Exhibit A

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

IN RE:	§	
	§	
DOW CORNING CORPORATION	§	**CASE NO. 95-20512**
	§	**(CHAPTER 11)**
DEBTOR	§	
	§	**Judge Arthur J. Spector**

AMENDED JOINT DISCLOSURE STATEMENT WITH RESPECT TO AMENDED JOINT PLAN OF REORGANIZATION

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DATED: February 4, 1999

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THE MANAGEMENT OF DOW CORNING CORPORATION AND THE OFFICIAL COMMITTEE OF TORT CLAIMANTS BELIEVE THAT THE AMENDED JOINT PLAN OF REORGANIZATION IS IN THE BEST INTEREST OF CREDITORS AND URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.

VOTING INSTRUCTIONS ARE PROVIDED AT PAGES 25 TO 28 OF THIS DISCLOSURE STATEMENT AND IN THE VOTING MATERIALS THAT ACCOMPANY THIS DISCLOSURE STATEMENT. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND RECEIVED BY 5:00 P.M., EASTERN TIME, ON MAY 14, 1999.

ALL CREDITORS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT ''B,'' THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT UNDER ''RISK FACTORS'' IN ARTICLE VII, AND THE ADDITIONAL DOCUMENTS IN THIS SOLICITATION PACKAGE PRIOR TO SUBMITTING BALLOTS PURSUANT TO THIS SOLICITATION.

The summaries of the Plan and the other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits thereto, and Plan Documents described as being filed with the Court prior to the deadline for objection to confirmation of the Plan. In the event of any conflict between the provisions of this Disclosure Statement and the Plan or the Plan Documents, the provisions of the Plan and the Plan Documents shall, in that order, control.

PRELIMINARY STATEMENT

On May 15, 1995 (the **''Petition Date''**), Dow Corning Corporation (hereinafter, **''Dow Corning,'' ''DCC''** or the **''Debtor''**) filed its voluntary petition under chapter 11 of the United States Bankruptcy Code (the **''Bankruptcy Code'')** in the United States Bankruptcy Court for the Eastern District of Michigan, Northern Division (the **''Court''**).

After lengthy and intensive negotiations supervised by a court-appointed mediator with extensive experience in resolving mass tort litigation, DCC, its Shareholders (Dow Chemical and Corning) and the Official Committee of Tort Claimants (the **''Tort Committee''** or the **''TCC''**), the Court-designated representative of all Personal Injury Claimants, have reached agreement on an Amended Joint Plan of Reorganization dated February 4, 1999 (the **''Plan''**). The Plan differs from Dow Corning's prior proposed plans in several important ways: It increases the amount available to compensate all Products Liability Claimants from the prior proposed maximum amount of $1.9 billion (NPV)[1] to $2.35 billion (NPV); it offers claims resolution standards and procedures negotiated and agreed to by the Tort Committee; and it provides litigation procedures that the Tort Committee believes more closely mirror non-bankruptcy litigation. As discussed in greater detail elsewhere in this Disclosure Statement, the Plan offers Domestic Breast Implant Claimants the opportunity to settle their Claims under a procedure, including Claim payment levels and eligibility criteria, modeled on the Revised Settlement Program (the **''Revised Settlement Program''** or **''RSP''**). The RSP has been used by the MDL 926 Court (described below) successfully to resolve tens of thousands of claims against other manufacturers of silicone breast implants. The MDL 926 Court has also approved a Foreign Settlement Program **(''FSP'')**. While the Plan treatment of Domestic Breast Implant Claimants is modeled after the RSP, the treatment of Foreign Breast Implant Claims under the Plan is different from the treatment under the FSP. Dow Corning and the Tort Committee (the **''Proponents''**) hope that Personal Injury Claimants will take advantage of the opportunity to settle their Claims. However, those Claimants who choose to litigate their Claims will be entitled to do so in jury trials against a newly created Litigation Facility. The Plan, a copy of which is attached as **Exhibit ''B''** to this Disclosure Statement, is described in further detail below.

This Disclosure Statement is submitted jointly by Dow Corning and the Tort Committee pursuant to section 1125 of the Bankruptcy Code in connection with the Plan. For purposes hereof, any term used in an initially capitalized form in this Disclosure Statement, and not otherwise separately defined herein, shall have the defined meaning ascribed to it in the Plan, in section 101 of the Bankruptcy Code, in the Settlement Facility Agreement (and annexes thereto), the Litigation Facility Agreement and the Funding Payment Agreement.

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[1] Amounts referred to in this Disclosure Statement as being **''NPV''** or **''Net Present Value''** mean amounts that are to be paid over time or in the future and that have been adjusted, or ''discounted,'' to reflect the amount in today's dollars. The discount factor used in the Plan and this Disclosure Statement is 7%; the date to which the amounts are adjusted is the Effective Date of the Plan. (For example, if the amount of $107 is to be paid one year after the Effective Date, its NPV is $100.) Those amounts that are referred to as **''nominal''** have not been adjusted or discounted.)

On February 4, 1999, after notice and a hearing, the Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes of Claimants and Shareholders entitled to vote pursuant to the Plan to make an informed judgment on whether to accept or reject the Plan. Approval of this Disclosure Statement does not, however, constitute a determination by the Court as to the fairness or merits of the Plan.

The Tort Committee, the Debtor, the Shareholders, or any creditor or other Official Committee may communicate with creditors for the purpose of soliciting acceptances or rejections of the Plan. No promises made to secure acceptance or rejection of the Plan other than as set forth in this Disclosure Statement should be relied upon by you in arriving at your decision. If any additional promises are made to you, you may contact one or all of the parties listed on pages 27 and 28 of this Disclosure Statement.

The statements and the financial information about the Debtor and/or the Reorganized Debtor have been prepared by the Debtor from its books and records and from court records. While the Debtor believes the information to be accurate and complete, the Proponents' advisors have not taken any independent action to verify the accuracy or completeness of such statements and information and expressly disclaim any representation concerning the accuracy or completeness thereof.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither delivery of this Disclosure Statement nor any exchange of rights made in connection with the Plan shall, in any circumstances, create an implication that there has been no change in the information set forth herein since the date the Disclosure Statement and the materials relied upon in the preparation of the Disclosure Statement were compiled.

This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan. This Disclosure Statement contains projected financial information regarding the Debtor and the Reorganized Debtor and certain other forward-looking statements, all of which are based on various assumptions and estimates and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic and competitive risks including, among others, those described herein. *See* ''Article VII—Certain Risk Factors.'' Consequently, actual events, circumstances, effects and results may vary significantly from those included in or contemplated by such projected financial information and such other forward-looking statements.

In reliance upon the exemption from registration pursuant to section 1145 of the Bankruptcy Code, any securities to be issued pursuant to the Plan, if consummated, will not have been registered with the Securities and Exchange Commission (the **''SEC''**) under the Securities Act of 1933, as amended (the **''1933 Act''**), or under any state securities act or similar state laws, nor have the securities been approved by the SEC or any state securities commission. Neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of this Disclosure Statement or upon the merits of the Plan.

ARTICLE I

PLAN OVERVIEW

1.1 Summary of How Personal Injury Claims Are Treated Under the Plan.

A. Options Under the Plan. The Plan provides Personal Injury Claimants, including Breast Implant Claimants, with a basic option to resolve their Claims. If the Plan is confirmed by the Court, a Participation Form will be sent to all Personal Injury Claimants. Each Personal Injury Claimant will indicate on this Participation Form if she wishes to settle or litigate her Claim. An election to settle permits you to settle your Claim on the terms offered in the Plan. An election to litigate places your Claim in the Litigation Facility, which allows you to litigate your Claim.

The settlement process for Breast Implant Claims is based largely on the criteria and procedures used to resolve breast implant claims in the consolidated breast implant litigation pending in the United States District Court for the Northern District of Alabama (the **''MDL 926 Court''**). As many Breast Implant Claimants may be aware, a prior settlement, called the **''Original Global Settlement,''** was attempted in 1994, and, after the bankruptcy filing by Dow Corning, was revised by certain other breast implant manufacturers. This revised settlement is called the **''Revised Settlement Program''** or **''RSP.''** The Revised Settlement Program was approved by the MDL 926 Court in December, 1995, and has been processing and paying claims since that time. As discussed further below, the settlement program offered under this Plan for the compensation of Breast Implant Claims adopts the disease definitions in both the Original Global Settlement and the Revised Settlement Program. In addition, as in the Revised Settlement Program,

the Plan offers compensation for explantation and rupture. The disease, explantation and rupture payment options in this Plan all offer increased compensation and eligibility options as compared to the Revised Settlement Program. For example, all Breast Implant Claimants may assert Claims for disease relying on the criteria in the Original Global Settlement (unlike the RSP which allowed only ''Current Claimants'' to rely on these criteria). Also, the explantation compensation has been increased from $3,000 in the RSP to $5,000 under this Plan and it covers a broader time frame (i.e., anyone explanted after December 31, 1990 may apply, as opposed to the RSP provisions which limit the payment for explantation procedures after April 1, 1994).

Another feature in this Plan that differs from the RSP—and will increase the compensation received by many Breast Implant Claimants—is the separate Rupture Payment Option. In the RSP, only ''Current Claimants'' who also had acceptable proof of a disease condition under the Fixed Amount Benefit Schedule could recover for rupture. Under this Plan, Breast Implant Claimants do not have to be ''Current Claimants'' and do not also have to have disease Claims. Claimants may recover for rupture without filing any other Claim. Some Claimants who have a Disease Payment Option I—Claim Severity Level A may recover slightly less money under this Plan compared to the RSP. However, Claimants electing Disease Payment Option II who also have a rupture will recover more than under the RSP.

B. Settlement. Claimants who do not timely elect to litigate will have their Claims considered and resolved using the various settlement options described herein. The Claims will be processed through a Claims Office (the **''Claims Office''**) in Houston, Texas, the same office, with generally the same personnel, that processes RSP settlements under the authority of the MDL 926 Court (the **''MDL 926 Claims Office''**). Claimants who elect to settle must submit certain information (unless that information was previously submitted to the MDL 926 Claims Office) and meet certain eligibility criteria to qualify for compensation. For example, all Claimants must submit acceptable proof that they had or have a Dow Corning product (Silicone Material Claimants must submit proof of a specific breast implant—see section 1.1(B)(3) below). This may be established through medical records, a statement from your implanting doctor, or one of the other ways described in the Dow Corning Settlement Program and Claims Resolution Procedures (**''CRP''**)[2]. Each settlement option also has criteria to recover compensation. They are all described in detail in this Disclosure Statement. You should review them carefully.

1. Breast Implant Claims. The settlement options for Claimants with Dow Corning Breast Implants are described generally below. A Claimant can qualify for any or all of three different options: (1) the Explantation Payment Option, (2) the Rupture Payment Option, and (3) the Disease/Expedited Release Payment Option.

a. Explantation Payment Option. Claimants who had a Dow Corning Breast Implant removed after December 31, 1990 and before the tenth anniversary of the Effective Date of the Plan can receive a one-time payment in the amount of $5,000 regardless of the number of explant operations. The documentation supporting a Claim under this option must be submitted to the Claims Office on or before the tenth anniversary of the Effective Date. That payment will be made after the Claimant provides proof that she had a Dow Corning Breast Implant (or Breast Implants) and that the Breast Implant(s) has been removed. If the Breast Implant for which explantation benefits are sought was removed during 1991 and replaced with another silicone gel implant in the course of the same procedure, the Claimant is not eligible to receive payment under this option. If the Breast Implant for which explantation benefits are sought was removed after January 1, 1992, and the Claimant received another silicone gel breast implant in the same or any other procedure, the Claimant is not eligible to receive payment under this option. Claimants who receive replacement breast implants made of saline are still eligible for the Explantation compensation.

b. Rupture Payment Option. Under this option, Claimants whose Dow Corning Breast Implants have in the past ruptured or rupture prior to the second anniversary of the Effective Date of the Plan may apply for a one-time Rupture Payment in the ''Base'' amount of $20,000 (regardless of the number of ruptures) and, if allowed, a ''Premium'' payment of an additional $5,000. Documentation supporting a Claim under this option must be submitted to the Claims Office on or before the second anniversary of the Effective Date. However, if the explantation of the Breast Implant occurs within 90 days of that deadline, the Claimant must submit the Claim information no later than 30 days after the second anniversary of the Effective Date.

[2] The CRP is an exhibit to the Settlement Facility Agreement, which is a Plan Document. Information on how to obtain copies of the Plan Documents appears on page 22.

If a Claimant has an approved Claim under the Rupture Payment Option, an approved Claim under the Disease Payment Option, and has Dow Corning Breast Implants and acceptable proof of a silicone gel breast implant(s) manufactured by Bristol, Baxter or 3M and if the Claimant received a ''rupture enhancement payment'' under the Revised Settlement Program, then her Rupture and Disease compensation collectively will be reduced by 50%.

A qualified Rupture is defined as a tear or other opening in the envelope surrounding the silicone gel. Gel bleed does not qualify as Rupture. To document a Rupture Claim, you will need to submit explantation operative and/or pathology reports and, perhaps, additional statements from doctors depending on when the ruptured Implant was removed. The documentation required is the same as is required under the Revised Settlement Program, except that where the type of proof required is keyed to the date the ruptured Implant is removed, the dates have been modified. You should review the description of the Rupture documentation in the CRP to determine how it applies to you.

The Settlement Program also offers a feature that was not present in the RSP. If your rupture proof is found to be unacceptable, you can still qualify if you meet one of two additional standards for Rupture. These standards require medical documentation of visual confirmation of a breach in the elastomer envelope found upon or prior to removal of the Dow Corning silicone gel Breast Implant or medical documentation demonstrating migration along tissue planes distant from the site of breast implantation of a substantial mass of material confirmed by biopsy to be silicone from a ruptured Dow Corning silicone gel Breast Implant.

In addition to this Individual Review process of certain Rupture Claims, there is a provision that allows Claimants who have not been explanted to recover rupture benefits provided that explantation is medically contraindicated (as specifically defined in the CRP) because the Claimant suffers from a serious chronic medical condition that precludes surgical removal.

c. Disease Payment Option/Expedited Release Payment Option.

(1) Disease Payment Option. A Claimant may qualify for payment depending on her disease or medical condition. Compensation is determined by two payment grids (collectively, the **''Grid''**) established in the CRP. Under the Grid, more severe medical conditions will be compensated at higher levels than less severe conditions. The ''Base''[3] Grid payments for Domestic Claimants range from $10,000 to $250,000. If additional ''Premium'' payments are allowed by the District Court, the total Grid payments will range from $12,000 to $300,000.

To qualify for payment, a Claimant must document one of the conditions defined in the CRP. Disease Payment Option I provides payments for Breast Implant Claimants who meet the disease and disability criteria under the Original Global Settlement (the Fixed Amount Benefit Schedule in the Revised Settlement Program). If a Breast Implant Claimant meets the Original Global Settlement disease and disability criteria, the Claimant will receive a ''Base'' payment of $10,000 for disability Severity Level C, $20,000 for disability Severity Level B, or $50,000 for disability Severity Level A. Disease Payment Option II, which has more stringent criteria, provides ''Base'' payments ranging from $75,000 to $250,000. These Disease Payment Option II eligibility criteria are the same as the Long-Term Benefit Schedule criteria under the Revised Settlement Program.

To qualify for payment under the Disease Payment Option the Claimant must submit medical records that document one of the covered conditions defined in the CRP. A Claimant may rely on the claim forms and supporting records and documents previously submitted to the MDL 926 Claims Office. To qualify for higher payments under Disease Payment Option II, Claimants may need to submit additional documentation and undergo further testing and examination. Not all conditions or symptoms will qualify under either Disease Payment Option and you should carefully evaluate your own condition and your medical records to determine if and to what extent you would qualify under either Disease Payment Option.

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[3] **''Base''** payments under the Settlement Facility Agreement are also called **''First Priority Payments.''** First Priority Payments are the highest priority payments made from the Settlement Fund. Those payments designated as **''Premium''** payments, also called **''Second Priority Payments,''** will be made only if funds are available after payment of all First Priority Payments is adequately assured.

In some circumstances, the Disease Payment Option compensation may be reduced. For example, a Claimant who elects Disease Payment Option II and who does not qualify under that option may, if qualified, receive payment under Disease Payment Option I. In this circumstance, there is no reduction in compensation. However, a Claimant who returns to Disease Payment Option I after failing to qualify for Disease Payment Option II within the allotted time period (*i.e.*, one year after the date of notification of a deficiency in her submission) will receive a 25 percent reduction in the amount, if any, she qualifies for under Disease Payment Option I.

Claimants who had Breast Implants manufactured by Dow Corning and also had any silicone gel breast implant(s) manufactured by ''Baxter,'' ''Bristol'' or ''3M'' (as defined in Exhibit ''G'' to the Revised Settlement Program) (collectively, the **''Participating Co-Defendants''**) and who qualify for the Disease Payment Option will have their payment under that option reduced by 50%. This reduction applies whether or not any payment was received from any of the Participating Co-Defendants pursuant to the RSP or otherwise.

Any Claimant who has received a payment under Disease Payment Option I and who, subsequent to such payment and during the 15 years of the Settlement Program, documents an increase in the severity of her condition that meets the criteria for Severity Level A under Disease Payment Option I shall be entitled to apply for an additional payment based on that Severity Level A condition. The maximum amount for which that Claimant may qualify is the difference between the maximum payment amount applicable for Level A (including, if allowed, the ''Premium'' payment of up to 20%), and the amount previously Allowed for the Claim. The aggregate amount available for all Claimants seeking increased severity payments under Disease Payment Option I is $15 million Net Present Value. Similarly, a Claimant who has received a payment under Disease Payment Option II and who subsequently documents a Covered Condition (as defined in the CRP) that would entitle her to a larger payment than previously Allowed shall be entitled to apply for an additional payment based on this increased severity condition. There is no separate cap for increased severity payments under Disease Payment Option II. These claims will, however, be treated as Second Priority Payments under the Plan.

The Claims Office will notify Claimants of the status of their Claims after a review of the Claim information submitted. This notification will describe any deficiencies in the Claim Forms and documentation. Claimants will also be notified of procedures necessary to cure any deficiencies in the supporting documentation for their Claims.

