Docket #2597 Date Filed: 3/20/2025

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

In re	Chapter 11
ALDRICH PUMP LLC, *et al.*,	Case No. 20-30608 (LMJ)
Debtors.	(Jointly Administered)

FUTURE ASBESTOS CLAIMANTS' REPRESENTATIVE'S RESPONSE TO DEBTORS' MOTION TO AMEND CASE MANAGEMENT ORDER FOR ESTIMATION OF ASBESTOS CLAIMS

Joseph W. Grier, III, the representative for future asbestos claimants (the "FCR") in the above-captioned cases (the "Cases")[1] hereby submits his response to the *Debtors' Motion to Amend Case Management Order for Estimation of Asbestos Claims* (the "Motion") (Dkt. 2562).

The Motion seeks modest relief: (1) a deadline for the final completion of written discovery, albeit a distant one of March 27, 2026, and (2) the exchange of the parties' expert reports on the Debtors' asbestos liabilities on or before August 15, 2025. A firm deadline will bring much-needed rigor to what has been an unnecessarily complex and expensive estimation process. Similarly, the exchange of expert reports between the Debtors and the ACC will have the salutary effect of identifying—for the first time—exactly how far apart the parties are on the funding for a full-pay plan and whether that gap can be readily bridged. The FCR respectfully requests that the Court grant the Motion.

A. A deadline for the completion of written discovery is necessary and appropriate.

Establishing a firm written discovery deadline will serve to advance progress in these stalled bankruptcy Cases. The Debtors filed for bankruptcy protection nearly five years ago in

[1] Otherwise referred to herein as "*Aldrich.*"

June 2020. Both the FCR and the Official Committee of Asbestos Personal Injury Claimants (the "ACC") were appointed that year. The FCR, a class fiduciary appointed by Judge Whitley, must zealously protect the best interests of the class of claims he represents, *i.e.*, all individuals who were previously exposed to asbestos fibers from the Debtors' products but who are not yet ill.[2] The ACC, the class fiduciary for all individuals who are currently ill, must similarly act in that class's best interests. When properly aligned with their ethical duties, no court-appointed fiduciary should advance the interests of an individual or organization over the best interests of the class.[3] To do so would call into question the legitimacy of the fiduciary's recommendations and undermine the integrity of the proceedings.

Mesothelioma claims are by far the largest percentage of the Debtors' asbestos liabilities, at least 80%.[4] Victims diagnosed with mesothelioma rarely live more than two years. All ultimately die, often in difficult, painful, and financially crippling circumstances. Most of the Debtors' victims will have worked blue collar jobs, such as pipefitters, pump and HVAC technicians, and virtually none will have been handsomely compensated. Literally thousands of such victims, including those who were not ill at the inception of these cases (the FCR's constituency), have since succumbed to mesothelioma, and died in the five years that these Cases have been pending. In each instance, not a single victim received any compensation from the

[2] *See In re Imerys Talc Am., Inc.*, 38 F. 4th 361, 369 (3d Cir. 2022) ("An FCR must be able to act in accordance with a duty of independence from the debtor and other parties in interest in the bankruptcy, a duty of undivided loyalty to the future claimants, and an ability to be an effective advocate for the best interests of the future claimants.").

[3] *See e.g. In re Kensington Int'l, Ltd.*, 368 F.3d 289, 315 (3d Cir. 2004) ("[A] Creditors' Committee owes a fiduciary duty to the unsecured creditors as a whole, not to the individual members."); *see also AH Robins Co., Inc. v. Piccinin*, 788 F.2d 994 (4th Cir. 1986) ("If the claimants as a whole are to realize reasonable compensation for their claims, it is obviously in the interest of the class of claimants as a whole to obviate the tremendous expense of trying these cases separately.").

[4] *See Aldrich,* Dkt. 2378 (Bankr. W.D.N.C. Oct. 10, 2024) ("Debtors' Case History") at 2 (noting that "[a]s of the Petition Date, it was estimated that future claims constituted approximately 80% of the Debtors' asbestos liability").

Debtors for their injuries in their lifetimes. Looking through the lens of those victims, as all class fiduciaries must, the inability of the parties to either advance these cases or reach prompt agreement on a confirmable plan is an unacceptable—if not unforgivable—failure.[5]

This failure is magnified when one considers that, with a fiduciary effort aligned with the mutual best interests of both the victims and the Debtors, confirmation could be achieved easily and quickly. There are three basic reasons why that is the case. First, unlike most chapter 11 cases, funding is not an issue. On the contrary, the Debtors have committed to pay all asbestos claims in full, have the wherewithal to do so, and have already filed a $545 million confirmable plan and established a qualified settlement facility (the "QSF") to fund it.[6] The Debtors have said repeatedly that they have no desire to artificially suppress payments to victims or otherwise prejudice them. The FCR would, in any event, strongly oppose any such efforts. And any plan that the Debtors propose cannot take effect unless a class of claimants approves it.[7] The Debtors

[5] The plaintiff firms regularly complain to the Court that they are aggrieved they are prevented by the bankruptcy from taking cases to trial. In truth, those firms nearly always settled their claims against the Debtors in the tort system. The Debtors entered bankruptcy with 8,200 pending mesothelioma claims and faced an average of 2,500 newly filed claims each year in the tort system. *See Aldrich*, Dkt. 5 (Bankr. W.D.N.C. Jun. 18, 2024) ("Informational Brief") at 30–31. Despite this immense docket, only one case against the Debtors has ever gone to verdict. *See* Adv. Pro. 20-03041, Dkt. 279, Ex. F (Bankr. W.D.N.C. Jun. 4, 2021). Instead, 900 claimants on average were paid through settlements each year. *See* Informational Brief at 30–31. An asbestos trust is nothing more than a global settlement offer, and any claimant that is unhappy with the trust's offer has the right to try taking their case to trial. *A.H. Robins v. Piccinin*, 788 F.2d 994, 1012 (4th Cir. 1986); 28 U.S.C. § 1411. In the FCR and his counsel's experience, claimants routinely prefer the prompt and fair payment offered by asbestos trusts, hence their popularity in most U.S. jurisdictions.

[6] $480 million has proven sufficient to pay all *Garlock* claims in full, at values that have doubled since inception. *See Garlock*, Dkt. 5916 at 3 (Bankr. W.D.N.C. May 8, 2017) (ACC counsel declaring that the Garlock Plan "provides funding in a reasonable amount for the resolution" of claims and "in all circumstances, embodies a worthy compromise and a sound basis for resolving these long-running Chapter 11 cases"). An *Aldrich* trust will process similar, if not identical claims as those currently being paid by the *Garlock* trust. The Court, the Debtors, and the FCR do not know what the ACC thinks a fair and reasonable number might be in these Cases, as that number has never been disclosed formally or otherwise. *See supra* discussion regarding the exchange of expert reports on liability estimates.

[7] Section 524(g) requires (a) a future claimants' representative and a current claimants' committee; (b) a 75% vote by a class of asbestos claimants; and (c) district court approval of the plan as "fair and equitable." *See* §§ 524(g)(2)(B), (3)(A), (4). The *Aldrich* plan provides that Aldrich FCR will vote for the class of claimants who are not yet sick, the biggest class by far in these Cases. *See Aldrich*, Dkt. 831 at 15 (Bankr. W.D.N.C. Sept. 24, 2021) (the "*Aldrich* Plan").

maintain that they simply want to fully, fairly, and promptly address their asbestos liabilities, with minimal disruption to the parent company, relying on a statutory vehicle intended for that very purpose, Section 524(g) of the Bankruptcy Code. Thus far, the Debtors have followed through on their commitments.

Second, there is no principled objection to confirmation, including, most importantly, by reference to the fact that the Debtors went through a prepetition divisive merger and have a solvent parent. Many of the same claimant fiduciaries in these cases recently agreed to confirm the *Paddock* bankruptcy plan in Delaware, which is very similar to that proposed by the Debtors here.[8] Paddock Enterprises ("Paddock"), however, unlike the Debtors, made highly toxic, friable asbestos insulation, exposing anyone in the vicinity to harmful asbestos fibers. Paddock was the last of the "big dusties."[9] By comparison, the Debtors' asbestos liabilities largely relate to encapsulated gaskets and packing, which, as the *Garlock* Court found, only release asbestos fibers when workers with certain occupations perform very specific tasks such as cutting and grinding. The *Paddock* plan provides for fixed funding of $610 million and standard, long-accepted jury trial opt-outs, all for a solvent debtor that had been through a prepetition divisive merger restructuring, with a healthy, publicly traded multi-billion dollar parent company (O-I Glass) funding the asbestos trust.[10] The direct parallels to these cases are obvious other than the fact, of course, that Paddock's

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[8] *See in re Paddock Enter., LLC*, No. 20-10028 ("*Paddock*"), Dkt. 1406 (Bankr. D. Del. May 26, 2022).

[9] *See* Informational Brief at 4 (this term refers to "the miners and sellers of raw asbestos and the companies that used raw asbestos to manufacture other products, like thermal insulation").

[10] *See Paddock*, Dkt. 2 (Bankr. D. Del. Jan. 6, 2020) (noting that Paddock "undertook the Corporate Modernization Transaction to structurally separate the legacy liability of the Debtor's predecessor, Owens-Illinois, Inc., from the active operations of Owens-Illinois, Inc.'s subsidiaries, while fully maintaining the Debtor's ability to access the value of those operations to support its legacy liabilities."); *Paddock,* Dkt. 1220 (Bankr. D. Del. Feb. 17, 2022) (stating that *Paddock*'s trust was to be funded with assets worth $610 million, $601.5 million of which was to come from cash contributions from non-debtor affiliates); *Paddock,* Dkt. 1400 (Bankr. D. Del. May 24, 2022) (the "*Paddock* Plan") at Ex. B, Asbestos Trust Distribution Procedures § 7.6 ("Suits in the Tort System." If the holder of a disputed claim disagrees with the Asbestos Trust's determination regarding the Disease Level of the claim, the claimant's exposure or medical history, the compensability of the claim under the provisions of this TDP, or the liquidated value of the

products were much more dangerous to anyone who was exposed to them. Put another way, if the *Paddock* fiduciaries so readily found $610 million to be more than adequate for a full-pay case for a big dusty, it should be much easier to ascertain a fair number for the Debtors here.[11] *Paddock* illustrates in the cleanest and crispest fashion possible the emptiness of the ACC's endless protestations that divisive mergers are presumptive evidence of bad faith, demanding immediate dismissal. Simply put, a plan that is filed in good faith in Delaware and deserving of prompt confirmation, as all the fiduciaries urged in *Paddock*, cannot, under strikingly similar facts, transmogrify into a bad faith filing in North Carolina.[12]

Third—and this is a rare occurrence in asbestos cases—there is no great uncertainty or confusion about the expected volume or make-up of claims against any asbestos trust created by the Debtors, nor about how the claim procedures should be structured to ensure claimants are

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claim, and the holder has first submitted the claim to non-binding arbitration . . ., the holder may file a lawsuit against the Asbestos Trust . . . .).

[11] That this Court successfully resolved substantively identical liabilities for another debtor in recent memory, such that a § 524(g) trust is now paying the holders of valid claims in full year after year, should make their task even easier. *See infra* discussion of the *Garlock* case.

[12] The ACC has made no credible attempt to explain why it finds the *Paddock* prepetition restructuring so appealing but that of *Aldrich* and the analogous cases pending in this district so divisive (the FCR begs the Court's forgiveness for the pun). *See also In re Bestwall, LLC*, Case No. 17-31795 (Bankr. W.D.N.C.) ("*Bestwall*") *and In re DBMP, LLC*, Case No. 20-30080 (Bankr. W.D.N.C.) ("*DBMP*"). The claimant fiduciaries in the very recent *Red River Talc* case out of the Southern District of Texas, which include the FCR from *Bestwall* and *DBMP* (serving as counsel to the official committee of talc claimants), are similarly untroubled by the fact that Red River Talc LLC was the product of a prepetition restructuring by another solvent parent entity, Johnson & Johnson. *Compare Red River Talc LLC,* Case No. 24-90505 ("*Red River Talc*"), Dkt. 613 *and* Dkt. 683 (Bankr S.D. Tex. Nov. 21, 2024 & Nov. 27, 2024). Confirmation of the *Red River Talc* plan, supported by a majority of claimants, is currently under advisement by Judge Lopez.

It also bears noting that by criticizing the solvency of the Debtors and their parent entities in these Cases, counsel for the ACC contravene their own sensible public policy positions. For example, Caplin & Drysdale—one of the firms serving as co-counsel to the ACC in this case— co-authored a piece identifying the insolvency of asbestos debtors as a core issue plaguing the effectiveness of 524(g) trusts; meaning trusts formed by solvent debtors (*e.g.*, the Debtors here) would do a better job of compensating claimants in full. *See* Inselbuch, et al., *The Effrontery of the Asbestos Trust Transparency Legislation Efforts*, MEALEY'S LITIGATION REPORT 28.2, at 2 (Feb. 20, 2013) (opining that "[b]ecause of the hopeless insolvency of their predecessors, the trusts are only able to pay a small percentage of that historical settlement share to each deserving claimant, present and future").

treated fairly. These Debtors' asbestos liabilities largely stem from third party encapsulated asbestos products contained in their pumps and HVAC equipment (*i.e.*, gaskets and packing). The leading manufacturer of such products was Garlock Sealing Technologies ("Garlock"). The *Garlock* Court, and again many of the same claimant fiduciaries, successfully confirmed *Garlock*'s full-pay asbestos trust in July 2017, with fixed funding ($480 million) and standard jury trial opt-outs.[13] Of some relevance, the *Garlock* plan addressed the liabilities of an affiliate, Coltec, which went through a prepetition restructuring, which raised no objections from the *Garlock* ACC.

Confirmation of the *Garlock* plan followed a multi-week science/estimation trial during which Judge Hodges heard expert testimony on the circumstances where workers experienced exposure to asbestos fibers working around gaskets and packing as well as on which occupations had the strongest claims. Building on the Court's findings, the *Garlock* trust's unique claims procedures, which were negotiated by the *Garlock* FCR (Mr. Grier) and approved by the *Garlock* Court, include requirements that ensure the trust will not be exhausted by claims which would not pass muster in the tort system, and the claims it does pay are valid. Indeed, the *Garlock* trust has been a notable success for the classes of both current and future claims. Since inception the *Garlock* trust, which unlike many other trusts has not been overwhelmed with unexpected numbers of new current claims, has more than doubled its claim values, with a current maximum settlement value of $342,900.[14] The *Garlock* trust has paid at least 8,114 victims in full as of January 2024.[15]

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[13] *See In re Garlock Sealing Techs. LLC*, Case No. 10-31607 (Bankr. W.D.N.C.) ("*Garlock*"), Dkt. 5916; *see also Garlock Settlement Facility Second Amended and Restated Claims Resolution Procedures* § 9.6 ("Suits in the Tort System. If the holder of a disputed Claim disagrees with the Trust's determination regarding the Claim, . . . the holder may file a lawsuit against the Trust . . . ."), available at http://garlocksettlementfacility.com/assets/uploadedFiles/8eedc7d3-3283-4663-b851-3a929d102e94.pdf (last viewed March 19, 2025).

[14] *See GST Settlement Facility: Notice of Increase to Maximum Settlement Values* (Jan. 1, 2025), available at https://garlocksettlementfacility.com/assets/uploadedFiles/59cdd4b5-aa63-4b05-96ce-6b4e4e267c75.pdf (last viewed March 19, 2025).

[15] *See Garlock*, Dkt. 6305-2 (Bankr. W.D.N.C. Apr. 29, 2019) ("2018 Claims Summary"); *id.,* Dkt. 6309-2 (Bankr.

The Debtors' proposed plan of reorganization, which the FCR negotiated and supports, is modeled on the *Garlock* plan in the so-far vain hope that doing so would expedite recoveries for asbestos victims.

