. Through this process, MFR will notify counsel for the holders of those Asbestos PI Claims approved for payment in accordance with the terms of the Asbestos PI Trust Distribution Procedures. With respect to those Asbestos PI Claims for which MFR has insufficient information to review such Claims, MFR will provide notice to counsel and a reasonable period to cure such deficiencies. Where the deficiencies are cured, the Asbestos PI Claims will be approved for payment under the Asbestos PI Trust Distribution Procedures. Any Asbestos PI Claim that has been submitted prior to the Effective Date, but has not been reviewed and approved in the Pre-Effective Date Claims Review, shall be transferred to the Asbestos PI Trust for the completion of processing.

Those Asbestos PI Claims that MFR determines in the Pre-Effective Date Claims Review qualify for payment under the Asbestos PI Trust Distribution Procedures shall be treated as Qualified Asbestos PI Claims under the Plan, and paid by the Asbestos PI Trust on the Effective Date or as soon thereafter as is reasonably practicable. Nothing in the Plan precludes holders of Asbestos PI Claims that were not approved for payment during the Pre-Effective Date Claims Review from submitting such Claims to the Asbestos PI Trust.

Persons may submit an Asbestos PI Claim in connection with the Pre-Effective Date Claims Review by contacting:

MFR Claims Processing, Inc.
115 Pheasant Run, Suite 212
Newtown, PA 18940
Attention: Michael F. Rooney
Tel: 215 630 7333
Fax: 215 475 4762
Email: mikerooney@mfrclaims.com

5. *Proposed Trustee of the Asbestos PI Trust.*

Charles A. Koppelman has been proposed as the initial Trustee of the Asbestos PI Trust. Mr. Koppelman is currently serving as a trustee of ASARCO LLC Asbestos Personal Injury Settlement Trust, the United States Gypsum Asbestos Personal Injury Settlement Trust, and the T. H. Agriculture & Nutrition, LLC Asbestos Personal Injury Trust. In his capacity as the proposed Trustee, Mr. Koppelman has agreed to oversee the activities of MFR in connection with the Pre-Effective Date Claims Review.

E. Reorganized Metex's Business.

As of the Commencement Date, Metex owns two industrial properties in Edison, New Jersey, which are under lease to affiliates of Metex. The leases, which expire in 2033, are triple net leases and generate approximately \$750,000 per year in revenue. Metex's Edison, New Jersey properties are subject to ongoing environmental remediation which consumes a portion of those revenues.

F. Summary of Classification and Treatment under the Plan.

The Plan classifies Claims against and Equity Interests in Metex for all purposes, including voting, Plan confirmation, and Claims distribution, as set forth below. The following table is only a summary of the classification and treatment under the Plan of Claims and Equity Interests, and reference should be made to the entire Disclosure Statement and the Plan for a complete description of each classification and treatment.

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
N/A	Administrative Expense Claims and Administrative Expense Claims of Professionals	Payment in full (or as otherwise agreed).	No	Ordinary Course Administrative Claims – None; Professional Administrative Claims -- Unknown	100%
N/A	Priority Tax Claims	Payment in full on the Effective Date.	No	\$9,000	100%
1	Priority Claims	Paid in full on the Effective Date.	No	NONE	100%
2	Secured Claims	Unimpaired. Reinstated pursuant to section 1124(2) of the Bankruptcy Code, unless the claimholder agrees to less favorable treatment; with regard to any amount Metex may be required to pay pursuant to section 1124(2), payment in full, in Cash, on the latest of (i) the Effective Date, (ii) the date the Secured Claim becomes Allowed, or (iii) the date the Secured Claim becomes due and payable according to its terms, or (iv) such other date as mutually may be agreed to by and among the holder of such Secured Claim and Metex or Reorganized Metex.	No	NONE	100%

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
3	General Unsecured Claims (other than Asbestos PI Claims, Asbestos Property Damage Claims and Environmental Claims)	Unimpaired. Paid on the later of the Effective Date or when due in accordance with their terms or sooner if approved by the Bankruptcy Court.	No	\$15,000 - \$20,000	100%
4	Asbestos PI Claims	Impaired. Asbestos PI Claims will be channeled to the Asbestos PI Trust, which will be funded pursuant to Article 9.2 of the Plan. Asbestos PI Claims will be resolved in accordance with the terms of the Asbestos PI Trust Documents. The Asbestos PI Trust shall pay Qualified Asbestos PI Claims on the Effective Date or as soon thereafter as is reasonably practicable in accordance with the terms of Asbestos PI Trust Distribution Procedures.	Yes	Unknown	Unknown
5	Asbestos Property Damage Claimants and Environmental Claims	Unimpaired. Holders of such Claims shall be entitled to pursue their Claims subject to all defenses of Metex thereto.	No	Unknown	100%
6	Equity Interests in Metex	Unimpaired	No	N/A	100%

Pursuant to Article 12.1(a) of the Plan, it is a condition to confirmation of the Plan that at least seventy-five percent (75%) in number and two-thirds (2/3) in amount of the holders of Asbestos PI Claims who actually vote on the Plan must vote to accept the Plan. The conditions to confirmation also require that the Confirmation Order contain findings consistent with those required by section 524(g) of the Bankruptcy Code, which sets forth the statutory requirements for issuance of a "channeling injunction" of the type provided for under the Plan. For the Plan to be effective, the Confirmation Order must have been entered by the Bankruptcy Court or the District Court. If the Confirmation Order containing the Asbestos PI Channeling Injunction is issued by the Bankruptcy Court, such Confirmation Order must have been accepted and affirmed by the District Court, and the Plan will not become effective unless and until such

Confirmation Order becomes a Final Order. Once the Plan becomes effective, the Settling Asbestos Insurance Entity Asbestos PI Trust Contributions and the Metex Asbestos PI Trust Contribution will be made to the Asbestos PI Trust, and the Asbestos PI Trust will begin to resolve, liquidate, and (if entitled to payment) pay Asbestos PI Claims, including Qualified Asbestos PI Claims that were approved and liquidated prior to the Effective Date, in accordance with the terms of the Asbestos PI Trust Documents.

G. Voting on the Plan.

Not every claimant is entitled to vote on the Plan. Under the Bankruptcy Code, only those classes of Claims or Equity Interests that are "impaired" and are entitled to receive a distribution of (or retain) property under a plan of reorganization are entitled to vote to accept or reject the plan. Under Metex's Plan, only Class 4 holders of Asbestos PI Claims are Impaired and are entitled to vote.

Metex is seeking acceptance of the Plan by holders of Asbestos PI Claims in Class 4.

With respect to holders of Asbestos PI Claims in Class 4, the Bankruptcy Code provides that in connection with confirmation of a plan seeking an injunction under section 524(g), such as the Asbestos PI Channeling Injunction, the Bankruptcy Court may issue such an injunction only if: (a) the holders of the Asbestos PI Claims to be channeled under the injunction are classified separately under the plan; and (b) seventy-five percent (75%) in number of the holders of the Asbestos PI Claims in that class who actually vote on the plan vote to accept the plan. For a more complete description of the requirements for acceptance of the Plan, see Section XII below.

Because Metex does not have readily accessible accurate records of the addresses of the overwhelming majority of individual holders of Asbestos PI Claims in Class 4, Metex has proposed special procedures for voting by counsel on behalf of holders of Asbestos PI Claims (if, as, and to the extent such counsel are authorized to do so) or else by the individual holders of Asbestos PI Claims. Accordingly, this Disclosure Statement and a form of Ballot and Master Ballot are being sent to counsel of record for holders of Asbestos PI Claims. Please review the voting procedures accompanying the Ballot or Master Ballot, as applicable, for detailed instructions regarding how to vote with respect to Asbestos PI Claims. If you did not receive a Ballot, it is because Metex believes that you are (i) not entitled to vote on the Plan or (ii) an individual holder of an Asbestos PI Claim who is represented by counsel to whom a Master Ballot has been sent.

If you have any questions about the type of Ballot you received, please contact Metex's balloting and solicitation agent, Logan & Company, Inc. (the "Balloting Agent"), at 546 Valley Road, Upper Montclair, New Jersey 07043, (973) 509-3190. Copies of the Plan and this Disclosure Statement are available upon request to the Balloting Agent, at the following address:

Balloting Agent:

Logan & Company, Inc.
546 Valley Road
Upper Montclair, New Jersey 07043
(973) 509-3190

The last day to vote to accept or reject the Plan is August 28, 2012.

To be counted your ballot must be *actually received* by the Balloting Agent by such date.

Only actual votes cast by the Voting Deadline will be counted. Failure to return a Ballot will not be counted as either a vote for or against the Plan. Any improperly completed or late Ballot will not be counted. Any Ballot that indicates both an acceptance and rejection of the Plan will not be counted. If a creditor casts more than one Ballot voting the same Claim or interest before the Voting Deadline, the latest dated Ballot received before the Voting Deadline will be deemed to reflect the voter's intent and thus to supersede any prior Ballots.

Once an order confirming the Plan is issued by the Bankruptcy Court and affirmed by the District Court, or issued by the District Court, the Plan will bind all holders of Claims against and Equity Interests in Metex, whether or not they are entitled to vote or did vote on the Plan and whether or not they receive (or retain) any distributions or property under the Plan. Thus, you are encouraged to read this Disclosure Statement carefully. In particular, holders of Asbestos PI Claims who are entitled to vote on the Plan are encouraged to read this Disclosure Statement, the Plan and the exhibits and schedules to the Plan and to the Disclosure Statement and the form of Ballot included herewith carefully and in their entirety before voting to accept or to reject the Plan.

H. Disclosure Statement Enclosures.

Accompanying this Disclosure Statement are copies of: (i) the Plan (Disclosure Statement Exhibit 1); (ii) Metex's Financial Statements (Disclosure Statement Exhibit 2); (iii) Metex's Financial Projections (Disclosure Statement Exhibit 3); and (iv) Metex's Liquidation Analysis (Disclosure Statement Exhibit 4).

In addition, a Ballot or Master Ballot for accepting or rejecting the Plan is enclosed with this Disclosure Statement if you (or your clients, if you are counsel to asbestos-related personal injury or wrongful death claimants) are entitled to vote to accept or reject the Plan.

I. Disclaimers.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain anticipated events in the case and certain financial information. Although Metex believes that the Disclosure Statement, and related document summaries, are fair and accurate, they are qualified to the extent they do not set forth the entire text of the Plan, such documents or any statutory provisions. The terms of the Plan govern in the event of any inconsistency with this Disclosure Statement. All exhibits to the Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if set forth in full herein. The statements contained in this Disclosure Statement are made as of the date hereof, unless otherwise specified, and Metex disclaims any obligation to update any such statements after the hearing on approval of the Disclosure Statement.

All forward-looking statements contained herein or otherwise made by Metex involve material risks and uncertainties and are subject to change based on numerous factors, including factors that are beyond Metex's control. Accordingly, Metex's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, those described in this Disclosure Statement. Metex does not intend to update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

The financial information contained herein has not been audited by a certified public accountant and has not necessarily been prepared in accordance with Generally Accepted Accounting Principles.

For purposes of this Disclosure Statement, the following rules of interpretation shall apply: (i) whenever the words "include," "includes" or "including" are used they shall be deemed to be followed by the words "without limitation," (ii) the words "hereof," "herein," "hereby" and "hereunder" and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, (iii) section and exhibit references are to this Disclosure Statement unless otherwise specified, and (iv) with respect to any distribution under the Plan, "on" a date means on or as soon as reasonably practicable thereafter.

In connection with Metex's solicitation of acceptances of the Plan pursuant to section 1126(b) of the Bankruptcy Code, Metex is furnishing a solicitation package, consisting of the Disclosure Statement, the enclosures hereto, and a Ballot or Master Ballot, as applicable, to each record holder of Claims eligible to vote or its counsel. This Disclosure Statement is to be used by each such eligible holder solely in connection with its evaluation of the Plan; use of this Disclosure Statement for any other purpose is not authorized. This Disclosure Statement may not be reproduced or provided to anyone other than advisors to the recipient without the prior written consent of Metex.

Metex has not commenced a reorganization case under Chapter 11 of the Bankruptcy Code as of the date of the distribution of this Disclosure Statement. If, however, Metex receives properly completed Ballots (that are not subsequently revoked)

indicating acceptance of the Plan in sufficient number and amount to meet the voting requirements prescribed by sections 524(g) and 1126 of the Bankruptcy Code, Metex intends to file with the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and to seek, as promptly thereafter as practicable, confirmation of the Plan. The Effective Date of the Plan is expected to occur thirty-five (35) days after the Confirmation Order, containing the Asbestos PI Channeling Injunction, shall have been either entered by the Bankruptcy Court and accepted and affirmed by the District Court or issued by the District Court, on which date the Settling Asbestos Insurance Entity Asbestos PI Trust Contributions and Metex PI Trust Contribution shall be made to the Asbestos PI Trust and the Asbestos PI Trust shall begin to pay Asbestos PI Claims, including the Qualified Asbestos PI Claims. There can be no assurance, however, as to whether or when confirmation of the Plan and the Effective Date actually will occur.

If Metex does not receive sufficient votes in favor of the Plan, Metex may have to file a petition for a traditional, non-prepackaged case under Chapter 11 of the Bankruptcy Code. No provisions of the Plan shall be binding on any party in such a scenario and there can be no assurances that a Plan in a form substantially similar to the one proposed shall be proposed or possible in such a scenario. Metex believes that there will be substantially more assets available to pay claimants under the Plan than would be the case if there were no Plan and Metex were forced to pay Claims solely from its own assets. There can be no assurance, however, that Metex will be able to emerge from a case under Chapter 11 of the Bankruptcy Code in such circumstances, and, as a result, Metex might be forced into liquidation under chapter 7 of the Bankruptcy Code. Metex believes that, if it is liquidated under chapter 7, the assets available to enable distributions to creditors, and the value thereof, would be significantly less than those contemplated by and under the Plan. See Sections IX.B and XIII.C.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Rule 3016(c) of the Federal Rules of Bankruptcy Procedure, and not necessarily in accordance with federal or state securities laws or other non-bankruptcy law. This Disclosure Statement was prepared with the intent to provide "adequate information" (as defined in the Bankruptcy Code) to enable holders of Claims against and Equity Interests in Metex to make informed judgments about the Plan.

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EXHIBITS TO DISCLOSURE STATEMENT

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EXHIBIT 2	METEX'S FINANCIAL STATEMENTS
EXHIBIT 3	METEX'S FINANCIAL PROJECTIONS
EXHIBIT 4	METEX'S LIQUIDATION ANALYSIS

I.

Introduction

Metex Mfg. Corporation ("Metex" or the "Debtor"), which was formerly known as Kentile Floors, Inc. ("Kentile"), is soliciting votes from holders of Asbestos PI Claims for the acceptance of its Plan prior to filing a voluntary petition that will commence a case under Chapter 11 of the Bankruptcy Code.

This Disclosure Statement sets forth certain information regarding the history of Kentile, Metex's current operations and financial condition, the reorganization, and the anticipated post-reorganization operations of Reorganized Metex. This Disclosure Statement describes the terms and provisions of the Plan, specifically the creation of an Asbestos PI Trust, to which, pursuant to section 524(g) of the Bankruptcy Code, all asbestos-related personal injury and wrongful death Claims will be channeled, and an injunction established for the benefit of Metex and certain other parties, including various insurers, who will contribute to the Asbestos PI Trust in exchange for protection under the Asbestos PI Channeling Injunction. The Disclosure Statement also describes certain alternatives to the Plan, the effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan and from the Asbestos PI Trust. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims eligible to vote must follow for their votes to be counted.