If you choose but do not qualify under the Disease Payment Option (after reasonable opportunity to cure any deficiencies), the Claims Office will nevertheless offer you the Expedited Release Payment Option, described in the next section. Additionally, a settling Claimant who timely applies for payment but does not qualify, and does not accept payment under the Expedited Release Payment Option, and who subsequently develops a new Covered Condition may submit a new application for compensation at any time up to the fifteenth anniversary of the Effective Date.

(2) Expedited Release Payment Option. This option provides an immediate payment of $2,000 in exchange for a release of the right to participate in the Disease Payment Option. No records (other than to show that Dow Corning manufactured the implant) and no proof of injury are required. This option will be available to Claimants for three years following the Effective Date, unless that period is extended by the Claims Administrator. Claimants who elect the Expedited Release Payment Option are still eligible to apply for Explantation and Rupture benefits.

If you do not have a current Claim eligible for payment under the Disease Payment Option, you may apply for the Explantation Payment Option, the Rupture Option and/or the Expedited Release Payment Option. Claimants who develop a Covered Condition under either Disease Payment Option any time up until the fifteenth anniversary of the Effective Date can apply for the Disease Payment Option unless they have accepted the Expedited Release Payment Option or previously accepted a payment under the Disease Payment Option.

2. Other Products Claims (TMJ, Hip, Knee, Etc.). Implant Claimants with other implant products manufactured by Dow Corning (**''Other Products''**) may choose from two settlement options provided such products are among those listed as ''Covered Other Products'' in Schedule I, Part II of the Claims Resolution

Procedures attached as Annex ‘‘A’’ to the Settlement Facility Agreement. ‘‘Covered Other Products’’ include such implants as knee, hip, large or small joint orthopedic devices, chin or facial implants and TMJ devices. (If the Dow Corning product is not a ‘‘Covered Other Product,’’ the Claim will be treated and paid, if Allowed, in the Litigation Facility.) The Expedited Release Payment is $1,000 per Other Implant Claimant. Alternatively, Claimants may elect the Medical Condition Payment Option, which provides compensation if the Dow Corning implant broke or ruptured, or if it has caused an inflammatory reaction. TMJ Claimants may in addition be eligible to receive payment for an inflammatory response with active, localized bone resorption. Claimants with proof of one of these conditions will be offered payments ranging from $5,000 to $10,000, depending on the type of implant involved. To be eligible, Other Products Claimants must file their Claim Forms and supporting documents by the second anniversary of the Effective Date.

The total of all payments to settling Covered Other Products Claimants with Allowed Claims and related administrative costs and attorney’s fees (called the **‘‘Other Products Fund’’**) shall not exceed $36 million (Net Present Value). All settling Covered Other Product Claims must be resolved within this sum. If the aggregate costs of administering and resolving these Claims exceed or are forecast to exceed this amount, payments to settling Covered Other Products Claimants on their Allowed Claims may be reduced pro rata or on some other equitable basis (*e.g.*, reduced for Claimants who have had their implants for more than five years) to be determined by the Claims Administrator and the Finance Committee. On the other hand, if funds remain in the Other Products Fund after resolution and payment of Allowed Claims, then the Claimants’ Advisory Committee and the Claims Administrator shall determine guidelines to distribute additional compensation to those Settling Other Products Claimants (including implant Claimants with TMJ devices, knee, hip, large or small orthopedic devices, and chin or facial implants) who have demonstrated the most serious injuries or conditions. If the Claims Administrator determines that costs of administering the Other Product Claims will exceed $3.6 million (NPV), the Claims Administrator will establish simpler procedures to reduce costs.

3. Silicone Material Claims. Claimants who have or have had breast implants manufactured by Baxter, Bristol, Bioplasty, Mentor or Cox-Uphoff (CUI) may apply for the Disease Payment Option or the Expedited Release Payment Option, with payments to be made from a fund of $57.5 million (NPV). To be eligible to participate, Silicone Material Claimants must file their Claim Forms and supporting documents by the second anniversary of the Effective Date. The amount to be paid to each Claimant will be determined after the Claims have been received and evaluated, but payments for the Disease Payment Option will not be more than 40% of the amount payable to Claimants with Dow Corning Breast Implants. The potential compensation to each Silicone Material Claimant will be reduced by the amount the Claimant received or could receive from another manufacturer, except that Silicone Material Claimants whose silicone gel breast implants were made by Mentor, CUI or Bioplasty, or who are an ‘‘Other Registrant’’ in the RSP with one of these breast implants and a post August, 1984 McGhan breast implant will not have their compensation reduced. Any funds remaining in the $57.5 million fund after these calculations will be divided equally among eligible Silicone Material Claimants.

Those Raw Material Breast Implant Claimants who are not Silicone Material Claimants shall have their Claims resolved and, as Allowed, paid in the Litigation Facility in the same manner as Non-Settling Breast Implant Claimants.

4. Foreign Claimants. The description of settlement payment amounts described earlier in this section applies to Domestic Claimants. The same proof requirements for product identification and medical condition generally apply to both Foreign and Domestic Claimants. Payment levels to Foreign Claimants are lower. Depending on the country in which you live, the payment will be either 60% (for Category 1 or 2 countries) or 35% (for Category 3 or 4 countries) of the amounts described earlier (*see* **Exhibit ‘‘C’’** to the Disclosure Statement for a list of countries and the payment adjustment for each). Additionally, the Claims Administrator is authorized, if deemed economically appropriate, to establish separate claims offices in Europe and in South America to handle processing of settling Foreign Claims in those areas in languages other than English.

The Claims of the Quebec Class Action Settlement Claimants, the Ontario Class Action Settlement Claimants and the B.C. Class Action Settlement Claimants are treated, respectively, under Classes 6A, 6B and 6C of the Plan. The treatment offered to these Claimants is based on negotiated settlements reached between representatives of certain of those Claimants and the Debtor. While those Claimants are settling separately, the treatment of their Claims is generally consistent with the treatment of Foreign Claims under the Plan although each of the settlement options has somewhat different settlement grid options, eligibility criteria and compensation structure.

Claimants who reside in Australia or who received their Breast Implants in Australia have an option either to elect treatment in Class 6D of the Plan or to remain in Class 6.1. The optional treatment in Class 6D results from negotiations between Dow Corning and Mr. Peter Gordon of the firm Slater & Gordon. The optional treatment is

based upon a settlement grid that is similar in some respects to the treatment offered other Foreign Claimants but the settlement grid has some additional settlement options, omits certain settlement options open to Foreign Claimants in Classes 6.1 and 6.2, has somewhat different eligibility criteria and somewhat different requirements for submitting eligibility criteria. To participate in Class 6D, eligible Claimants must elect to participate by indicating their election on the ballot for voting on the Plan; provided the Australia Breast Implant Settlement Option is approved by the Court and becomes effective, such election will be irrevocable. This option is described in more detail in section 6.4(L), at pages 59 through 63.

5. Family Member Claims. Certain Claims have been asserted by the spouses, parents and children of Personal Injury Claimants. These Claims, referred to as **''Family Member Claims,''** are comprised of (i) **''Consortium Claims,''** and (ii) **''Children Direct Claims.''**

a. Consortium Claims are Claims that derive from the relationship of a spouse, parent, child or other individual related to or claiming some personal relationship to a Breast Implant User, Other Product User, or a Non-Dow Corning Breast Implant User to the extent those claims are recognized under applicable non-bankruptcy law. The option to settle Consortium Claims shall be controlled by and be subject to the election of the Breast Implant Claimant, the Other Products Claimant or the Non-Dow Corning Breast Implant Claimant (the ''Primary Claimant''). If the Primary Claimant elects the settlement option described in Section 5.4 of the Plan or is deemed to be a Settling Claimant because of a failure to timely elect to litigate, then any and all Consortium Claims related to that Primary Claimant shall be deemed settled and discharged for no additional compensation regardless of whether the Family Member elects or would have elected to litigate his or her Consortium Claim separately. Thus, the settlement Grid amount specified for such Primary Claimant is intended to cover both the Primary Claimant and the related Consortium Claims, and, accordingly, the Primary Claimant's election to take the settlement option shall operate as a release of both her Claims and all related Consortium Claims.

If the Primary Claimant elects to litigate, any Consortium Claims that could be brought under applicable non-bankruptcy law must be brought against the Litigation Facility pursuant to Section 5.4.2 of the Plan, which provides for liquidation of all Non-Settling Personal Injury Claims pursuant to the Litigation Facility Agreement.

b. Children Direct Claims are Claims asserted by children born to a Breast Implant User or Non-Dow Corning Breast Implant User arising from the alleged exposure to the Breast Implant, Other Product or the component parts of those products in utero, through breast feeding or otherwise.

Any Children Direct Claims made will be resolved through the procedures established by the Litigation Facility. For these purposes, such **''Children Direct Claimants''** shall be deemed to be ''Non-Settling Personal Injury Claimants.'' There is no settlement option available to Children Direct Claimants. *See* pages 84-88 for information regarding litigation procedures applicable to holders of Children Direct Claims.

6. Procedure Under Settlement Facility. The Claims of settling Claimants, except for those Claimants in Classes 6A, 6B, 6C and 6D, will be processed in accordance with the Settlement Facility Agreement and the CRP.

a. Use of MDL 926 Claims Office and Protocols. Except as otherwise provided in the Settlement Facility Agreement, the Claims Office will apply the guidelines and protocols established by the MDL 926 Claims Office.

b. Administrators of the Settlement Facility. The administration and day-to-day operations of the Settlement Facility are to be divided among a number of individuals. These parties and their roles and responsibilities are the following:

(1) MDL 926 Court. The Honorable Sam C. Pointer, the MDL 926 judge in Birmingham, Alabama, will oversee and supervise all operations of the Claims Office.

(2) Claims Administrator. The Claims Administrator, who will be designated by the Proponents and approved by the MDL 926 Court, will be responsible for oversight of the Claims processing functions of the Settlement Facility, and will be the party to whom first appeals from disputes regarding Claims resolution will be addressed. The Claims Administrator will also be responsible, in consultation with the Finance Committee (described below) for the payment of Allowed Claims.

(3) Financial Advisor. The Financial Advisor, who will be selected by the Finance Committee, will have the primary responsibility, along with the Finance Committee, for overseeing the investment of all funds paid to the Settlement Facility and held by the Depository Trust, for providing investment instructions to the Depository Trust, and for overseeing the preparation of financial statements and reports required by the Settlement Facility Agreement.

(4) Operations Manager. The Operations Manager will be responsible for supervising the staff of personnel who will review and evaluate Claims.

(5) Quality Control Supervisor. The Quality Control Supervisor will be responsible for monitoring the staff of the Claims Office to ensure that the eligibility criteria for Claims are accurately and consistently applied.

(6) Appeals Judge. The initial Appeals Judge will be Frank Andrews, the same person designated by the MDL 926 Court to hear appeals from disputes in the resolution of claims by the MDL 926 Claims Office. The Appeals Judge will hear appeals from Claims decisions of the Claims Administrator. The Appeals Judge also will be a member of the Finance Committee.

c. Processing of Settlement Claims. The Claims Office is directed to process and resolve Claims as rapidly and efficiently as possible. Because of many unknown factors, such as when each Claimant will provide the necessary medical information to the Claims Office, it is difficult to predict when any individual Claim will be paid. However, the Settlement Facility Agreement provides the following directives for the processing of Claims:

(1) The Claims Office shall adopt procedures to maintain the confidentiality of all Claim files and Claimants' identities. Every Claimant is entitled to a copy of his/her Claim file.

(2) Claims will generally be processed within each payment option elected in the order in which completed submissions are received.

(3) Review of Proof of Manufacturer, and of Claims for explantation and rupture may begin as soon as Claimants submit the appropriate form(s) and documentation. Breast Implant Claims for disease will not be allowed or processed until the Claimant has acceptable proof (or only a minor deficiency) in her Proof of Manufacturer.

(4) All Claimants may supplement their prior submissions to the MDL 926 Claims Office to support a Claim under the CRP.

d. Review of Claims Office Decisions. If a Claimant believes the Claims Office made a mistake in the processing of her Claim, she may notify the Claims Office of the error. If the Claims Office determines that an error was made, the error will be corrected and the Claimant will be notified of the correction.

Any Claimant not satisfied with the treatment of her Claim (after all error correction procedures) may seek a review of the benefit status determination by written request to the Claims Administrator. The Claimant must first submit any supplemental documentation she wishes to have considered. The Claims Administrator will review the written materials in the Claimant's file including the supplemental documentation, and will either affirm or adjust the determination made by the Claims Office based on a *de novo* review. If the Claimant disagrees with the determination made by the Claims Administrator, the Claimant may submit an appeal to the Appeals Judge. The Appeals Judge shall provide a written determination regarding the ruling made by the Claims Administrator, which determination shall be final and not further appealable. Dow Corning will not have any right of appeal or review from determinations made by the Claims Office.

C. Litigation. If you want to litigate your Claim through the courts, you must choose (on the Participation Form to be sent by the Settlement Facility after confirmation of the Plan) to litigate your Claim. If you so elect, your Claim will be handled by the Litigation Facility.

1. The Litigation Facility. Claims of Non-Settling Personal Injury Claimants and Children's Direct Claims, together with all Miscellaneous Raw Material Claims[4] and the Claims of Other Products Users whose Claims do not arise from a Covered Other Product, will be handled as lawsuits against the Litigation Facility under

[4] This class is made up of (a) all Claimants with a Non-Dow Corning Breast Implant manufactured by a company which (i) is neither located nor manufactured its product within the United States and (ii) did not use a gel system from Dow Corning, and (b) all other Non-Dow Corning Implant Claimants.

the jurisdiction of the District Court for the Eastern District of Michigan (the **''District Court''**). The Claims of Non-Settling Personal Injury Claimants and Miscellaneous Raw Material Claimants will be resolved under the terms of the Litigation Facility Agreement and a Case Management Order prepared by the Proponents and approved by the District Court. The District Court will be assisted in the resolution of the Non-Settling Personal Injury Claims and Miscellaneous Raw Material Claims by a Special Master. The initial Special Master will be Professor Francis McGovern.

2. Processing of Claims in the Litigation Facility. The procedure for the liquidation of Domestic Personal Injury Claims in the Litigation Facility will, in many respects, resemble the litigation process in a non-bankruptcy setting. Non-Settling Personal Injury Claimants and Miscellaneous Raw Material Claimants will either resume existing litigation or initiate suit—in either case against the Litigation Facility. Claimants who are minors as of the Effective Date or who do not have manifested injuries do not have to initiate suit until six months after they turn 18, in the case of minors, or six months after manifesting illness, provided all such ''tolled'' suits must be filed no later than 15 years after the Effective Date. Children who hold Children Direct Claims and who are 18 as of the Effective Date and have manifested injuries must initiate suit within 60 days after the Effective Date. Pursuant to the Case Management Order, the terms of which have been negotiated and agreed to by the Debtor and the Tort Committee, and which will be submitted to the District Court for approval prior to or in connection with the confirmation hearing, litigation will proceed first with pre-trial dispositive motion practice. This dispositive motion practice may include a common issues *''Daubert''* hearing to determine if there is sufficient admissible evidence to permit a jury trial as to whether silicone causes systemic diseases. The Manager of the Litigation Facility will seek such a common issues hearing and the Debtor has reserved, on behalf of the Litigation Facility, the right to seek adjudication of other common issues. The Tort Committee has reserved the right of any individual Claimant to oppose such common issue adjudications. The District Court will decide whether common issue adjudications are appropriate. The Case Management Order shall provide that the earliest time that the District Court can consider such issues is 270 days after the deadline for electing to litigate. The Manager of the Litigation Facility will aggressively litigate the merits of the unresolved Claims.

At the conclusion of any common issues/dispositive motion practice, individual cases that have not been settled or dismissed may be certified for trial, upon the recommendation of the Special Master. Individual cases will be certified for trial in the District Court or in the federal district court where the underlying Claims arose. In individual cases that (i) were originally filed in state court and (ii) were not removed to federal court prior to the Petition Date, the cases may be remanded to that state court for trial, subject to the consent of all parties to the remand to that court. If remand occurs, the District Court will retain jurisdiction over any issues common to all Breast Implant Claims. The state court to which the case is remanded must agree to be bound by the terms of the Case Management Order.

Following the outcome of any individual trial (and any appeals), the resulting judgment (including interest, if recoverable under applicable non-bankruptcy law), if adverse to the Litigation Facility, will be forwarded to the Claims Administrator for payment, subject to the terms of the Litigation Facility Agreement, the Settlement Facility Agreement and the Funding Payment Agreement.

The litigation process for Foreign Personal Injury Claims is the same as for Domestic Claims although the Litigation Facility will have the option of seeking to have the Claim referred to the courts of the Claimant's residence for adjudication pursuant to principles of *forum non conveniens.* After the Claim is liquidated, any Allowed amount of the Claim will be paid in U.S. dollars pursuant to the terms of the Settlement Facility, the Litigation Facility Agreement and the Funding Payment Agreement.

D. Payment of Allowed Claims; First Priority and Second Priority Payments. If your Claim is Allowed, you will be entitled to be paid the amount of your Allowed Claim.[5] All Claimants who elect to settle will be entitled to

[5] To be ''Allowed'' under the Plan, all objections to a Claim must be resolved by Final Order of the Court. The Confirmation Order shall, among other things, provide that the Debtor's Disease Objection (described in section 5.3(L) of this Disclosure Statement) will be deemed resolved as to all Settling Personal Injury Claimants. The Commercial Committee has also filed an objection to Personal Injury Claims. The Proponents believe that confirmation of the Plan will moot the Commercial Committee's objection as to Settling Personal Injury Claimants and will seek such a determination by the Court. Pursuant to the Litigation Facility Agreement, the Manager must assume responsibility for handling all objections to the Claims of Non-Settling Claimants, including (without limitation) the objection filed by the Commercial Committee.

be paid the maximum amount for which they qualify. If funds are insufficient in a given year to pay all Allowed Claims in full, the Finance Committee[6] shall make installment payments on the Allowed Claims pending receipt of further scheduled funding from the Reorganized Debtor. No interest will be paid on installment payments. Such timing restrictions on payments would be caused by the annual cap on payments by the Reorganized Debtor under the Funding Payment Agreement.