The FCR has long pushed for meaningful progress in these cases: including promptly analyzing the Debtors' asbestos liabilities with his experts and then reaching agreement with the Debtors[16] on a fully funded plan of reorganization modeled on the *Garlock* plan;[17] moving for a bar date and questionnaire to confirm the Debtors' current asbestos liabilities;[18] moving for a representative sample to simplify and accelerate estimation discovery;[19] and both suggesting mediation and supporting the Bankruptcy Administrator's motion to compel the same.[20] But the FCR has been stymied in his efforts to get compensation to asbestos victims, notwithstanding (i) the Debtors' willingness to fund a full-pay plan along the lines of one previously accepted by many of the same law firms that control the current ACC, (ii) the fact that a prepetition divisive merger does not constitute a principled objection to the creation of a trust, and (iii) the existence of a clear, confirmable precedent in the *Garlock* plan and the successful *Garlock* trust.

This lack of progress is tied directly to the positions taken by the ACC. Instead of pushing to confirm a *Garlock*-like plan, the ACC has quixotically pursued a scorched-earth litigation strategy, challenging nearly every substantive filing, all to achieve actual or effective dismissal of

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W.D.N.C. Apr. 30, 2020) ("2019 Claims Summary"); *id.,* Dkt. 6322-2 (Bankr. W.D.N.C. Apr. 28, 2021) ("2020 Claims Summary"); *id.,* Dkt. 6324-2 (Bankr. W.D.N.C. Apr. 29, 2022) ("2021 Claims Summary"); *id.,* Dkt. 6326 (Bankr. W.D.N.C. May 1, 2023) ("2022 Claims Summary"); *id.,* Dkt. 6328, (Bankr. W.D.N.C. Apr. 30, 2024) ("2023 Claims Summary").

[16] *Aldrich,* Dkt. 832 (Bankr. W.D.N.C. Sept. 24, 2021).

[17] *Aldrich* Plan; *see also* Debtors' Case History at 19 (noting that the ACC declined invitations to join those negotiations).

[18] *Aldrich,* Dkt. 471 (Bankr. W.D.N.C. Dec. 14, 2020).

[19] *Aldrich,* Dkt. 1342 (Bankr. W.D.N.C. Sept. 9, 2022).

[20] *Aldrich,* Dkt. 1247 (Bankr. W.D.N.C. Jul. 7, 2022).

these cases. The ACC postulates that a naked desire for a return to the delay and inequities of the tort system, where an asbestos victim's recovery (less contingency fees) is not dependent on a claimant's injuries but the identity of their lawyers and the courts they practice before, is just cause to dismiss these cases.[21] The Fourth Circuit disagrees, noting the unfortunate and barely veiled motives behind such a strategy.[22]

During this five-year period, where much of the parties' efforts have been expended on the ACC's relentless push for dismissal, the fees for professionals in these Cases have added up—and this is a perennially stale number given delays in the filing of certain fee applications—to an eye-watering total of $135 million (of which only $7 million came from efforts of the FCR). That is money that would be better spent on the victims, not one of whom has been paid a penny by the Debtors for their injuries.

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[21] The practice of the ACC Firms of making decisions by proxy for individual committee members has caused frustration at the bankruptcy court level, both in Delaware and North Carolina. In the *Bestwall* case, Judge Beyer highlighted her concern that Maune Raichle, which sits on the *Bestwall*, *Aldrich*, and *Paddock* ACCs, rather than its clients, was likely directing litigation strategy, writing:

> [W]hile the Court has no direct evidence, it strongly suspects the nine claimants did not direct the effort to contest the Court's PIQ Order by filing the Illinois Lawsuit. Yet the Court's hands are tied and it must sanction them, along with the Maune Raichle firm, which likely is the driving force behind the Illinois litigation.

See Bestwall, Dkt. 2095 ¶ 7 (Bankr. W.D.N.C. Sept. 23, 2021). In Delaware, Judge Silverstein likewise noted that law firms on committees must "be mindful of any positional conflicts they may have and act accordingly and pursuant to all appropriate ethical standards," and warned that in mass tort cases, law firms should ensure they are not unintentionally assuming fiduciary duties to claimants beyond their own clients. *In re Cyprus Mines Corp.*, Case No. 21-10398 (Bankr. D. Del.), Dkt. 302 at 9-10. And in the instant case, it is far from clear that the individual claimants who make up the ACC even know that prompt payment is within their grasp. In July 2020, the members of the *Aldrich* ACC were appointed, including Mr. Robert Overton. *See Aldrich*, Dkt. 147 (Bankr. W.D.N.C. Jul. 7, 2020). On November 9, 2020, during a deposition in a separate case, Mr. Overton indicated he was not aware of his appointment to the ACC or the role of the ACC. *See Robert Overton vs. Armstrong Int'l, Inc.*, Case No. 20-1482 (Mass. Super. Ct.), Nov. 9, 2020 Depo. Tr. at 329:9-15; 378:11-24; 379:1-6, 12-16, 20-22; 380:2-5. The relevant pages of this deposition are attached as Exhibit C to *Aldrich*, Dkt. 1779 (Bankr. W.D.N.C. Jun. 1, 2023).

[22] *See In re Bestwall LLC*, 71 F.4th 168, 184 (4th Cir. 2023) (noting "[i]t is not clear why Claimant Representatives' counsel have relentlessly at-tempted to circumvent the bankruptcy proceeding, but we note that aspirational greater fees that could be awarded to the claimants' counsel in the state-court proceedings is not a valid reason to object to the processing of the claims in the bankruptcy proceeding . . .").

When the Debtors asked the Court at the April 25, 2024, hearing to suspend the previously agreed Case Management Order deadlines, the FCR signaled his unhappiness at the open-ended delay that resulted.[23] It is time to get back on track and complete estimation discovery. This does not need to take years: it is just a hearing to estimate known and knowable asbestos liabilities, not an attempt to rewrite the tax code. The Court was spot on when it said the parties have "really lost [their] minds, in a way" and this is "just about estimation."[24] Whether a year from now or earlier (from the FCR's perspective, the earlier the better—the parties have already had nearly three years to complete estimation discovery), a deadline will help the parties find perspective and focus on what is best for the claimants. As the Court correctly noted at our last hearing, it is the asbestos victims who are suffering, and, as such, all fiduciaries should be thinking of them first and foremost.[25]

B. The exchange of estimation reports is necessary, appropriate, and not a burden to any party.

The exchange of expert reports now can have no downside, would prejudice no one, and promises to have the very significant upside of showing that the parties' respective measures of liability are neither that far apart nor incapable of being bridged. For the proof of this, we need look no further than the ACC's own four-year old application to employ their claims experts, Legal Analysis Systems, Inc. ("LAS").[26] The ACC noted in paragraph 6 of its Application that "LAS

[23] *See Aldrich,* Dkt. 2233 (Apr. 25, 2024 Hr'g Tr. at 10:2–4).

[24] *See Aldrich*, Dkt. 2535 (Jan. 30, 2025 Hr'g Tr. at 31:7–11).

[25] *See id.* at 46:5-7 (noting that with such delay these Cases have gotten out of hand., and that "the people who need distribution of these funds, . . . [is] what we all need to think about.")

[26] *See Aldrich,* Dkt. 900 (Bankr. W.D.N.C. Nov. 22, 2021). The ACC additionally retained a financial advisor, FTI Consulting, Inc., on August 24, 2020 to evaluate the Debtors' assets, in addition to cash flow, liquidity, and so on. *See Aldrich,* Dkt. 277 (Bankr. W.D.N.C. Aug. 21, 2020) (application) & Dkt. 284 (Bankr. W.D.N.C. Aug. 24, 2020) (order)

has extensive experience in providing consultation and advice estimating liabilities and has an excellent reputation for services it has rendered in other chapter 11 asbestos-related cases throughout the country."[27] Indeed, LAS has been retained as an expert on asbestos liabilities in 45 cases, including, notably, acting for the ACC in *Garlock*, *Kaiser Gypsum Company, Inc.*, and *Paddock*, all of which resulted in confirmed plans.[28] Dr. Peterson's Declaration identified LAS's scope of work in these cases as including, of course, estimation of present and future aggregate asbestos liabilities for the Debtors.[29] The basis for the relief sought in the ACC's application was as follows:

> LAS' services will be necessary in order to enable the [ACC] to, inter alia, investigate, analyze, and estimate the likely amount of Aggregate Asbestos Liabilities. A fair and accurate valuation of the asbestos claims is necessary in order for the [ACC] to participate in the administration of this case, to negotiate a plan, *and otherwise discharge its fiduciary duties in connection with the Chapter 11 case*.[30]

The FCR agrees. A chapter 11 class claimant fiduciary in an asbestos case cannot properly discharge its fiduciary duties to that class without having first obtained an estimate of the debtors' liabilities. And there is every reason to believe that LAS has already provided its estimates to the ACC and if, somewhat implausibly they have not done so, they certainly could complete that relatively formulaic task by the August 15, 2025 deadline. In its first fee application from November 2022, LAS noted that "[s]ince its engagement in these cases [in 2021], LAS has reviewed and analyzed the Debtors' asbestos claims data, . . . and began developing an estimate of the Debtors' aggregate asbestos-related personal injury liability."[31] Indeed, LAS was forecasting

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[27] *Id.* ¶ 6.

[28] *See id.,* Ex. B ¶ 2.

[29] *See id.,* Ex. B ¶ 4(c).

[30] *Aldrich,* Dkt. 900, ¶ 8 (Bankr. W.D.N.C. Nov. 22, 2021) (emphasis added).

[31] *Aldrich,* Dkt. 1395, ¶ 10 (Bankr. W.D.N.C. Nov. 8, 2022).

liabilities for this case as early as December 2021, and had developed an initial estimate by February 3, 2022.[32] By the end of February, the professionals at LAS appear to have put together at least three estimates and by the end of June 2022, five.[33] As of September 30, 2024, the latest figures available show LAS has incurred fees of more than $1,426,000.[34] Dr. Peterson has himself spent at least 85 hours on these cases.[35] In its most recent fee application from December 2024, LAS argued that is professional services "were necessary and appropriate to the administration of the Debtor's [*sic*] chapter 11 case. These services were in the best interests of the Debtor [*sic*], its estate, and creditors."[36] LAS added that "since its engagement in these cases [in 2021], LAS has reviewed and analyzed the Debtors' asbestos claims data[,] . . . reviewed and analyzed asbestos settlement and trial data," and coyly admits to having at least "begun developing an estimate of the Debtors' aggregate asbestos-related personal injury liability."[37]

It is no surprise that LAS has either completed or all but completed its liability estimates. LAS, like other claims experts, including the FCR's experts, relies on a company's prepetition settlement and judgment history to predict current and future asbestos liabilities. LAS obtained access to the Debtors' historical claims database within weeks of its appointment in 2021. Once the claims database has been uploaded it is an established and relatively easy process to model current and future asbestos liabilities, making assumptions on key parameters such as the

[32] *Aldrich*, Dkt. 1395 at 3 (Bankr. W.D.N.C. Nov. 8, 2022); *id.,* Dkt. 1567, Schedule A-1 at 3–4 (Bankr. W.D.N.C. Jan. 3, 2023).

[33] *Compare Aldrich*, Dkt. 1567, Sched. A-1 at 4 (Bankr. W.D.N.C. Jan. 1, 2023) *and id.,* Dkt. 1787, Sched. A-1, at 21 of 41 (Bankr. W.D.N.C. Jun. 2, 2023).

[34] *Aldrich,* Dkt. 2477 at 3 (Bankr. W.D.N.C. Dec. 12, 2024) .

[35] *Id.*

[36] *Aldrich,* Dkt. 2477 ¶ 9 (Bankr. W.D.N.C. Dec. 12, 2024).

[37] *Id.* ¶ 10.

calibration period for average indemnity values, future claiming/payment rates, inflation, discount rates, and an incidence curve for mesothelioma. What is more, LAS is not operating from a blank slate. LAS prepared the liability estimates for the ACC in *Garlock*, analyzing largely identical liabilities.[38]

What is confounding is why the ACC has chosen to suppress its liability estimate for so long. One answer may well lie in the fact that LAS' estimate is not multiples of the number agreed between the Debtors and the FCR. That is an awkward datapoint to reconcile with the ACC's headlong rush for dismissal and the related argument that dismissal is in the best interests of the class of current claims. LAS' February 2013 expert report for the *Garlock* case, attached hereto as **Exhibit A**, which showed a similar claiming and payment history to that of the Debtors, provides a useful data point. That report, relying on Garlock's settlement/judgment database, provided a range of estimated Garlock liabilities from $1.077 billion to $1.265 billion. Those numbers reflected projected liabilities as of February 2010, when Garlock filed for bankruptcy protections. The Debtors filed ten years later. Given all incidence curves for mesothelioma show claims reducing over time (most asbestos products have long been removed from the marketplace and the workforce who was exposed to asbestos fibers is aging), LAS' estimate for the Debtors' liabilities should necessarily be less than that in *Garlock*. Regardless, there is no good reason why the ACC should not provide its estimate, whatever it may be, to the Court and the parties. As the ACC themselves said, a "fair and accurate valuation of the asbestos claims is necessary in order for the [ACC] to participate in the administration of this case, to negotiate a plan, and otherwise discharge its fiduciary duties in connection with the Chapter 11 case."[39]

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[38] *See Garlock,* Dkt. 4464-1, Ex. C, Initial Expert Report of Mark A. Peterson § 8 ("Liability Forecasts") (Bankr. W.D.N.C. Apr. 1, 2015).

[39] *Aldrich,* Dkt. 900, ¶ 8 (Bankr. W.D.N.C. Nov. 22, 2021).

For all the foregoing reasons, the FCR respectfully requests that the Court set a firm deadline, as early as possible, for the completion of written discovery and order the Debtors and the ACC to exchange their respective asbestos liability estimates.

Dated: March 20, 2025
Charlotte, North Carolina

Respectfully submitted,

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EXHIBIT A

Garlock Sealing Technologies LLC

Projected Liabilities for Mesothelioma Claims

As of June 2010

Mark A. Peterson

Legal Analysis Systems

February 2013

Confidential-Subject to Protective Order

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Tables

1. Overview of Report

This report summarizes results of analyses to estimate the liability of Garlock Sealing Technologies LLC (“Garlock”) for mesothelioma claims that had been filed and were unresolved (“pending claims”) and claims that would be filed in the future (“future claims”) as of the date of Garlock’s bankruptcy petition, June 5, 2010. Specifically, pursuant to the Court’s Order for Estimation of Mesothelioma Claims of April 13, 2012, I “estimate the aggregate amount necessary to satisfy present and future claims that may be allowed at some later point in the case.”

Section 2 discusses my training, background, and experience in studying asbestos litigation and in performing forecasts like those in this report.

Section 3 discusses the historical basis for Garlock’s liability arising from the manufacture and sale of asbestos-containing gaskets, packing, and other products used widely in many industries, industrial processes, marine applications, pumps, vehicles, and other products.

Section 4 reviews the scope of Garlock’s asbestos litigation.

Section 5 discusses issues of estimation for asbestos liabilities. I describe methods for forecasting and valuing claims that have been generally and widely accepted as the basis for courts’ past estimates and which result in a conservative estimate of Garlock’s liabilities.

Section 6 describes the data and information upon which our analyses have relied.

Section 7 describes Garlock’s historical resolution of asbestos mesothelioma claims and application of the forecasting method that estimates Garlock’s future liability based on extrapolation from its actual historical experience in receiving and resolving such claims.

Section 8 describes the forecast results and presents sensitivity analyses testing the reasonableness of those results.