Although Metex believes that the descriptions and summaries contained in this Disclosure Statement are fair and accurate in all material respects, they are qualified in their entirety to the extent that they do not set forth the entire text of the documents and statutory provisions discussed. Except where otherwise specifically noted, factual information contained in this Disclosure Statement has been provided by Metex's management or a review of historical corporate accounts.

For a description of the Plan and its provisions, please see Sections VI, VII, and VIII hereof. For a discussion of certain factors to be considered prior to voting, please see Section XI hereof.

II.

Description of Kentile's History, Claims and Insurance

A. Description and History of Kentile's Business and Kentile's 1992 Chapter 11 Case.

1. *Kentile Floors, Inc.'s Origins.*

Kentile commenced business in the late 1800's as a manufacturer of cork tile, and thereafter progressed to making composite tile for commercial and residential use. Kentile at one time had manufacturing facilities in Torrance, California; Chicago, Illinois; Brooklyn, New York; and South Plainfield, New Jersey. The strength of Kentile's business was the manufacture of tile for commercial and institutional use. Kentile's business began facing financial difficulties

in the late 1970's. In the 1970's Kentile closed its California facility, and in the 1980's it closed its Brooklyn facility.

Until the mid 1980's Kentile used asbestos as one of the components in certain types of tile that it manufactured. Kentile experienced severe difficulties in maintaining its production of quality tile once it could no longer use asbestos.

In the 1970's and 1980's, in addition to its production of less decorative tile, which was often used for commercial and institutional purposes, Kentile began producing more decorative tile, essentially designed for residential use. Kentile encountered certain problems in competing with the residential tile designs offered by some of its competitors which resulted in a significant decline in its business and operations.

2. *Kentile's 1992 Chapter 11 Case.*

Commencing in the 1970's Kentile was named a defendant, along with many others, in thousands of lawsuits in which the plaintiffs alleged health damages because of exposure to asbestos. A few of these lawsuits were settled by Kentile's insurance carriers for nuisance value, but most of these lawsuits were still pending in November, 1992, when Kentile filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Southern District of New York (Case No. 92 B 46466 (BRL) (as defined in the Plan "Kentile's 1992 Chapter 11 Case"). At the time of Kentile's 1992 Chapter 11 Case, Kentile had outstanding against it approximately 20,000 claims seeking damages for personal injury or wrongful death related to exposure to Kentile's floor tiles.

During Kentile's 1992 Chapter 11 Case, Kentile attempted to sell its operations as a going concern to some of its competitors but was unsuccessful. In 1993 Kentile liquidated substantially all of its assets. On December 15, 1998, a Plan of Reorganization (as defined in the Plan, "Kentile's 1998 Plan") was confirmed in Kentile's 1992 Chapter 11 Case. As part of Kentile's 1998 Plan, all the then outstanding common stock of Kentile was cancelled and new stock was issued to United Capital Corp. ("UCC") which became the 100% owner of Kentile. Under Kentile's 1998 Plan, Kentile's name was changed to "KF Real Estate Holdings Corporation" ("KF"). Promptly thereafter UCC caused a company it controlled known as Metex Corporation to be merged into KF. Upon the merger, KF's name, as the surviving corporation, was changed to Metex Mfg. Corporation which is the entity soliciting votes on the Plan.

Metex expects to close Kentile's 1992 Chapter 11 Case on the Effective Date of the Plan.

B. Current Asbestos Personal Injury Claims.

Under Kentile's 1998 Plan, all holders of prepetition and postpetition asbestos claims against Kentile were entitled to pursue their claims solely to the extent of Kentile's insurance for such claims. After confirmation of Kentile's 1998 Plan, a significant number of asbestos personal injury claims were filed in the tort system naming Kentile as a defendant. In accordance with Kentile's 1998 Plan these actions were defended and indemnity was paid by Kentile's insurers. From 2000 through the date of this solicitation approximately 10,000 claims have been resolved through settlement or dismissal. Over the past decade, approximately \$144

million has been paid to settle claims against Kentile. Metex estimates that approximately 6,000 active Asbestos PI Claims and over 20,000 inactive Asbestos PI Claims remain outstanding as of the date hereof, the largest portion of which are filed in New York with cases in Illinois being the second largest group.

The Plan that is being solicited hereby affects holders of asbestos personal injury and wrongful death claims (as defined in the Plan, "Asbestos PI Claims"). Accordingly, the rights of holders of other Claims, including Secured Claims, General Unsecured Claims, Asbestos Property Damage Claims and Environmental Claims, are unimpaired by the Plan. Holders of Secured Claims, General Unsecured Claims, Asbestos Property Damage Claims and Environmental Claims will retain rights to assert their Claims, subject to all defenses of Metex to such Claims. Holders of such Claims are directed to the relevant sections of this Disclosure Statement and to the Plan for further information regarding such Claims.

C. Kentile's Insurance Coverage and Insurance Litigation.

1. Insurance Coverage.

As is common for similar industrial companies, Kentile purchased comprehensive primary, umbrella and excess general liability insurance policies. Those policies are "occurrence-based" policies, which, subject to other policy terms, generally insure against "occurrences" that cause bodily injury or property damage during the applicable policy period, even if the injury or damage does not manifest itself until after the policy period. "Occurrence" policies often provide insurance protection against asbestos and other "long-tail" claims, which are commonly asserted years or decades after the underlying injuries are alleged to have occurred.

Beginning in 1985, the comprehensive general liability insurance policies covering Kentile contain express asbestos exclusions that exclude all coverage for asbestos-related claims.

Over the past decade, Kentile's insurers have paid approximately \$144 million for indemnity of asbestos personal injury claims. In the past two years, settlements have been concluded on behalf of Kentile totaling approximately \$48 million. The largest share of such recent payments (and all defense costs) was paid by Liberty Mutual Insurance Company ("Liberty Mutual") which initially received an adverse decision in the Coverage Action (described in Section C.2. below). The decision against Liberty Mutual was vacated by Justice Ramos in the Coverage Action in July 2009. Nevertheless, Liberty Mutual has continued to authorize settlements in accordance with its customary practice as the parties worked towards the Prepackaged Plan of Reorganization described in this Disclosure Statement. However, Liberty Mutual has reserved its rights to pursue cross-claims for contribution against Metex and Kentile's other insurers which, if successful, would substantially reduce the insurance available to cover Asbestos PI Claims against Kentile.

Metex believes that it has remaining approximately \$280 million of products liability/completed operations coverage issued by insurers that remain solvent. All of these insurers, however, have asserted various defenses to payment of Kentile asbestos-related claims.

Kentile's primary carriers have asserted that their policies have been exhausted, an assertion that Metex disputes. Similarly, Kentile's upper level insurers have asserted various other defenses which, if valid, would substantially reduce Kentile's remaining available insurance. Additionally, a decision in the Coverage Court on allocation, if upheld, would adversely affect Metex's access to the remaining insurance. The legal issues in the Coverage Action are described below. For those reasons, among others, Metex has entered Insurance Settlement Agreements with the Settling Asbestos Insurance Entities that will result in \$165 million being paid to the Asbestos PI Trust and the dismissal of the Coverage Action (see Section C.2. below).

2. *Insurance Coverage Litigation.*

A number of disputes have arisen among Metex and the Asbestos Insurance Entities regarding the proper allocation of defense costs and indemnity as well as the available limits of coverage. In 2008, a lawsuit was initiated in the New York State Supreme Court to resolve those issues. *National Fire Union Insurance Company of Hartford, et al., v. Travelers Casualty and Surety Company, et al*, Index No. 105522/2008 (the "Coverage Action").

There are a number of legal issues in the Coverage Action, including questions regarding what policies are triggered by any given claim, exhaustion and attachment points of the various policies, and importantly, allocation of shares of the costs among various parties. A number of carriers have asserted that their policies cannot attach until all coverage below them has been exhausted. They further assert that to the extent that their policies attach above a carrier which is insolvent they have no obligation. A similar argument is made by certain carriers who argue that, to the extent other carriers are responsible for continuous exposure during the years they were on the risk, Metex must pay the share of any insolvent carrier during the time the insolvent carrier was on the risk. Several carriers have also argued that allocation of asbestos liability continues up to today and that Metex is responsible to pay all shares of such liability allocated to periods after January 1, 1985, when Metex could no longer purchase comprehensive general liability coverage without exclusions for asbestos-related liability.

In 2010, Justice Ramos ruled in the Coverage Action that each Kentile insurer is responsible only for the portion of injury-in-fact occurring during its policy period(s), thereby potentially exposing Metex to Kentile's asbestos-related liabilities in early years of alleged exposure to asbestos when there is no provable Kentile insurance, post 1985 when the asbestos risk was excluded from Kentile's insurance policies, and in any other years when an insurer was insolvent. To the extent further decisions are rendered in favor of the carriers and against Metex on the allocation issue, Metex will not have the resources to fund either that portion of a settlement or judgment allocated to periods when Kentile did not have provable insurance or coverage for the asbestos risk or an insolvent carrier's portion of any award. In part because of this fact and Metex's limited resources and in part because of the desire to resolve all existing and future Asbestos PI Claims in a fair manner, Metex has determined to prosecute the instant prepackaged Plan and, in the process, to settle its remaining insurance.

Metex and the Settling Asbestos Insurance Entities have agreed to stay the Coverage Action pending the outcome of the Prepackaged Plan. If the Plan is consummated, the Settling Asbestos Insurance Entities will contribute \$165 million to the Asbestos PI Trust and the Coverage Action will be dismissed.

D. Description of Metex's Current Business.

As noted above, in 1998, immediately after confirmation of Kentile's 1998 Plan, UCC caused one of its affiliates, Metex Corporation, to be merged into Kentile, then known as KF Real Estate Holdings Corporation, with the survivor's name being changed to Metex Mfg. Corporation. At that time Kentile's assets consisted of a single property in South Plainfield, New Jersey and insurance. In 2004, Metex sold the South Plainfield, New Jersey facility which had been closed in 1994 during Kentile's 1992 Chapter 11 Case. In 2008, through a series of transactions, the operating assets of the former Metex Corporation, which had been merged into KF ten years earlier, were transferred out of the merged entity into two newly created operating corporations – Metal Textiles Corporation and AFP Transformer Corporation. These two entities are currently leasing space in two industrial buildings in Edison, New Jersey which are owned by Metex. The leases for the two properties, which expire in 2033, are triple net leases under which the combined annual rental is \$750,000. A portion of the lease rentals are used for environmental remediation of the two sites.

Metex's very limited day-to-day operations are managed by Anthony J. Miceli, who is a Vice President of Metex. Mr. Miceli is also responsible for coordinating discovery with respect to the various litigations against Metex, including the Coverage Action, and for testifying on behalf of Metex in such litigations. Mr. Miceli will continue to be in charge of Metex's day-to-day operations after confirmation of the Plan. The outstanding common stock of Metex is currently held by Metex Holdings Corp. ("MHC"), a subsidiary of UCC.

III.

Prepetition Settlement Negotiations

The cost of defending and resolving Asbestos PI Claims asserted against Kentile since 1998 has been and continues to be substantial. Over the past several years, there has been a material increase in the number of active claims against Kentile scheduled for trial, particularly mesothelioma claims, requiring trial preparation and potential settlement. These events, together with the cost and risk in the Coverage Action, have placed significant pressure on Metex's ability to manage those Asbestos PI Claims. In the past two years, approximately \$48 million has been paid to settle Asbestos PI Claims and approximately \$24 million to defend such Claims, all of which has been paid by insurers. As of the date hereof, there are approximately 6,000 pending Asbestos PI Claims on active dockets naming Kentile as a defendant and more than 20,000 Asbestos PI Claims on inactive dockets. Based upon the number of outstanding Asbestos PI Claims and the amount of settlements, Metex currently estimates that the remaining coverage available to it under Kentile's Asbestos Insurance Policies, particularly in view of the insurance coverage disputes summarized above, will not be sufficient to satisfy in full the pending and future Asbestos PI Claims asserted against Kentile.

In light of the above-described circumstances, Metex determined that it was necessary to commence a case under Chapter 11 of the Bankruptcy Code to preserve its remaining insurance assets and to confirm a plan of reorganization that would allow Metex to resolve Asbestos PI Claims in accordance with the requirements of section 524(g) of the Bankruptcy Code. Section 524(g) provides for the creation of a trust to "assume the liabilities of

a debtor which at the time of entry of the order for relief has been named as a defendant in personal injury, wrongful death, or property-damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products” 11 U.S.C. § 524(g)(2)(B)(i)(I). Section 524(g) further provides for a “channeling” injunction that directs all present and future asbestos-related “demands” to the trust for liquidation and satisfaction of allowed amounts. 11 U.S.C. 524(g)(1). This channeling injunction, however, is valid and enforceable against future asbestos claimants only if, “as part of the proceedings leading to issuance of such injunction, the court appoints a legal representative for the purpose of protecting the rights of persons that might subsequently assert [asbestos-related personal injury or wrongful death claims against the debtor]. . . .” 11 U.S.C. § 524(g)(4)(B)(i).

In 2010, Metex commenced separate negotiations with the Asbestos Insurance Entities and with counsel to certain holders of Asbestos PI Claims attributable to Kentile’s asbestos containing products in order to establish a consensus on the framework for a Chapter 11 plan of reorganization that would satisfy the requirements of section 524(g) of the Bankruptcy Code and treat all present and future claimants fairly and equitably.

A. Metex’s Prepetition Discussions with Holders of Asbestos PI Claims and the Future Claimants’ Representative.

In March 2010, counsel for Metex, Reed Smith LLP, began discussions with Weitz & Luxenberg, P.C., a law firm that represents a substantial number of the holders of active asbestos claims against Kentile in order to explore the feasibility of and the potential for a prepackaged Chapter 11 plan of reorganization that would include an asbestos trust and a channeling injunction pursuant to section 524(g) of the Bankruptcy Code. By mid-2011, after it became clear that the negotiation of a prepackaged plan of reorganization was possible, Metex extended the conversations regarding a prepackaged plan to include two other firms representing holders of a number of asbestos claims against Kentile: Cooney & Conway and the Simmons Law Firm. In late 2011, Metex engaged Lawrence Fitzpatrick as an independent third-party representative for the purpose of protecting the rights of persons that might subsequently assert asbestos-related personal injury or wrongful death Claims against Kentile (as defined in the Plan, the “Future Claimants’ Representative”). After his appointment Mr. Fitzpatrick, counsel for Metex, and representatives of the three firms mentioned above that represent current claimants commenced discussions that eventually led to the Plan.

1. *The Asbestos Claimants Committee.*

In order to facilitate negotiations regarding a prepackaged plan for Metex, beginning in the summer of 2011, counsel for the holders of the majority of current asbestos-related Claims against Kentile began meeting as a group. The members of this group include Perry Weitz (Weitz & Luxenberg, P.C.), John D. Cooney, Esq. (Cooney & Conway), and Robert Phillips, Esq. (the Simmons Law Firm) (the “Asbestos Claimants Committee”). The Asbestos Claimants Committee selected the law firm of Caplin & Drysdale, Chartered as its counsel, and Gilbert LLP as its insurance counsel, each of which became involved in Plan negotiation.

In the fall of 2011 the Asbestos Claimants Committee and its Professionals conducted due diligence regarding Metex, its insurance profile, and the history of asbestos personal injury and wrongful death claims filed against Kentile.

2. *Future Claimants' Representative.*

In the fall of 2011, Metex selected Lawrence Fitzpatrick based on his reputation for integrity, knowledge in the field of complex mass tort proceedings and extensive experience with asbestos-related personal injury litigation, to represent holders of Demands.

Prior to assuming the role of Future Claimants' Representative, Mr. Fitzpatrick had no association or relationship with, or other connection to, Kentile, Metex or any Affiliate of either, and had never represented any plaintiff, defendant, or insurer in any asbestos-related litigation against Kentile. Mr. Fitzpatrick has served as the future claimants' representative in the Chapter 11 cases of *Pittsburgh Corning Corporation*, *North American Refractories Company*, *Global Industrial Technologies, Inc.*, *ACandS, Inc.*, and *Durabla Manufacturing Company*.