The Disease Payment Option and the Rupture Payment Option for Breast Implant Claimants and the Medical Condition Payment Option for certain Other Products Claimants have two components, a ''Base'' and a ''Premium'' payment. The Settlement Facility Agreement establishes a priority for payment of Settling Personal Injury Claims. The **''First Priority Payments''** will be for (i) Allowed Claims under the Expedited Release Payment Option, (ii) Allowed Claims under the Explantation Payment Option, (iii) the ''Base'' payment for Claims Allowed under the Disease Payment Option and the Rupture Payment Option, (iv) Allowed Claims under the Expedited Release Payment Option and the Medical Condition Payment Option for Other Products Claimants; and (v) Allowed Claims for Silicone Material Claimants, along with related administrative costs. Allowed Claims of settling Claimants in Classes 4A, 6A, 6B, 6C, 6D, 14 and 15 are also defined as First Priority Payments. Payments in respect of Claims of non-settling Claimants in Classes 11, 13, 14, 14A and 17, which are called Settlement Fund Other Payments, will be made at the time such Claims are Allowed. The **''Second Priority Payments''** include ''Premium'' payments under the Rupture Payment Option and the Disease Payment Option for Breast Implant Claimants and the Medical Payment Option for certain Other Products Claimants and any ''increased severity'' payments for Breast Implant Claims. The ''Premium'' payments entitle Breast Implant Claimants to receive additional compensation, up to 20% of the ''Base'' payments under the Disease Payment Option and 25% of the ''Base'' payment under the Rupture Payment Option. (*See* chart at pp. 20-22.) If a ''Premium'' is paid to a Breast Implant Claimant with a disease Claim, she will receive greater compensation than is available under the RSP for a comparable disease claim that does not include the rupture enhancement. The ''Premium'' payments provide Other Products Claimants additional compensation that, when combined with amounts received as ''Base'' payments, equal $36 million (NPV) in the aggregate.

A factor that may affect the amounts actually received by Claimants is the competing rights of third parties, particularly those of hospitals, health benefit plans, health insurers and governmental agencies, to reimbursement from the settlement payment for prior expenditures. However, most of these competing Claims will be extinguished as a result of a settlement Dow Corning has proposed for the Domestic Health Insurers. This settlement is similar to the settlement reached with health insurers in the Revised Settlement Program. Dow Corning's settlement requires all participating insurers to waive any Claims, including rights of reimbursement, against Personal Injury Claimants. The settlement requires that a sufficient number of insurers participate in the settlement so that the vast majority of Personal Injury Claimants will not be subject to Claims from their health insurers. The Debtor believes that substantially all of the Domestic Health Insurers will accept the settlement and that the participation level condition will be satisfied.

Some insurers may not participate in the settlement. The rights of those third parties to recover from payments to be made to Claimants are governed by the agreements between those third parties and the Claimants. The Plan provides that payments to Claimants will not be held up by the non-settling insurers or government agencies, but they remain free to assert their rights, if any, against the Claimants.

E. Funding. Under the Funding Payment Agreement, the Reorganized Debtor will pay up to the aggregate amount of $3.172 billion into the Depository Trust, the recipient of funding for the Settlement Facility and Litigation Facility, to resolve all Products Liability Claims. This amount is subject to adjustment to maintain a Net Present Value as of the Effective Date of $2.35 billion. This amount constitutes a ''cap'' on the funding to be provided by Dow Corning; if the amount of Allowed Claims (and the related expenses of the Facilities) exceeds the cap, the actual distributions to Claimants will be reduced. In addition, if Claims are Allowed at a pace that exceeds the funding schedule, payment of certain Allowed Claims will be delayed. Priority will be given to ''Base'' payments to minimize the delay in making those payments, with the likely result that ''Premium'' payments on Allowed Claims will be delayed for several years. However, there can be no guarantee that ''Base'' payments will not be delayed if Allowed Claims exceed available funds in particular years. No interest or cost of living increases will be paid on settlements. Additional discussion regarding the potential for reduction or delay in payment appears in section 7.1 of this Disclosure Statement, at pages 94 through 99.

[6] The members of the Finance Committee are the Claims Administrator, the Special Master and the Appeals Judge.

Of the aggregate amount available, an amount up to the sum of $400 million (Net Present Value) is designated as the **''Litigation Fund.''** The Litigation Fund is reserved for payment of Allowed Claims of (i) Non-Settling Personal Injury Claimants, (ii) Class 12 Claims, (iii) Assumed Third Party Claims, (iv) all defense costs and (v) administrative costs associated with the resolution and liquidation of all Claims resolved by the Litigation Facility. Although funds designated as the Litigation Fund are intended to be used, to the extent necessary, to resolve Non-Settling Personal Injury Claims, Class 12 Claims and Assumed Third Party Claims, beginning on the fourth anniversary of the Effective Date, the assets comprising the Litigation Fund may be used for payment of First Priority Payments of Settling Personal Injury Claimants, upon the recommendation of the Finance Committee and order of the District Court. In determining whether such an order should issue, the District Court will determine whether (i) funds are needed for payment of First Priority Claims, and (ii) the remaining assets of the Litigation Fund, after the proposed payment of First Priority Payments, will be adequate to pay all Claims subject to the Litigation Fund.

The remainder of the aggregate sum of $2.35 billion (Net Present Value) is defined as the **''Settlement Fund''** and is reserved for the payment of (i) Allowed Claims of Settling Personal Injury Claimants in Classes 5 through 10.2 (*i.e.*, Personal Injury Claimants who elect to participate in the Dow Corning Settlement Program), (ii) Allowed Claims of Claimants in Classes 4A (if settled prior to resolution of pending appeals), 6A, 6B, 6C, 6D, 11, 13, 14, 14A, 15, 16 (to the extent provided in the Litigation Facility Agreement) and 17, and (iii) costs associated with the operation and administration of the Settlement Facility.

The Plan and the Funding Payment Agreement provide that Dow Corning will make payments from insurance proceeds, certain escrowed funds and operating cash. An initial payment, comprised of collected insurance proceeds and cash on hand, will be made to the Settlement Facility in an amount of not less than $985 million. (As provided in the Funding Payment Agreement, that amount will be supplemented with interest earned through the Effective Date on $905 million of the scheduled initial payment if the Effective Date is delayed.) Insurance proceeds received following the Effective Date will be paid to the Settlement Facility when received by Dow Corning. Additional funds will be paid to the Settlement Facility on an ''as needed'' basis in monthly payments, subject to annual funding caps.

The Shareholders have made a credit facility available to the Reorganized Debtor. Dow Corning will be able to access the credit facility during the first ten years of the Settlement Facility to make payments due under the Funding Payment Agreement. For further discussion of the credit facility, *see* section 6.6(I)(3), at p. 77.

F. Release of Dow Corning, the Shareholders, the Settling Insurers and Limited Release of Certain Third Parties. If the Plan is confirmed, DCC will be discharged and released from liability on all Claims, including Claims attributable to Breast Implants and Other Products, and other Personal Injury Claims. Dow Corning's subsidiaries, the Shareholders, and their respective directors, officers and employees, and those insurance companies (the **''Settling Insurers''**) that have settled coverage disputes with Dow Corning, will also be released from Claims attributable to such products.[7] Personal Injury Claimants asserting such Claims will have the rights provided under the Plan, including the right to settle their Claims under the Settlement Facility or to litigate their Claims against the Litigation Facility, as described more fully in section 6.6.J of this Disclosure Statement.

The Plan gives all Personal Injury Claimants a choice to either settle or litigate their Claims. Claimants who elect to settle and Claimants who do not timely elect litigation will release all Claims (except for Malpractice Claims, as defined in the Plan) that they may have against those Physicians and Health Care Providers (such as hospitals) who have released their Claims against Dow Corning. These releases are described in more detail in section 8.3 of the Plan, which you should review carefully.

Personal Injury Claimants who elect the litigation option retain the right to assert their Claims, if any, against the Settling Physicians and the Settling Health Care Providers under the Plan's procedures. The Plan provides that those Claims will be channeled to the Litigation Facility for consolidated resolution with any corresponding Claims against DCC in the same litigation proceedings. Any judgment that a litigating Claimant receives against any Released Party imposing joint liability with the Debtor or the Litigation Facility in any such proceeding will be paid by the Litigation Facility. If, however, the Litigation Facility does not have sufficient funds to pay such a judgment against the Physician or Health Care Provider, the Claimant will be entitled to collect or enforce that judgment directly against those parties in accordance with the terms of the judgment. If these parties make a payment directly to Claimants, they have a right to reimbursement from the Litigation Facility for any such payments in those circumstances described in more detail in section 6.6(J)(4)(e), at pp. 87-88 of this Disclosure Statement.

[7] The availability of releases of third parties in bankruptcy is a matter of dispute, with the appropriateness of such releases to be determined depending on the facts of each bankruptcy. The Proponents believe that the releases are an essential part of this integrated, indivisible Plan that consists of negotiated compromises for Claim resolution and should be approved in this case.

G. Effect on Non-Electing Claimants. All Claimants who do not timely elect litigation (including those Claimants who have Unmanifested Claims) will be treated as Settling Personal Injury Claimants and will have their Claims resolved in the Settlement Facility. Those Claimants will also be bound by the provisions of the Plan that release Claims against the Settling Physicians and Settling Health Care Providers.

H. Summary Is Not Controlling. This Summary does not describe all of the important conditions, terms and qualifications of the treatment of Personal Injury Claims under the Plan. You should carefully review the details of both the settlement options and the litigation procedures described in this Disclosure Statement for a complete understanding of them. Any differences between this Summary and the more detailed descriptions in the Plan and the balance of this Disclosure Statement are controlled by the more detailed descriptions below and, ultimately, by the Plan and the Plan Documents, and not by this Summary.

1.2 Summary of How Physician Claims Are Treated Under the Plan.

A. Definition of Physician Claims. Physician Claims are defined under the Plan to include all Claims asserted by Physician Claimants arising out of (i) the implantation of silicone gel breast implants and other products produced by Dow Corning and (ii) Dow Corning's marketing, sale and provision of such silicone gel breast implants and other products to Physicians. Physician Claims fall into two legal categories:

1. Physician Products Liability Reimbursement Claims. Physician Products Liability Reimbursement Claims are Claims (a) arising in connection with litigation or claims asserted by recipients of Breast Implants or Other Products against both the Physician Claimant and Dow Corning and (b) alleging that the Physician Claimant and Dow Corning are both liable or potentially liable for injuries allegedly sustained by the implant recipients. Physician Products Liability Reimbursement Claims are claims asserted against Dow Corning by Physician Claimants who, if they are found personally liable to the implant recipients for the alleged injuries, want Dow Corning to reimburse or indemnify them for any such losses.

2. Physician Tortious Conduct Claims. Physician Tortious Conduct Claims are claims arising from Dow Corning's marketing, sale and provision of Breast Implants and Other Products directly to Physician Claimants. Physician Tortious Conduct Claims include damage Claims against Dow Corning for loss of profit or damage to reputation allegedly caused by, among other things, Dow Corning's alleged misrepresentations about the extent and results of Dow Corning's implant testing, and Physician Claimants' reliance thereon in providing their patients medical services involving Dow Corning's Breast Implants and Other Products.

B. Classification of Physician Claims under the Plan. All Physician Claims are classified in Class 12 under the Plan.

C. Treatment of Physician Claims under the Plan. The Plan treats Physician Claims in an aggregated manner. Physician Claimants may elect to settle **all** of their Claims or they may elect to litigate **all** of their Claims. An individual physician may not selectively settle his or her Physician Products Liability Reimbursement Claims and pursue litigation over his or her Physician Tortious Conduct Claims. The Official Physicians' Committee believes that a substantial legal issue exists as to whether this provision provides for unequal treatment and makes the Plan unconfirmable.

1. The Settlement Option.

a. Releases by the Settling Physician. Physician Claimants electing the settlement option will be required to ''give up'' or release **all** Claims that they have against Dow Corning and **all** other Released Parties relating to Products Liability Claims. Thus, a Physician Claimant may not elect to give up certain claims and litigate others. However, if a Physician Claimant holds a Class 4 Commercial Claim or other Claim unrelated to the Personal Injury Claims, that Claim will not be released but will be entitled to separate treatment under the Plan.

b. Protections Afforded Settling Physicians. Settling Physicians will receive no cash payment in exchange for their election to settle, but will obtain the benefits of the release, injunction and channeling provisions contained in sections 8.3 through 8.5 of the Plan. Settling Physicians will receive certain protections under the Plan, including:

(1) release from all Claims relating to Products Liability Claims held against them by Dow Corning and all other Released Parties;

(2) A release from all Personal Injury Claims, **except Malpractice Claims as defined in the Plan,** which Settling Personal Injury Claimants hold, may hold or may have held against Settling Physicians, either based upon tort, contract or otherwise **(Malpractice Claims asserted by Personal Injury Claimants will be resolved in the courts where such claims have been or may be filed);** and

(3) All parties who release Claims against the Settling Physicians will also be permanently enjoined, *i.e.* prevented from, among other things, (a) commencing or continuing any action or other proceeding against a Settling Physician and (b) seeking to enforce, attach, collect or recover against any Settling Physician or the property of any Settling Physician at any time on or after the Effective Date of the Plan. (The release and injunction does not affect any Claims preserved under the Domestic Health Insurer Settlement Agreement.)

c. Settling Physicians Remain Exposed to Claims by Non-Settling Personal Injury Claimants. Settling Physicians are not released or protected from Claims (including Malpractice Claims) held by Non-Settling Personal Injury Claimants. Claims held by Non-Settling Personal Injury Claimants against Settling Physicians (other than Malpractice Claims) may be transferred to the District Court in Michigan. The Litigation Facility shall file a motion seeking to transfer such Non-Settling Personal Injury Claims. The Claimants' Advisory Committee shall support such motion to transfer. Settling Physicians will be required to (i) join in the Litigation Facility's motion to transfer such claims, and (ii) cooperate with the Litigation Facility by providing non-confidential lists and other information on the Claims asserted against them by the Non-Settling Personal Injury Claimants. The Litigation Facility and the Settling Physicians must each bear their own costs incurred in connection with any motion for the transfer of claims.

If the transfer of Non-Settling Personal Injury Claims is contested, the District Court will determine whether the Claims asserted by Non-Settling Personal Injury Claimants against Settling Physicians are within its ''related to'' jurisdiction, *i.e.* whether such Claims could conceivably have an impact on the Debtor (such as through contribution claims), and should therefore be transferred to the District Court. If these Claims are not within the ''related to'' jurisdiction of the District Court, the transfer will be denied and litigation of such Claims will proceed in the courts where they have been or may be brought and will be the responsibility of the Physicians.

If the transfer is granted, then the transferred Claims of Non-Settling Personal Injury Claimants **(''Assumed Third Party Claims'')** will be subject to the following procedures established under the Plan:

(1) The Assumed Third Party Claims will be resolved pursuant to the Litigation Facility Agreement's claim resolution procedures and will be consolidated with any corresponding claims against the Debtor. Any settlement by the Litigation Facility shall include Assumed Third Party Claims.

(2) The District Court will have the power and authority to set trial venue for Non-Settling Personal Injury Claims against Settling Physicians in the District Court, in the federal district court for the district in which the Claim arose or, in some circumstances, in the state court in which such Claim was originally filed.

(3) Persons who have held, hold or may hold Assumed Third Party Claims against Settling Physicians will be enjoined from (a) commencing or continuing any action or other proceeding relating to an Assumed Third Party Claim except as permitted under the Plan provisions and Litigation Facility Agreement, and (b) asserting any right or Claim or taking any act against a Settling Physician in respect of an Assumed Third Party Claim which fails to conform or comply with the Plan and Litigation Facility Agreement.

(4) If transfer is granted as described above, the only Products Liability Claims against Settling Physicians that will be permitted to go forward in courts other than those described in subparagraph (2) above will be Malpractice Claims, as defined in section 1.101 of the Plan. If alleged Malpractice Claims are asserted in contravention of the Plan terms, the Proponents anticipate that those Physicians will seek relief to enforce the terms of sections 8.4 and 8.5 of the Plan.

2. The Litigation Option.

a. Litigation Procedure for Claims of Non-Settling Physicians. All Claims of the Physician Claimant who timely elects the litigation option will be resolved through the Litigation Facility established under the Plan. **Non-Settling Physician Claimants will not receive protection under the release, injunction and channeling provisions of the Plan.**

A Physician Claimant seeking to review the Litigation Facility Agreement, the Settlement Facility Agreement and the Funding Payment Agreement in order to decide whether to settle or litigate must request copies of these documents by calling 1-800-651-7030 (Domestic Claimants) or 1-202-332-5510 (Foreign Claimants), may download copies from Dow Corning's website at http://www.implantclaims.com/plandocs, or may contact counsel for the Official Physicians' Committee, H. Jeffrey Schwartz, Benesch, Friedlander, Coplan & Aronoff, 2300 BP America Building, 200 Public Square, Cleveland, Ohio 44114-2378, (216) 363-4500.

The Proponents believe that most or all of the Physician Products Liability Reimbursement Claims will be disallowed by the Court as contingent; however, the Official Physicians' Committee takes the position that such a disallowance would be inappropriate and, in any event, would merely be temporary, such that once a Physician Products Liability Reimbursement Claim became fixed, it would be entitled, underlying non-bankruptcy law permitting, to allowance notwithstanding any prior temporary disallowance. If such Claims are finally disallowed by the Court, they will not be paid unless subsequently Allowed on appeal. To date, this allowance/ disallowance issue regarding such reimbursement Claims remains open.

All other Claims of Non-Settling Physician Claimants will be aggressively contested by the Manager of the Litigation Facility. Physicians should consult their individual counsel as to their substantive rights with respect to such remaining Claims. Moreover, the Litigation Facility will seek a common issue trial in the District Court on the threshold question of whether silicone causes systemic disease in humans. The Litigation Facility is expected to argue that all of the Physician Claims require, as an element of such Claims, that Dow Corning's products were defective and therefore that adjudication of these Claims must await resolution of the common issue litigation. In other words, until a determination on the common issue litigation is rendered, Physician Tortious Conduct Claims may not be adjudicated. Any Claims of Non-Settling Physicians that are not resolved by any such common issue proceedings will be resolved through further litigation by the Manager of the Litigation Facility in the Court.