Based on these forecasts, it is my opinion that, as of June 5, 2010, the present value of payments that Garlock would have to make to pending and future asbestos bodily injury claimants to resolve their claims outside of bankruptcy would most likely be centered on $1.265 billion NPV, our primary forecast, which closely follows and extends Garlock’s actual filings and resolutions of asbestos claims during its recent history, 2006 to 2010. This report also presents a secondary forecast based on Garlock’s filings and resolutions from 2003 to 2010 of $1.077 billion NPV. The secondary forecast is based in part on earlier years when claim filings, processing, and resolutions differed from those that Garlock experienced after 2005. I expect that Garlock’s continuing asbestos experiences would likely be close to its most recent past, which is the period from which we obtain the parameters for our primary forecast. Additionally, I provide a series of sensitivity

analyses that show how Garlock's liability varies over a range of different forecast assumptions. Total present value costs for these alternative forecasts range between $1.016 and $1.666 billion.

2. Dr. Peterson's Qualifications

For thirty years, I have studied, written about, and participated as a special master and expert in asbestos litigation and in other mass tort litigation. I am a lawyer, a graduate of Harvard Law School, and a behavioral scientist with a doctorate in social psychology from the University of California, Los Angeles (UCLA). For over twenty years, I conducted research on asbestos and other mass tort litigation as a founding member of the RAND Corporation's Institute for Civil Justice. I have published many scholarly, peer-reviewed articles on asbestos litigation, mass torts, and workers compensation, including articles on how asbestos and other mass tort claims arise, how the values of asbestos bodily injury claims are determined by medical and legal issues, evaluations of claims facilities used for paying asbestos and other mass tort claims, and other subjects related to asbestos litigation. I have taught courses on mass torts and the behavioral scientific study of law and legal institutions at UCLA Law School and the RAND Graduate School. My resume is attached to this report as Exhibit 1. Any publications I have authored within the past ten years are listed in the resume.

I have been accepted and qualified as an expert in over 20 cases and have served four U. S. District and Bankruptcy Courts as the courts' expert on how asbestos claims are determined to have value, on asbestos claims procedures and trusts, and on other matters of asbestos litigation. I have been recognized by courts as an expert on all areas that I address in this report, and the descriptions and analyses in this report are grounded in my scholarship and work as an expert in asbestos litigation. A listing of the matters in which I have testified as an expert within the past four years (deposition or trial) is set forth as Exhibit 2.

I have been retained by the Official Committee of Asbestos Personal Injury Claimants (''ACC'') in In Re: Garlock Sealing Technologies LLC, et al. pending in the U. S. Bankruptcy Court for the Western District of North Carolina, Docket No. 10-BK-31607, as an expert for purposes of estimating asbestos liabilities and providing testimony on these matters. This report has been prepared as part of that engagement.

3. Garlock's Asbestos Business

Since the early 1900s, Garlock and affiliated companies (primarily the currently inactive Anchor Packing Company) sold asbestos-containing industrial sealing products and related materials, including gaskets, compression packing, asbestos-containing fabric sheets, expansion joints, and hydraulic components. (This report does not estimate Anchor's liabilities.)

A gasket is a static mechanical seal that joins two or more mating surfaces, such as a flange where pipes connect to one another, or to equipment such as valves or pumps. Examples include steam line flanges, compressors, refrigeration equipment, engine heads, and fluid conduits. Material in these gaskets contained a mixture of asbestos fibers, fillers, curing agents, and elastic materials that were compressed into thin sheets. Many Garlock products consisted of as much as 85% asbestos fibers (see GST-EST-0156373-381), generally of the chrysotile variety, but numerous products also contained crocidolite asbestos. Garlock sold asbestos gasket sheets and rolls to distributors or final customers who cut and shaped the materials. Garlock also pre-cut and sold its asbestos sheets as gasket material without further covering. Other Garlock gaskets combined layers of asbestos sheeting and metal components.

Garlock wove asbestos into yarns and then into braids for use as packing. It also wove yarn into cloth which it used for its own gasket products and which it sold to other manufacturers for their gaskets.

As the term implies, asbestos packing was used by workers to pack joints, valves, and other connections to prevent leaks. In addition to braided yarn, Garlock also sold loose asbestos packing.

Garlock's asbestos-containing products were sold widely to commercial and industrial entities who used those products to deal with fluids and gases in pipes, valves, pumps, boilers, engines, and other mechanical devices.

Garlock represents that it stopped selling asbestos-containing products in the United States in the beginning of 2001 (see, e.g., GST-EST-0108956-0109071). Until then, Garlock's asbestos-containing products were sold domestically to the U. S. Navy, large petrochemical companies, and a wide variety of industrial sectors, including shipyards, steel mills, mining operations, construction, transportation, waste and water treatment, and chemical processing. Examples of companies using these products include Caterpillar, DuPont, Exxon, General Dynamics, Fisher Control, Ingersoll Rand, and Newport News Shipbuilding.

Garlock sold its products directly to the government, distributors, and final-use entities, including maintenance contractors, in-house maintenance and repair organizations, and OEMs (original equipment manufacturers).

In general, Garlock's gaskets were prominently branded, as were spools of packing. Packaging for products was also branded. However, purchasers

sometimes rebranded Garlock's products before resale. Garlock's gaskets and packing bore no warnings concerning asbestos until 1977 (see, e.g., GST-EST-0108979).

Individuals in a wide variety of occupations were exposed to Garlock asbestos-containing products, including but not limited to pipefitters, millwrights, shipwrights, boiler makers, machinists, and individuals in construction trades.

4. Garlock's Asbestos Litigation

Garlock reports that it was first named in an asbestos bodily injury suit in 1975 (EnPro Industries, Inc. Form 10-K, p. 16). Its claims database, however, includes no meaningful information about its claims experience before 1987. For 1987, the database records that Garlock was sued by 14,520 asbestos claimants, of whom 319 were identified as mesothelioma claimants. Claiming against Garlock remained above that level for the next 18 years. In the early 2000s, Garlock received about 50,000 claims annually (with mesothelioma claims ranging between 1,100 and 1,900 per year). Garlock's experience changed markedly towards the middle of that decade, however, as the numbers of claims asserted for nonmalignant diseases fell to fewer than 10,000 per year. Mesothelioma claims became much more prominent in the mix of claims filed against Garlock, with annual filings for that disease rising steadily throughout the rest of 2000s (see Section 7.2 below).

Evidence given in the bankruptcy indicates that mesothelioma claimants who sued Garlock generally asserted causes of action for failure to warn of the hazards of asbestos. They alleged that workers cutting and removing Garlock's asbestos-containing gaskets and packing were exposed to dangerous quantities of airborne asbestos fibers from those products, as were other workers in the workplaces where such activities took place. (See, e.g., testimony by Jeffrey Simon, given in open court on February 17, 2011, at Transcript 57-69.) Claimants also maintained that Garlock had early knowledge that asbestos fiber emissions from its products could contribute substantially to causing mesothelioma. Garlock disputed these assertions, maintaining that it had no duty to warn; that the asbestos fibers in its gaskets were ''encapsulated'' so that they did not emit dangerous quantities of fibers even when gaskets were cut or deteriorated gaskets were removed; that the bulk of its asbestos-containing products contained chrysotile, which Garlock alleged does not cause mesothelioma; and that claimants' mesothelioma must be attributed to exposures to asbestos products (chiefly, insulation) that Garlock did not manufacture or sell but that abounded in the industrial settings where Garlock's products were commonly used. (See, e.g., EnPro Industries, Inc. Forms 10-K for 2002 and 2008, at pages 16 and 35, respectively.)

Although Garlock faced nearly 700,000 asbestos claims in all, including 26,158 claims for mesothelioma, only a small percentage of them (less than 0.1%) went to verdict. Throughout the litigation, Garlock resolved the overwhelming majority of asbestos claims -- those for mesothelioma as well as those based on other diseases -- by settlement if they were not otherwise dismissed. (See Section 7.3.2 below.)

As is true of virtually all tort settlements, Garlock would have rarely if ever acknowledged liability in a settlement or even conclude that in a perfect world (as designed by asbestos defendants) it should have to pay at all. It is also true that a plaintiff would seldom have accepted a settlement with Garlock as representing the full measure of their view of Garlock's ''true'' and ''just'' liability for the

plaintiff's damages. The tort system for asbestos cases has advantages and disadvantages for both sides. But both sides accepted settlements as a compromise that eliminated their risks and their continuing litigation costs within the actual tort system, not an idealized system that would have been preferred by one side or the other. Garlock settled claims because it recognized the risks of those claims: some probability that it would be found liable for an amount greater--usually far greater--than what it would have to pay in settlement. To determine the amounts that it would pay for settlements, Garlock looked to the amounts it had paid in the past, its historic settlements and judgments.

In looking to Garlock's historic payments, we do not assume that all of the claims that it settled would have been determined to have "merit" in that they would have been paid if tried. Rather we make our estimates on the basis that Garlock settled claims that presented some financial risks to the company, even modest risks in many cases, and expect that many pending and future claims would also present risks like those that gave value to past settled claims. Our forecasts, like the practices used by Garlock (and all defendants) in actually resolving claims, recognize that most asbestos claims are to a greater or lesser extent uncertain and disputed; that most claims present a probability of a verdict adverse to Garlock that is greater than zero but less than one (with a similar, complementary range for the plaintiff); and that the settlement values attached to the claim by the parties are the product of each side's assessment of the probability of liability and their assessment of potential damages, their views about risk, and their sense of the time-value of money (i.e the value of money now relative to the value of money in the future).

As demonstrated below, the amounts Garlock paid in indemnity to resolve mesothelioma claims represent a substantial liability, but were less than those of many other defendants who received similar numbers of claims. In broad terms, that pattern held true in the decade of the 2000s, even though the amounts Garlock paid on average when accepting mesothelioma claims for payment reached a higher plateau. These patterns shape the forecasts presented in this report, which are derived from Garlock's actual claims and resolutions history.

The next section discusses standard methods for estimating asbestos liabilities, which are used in this report. We forecast that Garlock's future costs for resolving asbestos claims will be a continuation of its recent experiences, including the continuation of trends existing by the time of its bankruptcy. In Section 6, we describe Garlock's asbestos claims data, which are the basis for the forecasts. In Section 7, we describe the claim resolution strategy and tactics by which Garlock minimized its liability for mesothelioma claims.

5. Asbestos Liability Forecasts

Forecasts of asbestos liabilities are needed and have become commonplace in many different circumstances. Asbestos defendants estimate their present and likely future liabilities both for their own corporate planning and also as part of financial reporting. Insurance companies forecast asbestos liabilities to create reserves for specific insureds. Insurance rating organizations forecast liabilities of insurance companies. Financial analysts forecast liabilities of specific asbestos defendants and insurance companies. Businesses forecast liabilities of other companies that face asbestos liabilities in order to determine whether or not to engage in business activities with the companies that face such liabilities. Asbestos trusts are required to forecast their liabilities in order to determine how much money must be reserved for future claimants and what amount can be paid to claimants with presently pending claims, forecasts that are required by the U. S. Bankruptcy Code. Parties to bankruptcy proceedings forecast liabilities in order to draft reorganization plans and disclosure statements. Bankruptcy courts estimate the asbestos liabilities of debtors. Other courts estimate the asbestos liabilities of particular defendants in the course of class actions, insurance coverage, or other litigation.

These forecasts have been done in many ways, with highly varying quality and credibility. Some forecasts have had influence and currency despite using methods and producing results of poor quality. For example, some estimates by putatively solvent companies for SEC purposes have significantly underestimated asbestos liabilities, as shown by the following comparison of estimations in financial statements for four companies with courts' determinations of those liabilities (Table 1).

Table 1: Defendants' Financial Reports Underestimate Liabilities

Defendant	10k Estimate	Court Estimate
McDermott (B&W)	$1.3	$7 to 9
Armstrong	$0.7	$3.1 or more
Owens Corning	$2.2	$7.0
Federal Mogul	$1.6	$9.0

Note: Entries in billions of dollars of the reporting dates.

To establish an aggregate value of pending and future asbestos bodily injury claims, we forecast how a debtor would continue to receive and resolve claims within U. S. court systems, outside the protection of Chapter 11. By now, many such forecasts have been prepared and submitted to bankruptcy courts in asbestos

litigation.

Forecasts that have been accepted by bankruptcy courts have certain key features in common. They include:

- the forecasts reflect the epidemiology of asbestos-related diseases.
- the forecasts consider developments and the state of asbestos litigation in the tort system at the time of the bankruptcy, but not after. They do not speculate on what might occur.[1]
- the forecasts draw upon data about the defendant's own past experience and the contemporaneous experience of other asbestos defendants. Levels and trends in numbers of claim filings, distributions of asbestos diseases, and claims resolution experiences are considered.[2]
- the forecasts attempt to measure and adjust appropriately for perturbations in claiming patterns caused by nonrecurring events, or by factors extrinsic to the tort system, such as the automatic stay in bankruptcy.

By the time of its bankruptcy petition, Garlock had already received at least 677,548 asbestos injury (26,158 mesothelioma) claims and evaluated and resolved 584,055 (21,404 mesothelioma) claims. Garlock's historical data are particularly important in showing how the company had itself valued asbestos claims. Garlock had placed values on 441,013 settled claims (16,093 mesothelioma claims) as of the time of the bankruptcy. We discuss the history of Garlock's resolution strategies in Section 7, below.

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1. For example, new legislation could curtail the filing of certain types of claims, but speculating on the passage of new legislation was specifically rejected in Judge Robreno's ruling in In Re: Armstrong World Industries, Inc.

2. Plaintiffs and defendants value asbestos claims by agreement or by judgments. Settlements represent the amount that a defendant will voluntarily pay to reduce its liabilities and to avoid the uncertain but likely higher costs of defending and then paying a plaintiff's judgment. Settlements reflect the business judgment of both plaintiffs and defendants about costs and compensation, and reflect each party's risk preferences and assessments of the time value of money.

6. Description of Data

6.1. Garlock's Historical Claims Database

Garlock maintained an electronic database for all asbestos bodily injury claims filed against it, which was provided in May 2011. This database updated and superseded a database sent in October 2010, which we do not use here.

The May 2011 database consisted of several related tables. A primary claims table contained 698,138 records (i.e., a record is data for a specific claimant). Additional data for each record (specific claimant) were spread across several linked supplementary tables that provided information such as: attorney names, jurisdictions, alleged diseases, claim statuses, various dates (birth, diagnosis, filing, resolution), and resolution amounts. Table 2 shows eight tables that we determined were relevant and sufficiently complete to be useful in our analyses. The second column shows the number of cases for each table.

Table 2: Data Tables in the Garlock Database

Table Type	Number of Records
Claims	698,138
Plaintiff Information	697,877
Payments to Claimants (*)	455,308
Ledger accounting for payment-related actions	23,084
Checks paid for indemnity or defense	16,752
Settlement tracking information	7,586
Plaintiff Attorney information	1,504
Defense Attorney information	398

(*) In some cases, there are multiple records per claimant-- the number of paid claimants is 441,013.

Although Garlock's data contained 698,138 records, about 20,000 of these were duplicated information about a claimant. For example, Garlock created new, separate records when a person refiled a lawsuit or filed suits in different courts. These duplications are a problem that we see in every asbestos defendant's claims database. Ordinarily a plaintiff would receive only a single payment for his/her complete release of Garlock for the same injury, no matter how many suits have been filed on the person's behalf. In such cases it would be inappropriate to assume that each separate lawsuit has independent value. On the other hand, many jurisdictions permit the same person to bring multiple, separate causes of action based on different asbestos-related injuries that arose at different times.

We address this duplicates problem by restricting our analyses to only one claim per injured person. We first linked the multiple records for each person using Garlock identifiers, social security number, or name. We then selected the record with the largest settlement, and in case of ties, the most recent date. As a sensitivity analysis, we modified record selection to give mesothelioma cases highest priority, but this affected our ultimate liability estimates by less than half a percent, so is not considered further here.