Mr. Fitzpatrick selected Young Conaway Stargatt & Taylor, LLP as his law firm. He also retained Analysis, Research & Planning Corporation to act as his expert for the purpose of evaluating the Asbestos PI Claims against Metex.

Since his selection, Mr. Fitzpatrick and his professionals (collectively, the "Future Claimants' Representative Professionals") have conducted due diligence concerning the background, nature, and scope of Kentile's liability for Asbestos PI Claims. This investigation covered, among other things, the nature and extent of past and pending asbestos litigation against Kentile, including the types of claims asserted and the legal issues raised; the projected value of present and future Asbestos PI Claims; and the extent to which Kentile's insurance and other assets may be available to satisfy these liabilities in whole or in part.

In addition, Mr. Fitzpatrick and the Future Claimants' Representative Professionals have had discussions and negotiations with the Asbestos Claimants Committee and its counsel regarding various issues, including in particular the formulation of the Trust Distribution Procedures.

3. *The Insurance Settlements.*

Kentile's 1998 Plan channeled all Kentile asbestos claims, both those arising before and after the commencement of Kentile's 1992 Chapter 11 Case, to Kentile's insurance. Over the past decade, Kentile's insurers (as defined in the Plan, the "Asbestos Insurance Entities") have paid over \$144 million in indemnity. Since 2000, approximately 10,000 claims against Kentile have been settled or dismissed. In 2008, a lawsuit was commenced in the New York State Supreme Court by one of Kentile's insurers in order to determine Kentile's and each Asbestos Insurance Entity's respective responsibility for the asbestos personal injury claims against Kentile (as defined in the Plan, the "Coverage Action"). While there have been a number of decisions issued by the New York Court in the Coverage Action, the suit remains open and has been voluntarily stayed by Metex and the Settling Asbestos Insurance Entities for the pendency of the prepackaged Chapter 11 process.

In mid 2010, Metex began discussion with the solvent Asbestos Insurance Entities about the possibility of a prepackaged Chapter 11 plan for Metex. In early 2011, Weitz & Luxenberg, the law firm with the largest number of cases against Kentile, joined in discussions between Metex and Liberty Mutual Insurance Company ("Liberty Mutual"), which was providing the largest share of defense and indemnity costs to resolve Kentile's asbestos-related Claims. As part of those discussions, Weitz & Luxenberg, P.C. engaged Gilbert LLP ("Gilbert"), a law firm specializing in insurance matters, to review Kentile's insurance policies that provided coverage for asbestos-related personal injury claims. In that process lawyers for Gilbert met on several occasions with insurance counsel for Metex to discuss the legal aspects of the various policies issued by the Asbestos Insurance Entities.

While the meetings between Metex and Liberty Mutual and Weitz & Luxenberg, P.C. were ongoing, Metex was also having discussions with the remainder of Kentile's solvent insurers to determine their interest in resolving issues through a prepackaged plan. As a result of these discussions, tentative agreements were reached on settlements that would resolve issues with all of the solvent Asbestos Insurance Entities. Prior to the commencement of the solicitation herein, Metex entered settlement agreements with its solvent Asbestos Insurance Entities, copies of which are attached as Exhibits C-1 to C-8 to the Plan. All of those insurers (as defined in the Plan, the "Settling Asbestos Insurance Entities") have conditioned the effectiveness of their respective settlement agreement on approval by the Bankruptcy Court of their respective agreements. Accordingly, Metex intends to seek such approval promptly on the filing of the Chapter 11 Case.

Most of the Settling Asbestos Insurance Entities have conditioned payment of the settlement amount to the Asbestos PI Trust on their receiving the benefit of the Asbestos PI Channeling Injunction provided under the Plan. Two of the Settling Asbestos Insurance Entities, Hartford and CNA, have conditioned their settlements solely on approval by the Bankruptcy Court of a sale and purchase of policies pursuant to § 363 of the Bankruptcy Code free and clear of all claims and interests, although each will also receive the benefit of the Asbestos PI Channeling Injunction issued if the Plan is confirmed. Upon receipt of the proceeds from those two insurers, collectively (\$15.5 million), Metex will place such proceeds into an escrow account which will be treated as a "qualified settlement fund" under Section 468B of this Internal Revenue Code. Those accounts or the proceeds thereof will be transferred to the Asbestos PI Trust on the Effective Date of the Plan. See Plan Exhibits C-3 and C-5, for the Hartford and CNA Insurance Settlement Agreements.

Six of Kentile's insurers provided coverage under their policies to Crest Flooring, Inc. ("Crest"). Crest was an Illinois corporation that at one time was a subsidiary of Kentile. In 1990, Crest merged with and into Herregan Distributors, Inc. ("Herregan"), a Minnesota corporation. The Insurance Settlement Agreements with those six insurers (as well as the Insurance Settlement Agreements with the two others) contemplate that the policy buybacks will be free and clear of all claims and interests.

Several of the Settling Asbestos Insurance Entities have agreed to cause the New York Liquidation Bureau (as liquidator for The Home Insurance Company ("The Home")) to make payments that will be contributed to a special escrow account (as defined in the Plan, the "NYLB Escrow Account") in settlement of their claims against The Home arising out of

payment by such insurers of The Home's share of previous Kentile settlements. Such claims are estimated to be approximately \$5.4 million. The NYLB Escrow Account may be used to pay taxes, if any, on the earnings in such Account, administrative expenses in connection with the Chapter 11 Case, and to provide indemnity for Metex in the event it is determined to be liable for an Asbestos Property Damage Claim and/or an Environmental Claim (other than Environmental Claims associated with Metex's Edison, New Jersey real properties) for which there is no insurance. Any proceeds remaining in the NYLB Escrow Account after 10 years will be transferred to the Asbestos PI Trust.

4. *The Plan Settlement.*

The Plan embodies the settlements with the Settling Asbestos Insurance Entities. Copies of these settlement agreements are attached to the Plan as Exhibits C-1 to C-8. The Plan is conditioned upon the Bankruptcy Court approving those Insurance Settlement Agreements. The Insurance Settlement Agreements contemplate that \$165 million will be paid to the Asbestos PI Trust with approximately \$71 million of that sum to be paid to the Asbestos PI Trust on or about the Effective Date. In addition, Metex will issue a 10-year, \$250,000 note to the Asbestos PI Trust in the form of Exhibit D to the Plan (as defined in the Plan the "Metex Promissory Note"). The Metex Promissory Note will be secured by a pledge of fifty-one (51%) percent of Metex's common stock. A form of the Pledge Agreement is attached as Exhibit E to the Plan.

The essential principle of the Plan is that all Asbestos PI Claims will be channeled to the Asbestos PI Trust and that holders of existing Asbestos PI Claims and future Demands will have recourse solely to the Asbestos PI Trust to resolve such claims. Metex, and certain Metex Related Parties set forth on Exhibit G to the Plan, and the Settling Asbestos Insurance Protected Parties, and each of the directors, officers and shareholders of such Entities in their capacity as such, will be protected by the Asbestos PI Channeling Injunction that will prevent the commencement or continuation of an Asbestos PI Claim or Demand against them.

As part of this Chapter 11 process, the parties intend to seek a finding of fact and/or conclusion of law in the Confirmation Order to be issued by the Bankruptcy Court and affirmed by the District Court or issued by the District Court, that Reorganized Metex and the Asbestos PI Trust to be established pursuant to the Plan, are valid legal Entities separate and distinct from one another and each of Reorganized Metex and the Asbestos PI Trust are not and may not in the future be held liable for any liability of the other entity based upon any legal or equitable theory, including those consisting of or relating to veil piercing, alter ego, successor liability, fraudulent transfer, or conspiracy, including but not limited to fraudulent transfer or fraudulent conveyance claims under applicable state or federal law.

If the Plan does not become effective, no party in interest in the Chapter 11 Case shall be bound or prejudiced by any representation, written or oral, made by any party in connection with the Plan or the negotiation or prosecution of the Plan, including without limitation the representations made in the Plan, the Disclosure Statement or the Confirmation Order.

5. *Pre-Effective Date Claims Review.*

At the request of the Asbestos Claimants Committee, Metex established a Claims review (as defined in the Plan, the "Pre-Effective Date Claims Review") with the objective of reviewing asbestos-related personal injury and wrongful death Claims against Metex under the presumed terms of the Asbestos PI Trust Distribution Procedures in order to place those Claims in a position to be paid by Metex's section 524(g) trust (the "Asbestos PI Trust"), once it is established.

To establish and maintain an objective Pre-Effective Date Claims Review, Metex retained an independent third party to review submitted claims and make objective determinations as to which Asbestos PI Claims would be approved for payment pursuant to the terms of the Asbestos PI Trust Distribution Procedures, based on medical and exposure evidence provided by the asbestos claimants' counsel. Metex contacted three separate claims processing firms that have experience in reviewing asbestos-related personal injury and wrongful death claims for established asbestos trusts. After due diligence and after discussion with the ACC and FCR, Metex retained MFR Claims Processing, Inc. ("MFR") to review the Asbestos PI Claims.

MFR has significant experience in reviewing and processing asbestos-related personal injury and wrongful death claims for asbestos trusts. It currently reviews and processes asbestos claims filed against the 524(g) trusts established for Leslie Controls, Inc., Shook & Fletcher, JT Thorpe Company, Hercules Chemical Company, Inc., Motors Liquidation Company, Kaiser Aluminum & Chemical, and Owens Corning/Fibreboard.

MFR will review each individual Asbestos PI Claim that was pending against Metex in the tort system on the Solicitation Date and submitted for Pre-Effective Date Claims Review to determine whether such Asbestos PI Claim should be approved for payment under the provisions of the Asbestos PI Trust Distribution Procedures and communicate such information to the asbestos claimants' counsel. To the extent Asbestos PI Claims submissions are characterized by inadequate (or no) product identification, unsupported medical diagnoses, and various other deficiencies that would render the Asbestos PI Claim inadequate as submitted under the Asbestos PI Trust Distribution Procedures, MFR will provide notice to counsel and a reasonable period to cure such deficiencies. Where the deficiencies are cured, the Asbestos PI Claims will be deemed adequate under the Asbestos PI Trust Distribution Procedures. Where the deficiencies are not cured, MFR will determine, based on the principles set forth in the Asbestos PI Trust Distribution Procedures, that such Asbestos PI Claims are inadequate as submitted, and will communicate the inadequacy of such Asbestos PI Claims to the asbestos claimants' counsel.

Those Asbestos PI Claims which MFR determines should be approved for payment under the Asbestos PI Trust Distribution Procedures shall be treated as Qualified Asbestos PI Claims under the Plan, and paid by the Asbestos PI Trust on the Effective Date or as soon thereafter as is reasonably practicable. Those Asbestos PI Claims MFR deems inadequate may be resubmitted to the Asbestos PI Trust.

Upon the Effective Date of the Plan, the Asbestos PI Trust shall enter into a claims processing agreement with MFR substantially in the same form as the agreement by

which Metex engaged MFR's claims-processing services with respect to the Pre-Effective Date Claims Review.

In the event the Plan is not approved by the Bankruptcy Court, Metex's agreement with MFR provides that Metex will have 120 days from the date of such disapproval to determine whether it wishes to offer to resolve all Qualified Asbestos PI Claims at the initial payment percentage established for the TDP. In the event Metex does not provide notice to MFR within such 120 day period, MFR will destroy all materials submitted to it by holders of Asbestos PI Claims.

Charles Koppelman, who has been proposed as the initial Trustee of the Asbestos PI Trust, has agreed with Metex to oversee the work of MFR in the Pre-Effective Date Claims Review. For information about Mr. Koppelman, please see Section D.5 *Proposed Trustee of the Asbestos PI Trust* in the Summary at the beginning of this Disclosure Statement, and Section VII.A.2. herein.

IV.

Solicitation

A. Solicitation of Holders of Asbestos PI Claims

Metex has commenced solicitation of votes on the Plan as of the date hereof by mailing (via first-class U.S. mail, postage prepaid) the solicitation packages as described below. Metex is soliciting the votes of only holders of Asbestos PI Claims in Class 4, either directly or through their attorneys. No other parties in interest are entitled to vote on the Plan, as all other parties in interest are Unimpaired. The Balloting Agent will file vote certifications (the "Vote Certifications") certifying acceptances from the creditors entitled to vote and who actually vote.

Metex is sending a solicitation package (the "Attorney Solicitation Package") to counsel who have filed suit in the tort system on behalf of a holder of an Asbestos PI Claim.

The Attorney Solicitation Package shall include:

- (a) the Disclosure Statement (to which the Plan is annexed as an exhibit), in electronic format on a CD-ROM;
- (b) a master ballot (the "Master Ballot");
- (c) a preaddressed return envelope;
- (d) a letter from the Future Claimants' Representative and the Asbestos Claimants Committee urging claimants to vote to accept the Plan;
- (e) a copy of a notice of the solicitation; and

- (f) a cover letter describing the contents of the solicitation package and the enclosed CD-ROM, and instructions for obtaining (free of charge) hard copies of the materials provided in electronic format.

In addition to the Attorney Solicitation Packages, Metex will send solicitation packages directly to the holders of Class 4 Asbestos PI Claims who either contact Metex directly or do not grant their counsel permission to vote on their behalf (the "Individual Solicitation Package") that shall include:

- (a) the Disclosure Statement (to which the Plan is annexed as an exhibit), in electronic format on a CD-ROM;
- (b) an individual ballot for voting a Class 4 Claim, (the "Individual Ballot");
- (c) a preaddressed return envelope;
- (d) a letter from the Future Claimants' Representative and the Asbestos Claimants Committee urging claimants to vote to accept the Plan;
- (e) a copy of the notice of the solicitation; and
- (f) a cover letter describing the contents of the solicitation package and the enclosed CD-ROM, and instructions for obtaining (free of charge) hard copies of the materials provided in electronic format.

Attorneys who are unable to vote on behalf of a holder of an Asbestos PI Claim or wish to have the holder cast his or her own ballot on the Plan are requested to furnish the Balloting Agent with the name and address of each such holder by July 20, 2012. If an attorney represents more than twenty (20) such holders, such names and addresses should be provided in electronic format in each case so that it is received by July 20, 2012. An attorney making a request in accordance with this paragraph may include in the Solicitation Package a letter from their law firm recommending whether to accept or reject the Plan so long as such letter is provided to the Balloting Agent by July 20, 2012.

In an additional effort to ensure that all individuals and counsel representing clients with Asbestos PI Claims are given the opportunity to request solicitation packages, Metex will publish a notice of the solicitation in the following publications: *Charleston Gazette and Daily Mail, The New York Times, New Orleans Times-Picayune, Chicago Tribune, San Francisco Chronicle, Philadelphia Inquirer, and USA Today*. Affidavits of such publication will be filed with the Court after the Commencement Date.

In a further effort to maximize notice and ensure that the solicitation process is as transparent as possible, Metex will make the Disclosure Statement available in electronic format on a special solicitation information website (www.loganandco.com) created by the Balloting Agent.

As clearly stated on the Individual Ballots and Master Ballots, in order to be counted, completed ballots must be received by the Balloting Agent by 5:00 p.m., Eastern Time,

on August 28, 2012 (the “Voting Deadline”). Accordingly, claimants and their counsel will have approximately 60 days from the mailing of the Disclosure Statement to vote.

Metex believes that it will solicit votes on its Plan from substantially all holders of Asbestos PI Claims in Class 4 by its distribution of the Individual Solicitation Packages and Attorney Solicitation Packages.