The Official Physicians' Committee asserts that proof of Physician Tortious Conduct Claims does not require that plaintiff physicians establish Breast Implant product defect and that adjudication of the Physician Tortious Conduct Claims therefore should proceed independently of any common issue trial. The District Court or the Court will resolve this issue and determine the appropriate course for the adjudication of the Non-Settling Physician Tortious Conduct Claims once the Plan becomes effective.

b. Payment of Allowed Physician Claims. If any Claims of Non-Settling Physicians become Allowed in the Litigation Facility, that Allowed Claim will, subject to the terms of the Litigation Facility Agreement, the Settlement Facility Agreement, and the Funding Payment Agreement, be paid from the Litigation Fund in full, in cash, including any pre- or post-petition interest as may be required by law.

If sufficient funds are not then presently available to pay all Allowed Claims in full, payments may be made in installments or delayed until funds are available under the Funding Payment Agreement. Because of the many variables described above, it is impossible to predict when any Non-Settling Physicians will receive payment on their Allowed Claims. It is possible that Allowed Claims may not be paid in full if, upon a determination by the District Court, it becomes necessary for ''First Priority Payments'' under the Settlement Facility Agreement to be paid by the Litigation Fund. Additional information regarding the Litigation Facility and the procedures for Claim resolution and payment appears at pages 84 through 88 of this Disclosure Statement and in the Litigation Facility Agreement.

c. Treatment of Punitive Damage Claims of Non-Settling Physicians. The Plan provides for the disallowance of all claims for punitive damages against Dow Corning, including those held by Physician Claimants in connection with Physician Tortious Conduct Claims. The Proponents believe a sufficient legal basis exists for doing so. The Official Physicians' Committee, on the other hand, believes that disallowing punitive damages when Dow Corning is solvent violates the ''best interest of creditor'' test by paying Non-Settling Physicians potentially a lower amount than they would receive in a liquidation, and that this provision may render the Plan unconfirmable.

3. The Election Process. Personal Injury Claimants will have six months from the Effective Date of the Plan to elect whether to settle or to ''opt out'' and litigate their claims. As soon as practicable after this Personal Injury Claimant ''opt-out'' deadline, Physician Claimants will be provided with a copy of the list of Non-Settling Personal Injury Claimants to enable the Physicians Claimants to determine which of their patients have elected to continue to litigate their Personal Injury Claims.

In addition to the list of Non-Settling Personal Injury Claimants, each Physician Claimant will be provided with an election form setting forth the process by which Physician Claimants may elect to settle or litigate their Claims. Physician Claimants will have 45 days from the date of service of the list of Non-Settling Personal Injury Claimants to return the election form indicating whether they have conditionally elected to settle, subject to the District Court's determination of the motion to transfer the Non-Settling Personal Injury Claims, or have elected to litigate their Claims. Physician Claimants who fail to return the form will be deemed to have conditionally elected to settle. Within 30 days after the service of the District Court's order disposing of such motion to transfer, Physicians must make their conditional election to settle final. Any Physician who fails timely to revoke his or her conditional election to settle shall be deemed to have made a final election to settle. A Physician who is deemed to have made a final election to settle agrees to settle **all** Claims related to Products Liability Claims that the Physician Claimant has against Dow Corning and the other Released Parties. A Physician Claimant who elects the litigation option has decided by such election to litigate **all** Claims that Physician Claimant has against Dow Corning related to Products Liability Claims.

PHYSICIAN CLAIMANTS WHO DO NOT AFFIRMATIVELY ELECT TO LITIGATE SHALL HAVE SETTLED ALL OF THEIR RESPECTIVE CLAIMS.

D. Summary not Controlling. This summary of the treatment of Physician Claims is to assist Physician Claimants in evaluating how to vote on the Plan. You are encouraged, however, to review the Plan and other Plan documents carefully for further details of the treatment of Physician Claims. Any discrepancy between the description of such treatment in those documents and this summary is controlled by those documents and not by this summary.

1.3 Summary of How Unsecured Claims Are Treated Under the Plan.

A. General. Unsecured Claims are classified in Class 4 under the Plan. This class includes all unsecured Claims against DCC not classified in any other class, including, without limitation, bank loans, public debt Claims, trade payables, and pre-petition personal injury settlements. The value of these Claims, including principal and interest accrued as of the Petition Date, is approximately $1,010,000,000.

The Plan provides for Class 4 Claims to be paid in full at confirmation in cash and Senior Notes. DCC will use its best efforts to obtain an investment grade rating for the Notes, which will pay a rate of interest, as or in a manner to be determined by the Court at confirmation, with the objective that the Class 4 Claims will be paid in full. Upon the motion of the Debtor or the Commercial Committee, and after notice and a hearing, the Court may, prior to the Effective Date, approve a modification of the formula for setting the interest rate for the Senior Notes if the Court determines that the formula approved at the confirmation hearing is no longer appropriate as a consequence of changes after the Confirmation Date in market conditions affecting rates of interest.

The payments to Class 4 Claimants will include post-petition interest at the Case Interest Rate of 6.28% (the federal judgment rate as of the Petition Date), compounded annually on each anniversary of the Petition Date. The total principal and interest to be distributed to Class 4 Claimants, assuming a June 30, 1999 Effective Date, will be approximately $1,298,900,000.

The Commercial Committee has stated that it will recommend that holders of Class 4 Claims vote against the Plan. The Commercial Committee believes, among other things, that the treatment of holders of Class 4 Claims proposed under the Plan does not provide such holders with ''payment in full'' because the amount of post-petition interest proposed to be paid to holders of Class 4 Claims under the Plan is substantially less than the amount to which holders are legally entitled and the Senior Notes are likely to have a value when issued of less than their principal amount because, among other things, the terms of the Senior Notes do not assure that the Senior Notes will be issued with a market rate of interest. If the Court determines that the treatment of Class 4 does not satisfy the requirements of either section 1129(a)(7) or 1129(b) (in the event confirmation is sought pursuant to section 5.18 of the Plan) of the Bankruptcy Code, the Proponents shall propose amendments to the Plan to ensure its compliance with the applicable requirements of section 1129 of the Bankruptcy Code, and thereafter request confirmation of the Plan, as amended.

B. Summary Not Controlling. This summary of the treatment of Unsecured Claims is to assist Unsecured Claimants in evaluating how to vote on the Plan. However, you should review the Plan carefully for the details of treatment of Unsecured Claims. Any discrepancy between the detailed descriptions of such treatment in the Plan and this summary is controlled by the Plan and not by this summary.

1.4 Summary of the Treatment of Claims Against, and Interests in, the Debtor.

A. Treatment of Claims and Interests. The treatment of Claims and Interests under the Plan is summarized in the tables set forth below, which are qualified by reference to the more detailed and complete descriptions set forth in Article VI of this Disclosure Statement and Articles Two through Five of the Plan.

SUMMARY OF TREATMENT OF CLASSES UNDER THE PLAN		
Class	**Estimated Amount of Allowed Claims or Amounts Provided for Settlement**	**Treatment under Plan**
Unclassified — Administrative Claims	$2.4 million	Paid in full on Effective Date.
Unclassified — Priority Tax Claims	$4.3 million	Paid in full (subject to deferred payment arrangement).
1 — Other Priority Claims	$0	Paid in full on Effective Date.
2 — Secured Claims	$760,000	Paid in full; at DCC's option, either the legal, equitable and contractual rights will not be altered by the Plan or such Claimant will be treated in another manner that will result in its Allowed Secured Claim being deemed unimpaired under section 1124 of the Bankruptcy Code.
3 — Convenience Claims	$6.0 million	Paid in cash in full, including post-Petition Date interest at the Case Interest Rate, as soon as practicable after the Effective Date.
4 — Unsecured (Non-Tort) Claims	$1.299 billion	Paid in full, including post-Petition Date interest at the Case Interest Rate, as follows: (a) cash payment of the lesser of 24% of each Allowed Class 4 Claim or a pro rata portion of $315.6 million and (b) ten-year Senior Notes in the amount of the balance of the Allowed Class 4 Claim bearing interest payable in semi-annual installments at the Plan Interest Rate.

SUMMARY OF TREATMENT OF CLASSES UNDER THE PLAN		
Class	**Estimated Amount of Allowed Claims or Amounts Provided for Settlement**	**Treatment under Plan**
4A — Prepetition Judgment Claims	$7.0 million	Post-confirmation injunction will be modified to allow prosecution of appeal of prepetition judgments; amount surviving appeal to be treated in the same manner as Class 4 Claims; if Claims remanded for new trial as to liability or damages, Claimants to elect to have Claims liquidated through the Settlement Facility or the Litigation Facility; if settled prior to decision on appeal, settlement paid out of Settlement Fund.
4B — DCC Guaranty Claims	$82 million	Unimpaired—Claims pass through Case unaffected.
5 — Domestic Breast Implant Personal Injury Claims	Up to the maximum amount of the Settlement Fund and Litigation Fund; amount of Allowed Claims currently unknown	Qualified Settling Personal Injury Claimants will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Personal Injury Claimants will have Claims resolved through Litigation Facility procedures within $400 million (NPV) Litigation Fund.
6.1 — Category 1 and 2 Foreign Breast Implant Personal Injury Claims	*See* Class 5 description	Qualified Settling Personal Injury Claimants will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Personal Injury Claimants will have Claims resolved through Litigation Facility procedures.
6.2 — Category 3 and 4 Foreign Breast Implant Personal Injury Claims	*See* Class 5 description	Qualified Settling Personal Injury Claimants will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Personal Injury Claimants will have Claims resolved through Litigation Facility procedures.
6A — Quebec Class Action Claimants	$37.25 million (nominal) —To be paid out of the Settlement Fund	Will receive payments in accordance with the Quebec Breast Implant Settlement Agreement.
6B — Ontario Class Action Claimants	$17.9 million (nominal)— To be paid out of the Settlement Fund	Will receive payments in accordance with the Quebec Breast Implant Settlement Agreement.
6C — B.C. Class Action Settlement Claimants	$25.1 million (nominal)— To be paid out of the Settlement Fund	Will receive payments in accordance with the B.C. Class Action Settlement Agreement.
6D — Australia Breast Implant Settlement Claimants	Up to $36.0 million (nominal)—To be paid out of the Settlement Fund	Will receive payments in accordance with the Australia Breast Implant Settlement Option.
7 — Silicone Material Claims (Other than Claims in Classes 6B, 6C and 6D)	$57.5 million (NPV)—To be paid out of the Settlement Fund	Qualified Silicone Material Claimants (*i.e.*, Non-Dow Corning Breast Implant Claimants whose implants were made by a U.S.-based company using Dow Corning materials) will receive payments from a $57.5 million (NPV) fund; Non-Settling Silicone Material Claimants will have Claims resolved through Litigation Facility procedures.

SUMMARY OF TREATMENT OF CLASSES UNDER THE PLAN		
Class	**Estimated Amount of Allowed Claims or Amounts Provided for Settlement**	**Treatment under Plan**
8 — Miscellaneous Raw Material Claims (Other than Claims in Classes 6B, 6C, 6D and 7)	*See* Class 5 description	Miscellaneous Raw Material Claimants (*i.e.* Non-Dow Corning Breast Implant Claimants whose implants were made by non-U.S. companies and Non-Dow Corning Implant Claimants) will have Claims resolved through Litigation Facility procedures.
9 — Domestic Other Products Personal Injury Claims	$36 million (NPV)—To be paid out of Settlement Fund to Settling Claimants in Classes 9, 10.1 and 10.2; Non-Settling Claimants in Classes 9, 10.1 and 10.2 to be paid out of Litigation Fund	Qualified Settling Domestic Other Product Claimants with Claims related to Covered Other Products will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Claimants (including all Claims related to non-Covered Other Products) will have Claims resolved through Litigation Facility procedures.
10.1— Category 1 and 2 Foreign Other Products Personal Injury Claims	*See* Class 9 description	Qualified Settling Foreign Other Product Claimants with Claims related to Covered Other Products will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Claimants (including all Claims related to non-Covered Other Products) will have Claims resolved through Litigation Facility procedures.
10.2— Category 3 and 4 Foreign Other Products Personal Injury Claims	*See* Class 9 description	Qualified Settling Foreign Other Product Claimants with Claims related to Covered Other Products will receive payments pursuant to schedules in the Settlement Facility Agreement; Non-Settling Claimants (including all Claims related to non-Covered Other Products) will have Claims resolved through Litigation Facility procedures.
11 — Co-Defendant Claims	*See* Class 5 description	Settling Co-Defendants shall exchange mutual releases with the Debtor, the Debtor-Affiliated Parties and the Shareholder-Affiliated Parties. Each Non-Settling Co-Defendant Claim which is Allowed or estimated for distribution as of the Effective Date to be treated in the same manner as a Class 4 Claim; Non-Settling Co-Defendant Claims not Allowed or estimated for distribution before the Effective Date to be channeled to the Litigation Facility for liquidation and payment.
12 — Physician Claims	*See* Class 5 description	Claims of Settling Physicians released; Settling Physicians receive protection (except for Malpractice Claims) of release and injunction under Plan; Non-Settling Class 12 Claims to be channeled to the Litigation Facility for liquidation and payment.
13 — Health Care Provider Claims	*See* Class 5 description	Claims of Settling Health Care Providers released; Settling Health Care Providers receive protection (except for Malpractice Claims) of release and injunction under Plan; Non-Settling Class 13 Claims to be channeled to the Litigation Facility for liquidation and payment.

SUMMARY OF TREATMENT OF CLASSES UNDER THE PLAN		
Class	**Estimated Amount of Allowed Claims or Amounts Provided for Settlement**	**Treatment under Plan**
14 — Domestic Health Insurer Claims	$40 million—To be paid out of the Settlement Fund	Class 14 Claimants who elect (or who are deemed to elect) to settle pursuant to the terms of the Domestic Health Insurer Settlement Agreement will share proportionately in distributions of cash from a fund to be established pursuant to that agreement. Class 14 Claimants who elect to litigate their Claims will be deemed satisfied by the treatment provided in section 6.05 of the Litigation Facility Agreement.
14A— Foreign Health Insurer Claims	*See* Class 5 description	Class 14A Claims will be deemed satisfied by the treatment provided in section 6.05 of the Litigation Facility Agreement.
15 — Government Payor Claims	*See* Class 5 description	Allowed amount paid in full—each Government Payor Claim which is Allowed or estimated for distribution as of the Confirmation Date to be treated in the same manner as a Class 4 Claim; Class 15 Claims not Allowed or estimated for distribution before the Confirmation Date to be channeled to the Litigation Facility for liquidation and payment.
16 — Shareholder Claims	*See* Class 5 description	Claims released as provided in section 6.16 of the Plan.
17 — General Contribution Claims	*See* Class 5 description	Allowed amount paid in full—each General Contribution Claim which is Allowed or estimated for distribution as of the Confirmation Date to be treated in the same manner as a Class 4 Claim; Class 17 Claims not Allowed or estimated for distribution before the Confirmation Date to be channeled to the Litigation Facility for liquidation and payment.
18 — LTCI Personal Injury Claims	Unknown	LTCI Personal injury Claims will be channeled to Litigation Facility and treated through enforcement of indemnity agreements assigned by the Debtor to the Litigation Facility.
19 — LTCI Other Claims	Unknown	LTCI Other Claims will be channeled to Litigation Facility and treated through enforcement of indemnity agreements assigned by the Debtor to the Litigation Facility.
20 — Intercompany Claims	$25.02 million	Allowed Intercompany Claims, including post-Petition Date interest at the Case Interest Rate, will be paid by offset and/or product sales, in the ordinary course of business.
21 — Subordinated Claims	$0	Paid in full, including post-Petition Date interest at the Case Interest Rate, in principal amount of 10-year Subordinated Notes, bearing interest at the Plan Interest Rate (payable in semi-annual installments).
22 — Environmental Claims	N/A	Unimpaired—Claims pass through Case unaffected.
23 — Retiree Benefit Claims	N/A	Unimpaired—Union and/or employee benefit contracts deemed assumed on the Effective Date; Claims pass through Case unaffected.
24 — Interests	N/A	Shareholders shall retain their Interests.

B. Treatment of Tort Claims. The settlements offered under the Plan for Domestic Personal Injury Claims are summarized on the following chart. To qualify under any settlement option, certain standards apply. Those standards are set forth in the CRP, which is attached as Annex ''A'' to the Settlement Facility Agreement. Additional information on the settlement options is provided in section 6.6(J), at pages 78 through 84 of this Disclosure Statement. You should review them carefully.

Settlement Grid Domestic Personal Injury Claims (all amounts in U.S. $)		
Settlement Option	**Amount of Compensation—''Base'' Payment**	**Additional Amount of Compensation—''Premium'' Payment**
Breast Implant Claims		
Explantation Payment (*see* p. 78)[8]	$5,000	N/A
Rupture Payment (*see* pp. 78-79)	20,000	$5,000
(1) Multiple manufacturer reduction (applied to compensation under the Disease Payment Option, for silicone gel breast implants manufactured by Bristol, Baxter, or 3M; (2) Multiple manufacturer reduction applied to rupture compensation if a ''rupture enhancement payment'' has been made in the RSP to Claimants who also qualify for the Disease Payment Option) (*see* p. 80)	50%	50%
Disease Payment (*see* pp. 79-80)		
Disease Payment Option I: Level One C or D	10,000	2,000
Level One B	20,000	4,000
Level One A	50,000	10,000
Disease Payment Option II: Level Two—GCTS—B	75,000	15,000
Level Two—GCTS—A/PM/DM	110,000	22,000
Level Two—Systemic Sclerosis/Lupus C	150,000	30,000
Level Two—Systemic Sclerosis/Lupus B	200,000	40,000
Level Two—Systemic Sclerosis/Lupus A	250,000	50,000
Expedited Release Payment (see p. 80)	2,000	N/A

[8]Page and exhibit references in this table refer to pages in and exhibits to this Disclosure Statement.

