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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

Oakland Division

In re:	Case No. 02-46284 T to 02-46286 T
WESTERN ASBESTOS COMPANY, WESTERN Mac ARTHUR CO. and Mac ARTHUR CO.,	Jointly Administered Under Case No. 02-46284T
	CHAPTER 11
Debtors.	**NOTICE OF ENTRY OF:**
	ORDER UNDER FED.R.BANKR.P. 9019 APPROVING COMPROMISES WITH SETTLING INSURERS

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 1 of 12
Published by AsbestosClaims.Law
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PLEASE TAKE NOTICE that on April 14, 2004, the Bankruptcy Court entered on its docket that certain *Order Under Fed.R.Bankr.P. 9019 Approving Compromises With Settling Insurers*, a copy of which order is attached hereto as Exhibit A.

Dated: April 14, 2004

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By: _____

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Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 2 of 12
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EXHIBIT A

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ORIGINAL FILED
APR 14 2004
U.S. BANKRUPTCY COURT
OAKLAND, CALIFORNIA

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

In re

WESTERN ASBESTOS COMPANY, WESTERN MACARTHUR CO., and MAC ARTHUR CO.,

Debtor.

Case Nos. 02-46284 T to 02-46286 T
Jointly Administered Under No. 02-46284 T
CHAPTER 11

ORDER UNDER FED.R.BANKR.P. 9019 APPROVING COMPROMISES WITH SETTLING INSURERS

Date: April 14, 2004
Time: 9:00 a.m.
Judge: Honorable Leslie Tchaikovsky
Place: Courtroom 201

EXHIBIT A

On April 14, 2004, a hearing was held in the above-captioned case before the undersigned United States Bankruptcy Judge upon the "Plan Proponents' Notice of Motion and Motion to Approve Settlement Agreements with Objecting Insurers pursuant to Federal Rule of Bankruptcy Procedure 9019(b) and to Approve Certain Related Relief" (the "Settlement Motion"). The Settlement Motion was filed by Western Asbestos Company, Western MacArthur Co., and MacArthur Co., the debtors and debtors in possession in the above-captioned Chapter 11 cases (collectively the "Debtors"), the Official Unsecured Creditors' Committee appointed in the above-captioned cases (the "Committee"), and the Honorable Charles B. Renfrew, appointed by the Bankruptcy Court to represent the interests of future asbestos claimants in the above-captioned cases (the "Futures Representative"). The Debtors, the Committee and the Futures Representative are collectively referred to as the "Proponents." The Settlement Motion sought approval of comprehensive settlements (the "Insurer Settlements") on the terms and conditions set forth in the Settlement Motion with U.S. Fire Insurance Company ("U.S. Fire"); General Accident Insurance Company of America, now known as OneBeacon Insurance Company ("General Accident" or "GA"); Interstate Fire & Casualty Co. ("Interstate Fire"); Argonaut Insurance Co. ("Argonaut"); and Allianz Insurance Company ("Allianz") (collectively, the "Settling Insurers") pursuant to Rule 9019 of the Federal Rule of Bankruptcy Procedure ("Bankruptcy Rule"), together with a determination that, upon consummation of each Settling Insurer's respective Insurer Settlement, such Settling Insurer shall be deemed a "Settling Asbestos Insurance Companies" under the Plan,[1] and that the granting of the injunctions under Bankruptcy Code section 524(g) in favor of Settling Asbestos Insurance Companies as provided for in the Confirmation Order for each such Settling Insurer is fair and equitable.

[1] Capitalized terms utilized but not defined herein shall have the meanings ascribed to them in the "Second Amended Joint Plan Of Reorganization" filed November 18, 2003 (the "Plan")

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 5 of 12
Published by AsbestosClaims.Law
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Upon review and consideration of the Settlement Motion, the declarations and other pleadings filed in support thereof, any testimony offered at the hearing, and having considered the arguments of counsel at the hearing, and good cause appearing therefor,

IT IS HEREBY FOUND, CONCLUDED AND DECLARED THAT:

A. Due and proper notice of the Settlement Motion has been given; and there is good and sufficient cause for the relief sought in the Settlement Motion.

B. The Debtors and other Proponents have exercised sound business judgment in deciding to enter into the Insurer Settlements.

C. The Parties to the Insurer Settlements negotiated at arm's length, in good faith, and without collusion, and the terms of the Insurer Settlements are fair, just and reasonable. Each of the Settling Insurers is in "good faith" as such term is utilized under Bankruptcy Code section 363(m).

D. In evaluating the Insurer Settlements, the Court has applied the standards set forth in Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 88 S.Ct. 1157 (1968), and considered "(a) the probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity the litigation involves, and the expense, inconvenience and delay necessarily attending it; [and] (d) the paramount interest of creditors and a proper deference to any reasonable views in the premises." Fireman's Fund Ins. Co. v. Woodson (In re Woodson), 839 F.2d 610, 620 (9th Cir. 1988).