After eliminating duplicates through these priority rules, we were left with 677,548 unduplicated claims. Across all filing years, this duplicates elimination process removed from the database about 2.9 percent of mesothelioma claims. This removal rate varied little from year to year.

6.2. Mesothelioma Claim Questionnaire and Related Data and Documents

During the course of these bankruptcy proceedings, the Court authorized Garlock to gather information on pending mesothelioma bodily injury claims by submitting to each such claimant a questionnaire and request for extensive documents (collectively the Mesothelioma Claim Questionnaire, or "MCQ" process). A subsequent Court order authorized a Supplemental Exposure Questionnaire, or "SEQ" process. Claimants were instructed to submit MCQ forms and supporting documents to Rust Consulting, who served as the Debtors' agent for the MCQ process. Claimants were instructed to submit SEQ forms and attachments to the Debtors' law firm, Robinson Bradshaw. In addition to receiving the submitted data from Rust and Robinson Bradshaw, we coded a sample of PDFs that were submitted as supplemental information to the MCQ and SEQ forms.

Our general observation is that these data are consistent with the information we see in the historical database. They show that the population of pending mesothelioma claimants eligible for payment is at least 80 percent, much greater than the percent Garlock has been paying historically since 2005. In the years prior to its bankruptcy, Garlock had resolved about 60 percent of mesothelioma claims with payment. But aside from demonstrating a high level of potential eligibility, the MCQs and SEQs do not provide enough information to tell us precisely who will ultimately be paid.

First, we determined that the rate at which completed questionnaires assert that the injured person suffers or suffered from mesothelioma was at least 91 percent. We refer to this as the mesothelioma claiming rate.

> Given the MCQ's design, there is no single, reliable response field that would indicate whether a claim is a mesothelioma claim. The disease information requested in the MCQ was supplied in many ways. Assertions of mesothelioma, for example, may be gleaned from a question in the MCQ (Part 4) seeking "Date of first diagnosis of Mesothelioma." Or it may be reflected in attached medical records, asserted in complaints, interrogatories, or depositions,

supplied in email correspondence, or simply skipped if the claimant did not know the diagnosis date.

We can compute a lower bound for the mesothelioma claiming rate from the fact that first diagnosis dates of mesothelioma were supplied for 3,382 of the 3,696 completed questionnaire cases produced by Rust. We calculate this as 91.5% (3382 ÷ 3696).

Second, we determined that the rate at which the MCQ respondents who affirmed mesothelioma also asserted exposure to Garlock's asbestos-containing products (the Garlock exposure rate) was at least 87 percent.

As many claimants and their lawyers noted in responding to the MCQ process, their claims were still being investigated and developed. Experience indicates that, in time, many of the claimants will have additional information about Garlock exposures. But while there was a principal place in the MCQ form we could examine to determine whether the claimant had mesothelioma (the first mesothelioma diagnosis date), the exposure questions invited multiple responses -- one for every work site at which Garlock products were identified -- and many of these appeared only in attachments, not the data that Rust had assembled.

We coded questionnaires and attachments for two samples of cases that had submitted questionnaires or attachments. One sample consisted of cases selected by the Debtor for the SEQ. Of the 442 claimants for whom we were able to confirm an assertion of mesothelioma in the questionnaire itself, there was an assertion of Garlock exposure in 94 percent (415) of the cases. The second sample was a random sample of cases not in the SEQ. Of the 430 claimants who asserted mesothelioma in the questionnaire, 87.4 percent (376) asserted that they had been exposed to Garlock products.

Using the lower of these two exposure rates, if we multiply the mesothelioma claiming rate by the Garlock exposure rate, we get the overall rate of mesothelioma and Garlock exposures to be 80.0 percent (.915 × the percent of claimants who would pass both the disease and exposure requirements.

We do not see this as inconsistent with the 60 percent that Garlock's history database suggests is the overall rate of payment. It confirms that the percent of claimants who are eligible for payment is higher than the percent paid historically.

7. Projection of Aggregate Value of Mesothelioma Claims

7.1. Projection Formula

We use the following arithmetic formula to estimate the aggregate value of Garlock mesothelioma claims. We apply the formula separately for pending and future claims.

Number of Claims × *Payment Rate* × *Average Settlement Value* = *Indemnity*

The number of pending claims is a count from Garlock's historical claims database (Section 6). For future claims we cannot simply count, but rather must forecast their numbers and timing from both Garlock's historical rates of mesothelioma claim filings and from epidemiological research on the past and future incidence of mesothelioma (Section 7.6).

The other two parameters in the formula -- percent of claims paid and average settlement values -- must also be projected, again relying mostly on Garlock's historical data for each parameter (Section 7.5).

As the above formula shows, the arithmetic is simple. But to implement the arithmetic, we must draw upon both our experience and expertise in studying asbestos litigation and also our research on asbestos litigation generally and Garlock's litigation specifically in order to derive our forecasting parameters:

- the rates at which future claims will be filed,
- the rates at which mesothelioma claims will be paid by Garlock, and
- the average values of such payments.

In the next sections we describe the history and documents that describe Garlock's past litigation, our opinions and decisions about the forecast parameters, and the results of our forecasts.

7.2. Number of Filings

After duplicates elimination Garlock's database showed 677,548 unique claims had been filed against Garlock, 26,158 of which were identified in the data as mesothelioma claims. Table 3 shows the years in which claims for each disease were filed against Garlock.

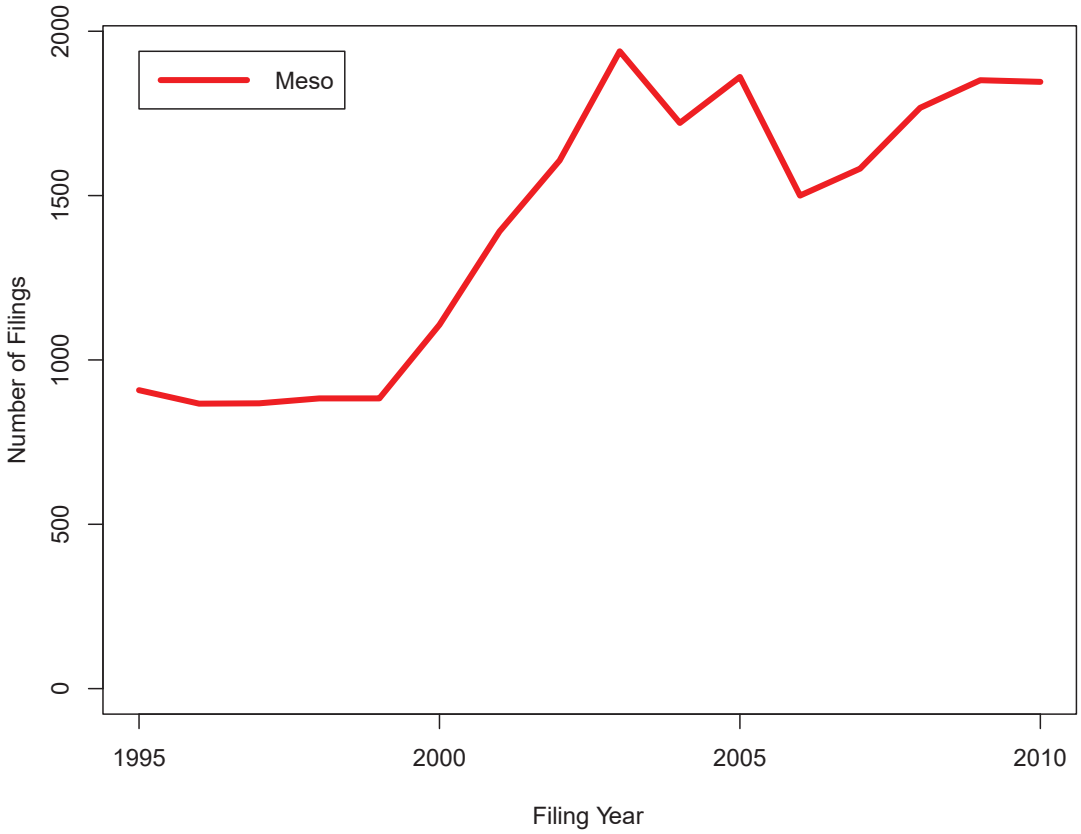
Table 3: Number of Filings, by Year and Disease

Filing Year	Disease					Total
	Meso	Lung	Othc	Nonm	Unkn	
Missing	7	26	4	1,049	225	1,311
1987	319	946	128	10,007	3,120	14,520
1988	592	1,391	387	20,140	7,516	30,026
1989	449	1,158	350	13,544	2,921	18,422
1990	645	1,932	234	16,144	1,818	20,773
1991	650	1,820	126	16,037	2,100	20,733
1992	674	1,305	70	22,434	1,921	26,404
1993	598	1,284	46	23,445	2,162	27,535
1994	700	1,263	38	20,529	2,701	25,231
1995	908	2,569	202	38,004	8,049	49,732
1996	867	1,977	154	33,396	8,235	44,629
1997	868	1,782	161	24,352	13,770	40,933
1998	883	1,764	174	28,265	8,023	39,109
1999	883	2,076	136	31,667	6,349	41,111
2000	1,107	1,802	184	38,273	7,352	48,718
2001	1,391	2,182	339	39,772	6,997	50,681
2002	1,607	2,399	467	46,830	2,537	53,840
2003	1,939	2,172	544	31,240	12,386	48,281
2004	1,721	1,292	303	14,672	9,247	27,235
2005	1,861	1,948	727	14,809	927	20,272
2006	1,500	1,120	286	4,436	356	7,698
2007	1,582	841	259	2,814	263	5,759
2008	1,767	857	211	3,218	293	6,346
2009	1,851	805	122	2,331	712	5,821
2010	789	422	56	839	322	2,428
2010 Ann	1846	987	131	1963	753	5,681
Total	26,158	37,133	5,708	498,247	110,302	677,548

Notes: Entries for 2010 (in red) are filings only through June 5, when Garlock filed for bankruptcy. The column totals exclude the annualized entries.

This report estimates Garlock's aggregate liability for mesothelioma claims only. To place the estimate in context, however, it is useful to note the significant change in Garlock's claims experience that Table 3 and Figure 1 make evident as early as 2003 and starkly clear in each subsequent year in the 2000s. With the sharp decline in the numbers of claims for nonmalignant diseases, as well as for lung and other cancers, mesothelioma claims came to dominate the litigation and emerged as the principal driver of its liability (Figure 1).

Figure 1: Garlock Mesothelioma Filings, 1995-2010



Note: 2010 is annualized.

7.3. Garlock's Cost-Containment Strategy

Garlock focused closely on containing its costs of asbestos litigation, both for indemnity and defense. First, it simply delayed payments. Second, it set up various group deals with plaintiffs law firms in which large numbers of claims would be resolved efficiently with agreed-upon documentation.

7.3.1. Payment Delays

As EnPro, Garlock's parent, described it, Garlock's historical strategy controlled cash outflows by managing claims and insurance collections. Until 2006, Garlock's pace for resolving claims depended upon what - and when - its insurers paid: "Garlock's historical settlement strategy has been to try to match the timing of payments with recoveries received from insurance." (EnPro Industries, Inc. 2005 Form 10-K, p. 32).[3] Garlock determined how much in total it would pay claimants each year and maintained those totals for mesothelioma claims at around $70 million or less from 2006 to 2009 (Table 4).

Table 4: Garlock Payments, by Settlement Year

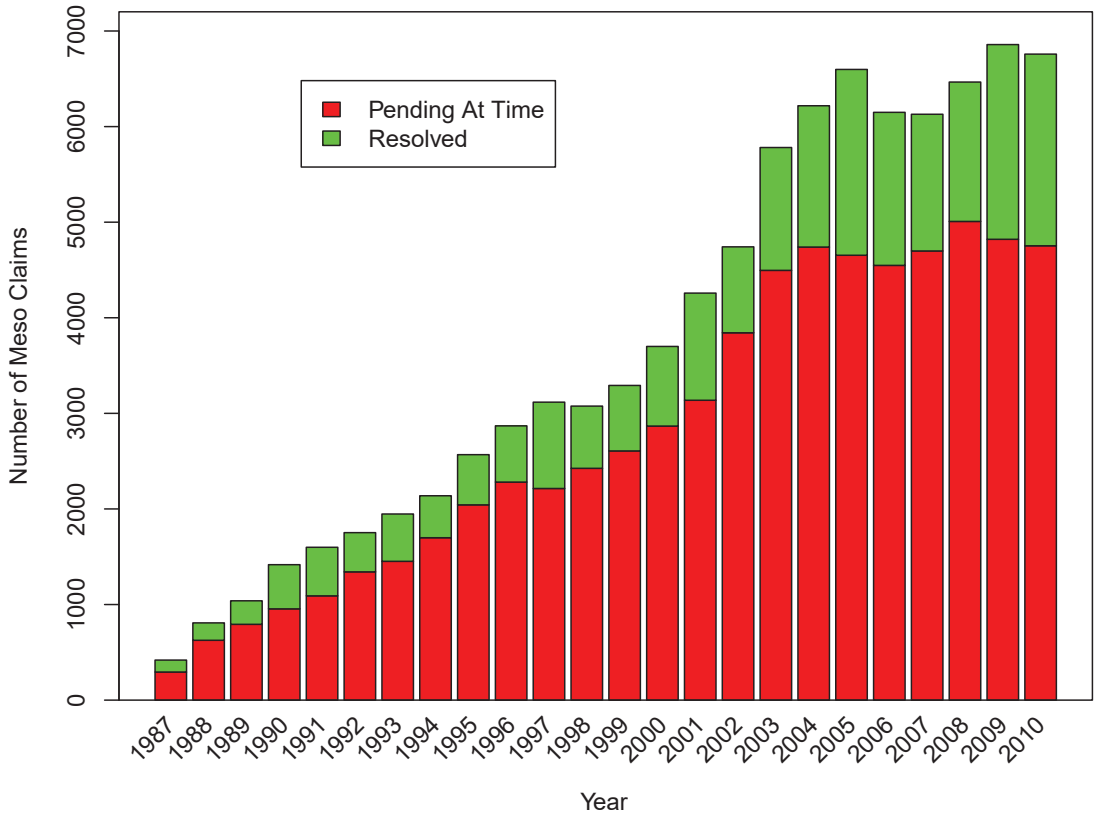
Settlement Year	Payments	
	Meso	Total
1996	$3,360,692	$48,340,622
1997	5,167,628	39,306,965
1998	4,164,161	33,996,619
1999	6,256,976	70,519,065
2000	17,122,349	112,038,238
2001	23,638,108	136,709,651
2002	33,013,212	107,456,185
2003	44,226,282	110,182,984
2004	51,136,601	89,953,421
2005	57,102,346	94,216,830
2006	72,453,668	94,135,349
2007	59,028,475	78,553,700
2008	71,524,750	84,019,008
2009	70,781,521	83,752,697
2010	34,968,909	38,747,009
Total	$567,117,439	$1,365,756,537

Note: Entries in dollars of the year when paid. Years prior to 1996 not shown but included in totals.

Garlock's delay strategy allowed it to prevent for as long as possible reporting asbestos litigation losses in its financial statements, but in limiting the settlement amounts it would pay each year, Garlock did not eliminate mesothelioma claims. Every year Garlock paid only a small fraction of its pending claims, and so the number of backlogged mesothelioma claims built up over the 1980s and 1990s and remained at high levels, unaddressed throughout the 2000s until its June 2010 bankruptcy petition (Figure 2). At the time of its bankruptcy, Garlock had 4,754 mesothelioma claims pending, or about 3 years worth of claims filings. These unpaid, deferred claims have now become Garlock's pending claims, whose costs we separately estimate below.