Settlement Grid Domestic Personal Injury Claims (all amounts in U.S. $)		
Settlement Option	**Amount of Compensation—''Base'' Payment**	**Additional Amount of Compensation—''Premium'' Payment**
Covered Other Products Claims (see p. 83)		
Expedited Release Payment	1,000	
Medical Condition Payment		
Level One—Base		
Chins, Facial, Nasal Gel Implants	5,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
SJO	5,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
LJO—Knee	7,500	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
LJO—Hip	10,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
TMJ	5,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
Testicular, Penile	5,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
Level Two—TMJ Enhanced	10,000	Additional payments (including any ''premium'' entitlement) to be allocated from excess Other Products Fund, if any
Multiple manufacturer reduction for TMJ Claimants who have both a Dow Corning Covered Other Product and a TMJ product made by any other manufacturer	50%	N/A

Settlement Grid Domestic Personal Injury Claims (all amounts in U.S. $)		
Settlement Option	**Amount of Compensation—''Base'' Payment**	**Additional Amount of Compensation—''Premium'' Payment**
Silicone Material Claims (*see* p. 83)		
Expedited Release Payment	To be paid from a fixed fund of $57.5 million (NPV); the amount paid to each individual Claimant will be determined after review and evaluation by the Claims Office	To be paid from a fixed fund of $57.5 million (NPV); the amount paid to each individual Claimant will be determined after review and evaluation by the Claims Office
Disease Option Payment	To be paid from a fixed fund of $57.5 million (NPV); the amount paid to each individual Claimant (up to 40% of the Allowed Amount for Domestic Dow Corning Breast Implant Claimants) determined after review and evaluation by the Claims Office	To be paid from a fixed fund of $57.5 million (NPV); the amount paid to each individual Claimant (up to 40% of the Allowed Amount for Domestic Dow Corning Breast Implant Claimants) determined after review and evaluation by the Claims Office

Amounts payable to settle Foreign Claims are subject to reduction to 35% or 60% of the above-listed amounts, depending on the country of residence. The Debtor believes that this adjustment reflects the levels of compensation for similar claims within the Foreign Claimants' respective local jurisdictions as described in **Exhibit ''C''** to this Disclosure Statement. Included as part of Exhibit ''C'' are grids reflecting the amount payable to Settling Claimants at the 60% and 35% levels.

The foregoing amounts and all other information set forth in the schedule above must be read with the Settlement Facility Agreement and are qualified in their entirety by reference to, and are subject to, all terms and conditions of the Settlement Facility Agreement. COPIES OF THE SETTLEMENT FACILITY AGREEMENT AND THE LITIGATION FACILITY AGREEMENT ARE AVAILABLE, AT DOW CORNING'S EXPENSE, AND CAN BE OBTAINED BY CALLING 1-800-651-7030 (DOMESTIC CLAIMANTS) OR 1-202-332-5510 (FOREIGN CLAIMANTS) OR CAN BE DOWNLOADED FROM DOW CORNING'S WEBSITE at http://www.implantclaims.com/plandocs.

1.5 Alternatives to the Plan. If the Plan proposed herein is not accepted, other alternatives are possible. First, the Debtor (or the Proponents) may propose another plan. Second, the Court may allow other parties to submit a plan. The Proponents believe that any proposed plan will, like the current Plan, include a settlement mechanism and will also allow for ultimate jury trial of the Personal Injury Claims for those who desire such a trial, which is a right protected by statute. A new plan may provide different amounts for compensation and different procedures and standards for qualification. No assurance can be given as to the details or likelihood of approval of any alternative plan, or when such alternative may become available.

ARTICLE II

INTRODUCTION

2.1 Purpose of Disclosure Statement. The purpose of this Disclosure Statement is to provide sufficient information about the Debtor to enable the holders of impaired Claims against the Debtor to make an informed decision with respect to acceptance or rejection of the Plan. This Disclosure Statement should be read in its entirety prior to voting on the Plan. (The voting process is discussed in section 2.3(G) of this Disclosure Statement.) This Disclosure Statement describes various transactions contemplated under the Plan. Each Creditor, Interest Holder or other party in interest is urged to carefully consider the Plan and this Disclosure Statement in their entirety and, if legal or other counsel is available, to consult with such counsel, if necessary, to understand the Plan and its effects, including possible tax consequences, before voting.

2.2 Explanation of Chapter 11. Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a chapter 11 case, section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect upon claims against a debtor that arose prior to the bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

Under chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor, its creditors, and shareholders. Confirmation of a plan of reorganization is the primary purpose of a reorganization case under chapter 11 of the Bankruptcy Code. A plan of reorganization sets forth the means for satisfying all claims against, and interests in, a debtor. Generally, a claim against a debtor arises from a normal debtor/creditor transaction, such as a promissory note or a trade credit relationship, but may also arise from other contractual arrangements or from alleged torts. An interest in the debtor is held by a party that owns the debtor, such as a shareholder.

After a plan of reorganization has been filed with a bankruptcy court, it must be accepted by holders of impaired claims against, or interests in, the debtor. Section 1125 of the Bankruptcy Code requires that a plan proponent fully disclose adequate information about the debtor, its assets and the plan of reorganization to creditors and shareholders before acceptances of that plan may be solicited. This Disclosure Statement is being provided to the holders of Claims against, or Interests in, the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code.

The Bankruptcy Code provides that creditors and shareholders are to be grouped into ''classes'' under a plan and that they are to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying creditors and shareholders, a general rule of thumb is that creditors with similar legal rights are placed together in the same class and shareholders with similar legal rights are placed together in the same class. For example, creditors entitled to similar priority under the Bankruptcy Code should be grouped together.

The Bankruptcy Code does not require that each claimant or shareholder vote in favor of a plan in order for the court to confirm the plan. Rather, the plan must be accepted by each class of claimants and shareholders (subject to an exception discussed below). A class of claimants accepts the plan if, of the claimants in the class who actually vote on the Plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is $1,000,000, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan (a simple majority) *and* the claims of the creditors voting to accept the plan must total at least $666,667 (a two-thirds majority).

Because all Personal Injury Claims are disputed and will not be liquidated prior to the voting deadline, the Court must temporarily allow the Claims for voting purposes. The Proponents have agreed to request that the Court temporarily allow all Personal Injury Claims for voting purposes. The Court has previously reserved its ruling on whether some method of ''weighting'' of votes within classes of Personal Injury Claimants will be necessary to determine whether the vote of Claimants has reached the requisite level of two-thirds in dollar amount of Claims.

The Court may confirm the Plan even though fewer than all classes of Claims and Interests vote to accept the Plan. In this instance, the Plan must be accepted by at least one ''impaired'' class of Claims, without including any acceptance of the Plan by an Insider. Section 1124 of the Bankruptcy Code defines ''impairment'' and generally provides that a claim as to which legal, equitable or contractual rights are altered under a plan is deemed to be ''impaired.'' Under the Plan, Classes 4 through 21 (other than class 4B) and Class 24 are impaired.

If all impaired classes of Claims under the Plan do not vote to accept the Plan and at least one impaired class of Claims votes to accept the Plan, the Debtor is entitled to request, and has requested, that the Court confirm the Plan pursuant to the ''cramdown'' provisions of section 1129(b) of the Bankruptcy Code. These ''cramdown'' provisions permit the Plan to be

confirmed over the dissenting votes of classes of Claims if the Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of Claims.

Independent of the acceptance of the Plan as described above, in order to confirm the Plan the Court must determine that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. *See* ''Requirements for Confirmation of the Plan,'' Article XIV, at pp. 112-113 of the Disclosure Statement, for a discussion of the section 1129(a) requirements for confirmation of a plan of reorganization.

The Proponents believe that the Plan satisfies the confirmation requirements of the Bankruptcy Code. Confirmation of the Plan makes the Plan binding upon the Debtor, the Reorganized Debtor, all creditors, Shareholders, and other parties in interest irrespective of whether they have filed proofs of claim or voted to accept the Plan.

2.3 Procedure for Filing Proofs of Claim and Proofs of Interest.

A. Bar Date for Filing of All Proofs of Claim (Other Than Administrative Claims) and Proofs of Interest. In order to participate in the payments and other distributions under the Plan, a Creditor must have an Allowed Claim against, and an Interest Holder must have an Allowed Interest in, the Debtor. The first step in obtaining an Allowed Claim or an Allowed Interest is generally filing a proof of claim or proof of interest.

A proof of claim or proof of interest is deemed filed for any Claim or Interest that appears in the Schedules which were filed in the Case, except a Claim or Interest that is scheduled as disputed, contingent, unliquidated or in an unknown amount. In other words, if a Creditor or Interest Holder agrees with the amount of the Claim or Interest as scheduled by the Debtor, and that Claim or Interest is not listed in the Schedules as being disputed, contingent, or unliquidated, it is not necessary that a separate proof of claim or proof of interest be filed.

Claims that are unscheduled, or that are scheduled as disputed, contingent, or unliquidated will be recognized and allowed only if a proof of claim or proof of interest is timely filed. If a Claim was scheduled in a finite amount and the Claimant believed the Claim was understated, the Claimant was required to file a proof of claim for the larger amount or be forced to accept the amount for which it is scheduled. The Schedules are on file with the Clerk of the Court and are available for inspection during regular Court hours, subject to orders of the Court concerning confidentiality of certain information in the Schedules.

On February 15, 1996, the Debtor filed a motion seeking approval of certain notice procedures and the establishment of the Bar Date. On July 29, 1996, the Court, following its review of a stipulation among the Debtor and other parties in interest regarding the notice procedures for the Case, entered the Bar Order establishing January 15, 1997 (or February 14, 1997 with respect to Claims of Implant Claimants who continuously maintained their residence outside of the United States, its territories and Puerto Rico during the period from September 15, 1996 through November 15, 1996) as the Bar Date for all Claims in the Case.

B. Confidentiality Regarding Filed Personal Injury Claims. At the request of the Tort Committee early in the Case, the Court entered an order providing certain confidentiality protections for Claims filed by Personal Injury Claimants. During the course of the Case, the Court has entered further orders providing access for certain parties to Claims information based on a demonstrated need for the information. The Proponents will use their best efforts to preserve the confidentiality protections for Claims filed by Settling Personal Injury Claimants, consistent with the rights of certain third parties to obtain access to Claims information. Other parties may seek broader access to Claim information of Settling Personal Injury Claimants. The Proponents cannot assure Settling Personal Injury Claimants that it will be possible to preserve such confidentiality protections. With respect to Claims of Non-Settling Personal Injury Claimants, lawsuits must be filed in the District Court as provided in the Litigation Facility Agreement.

C. Filing of Claims on Behalf of Personal Injury Claimants. Various Entities, including many of the defendants in the breast implant litigation, have filed proofs of claim against the Debtor pursuant to section 501(b) of the Bankruptcy Code and Bankruptcy Rule 3005, which permits an Entity that is or may be co-liable with the Debtor to file a proof of claim on behalf of a Claimant who has not filed his or her own proof of claim (referred to herein as the **''Rule 3005 Claims''**). In general, the Rule 3005 Claims were filed on behalf of Personal Injury Claimants (i) who did not themselves timely file proofs of claim against the Debtor and (ii) who have asserted or may assert Claims against the Entity filing the Rule 3005 Claims (or their affiliates), based on the same or similar facts and circumstances underlying their Claims against the Debtor. The Rule 3005 Claims may not include all Claims that could be asserted by a Claimant on whose behalf they were filed. Interested parties may obtain a list of the names of the more than 50 Entities

that have filed Rule 3005 Claims and may request a copy of any proof of claims filed on their behalf by calling the designated representative for such inquiries at 1-800-651-7030 (for Domestic Claimants) or 1-202-332-5510 (for Foreign Claimants).

As a result of the Rule 3005 Claims, Claimants on whose behalf timely Claims were filed (the **''Rule 3005 Claimants''**) may have a further opportunity to participate in the bankruptcy even though they did not themselves file proofs of claim. Pursuant to Bankruptcy Rule 3005, if a Rule 3005 Claimant files a ''notice'' of intention to act in the Claimant's own behalf, as referred to in that rule (the **''Notice of Intent''**), with the Court prior to the balloting deadline, the Claimant will (subject to meeting all other Court requirements) be entitled to vote on the Plan. However, the Rule 3005 Claimants' rights to receive payments under the Plan are subject to the objections to the Rule 3005 Claims that have been filed by certain parties, including the objections filed by the Commercial Committee. In the event the Plan becomes effective, a Personal Injury Claimant who files the Notice of Intent with the Court on or before 90 days after the Plan becomes effective will thereby have all rights as specified in the Rule 3005 Claim filed on her or his behalf and will be entitled to assert such Rule 3005 Claim under the Claim resolution procedures established pursuant to the Plan. The procedures applicable to filing a Notice of Intent are specified in section 6.6(J)(4)(d) of this Disclosure Statement. The Claims of Rule 3005 Claimants who do not timely file a Notice of Intent shall be disallowed.

D. Bar Date for Administrative Claims. Unless otherwise ordered by the Court, the Confirmation Order will operate to set a bar date for Administrative Claims (other than Claims arising in the ordinary course of the Debtor's business operations), which bar date shall be 75 calendar days after the Effective Date. Claimants holding such non-ordinary course Administrative Claims not Allowed by the Confirmation Date may submit proofs of claim on or before such bar date. The notice of confirmation to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will identify such date and will constitute notice of the Administrative Claims bar date. The Reorganized Debtor will have 180 calendar days after the Administrative Claims bar date to review and object to any such Administrative Claims. Unless otherwise resolved, a hearing to determine the allowability of such Administrative Claims will be held by the Court. It is anticipated that the Confirmation Order will specify the mechanics for final fee applications by professionals retained in the Case.

E. Effect of Amendments to Schedules. If, prior to the Confirmation Date, the Debtor amends downward any Claim or Interest shown on the Schedules, the affected Claimant or Interest Holder will be notified and will be given 30 calendar days from the date of the mailing of the notice in which to file a proof of claim or proof of interest, if the affected Claimant or Interest Holder so desires. The Reorganized Debtor reserves the right, consistent with section 11.1 of the Plan, to object to Claims.

F. Executory Contracts and Unexpired Leases. A Party to an executory contract or lease that is rejected by the Debtor under the Plan (*see* Article Nine of the Plan) must file any Claim for damages resulting from such rejection within 30 calendar days after the Effective Date. If any order providing for the rejection of an executory contract or unexpired lease (other than rejection effected pursuant to Article Nine of the Plan) did not provide a deadline for the filing of Claims arising from such rejection, proofs of claim with respect thereto must be filed within 30 days after the later to occur of (i) the Effective Date or (ii) if the order is entered after the Effective Date, the date of the entry of such order, or such Claims shall be barred. The Debtor does not anticipate any material liability to result from the rejection of executory contracts under the Plan.

G. Voting Procedures and Requirements.

1. Persons Entitled to Vote. The Proponents are soliciting acceptances of the Plan from the holders of Claims and Interests in Classes 4 through 21 (other than Class 4B) and 24. Each of these classes is impaired under the Plan and the holders of Claims in those classes are entitled to vote on the Plan in accordance with the provisions of the Bankruptcy Code. The holders of Claims classified in Classes 1, 2, 3, 4B, 22 and 23 are not entitled to vote under the Plan, as such holders are either receiving their statutory treatment under the Bankruptcy Code or are not impaired under the Plan.

Any Claim as to which an objection is filed before voting has commenced is not entitled to vote, unless the Court, upon motion of the holder whose Claim has been objected to or the motion of another party in interest, temporarily allows the Claim in an amount that the Court deems proper for the purpose of voting to accept or reject the Plan. The Proponents have agreed that holders of Personal Injury Claims shall have their Claims temporarily Allowed for purposes of voting. The Court entered the order implementing that agreement on February 4, 1999. A vote may be disregarded or disallowed if the Court determines that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

2. Voting Instructions.

a. Coded Ballots. IT IS IMPORTANT THAT CREDITORS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known creditors entitled to vote on the Plan have been sent a ballot, together with instructions for voting, with this Disclosure Statement. Creditors should read the ballot carefully and follow the instructions contained therein. In voting for or against the Plan, use only the coded ballot or ballots sent with this Disclosure Statement. If a Creditor has Claims in more than one class with respect to the Debtor, it will receive multiple ballots.

THE DETAILED INSTRUCTIONS FOR COMPLETION OF YOUR BALLOT ARE INCLUDED WITH THE BALLOT AND SHOULD BE CAREFULLY REVIEWED. IF YOU RECEIVE MORE THAN ONE BALLOT, YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A SEPARATE CLAIM AND THAT YOU SHOULD COMPLETE AND RETURN ALL SUCH BALLOTS AS INSTRUCTED BELOW. IF YOU ARE A MEMBER OF A CLASS WITH RESPECT TO THE PLAN AND YOU DID NOT RECEIVE A BALLOT FOR SUCH CLASS, OR IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU BELIEVE YOU MAY BE COVERED BY A RULE 3005 FILING AS DESCRIBED ABOVE AT PAGES 24-25, OR IF YOU HAVE ANY QUESTIONS CONCERNING THE VOTING PROCEDURES, PLEASE CALL 1-800-651-7030 (Domestic Claimants) or 1-202-332-5510 (Foreign Claimants).

b. Returning Ballots. THE VOTING DEADLINE IS MAY 14, 1999, AT 5:00 PM, EASTERN TIME. IF YOU ARE THE BENEFICIAL OWNER OF ANY PUBLIC SECURITY ISSUED BY THE DEBTOR HELD IN RECORD NAME BY A BANK OR BROKER, YOU MUST RETURN YOUR BALLOT TO YOUR BANK OR BROKER, OR THE AGENT OF SUCH PARTIES, IN SUFFICIENT TIME FOR THEM TO PROCESS IT AND RETURN IT TO THE BALLOTING AGENT, CORPORATE ELECTION SERVICES, BY THE VOTING DEADLINE. IF YOU ARE THE HOLDER OF ANY PUBLIC SECURITY ISSUED BY THE DEBTOR WHICH IS HELD IN YOUR NAME, OR IF YOU ARE NOT THE HOLDER OF A PUBLIC SECURITY ISSUED BY THE DEBTOR, YOU SHOULD COMPLETE AND SIGN EACH ENCLOSED BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE TO CORPORATE ELECTION SERVICES BY THE VOTING DEADLINE AT THE FOLLOWING ADDRESS:

Corporate Election Services
P.O. Box 2400
Pittsburgh, PA 15230

or:

Corporate Election Services
650 Smithfield Street, 5th Floor
Pittsburgh, PA 15222
(Overnight Delivery Address)

AGAIN, IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY CORPORATE ELECTION SERVICES ON OR BEFORE THE VOTING DEADLINE.

