Gibbons Obtains Confirmation of a Plan of Reorganization For United Gilsonite Laboratories Which Releases It of All Asbestos Liabilities and Enjoins Any Present and Future Asbestos Claims From Being Asserted Against It

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United Gilsonite Laboratories ("UGL") is a small, family-owned Pennsylvania corporation headquartered in Scranton. Founded in 1932, UGL quickly expanded in terms of sales and product lines. These product lines included the first asphalt aluminum paint "Gilsalume," drain openers, furniture polish, and wall sizing. As the company grew after World War II, it developed additional products, such as glazing, caulking compounds, and patching and repair products. It was in 1953 that UGL introduced the "DRYLOK®" line for waterproofing basements and stopping masonry leaks, which continues to be UGL's primary product line today. Around the same time, the "ZAR®" line was introduced in the form of a polyurethane clear finish for wood. ZAR® is UGL's second largest source of revenue.

UGL was named as a defendant for the first time in an asbestos lawsuit in 1983. The typical asbestos lawsuit filed against UGL alleged exposure to UGL's joint cement, which contained chrysotile asbestos from 1954 through 1975. Asbestos was eliminated from this product in or about May, 1975. *UGL's total sales of joint cement during the period at issue totaled only $964,737.* Most sales were made to "do-it-yourself" consumers, which was UGL's target market.

Between 1992 and 2000, UGL was sued in a total of 124 asbestos related lawsuits. With the exception of a single lung cancer claim, each of the pre-2001 lawsuits involved non-malignant diseases. The first mesothelioma claims were brought against UGL in 2001, when two lawsuits were filed. That year, an additional sixteen lawsuits involving non-malignant diseases were filed against UGL. During the four-year period between 2002 and 2005, UGL saw a slight increase in the number of mesothelioma filings, with annual filings ranging between six and ten claims a year and averaging just over seven mesothelioma lawsuit filings a year. Lung cancer related lawsuits during this period ranged between one and seven claims, while non-malignancies ranged from a low of seven lawsuits to a high of 49. The average number of lung cancer related lawsuits during this period was just under four, while the average number of non-malignant lawsuits was just over 39.

In 2006, UGL began to see an increase in mesothelioma related filings, growing from 25 in 2006 to 254 in 2010, the year before UGL filed its chapter 11 petition. The number of non-malignancy related lawsuits during this period ranged from 39 to 84 filings a year. Lung cancer filings remained relatively steady during this period as well, with the range generally falling between two and 17 lung cancer related lawsuits being filed in a year. In 2010, UGL saw an increase in lung cancer lawsuits to 45. By early 2011, there were

approximately 900 pending lawsuits, out of which only 574 were considered active cases against UGL.

UGL's cost of defending and resolving the asbestos-related lawsuits was substantial. It was estimated that UGL's insurance carriers had paid out approximately $25 million in settlements and defense costs by early 2011, when UGL retained Gibbons, given the firm's experience in similar matters.

To a company like UGL, with annual sales of less than $50 million, the prospect of a costly chapter 11 case was daunting, and the firm was sensitive to the company's financial concerns. As a result, Gibbons contacted counsel to some of the asbestos' claimants in an attempt to form an informal creditors committee to streamline the process. While initially promising, the hope for a successful pre-negotiated settlement of UGL's asbestos liabilities was short-lived due to the instransigence of one asbestos litigant who sought to compel entry of a judgment in the District of Maryland. At that point, it was evident that pursuing relief under chapter 11 of the Bankruptcy Code was UGL's only option.

UGL filed its chapter 11 petition in the United States Bankruptcy Court for the Middle District of Pennsylvania on March 23, 2011. As stated in its initial filing with the Bankruptcy Court, UGL sought protection of the Court "as a result of a flood of asbestos-related complaints asserting personal injury and wrongful death claims." Stated otherwise, UGL was facing the untenable situation where its existing insurance was decreasing to a sum of less than $15 million while its asbestos liabilities were increasing to a sum in excess of $100 million, as estimated by counsel for the claimants.

Once all the required professionals were in place – including counsel and financial advisors for UGL, its shareholders, an official committee of unsecured creditors largely comprising asbestos claimants and a legal representative of future asbestos claimants – a series of negotiations took place during which the demands of the asbestos claimants were made known to UGL and its shareholders. Those negotiations centered on a valuation of UGL's assets and business, including its remaining asbestos insurance, the estimated value of all present and future asbestos claims, and hotly contested avoidance actions which the committee and future asbestos claimants' representative desired to prosecute during the chapter 11 case against UGL's shareholders.

After initial attempts to reach agreement on the disputed issues proved unsuccessful, the asbestos claimants' representatives filed a motion for derivative standing to bring the avoidance actions against UGL's shareholders, while UGL prepared to file an estimation proceeding to fix the otherwise disputed amount of its asbestos liabilities and also proposed to contribute the disputed avoidance actions against its shareholders to an asbestos trust. At the urging of the Court, after initial briefing of the issues and preliminary oral arguments, the parties agreed to Court-supervised mediation proceedings, which ultimately provided the impetus for a consensual reorganization

plan. UGL's reorganization plan provided for full payment of all allowed (asbestos and non-asbestos) claims and created an asbestos trust under Section 524(g) of the Bankruptcy Code for all unsettled present and future asbestos claims, funded with cash from an exit facility and a twenty-year promissory note from UGL, the cash proceeds of UGL's shareholders' capital contribution (in settlement of the avoidance actions sought to be asserted against them), and the cash proceeds of settlements reached with UGL's asbestos insurers.

UGL's successful reorganization has enabled it to continue to operate its profitable business supplying the popular "DRYLOK®" waterproofing and "ZAR®" wood finishing products to "do-it-yourself" consumer customers and providing employment to approximately 150 employees in four states. The Gibbons attorneys who assisted UGL in its reorganization included Financial Restructuring & Creditors' Rights Department attorneys Frank J. Vecchione, Karen A. Giannelli, Mark Conlan, Natasha Songonuga, Laura Saborio Dunn, and Brett S. Theisen, in addition to attorneys from the firm's corporate, banking, tax, and litigation practices.