B. Notice to Holders of Secured Claims, General Unsecured Claims, Asbestos Property Damage Claims, Environmental Claims and Equity Interests.

Holders of Secured Claims, General Unsecured Claims, Asbestos Property Damage Claims, Environmental Claims, and Equity Interests are not impaired by the Plan. Rights of holders of such Claims and Equity Interests will be reinstated under the Plan. Accordingly, holders of such Claims and Equity Interests will not be entitled to vote on the Plan. The Debtor intends to give actual notice as appropriate and publication notice of the Plan to holders of such Claims and Interests along with an opportunity to object to the Plan should they choose to do so.

V.

Anticipated Events during the Chapter 11 Case

If Metex receives the requisite acceptances in response to the Solicitation, Metex intends to promptly commence a Chapter 11 Case and seek to expeditiously confirm its Chapter 11 Plan. From and after the Commencement Date, Metex will continue to operate its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

Metex does not anticipate a protracted Chapter 11 Case. To expedite its emergence from Chapter 11, Metex intends to seek, among other things, the relief detailed below from the Bankruptcy Court on the Commencement Date. If granted, this relief will facilitate the administration of the Chapter 11 Case. There can be no assurance, however, that the Bankruptcy Court will grant the requested relief. Bankruptcy courts customarily provide various forms of administrative and other relief in the early stages of a Chapter 11 case. Metex intends to seek all necessary and appropriate relief from the Bankruptcy Court in order to facilitate its reorganization goals, including the matters described below.

A. First-Day Motions.

- Case Administration. These motions will seek Bankruptcy Court authorization to: (i) establish interim compensation procedures for Professionals; (ii) waive the requirement for Metex to file its schedules and statements, or, alternatively, grant an extension of the time for Metex to file such schedules and statements; (iii) approve notice procedures and authorize email service; and (iv) approve certain notice procedures in relation to personal injury claimants.
- Business Operations. These motions will seek Bankruptcy Court authorization to: (i) maintain Metex’s existing bank accounts and operate its cash management

system substantially as it existed prior to the Commencement Date; and (ii) provide adequate assurance to utility companies and establish procedures for determining requests for additional adequate assurance.

B. Approval of the Disclosure Statement and Prepetition Solicitation, and Scheduling of Confirmation Hearing and Motions to Approve the Insurance Settlement Agreements.

Metex will file this Disclosure Statement, the Plan, and motions to approve the Insurance Settlement Agreements on or promptly after the Commencement Date. To facilitate the prompt Confirmation and consummation of the Plan, Metex intends to file a motion seeking an order scheduling a hearing to (i) approve the Disclosure Statement as containing adequate information, as defined in section 1125 of the Bankruptcy Code, (ii) approve the prepetition solicitation procedures, (iii) approve the Insurance Settlement Agreements, and (iv) schedule a hearing on confirmation of the Plan, for a date immediately following the end of the minimum notice period therefor, or as soon thereafter as the Bankruptcy Court's calendar permits.

Metex intends to provide publication notice reasonably calculated to allow potential holders of Asbestos Property Damage Claims and Environmental Claims to be aware of the date of the Confirmation of the Plan and to have an opportunity to object to the Plan. As noted elsewhere, Metex does not believe any such Claims exist because they have been barred, or if they do exist, that under Kentile's 1998 Plan they have been channeled to \$3 million in insurance remaining after settlements with the Settling Asbestos Insurance Entities.

C. Motion to Approve the Asbestos Claimants Committee; Motion to Appoint a Future Claimants' Representative; Applications to Retain Professionals.

As part of its initial filing, Metex will seek to have the Asbestos Claimants Committee appointed as the statutory committee of creditors. Simultaneously, Metex will also file a motion to approve the appointment of Lawrence Fitzpatrick as the Future Claimants' Representative.

Metex also intends to file applications seeking to retain certain Professionals, including, but not limited to, Logan & Company, Inc. as the Balloting Agent, and Reed Smith LLP as its general counsel.

VI.

Treatment of Holders of Claims and Equity Interests under the Plan

A. Summary of Classification and Treatment.

1. *Classification.*

The following table identifies the Classes of Claims under the Plan.

Class	Designation	Impairment	Entitled to Vote
N/A	Administrative Expense Claims and Administrative Expense Claims of Professionals	Unimpaired	No (presumed to accept)
N/A	Priority Tax Claims	Unimpaired	No
Class 1	Priority Claims	Unimpaired	No (presumed to accept)
Class 2	Secured Claims	Unimpaired	No (presumed to accept)
Class 3	General Unsecured Claims (other than Asbestos PI Claims, Asbestos Property Damage Claims and Environmental Claims)	Unimpaired	No (presumed to accept)
Class 4	Asbestos PI Claims	Impaired	Yes
Class 5	Asbestos Property Damage Claims and Environmental Claims	Unimpaired	No (presumed to accept)
Class 6	Equity Interests in Metex	Unimpaired	No (presumed to accept)

2. *Treatment of Claims by Class.*

The following table sets forth the treatment under the Plan for the Claims against and Equity Interests in Metex, as well as the estimated recovery for each Class. The table also identifies which Classes are entitled to vote on the Plan, based on the rules set forth in the Bankruptcy Code. Unless otherwise indicated, the characteristics and amount of the Claims or Equity Interests in the following Classes are based on the books and records of Metex, as of the date hereof.

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
N/A	Administrative Expense Claims and Administrative Expense Claims of Professionals	Payment in full (or as otherwise agreed).	No	Ordinary Course Administrative Claims -- None; Professional Administrative Claims -- Unknown	100%
N/A	Priority Tax Claims	Payment in full on the Effective Date, or regular installment payments over five years from the Effective Date or payment as otherwise agreed.	No	\$9,000	100%
1	Priority Claims	Paid in full, in Cash, on the later of (i) the Effective Date and (ii) as soon as practicable after such Priority Claim becomes Allowed.	No	NONE	100%
2	Secured Claims	Reinstated pursuant to section 1124(2) of the Bankruptcy Code, unless the claimholder agrees to less favorable treatment; with regard to any amount Metex may be required to pay pursuant to section 1124(2), payment in full, in Cash, on the latest of (i) the Effective Date, (ii) the date the Secured Claim becomes Allowed, or (iii) the date the Secured Claim becomes due and payable according to its terms, or (iv) such other date as mutually may be agreed to by and among the holder of such Secured Claim and Metex or Reorganized Metex.	No	NONE	100%
3	General Unsecured Claims (other than Asbestos PI Claims, Asbestos Property	Reinstated pursuant to section 1124(2) of the Bankruptcy Code, unless the claimholder agrees to less favorable treatment; with regard to any amount Metex may be required to pay pursuant to section	No	\$15,000 -- \$20,000	100%

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
	Damage Claims and Environmental Claims)	1124(2), payment in full, in Cash, from available Cash, on the latest of (i) the Effective Date, (ii) the date the General Unsecured Claim becomes Allowed, or (iii) the date the General Unsecured Claim becomes due and payable according to its terms, or (iv) such other date as mutually may be agreed to by and among the holder of such General Unsecured Claim and Metex or Reorganized Metex.			
4	Asbestos PI Claims	Asbestos PI Claims will be channeled to the Asbestos PI Trust, which will be funded pursuant to Article 9.2 of the Plan. Asbestos PI Claims will be resolved in accordance with the terms of the Asbestos PI Trust Documents. The Asbestos PI Trust shall pay Qualified Asbestos PI Claims on the Effective Date or as soon thereafter as is reasonably practicable in accordance with the terms of Asbestos PI Trust Distribution Procedures.	Yes	Unknown	Unknown
5	Asbestos Property Damage Claims and Environmental Claims	Unimpaired. Holders of Asbestos Property Damage Claims and Environmental Claims shall be entitled to pursue their Claims subject to all defenses of Metex thereto.	No	Unknown	100%
6	Equity Interests in Metex	Unimpaired.	No	N/A	100%

B. Description of Unclassified Claims.

1. *Administrative Expenses.*

In order to confirm the Plan, Allowed Administrative Expense Claims must be paid in full on the Effective Date or in a manner otherwise agreeable to the holders of those Administrative Expense Claims. Administrative expenses are the actual and necessary costs and expenses of Metex's Chapter 11 Case, including postpetition salaries and other benefits earned by employees, officers and directors, amounts owed to vendors providing goods and services during the Chapter 11 Case, any indebtedness or obligations incurred or assumed by Metex as Debtor-in-Possession during the Chapter 11 Case, and all other debts incurred by Metex after the Commencement Date in the ordinary course of its business. Metex does not expect to have any non-professional Administrative Expense Claims since its business is comprised of the ownership and triple net lease of two industrial buildings in Edison, New Jersey.

Administrative expenses also include the actual, reasonable, and necessary fees and expenses of the Professionals retained by Metex and certain other parties in the Chapter 11 Case. In connection with Metex's settlement with Liberty Mutual, on execution of the settlement agreement, Liberty Mutual placed \$3 million into an escrow account to pay for the cost of the development and prosecution of the Plan (as defined in the Plan, the "Administrative Expenses"). The fees and expenses of Reed Smith LLP, Metex's counsel, Caplin & Drysdale, Chartered and Gilbert LLC, counsel to the Asbestos Claimants Committee, the Future Claimants' Representative and the Future Claimants' Representative's Professionals have all been paid to date from the Administrative Fund. Additionally, the costs of MFR, the firm conducting the Pre-Effective Date Claims Review, the fees and expenses of Charles Koppelman, the proposed Trustee of the Asbestos PI Trust, the costs of Logan & Company, Inc. as Balloting Agent, and the cost of printing and distributing these materials and solicitation of the votes on the Plan will all be paid from the Administrative Fund or, as necessary, from the NYLB Escrow which will be funded as part of the settlements with certain of the Settling Asbestos Insurance Entities discussed above.

Consistent with the requirements of the Bankruptcy Code, the Plan generally provides for Allowed Administrative Expense Claims to be paid in full by the later of (i) the Effective Date (or as soon thereafter as is reasonably practicable), and (ii) the first Business Day after the date that is thirty (30) days after the date such Administrative Expense Claim becomes Allowed, except with regard to Administrative Expense Claims incurred in the ordinary course of business, which may be paid by Metex in accordance with its past practice and the terms of the agreements governing such obligations.

Reorganized Metex, in its sole and absolute discretion, may settle Administrative Expense Claims in the ordinary course of business without further Bankruptcy Court approval. Metex or Reorganized Metex will have the right to object to any Administrative Expense Claim on the later of (i) 180 days after the Effective Date, subject to such extensions as may be granted from time to time by the Bankruptcy Court, and (ii) 30 days after the date such Administrative Expense Claim is filed. Unless Metex or Reorganized Metex objects to an Administrative Expense Claim, the Administrative Expense Claim will be deemed allowed in the amount requested. In the event that Metex or Reorganized Metex timely objects to an Administrative

Expense Claim, the parties may confer to try to reach a settlement and, failing that, the Bankruptcy Court shall determine whether such Administrative Expense Claim should be Allowed and, if so, in what amount.

2. *Fees and Expenses of Professionals.*

All Professionals seeking awards by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 330 or 503 of the Bankruptcy Code shall (i) file, on or before the deadline specified in the Confirmation Order, their respective applications for final allowance of compensation for services rendered and reimbursement of expenses incurred and (ii) be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court (A) upon the later of (1) the Effective Date and (2) the first Business Day after the date that is thirty (30) calendar days after the date such Administrative Expense Claim of Professionals becomes an Allowed Administrative Expense Claim, or (B) upon such other terms as may be mutually agreed upon by such holder and Reorganized Metex. Such Administrative Expense Claims of Professionals shall be paid from the Administrative Fund and/or the NYLB Escrow.

3. *Priority Tax Claims.*

Priority Tax Claims are essentially the unsecured Claims of federal and state governmental authorities for the kinds of taxes specified in section 507(a)(8) of the Bankruptcy Code, such as certain income taxes, property taxes, excise taxes, and employment and withholding taxes. These unsecured Claims are given a statutory priority in right of payment. Because of the limited nature of its operations Metex estimates that, on the Effective Date, the Allowed Amounts of such Claims will aggregate approximately \$9,000 representing estimated quarterly state income taxes.

Except to the extent that the holder of an Allowed Priority Tax Claim has been paid by Metex prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, receive in full satisfaction, settlement and discharge of and in exchange for such Allowed Priority Tax Claim, either of the following, at the sole and absolute discretion of Reorganized Metex: (a) Cash in an amount equal to the unpaid portion of such Allowed Priority Tax Claim, on the latest of: (i) the Effective Date; (ii) the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable; (iii) the date such Allowed Priority Tax Claim becomes due and payable under applicable non-bankruptcy law; or (b) regular installment payments in Cash (i) of a total value, as of the Effective Date, equal to the allowed amount of such Priority Tax Claim; and (ii) over a period ending not later than five (5) years after the Effective Date.

C. Description of Classified Claims and Equity Interests.

1. *Class 1 – Priority Claims.*

Priority Non-Tax Claims include Claims that are granted priority in payment under section 507(a) of the Bankruptcy Code, such as certain wage, salary and other compensation obligations to employees of Metex (up to a statutory cap of \$10,950 per

employee). Because of the limited nature of its operations, Metex believes that on the Effective Date it will not have any such Priority Claims.

Except to the extent a holder of an Allowed Priority Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Claim shall receive in full satisfaction, settlement and discharge of and in exchange for such Priority Claim, Cash in an amount equal to the unpaid portion of such Allowed Priority Claim on or before the later of: (a) the Effective Date; and (b) the date the Claim becomes an Allowed Priority Claim, or as soon thereafter as practicable. Any Allowed Priority Claim not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof.

Class 1 is Unimpaired under the Plan. Each holder of a Priority Claim is deemed to have accepted the Plan and, accordingly, is not entitled to vote to accept or reject the Plan.

2. *Class 2 – Secured Claims.*

Class 2 consists of Allowed Secured Claims, which would include Claims arising under agreements and obligations of Metex to the extent of the value of any security given by Metex therefor, and obligations secured by statutory liens. Metex believes there are no Secured Claims.

Except to the extent a holder of an Allowed Secured Claim agrees to different treatment of that Claim, each holder of an Allowed Secured Claim shall have such Claim reinstated pursuant to section 1124(2) of the Bankruptcy Code, such that the Secured Claim is rendered Unimpaired. The failure of Metex or any other party in interest to file an objection, prior to the Effective Date, with respect to any Secured Claim that is so reinstated shall be without prejudice to the rights of Reorganized Metex or any other party in interest to contest or otherwise defend against such Secured Claim in an appropriate forum when and if such Secured Claim is sought to be enforced. Any amount that Metex may be required to pay pursuant to section 1124(2) of the Bankruptcy Code on account of any such reinstated Allowed Secured Claim shall be paid in full, in Cash, on or as soon as practicable after the latest of (i) the Effective Date, (ii) the date on which such Secured Claim becomes Allowed, (iii) the date such Secured Claim becomes due and payable according to its terms, or (iv) such other date as mutually may be agreed to by and among the holder of such Secured Claim and Metex or Reorganized Metex.

Class 2 is Unimpaired under the Plan. Each holder of a Secured Claim is deemed to have accepted the Plan and is therefore not entitled to vote to accept or reject the Plan.

3. *Class 3 – Allowed General Unsecured Claims.*

Class 3 consists of Allowed general unsecured non-priority Claims, other than Asbestos PI Claims, Asbestos Property Damage Claims and Environmental Claims. This Class consists principally of the Claims of trade and other business creditors for goods and services provided to Metex prior to the Commencement Date, and damage Claims if any, arising from Metex's rejection (if any) of executory contracts and unexpired leases. Because of the limited

nature of its operations, Metex estimates that on the Effective Date, the Allowed Amount of General Unsecured Claims will be approximately \$15,000 to \$20,000.