3. Special Instructions for Holders of Public Debt Claims. The record date for determining which holders of Public Debt Claims are entitled to vote on the Plan is February 9, 1999, the third business day after the entry of the order approving the Disclosure Statement. Persons who acquire Public Debt Claims after the record date will not be entitled to vote on the Plan.

4. Public Debt Claims Held in Nominee Name. Bank and broker nominees will be requested to transmit a ballot and a copy of this Disclosure Statement to each beneficial owner of Public Debt Claims that are held in the name of nominees. Such nominees will also be requested to transmit instructions for returning ballots to the beneficial owners of such Claims. **THE INDENTURE TRUSTEES FOR PUBLIC DEBT CLAIMS WILL NOT VOTE ON BEHALF OF THE BENEFICIAL OWNERS OF SUCH SECURITIES. THE BENEFICIAL OWNERS OF SUCH SECURITIES MUST SUBMIT THEIR BALLOTS TO THEIR BANK OR BROKER IN ACCORDANCE WITH THE PROCEDURES**

DESCRIBED ABOVE. DO NOT RETURN ANY INSTRUMENTS EVIDENCING YOUR SECURITIES WITH YOUR BALLOT. ANY BENEFICIAL OWNER OF A PUBLIC DEBT CLAIM WHO DOES NOT RECEIVE A BALLOT AND VOTING INSTRUCTIONS SHOULD CONTACT EITHER THE INDENTURE TRUSTEE UNDER THE INDENTURE GOVERNING SUCH PUBLIC SECURITY OR MORROW & CO., INC, at (212) 754-8000 or TOLL-FREE at (800) 566-9061.

5. Incomplete or Irregular Ballots. The ballot will designate the class in which each Claimant's ballot will be counted. If a Claimant disagrees with the class designated on its ballot, the Claimant may file an objection to its classification with the Court. Ballots that are signed and returned but not expressly voted either to accept or reject the Plan will not be counted.

6. Ballot Retention. Original ballots of Claimants and Shareholders will be retained by Corporate Election Services for six months following the Confirmation Date.

7. Approval of Disclosure Statement. On February 4, 1999, the Court approved this Disclosure Statement as containing adequate information in accordance with section 1125 of the Bankruptcy Code. A copy of the ''Order Approving Disclosure Statement With Respect to Plan of Reorganization of Dow Corning Corporation'' is attached as **Exhibit ''A''** to this Disclosure Statement.

8. Confirmation Hearing. The Court has set the Confirmation Hearing for **9:30 a.m.,** Eastern Time on **June 28, 1999,** before the Honorable Arthur J. Spector, United States Bankruptcy Judge, at the United States Bankruptcy Courthouse, 111 First Street, Bay City, Michigan, or as relocated upon further notice. The Confirmation Hearing may be adjourned by the Court from time to time and from place to place without further notice except for an announcement made in open court at the Confirmation Hearing or any continued hearing thereon.

9. Objections. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object, in writing, to confirmation of a plan of reorganization. Written objections to confirmation of the Plan, if any, must be filed with the Court and a copy of such written objections must be actually received by counsel for the Debtor, counsel for the Shareholders, counsel for each of the Official Committees, and on the United States Trustee at the following addresses on or before **April 19, 1999:**

Counsel for the Debtor:	**Sheinfeld, Maley & Kay, P.C.** **Attention: Barbara J. Houser, Esq.** **1700 Pacific Avenue, Suite 4400** **Dallas, Texas 75201-4618** **(214) 953-0700**
Counsel for Dow Chemical:	**Mayer, Brown & Platt** **Attention: Richard Broude, Esq.** **1675 Broadway** **New York, New York 10019-5820**
Counsel for Corning:	**Shearman & Sterling** **Attention: Debra McCullough, Esq.** **599 Lexington Avenue, Room 440** **New York, New York 10022**
Counsel for the Tort Committee:	**Kramer Levin Naftalis & Frankel LLP** **Attention: Kenneth H. Eckstein, Esq.** **919 Third Avenue** **New York, New York 10022-3850** **(212) 715-9100**

Counsel for the Commercial Committee:	**Davis Polk & Wardwell** **Attention: Donald S. Bernstein, Esq.** **450 Lexington Avenue** **New York, New York 10017** **(212) 450-4000**
Counsel for the Physicians Committee:	**Benesch, Friedlander, Coplan & Aronoff** **Attention: H. Jeffrey Schwartz, Esq.** **2300 BP Tower** **200 Public Square** **Cleveland, Ohio 44114-2378** **(216) 363-4500**
United States Trustee:	**Office of the United States Trustee** **Attention: Leslie Berg, Esq.** **477 Michigan Avenue, Suite 1760** **Detroit, Michigan 48226** **(313) 226-7999**

Objections not timely filed and actually received by the above parties will not be considered by the Court.

ARTICLE III

GENERAL INFORMATION ABOUT THE DEBTOR

3.1 Dow Corning Corporation.

A. Formation of DCC. DCC was incorporated in 1943 by Corning Glass Works (now **''Corning Incorporated''**) and The Dow Chemical Company (**''Dow Chemical''**) for the purpose of developing and producing polymers and other materials based on silicone chemistry. Corning Incorporated provided the basic silicone technology to DCC, and Dow Chemical supplied the chemical processing and manufacturing know-how. As of the Petition Date and continuing throughout the Case, Corning Incorporated and Dow Holdings, Inc. (a wholly owned subsidiary of Dow Chemical) have each owned 50% of DCC's outstanding common stock.

1. DCC Management.

a. Current DCC Officers.

NAME	AGE	POSITION(S)
Richard A. Hazleton	56	Chairman and Chief Executive Officer
Gary E. Anderson	53	President
Siegfried Haberer	55	Executive Vice President
John W. Churchfield	51	Vice President, Planning and Finance and Chief Financial Officer
James R. Jenkins	53	Vice President, Secretary and General Counsel
Barbara S. Carmichael	50	Vice President, Executive Director Corporate Communications
Gifford E. Brown	52	Vice President, Executive Director Human Resources
James V. Chittick	58	Vice President, Executive Director Manufacturing and Engineering
Leon D. Crossman	59	Vice President, Executive Director Science and Technology
Burnett S. Kelly	54	Vice President, President Dow Corning Americas
Robert P. Krasa	52	Vice President, General Manager Core Products Business Group
Richard H. Hoover	50	Vice President, President Dow Corning Asia
Jere D. Marciniak	51	Vice President, President Dow Corning Europe
Charles W. Lacefield	58	Vice President, Executive Director Business Processes and Information Technology
Endvar Rossi	51	Vice President, Executive Director Marketing and Sales
Neville J. Whitfield	54	Vice President, General Manager Advanced Materials Business Group

b. Current DCC Directors.

NAME	POSITION(S)
Richard A. Hazleton	Chairman of the Board of Directors, Chief Executive Officer, DCC
Roger G. Ackerman	Chairman and Chief Executive Officer, Corning Incorporated
Gary E. Anderson	President, DCC
David T. Buzelli	Senior Consultant to Dow Chemical (Former Vice President, Environment, Health & Safety, Public Affairs and Information Systems, Dow Chemical)
Van C. Campbell	Vice Chairman-Finance and Administration, Corning Incorporated
Enrique C. Falla	Senior Consultant to Dow Chemical (Former Executive Vice President, Dow Chemical)
Norman E. Garrity	President, Corning Technologies
W.S. Stavropoulos	President and Chief Executive Officer, Dow Chemical

Detailed biographies of the officers and directors listed above are attached as **Exhibit ''D.''**

2. Business of DCC and Its Subsidiaries.

a. Raw Materials Used by DCC and Its Subsidiaries to Manufacture Products. The principal raw material used in the production of DCC's products is silicon. DCC purchases chemical grade silicon from producers who manufacture the silicon from quartz that has been reacted with carbon at high temperatures. The majority of DCC's anticipated annual requirements are satisfied by its silicon supply contracts. DCC believes that it has adequate sources of supply of silicon and that adequate supplies of quartz are available to the producers of silicon. DCC considers worldwide production capacity of silicon to be adequate to meet expected demand and does not expect shortages.

DCC also purchases substantial quantities, and believes it has adequate sources of supply, of methanol, methyl chloride, and other raw materials required for its manufacturing operations. Although temporary shortages of particular raw materials may occur from time to time, DCC believes that adequate sources of those raw materials required to maintain its operations exist.

b. Products Manufactured by DCC. DCC and its Subsidiaries develop, manufacture and market over 10,000 silicon-based products serving a wide variety of industries ranging, alphabetically, from the aerospace to the textiles industries.

B. Distribution and Sale of Products. The bulk of DCC's products are sold to purchasers for use in manufacturing or construction. DCC does not expend substantial amounts for mass market advertising due to its limited involvement in direct markets for consumer products. Rather, DCC focuses on providing a high level of technical support to its customers. DCC seeks to enhance sales by providing customers promptly with new formulations to meet changing needs and assisting customers in using DCC products effectively. Reflecting this fact, DCC has established a number of product market planning and implementation teams organized around particular product markets. These teams often work cooperatively with DCC's customers to develop new products, which DCC then manufactures and sells as components to be incorporated into customers' finished products.

DCC markets its products on a world-wide basis through both a direct sales force and independent wholesale sales representatives. The Company sells its products directly to its largest customers and utilizes wholesale distributors to distribute DCC's product to end users who purchase smaller quantities of DCC's products. DCC believes that its distribution network for silicon-based products is one of the most extensive in the world.

C. Research and Development Operations. During the last five years, DCC has consistently expended approximately 8% of net sales on research and development, expenditures that it believes generally exceed the industry average. Research and development expenditures totaled $210.4 million in 1997; $203.5 million in 1996; $194.5 million in 1995; $174 million in 1994; and $163.9 million in 1993. As a result of DCC's focus on research and development,

DCC's sales of products that, within the past five years, were new, modified or employed in new applications comprised in excess of 15% of DCC' total sales for each of the last five years.

DCC and its subsidiaries operate four principal research and development facilities located in the United States, Belgium, Japan and Wales. DCC and its subsidiaries also operate technical service centers in the United States, Australia, Belgium, Brazil, France, Germany, Japan, South Korea, Taiwan and the United Kingdom.

D. Corporate Organization of DCC and Its Operating Divisions. DCC is a corporation incorporated under the laws of the State of Michigan. Its corporate headquarters are located near Midland, Michigan. DCC maintains manufacturing facilities in Midland and Hemlock, Michigan; Greensboro, North Carolina; and Elizabethtown and Carrollton, Kentucky. DCC conducts a major portion of its research and development program at its corporate facility near Midland, Michigan. DCC conducts the sale of its products through geographically based operating divisions: Dow Corning Europe, Dow Corning Asia and Dow Corning Americas. Although segregated for accounting and internal reporting purposes, these divisions are not separate entities from DCC.

3.2 Corporate Organization of Non-Debtor Joint Ventures and Subsidiaries of DCC. Listed below are the Non-Debtor Joint Ventures and Subsidiaries of DCC. Those entities which are indented are owned indirectly, *i.e.*, by the Subsidiary or Joint Venture of DCC listed immediately above such entries. For a more detailed summary of the business activities of the Joint Ventures and Subsidiaries, *see* **Exhibit ''E''** to this Disclosure Statement.

NAME	GOVERNING JURISDICTION	DCC OWNERSHIP OR INTEREST (If Less Than 100%)
Joint Ventures:		
Hemlock Semiconductor Corporation	Michigan	63.25%
SDC Technologies, Inc.[9] SDC Coatings, Inc.[10] Applied Hardcoating Technologies, Inc.	Delaware Delaware Delaware	50% 50% 50%
Dow Corning Toray Silicone Co., Ltd.	Japan	65%
Domestic Subsidiaries:		
Devonshire Underwriters Limited	Bermuda	
Dow Corning Foreign Sales Corporation	U.S. Virgin Islands	
Dow Corning STI, Inc.	Delaware	
Site Services, Inc.	Delaware	
DC Liquid System Technologies, Inc.	Delaware	
Bay Asset Funding Corporation	Delaware	
Dow Corning Silicon Energy Systems, Inc.	Delaware	
Wickhen Products of Delaware Recon Associates Wickhen Products, Inc. Agron, Inc.	Delaware Delaware Wisconsin Delaware	
Dow Corning Enterprises Inc. Universal Silicones and Lubricants Ltd. Dow Corning Polska Sp. zo.o	Delaware India Poland	49.9%

[9] Interest held through subsidiary holding company, Dow Corning Enterprises.

[10] Indented entities are owned by the DCC subsidiary named at the margin; ownership interest is DCC's indirect ownership.

NAME	GOVERNING JURISDICTION	DCC OWNERSHIP OR INTEREST (If Less Than 100%)
DCC Interamerican Subsidiaries:		
Dow Corning de Argentina S.A.I.C.	Argentina	95%
Dow Corning do Brazil LTDA Sil Trade	Brazil Brazil	49%
Dow Corning Canada, Inc.	Canada	
Dow Corning de Colombia, S.A.	Colombia	
Dow Corning de Mexico S.A. de C.V.	Mexico	
Dow Corning Puerto Rico, Inc.	Puerto Rico	
Dow Corning de Venezuela S.A.	Venezuela	
Dow Corning Chile S.A.	Chile	
DCC Asian Subsidiaries:		
Dow Corning Asia Ltd.	Japan	
Dow Corning Australia PTY, Ltd.	Australia	
Dow Corning China Limited	Hong Kong	
Dow Corning Korea Ltd.	South Korea	
Dow Corning New Zealand Ltd.	New Zealand	
Dow Corning Singapore PTE, Ltd.	Singapore	
Dow Corning Taiwan Inc.	Taiwan	
Dow Corning (Thailand) Ltd.	Thailand	
Dow Corning (Shanghai) Co. Ltd.[11]	People's Republic of China	
Dow Corning Malaysia Sdn. Bhd.	Malaysia	

[11] Interest held through subsidiary holding company, Dow Corning Enterprises.

NAME	GOVERNING JURISDICTION	DCC OWNERSHIP OR INTEREST (If Less Than 100%)
DCC European Subsidiaries:		
DC Belgian Pension Fund (ASBL)	Belgium	
Dow Corning Construction S.A.	France	
DC STI S.A.	France	
Dow Corning France S.A.	France	
Dow Corning GmbH (Weisbaden)	Germany	
Dow Corning GesmbH (Austria)	Austria	
Dow Corning Iberica S.A.	Spain	
Dow Corning Investment S.A. Dow Corning Coordination Center S.A.	Belgium Belgium	
Dow Corning Limited Dow Corning Hansil Limited Dow Corning STI Limited	United Kingdom England England	
Dow Corning S.A.	Belgium	
Dow Corning S.p.A.	Italy	
DC Krafft S.A.	Spain	65%
Dow Corning Nordic AB	Sweden	

3.3 Breast Implant Litigation.

A. Background. Prior to January 6, 1992, DCC, directly and through its wholly owned subsidiary, Dow Corning Wright Corporation, was engaged in the manufacture and sale of breast implants and the raw material components of these products. (Dow Corning Wright Corporation was merged into DCC prior to the Petition Date.) As part of a review process initiated in 1990 by the United States Food and Drug Administration (**''FDA''**) of Premarket Approval Applications (**''PMAA''**) for silicone gel breast implants, on January 6, 1992, the FDA asked breast implant producers and medical practitioners voluntarily to halt the sale and use of silicone gel breast implants pending further review of the safety and effectiveness of such devices. DCC complied with the FDA's request and suspended shipments of implants. Subsequently, DCC announced that it would not resume the production or sale of silicone gel breast implants and that it would withdraw its PMAA for silicone gel breast implants from consideration by the FDA.

B. Procedural Posture of Silicone Gel Breast Implant Litigation. Beginning in 1992, DCC experienced a substantial increase in the number of lawsuits filed against it relating to breast implants. As of the Petition Date, DCC had been named, often together with other defendants, in more than 19,000 pending breast implant product liability lawsuits filed by or on behalf of breast implant users. Many of these lawsuits involve multiple plaintiffs.

In addition, there were 46 Breast Implant product liability class action lawsuits filed against DCC as of the Petition Date. On June 25, 1992, the Judicial Panel on Multi-District Litigation consolidated all federal Breast Implant cases for discovery purposes in the MDL 926 Court under the Multi-District Litigation rules ''in order to avoid duplication of discovery, prevent inconsistent pretrial rulings, preserve the resources of the parties, their counsel and the judiciary.'' As of the Petition Date, substantially all of the federal Breast Implant cases had been transferred to the MDL 926 Court. As a result of the filing of the Case, all Breast Implant litigation pending against DCC in the United States and its territories has been stayed.

In April 1995, United States District Court Judge Sam C. Pointer, presiding in the MDL 926 Court, issued a ruling on motions filed by Dow Corning asserting that various breast implant cases filed or pending in federal courts in various jurisdictions by individuals from Australia, New Zealand, Great Britain and Canada should be dismissed on the grounds of *forum non conveniens*. Judge Pointer granted the motions with regard to individual litigants from Australia, Canada and Great Britain, finding that such cases should be dismissed, and directed that the claims of such litigants should be resolved in tribunals outside the United States. With respect to New Zealand litigants, Judge Pointer denied the motion based on a determination that New Zealand claimants who had injuries arising during the period 1974 to 1992 and who had failed to timely file an administrative claim in New Zealand by October 1992 would not have an alternative forum in New Zealand. The order expressly stated that the denial of the motion as to New Zealand claimants was without prejudice to the submission of amended motions upon a showing that most New Zealand claimants do have viable claims in New Zealand.

C. Substantive Allegations of Silicone Gel Breast Implant Litigation. In the Breast Implant lawsuits pending against the Debtor, the plaintiffs typically allege various theories of liability including, among other things, products liability, conspiracy, fraud, and misrepresentation and allege further that the Breast Implants caused specific ailments, including, among other things, autoimmune disease, scleroderma, systemic disorders, joint swelling and chronic fatigue. Plaintiffs also allege injuries of chronic inflammation, pain, and disfigurement; and from rupture of the implants. Some plaintiffs have also alleged that Breast Implants have had an adverse impact on the children of Breast Implant recipients. DCC is sometimes named as the manufacturer of the Breast Implants and at other times is named as the supplier of silicone or other materials to other Breast Implant manufacturers. Health care providers, including doctors and hospitals, that have joined in such suits against DCC have alleged similar theories of liability and have further alleged that DCC's actions have resulted in a loss of business reputation to such health care providers.