3. Garlock has disclosed that by the second quarter of 2006, "our insurance was fully allocated to past, present, and future claims ..." (EnPro Industries, Inc. 2006 Form 10-K, p. 36). It had anticipated and disclosed that eventuality earlier (EnPro Industries, Inc. 2005 Form 10-K, p. 35).

Figure 2: Garlock Resolved Only a Small Fraction of its Mesothelioma Claims Each Year



Note: Claims resolved in 2010 are annualized.

7.3.2. Claims Resolution

Garlock appears to have followed a highly disciplined approach for the resolution of asbestos claims. Garlock held out the threat of forcing claimants to trial: "When a settlement demand is not reasonable given the totality of the circumstances, Garlock generally will try the case" (EnPro Industries, Inc. 2003 Form 10-K, p. 25). When it went to trial and suffered "significant adverse verdicts," Garlock aggressively appealed (EnPro Industries, Inc. 2003 Form 10-K, p. 31).

Throughout the history of its asbestos litigation, however, most claims resolved by Garlock were resolved through settlement, not trial. Moreover, it settled some claims during trial and sometimes extinguished judgments by settling after appeal.

As the basis for settlement, Garlock consistently required a claimant to submit medical evidence of an asbestos-related disease, evidence that the claimant worked with or around Garlock asbestos-containing products, and a complete release of Garlock and related entities (e.g., EnPro Industries Inc. 2005 Form 10-K, p. 34).

Since the mid-2000s, Garlock's announced strategy for addressing its asbestos

claims was ‘‘to focus on trial-ready cases and other cases in advanced stages, to reduce our settlement commitments each year, to carefully manage and maximize insurance collections, and to proactively support legislation and other efforts aimed at meaningful asbestos reform.’’ (EnPro Industries,Inc. 2007 Form 10-K at 33.) Focusing settlement efforts primarily on ‘‘trial-ready’’ and ‘‘advanced’’ cases enabled Garlock to use courts’ trial dockets as a device for postponing resolutions and thereby reducing the current financial burden of the claims. Garlock recognized, however, that, ‘‘the risk of large verdicts’’ would lead it ‘‘from time to time, . . . [to] enter into settlements that involve large numbers of cases, including early-stage cases, when it believes that the risk outweighs the benefits of the strategy.’’ (Id.) Upon occasion, it settled an adverse judgment during the appellate process, while simultaneously settling a group of claims put forward by the same law firm that had won the judgment at trial.[4]

Within the broad strategy of focusing resolution efforts on mature cases, then, Garlock employed a variety of flexible and informed tactics for minimizing its liabilities through settlement. In general, as its claims data confirm, Garlock settled mesothelioma claims in groups. Some group settlements were very large, encompassing all of a given plaintiffs law firm’s docket (and sometimes even claims not yet filed). Others involved comparatively small numbers of claims, for example, the five or six claims that a given plaintiffs law firm had coming up for trial within the next year. Some group settlements provided the same fixed value for every mesothelioma claim in the group. Other deals set values that differed among categories of mesothelioma claims - such as differences among states, venues within the same state, or occupational categories, but with uniform values within a given category. Still other group settlements were negotiated under agreed caps of total cost, or average values per claim. In many situations, Garlock reserved the right to allocate the overall settlement amount across the settling claims as it saw fit, as distinct from recording each settlement in the amount actually received by the given claimant.

Sources of bargaining power for Garlock in the settlement process included Garlock’s willingness to try cases when it could not achieve a settlement it considered reasonable, its centralized in-house claims management team and network of experienced outside defense counsel, and the threat of national legislation favorable to defendants that loomed for several years in the mid-2000s. There is evidence, moreover, that in its effort to lower annual settlement commitments, Garlock by 2005 or so used the limits of its available insurance and the risk of its eventual insolvency to persuade plaintiffs law firms to lower their

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4. The disclosures indicate that, beginning in the late 1990s, Garlock experimented with an alternative approach aimed at accelerating resolutions in hopes of achieving a permanent reduction in the overall number of claims, but soon drew back from this approach, reverting in general to the docket-driven approach described in the foregoing quotation (EnPro Industries, Inc. 2002 Form 10-K, p. 16).

settlement demands (e.g., Iola Deposition at 103-04, 112-13).

Group settlements provided Garlock with efficient means of managing average settlement costs and thereby minimizing its aggregate liability. As shown below, along with the numbers of claims asserted and the percentage of those dismissed without payment, the average amounts paid to settling mesothelioma claimants in relevant periods constitute an important element in forecasting Garlock's aggregate liability for claims to be resolved in the future.

7.4. Number of Pending Claims

Garlock faced 4,754 pending mesothelioma claims at the time of its bankruptcy petition, about three times the numbers of claims filed each year (Table 5). Our forecasts address how many of these 4,754 claims would be paid by Garlock and the total amount Garlock would pay to claimants to resolve their claims.

Table 5: Number of Pending Claims, by Filing Year and Disease

Filing Year	Disease					Total
	Meso	Lung	Othc	Nonm	Unkn	
<2000	150	1,075	349	17,126	13,889	32,589
2000	34	179	58	2,622	1,278	4,171
2001	54	292	110	5,518	1,039	7,013
2002	62	400	167	10,279	576	11,484
2003	149	414	162	10,185	675	11,585
2004	161	386	118	3,204	415	4,284
2005	386	992	503	5,101	310	7,292
2006	316	377	180	2,211	128	3,212
2007	513	354	166	1,143	98	2,274
2008	774	514	153	2,312	154	3,907
2009	1,453	648	103	1,080	509	3,793
2010-	702	379	43	445	320	1,889
Total	4,754	6,010	2,112	61,226	19,391	93,493

Values of Older Claims

Some of these mesothelioma claims have been pending for years. About 13 percent of pending mesothelioma claims were filed more than five years before Garlock's bankruptcy petition. As discussed in Section 7.3.1, Garlock's acknowledged tactic of delaying payments and resolving claims only when they reached trial dockets added to lags between when claims were filed and when they were paid. Given that tactic, we expect that many claims would linger until they finally got a trial date or until they were otherwise included in a group settlement.

We examined this issue by analyzing Garlock's actual past history of lags in timing between filing and resolution of claims. We present and describe our in depth examination of the issue in Appendix A. The analysis shows that even older pending claims, those up to eight years and more after filing, are more likely than not to be resolved.

We do not have data sufficient to examine completely resolutions more than eight years after filing, because Garlock does not consistently show dates of closing without payment for claims filed before 2002. Despite this limitation, we were able to look at how older claims settle for positive amounts over longer periods, we just cannot identify all dismissals among such claims.

As I testified previously in this case, in Garlock's actual prepetition experience, mesothelioma claims continued to be resolved with payment more than 8 years after filing. The data show, for example, that among mesothelioma claims filed in 1999 that were still pending after 5 years, at least 68 percent were subsequently settled (additional claims may have been dismissed without payment). Among 1999 claims that have been settled, one in eight settled between the 6th and 11th year after filing (the petition date prevented even later settlements). These later settling claims frequently obtained high values: Seven 1999-filed claims settled in the 9th year for $53,929, higher than average among 1999 claims that were settled in any other year. Among mesothelioma claims filed in 2000 that were still pending after 5 years, at least 78 percent were subsequently settled. These settlements of 2000 claims in the 6th through 10th year account for 16 percent of all settled 2000 claims. Again these later settling claims could command high value: thirty 2000-filed claims settled in the 10th year after filing for an average of $32,930, the third largest average among 2000 filings for any year of settlements.

In short, some older mesothelioma claims are still pending due to Garlock's limits on annual payments to mesothelioma and other claimants. Garlock's historical data show that older pending claims are more likely than not to settle, often for significant value. It is likely that most older claims, those still pending five or more years after filing, are still active and likely to be resolved by Garlock. Based on this, we conclude that it would not be appropriate to remove any pending claims as being ‘‘abandoned’’ or ‘‘stale,’’ and our primary forecasts do not remove any pending claims as being abandoned or stale. The facts simply do not support such exclusion.

7.5. Payment Rates and Settlement Averages

Of course, not all mesothelioma claims filed with Garlock have been paid. During the early 2000s, upwards of 90 percent of mesothelioma claims resolved by Garlock were paid (10 percent were dismissed). After 2003, the payment rate fell to about 60 percent. The rejection rate had almost quadrupled to 40 percent. These patterns are shown in Table 6.

Table 6: Mesothelioma Payment Rates

Resolution Year	Percent Paid	Percent Rejected
2000	94.7%	5.3%
2001	94.7	5.3
2002	93.2	6.8
2003	87.3	12.7
2004	71.4	28.6
2005	49.0	51.0
2006	61.8	38.2
2007	60.4	39.6
2008	66.0	34.0
2009	49.3	50.7
2010	41.0	59.0

Garlock's historical claims database shows that it paid fewer mesothelioma claims in the last half of the 2000s, but also that it paid more on average to claimants who received settlements. In the last half of the 2000s, mesothelioma settlement averages increased and stabilized at around $75,000 between 2006 and 2009, then increased to $100,000 in 2010 (Table 7).

This apparent increase is related to some extent to the decline in Garlock's payment rates during the second half of the 2000s. Garlock rejected more mesothelioma claims in later years, claims that in prior years might have received relatively low settlement values that would have lowered settlement averages in those earlier years. But the apparent increase in settlement averages could also reflect to some degree the effect of a bias in Garlock's claims database that artificially suppresses the mesothelioma settlement averages in earlier years. As we have seen, Garlock resolved most claims through group settlements. Depending on the mechanics of the group settlement, the reporting of such settlements in Garlock's data can introduce anomalies in the claims data.

For example, agreements often resolved groups of claims for a single sum. Even if allocation of that sum to individual claimants formed part of the negotiation process, these specific allocations were not always recorded in Garlock's data. Particularly in earlier years, Garlock's data often show all claims in a group across all diseases at the same dollar amount, derived simply by dividing the total payment by the number of claimants receiving payment. These uniform values are implausible. Almost all of Garlock's group settlements included a mix of diseases that have substantially different values and which are far lower among non-mesothelioma claims than among mesothelioma claims.

In later years Garlock's data usually show that values of claims in each settlement

group vary among diseases, with mesothelioma receiving more, and that often values differ even among mesothelioma claims. It is likely that these same differentiations underlie Garlock's earlier group settlements without being reflected as such in the data Garlock chose to record.

This limitation of Garlock's database has implications for forecasting. It suggests that the differing mesothelioma settlement averages between the first and last half of the 2000s may be artificial to some degree and that mesothelioma averages reflected in the database for the late 2000s (when misreporting of settlement values abated) are the most reliable.

In forecasting, therefore, we prefer settlement averages from the last half of the 2000s, when Garlock's data appears to more accurately report specific settlement values across diseases. This is consistent with the general preference of asbestos forecasters for temporal propinquity. The choice of which prior years to use as a basis for estimating future claim filings and resolutions should be based on consideration and an understanding of events of a defendant's past litigation. But particularly where we see steady temporal trends in settlements or filings, the most appropriate choice is usually to use settlement averages, payment rates. and filing rates from the period most proximate to the start of forecasting -- here Garlock's petition date. The likely artificiality of settlement values report by Garlock's historical data for earlier years confirms the usual decision to value pending and future Garlock claims at the values and rates at which mesothelioma claims were paid in recent years (since 2006).

Accordingly, we rely on the average payment made across all mesothelioma claimants over the period 2006 to 2010. Table 7 shows the average payments by year.

Table 7: Mesothelioma Settlement Averages

Settlement Year	Mesothelioma Averages	
	2010$	Dod$
2000	$27,480	$21,701
2001	27,411	22,258
2002	47,757	39,395
2003	46,724	39,417
2004	55,957	48,471
2005	66,903	59,918
2006	79,163	73,186
2007	71,850	68,320
2008	75,301	74,350
2009	71,584	70,429
2010	99,626	99,626

Table 8 shows the payment parameters that we obtain from the period 2006 to 2010 and use for forecasting the values of pending and future Garlock claims.

Table 8: Mesothelioma Payment Rates and Averages

Resolution Period	Payment Rate	Average Settlement
2003-10	61.6%	$67,792
2006-10	58.0	76,654

7.6. Projections of Number and Timing of Future Claims

In this section, we consider how Garlock's increasing claim filing trends would have continued into the future and present our forecasts of future claims that would be filed after Garlock's bankruptcy petition date. We forecast Garlock's future claims using the standard "Nicholson" forecasting method.

The number, timing, and types of future claims against Garlock will depend both upon the number of people in each future year who develop diseases that are asbestos-related (the incidence of diseases) and also the fraction of those people who will pursue claims against Garlock (propensities to sue).

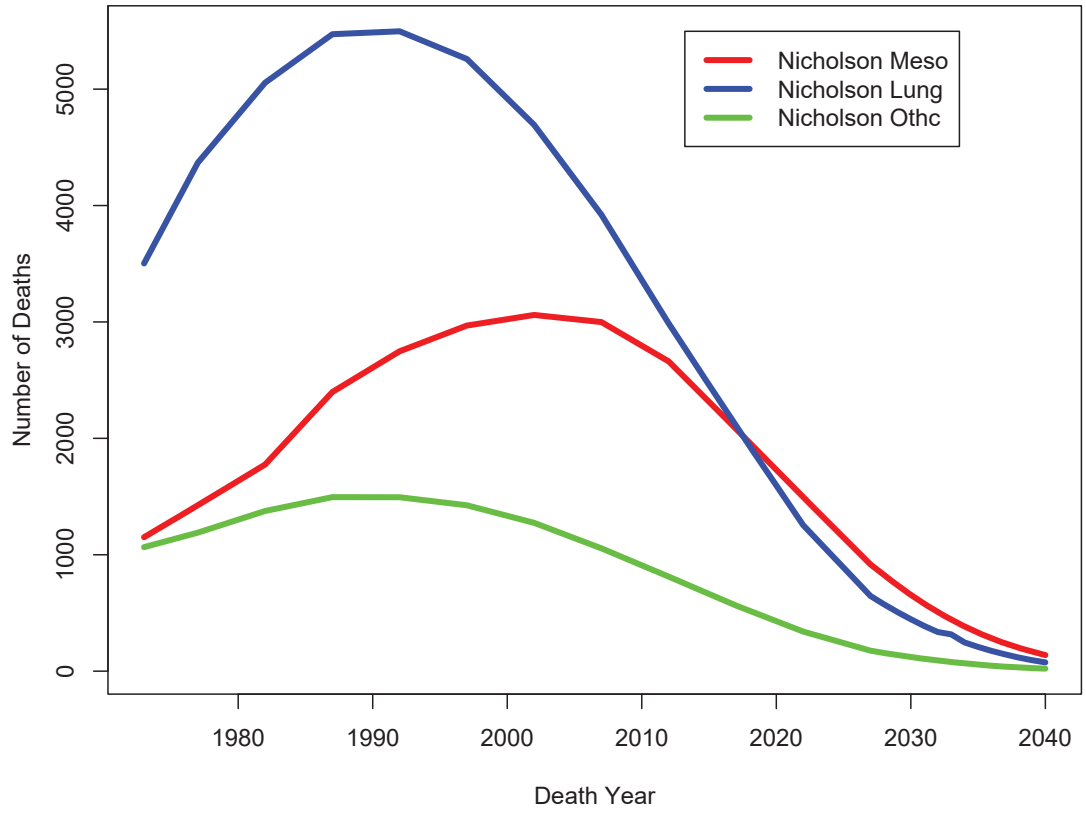
This section describes how the historical propensities to sue Garlock for mesothelioma are calculated and used to forecast future mesothelioma claims. Inputs to these calculations are (1) epidemiological models of the incidence of

asbestos-related cancer deaths, and (2) historical data on the number of mesothelioma claims filed against Garlock.