Except to the extent a holder of an Allowed General Unsecured Claim agrees to different treatment of that Claim, each holder of an Allowed General Unsecured Claim shall have such General Unsecured Claim reinstated pursuant to section 1124(2) of the Bankruptcy Code such that the General Unsecured Claim is rendered Unimpaired. The failure of Metex or any other party in interest to file an objection prior to the Effective Date with respect to any General Unsecured Claim that is so reinstated shall be without prejudice to the rights of Reorganized Metex or any other party in interest to contest or otherwise defend against such General Unsecured Claim in an appropriate forum when and if such General Unsecured Claim is sought to be enforced. Any amount that Metex may be required to pay pursuant to section 1124(2) of the Bankruptcy Code on account of any such reinstated Allowed General Unsecured Claim shall be paid in full, in Cash, from available Cash, on or as soon as practicable after the latest of (i) the Effective Date, (ii) the date on which such General Unsecured Claim becomes Allowed, (iii) the date such General Unsecured Claim becomes due and payable according to its terms, or (iv) such other date as mutually may be agreed to by and among the holder of such General Unsecured Claim and Metex or Reorganized Metex.

Class 3 is Unimpaired under the Plan. Each holder of a General Unsecured Claim is deemed to have accepted the Plan and is therefore not entitled to vote to accept or reject the Plan.

4. *Class 4 – Asbestos PI Claims.*

Asbestos PI Claims means each of the following: (i) a Metex Asbestos PI Claim; (ii) an Indirect Asbestos PI Claim; (iii) a Derivative Liability Asbestos PI Claim; (iv) a Qualified Asbestos PI Claim; (v) a Direct Action Claim; and (vi) a Demand. Asbestos PI Claims shall not include Asbestos Property Damage Claims.

As of the Effective Date, liability for all Asbestos PI Claims shall automatically and without further act, deed or court order be channeled to and assumed by the Asbestos PI Trust in accordance with, and to the extent set forth in, Articles IX and XI of the Plan, the applicable Plan Documents and the Confirmation Order. The Asbestos PI Trust shall be funded in accordance with the provisions of Article 9.2 of the Plan. Each Asbestos PI Claim shall be resolved in accordance with the terms of the Asbestos PI Trust Documents. The sole recourse of the holder of an Asbestos PI Claim on account of such Asbestos PI Claim shall be to the Asbestos PI Trust, and no holder shall have any right whatsoever to assert its Asbestos PI Claim against any Asbestos Protected Party.

The Asbestos PI Trust shall pay Qualified Asbestos PI Claims on the Effective Date or as soon thereafter as is reasonably practicable in accordance with the terms of the Asbestos PI Trust Distribution Procedures.*

* The figures presented in the chart represent claim values for settlement purposes only. The parties reserve all rights with respect to actual claim values in the event the Plan is not confirmed.

The Asbestos PI Trust Distribution Procedures includes the following types of Asbestos PI Claims and the values related thereto.

Level	Disease Category	Scheduled Value	Average Value	Maximum Value
VIII	Mesothelioma	\$135,000	\$175,000	\$330,000
VII	Lung Cancer 1	\$65,000	\$78,000	\$100,000
VI	Lung Cancer 2	NONE	\$15,000	\$25,000
V	Other Cancers	\$17,500	\$20,000	\$25,000
IV	Severe Asbestosis	\$65,000	\$78,000	\$100,000
III	Asbestosis/Pleural Disease	\$5,000	NONE	NONE
II	Asbestosis/Pleural Disease	\$2,500	NONE	NONE
I	Other Asbestos Disease	\$100	NONE	NONE

The initial payment percentage established for payment of Asbestos PI Claims is 15%.

Class 4 is Impaired under the Plan. Each holder of an Asbestos PI Claim shall be entitled to vote to accept or reject the Plan to the extent and in the manner provided in Article V of the Plan and the Solicitation Procedures Order.

5. *Class 5 –Asbestos Property Damage Claims and Environmental Claims.*

Class 5 consists of Asbestos Property Damage Claims and Environmental Claims. These Claims consist of damage to property caused by Kentile asbestos containing floor tiles as well as any Claim by any person for damages to the environment.

(a) *Asbestos Property Damage Claims.*

“Asbestos Claims” was defined in Kentile’s 1998 Plan to mean “any Claim against Kentile based upon damages caused by asbestos other than environmental damages.” Thus the definition of “Asbestos Claim” included damage to property caused by Kentile’s asbestos containing products. The Bankruptcy Court in Kentile’s 1992 Chapter 11 Case issued an order setting a bar date of January 17, 1997 by which all “Asbestos Claims” (as defined in Kentile’s 1992 Chapter 11 Case) had to be filed or forever barred. As a consequence of the bar date order and the notice thereof through direct notice and by publication, a significant number of claims alleging property damage resulting from Kentile’s asbestos containing floor tile were filed against Kentile by January 17, 1997. By 2006, settlements of those claims had been reached with Arkansas; California; Connecticut; Delaware; Idaho; Illinois; Kentucky; Louisiana; Mississippi; Missouri; New York; North Dakota; Pennsylvania; Rhode Island; Texas; West Virginia; Wyoming; the District of Columbia; Baltimore County, Maryland; the City of New York; the Port Authority of New York and New Jersey; Verizon New York, Inc.; New York City Transit Authority; Orleans Parish, Louisiana; City of Birmingham, Michigan; Comerica Bank; the National Bank of Detroit (n/k/a Chase); Consumers Energy Company (f/k/a Consumers Power Company); Ameritech Corporation; Park Shelton Apartments and The City of Port Huron, Michigan. The last remaining known asbestos property damage claim asserted against Kentile in its 1992 Chapter 11 Case was settled with the City of Baltimore in February, 2012.

Kentile's 1998 Plan provided that all existing and any future Asbestos Claims would be paid solely from Kentile's available insurance.

Because of the establishment of the bar date in Kentile's 1992 Chapter 11 Case and the nature of claims asserting damages to property, *i.e.*, that the damages relate to the cost of removal of asbestos, and because of the settlements described in the preceding paragraph, Metex believes there are no outstanding Asbestos Property Damage Claims. To the extent any such Claims exist, as a result of the agreements with the Settling Asbestos Insurance Entities, Metex will have \$3 million of insurance remaining with Liberty Mutual that may respond to Asbestos Property Damage and Environmental Claims. Because insurance was available on a first come, first served basis under Kentile's 1998 Plan and because Kentile had the right to compromise or settle its insurance, Metex believes holders of Asbestos Property Damage Claims, if any, are not impaired under the Plan.

Holders of Class 5 Asbestos Property Damage Claims are not impaired by the Plan and thus not entitled to vote on the Plan and are deemed to have approved the Plan.

(b) *Environmental Claims.*

Kentile at one time had manufacturing plants in Torrance, California; Chicago, Illinois; Brooklyn, New York; and South Plainfield, New Jersey. Kentile closed its California facility in the 1970's and in the 1980's ceased operations at its Brooklyn facility. Both the California plant and the Brooklyn plant were sold prior to the filing of Kentile's 1992 Chapter 11 Case. The Chicago plant was closed and sold in 1995 and the South Plainfield plant was sold shortly after the confirmation of Kentile's 1998 Plan.

The Bankruptcy Court in Kentile's 1992 Chapter 11 Case issued an order requiring that all "Claims" (as defined in Kentile's 1992 Chapter 11 Case) be filed or forever barred. Accordingly, to the best of Metex's knowledge all Environmental Claims relating to Kentile's former manufacturing facilities have been resolved. However, recently Metex received an information questionnaire from the United States Environmental Protection Agency regarding Kentile's former Brooklyn operation which was located near the Gowanus Canal. The Gowanus Canal was designated a superfund site by the U.S. Environmental Protection Agency in 2010. Metex responded to the questionnaire indicating that it had no knowledge related to Kentile's former Brooklyn, New York facility.

Kentile's 1998 Plan provided that all existing and future Kentile "Environmental Claims" (as defined in Kentile's 1998 Plan) were channeled to insurance and that Kentile would not have individual liability for such Claims.

Metex believes all Kentile related Environmental Claims either were time barred as a result of the January 17, 1997 bar date in Kentile's 1992 Chapter 11 Case, or, to the extent not time barred, limited by the 1998 Kentile Plan to the right to seek damages solely from remaining available insurance. Such remaining insurance, which also is available to respond to Asbestos Property Damage Claims, is in the amount of \$3 million and is being provided by Liberty Mutual under its Insurance Settlement Agreement, a copy of which is attached as Exhibit C-1 to the Plan. Because insurance was available on a "first come, first served" basis under

Kentile's 1998 Plan and because Kentile had the right to compromise or settle its insurance, Kentile-related Environmental Claims, to the extent they exist, are not impaired as the holders of such Claims continue to have whatever rights they had under Kentile's 1998 Plan. Holders of such Claims are not entitled to vote on the Plan and are deemed to have approved the Plan.

Metex is conducting environmental remediation at its two facilities in Edison, New Jersey. Such remediation has been and will continue to be handled in the ordinary course of Metex's business. Accordingly, holders of Environmental Claims related to Metex's two Edison, New Jersey facilities will not be impaired by the Plan, are not entitled to vote on the Plan, and are deemed to have approved the Plan.

Class 5 is Unimpaired under the Plan. Each holder of an Asbestos Property Damage Claim or Environmental Claim is not entitled to vote on the Plan.

6. *Class 6 – Equity Interests.*

Class 6 consists of the Equity Interests in Metex, all of which are held by MHC.

On the Effective Date, the holder of the Equity Interests in Metex shall retain those Interests pursuant to the Plan.

Class 6 is Unimpaired under the Plan, and MHC, as the holder of such Interests, shall be deemed to have accepted the Plan.

VII.

Description of the Asbestos PI Trust and Contributions

A. The Asbestos PI Trust

1. *Creation of the Asbestos PI Trust.*

On the Effective Date, the Asbestos PI Trust shall be created in accordance with the Plan Documents, the Asbestos PI Trust Documents and section 524(g) of the Bankruptcy Code. The Asbestos PI Trust is intended to constitute a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code and the regulations issued thereunder. The purpose of the Asbestos PI Trust shall be to assume, liquidate, and resolve all Asbestos PI Claims (whether existing as of the Effective Date or arising at any time thereafter) and to use the Asbestos PI Trust Assets to pay holders of Asbestos PI Claims in accordance with the terms of the Asbestos PI Trust Agreement, the Asbestos PI Trust Distribution Procedures, the Plan and the Confirmation Order, and in such a way as to provide reasonable assurance that the Asbestos PI Trust will value, and be in a financial position to pay, present Asbestos PI Claims and future Demands in substantially the same manner, and to otherwise comply in all respects with the requirements of section 524(g)(2)(B) of the Bankruptcy Code. The Asbestos PI Trust shall have no liability for any Claim other than an approved Asbestos PI Claim. On the Effective Date, all right, title and interest in and to the Asbestos PI Trust Assets and any proceeds thereof will be transferred to and vested in the Asbestos PI Trust, free and clear of all Claims, Demands, Equity

Interests, Encumbrances and other interests of any Entity without any further action of the Bankruptcy Court or any Entity.

Upon dissolution of the Asbestos PI Trust, after the wind-up of its affairs by the Asbestos PI Trustee and payment of all the Asbestos PI Trust's liabilities has been provided for (including, without limitation, the Asbestos PI Trust Expenses), all Asbestos PI Trust Assets will be donated to such organization(s) exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, which shall be as selected by the Asbestos PI Trustee in his or her reasonable discretion; *provided, however*, that (i) if practicable, the activities of the selected tax-exempt organization(s) shall be related to the treatment of, research on, or the relief of the suffering of, individuals with asbestos-related disorders and (ii) the tax-exempt organization(s) shall not bear any relationship to Reorganized Metex within the meaning of section 468B(d)(3) of the Internal Revenue Code.

2. *Appointment of Asbestos PI Trustee.*

Charles A. Koppelman has been chosen to act as the proposed Trustee of the Asbestos PI Trust. He is currently serving as trustee of the ASARCO LLC Asbestos Personal Injury Settlement Trust, the United States Gypsum Asbestos Personal Injury Settlement Trust and the T. H. Agriculture & Nutrition, LLC Asbestos Personal Injury Trust. During the Pre-Effective Date Claims Review, Mr. Koppelman will oversee the activities of MFR, the Claims Reviewer. It is anticipated that Mr. Koppelman will be confirmed by the Bankruptcy Court formally as Trustee of the Asbestos PI Trust in the Confirmation Order. Mr. Koppelman has had a long and distinguished career in the entertainment industry.

3. *Appointment of Future Claimants' Representative.*

Lawrence Fitzpatrick shall serve as the Future Claimants' Representative in connection with the operation of the Asbestos PI Trust. For information about Mr. Fitzpatrick see Section III.A.2. above.

4. *Appointment of Asbestos PI Trust Advisory Committee Members:*

The initial members of the Asbestos PI Trust Advisory Committee shall be those persons designated in the Confirmation Order or Plan Supplement.

5. *Claims Review.*

The Claims Reviewer will review Asbestos PI Claims during the Pre-Effective Date Claims Review in accordance with the terms of the Asbestos PI Trust Distribution Procedures. All Asbestos PI Claims approved by the Claims Reviewer during the Pre-Effective Date Claims Review shall be designated as Qualified Asbestos PI Claims and treated in accordance with Article 4.4 of the Plan. On the Effective Date, the Asbestos PI Trust shall enter into a claims processing agreement with MFR substantially in the same form as the agreement by which Metex engaged MFR's claims-processing services with respect to the Pre-Effective Date Claims Review.

6. *Contributions to the Asbestos PI Trust.*

On the Effective Date, Metex and the Settling Asbestos Insurance Entities will make the Metex Asbestos PI Trust Contribution and Settling Asbestos Insurance Entity Asbestos PI Trust Contribution, respectively, to the Asbestos PI Trust, as described in Section VII.B. below.

7. *Transfer of Claims and Demands to the Asbestos PI Trust.*

On the Effective Date, all Asbestos PI Claims, including Demands, will be channeled to the Asbestos PI Trust and shall be satisfied solely by the assets held by the Asbestos PI Trust. For more information about the Asbestos PI Channeling Injunction, see Sections VIII.D.5 and VIII.D.6 below. The Asbestos PI Trust shall have no liability for any Claims other than Asbestos PI Claims and no Claims other than Asbestos PI Claims shall be transferred and channeled to the Asbestos PI Trust.

8. *Discharge of Liabilities to Holders of Asbestos PI Claims.*

The transfer to, vesting in, and assumption by the Asbestos PI Trust of the Asbestos PI Trust Assets, on or after the Effective Date, as contemplated by the Plan, will, among other things, discharge Metex from, and satisfy all obligations and liabilities of the other Asbestos Protected Parties for and in respect of, all Asbestos PI Claims.

9. *Indemnification by the Asbestos PI Trust.*

The Asbestos PI Trust shall, pursuant to the terms of the Asbestos Trust Agreement, indemnify and hold harmless the Asbestos Protected Parties for any liability or alleged liability, arising out of, or resulting from, or attributable to, an Asbestos PI Claim.

10. *Books and Records.*

On the Effective Date, any Asbestos Records of Kentile or Metex shall be treated in accordance with the Asbestos Records Cooperation Agreement, which shall be substantially in the form as set forth in a Plan Supplement.

B. Description of the Consideration Contributed to the Asbestos PI Trust.

The Settling Asbestos Insurance Entities and Metex will contribute to the Asbestos PI Trust the following assets.

