

EXHIBIT 1

THE DISCLOSURE STATEMENT WITH RESPECT TO THIS PLAN HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT FOR CIRCULATION TO ALL CREDITORS AND INTERESTHOLDERS OR FOR THE USE IN SOLICITATION

5. *Pending Insurance Actions.*

The Debtor, as of the Petition Date, had Insurance Policies with the following insurers from which it asserted coverage with respect to certain of the TCE Claims:

- Travelers;
- New Hampshire Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA and/or other insurance companies affiliated with American International Group (collectively, "AIG");
- Those companies making up OneBeacon Insurance Group, including but not limited to Potomac Insurance Company, now known as Pennsylvania General Insurance Company (collectively, "OneBeacon"); and
- PEIC and International (collectively, "ACE").

On January 28, 2004, the Debtor filed motions to approve separate settlement agreements with Travelers and AIG. The Debtor has also reached agreements in principle with OneBeacon and ACE which agreements must be reduced to writing. The aggregate amount of the settlements with these insurers is \$16,900,000, which the Debtor will utilize in funding the Plan. Each of the settlement agreements is subject to the Bankruptcy Court approval and Confirmation of the Plan containing the TCE Channeling Injunction. The Bankruptcy Court has advised that the hearing with respect to the motions to approve the settlement agreements with each of AIG, Travelers, OneBeacon and ACE should be conducted in conjunction with the Confirmation Hearing.

The Debtor, in its business judgment, believes that entering into the settlement agreements with Travelers, AIG, OneBeacon and ACE in the aggregate amount of \$16,900,000 is the best interests of the Debtor's Estate and Creditors and provides for a fair and equitable resolution of the significant disputes with these insurers. Through the settlements, the Debtor will obtain recovery of 100% of available primary coverage and approximately 67% of the outstanding defense costs. In the Debtor's view and as described more fully below, this result is significant.

The insurance policies issued by Travelers, AIG, OneBeacon and ACE provided for \$10,600,000 in primary policy limits, subject to varying retained limits and self-insured retentions, and \$100,000,000 in excess or umbrella policy limits. The insurers argued, among other things, that there was no coverage with respect to the Debtor's alleged liability for the TCE Claims, under the primary or umbrella policies, due to one or more of the following factors: (1) application of a "horizontal allocation" of the estimated potential liability for all underlying actions spread over at least 30 years limited possible insurance recoveries for each particular policy year to less than \$2 million per year (in other words, the Debtor could not obtain more than \$2 million per policy year per policy); (2) certain policies, both primary and umbrella, had absolute pollution exclusions enforceable against all claims, bodily injury and property damage claims or bodily injury or property damage claims; (3) depending upon whether Illinois or Iowa law would apply to enforcement of the pollution exclusion to trespass and nuisance claims, certain policies would exclude all trespass and nuisance claims; (4) no umbrella policies issued by any insurer would apply unless all primary insurance issued by all insurers had been exhausted; (5) the existence of certain policies could not be proven based on a complete lack of documentary or extrinsic

evidence: (6) certain policy's per occurrence limits would limit "stacking of per occurrence limits to access the aggregate limits": (7) certain defense costs were incurred without consent and for amounts beyond insurers' regularly reimbursed rates.

As a result of the insurers' arguments outlined above and the significant litigation costs that the Debtor had incurred and likely would continue to incur in certain pending litigation matters, the Debtor believed that entering into <these>the settlements<, which are subject to Bankruptcy Court approval,> represented the <Debtor>best outcome for its Estate and <Mestek, who is a party to such settlements, will have \$16,900,00 in>Creditors. Not only do the <aggregate from such>settlements< to assist> with the insurers provide \$16,900,000 to the Estate for Plan funding, <of>but the <Plan--In addition, as a result of these settlements, the>first two insurance actions listed on Exhibit B will be dismissed, thereby eliminating the incurrence of additional attorneys< fees and expenses. In consideration for entering into the settlements and making payments to the Debtor, the Settling Insurers will obtain the benefit of the TCE Channeling Injunction, should the Plan be confirmed.

Prior to the Petition Date, the Debtor ~~and Mestek~~ entered into settlement agreements with the following insurers, the proceeds of which the Debtor utilized pre-petition:⁹

- Hartford Financial Services Group, Inc., Hartford Accident and Indemnity Company, Hartford Fire Insurance Company, First State Insurance Company and Twin City Fire Insurance Company ;
- Columbia Casualty Company;
- Wausau Underwriters Insurance Company and Employers Insurance of Wausau; and
- Unigard Insurance ~~company~~ Company

To the extent that such insurance companies agree to extend sufficient consideration, including waiver of indemnification obligations against the Debtor, the Debtor will seek to extend the TCE Channeling Injunction to such insurers at the Confirmation Hearing.

Mestek and, with respect to certain settlements, Formtek are parties to the pre-petition and post-petition settlement agreements described above. Mestek and Formtek claim a right to certain of the insurance proceeds. Nevertheless, Mestek and Formtek have agreed that the \$16,900,000 of insurance proceeds from the post-petition settlements with Travelers, AIG, OneBeacon and ACE may be utilized for funding of the Plan, if Mestek or its assignee is the Winning Plan Sponsor.

B. Hypothetical Liquidation under Chapter 7.

To determine what members of each Impaired Class of Claims and Interests would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must consider the values that would be generated from the liquidation of the Debtor's assets and properties in

⁹ OneBeacon's predecessor entered into a settlement agreement with the Debtor and Mestek pre-petition with regard to "property damage" and "personal injury" claims for certain cases. OneBeacon has agreed to waive the indemnification obligations therein and thus be entitled to the TCE Channeling Injunction with respect to the policies underlying such pre-petition settlement, should the Plan be confirmed.