Plaintiffs in these lawsuits typically have sought relief in the form of monetary damages, and have also asked for certain types of equitable relief such as requiring DCC to fund the removal of the Claimants' Breast Implants, to fund medical research into any ailments caused by Breast Implants and to fund periodic medical checkups for the Claimants.

D. Attempted Global Settlement of the Breast Implant Litigation. On March 24, 1994, DCC, along with other defendants and representatives of breast implant litigation plaintiffs, entered into a settlement pursuant to a Breast Implant Litigation Settlement Agreement (as amended by the MDL 926 Court, the **''Original Global Settlement Agreement''**). Under the Original Global Settlement Agreement, certain industry participants (the **''Funding Participants''**) agreed to contribute up to approximately $4.2 billion (nominal), of which DCC agreed to contribute up to approximately $2.02 billion (nominal), over a period of more than 30 years. Although the Original Global Settlement Agreement covered claims of most breast implant recipients and related Claimants brought in federal or state courts, at least 5,000 U.S. claimants and 2,000 potential foreign Claimants with Claims against DCC elected not to settle their claims in the Original Global Settlement Agreement and elected to pursue their individual breast implant litigation against DCC. Under the terms of the Original Global Settlement Agreement, in certain circumstances, DCC had the option to withdraw from participation in the settlement. The final approval of the Original Global Settlement Agreement by the MDL 926 Court on September 1, 1994 was appealed to the U.S. Court of Appeals for the Eleventh Circuit primarily by certain providers of health care indemnity payments or services and by certain foreign Claimants. A number of the appellants have since filed suggestions of mootness regarding their appeals.

On or about May 1, 1995, the MDL 926 Court advised the parties of its conclusions that a study of a sample of the current disease compensation settlement fund claims indicated that the total amount of current claims likely to be approved for payment would substantially exceed the $1.2 billion then committed under the Original Global Settlement Agreement to pay such current claims and that, accordingly, amounts payable under the current disease compensation settlement fund would be less than the amounts specified in the Original Global Settlement Agreement. In addition, the MDL 926 Court requested that the parties to the Original Global Settlement Agreement commence negotiations relating to possible modifications of the Original Global Settlement Agreement.

On October 9, 1995, the MDL 926 Court issued an order indicating its conclusions that (a) the total amount of claims that would qualify for payment from the settlement fund would exceed the amount set aside for such claims, (b) very large numbers of potential Claimants participating in the settlement would elect to opt out of the settlement, (c) the Funding Participants would not be willing to make their respective contributions to a settlement which would leave so many potential claims unresolved and the defendants would, therefore, withdraw from the settlement, and (d) negotiations relating to possible modifications of the Original Global Settlement Agreement were not successful in eliminating the apparent need for reductions in benefits under the Original Global Settlement Agreement. For these reasons, the MDL 926 Court ordered that all members of the class of potential Claimants who did not initially opt out of the settlement would have the ability to opt out during another period of indefinite duration commencing December 1, 1995.

Certain of the Funding Participants—namely, Baxter Healthcare Corporation, Bristol-Myers Squibb Company, McGhan Medical Corporation, Minnesota Mining & Manufacturing Company, Union Carbide Corporation, and certain of their related corporations—negotiated the Revised Settlement Program for U.S. claimants who received an implant manufactured by at least one of those manufacturers. The MDL 926 Court approved the Revised Settlement Program by order entered on December 22, 1995.

Certain of the manufacturers who participated in the Revised Settlement Program—namely Bristol Myers Squibb, Medical Engineering, Baxter Healthcare, Baxter International and Minnesota Mining Manufacturing—also negotiated a Foreign Settlement Program (**''FSP''**) for foreign claimants who received a breast implant manufactured by at least one of these companies.

The MDL 926 Court approved the Statement of Principles for the FSP on December 20, 1996, and approved the Notice of the FSP and its terms on June 26, 1998. Under those terms, eligible foreign ''Current Claimants'' who do not opt-out may receive disease and disability benefits under the Fixed Amount Benefit Schedule only (no Long Term Disease Benefits) but without any compensation or supplement for rupture. They may also receive a one-time payment of $3,000 if their eligible breast implant was explanted after April 1, 1994 and by December 15, 2010. People who are defined as ''Other Registrants'' under the FSP are not eligible to receive any disease or explantation benefits but are eligible to receive a one-time payment of $3,500. Dow Corning is not a party to the FSP and the FSP categories, including the classification called ''Other Registrants'' do not apply under the Dow Corning Settlement Program.

The FSP was not a basis or model for the proposed Dow Corning Settlement Program. Under the proposed Dow Corning Settlement Program, all Foreign Claimants are eligible for both of the disease compensation options, rupture benefits and explantation and Foreign Claimants are provided the same settlement options (but at lesser monetary values) as Domestic Claimants. Under the proposed Dow Corning Settlement Program, qualified Foreign Claimants are offered enhanced benefits and options over the FSP. The Proponents believe that the Dow Corning Settlement Program will provide some qualified Foreign Claimants with opportunities for greater compensation than foreign claimants received under the FSP. Some Foreign Claimants will receive less than they received under the FSP. Foreign Claimants should therefore consider the description of their treatment under the Plan rather than in any materials relating to the FSP.

3.4 Other Claims, Litigation and Investigations.

A. Other Implant Litigation. As of the Petition Date, DCC was either named as a defendant in litigation or had been notified of potential claims regarding various of its medical products or products manufactured by others using materials supplied by DCC. A summary of those matters follows.

1. TMJ Claims. Temporomandibular Joint (**''TMJ''**) Claims arise from a variety of surgical procedures performed in the area of the skull near the ear where the lower jaw connects to the skull. There are a number of TMJ procedures, only some of which involve the use of DCC products. DCC products employed by surgeons in TMJ procedures have included silicone ''sheeting,'' a formed piece of sheeting known as a ''Wilkes implant,'' and blocks of silicone, usually sold under the name SILASTIC® Block, which was used as a ''spacer'' in the TMJ procedure.

The claims asserted by TMJ patients fall into three areas: (i) the presence of ''wear particles'' of silicone from silicone sheeting that has allegedly deteriorated over time, (ii) the occurrence of synovitis, similar to arthritis, and (iii) autoimmune disease.

As of the Petition Date, approximately 215 lawsuits were pending against DCC related to TMJ, involving approximately 860 Claimants. According to information contained in proofs of claim filed in this Case, the number of TMJ Claimants (including Claimants who asserted Claims against other manufacturers) is approximately 7,850. DCC is unable to verify the accuracy of this information at this time because it has not yet received verification or other supporting medical records from the TMJ Claimants who filed claims in the Case. Although no class actions had been certified as of the Petition Date, the federal district court in Minneapolis has been designated as the forum for multi-district litigation for TMJ claims. Notwithstanding such designation, the proofs of claim filed in the Case will be liquidated through the Settlement Facility and the Litigation Facility, and not through the pending Minneapolis proceeding.

2. SJO Claims. Small joint orthopedic devices (**''SJOs''**) are hard, but in many cases flexible, silicone devices designed as a spacer for removed, damaged or deteriorated small joints in the fingers, toe and wrist. DCC manufactured dozens of SJO designs from the 1960's until it exited the market in early 1993.

Most SJO claims have asserted injuries from the presence of wear particles and bone resorption, although certain claims have included autoimmune allegations.

As of the Petition Date, DCC was named as defendant in 23 pending lawsuits relating to SJOs.

3. LJO Claims. Large joint orthopedic devices (**''LJOs''**) manufactured by DCC were knee and hip joints, which were made of metal and do not contain silicone. DCC ceased the manufacture and sale of LJOs in 1993.

LJO claims arise from alleged injuries from wear particles or device breakage. As of the Petition Date, DCC was named as defendant in 18 pending lawsuits relating to LJOs.

4. LTCI Claims. DCC has supplied certain silicone materials for use in the development of long term contraceptive implants (**''LTCI''**) manufactured by Leiras Oy (**''Leiras''**), and has licensed certain technology to Leiras in connection with that product development. Leiras, in turn, contract manufactures its LTCI products for sale in the United States by the Wyeth-Ayerst Laboratories Division of the American Home Products Corporation (**''AHP''**) pursuant to an agreement between Leiras and AHP.

As a condition to the supply of silicone product to Leiras and for the licensing agreement reached with them, DCC obtained from Leiras and AHP indemnities on claims against DCC for product claims involving LTCIs. Leiras's prior parent corporation, the Finnish corporation Huhtamaki, guaranteed the performance of Leiras under its indemnity for non-U.S. sales. Subsequently, Leiras was acquired by Schering AG. Pending Schering's agreement to assume liabilities of Huhtamaki as guarantor, Huhtamaki remains a guarantor of the Leiras/AHP indemnity governing non-U.S. products. DCC is obligated pursuant to the indemnity agreements to reimburse Lieras and AHP for certain exemplary or punitive damages paid by Leiras and/or AHP. DCC will assume these indemnity agreements which will result in DCC's continuing obligation to perform its reimbursement obligations for exemplary or punitive damages under the provisions of the indemnity agreements.

As of the Petition Date, DCC (or certain of its Subsidiaries) had been named as defendants in approximately 60 lawsuits relating to LTCIs, involving approximately 600 individual plaintiffs, who assert product liability causes of action, alleging that a wide variety of physical and mental maladies resulted from hormonal release levels and other properties of the product, including prolonged menstrual bleeding, irregular menstrual cycles, headaches, dizziness, weight gain, weight loss, hair growth, hair loss, nervousness, moodiness, depression and other conditions. Some plaintiffs also allege that pain and/or scarring resulted from removal of the product from their inner arms. Defendants deny causation and liability and assert that physicians (learned intermediaries) were adequately warned of any complications associated with the use of the product.

As claims and/or lawsuits are received, they are forwarded to AHP and Leiras for handling pursuant to their indemnities. To date, Leiras and AHP have acted pursuant to their indemnities to defend the lawsuits and respond to the claims. Based upon the financial strength of AHP, Leiras, Huhtamaki and, prospectively, Schering, as well as DCC's evaluation that its retained exposure for exemplary or punitive damages is not likely to result in any ultimate liability to DCC, it is not believed that the claim exposure to DCC for LTCI products liability is material.

Pursuant to the Plan, DCC intends to assign those indemnities to the Litigation Facility in satisfaction of its LTCI-related Claims (Classes 18 and 19).

B. Insurance Coverage for Products Liability Claims.

1. General Discussion of Coverage. DCC historically has maintained (usually as one of several co-insured affiliates) levels of insurance coverage that it believed to be appropriate to its business and operations. DCC maintains primary insurance coverage pursuant to which the respective insurers (the **''Primary Carriers''**) have a duty, subject to applicable policy limits and exclusions, (i) to defend DCC against bodily injury and property damage claims, (ii) to pay defense costs, regardless of the merits of the claims, and (iii) to pay all sums that DCC is or becomes liable to pay by reason of liability for damages in connection with bodily injury claims and property damage claims. DCC further maintains excess insurance coverage pursuant to which the respective insurers (the **''Excess Carriers''**) are obligated, subject to applicable policy limits and exclusions, to pay and/or reimburse DCC for bodily injury and property damage claims.

Virtually all of DCC's relevant insurance policies include aggregate limits of liability for products liability claims. Some of the Primary Carriers' policies provide that amounts paid for defense costs are in addition to the limits of liability. Some of the Excess Carriers' policies also require the insurers to pay and/or reimburse DCC for

defense costs, but many of such policies provide that defense costs paid are included in the aggregate amount paid under the aggregate limits of liability.

Most of the Primary Carriers and the Excess Carriers that issued policies prior to 1986 issued ''occurrence policies,'' policies that provide coverage for claims resulting from injuries that occurred within the policy periods. Most of the policies issued in and after 1986 are ''claims made policies,'' policies that provide coverage for claims asserted within the policy period. The substantial majority of the policies issued after 1992 specifically exclude coverage for claims arising from breast implants.

DCC purchased the policies from its Primary Carriers and the post-1985 claims made Excess Carriers for itself, its subsidiaries, and, in some cases, its Shareholders. Many of the pre-1986 policies issued by Excess Carriers jointly cover DCC, Dow Chemical, and their respective subsidiaries. As discussed below, litigation currently is pending with various Insurance Companies regarding coverage of the Breast Implant Claims.

2. Litigation Against Insurance Carriers. On June 30, 1993, DCC filed a complaint, which was subsequently amended, in the Superior Court of California against 99 insurance companies that issued occurrence-based products liability policies to DCC from 1962 until 1985 (the **''Insurers''**). The complaint also named as defendants three state insurance guaranty funds. This action (the ''California Action'') resulted from a failure or refusal of the Insurers to honor their contractual obligations to Dow Corning related to the Breast Implant Claims. The California Action was filed to seek, among other things, judicial enforcement of the obligations of the Insurers under the relevant Insurance Policies.

On September 10, 1993, several of DCC's Insurers filed a complaint against DCC and other insurers (including the claims made insurers) for declaratory relief in Wayne County, Michigan Circuit Court (the **''Michigan Action''**). The Michigan Action raised issues substantially similar to those raised in the California Action, as well as numerous alleged defenses to coverage.

On September 13, 1993, the plaintiff Insurers in the Michigan Action moved for a stay or dismissal of the California Action on the grounds that California was an inconvenient forum. On October 1, 1993, the California Court dismissed the California Action on such ground. With the consent of DCC, litigation of coverage issues on Breast Implant Claims in the Michigan Action continued after the Petition Date.

On March 11, 1994, the court in the Michigan Action ruled that certain of DCC's primary insurers have a duty to defend DCC with respect to Breast Implant products liability lawsuits. These insurers were also directed to reimburse DCC for certain defense costs previously incurred. On November 16, 1994, the court further ruled in favor of DCC on allocation of defense costs. On August 11, 1995, the Michigan Court granted DCC's motion for summary judgment ruling that DCC's Insurance Policies are continuously triggered from the time of implant forward. The court ruled that each primary occurrence insurer is obligated to pay the defense costs for all cases alleging a date of implant either before or during the insurers' policy period and for all cases involving unknown implant dates. Trial of the Michigan Action commenced in late 1995 and a verdict was handed down on February 14, 1996, finding that Insurance Coverage extended to the Breast Implant Claims. The court further found, on February 28, 1996, that DCC was entitled to recover substantially all defense, settlement, and judgment costs previously incurred. On July 10, 1996, the court issued an omnibus final order and judgment and other rulings relative to the Michigan Action. On October 18, 1996, the court denied the Insurers' motion for judgment NOV. Several of the affected Insurers have appealed their loss of the Michigan Action. Final determination of the issues raised in the Michigan Action will be reached through the pending appeals in the Michigan state courts.

DCC has also commenced arbitration proceedings against a number of insurers whose policies require the arbitration of any disputes. Such arbitrations raise essentially the same issues as were determined in Dow Corning's favor in the Michigan Action.

Pending the final outcome of the Michigan Action and the various arbitration proceedings, DCC has continued to negotiate and enter into settlements with many of its insurers. Such settlements are discussed *infra* at Article V, section 5.3(G).

C. Other Potential Product-Related Claims. In May 1992, the Debtor began communicating additional information and test results to the owners of buildings which contain DOW CORNING FIRE STOP® Intumescent Wrap Strip 2002, recommending that the owners conduct a review with a qualified Fire Protection Engineer to determine whether remedial action is warranted, including possible replacement of the product due to uncertainty

about its ability to perform consistently and predictably over time. DOW CORNING FIRE STOP® Intumescent Wrap Strip 2002 is a non-silicone, resin-based fire stop product which was installed in buildings as a passive fire protection product. DCC ceased the sale of this product in 1992.

D. Environmental Matters. DCC has been advised by the United States Environmental Protection Agency (**''EPA''**) or by similar state regulatory agencies that DCC, together with others, is a Potentially Responsible Party (**''PRP''**) with respect to a portion of the cleanup costs and other related matters involving a number of abandoned hazardous waste disposal facilities. DCC believes that there are 14 sites at which it may have some liability, although DCC currently expects to settle its liability for a majority of these sites for *de minimis* amounts. Based upon preliminary estimates by the EPA or the PRP groups formed with respect to these sites, the aggregate liabilities for all PRP's at the sites at which DCC currently believes that it may have more than a *de minimis* liability is $15.5 million. DCC records accruals for environmental matters when it is probable that a liability has been incurred and DCC's costs can be reasonably estimated. Although DCC has accrued a $7.8 million liability for its estimated exposure with respect to these sites, there can be no assurance that its actual exposure will not exceed that amount. Because the actual amount of such exposure is not expected to be material to the operations of DCC, the Debtor has elected to allow its Environmental Claims, except to the extent they are Disallowed Claims, to pass through this Case unimpaired to avoid what it believes would be unnecessary litigation over Claims which (i) are unascertainable as to amount in the near term and (ii) can be adequately addressed as its liability, if any, for such Claims is actually determined.

E. Securities Laws Class Action Lawsuits. As of the Petition Date, DCC and certain of its directors and officers were named as defendants, along with others, in two securities fraud class action lawsuits filed by purchasers of stock in Corning Incorporated and Dow Chemical. The plaintiffs in these cases allege, among other things, misrepresentations and omissions of material facts and breach of duty regarding the Breast Implant issue to purchasers of Corning Incorporated stock and Dow Chemical stock. The relief sought in these cases is monetary damages in unspecified amounts. Motions to dismiss both cases have been filed by all defendants, including DCC. The cases have been stayed as to DCC as a result of the filing of this Case. Claims against DCC's officers and directors asserted in these suits have been dismissed without prejudice.

ARTICLE IV

TRANSACTIONS WITH JOINT VENTURES AND SUBSIDIARIES

4.1 General. In the normal course of its business, the Debtor engages in various business transactions with its Joint Ventures and Subsidiaries. The following is a summary of significant transactions that have occurred during the twelve-month period prior to the Petition Date.