1. *The Settling Asbestos Insurance Entities Contribution to the Asbestos PI Trust*

<u>Asbestos Insurance Entity</u>	<u>Amount</u>	<u>Payment Terms</u>
Liberty Mutual Insurance Company ("Liberty Mutual")	\$47 million	\$22 million within 30 days after the Effective Date and \$25 million within the next 36 months after the Effective Date
Fireman's Fund Insurance Company ("Fireman's")	\$40 million	\$10 million within 30 days of receiving notice that the Effective Date of the Plan has occurred; \$5 million on the first anniversary of the Effective Date; \$3 million on each of the next seven anniversaries of the Effective Date; and \$4 million on the ninth anniversary of the Effective Date
National Fire Insurance Company of Hartford, as successor by merger to Transcontinental Insurance Company, and Continental Insurance Company, as successor in interest to certain policies issued by Harbor Insurance Company (collectively, "CNA")	\$.5 million	\$.5 million within 60 days of the Effective Date
American Home Assurance Company, Granite State Insurance Company, and National Union Fire Insurance Company of Pittsburgh, PA (collectively, "Chartis")	\$25 million	\$25 million in ten equal annual installments with the first payment on the later of the Effective Date or January 2, 2013
Century Indemnity Company (as successor to CCI Insurance Company, as successor to Insurance Company of North America ("Century Indemnity") and ACE Property & Casualty Company (f/k/a CIGNA Property and Casualty Company f/k/a Aetna Insurance Company) ("ACE P&C"))	\$12 million	\$12 million payable in ten equal annual installments commencing within 30 days after the Effective Date of the Plan
Allianz Global Risks US	\$5.5 million	\$5.5 million within 30 days of notice

Insurance Company f/k/a Allianz Insurance Company ("Allianz")		that the Effective Date of the Plan has occurred
Hartford Accident and Indemnity Company ("Hartford")	\$15 million	\$15 million within 30 days of notice that the Approval Order approving the Settlement Agreement has been entered and become final
Travelers Casualty and Surety Company (formerly known as The Aetna Casualty and Surety Company) ("Travelers")	\$20 million	\$15 million within 30 days of the Effective Date of the Plan and \$1,666,666 on each anniversary thereafter in equal installments for a total of \$20 million
TOTAL	\$165 million	\$165 million

Copies of the settlement agreements pursuant to which each of the Settling Asbestos Insurance Entities will make contributions to the Asbestos PI Trust are set forth on Exhibits C-1 to C-8 of the Plan.

2. *The Metex Contribution to the Asbestos PI Trust.*

Pursuant to the Plan, on the Effective Date, Metex will issue a ten (10) year, \$250,000 promissory note to the Asbestos PI Trust. The note will bear interest at four percent (4%) per annum and will be secured by a pledge of fifty-one percent (51%) of the stock in Reorganized Metex. (A form of the Metex Promissory Note and Pledge Agreement are set forth on Exhibits D and E to the Plan, respectively.) In addition, Metex will assign to the Asbestos PI Trust its Asbestos Insurance Rights (as defined in the Plan) which include, subject to certain limitations, rights against Settling Asbestos Insurance Entities and the Non-Settling Asbestos Insurance Entities. Finally, Metex will assign to the Asbestos PI Trust the NYLB Escrow subject to the prior payment of Administrative Expense Claims of Professionals and United States Trustee Fees, and any indemnity on behalf of Metex and Reorganized Metex for Kentile-related Asbestos Property Damage Claims and Environmental Claims not otherwise covered by insurance. A form of the NYLB Escrow Agreement is attached as Exhibit F to the Plan.

C. **Estimation of Asbestos PI Claims.**

Each of the Future Claimants' Representative and the Asbestos Claimants Committee has hired a claims valuation expert to estimate the aggregate value of Kentile's pending and future PI Asbestos PI Claims through 2050. The claims valuation experts have been provided with claims data and related information relevant to the estimation process, including a database of all asbestos personal injury and wrongful death claims filed against and resolved by Metex before the Commencement Date.

In order to estimate an aggregate value, the experts prepared forecasts that estimate the number, type, and year of filing of future asbestos-related personal injury and

wrongful death claims against Kentile along with the estimated cost of resolving those claims. To create such forecasts, the experts applied methodologies that he or she had employed and tested in other asbestos-related bankruptcies and other contexts, and each made certain assumptions about historical events and likely future behavior.

VIII.

Other Aspects of the Plan

A. Distributions Other Than on Account of Asbestos PI Claims.

One of the key concepts under the Bankruptcy Code is that only Claims that are “allowed” may receive distributions under a Chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an “allowed” Claim simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the Claim, and the amount thereof, is in fact a valid obligation of the debtor. For an explanation of how Disputed Claims will be determined, see section VIII.A.4. below.

1. *Distributions.*

Other than with respect to distributions to be made to Asbestos PI Claims by and from the Asbestos PI Trust, Reorganized Metex will make all Distributions required to be made under the Plan as provided under Article VI of the Plan. All distributions to be made on account of Asbestos PI Claims will be made in accordance with the terms of the Asbestos PI Trust Documents, including the Asbestos PI Trust Distribution Procedures.

2. *Timing and Conditions of Distributions.*

(a) Date of Distributions.

Except as otherwise provided in the Plan, Plan Documents and the Confirmation Order, any Distributions and deliveries to be made under the Plan on account of Allowed Claims (other than Asbestos PI Claims which will be paid by the Asbestos PI Trust in accordance with the Asbestos PI Trust Distribution Procedures) will be made on the Effective Date or as soon thereafter as is practicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, or as soon thereafter as is practicable, but will be deemed to have been completed as of the required date.

3. *Delivery of Distributions.*

Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim (other than an Asbestos PI Claim) will be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court, as may be required, or on the books and records of Metex or its agents, or in a letter of transmittal, unless Metex has been notified in writing of a change of address.

If any such holder's Distribution is returned as undeliverable, then no further Distributions to such holder will be made unless and until Reorganized Metex is notified of such holder's then-current address, at which time all missed Distributions shall be made to such holder (without interest). A Distribution that is not claimed by the expiration of six (6) months from the date that such Distribution was made will be deemed unclaimed property under section 347(b) of the Bankruptcy Code and will revert in Reorganized Metex, and the claim of any holder to such Distributions will be discharged and forever barred. Metex or Reorganized Metex will not be required to attempt to locate any holder of an Allowed Claim.

4. *Procedures for Treating Disputed Claims under the Plan.*

(a) Disputed Claims.

A Disputed Claim is any Claim that is not an Allowed Claim (and has not already been disallowed by a Final Order of the Bankruptcy Court or withdrawn). Any Claim that is contingent, unliquidated, or disputed is a Disputed Claim. Any Claim as to which no objection or request for estimation has been filed, no litigation has commenced, and Metex otherwise has assented to the validity thereof (and as to which a proof of Claim has been properly and timely filed, to the extent required by the Plan or any order of the Bankruptcy Court), is an Allowed Claim. Any Claim as to which any objection or request for estimation that has been filed has been settled, waived, withdrawn or denied by a Final Order, is an Allowed Claim. Any Claim that is allowed (i) pursuant to the terms of a Final Order, (ii) pursuant to the terms of an agreement by and among the holder of such Claim and Metex (or Reorganized Metex, as the case may be) or (iii) under the terms of the Plan, is an Allowed Claim.

The term "Allowed" does not apply to Claims held by holders of Class 4 Asbestos PI Claims. All Asbestos PI Claims will be determined and paid by the Asbestos PI Trust in accordance with Article 9.2 of the Plan and the Asbestos PI Trust Documents, including the Asbestos PI Trust Distribution Procedures. After the Effective Date, all Asbestos PI Claims must be submitted solely to the Asbestos PI Trust for resolution, which shall be in accordance with the Asbestos PI Trust Distribution Procedures, and only the Asbestos PI Trust will have the right to object to and/or pay Asbestos PI Claims.

(b) Objections to Claims.

Metex and Reorganized Metex will be entitled to file objections to Claims that have been or properly should have been brought in the Bankruptcy Court (other than Asbestos PI Claims), on or before the first (1st) anniversary of the Effective Date (unless such day is not a Business Day, in which case such deadline shall be the next Business Day thereafter), as the same may be extended from time to time by the Bankruptcy Court, and shall be authorized to settle, compromise, withdraw or litigate to judgment such objections without further approval of the Bankruptcy Court.

B. Treatment of Executory Contracts and Unexpired Leases.

1. *Contracts and Leases Not Expressly Rejected Are Assumed.*

Subject to approval of the Bankruptcy Court, section 365 of the Bankruptcy Code allows a debtor to assume or reject its executory contracts and unexpired leases.

Metex shall assume, as of the Effective Date, all Executory Contracts to which Metex is a party, except for: (a) the Executory Contracts specifically listed in the Schedules to the Plan Supplement, which shall either be rejected or assumed and assigned, respectively, as described therein; and (b) the Executory Contracts specifically addressed in the Schedules to the Plan Supplement or pursuant to a Final Order of the Bankruptcy Court entered on or before the Effective Date. Metex may, at any time on or before the Effective Date, amend the Schedules to the Plan Supplement to delete therefrom or add thereto any Executory Contract. Metex shall provide notice of any such amendment to the parties to the Executory Contract(s) affected thereby and to the parties on any master service list established by the Bankruptcy Court in the Chapter 11 Case. The fact that any contract or lease is listed in the Schedules to the Plan Supplement will not constitute or be construed to constitute an admission that such contract or lease is an executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code or that Metex or any successor in interest to Metex (including Reorganized Metex) has any liability thereunder.

The Confirmation Order will constitute an order of the Bankruptcy Court approving such (a) rejections, (b) assumptions, or (c) assumptions and assignments, as the case may be, as of the Effective Date, pursuant to sections 365 and 1123(b)(2) of the Bankruptcy Code.

2. *Cure of Defaults.*

Generally, if there has been a default under an executory contract or unexpired lease (other than a default specified in section 365(b)(2) of the Bankruptcy Code), the debtor can assume the contract or lease only if the debtor cures the default.

Except to the extent that different treatment has been agreed to by the non-Debtor party or parties to any Executory Contract to be assumed (including any Executory Contract to be assumed and assigned) pursuant to Article 7.1 of the Plan, Reorganized Metex shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, within thirty (30) days after the Effective Date, file and serve a pleading with the Bankruptcy Court listing the amount of the proposed Cure for each such Executory Contract. The non-Debtor party or parties to each such Executory Contract will have fifteen (15) days from service of the Cure Notice to object to the proposed Cure with respect to that Executory Contract. Within thirty (30) days after service of any objection to the proposed Cure for an Executory Contract, Metex shall (i) resolve such objection, which resolution will not require approval of the Bankruptcy Court, (ii) schedule a hearing before the Bankruptcy Court to determine the proper Cure for the Executory Contract, or (iii) determine to reject the Executory Contract, and provide notice thereof to the applicable non-Debtor party or parties.

3. *Rejection Damages Claims.*

In the event that the rejection of an Executory Contract by Metex, pursuant to the Plan or otherwise, results in damages to the non-Debtor party or parties to such Executory Contract, a Claim for such damages shall be forever barred and shall not be enforceable against Metex, Reorganized Metex, or their respective properties or interests in property as agents, successors or assigns unless a Proof of Claim with respect to such damages is filed with the Bankruptcy Court and served upon counsel for Metex on or before (i) if such Executory Contract is rejected pursuant to Articles 7.1 and 7.2 of the Plan, the later of: (a) thirty (30) days after entry of the Confirmation Order or (b) fifteen (15) days after the non-Debtor party receives notice of the rejection of such Executory Contract pursuant to Article 7.2 of the Plan; or (ii) if such Executory Contract is rejected pursuant to a Final Order of the Bankruptcy Court granting a motion filed by Metex to reject that Executory Contract, fifteen (15) days after entry of such order.

C. Effect of Confirmation.

1. *Revesting of Metex's Assets.*

On the Effective Date, pursuant to section 1141(b) of the Bankruptcy Code, except as otherwise provided in the Plan, the Plan Documents or the Confirmation Order, the property of the Estate of Metex (except for the Metex PI Trust Contribution) shall vest in Reorganized Metex free and clear of any and all Liens, Claims, Encumbrances and other interests of any Entity. From and after the Effective Date, Reorganized Metex may operate its business and may use, acquire, and dispose of property free of any restrictions imposed under the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. Without limiting the generality of the foregoing, Reorganized Metex may, without application to, or approval by, the Bankruptcy Court, pay Professional fees and expenses that Reorganized Metex incurs after the Effective Date.

2. *Preservation of Certain Causes of Action; Defenses.*

Except as otherwise provided in Article 10.6 of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, Reorganized Metex, as successor in interest to Metex and its Estate, will retain and may enforce any and all rights, Claims, and Causes of Action accruing to or that are property of Metex or its Estate pursuant to the Bankruptcy Code or any statute or legal theory, including any rights to, Claims or Causes of Action for recovery under any policies of insurance issued to or on behalf of Kentile or Metex and not assigned to the Asbestos PI Trust as part of Metex's PI Trust Contribution, and any rights, Claims, and Causes of Action against third parties related to or arising out of Allowed Claims. Reorganized Metex will also retain and may enforce all defenses and counterclaims to all Claims asserted against Metex or its Estate, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code.

Notwithstanding anything in Article 10.2 of the Plan to the contrary, on the Effective Date all Claims, defenses, rights and Causes of Action of Metex and Reorganized Metex relating to Asbestos PI Claims, including the Asbestos Insurance Rights, will be

transferred and assigned to the Asbestos PI Trust. Except as otherwise provided in Article 10.2 of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Asbestos PI Trust will retain and may enforce such Asbestos PI Claims, defenses, rights and Causes of Action, including the Asbestos Insurance Rights, and shall retain and may enforce all defenses and counterclaims to all Claims or Demands asserted against the Asbestos PI Trust with respect to such Asbestos PI Claims, including, but not limited to, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code; *provided, however*, that no such defenses, Causes of Action, or counterclaims may be asserted against any Asbestos Protected Party (including but not limited to Metex Related Parties or Settling Asbestos Insurance Entities). The Asbestos PI Trust will be deemed to be the appointed Estate representative to, and may, pursue, litigate, compromise and settle any rights, Claims, or Causes of Action transferred to it, as appropriate, in accordance with its and its beneficiaries' best interests.

Nothing in Article 10.2 of the Plan, however, will be deemed to be a transfer by Metex or Reorganized Metex of any Claims, rights, Causes of Action, or defenses relating to assumed Executory Contracts or which otherwise are required by Reorganized Metex to conduct its business in the ordinary course subsequent to the Effective Date.

3. *Institution and Maintenance of Legal and Other Proceedings.*

From and after the Effective Date, Reorganized Metex will be empowered and entitled, in its sole and absolute discretion, to pursue, compromise or settle Reorganized Metex's interests in any insurance policy to the extent of coverage for an Asbestos Property Damage Claim or an Environmental Claim.

4. *Insurance Neutrality.*

Notwithstanding anything to the contrary in the Plan (other than Articles 10.3 and 10.4 thereof), in any of the Plan Documents, or in the Confirmation Order, nothing in the Plan, the Plan Documents, or the Confirmation Order (including any other provision that purports to be preemptory or supervening) will in any way operate to, or have the effect of, impairing a Non-Settling Asbestos Insurance Entity's legal, equitable or contractual rights under an Asbestos Insurance Policy in any respect. Subject to the foregoing, the rights of Non-Settling Asbestos Insurance Entities will be determined according to the terms of the Asbestos Insurance Policies, as applicable.

5. *Terms of Injunction and Automatic Stay.*

All of the injunctions and/or stays in existence immediately prior to the Confirmation Date, whether pursuant to section 105, 362, or any other provision of the Bankruptcy Code, the Bankruptcy Rules or other applicable law issued in connection with the Chapter 11 Case shall remain in full force and effect until the injunction set forth in the Plan becomes effective, and shall continue to remain in full force and effect thereafter as and to the extent provided by the Plan, the Confirmation Order, or by their own terms. In addition, on and after the Confirmation Date, Reorganized Metex may seek such further orders as it may deem necessary or appropriate to preserve the status quo during the time between the Confirmation Date and the Effective Date.