E. The Insurer Settlements were negotiated in good faith and are reasonable, fair, and equitable, and in the best interests of the Debtors' estates, and the Proponents should be authorized to enter into the Insurer Settlements. Specifically, the Court finds that:

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 6 of 12
Published by AsbestosClaims.Law
asbestosclaims.law/library/14980/6

(1) There exist disputes between the Proponents and the Settling Insurers[2] regarding the extent and nature of the coverage obligations of the Settling Insurers to the Debtors and holders of Asbestos Related Claims (the "Coverage Disputes").

(2) Settling Insurers assert a vast array of legal and factual defenses in connection with the Coverage Disputes, several of which present threshold issues of law, which, if resolved adversely to the Debtors, could result in no recovery from the Settling Insurers.

(3) Settling Insurers dispute numerous factual issues in connection with the Coverage Disputes, many of which, if resolved adversely to the Debtors, would result in no recovery from a Settling Insurer or significantly reduce the amount of any such recovery.

(4) The parties entered into the Insurer Settlements during the appeal of the "Order Confirming Second Amended Joint Plan Of Reorganization and Granting Related Relief," entered January 28, 2004 (the "Confirmation Order"), and the approval of the Insurer Settlements will result in the withdrawal of all appeals by the Settling Insurers, thereby allowing the Confirmation Order to be affirmed by the District Court, which, in turn, will advance the earliest date that the Effective Date of the Plan can occur.

(5) The Insurer Settlements fairly take into account the probability of success in the Coverage Disputes, the pending appeals, and these bankruptcy cases.

(6) The Debtors were represented in connection with the Coverage Disputes by counsel with vast experience in the legal issues presented by the Coverage Disputes. Certain holders of Asbestos Related Claims were also represented by counsel with vast experience in the

[2] The Debtors do not assert coverage obligations against General Accident; however, coverage obligations are asserted against General Accident by the holders of Asbestos Related Claims and the Futures Representative.

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 7 of 12
Published by AsbestosClaims.Law
asbestosclaims.law/library/14980/7

legal issues presented by the Coverage Disputes. It was in the interests of the Proponents to maximize recovery from the Settling Insurers. The Settling Insurers were also represented by knowledgeable counsel, and each of the Settling Insurers had an interest in minimizing the amount it paid in settlement. As a result, the Insurer Settlements represent arms-length compromises of the type favored by bankruptcy law.

(7) The Coverage Disputes are enormously complex and certain aspects of these disputes have been the subject of expert testimony during the hearing on confirmation of the Plan.

(8) The Insurer Settlements provide that if certain conditions precedent are satisfied, including Court approval of the Insurer Settlements, the Settling Insurers will contribute approximately $75 million to resolve Asbestos Related Claims. This settlement will increase the initial distribution to creditors to an amount in excess of 30 percent.

(9) The Insurer Settlements fairly take into account the complexity of the Coverage Disputes, and the expense, inconvenience, and delay necessarily attending litigating them.

(10) In contrast to accepting the Insurer Settlements, an attempt to pursue the Coverage Disputes, even without regard to the risk of loss, would delay the final resolution of this matter for many years by the requirements of trial, appeals and possible retrials. Settling Insurers' continued efforts to appeal the Confirmation Order could also delay the Plan's Effective Date to the detriment of creditors.

(11) The Insurer Settlements fairly take into account the difficulties that could be encountered in the matter of collection.

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 8 of 12
Published by AsbestosClaims.Law
asbestosclaims.law/library/14980/8

(12) The paramount interest of creditors, as evidenced by the support of the Insurer Settlements by the Committee and the Futures Representative, supports approval of the Insurers' Settlements.

F. A reasonable opportunity to object or be heard with respect to the Settlement Motion and relief requested therein has been afforded. Actual notice of the Settlement Motion was provided to the Committee, the Futures Representative, the Settling Insurers and other insurers, and all parties who have filed a notice of appearance or request for service of papers in these bankruptcy cases. The revised "Term Sheet" presented to the Court at the time of the hearing on the Settlement Motion with respect to the settlement with General Accident, Interstate, U.S. Fire and Allianz does not differ materially from the term sheet annexed to the Motion; accordingly, no further notice of the terms of the proposed Insurer Settlements is required, and all references herein to the Insurer Settlement shall include references to the Term Sheet, as revised.

G. The relief requested in the Settlement Motion is in the best interests of the Debtors, their estates, their creditors, and the rest of the Proponents.

H. Good cause exists to waive any automatic stay period, including, without limitation, the 10-day stay period provided for under Fed.R.Bankr.P. 6004(g), in that the Insurer Settlements resolve all objections to Plan confirmation by those with pending appeals of the Confirmation Order and the parties will seek to obtain prompt dismissals of the appeals in the District Court and a District Court Order affirming this Court's Confirmation Order, thereby potentially allowing the Insurer Settlements to close before the possible vote on potential legislation which will alter the status quo.