7.6.1. The Incidence of Asbestos-Related Cancers

To forecast the number of claims expected to be filed in each future year (beginning with 2010), we use the standard Nicholson forecast method. This method starts with data on actual claims for mesothelioma received by Garlock in recent years. We then calculate what percent these Garlock claims represent of the incidence of each cancer that occurred in the U. S. in those same years. Incidence counts represent the maximum potential number of filings that could arise in each year that potentially could have been filed with Garlock. We use the Nicholson, Perkel and Selikoff 1982 epidemiological forecast of asbestos-related mesothelioma deaths (the Nicholson et al. forecast incidence for each asbestos-related cancer is shown in Figure 3).[5]

Figure 3: Nicholson Forecasts of Asbestos-Related Cancers



5. Nicholson stops his forecast in 2029 when forecast annual incidence for each disease is still well above zero. To provide a more complete forecast, we extrapolate incidence to 2049, by which time incidence for each disease has approached zero.

The result of this first step is our calculation of the rates at which potential claims have been filed in the past, known as the propensities to sue for mesothelioma. Formally, the propensities to sue are calculated as:

- Propensity to Sue = Number of Claims ÷ Incidence.

As the second step of the Nicholson method, we estimate the number of claims for mesothelioma that will be filed in a future year by multiplying the Nicholson, et al. forecast of the incidence of mesothelioma in that year times the propensity to sue:

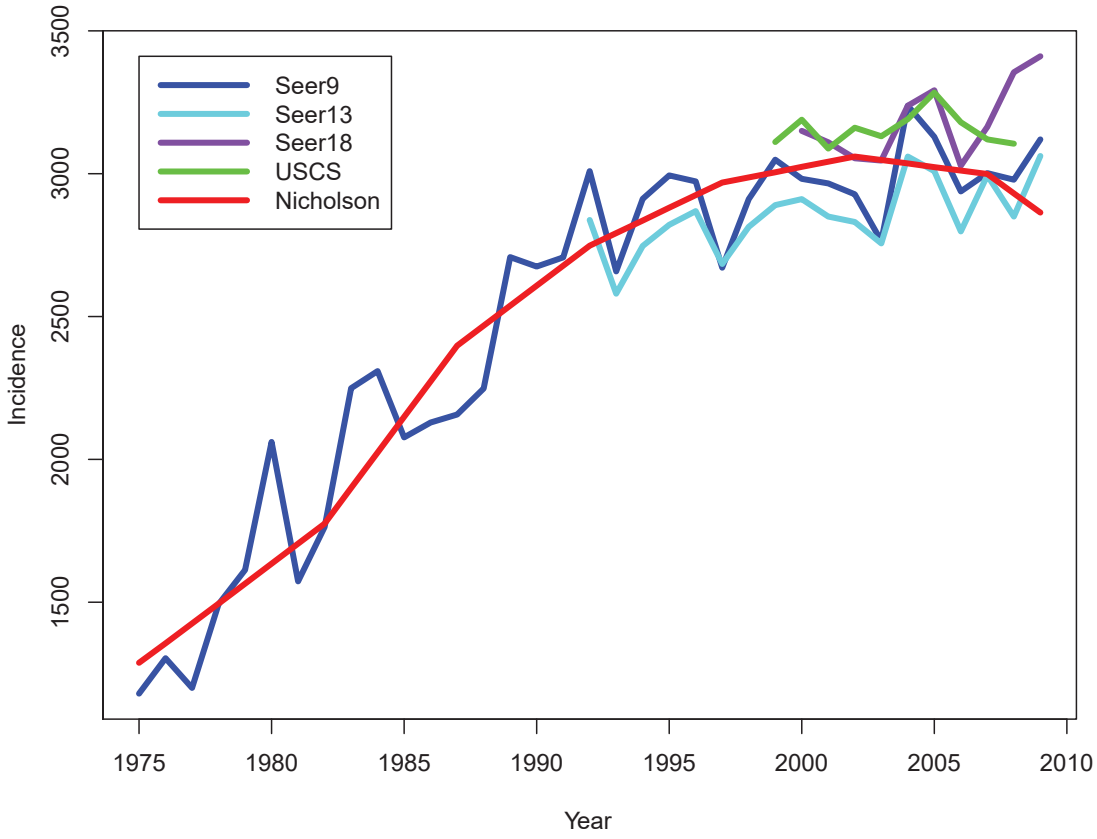
- Future Filings = Propensity to Sue × Incidence.

This provides us with a count of future mesothelioma claims for each year through 2050.

7.6.2. Accuracy of Nicholson Epidemiology

We examine the validity of Nicholson's 1982 forecasts by comparing his number of annual asbestos deaths to empirical data on annual U. S. mesothelioma deaths provided by four continuing annual surveys, the NIH's Surveillance Epidemiology and End Results ("SEER") surveys, SEER-9, SEER-13, SEER-18, and the CDC's United States Cancer Statistics ("USCS") in Figure 4. These comparisons confirm Nicholson's epidemiological forecasts over a thirty year period.

Figure 4: Epidemiological Projections Confirmed by SEER and USCS



7.6.3. Propensities to Sue Garlock

We base our forecast of future propensities to sue Garlock on the number of mesothelioma claims filed in the past against Garlock and its trends in past annual filings.

Table 3 (Section 7.2, above) shows that the annual numbers of mesothelioma claims filed against Garlock have remained mostly stable from 2003 through 2010. Because the epidemiological forecast of cancer deaths has begun to decrease, albeit slowly, these stable numbers of annual filings imply that propensities to sue Garlock for mesothelioma have been increasing. Table 9 below shows the annual propensities to sue Garlock calculated for each year 2001 through May 2010, where the number of filings in 2010 is annualized.

Table 9: 2001-2010 Mesothelioma Propensities to Sue

Filing Year	Mesothelioma Propensity To Sue
1998	29.6%
1999	29.4
2000	36.6
2001	45.7
2002	52.5
2003	63.6
2004	56.7
2005	61.6
2006	49.8
2007	52.8
2008	60.3
2009	64.6
2010	66.0
2003-May 2010	58.8%
2006-May 2010	57.6

We base our primary forecast of future mesothelioma claim filings on propensities to sue for the most current years, 2006 and later. But we must take into account the fact that propensities to sue were increasing steadily between 2006 to 2010, from 49.8 percent to 66.0 percent. The most plausible expectation for the future is that propensities to sue would have continued to increase, maintaining the steady multi-year trend for some period of time.

Our forecasts implement this expectation conservatively. Rather than forecasting that Garlock's propensities to sue would have continued at their 2010 rate (66.0%), or at their 2009-10 rate (65.0%), or even at their 2008-10 rate (63.0%), we assume that filings would start at the lesser rate of 57.6 percent, the average across 2006-10. We use this rate for the balance of 2010 and as the basis for forecasts in all future years. We also assume that Garlock's propensities to sue would have continued their increasing trend over the next 4.5 years at the same rate of change over as they did the 4.5 years preceding its petition date.

Using linear regression, we determined that mesothelioma victims' propensity to sue for Garlock had increased at an annual rate of 4.42 percent over the period 2006 to May 2010. We applied this same rate of increase over the next 4 years and 7 months following Garlock's petition date (Table 10). Our forecasts are conservative because, through these steps, the propensities to sue that we forecast are lower than the rates actually experienced by Garlock at the time of its petition date. Before its bankruptcy, Garlock had been receiving 64.6 to 66 percent of the

annual mesothelioma incidence. Instead, we forecast that, for the next two and a half years, Garlock would have received mesothelioma claims at lower rates. Our forecasts for Garlock based on these assumptions are considerably lower than alternatives that simply extend the historical propensities to sue into the future (see Sensitivity Analysis, Section 8.3).

Table 10: Applying Garlock's Propensity to Sue Trend

	Rates of Increase						
Model	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016+**
Multiplier	1.000	1.044	1.088	1.133	1.177	1.177	1.177
Propensities to sue	57.6%	60.1%	62.7%	65.3%	67.8%	67.8%	67.8%

Note: Propensities to sue obtained in each year obtained by applying multiplier to the 57.6 average propensity to sue from 2006 to May 2010.

We also present results for a secondary forecast based on propensities for sue for 2003 to 2010, but without applying a trend. We find this forecast of future claims implausibly low. Its forecast future filings are contrary to Garlock's history and the state of claim filings over the four and a half years leading to its bankruptcy. Use of this model implies that mesothelioma filings against Garlock, which had been increasing, would have suddenly dropped in mid-2010 and would have continued to fall in all future years. There is no evidence to support this, and little likelihood of this sharp change in mesothelioma filings against Garlock. We present this model as a sensitivity analysis to show how Garlock's future costs for resolving future mesothelioma claims would change if its claim filings suddenly dropped.

Figure 5 shows the actual propensities to sue for the period 2003 to 2010 and our alternative primary and secondary forecasts of future propensities to sue. The Figure demonstrates that our primary forecast much more closely reflects the actual historical filing rates for Garlock.

Figure 5: The Primary Forecast Incorporates Trends in the Prepetition Propensities to Sue, But the Secondary Forecast Suppresses Them

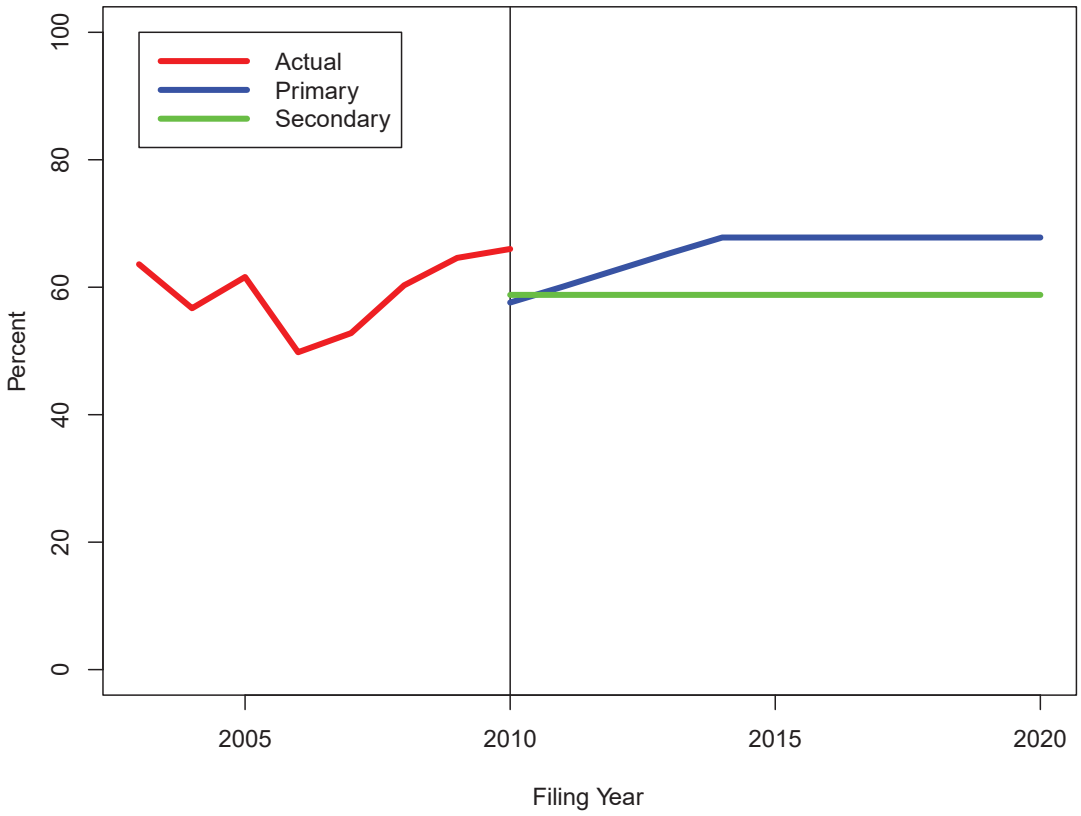
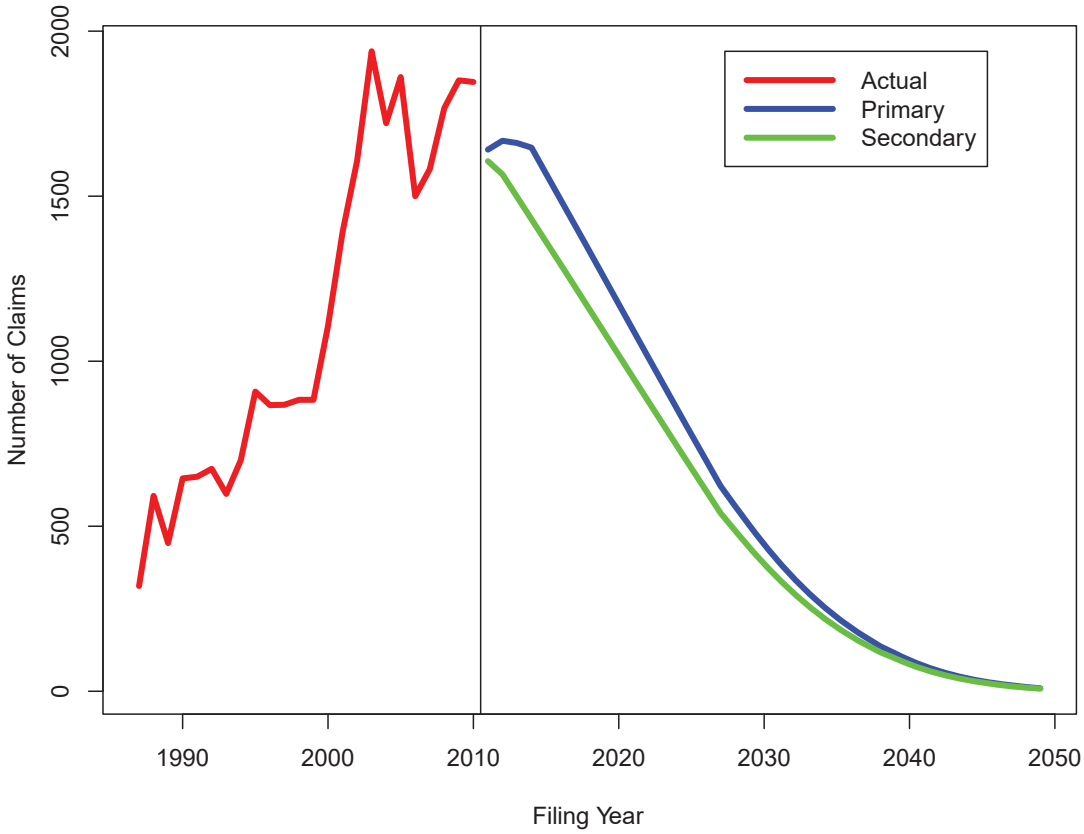


Figure 6 makes these same comparisons between Garlock's claims filing history and our two forecasts (I show the results of these forecasts in the next section). It shows graphically the number of mesothelioma claims filed each year from 1987 to 2010 and our alternative primary and secondary forecasts of mesothelioma claim filings. Again, as the Figure shows, our primary forecast more closely reflects the actual historical number of asbestos claims filed annually against Garlock.

Figure 6: Forecast Claims Are Well Below Garlock's Prepetition Levels



8. Liability Forecasts

To forecast liability for future claims, we assume that they will be approved and paid at the same payment rates we calculated above and that claims will continue to be paid their average values, inflated at 2.5%.[6]

Based on these assumptions we calculate the total liability that will arise in each future year through 2049. We report the sum of liabilities across all future years as our forecast of total liability. We also report the net present value of this stream of future liabilities by discounting the liability for each year back to 2010 using a 3.251% discount rate.

8.1. Parameter Choices

Table 11 summarizes the parameters and assumptions that we use in forecasting liability for future mesothelioma claims.