Each of the injunctions contained in the Plan or the Confirmation Order will become effective on the Effective Date and will continue in effect at all times thereafter unless otherwise provided by the Plan or the Confirmation Order. All actions of the type or nature of those to be enjoined by such injunctions will be enjoined during the period between the Confirmation Date and the Effective Date.

6. *No Liability for Certain Released Claims*

Except as otherwise expressly provided in Article 10.6 of the Plan or the Confirmation Order, neither Metex, Reorganized Metex, the other Asbestos Protected Parties, nor the Asbestos PI Trust (except, as it relates to the Asbestos PI Trust, with respect to the Asbestos PI Claims) does, or shall be deemed to, assume, agree to perform, pay, or indemnify creditors for any liabilities or obligations of Metex relating to or arising out of the operations of or assets of Kentile or Metex whether arising prior to or resulting from actions, events, or circumstances occurring or existing at any time prior to the Effective Date.

7. *Dissolution of Committees; Creation of the Asbestos PI Trust Advisory Committee; Continuation of Future Claimants' Representative.*

On the Effective Date, the Asbestos Claimants Committee and any statutory committee appointed in the Chapter 11 Case will be dissolved automatically, whereupon its members, Professionals, and agents will be released from any further duties and responsibilities in the Chapter 11 Case and under the Bankruptcy Code, except with respect to applications for compensation by Professionals or reimbursement of expenses incurred as a member of any committee and any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order or pending appeals of any other order entered in the Chapter 11 Case.

As provided in Article 9.2 of the Plan, the Confirmation Order will provide for the establishment of the Asbestos PI Trust and for the appointment of the Asbestos PI Trust Advisory Committee, effective as of the Effective Date. From and after the Effective Date, the Future Claimants' Representative will continue to serve as provided in the Plan and the Asbestos PI Trust Documents, to perform the functions specified and required therein.

8. *Closing of Kentile's 1992 Chapter 11 Case.*

On the Effective Date, Metex will file a motion with the Bankruptcy Court to close Kentile's 1992 Chapter 11 Case.

D. Releases, Injunctions and Discharges.

1. *Discharge of Metex.*

Except as otherwise provided in Articles 4.2, 4.3, 4.5 and 11.8 of the Plan, as of the Effective Date, the rights provided in the Plan will be in exchange for and in complete satisfaction, settlement and discharge of, all Claims or Demands against Kentile, Metex or Reorganized Metex or any of their respective assets and properties.

Specifically, except as provided in Articles 4.2, 4.3, 4.5 and 11.8 of the Plan, pursuant to section 1141(d)(1)(A) of the Bankruptcy Code, confirmation of the Plan will discharge Metex and Reorganized Metex from any and all Claims or Demands of any nature whatsoever, including, without limitation, all Claims, Demands, and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not: (a) a Proof of Claim based on such Claim or Demand was filed under section 501 of the Bankruptcy Code, or such Claim or Demand was listed on any Schedules of Metex; (b) such Claim or Demand is or was allowed under section 502 of the Bankruptcy Code; or (c) the holder of such Claim or Demand has voted on or accepted the Plan.

2. *Discharge Injunction.*

Except as otherwise provided in Articles 4.2, 4.3, 4.5 and 11.8 of the Plan, all persons or Entities that have held, hold or may hold Claims or Demands will be permanently enjoined, from and after the Effective Date, from:

(i) commencing or continuing in any manner any action or other proceeding of any kind against Reorganized Metex with respect to such Claim or Demand;

(ii) enforcing, attaching, collecting, or recovering in any manner or by means of any judgment, award, decree, or order against Reorganized Metex with respect to such Claim or Demand;

(iii) creating, perfecting, or enforcing any Encumbrance of any kind against Reorganized Metex or against the property or interests in property of Reorganized Metex with respect to such Claim or Demand;

(iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due to Reorganized Metex or against the property or interests in property of Reorganized Metex, with respect to such Claim or Demand; and

(v) pursuing any Claim or Demand released pursuant to the Plan.

Such injunction will extend to the successors of Metex (including, without limitation, Reorganized Metex) and their respective properties and interests in property.

3. *Exculpation.*

The Released Parties consist of (i) the Asbestos Claimants Committee; (ii) Metex; (iii) Reorganized Metex; (iv) the Future Claimants' Representative; (v) the Asbestos Protected Parties; (vi) the Asbestos PI Trustee; and (vii) any current or former Representative of the foregoing.

Such Released Parties shall be exculpated under the Plan with regard to any act or omission in connection with, related to, or arising out of: (i) the Chapter 11 Case; (ii) pursuit of confirmation of the Plan; (iii) consummation of the Plan, or administration of the Plan or the property to be distributed under the Plan or the Asbestos PI Trust Distribution Procedures; (iv) the Plan; (v) the negotiation, formulation and preparation of the Plan, the Plan Documents and

any of the terms and/or settlements and compromises reflected in the Plan and the Plan Documents; or (vi) the Pre-Effective Date Claims Review; except such acts or omissions determined by a Final Order to constitute willful misconduct or gross negligence.

4. *Release of Metex's Officers and Directors.*

The acceptance of any Distribution by a holder of a Claim or Demand against Metex, and, with respect to Asbestos PI Claims, the acceptance of payment from the Asbestos PI Trust by a holder of an Asbestos PI Claim, will constitute a waiver and release of any and all Causes of Action that such holder did commence or could have commenced against any former or current officer or director of Metex (serving in such capacity) from and after the Commencement Date that is based upon, attributable to, or arising from any acts or omissions of such officer or director occurring prior to the Effective Date, to the fullest extent permitted under section 524(e) of the Bankruptcy Code and applicable law (as now in effect or subsequently extended), except for willful misconduct or gross negligence as determined by a Final Order.

5. *Asbestos PI Channeling Injunction.*

(a) *Parties Covered by the Asbestos PI Channeling Injunction.*

Pursuant to the Asbestos PI Channeling Injunction and the Plan, the following entities will be "Asbestos Protected Parties" protected by the scope of the Asbestos PI Channeling Injunction:

- *Metex and each Metex Related Party;*
- *any Settling Asbestos Insurance Protected Party (generally, any Asbestos Insurance Entity that has entered into an Insurance Settlement Agreement and Entities related to such Entity); and*
- *any Representative or Shareholder of each of the foregoing solely in their capacity as such.*

(b) *Terms of the Asbestos PI Channeling Injunction.*

Pursuant to the Confirmation Order and section 524(g) of the Bankruptcy Code, and subject to Article 11.5 of the Plan, as more fully described in Section VIII.D.6 below, the sole recourse of any holder of an Asbestos PI Claim on account of such Asbestos PI Claim or part thereof will be against the Asbestos PI Trust. Each such holder will be enjoined from taking legal action directed against Metex, Reorganized Metex, or any other Asbestos Protected Party described above, or their respective property, for the purpose of directly or indirectly collecting, recovering, or receiving payment or recovery with respect to such Asbestos PI Claim.

6. *Limitations of the Asbestos PI Channeling Injunction.*

Notwithstanding anything to the contrary above, the releases in the Plan and the Asbestos PI Channeling Injunction will not enjoin:

(a) the rights of Entities to the treatment accorded to them under Articles III and IV of the Plan, as applicable, including the rights of Entities with Asbestos PI Claims to assert such Asbestos PI Claims against the Asbestos PI Trust in accordance with the Asbestos PI Trust Distribution Procedures;

(b) the rights of Entities to assert any Claim, debt, obligation, or liability for payment of Asbestos PI Trust Expenses against the Asbestos PI Trust; and

(c) the rights of Reorganized Metex to take action with respect to any remaining insurance in connection with an Asbestos Property Damage Claim or an Environmental Claims.

7. *Insurance Policy Injunction.*

In addition to the Asbestos PI Channeling Injunction, it is contemplated that the Bankruptcy Court will issue an injunction in connection with each Insurance Settlement Agreement that will prohibit any holder of a Claim or Demand from suing a Settling Asbestos Insurance Company for any matter attributable to, or in connection with, an Asbestos Insurance Policy or Other Insurance Policy (as defined in the Plan, an "Insurance Policy Injunction").

8. *Preexisting Injunctions.*

Various injunctions were issued in connection with Kentile's 1998 Plan which channeled "Asbestos Claims" and "Environmental Claims" (each as defined in Kentile's 1998 Plan) to Kentile's insurance. In connection with such channeling the Bankruptcy Court issued injunctions to prevent such claims from being asserted against Kentile. Such injunctions, to the extent not inconsistent with the Asbestos PI Channeling Injunction and the Insurance Policy Injunction, will remain in full force and effect.

E. **Release of Avoidance Actions.**

Article 11.7 of the Plan provides that Metex will release all Avoidance Actions that include, among other things, actions related to preferential transfers, fraudulent conveyances, and similar Claims owned by Metex solely as the result of its status as a Debtor in Possession. As a consequence, this release includes a release by Metex and Reorganized Metex of Claims that it may have against UCC for dividends paid during any period in which Metex may have been insolvent.

F. Miscellaneous Provisions.

The Plan contains provisions relating to corporate actions, delivery of distributions, manner of payment, vesting of assets, binding effect, terms of injunctions or stays, payment of statutory fees, substantial consummation, compliance with tax requirements, revocation and amendment of the Plan, governing law, and timing. For more information regarding these items, see the Plan attached hereto as Exhibit 1.

IX.

Financial Information & Projections

A. Projections.

As a condition to confirmation of the Plan, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of Reorganized Metex. In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this "feasibility" requirement of section 1129(a)(11) of the Bankruptcy Code, Metex's management has analyzed the ability of Metex to meet its obligations under the Plan while retaining sufficient liquidity and capital resources to conduct its business after the Effective Date.

The projected pro forma balance sheets and projected financial performance (the "Projections") for Reorganized Metex, which are attached as Exhibit 3 to this Disclosure Statement, should be read in conjunction with Section XI below, entitled "Certain Factors to Be Considered," and with the assumptions, qualifications and footnotes to the tables containing the Projections set forth in Exhibit 3 to the Disclosure Statement, and the historical consolidated financial information (including the notes and schedules thereto) attached as Exhibit 2 to the Disclosure Statement.

The Projections were not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants, the practices recognized to be in accordance with Generally Accepted Accounting Principles, or the rules and regulations of the Securities and Exchange Commission regarding projections. Furthermore, the Projections have not been audited by an independent accountant.

Metex does not intend, and disclaims any obligation to furnish updated projections to holders of Claims prior to or after the Effective Date.

The Projections are based on, and assume the successful implementation of, the Plan. The Projections have been prepared exclusively by Metex's management. The Projections, while presented with numerical specificity, are necessarily based on a variety of estimates and assumptions that, though considered reasonable by management at the time made, may prove not to be accurate, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Metex's control. Metex cannot make any representations as to Reorganized Metex's ability to achieve the results set

forth in the Projections. Some assumptions on which the Projections are based may not materialize, and events and circumstances occurring subsequent to the date on which the Projections were prepared may be different from those assumed or anticipated, and may materially and adversely impact Reorganized Metex's future financial performance. The Projections, therefore, cannot be relied upon as a guarantee or other assurance of Reorganized Metex's actual future financial performance.

B. Liquidation Valuation Analysis.

A liquidation value analysis for Metex (the "Liquidation Analysis") is attached as Exhibit 4 hereto.

X.

Governance of Reorganized Metex

A. Management of Reorganized Metex.

Reorganized Metex will be managed by Anthony J. Miceli, Vice-President.

B. Corporate Governance.

The Amended Certificate of Incorporation of Reorganized Metex shall be included in a Plan Supplement.

XI.

Certain Factors to Be Considered

A. Certain Bankruptcy Considerations.

Although Metex believes that the Plan satisfies all requirements necessary for confirmation by the Bankruptcy Court, and/or issuance or acceptance and affirmance by the District Court, there can be no assurance that the Bankruptcy Court and/or the District Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications will not necessitate the resolicitation of votes. In addition, although Metex believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing.

For the Plan to be confirmed, at least two-thirds (2/3) in amount and seventy-five percent (75%) in number of the holders of Asbestos PI Claims who vote must vote to accept the Plan.

B. Risk Factors.

Holders of Claims against and Equity Interests in Metex should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or referred to herein by

reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

1. *Overall Risks to Recovery by Holders of Claims.*

The ultimate recoveries under the Plan to holders of Claims (other than holders whose entire Distribution is paid in Cash) depend upon a number of factors. The factors below (other than the factor entitled "Certain Bankruptcy Considerations") assume that the Plan is confirmed and that the Effective Date occurs on or about December 31, 2012. Prior to voting on the Plan, each holder of a Claim should consider carefully the risk factors specified or referred to below, including the exhibits annexed hereto, as well as all of the information contained in the Plan.

2. *Certain Bankruptcy Considerations.*

Although Metex believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no guaranty that the Bankruptcy Court will reach the same conclusion, or that the Confirmation Order, if challenged on appeal, will be affirmed. There also can be no assurance that the Plan as proposed will be accepted by the requisite number of holders or amount of Claims, that the Plan will not be modified up to and including the Confirmation Date, or that the Bankruptcy Court will enter an order confirming the Plan containing the findings of fact and conclusions of law that are conditions precedent to confirmation of the Plan. There also can be no assurance that the District Court will accept and affirm or issue the order confirming the Plan, that such acceptance and affirmance or issuance will become a Final Order and that the Asbestos PI Channeling Injunction will therefore become valid and enforceable.

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Case will continue rather than be converted to a liquidation, or that any alternative plan of reorganization would be on terms as favorable to the holders of Claims and Equity Interests as the terms of the Plan. If a liquidation or protracted reorganization were to occur, there is a substantial risk that the value of Metex's assets would be substantially eroded to the detriment of all stakeholders.

3. *Projected Financial Information.*

The Projections are dependent upon numerous assumptions, including confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of Reorganized Metex, general business and economic conditions, and other matters, many of which are beyond the control of Metex. Accordingly, there can be no assurance that such assumptions will prove to be valid. In addition, unanticipated and unforeseeable events and/or circumstances occurring subsequent to the preparation of the Projections may affect the actual financial results of Reorganized Metex. Although Metex believes that the projections are reasonable and attainable, some or all of the estimates will vary, and variations between the actual financial results and those projected may be material.

4. *Appointment of Asbestos PI Trustee and/or Members of the Asbestos PI Trust Advisory Committee for the Asbestos PI Trust.*

At the Confirmation Hearing, Metex will request that the Bankruptcy Court appoint the individual chosen to serve as the initial Asbestos PI Trustee of the Asbestos PI Trust, and certain Persons or Entities chosen to serve as the initial members of the Asbestos PI Trust Advisory Committee. The Bankruptcy Court, however, may reject or otherwise decline to appoint the individual chosen to serve as the Asbestos PI Trustee or one or more of the proposed members of the Asbestos PI Trust Advisory Committee. In that case, one or more alternate Persons or Entities would have to be nominated, potentially resulting in significant delays in the occurrence of the Confirmation Date and Effective Date. The selection of a different Asbestos PI Trustee or different Asbestos PI Trust Advisory Committee members also could materially affect administration of the Asbestos PI Trust.

5. *Distributions under the Asbestos PI Trust Distribution Procedures.*

There can be no certainty as to the precise amounts that will be distributed by the Asbestos PI Trust in any particular time period or when Asbestos PI Claims will be paid by the Asbestos PI Trust. Payments that will be made on Asbestos PI Claims will be determined under the Asbestos PI Trust Distribution Procedures and will be based, on the one hand, on estimates of the number, types, and amount of current Asbestos PI Claims and expected future Demands, and on the other hand, the value of the assets of the Asbestos PI Trust, the liquidity of the Asbestos PI Trust, the Asbestos PI Trust's expected future income and expenses, and other matters that are likely to affect the sufficiency of funds to pay all holders of Asbestos PI Claims and Demands.