It is therefore ORDERED, ADJUDGED AND DECREED THAT:

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 9 of 12
Published by AsbestosClaims.Law
asbestosclaims.law/library/14980/9

1. The Settlement Motion is GRANTED. The Proponents are hereby authorized to enter into the Insurer Settlements, and take all necessary action to effectuate such agreements; provided, however, that nothing provided for hereby shall require the Proponents to execute the Insurer Settlements, or binding term sheets in respect thereto, until they are satisfied with all terms and conditions thereof, as documented.

2. The Trust to be formed under the Plan, and its Trustees, shall be bound by all terms of the Insurer Settlements, when executed, and by the provisions of this Order and the Confirmation Order.

3. The Debtors, the Committee, the Futures Representative and, with respect to Debtors, their respective officers, employees and agents, are hereby authorized to execute such documents and do such acts as are necessary or desirable to carry out the transactions contemplated by the Insurer Settlements. Without in any way limiting the foregoing, the condition in the settlement among Proponents, on the one hand, and U.S. Fire, General Accident, Interstate and Allianz, on the other hand, that USF&G and Hartford agree that they shall each fund the Trust by April 19, 2004 is waiveable by the written agreement of all Proponents to waive such condition.

4. This Court shall retain jurisdiction to enforce this Order and to decide any disputes arising between or among the Debtors, the Settling Insurers, the Committee, the Futures Representative and the Asbestos Plaintiffs' Firms arising out of or related to this Order, the Insurer Settlements, and the transactions contemplated by the Insurer Settlements.

5. The Court authorizes and approves the establishment of the escrow fund pursuant to the terms of the Insurer Settlements as a "qualified settlement fund" pursuant to Section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder and retains continuing jurisdiction over such escrow fund.

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 10 of 12
Published by AsbestosClaims.Law
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6. The Settling Insurers are "Asbestos Insurance Companies" under the Plan. The Insurer Settlements are Asbestos Insurance Settlement Agreements within the meaning of the Plan. Upon consummation of their respective settlements, each Settling Insurers shall be a "Settling Asbestos Insurance Company" under the Plan and entitled to the benefits of the Channeling Injunction and the Supplemental Injunction contained in the Confirmation Order.

7. As a result of the approval of the Insurer Settlements, and the fact the Trust and its Trustees are bound thereby, following consummation of each Insurer Settlement, (a) the Trust has the authority to grant releases under Paragraph 3.2(d) of the Plan and Paragraphs 32-35 of the Confirmation Order, and upon the Effective Date of the Plan shall be deemed to have granted such releases to the same extent as the Debtors under the Insurer Settlements, (b) neither the Trust nor the Trustees shall grant their permission to, or permit, any Entity to take any action against a Settling Insurer for the purpose of enforcing, collecting, or otherwise recovering on any Asbestos Related Claims under the provisions of Paragraph 34 of the Confirmation Order; (c) neither the Trust nor the Trustees shall assign any claim against a Settling Insurer under Paragraph 3.2(d) of the Plan, unless such assignment furthers the purpose of releasing the Insurers from all liability for Asbestos Related Claims; (d) neither the Trust nor the Trustees shall give their approval for the filing of any action against a Settling Insurer under the provisions of Paragraph 35(c); (e) the Trust and the Trustee shall be deemed to have released all direct action claims against the Settling Insurer as authorized by Paragraph 35(f) of the Confirmation Order and Paragraph 3.2(d) of the Plan, which Plan provision authorized the Trust and its Trustees to control and resolve any and all direct action claims against Asbestos Insurance Companies with respect to Asbestos Related Claims, whether or not assigned to the Trust; (f) neither the Trust nor the Trustees shall assign, pursuant to Paragraph 35(g) of the Confirmation Order, any direct action claims against a Settling Insurer; and (g) Paragraphs 35(c), (e), (f) and (g) shall not be used to permit any Entity to take any action against a Settling Insurer for the purpose of enforcing, collecting or otherwise recovering on any Asbestos Related Claim.

Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 11 of 12
Published by AsbestosClaims.Law
asbestosclaims.law/library/14980/11

8. The revised settlement establishing the Initial Payment Percentage at 31.5% is approved in all respects.

9. Any automatic stay period, including, without limitation, the 10-day stay period provided for under Fed.R.Bankr.P. 6004(g), is hereby waived.

Dated: April APR 14 2004, 2004

LESLIE TCHAIKOVSKY

LESLIE J. TCHAIKOVSKY
UNITED STATES BANKRUPTCY JUDGE

SUBMITTED BY:

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Western Asbestos Asbestos Trust Notices, 2004
ACL Doc 14980 · Page 12 of 12
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asbestosclaims.law/library/14980/12