Table 11: Forecast Parameter Variations

Parameter	Variation
Propensities to Sue	
Primary	2006 to May 2010, average and trend
Secondary	2003 to May 2010, average
Forecast Years	June 2010 through 2049
Payment Amounts	
Primary	2006-10 average
Secondary	2003-10 average
Payment Rates	
Primary	2006-10 average
Secondary	2003-10 average
Inflation Rate	2.5 Percent
Discount Rate	3.251 Percent

8.2. Number of Claims and Indemnity

Table 12 shows our alternative forecasts of the numbers and liabilities of pending and future claims.

6. According to Bureau of Labor Statistics, the Consumer Price Index has shown annual inflation averaging 2.50 percent since 2002. Since 1992, the average growth in the CPI has been 2.52 percent per year.

Table 12: Mesothelioma Forecast Filings and Liability

Filing Period	Forecast Quantity	Period	
		2003-10	2006-10
Pending	Filings	4,754	4,754
Pending	Compensable Claims	2,928	2,757
Pending	Nominal Liability	$199	$211
Pending	Total Liability (2.5% inf)	$203	$217
Pending	NPV (2.5% inf, 3.251% disc)	$197	$210
Futures	Filings	22,904	25,813
Futures	Compensable Claims	14,109	14,972
Futures	Nominal Liability	$956	$1,148
Futures	Total Liability (2.5% inf)	$1,296	$1,562
Futures	NPV (2.5% inf, 3.251% disc)	$880	$1,055
All Claims	Filings	27,658	30,567
All Claims	Compensable Claims	17,037	17,729
All Claims	Nominal Liability	$1,155	$1,359
All Claims	Total Liability (2.5% inf)	$1,499	$1,779
All Claims	NPV (2.5% inf, 3.251% disc)	$1,077	$1,265

Notes: Dollars in millions. Nominal liability is in dollars of the year when paid and is not inflation adjusted. NPV liability is in 2010 dollars. Inflated at 2.5% per year. Discount rate is 3.251%.

Table 13 shows our year-by-year counts of filings for both our primary calibration period (propensities to sue based on average filing rates and trends for 2006-2010) and our secondary calibration period (propensities to sue based on average filing rates for 2003-2010).

Table 13: Pending and Forecast Mesothelioma Filings

Filing Year/ Period	Number of Filings		Filing Year/ Period	Number of Filings	
	2003-10	2006-10		2003-10	2006-10
Pre-Bankruptcy	4,754	4,754	2030	387	445
			2031	341	393
2010	942	922	2032	298	344
+2011	1,606	1,641	2033	260	300
2012	1,566	1,668	2034	225	260
2013	1,498	1,661	2035	195	225
2014	1,430	1,647	2036	166	191
2015	1,362	1,568	2037	141	163
2016	1,293	1,490	2038	118	136
2017	1,225	1,411	2039	100	115
2018	1,156	1,332	2040	81	94
2019	1,087	1,252	2041	67	77
2020	1,018	1,173	2042	54	62
2021	949	1,093	2043	42	49
2022	880	1,013	2044	34	39
2023	812	935	2045	26	30
2024	744	857	2046	21	24
2025	676	778	2047	15	18
2026	608	700	2048	11	13
2027	540	622	2049	8	9
2028	487	561			
2029	435	502	Total	27,658	30,567

8.3. Sensitivity Analyses

We described the parameters of our forecasts in Table 11. Here, we vary those assumptions, systematically showing how total liability estimates will diverge from our base model forecasts as we vary one parameter at a time. The parameters we vary are:

- base years for computing the average propensity to sue, from 2001-10 to 2009-10,
- trend extrapolation: project average propensity to sue based on linear time trends for alternative periods, for four years only and also until it reaches 100 percent, and
- dollar values: alter base years for calculating the payment rates and average settlement values, from 2001-10 to 2009-10,

Table 14 shows the results. These variations produce alternative estimates that

range around our forecasts, both higher and lower. Indeed, our preferred 2003-10 and 2006-10 forecasts are in the middle of liability estimates among the alternatives. For 2003-10, the base model is at the 22th percentile among the alternatives. For 2006-10, the base model is at the 34th percentile.

Table 14: Sensitivity Analysis Results -- Net Present Values

Model	Period	
	2003-10	2006-10
Peterson forecast	$1,077	$1,265
Propensity to sue		
2001-10	$1,046	$1,249
2002-10	1,065	1,274
2003-10	1,077	1,288
2004-10	1,066	1,274
2005-10	1,070	1,279
2006-10	1,058	1,265
2007-10	1,094	1,308
2008-10	1,140	1,365
2009-10	1,170	1,401
Trend extrapolation		
Extend 2000-10 trend for four years	$1,252	$1,334
Extend 2001-10 trend for four years	1,202	1,281
Extend 2002-10 trend for four years	1,166	1,242
Extend 2003-10 trend for four years	1,146	1,221
Extend 2004-10 trend for four years	1,211	1,290
Extend 2005-10 trend for four years	1,245	1,326
Extend 2006-10 trend for four years	1,382	1,472
Extend 2007-10 trend for four years	1,380	1,470
Extend 2000-10 trend to Nicholson Curve	1,424	1,517
Extend 2001-10 trend to Nicholson Curve	1,334	1,422
Extend 2002-10 trend to Nicholson Curve	1,256	1,338
Extend 2003-10 trend to Nicholson Curve	1,211	1,290
Extend 2004-10 trend to Nicholson Curve	1,360	1,448
Extend 2005-10 trend to Nicholson Curve	1,424	1,517
Extend 2006-10 trend to Nicholson Curve	1,564	1,666
Extend 2007-10 trend to Nicholson Curve	1,563	1,665
Dollar values		
2001-10 Period	$1,049	$1,157
2002-10 Period	1,082	1,194
2003-10 Period	1,077	1,188
2004-10 Period	1,080	1,191
2005-10 Period	1,083	1,195
2006-10 Period	1,147	1,265
2007-10 Period	1,113	1,228
2008-10 Period	1,109	1,224
2009-10 Period	1,016	1,121
2010-10 Period	1,162	1,282

Note: Base models in red. Entries in millions of 2010 dollars.

9. Disclosures

In reaching the opinions and conclusions set forth in this Report, I have considered the following information: my background, training, experience and knowledge of asbestos litigation developed over the past 25 years, the items of data explicitly identified in the report, documents produced by the Debtors, documents produced in the underlying asbestos cases, publicly available sources of information concerning inflation rates, publicly available documents about Garlock including its parent's Form 10-Ks, publicly available data from the National Cancer Institute's SEER registry and the Center for Diseases Control's USCS data, data files from the Debtors' agent Rust Consulting, and the discount rate provided by Kenneth W. McGraw of Charles River Associates.

Compensation for this case is based on hourly rates. At present, my hourly rate is $800. Compensation for services rendered in this case is court approved, and fees are submitted on the record for approval by the court.

I reserve the right to modify this report as new information becomes available between now and the time of trial. I anticipate that I will review the expert witness reports of opposing expert(s) and offer my opinions about their analyses and conclusions in rebuttal testimony.

/s/ Mark A. Peterson

Mark A. Peterson, J.D., Ph.D.
LEGAL ANALYSIS SYSTEMS

Appendix A - Treatment of Aging Claims

Table 5 (above) shows the number of claims pending as of the bankruptcy date. We investigated how claims get resolved as time passes from when a claim was filed. We wanted to understand how many of the claims might have abandoned efforts and compensation by the Debtors. Table A1 summarizes our analyses to investigate this issue.

The "Cases Filed" column on Table A1 shows the number of mesothelioma claims filed in each year. The columns to the right show for each filing year how many mesothelioma claims filed in that year remain open for each subsequent year that passes. The "0" column reports the number of cases that remain open, or failed to resolve within the first year after filing. The "1" column reports those cases that remain open after one year and so on up to 8 years after filing.[7]

Through this analysis we looked to see if there was an age beyond which there was little change in the number of open claims. Such an observation would suggest that remaining cases are abandoned and unlikely to be resolved with payment in the future. In contrast, a decline in the number of pending claims implies that cases were still being resolved. As Table A1 shows, across every filing years numbers of still pending claims continue to decrease every year, up to the 8 year maximum period that we could examine.

Table A1: Number of Pending Claims, by Filing Year and Years Since Filing

Filing Year	Cases Filed	Years Since Filing								
		0	1	2	3	4	5	6	7	8
2002	1,605	1,290	875	616	408	289	204	162	112	62
2003	1,938	1,520	1,058	618	409	328	282	206	149	
2004	1,718	1,416	883	555	417	324	231	161		
2005	1,858	1,569	1,052	749	577	431	386			
2006	1,495	1,288	876	562	358	316				
2007	1,581	1,345	880	570	513					
2008	1,767	1,487	884	774						
2009	1,850	1,598	1,453							
2010	789	702								
Total	14,601	12,215	7,961	4,444	2,682	1,688	1,103	529	261	62

7. The columns indicate years since filing. We started with filing year 2002 because for prior years the database usually did not report when claims were dismissed without payment. This made data for prior years unreliable for our analyses.

We estimated the average fraction of claims "surviving" (i.e., still pending) by years since filed by summing across rows of filing years and taking the ratio of pending cases to total cases filed. So, for example, to estimate the average probability of survival to the end of the actual filing year, we use all 9 entries (filing years 2002 through 2010) and compute 12,215 ÷ 14,601 = .8366. However, to estimate the probability of survival for one year after and subsequent transition years, we can not include any of the pending cases as of 2010 because we have not observed the resolution of cases in 2011.

Table A2 shows the one-year survival probabilities and the numbers of claims that go into the ratio computations in each case. The second column, the number of claims during the years since filing category, excludes cases as of 2010 for which the subsequent disposition remains unknown. Also shown are the closure probabilities (1 minus the survival probabilities) and the multi-year probabilities, obtained by multiplying the 1-year survival probabilities cumulatively.

Table A2: Number of Pending Claims, by Filing Year and Years Since Filing

Years Since Filing	Number of Claims		1-Year Survival Prob	1-Year Closure Prob	Multi-Yr Survival Prob
	During Yr	At End Yr			
0	14,601	12,215	0.8366	0.1634	0.8366
1	11,513	7,961	0.6915	0.3085	0.5785
2	6,508	4,444	0.6829	0.3171	0.3951
3	3,670	2,682	0.7308	0.2692	0.2887
4	2,169	1,688	0.7782	0.2218	0.2247
5	1,372	1,103	0.8039	0.1961	0.1806
6	717	529	0.7378	0.2622	0.1333
7	368	261	0.7092	0.2908	0.0945
8	112	62	0.5536	0.4464	0.0523

We see that the closure probabilities remain high through year 8 and exhibited no systematic decline throughout the periods. These numbers are plotted in Figure A1. If the trend approached zero, that would be evidence that claims of a certain age were being abandoned. That is clearly not the case. We see no support for the notion that closure probabilities should be adjusted upward to account for the presence of aging claims.

Figure A1: Fraction of Claims Resolved Since Filing -- 1 Year Steps

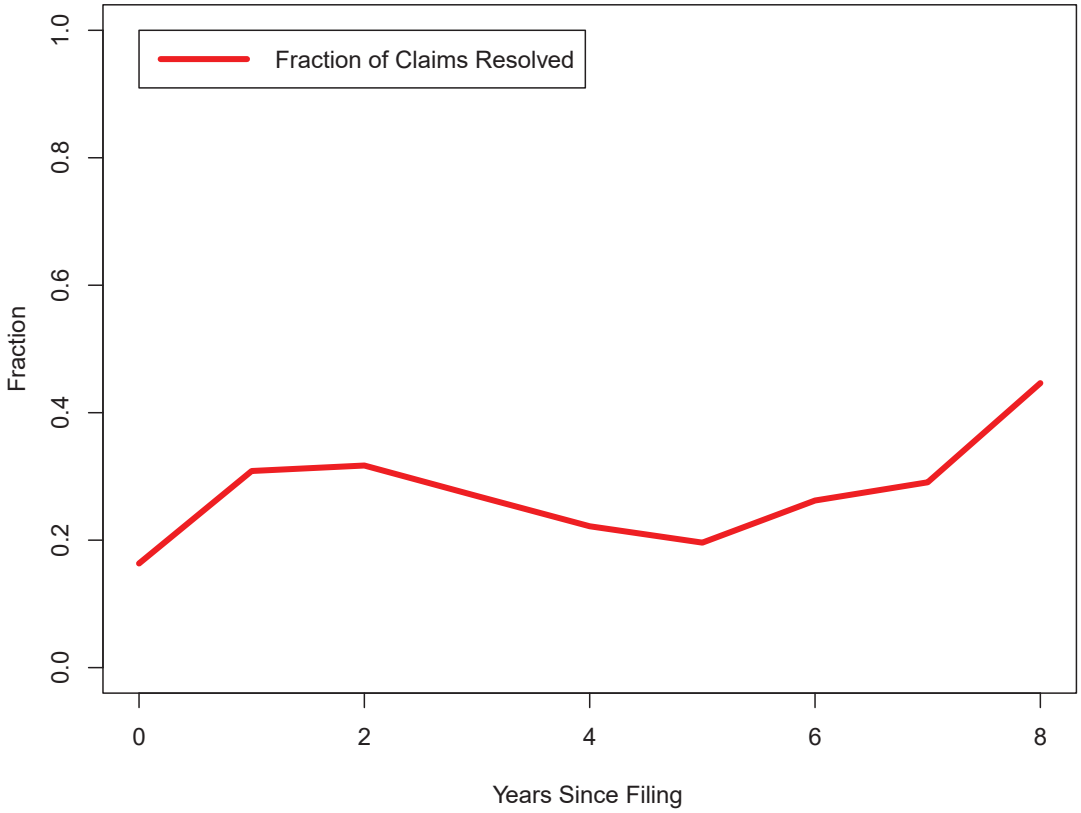


Exhibit 1

MARK A. PETERSON

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EDUCATION

B.A. (summa cum laude), 1966, University of Minnesota
J.D. (cum laude), 1969, Harvard Law School
M.A. Social Psychology, 1973, UCLA
Ph.D. Social Psychology, 1976, UCLA

ACADEMIC EXPERIENCE

1976-2002--Senior Research Scientist, RAND, Santa Monica, California. Policy analysis and research on U.S. civil and criminal justice systems.

- Founding Member of RAND's Institute for Civil Justice (ICJ), 1980
  - ICJ studies U.S. civil justice system using ''an interdisciplinary empirical approach to public policy issues and rigorous standards of quality, objectivity and independence'' (www.rand.org/icj).
  - Principal Investigator for ICJ studies in following areas
    - **Litigation Process.** Originated a new research area of systematic, empirical analysis of jury verdicts. Collected massive data on all civil jury verdicts reported in California and Cook County, Illinois, between 1959-1985 and then extending data collection to other states. Analyzed how juries' verdicts differed and changed over time by type of claims, severity and type of injury, economic losses, characteristics of plaintiffs and defendants, venue.
    - **Settlement Process.** Combined social science and computer science (artificial intelligence) to study how parties settle product liability claims. Developed a computer expert system to simulate lawyers' settlement decisions in product liability cases as revealed through extensive Socratic interviews of experienced trial lawyers and insurance claims persons.
    - **Settlement Process in Asbestos Claims.** Used social science and computer science methods to develop an expert system to simulate lawyers' settlement decisions in asbestos cases as revealed through extensive Socratic interviews of experienced plaintiffs and defense lawyers and insurance claims persons. Research was for and used by the U.S. District Court for the Northern District of Ohio and the Manville Personal Injury Settlement Trust.
    - **Mass Torts.** Case studies of asbestos and other mass torts based on interviews with participants, quantitative analyses of available data and research of existing records and articles. Looked across various mass torts to derived general empirical and theoretical observations about origins, characteristics, and methods for resolving mass torts.