The initial payment percentage has been set at 15% and was developed by comparing the assets of the Asbestos PI Trust against its projected liability for Asbestos PI Claims and Asbestos Trust Expenses. The Asbestos PI Trust's projected liability for Asbestos PI Claims is based on a number of assumptions, including the assumption that the rate at which the Asbestos PI Trust approves claims for payment will remain consistent with the rate at which the Debtor previously settled and paid Asbestos PI Claims. Should any assumption from which the initial payment percentage was developed prove to be materially inaccurate based on the Asbestos PI Trust's actual experience, the Asbestos PI Trust may have to adjust the payment percentage upwards or downwards from time to time, pursuant to the provisions of the Asbestos PI Trust Distribution Procedures and the Trust Agreement, to reflect current estimates of the Asbestos PI Trust's assets and liabilities.

6. *Post-Consummation Metex.*

At the Confirmation Hearing, the Bankruptcy Court will be required to make a determination that the Plan is feasible (i.e., not likely to be followed by the liquidation, or the need for further financial reorganization, of Reorganized Metex) in order to confirm the Plan. Metex's sole assets consist of two industrial properties in Edison, New Jersey, which are currently leased through 2033 to certain affiliates of Metex, Metal Textiles Corporation and AFP Transformer Corporation. Although there are no guarantees, Metex believes that the leases are of sufficient amount and tenor to result in full payment of the Metex Promissory Note.

7. *The Asbestos PI Channeling Injunction.*

The Asbestos PI Channeling Injunction, which, among other things, bars the assertion of any Asbestos PI Claims or Demands against Metex and the other Asbestos Protected Parties, is the cornerstone of the Plan. In 1994, the United States Congress added subsection (g) to section 524 of the Bankruptcy Code in order to confirm the authority of the Bankruptcy Court, subject to the conditions specified therein, to issue injunctions such as the Asbestos PI Channeling Injunction with respect to present and future asbestos-related personal injury, wrongful death and related Claims and demands. Although the Plan, the Asbestos PI Trust Agreement, and the Asbestos PI Trust Distribution Procedures all have been drafted with the intention of complying with section 524(g) of the Bankruptcy Code, and satisfaction of the conditions imposed by section 524(g) is a condition precedent to confirmation of the Plan, there is no guarantee that the validity and enforceability of the Asbestos PI Channeling Injunction or section 524(g) or the application of the Asbestos PI Channeling Injunction to Asbestos PI Claims will not be challenged, either before or after confirmation of the Plan. Although Metex believes adequate bases exist for the courts to uphold section 524(g) and the Asbestos PI Channeling Injunction, there can be no assurance that, in the future, courts might not invalidate all or a portion of section 524(g) or the Asbestos PI Channeling Injunction.

XII.

Voting Procedures

Detailed voting instructions are provided with the Ballot accompanying this Disclosure Statement. For purposes of the Plan, the following Classes are the only ones entitled to vote:

Class	Description
4	Asbestos PI Claims

For purposes of the Plan, the following Classes are NOT entitled to vote:

Class	Description
1	Priority Claims
2	Secured Claims
3	General Unsecured Claims other than Asbestos PI Claims, Asbestos Property Damage Claims and Environmental Claims
5	Asbestos Property Damage Claims and Environmental Claims
6	Equity Interests in Metex

If your Claim is not in Class 4, you are not entitled to vote on the Plan and you will not receive a Ballot with this Disclosure Statement. If you are a holder of a Claim in Class 4, you should read your Ballot and follow the listed instructions carefully. Please use only the Ballot that accompanies this Disclosure Statement.

IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT, YOU MAY CONTACT THE BALLOTING AGENT:

Metex Ballot Processing Center
Logan & Company, Inc.
546 Valley Road
Upper Montclair, New Jersey 07043
(973) 509-3190
metex@loganandco.com

A. Vote Required for Acceptance by a Class.

Under the Bankruptcy Code, acceptance of a plan by a Class of Claims is determined by calculating the number and the amount of Claims voting to accept, based on the total of Allowed Claims actually voting. Typically, acceptance requires an affirmative vote of more Metex one-half (1/2) in number of the total allowed Claims voting and two-thirds (2/3) in amount of the total allowed Claims voting. However, section 524(g)(2)(B)(ii)(IV)(bb) of the Bankruptcy Code provides that, for a debtor to establish an Asbestos PI Trust and receive the benefit of an injunction that channels liability for asbestos-related Claims to the Asbestos PI Trust, at least seventy-five percent (75%) in number of the holders of Claims that are to be addressed by the Asbestos PI Trust must vote to accept the Plan. Accordingly, it is a condition to confirmation of the Plan that at least seventy-five percent (75%) of the holders of Asbestos PI Claims who actually vote on the Plan must have voted to accept the Plan and two-thirds (2/3) in amount of the holders of Asbestos PI Claims who actually vote on the Plan must have voted to accept the Plan.

B. Classes Deemed to Accept.

Under the Bankruptcy Code, holders of Claims or Equity Interests that are Unimpaired by the Plan are deemed to accept the Plan and solicitation of such holders is not required. Because Claims other than Asbestos PI Claims in Class 1 (Priority Claims), Class 2 (Secured Claims), Class 3 (General Unsecured Claims), Class 4 (Asbestos Property Damage Claims and Environmental Claims) and Class 5 (Equity Interests) are Unimpaired under the Plan, the holders thereof are deemed to accept the Plan, and are not entitled to vote. For a summary of the Classes entitled to vote, see the charts in the Summary of the Disclosure Statement.

C. Voting.

In order for your vote to be counted, it must be actually received by the Balloting Agent at the following address before the Voting Deadline of 5:00 p.m., Eastern Time, on August 28, 2012:

Balloting Agent

Metex Ballot Processing Center Logan & Company, Inc. 546 Valley Road Upper Montclair, New Jersey 07043 (973) 509-3190

If the instructions on your Ballot require you to return the Ballot to your attorneys, you must deliver your Ballot to them in sufficient time for them to process it and return it to the Balloting Agent before the Voting Deadline. If a Ballot is damaged or lost, you may contact Metex's Balloting Agent at the number set forth above. Any Ballot that is executed and returned but that does not indicate an acceptance or rejection of the Plan will not be counted.

D. Solicitation Failure.

Metex does not intend to commence the Chapter 11 Case if it does not receive sufficient votes to confirm the Plan as a result of the pre-filing solicitation being made pursuant to this Disclosure Statement. Notwithstanding, Metex has reserved the right to commence its Chapter 11 Case and may do so if, after consultation with the Asbestos Claimants Committee and, to the extent required, the Settling Asbestos Insurance Entities, Metex believes confirmation of the Plan can occur.

XIII.

Confirmation of the Plan

A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. Upon commencement of the Chapter 11 Case, Metex will move to schedule a hearing on confirmation of the Plan on the earliest possible date that complies with the Bankruptcy Code or the Bankruptcy Court's calendar.

B. General Requirements of Section 1129.

At the confirmation hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. Metex has complied with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means proscribed by law.

4. Any payment made or promised by Metex or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
5. Metex has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of Metex or a successor to Metex under the Plan. The appointment of (or continuance by) such individual to (or in) such position or office is consistent with the interests of creditors and equity security holders and with public policy. Metex has disclosed the identity of any insider that will be employed or retained by Metex, and the nature of any compensation for such insider.
6. With respect to each Class of Claims or Equity Interests, each holder of an impaired Claim or impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan, on account of such holder's Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if Metex were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test," below.
7. Each Class of Claims or Equity Interests has either accepted the Plan or is not Impaired under the Plan.
8. Except to the extent that the holder of a particular Claim has agreed to different treatment of such Claim, the Plan provides that Administrative Expense Claims and Priority Claims (other than Priority Tax Claims) will be paid in full on the Effective Date. Priority Tax Claims will be paid, over a period not exceeding five years after the date of the order for relief, regular installments of Cash payments, equal to the Allowed amount of such Claims (as of the Effective Date) and in a manner no less favorable than the most favored non-priority unsecured Claim provided for by the plan, and, with respect to a secured Claim that would otherwise meet the description of an unsecured Claim of a governmental unit under section 507(a)(8) of the Bankruptcy Code, but for the secured status of that Claim, the holder of that Claim will receive on account of that Claim, Cash payments, in the same manner as described in this paragraph.
9. At least one Class of Impaired Claims has accepted the Plan, with the determination of such Class acceptance not including any acceptance of the Plan by any insider holding a Claim in such Class.
10. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of Metex or any successor to Metex under the

Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of "Feasibility," below.

C. Best Interests Test.

As described above, the Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan; or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if Metex was liquidated under chapter 7 of the Bankruptcy Code.

Metex's Liquidation Analysis is attached hereto as Exhibit 4. When the results of the liquidation analysis are compared to the distributions expected under the Plan, as set forth in Section VI, it is clear that every creditor and interest holder will receive at least as much under the Plan as such creditor or interest holder would receive in a chapter 7 liquidation.

D. Feasibility.

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization of the debtor. In connection with the development of the Plan and for the purpose of determining whether the Plan satisfies this feasibility standard, Metex has analyzed its ability to meet its obligations under the Plan. As part of this analysis, Metex has prepared Projections, as described above and set forth on Exhibit 3. Based on such Projections, Metex believes that Reorganized Metex will be able to make all payments required pursuant to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

XIV.

Certain Federal Income Tax Consequences of the Plan

CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE ("IRS") CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS AND EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER FEDERAL, STATE, OR LOCAL TAX LAWS, (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DISCUSSED HEREIN, AND (III) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO METEX, REORGANIZED METEX, HOLDERS OF ASBESTOS PI CLAIMS, AND THE

ASBESTOS PI TRUST. THE FOLLOWING SUMMARY DOES NOT DISCUSS THE FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS WHOSE CLAIMS ARE ENTITLED TO PAYMENT IN FULL IN CASH OR ARE OTHERWISE UNIMPAIRED UNDER THE PLAN OR TO HOLDERS OF EQUITY INTERESTS OR INTERCOMPANY CLAIMS.

THE FOLLOWING SUMMARY IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE"), TREASURY REGULATIONS PROMULGATED THEREUNDER, JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF MAY HAVE RETROACTIVE EFFECT AND COULD SIGNIFICANTLY AFFECT THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES. METEX DOES NOT CURRENTLY INTEND TO SEEK A RULING FROM THE IRS CONCERNING ANY OF THE TAX ASPECTS OF THE PLAN. IN ADDITION, THIS SUMMARY DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN TAXPAYERS, BROKER-DEALERS, BANKS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, THRIFTS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, REAL ESTATE INVESTMENT COMPANIES, TAX-EXEMPT ORGANIZATIONS, TRADERS IN SECURITIES THAT ELECT TO USE A MARK-TO-MARKET METHOD OF ACCOUNTING FOR THEIR SECURITY HOLDING AND PASS-THROUGH ENTITIES AND INVESTORS IN SUCH ENTITIES).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR EQUITY INTEREST. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE PLAN.

A. Consequences to Metex.

Metex currently is treated as a "C" corporation for federal income tax purposes. Metex generally should take into account its shares of any taxable income, gain, losses and deductions, including any cancellation of indebtedness income ("COD"), recognized by Metex pursuant to the implementation of the Plan. COD, which is the amount by which discharged indebtedness exceeds the consideration received in exchange therefor, is generally includible in a debtor's gross income, subject to certain exceptions. For example, a debtor generally does not

realize COD if the payment of the discharged indebtedness would have given rise to a deduction. In addition, any COD realized by a debtor in a bankruptcy case generally is excluded from the debtor's gross income, and the bankrupt debtor must reduce certain tax attributes by the amount of the excluded COD (the "Bankruptcy COD Exception").

B. Treatment of Metex's Contribution to the Asbestos PI Trust and Taxation of the Asbestos PI Trust.

It is currently intended that the Asbestos PI Trust will constitute a "qualified settlement fund" within the meaning of section 468B of the Internal Revenue Code and the Treasury regulations promulgated thereunder. The applicable Treasury regulations provide that to be treated as a qualified settlement fund, a fund, account, or trust must be (i) established pursuant to an order of, or be approved by, a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority, (ii) established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event or a related series of events that has occurred and that has given rise to at least one claim asserting, among other things, liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. 9601 et seq., or liability arising out of, a tort, breach of contract or violation of law, and (iii) be a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor.

A transferor generally is entitled to a current federal income tax deduction for all transfers of cash and other property (other than its own notes) to a qualified settlement fund to the same extent the transferor would have been entitled to a deduction if such amounts had been paid directly to the holder of a claim that will be discharged upon the establishment of the qualified settlement fund. Assuming the Asbestos PI Trust is treated as a qualified settlement fund, the Board of Directors of Metex intends to cause Metex to claim a current federal income tax deduction for transfers of Cash to the Asbestos PI Trust to the same extent Metex would have been entitled to a deduction if such amounts had been paid directly to the holder of an Asbestos PI Claim. In connection therewith, Metex generally will not be entitled to a deduction to the extent that it funds the Asbestos PI Trust with Cash attributable to amounts not included in its income.

Assuming the Asbestos PI Trust is treated as a qualified settlement fund, the Asbestos PI Trust will generally be subject to a separate entity level tax at the maximum rate applicable to trusts and estates, and, in determining the taxable income of the Asbestos PI Trust, (i) any amounts transferred to the Asbestos PI Trust to resolve or satisfy a liability for which the Asbestos PI Trust is established generally will be excluded from the Asbestos PI Trust's income, and (ii) administrative costs (including state and local taxes) incurred by the Asbestos PI Trust generally will be deductible.

Assuming the Asbestos PI Trust is treated as a qualified settlement fund, trade or business expenses generally will not be deductible for federal income tax purposes. In general, the adjusted tax basis of property received (or treated as received for federal income tax purposes) by a qualified settlement fund from a transferor pursuant to the Plan will be the fair market value of such property at the time of receipt.

C. Consequences to Holders of Asbestos PI Claims

Each Asbestos PI Claim will be liquidated and satisfied in cash from the Asbestos PI Trust in accordance with the Asbestos PI Trust Distribution Procedures. The federal income tax treatment of the receipt of payments from the Asbestos PI Trust by a holder of such an Asbestos PI Claim generally will depend upon the nature of the Asbestos PI Claim. Because the amounts received by a holder of an Asbestos PI Claim (other than an Indirect Asbestos PI Claim or an Asbestos PI Trust Expense) generally will be attributable to, and compensation for, such holder's personal physical injuries or sickness, within the meaning of section 104 of the Internal Revenue Code, any such amounts received by the holder generally should be nontaxable. However, to the extent payments from the Asbestos PI Trust to a holder of an Asbestos PI Claim are attributable to medical expense deductions allowed under section 213 of the Internal Revenue Code for a prior taxable year, such payments will be taxable as ordinary income to the recipient. To the extent that the payments from the Asbestos PI Trust to holders of Asbestos PI Claims constitute amounts received on account of claims other than personal injury or sickness, such payments generally will be includable in the gross income of such holders.

D. Information Reporting and Withholding.

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

XV.

Conclusion

Metex believes that the Plan is in the best interests of all of its creditors and equity holders and therefore urges the holders of Asbestos PI Claims in Class 4 to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received by the Balloting Agent not later than 5:00 p.m. Eastern Time on August 28, 2012.

Dated: June 29, 2012

METEX MFG. CORPORATION

By: /s/ Anthony J. Miceli
Name: Anthony J. Miceli
Title: Vice President