- **Punitive Damages.** Analyzed years of jury verdict data to described frequency, size, and types of cases in which punitive damages are awarded; trends over time; effects of post-trial actions; possible effects of legal changes. In collaboration with Special Committee on Punitive Damages of the Litigation Section of the American Bar Association.
- **Workers Compensation.** Large scale quantitative and descriptive evaluation of California's workers compensation system with suggestions for change of that system. Work was for the California Commission on Health and Safety and Workers Compensation.
- **Economic Effects of Product Liability Law.** Case studies and statistical analyses of selected industries.

- Criminal Justice Program
  - Principal Investigator for studies in following areas
    - **RAND Criminal Offender Survey.** Survey of inmates in five California prisons. Estimated crime parameters; examined incapacitation effects; examined relationships between crime and inmate characteristics.
    - **RAND Criminal Offender Survey II.** Examined pre-incarceration crimes for sample of 2500 jail and prison inmates in three states.
    - **Effects of California Determinate Sentencing.**
- Author of 32 RAND publications
- Teaching
  - **Law School, University of California, Los Angeles.** Visiting Professor. Advanced Torts: Mass Torts; Law and Social Sciences Seminar, Fall 1989.
  - **RAND Graduate School.** Policy Analysis of Legal Issues, Fall 1984.
  - **Department of Psychology, University of California, Los Angeles.** Psychological Analyses of Legal Issues, Spring 1973, Spring 1975.
  - **Law School, University of California, Los Angeles.** Trial Tactics Spring 1974, Fall 1974, Spring 1975.

PROFESSIONAL EXPERIENCE

1984-Present--Legal Analysis Systems, Inc. Special master, expert consultant in complex litigation.

- Special Master and Expert for Courts in Asbestos Litigation
  - Special Advisor to **Judge Jack B. Weinstein**, U.S. District Courts for Eastern and Southern Districts of New York and **Judge Burton Lifland**, U.S. Bankruptcy Court for Southern District of New York, to restructure the insolvent Manville Personal Injury Settlement Trust. Worked as Courts' special master and technical consultant in the Findley v. Falise, mandatory, limited fund class action. 1990-1995.
    - Special Advisor to the Manville Trust: appointed by the Courts as part of the settlement of the Findley class action to direct dispute resolution and provide technical consultation to the Courts, the Trust and each of the Trust's bodily injury claimants,

co-defendants, distributors and future claimants beneficiary groups. 1995-2007.

- Became a trustee of the Manville Personal Injury Settlement Trust in July 2007.

– Neutral expert for **Judge Robert Parker**, U.S. District Court, Eastern District of Texas. Worked as the Court's expert in Jenkins v Raymark class action to collecting and evaluate empirical data about asbestos injury claims. 1984-1985.

– Neutral expert for **Judge Thomas Lambros**, U.S. District Court, Northern District of Ohio. Worked as expert in Ohio Asbestos Litigation Plan (1) to develop an expert system for valuing asbestos claims based on interviews with plaintiffs and defense lawyers and insurance claims persons, (2) collected and evaluated data about pending and resolved asbestos injury claims to identify resolved claims that could be used as precedents for settling pending claims. 1983-1988. Expert system was done as research within RAND's ICJ.

- Expert for Courts in Other Mass Tort Litigation
  – Neutral expert for **Judge Robert Merhige**, U.S. District Court for Eastern District of Virginia. Worked as expert in Bankruptcy of A. H. Robins Company, Inc. to develop ''expert system'' of medical and claims issues for evaluating Dalkon Shield claims, to oversee development of claims data bases and to conduct statistical analyses to evaluate Dalkon Shield claims.
- U. S. Senate Committee on Judiciary
  – Testified on asbestos liabilities and proposed legislation on three occasions. June 2003, November 2005, February 2006.
- Trustee of Asbestos Trusts and Director of Asbestos Claims Facilities
  – **Trustee of Manville Personal Injury Settlement Trust.** 2007-present.
  – **Trustee of Fuller-Austin Settlement Trust.** 1998-present.
  – **Director of Claims Resolution Management Corporation**, which administers claims for Manville, H. K. Porter and other trusts. 2007-present.
  – **Director of Trust Services Inc.** , which administers claims for National Gypsum, Fuller-Austin and 6 other trusts. 1998-present.
- Expert to 26 Asbestos Trusts Regarding Claims, Procedures and Liability Estimation
  – Manville Trust, 1987-1988
  – UNR Asbestos Disease Claimants Trust, 1992-2002
  – National Gypsum Trust, 1994-present
  – Fibreboard Interim Trust, 1994-1997
  – Eagle-Picher Asbestos Trust, 1995-present
  – Celotex and Carey Canada Trust (expert for Future Claimants Representative), 1996-2002
  – H. K. Porter Trust, 1996-present
  – Fuller-Austin Settlement Trust, 1998-present
  – Keene Asbestos Claimants Trust, 2000-2002

- Raytech Trust, 2000-2004
- E. J. Bartels Trust, 2000-2005
- Wallace and Gale Trust, 2002-present
- Shook and Fletcher Trust, 2004-present
- Western Asbestos Trust (MacArthur) (expert for Asbestos Claimants Committee) 2005-present
- Porter Hayden Trust, 2006-present
- Combustion Engineering Trust, 2006-present
- C. E. Thurston Trust, 2007-present
- J. T. Thorpe (Texas) Trust, 2007-present
- ARTRA Trust, 2007-present
- Utex Trust, 2007-present
- API Trust (expert for Future Claimants Representative), 2008-present
- Babcock and Wilcox Trust (expert for Asbestos Claimants Committee), 2009-present
- Owens Corning / Fibreboard Trust (expert for Asbestos Claimants Committee), 2009-present
- US Gypsum Trust (expert for Asbestos Claimants Committee), 2009-present
- Burns and Roe Trust, 2009-present
- ASARCO Trust, 2010-present

- Expert on Asbestos Claims and Liability Forecasts in 44 Bankruptcy Cases
  - Testified about asbestos forecasts 23 times in 18 bankruptcy cases
    - **National Gypsum Corporation.** Testified in estimation hearing for Legal Representative for Future Claimants and Claimants Committee; testified twice after confirmation for National Gypsum Trust.
    - **Asbestos Claims Management Company (ACMC).** Testified for National Gypsum Trust.
    - **Hillsborough Holdings Corporation.** Testified during veil-piercing hearing for defendant asbestos claimants.
    - **Eagle-Picher Industries, Inc.** Testified about estimation methods during hearing on bar date, for Claimants Committee; testified in estimation hearing for Claimants Committee.
    - **Celotex and Carey Canada.** Testified in confirmation hearing for Claimants Committee.
    - **Raytech Corporation.** Testified about estimation methods during hearing on bar date, for Claimants Committee.
    - **Raymark Corporation.** Testified for Claimants Committee in hearing on dismissal of bankruptcy.

- **Wallace and Gale Corporation.** Testified in confirmation hearing for Claimants Committee.
- **The Babcock and Wilcox Company et. al.** Testified during veil-piercing hearing for defendant asbestos claimants; testified in estimation hearing for Claimants Committee.
- **Owens Corning and Fibreboard.** Testified in estimation hearing for Claimants Committee.
- **Armstrong World Industries.** Testified twice in separate estimation hearings for Claimants Committee.
- **Federal Mogul.** Testified in hearing to estimate liabilities of Turner & Newall for Claimants Committee.
- **API Inc.** Testified in confirmation hearing for Legal Representative for Future Claimants.
- **C. E. Thurston, Inc.** Testified in confirmation hearing for Debtor.
- **Plibrico.** Testified in estimation hearing for Unofficial Committee of Claimants.
- **Western Asbestos.** Testified in confirmation hearing for Debtor and Claimants Committee.
- **J. T. Thorpe.** Testified in confirmation hearing for Debtor and Claimants Committee.
- **Oglebay Norton.** Testified in confirmation hearing for Unofficial Committee of Claimants.
- **Garlock Sealing Technologies, LLC** Testified in hearings re: estimation methods for Asbestos Personal Injury Claimants Committee.
- **Specialty Products Holding Corp.** Testified in hearing to estimate liabilities for Asbestos Claimants Committee.

– Expert in 26 other bankruptcy Cases

- **A. P. Green**
- **ACandS**
- **ARTRA**
- **ASARCO**
- **Burns and Roe**
- **Congoleum**
- **E. J. Bartels, Inc.**
- **Flintkote**
- **Fuller-Austin Insulation Company**
- **G-I (GAF)**
- **H. K. Porter Company, Inc.**
- **Hercules**
- **Keene Corporation**

- **Leslie Controls**
- **Lloyd Mitchell**
- **Narco**
- **Pittsburgh Corning Corporation**
- **Plant**
- **Porter Hayden**
- **Quigley**
- **Shook and Fletcher**
- **Skinner Engine**
- **THAN**
- **Thorpe Insulation**
- **U. S. Gypsum (USG)**
- **W. R. Grace**

- Expert on Asbestos Claims and Liability Forecasts in Insurance Matters
  - Testified About Asbestos Forecasts in Insurance Litigation
    - **Ahearn v. Fibreboard (class action).** Testified about asbestos liabilities of Fibreboard for CNA (Continental) and Chubb Insurance Companies. 1994.
    - **Fuller-Austin Insulation Company v. CNA.** Testified in court trial and in jury trial about Fuller-Austin's asbestos liabilities for Fuller-Austin Insulation Company and Fuller-Austin Trust. 2000 and 2001.
    - **Western Mac Arthur v. USF&G.** Testified about asbestos liabilities for Western Mac Arthur. 2004
  - Expert for Insurance Companies
    - **CNA (Continental).** Expert for CNA Insurance on liabilities of an asbestos defendant insured by Continental. 1999-2002.
    - **KWELM.** Expert for London Insurance Company on methods for estimating asbestos liabilities.
    - **Zurich (Bermuda).** Expert for Zurich Insurance on liabilities of an asbestos defendant insured by Zurich. 1999-2002.
- Expert for 9 asbestos defendants and other businesses regarding asbestos liabilities.
- Expert in Other Mass Torts
  - **MGM Grand Hotel Fire Insurance Litigation.** Expert for insurance companies and insurance broker Frank B. Hall, Inc. to evaluate wrongful death and personal injury claims arising from MGM Grand Hotel fire. 1982.
  - **In re Bankruptcy of Dow Corning Corporation.** Expert for Tort Claimants' Committee regarding estimation and treatment of breast implant and other medical implant claimants. 1998-99.

- Private Law practice in Los Angeles, California. 1969-1974.

OTHER PROFESSIONAL ACTIVITIES

- California Legislature, Joint Rules Committee, Sacramento--Consultant. Supervised three research projects on prisons, sentencing, and prison alternatives.
- California Board of Prison Terms, Sacramento--Consultant. Developed computer system for reviewing disparity in felony sentencing.

PROFESSIONAL ORGANIZATIONS

California Bar Association

PUBLICATIONS

- ‘‘Compensating Permanent Workplace Injuries: A Study of the California System,’’ RAND.1998. Coauthored.
- ‘‘Findings and Recommendations of California’s Permanent Partial Disability System,’’ RAND, 1998. Coauthored.
- ‘‘Understanding Mass Personal Injury Litigation: A Socio-Legal Analysis,’’ Brooklyn Law Review, Vol. 59, Fall 1993 (coauthored).
- ‘‘Mass Justice: The Limited and Unlimited Power of Courts,’’ Law and Contemporary Problems, Vol. 54, Summer 1991 (coauthored).
- ‘‘Giving Away Money: Comparative Comments on Claims Facilities,’’ Law and Contemporary Problems, Vol. 53, Autumn 1990.
- Resolution of Mass Torts: Toward a Framework for Evaluation of Aggregative Procedures, RAND, N-2805-ICJ, 1988 (coauthored).
- ‘‘Expert Systems for Legal Decisionmaking,’’ in Knowledge-Based Systems for Management Decisions, Robert J. Mockler, Englewood Cliffs, NJ: Prentice Hall, 1988 (coauthored).
- Trends in Tort Litigation: The Story Behind the Statistics, RAND, R-3583-ICJ, 1987 (coauthored).
- Punitive Damages; Empirical Findings, RAND, R-3311-ICJ, 1987 (coauthored).
- Civil Juries in the 1980s: Trends in Jury Trials and Verdicts in California and Cook County Illinois, RAND, R-3466-ICJ, 1987.
- Summary of Research Results: Trends and Patterns in Civil Jury Verdicts, RAND, P-7222-ICJ, 1986.
- ‘‘SA-L: An Expert System for Evaluating Asbestos Claims,’’ in Proceedings of the Australian Artificial Intelligence Congress, November 1986 (coauthored).
- ‘‘Remarks on the Role of Juries in Cases Involving Medical Causation,’’ in Causation and Financial Compensation for Claims of Personal injury from Toxic Chemical Exposure, The Institute for Health Policy Analysis of the Georgetown University Medical Center and the Georgetown University Law Center, 1986.

- Deep Pockets, Empty Pockets: Who Wins in Cook County Courts, RAND, R-3249-ICJ, 1985 (coauthored).
- ‘‘An Expert System Approach to Evaluating Product Liability Cases,’’ in Computing Power and Legal Reasoning, Charles Walter (ed.), St. Paul: West Publishing Co., 1985 (coauthored).
- Evaluating Civil Claims: An Expert Systems Approach, RAND, P-7073-ICJ, 1985; also in Expert Systems: The International Journal of Knowledge Engineering, Vol. 1, No. 1, 1984 (coauthored).
- Compensation of Injuries: Civil Jury Verdicts in Cook County, RAND, R-3011-ICJ, 1984.
- New Tools for Reducing Civil Litigation Expenses, RAND, R-3013-ICJ, 1983.
- Comparative Justice: Civil Jury Verdicts in San Francisco and Cook Counties, 1959-1980, RAND, R-3006-ICJ, 1983 (coauthored).
- The Civil Jury: Trends in Trials and Verdicts, Cook County, Ill., 1960-1979, RAND, R-2881-ICJ, 1982 (coauthored). Also in Federation of Insurance Council Quarterly, Summer 1982.
- The Pace of Litigation, RAND, R-2922-ICJ, 1981 (coauthored).
- Models of Legal Decisionmaking, RAND, R-2717-ICJ, 1981 (coauthored).
- Punitive Damages: Preliminary Empirical Findings, RAND, N-2342-ICJ, 1985.
- Who Commits Crime: A Survey of Prison Inmates, Oelgeschlager, Gunn and Hain, Cambridge, 1981 (coauthored).
- Survey of Prison and Jail Inmates: Background and Method, RAND, N-1635-NIJ, 1982 (coauthored).
- California Justice Under Determinate Sentencing: A Review and Agenda for Research, RAND, R-2497-CRB, 1980 (coauthored).
- Doing Crime: A Survey of California Prison Inmates, RAND, R2200-DOJ, 1980 (coauthored).
- Recommendations and Report of the Citizens’ Advisory Committee on Alternatives to Incarceration, California Legislature, Joint Rules Committee, 1980.
- Witnesses’ Perception of Meaning, RAND, P5975, 1977.
- Results of YLS Survey on Specialization/Relicensing, RAND, P-5752, 1976.
- ‘‘Specialization and Relicensing,’’ Barrister Magazine, 1976.
- ‘‘Right to Jury Trial in Public Employee Strikes,’’ Harvard Civil Rights-Civil Liberties Law Review, 1969.

February 2013

Exhibit 2

Reports and Testimony in Asbestos Matters for Dr. Mark Peterson within the Past Four Years

In Re: Specialty Products Holding Corp, et al.

- Estimation Report - August 2012
- Rebuttal Report - October 2012
- Deposition Testimony - November 2012
- Supplemental Rebuttal Report - January 2013
- Trial Testimony - January 2013

In Re: Garlock Sealing Technologies LLC, et al.

- Trial Testimony - October 2010
- Trial Testimony - November 2010
- Estimation Report - February 2013

In Re: ASARCO LLC, et al.

- Testimony by Proffer - August 2009

February 2013