4.2 Intercompany Financings and Guarantees.

A. Financings.

1. As of the Petition Date, DCC had loans outstanding to the following Subsidiaries:

a. DCC held a note receivable from Dow Corning Asia Ltd. in the principal amount of $30,000,000. The note was repaid after the Petition Date.

b. DCC was owed $17,083,453 of accrued interest on loans previously made to Dow Corning Ltd. The principal of those loans was repaid. The accrued interest was paid after the Petition Date.

c. DCC held a revolving credit note from Dow Corning Canada, Ltd. in the principal amount of $869,217. Interest accrues at 1% over the one-month Canadian Dollar LIBOR, payable monthly. The note was repaid after the Petition Date.

d. DCC held a note receivable from Theratek International, Inc. for advances under a line of credit in the principal amount of $974,444. The note was repaid after the Petition Date.

e. DCC held a note receivable in the principal amount of $21,197,230 from Bay Asset Funding Corporation (**''BAFCO''**) related to the sale of trade receivables from DCC, which receivables were then resold by BAFCO. The note was paid after the Petition Date.

f. DCC held a note receivable from Dow Corning Iberica S.A. in the principal amount of $1,314,990. The note bears interest at 1% over the one-year Madrid Interbank Offer Rate. The note was paid after the Petition Date.

g. DCC holds a revolving loan with Dow Corning Singapore PTE Ltd. in the principal amount of $2,213,334. The loan bears interest at 1% over the one-month U.S. Dollar LIBOR, payable monthly.

h. DCC holds a revolving loan with Dow Corning Taiwan Inc. in the principal amount of $5,991,267. The loan bears interest at the one-month U.S. Dollar LIBOR, reset monthly.

i. DCC held a revolving loan with Dow Corning GmbH (Wiesbaden) in the principal amount of $4,573,679. The loan bore interest at 0.75% over the one-month Dem FIBOR, payable monthly. The loan was repaid after the Petition Date.

j. DCC holds a note receivable from Dow Corning Thailand Inc. in the amount of $2,431,984. The note bears interest at 1% over the one-month U.S. Dollar LIBOR.

2. As of the Petition Date, DCC had borrowed funds from the following of its Subsidiaries:

a. Dow Corning do Brazil LTDA has advanced three loans to DCC aggregating $9,672,044. The loans provide for interest at 6%, compounded quarterly. This obligation was repaid after the Petition Date.

b. Dow Corning New Zealand Ltd. has made a loan to DCC in the amount of $235,574.76. The loan provides for interest at 7.09%.

4.3 Guarantees. As of the Petition Date, DCC had guaranteed certain of the obligations of its Subsidiaries as listed below.

DOW CORNING CORPORATION (Guaranteed Obligations)		
Primary Obligor	**Entity Holding Guaranty**	**Approximate Amount of Guaranty**
Dow Corning Silicon Energy Systems, Inc.	Royal Bank of Canada	$ 500,000
Dow Corning Korea Ltd.	Bank of America Trust	$ 3,500,000
Dow Corning Korea Ltd.	The Korea Long-Term Credit Bank	$ 5,000,000
Dow Corning Korea Ltd	The Bank of New York	$21,000,000
Dow Corning Korea Ltd	First National Bank of Boston	$ 6,000,000
Dow Corning Singapore PTE. Ltd.	Citibank	$ 200,000
Dow Corning Thailand Ltd.	Citibank	$ 363,070
Dow Corning Thailand Ltd.	Thai Farmers Bank	$ 400,000
Dow Corning ARA-Werk	Dresdner Bank	$ 7,300,000
Dow Corning France S.A.	Societe Generale	$ 7,200,000
Dow Corning France S.A.	Credit Lyonnais	$10,300,000
Dow Corning de Venezuela S.A.	Citibank	$ 500,000
Dow Corning New Zealand Ltd.	ANZ Banking Group Ltd.	$ 67,000
Dow Corning Investment S.A.	Societe Anonyme	$20,000,000

4.4 Product Sales and Miscellaneous Transactions Between the Debtor and Its Joint Ventures and Subsidiaries. As discussed previously, DCC sells manufactured goods and raw materials to various of its Subsidiaries and Joint Ventures in the ordinary course of business. DCC sells these products and raw materials to its Subsidiaries and Joint Ventures for profit. Payments are made by the Subsidiaries and Joint Ventures for such products and raw materials in the ordinary course of business of each such entity. As part of this relationship, DCC, on one hand, and a Subsidiary or Joint Venture, on the other, would, as part of the netting process (prior to the Petition Date), also advance funds to one another subject to monthly settlement of invoices and advances.

DCC has licensing agreements with certain of its Subsidiaries under which DCC earns royalty income or incurs royalty expenses. In addition, DCC receives dividends from its Subsidiaries from time to time.

By order entered on November 25, 1996, the Court authorized the setoff of Intercompany Claims for goods and services and/or advances of funds between the Debtor and its Subsidiaries and Joint Ventures, resulting in payables against and/or receivables in favor of the Debtor in the following amounts:

INTERCOMPANY TRADE CLAIMS		
Intercompany Party	**Owing by DCC**	**Payable to DCC**
Dow Corning de Argentina S.A.I.C.		($26,685)
Dow Corning Australia PTY, Ltd.	$1,080,722	
Dow Corning do Brazil LTDA		($465,574)
Dow Corning S.A.	$22,612,159	
Dow Corning de Venezuela S.A.		($520,928)
Dow Corning Limited		($44,154,692)
Dow Corning Korea Ltd.		($5,372,899)
Dow Corning France S.A.		($120,468)
Dow Corning Singapore PTE. Ltd.		($2,278,065)
Dow Corning New Zealand Ltd.	$82,980	
Dow Corning Taiwan Inc.		($5,863,934)
Dow Corning GmbH (Wiesbaden)		($2,819,269)
Korea Silicone Co., Ltd.	$22,931	
Dow Corning GmbH (Austria)	$282,572	
Dow Corning Coordination Center	$940,806	
Dow Corning Thailand Ltd.		($2,438,304)
Dow Corning de Colombia, S.A.		($121,693)
TOTAL	$25,022,170	($64,187,781)

ARTICLE V

THE REORGANIZATION CASE

5.1 Factors Precipitating the Filing of the Reorganization Case.

A. Breast Implant Litigation. As of the Petition Date, approximately 19,000 lawsuits were pending against DCC by or on behalf of Breast Implant Users. A number of these lawsuits were filed by or on behalf of multiple plaintiffs. New Breast Implant Claims were being asserted against the Debtor each month. The cost to and the logistics for the Debtor to defend against the Breast Implant Claims were very substantial. This exposure was further exacerbated by the reluctance or refusal on the part of its Insurance Companies to provide or confirm Insurance Coverage for the defense costs and/or the Breast Implant Claims. These factors were further compounded by credit rating downgrades arising from the financial community's concerns about the lack of a certain and predictable financial resolution to the Breast Implant controversy.

While the Debtor believed that it was in all parties' best interests to settle the Breast Implant Claims, it also believed that the failure of the Global Settlement Agreement left it with only two alternatives: (i) piecemeal litigation of the multitude of lawsuits at a very substantial cost to the Debtor in defense costs alone or (ii) a chapter 11 filing and confirmation of a plan of reorganization that would fairly and efficiently resolve all Breast Implant Claims. The Debtor concluded that continued piecemeal litigation was not in the best interests of either the Breast Implant Claimants or the Debtor due to the significant sums being expended by all parties that could be better utilized to satisfy Allowed Breast Implant Claims. Moreover, the Debtor concluded that its chapter 11 filing would provide it with the opportunity to propose a plan of reorganization that would fairly and efficiently resolve all Breast Implant Claims.

The Debtor's chapter 11 filing has stayed the continued prosecution of the Breast Implant Claims and lawsuits in the United States and its territories. The Plan will resolve all Breast Implant Claims against the Debtor and its Shareholders.

B. Other Pending Products Liability Litigation and Potential Litigation. As of the Petition Date, approximately 470 lawsuits involving Other Products Claims and 30 lawsuits arising out of the Other Products had been asserted and/or filed against the Debtor. A number of the lawsuits were filed by or on behalf of multiple plaintiffs.

The Debtor's chapter 11 filing has stayed the continued prosecution of all of the Other Products Claims and/or lawsuits in the United States and its territories. Moreover, the Plan will resolve all of the Other Products Claims against the Debtor and the Shareholders.

5.2 Debtor's Assets. Since the Petition Date, the Debtor has been operating profitably, with net income for 1996 of $221.7 million and net income for 1997 of $237.6 million. A description of the Debtor's principal assets as of December 31, 1997 follows.

A. Cash and Cash-Equivalent Assets and Marketable Securities. As of the Petition Date, DCC had cash on hand or in its various bank accounts totaling approximately $85 million. On December 31, 1997, the end of its most recent fiscal year, DCC's cash totaled approximately $55.1 million. (Not included in this amount is the cash deposit of $275 million made in connection with the Global Settlement Agreement and approximately $501.1 million in restricted proceeds of the various insurance settlements to date.) In addition, DCC reflected trade accounts receivable (other than intercompany) on the Petition Date in the amount of approximately $30.8 million. On December 31, 1997, the trade accounts receivable (other than intercompany) totaled approximately $143.2 million. Approximately 82% of DCC's accounts receivable are current. DCC maintains a historical reserve of 2% to 3% of its receivables for uncollectible accounts.

B. Inventory. As of the Petition Date, DCC had inventory of goods for sale and materials in process having a book value totaling approximately $145 million. On December 31, 1997, the book value of DCC inventory totaled approximately $144.1 million.

C. Fixed Assets. The fixed assets of DCC consist principally of land, buildings, furniture, fixtures and/or equipment utilized at its executive and corporate facility near Midland, Michigan; its manufacturing facilities located in Midland and Hemlock, Michigan; Greensboro, North Carolina; and Elizabethtown and Carrollton, Kentucky; its research and development facilities near Midland, Michigan; and its various sales offices. The book value of those fixed assets, net of accumulated depreciation, as of the Petition Date was approximately $590.5 million. As of December 31, 1997, the book value, net of accumulated depreciation, was approximately $571.4 million.

D. Intellectual Property Rights. DCC consistently applies for United States and foreign patents and owns, directly or indirectly, a substantial number of such patents. DCC is a licensor under a number of patent licenses and technology agreements. While DCC considers its patents and licenses to be valuable assets, it does not regard its business as being materially dependent on any single patent or license or any group of related patents or licenses.

E. Real Property Leases. On the Petition Date, DCC was the tenant under certain leases and, as of the date of this Disclosure Statement, remains in possession of its leased domestic and foreign sales offices and related facilities. DCC does not believe that these leases have a market value in excess of that reflected in the rental rates paid by DCC under those leases. The Debtor does not anticipate that any material liability will result from the rejection, if any, of any unexpired leases in the Case.

F. Insurance. Exhibit ''G'' to this Disclosure Statement describes settlements that have been completed between the Debtor and insurers and that may provide proceeds available to pay Personal Injury Claims and also describes remaining unsettled insurance coverages that may be available to pay such claims. The exhibit describes the cash proceeds and the accrued interest from settlements that resulted in cash payments. All of these cash proceeds are held in escrow accounts subject to the Court's jurisdiction and subject to the competing claims of other parties including Dow Chemical, other insureds under the policies, and others. (As described in section 6.6(B) of this Disclosure Statement, DCC and Dow Chemical have entered into the Insurance Allocation Agreement to resolve issues concerning the allocation of their shared insurance.) The exhibit also describes remaining coverages that may be available either pursuant to settlements that specify how claims related to Breast Implants will be treated under the policies or pursuant to policies that have not been settled. These remaining coverages are also subject to competing claims of other parties as described above.

5.3 Significant Case Developments.

A. Commencement of the Case. On May 15, 1995, DCC filed the Case. DCC continues to operate as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. Appointment of Committees. Although individual creditors may be represented in a bankruptcy case by their own attorneys, the interests of creditors in Chapter 11 proceedings are collectively represented by a committee or committees appointed by the United States Trustee. Section 1103(c) of the Bankruptcy Code sets forth the duties and powers of official creditors' committees. Among other things, an official committee consults with the Debtor, investigates the debtor's assets and resources, participates in the plan of reorganization process, and advises its constituency concerning any such plan.

On May 31, 1995, the United States Trustee appointed the Official Committee of Unsecured Creditors, referred to in the Plan as the Commercial Committee. The membership of that committee, which is composed of representatives of a number of institutional lenders and trade creditors, has changed from time to time, principally because of the transfer of the Claims.

On June 1, 1995, the United States Trustee appointed the Official Committee of Tort Claimants, referred to in the Plan as the Tort Committee or TCC. The membership in that committee has not changed, and is composed of eight attorneys who each represent numerous tort Claimants and one non-lawyer implant recipient.

On July 23, 1996, the United States Trustee appointed the Official Committee of Physician Creditors, referred to in the Plan as the Physicians' Committee, to represent the interests of physician Claimants in this Case. The membership in the Committee, which is composed of physicians asserting Claims against Dow Corning and a professional liability insurer, was reconstituted by Amended Notice of Appointment filed by the United States Trustee on November 14, 1996.

C. DCC's Request to Transfer Breast Implant Claims. On June 12, 1995, DCC filed a Motion to Transfer Certain Breast Implant Claims and Causes of Action (the **''Opt-Out Transfer Motion''**) in the District Court in Detroit, requesting that all breast implant claims against DCC and Dow Chemical and Corning Incorporated asserted by Claimants who opted-out of the Global Settlement be transferred to the District Court under 28 U.S.C. § 157(b)(5). DCC sought the transfer to facilitate the consolidation of those claims for purposes of a common trial on the issue of whether breast implants manufactured by DCC, or for which DCC supplied raw materials to other manufacturers, cause the diseases claimed by the tort plaintiffs.

On July 31, 1995, the District Court held a hearing on the Opt-Out Transfer Motion. On August 10, 1995, DCC filed a Supplemental Motion to Transfer Additional Breast Implant Claims and Causes of Action (the **''Opt-In Transfer**

Motion''), requesting that the District Court transfer all breast implant claims against DCC and the Shareholders asserted by Claimants who opted to participate in the Global Settlement Agreement to the District Court under 28 U.S.C. § 157(b)(5) for the same purpose, and on the same grounds, as the transfer of the opt-out claims requested in the Opt-Out Transfer Motion.

In an opinion dated September 12, 1995, the District Court granted DCC's request to transfer the opt-out claims against DCC, but only for the purpose of later determining, if necessary, the eventual trial venue of those claims. The District Court viewed the common-issue causation trial or determination requested by DCC as premature, and instead directed the parties to proceed with Claim estimation in the Court. The District Court reserved its authority to conduct a common-issues trial if later appropriate. Finally, the District Court denied DCC's request to transfer claims against DCC's Shareholders, concluding that it did not have ''related to'' jurisdiction over those claims under 28 U.S.C. § 1334(b). On September 14, 1995, the District Court entered its Supplemental Order to the Court's September 12, 1995 Order, which provided for the transfer of the opt-in claims against the Debtor.

DCC appealed various of the District Court's rulings to the United States Court of Appeals for the Sixth Circuit. On April 9, 1996, the Sixth Circuit reversed the District Court on the issue of the existence of ''related to'' jurisdiction over claims against the Shareholders and other third parties and remanded the matter for further consideration by the District Court. On June 3, 1996, the Sixth Circuit issued an Amended Opinion in the matter, intended to clarify the scope of its ruling and the intended impact thereof. The prior reversal and remand of the matter to the District Court was not affected by the Amended Opinion.

On remand, the District Court considered the request of the Tort Committee and other individual tort Claimants to remand the cases against the Shareholders and other defendants to the state or federal courts from which they had been transferred by abstaining from exercising jurisdiction over those Claims under 28 U.S.C. § 1334(c). On July 30, 1996, the District Court issued its Memorandum Opinion and Order on Remand Regarding Section 1334(c) Abstention, ruling that the cases against the Shareholders and other non-Debtor defendants were subject to mandatory abstention and, alternatively, that ''in the interest of justice, comity and judicial economy,'' it would exercise its discretion to abstain from those cases.

The Debtor, the Shareholders and other parties sought relief from the District Court's ruling both by appeal and by application for writ of mandamus. By order entered on May 8, 1997, the Sixth Circuit granted the request for mandamus relief, ordering the District Court to transfer the claims against the Shareholders to the Eastern District of Michigan, subject to appropriate determinations with respect to mandatory abstention.

D. Transfer of Other Products Claims. On September 22, 1995, DCC filed a Motion requesting the District Court to transfer approximately 1,500 Personal Injury Claims against DCC and the Shareholders involving Other Products to the District Court pursuant to 28 U.S.C. § 157(b)(5). On March 13, 1996, the District Court issued an order denying that Motion. Following DCC's appeal, on November 18, 1996, the Sixth Circuit reversed the District Court's decision and ordered that the Other Products Claims pending against DCC and the Shareholders be transferred to the District Court.

E. Payment of Wages, Salaries, Expenses and Benefits for Employees and Retirees. On May 17, 1995, the Court issued an Order authorizing DCC to pay certain pre-petition items to or for the benefit of DCC's employees and retirees, as well as employees of two of DCC's subsidiaries. The Court allowed DCC to pay pre-petition wages, salaries, vacation and sick leave pay, certain insurance and retirement benefit contributions, reimbursable expenses, and medical and dental benefits, as more fully specified in that May 17 Order.

On August 11, 1995, the Court also authorized DCC to assume and honor various pre-petition contracts to continue providing certain severance, incentive bonus, stock appreciation, and pension benefits to its employees and certain retirees. The relief granted by these two orders is intended by DCC to maintain competitive compensation levels and motivate its employees to continue performing at their highest levels.

F. Exclusivity Matters; DCC's Prior Proposed Plans. The Bankruptcy Code provides the Debtor with a period of exclusivity for the first 120 days of the case in which to file its plan of reorganization and, if a plan is timely filed, up to 180 days after the case is filed in which it has the exclusive right to solicit acceptances of the plan. This period may, for cause, be either shortened or extended by the Court.

On August 18, 1995, DCC filed its Motion to Extend Exclusive Periods for Dow Corning Corporation to File Plan of Reorganization and Obtain Acceptances Thereof (the **''First Extension Motion''**). On September 7, 1995, the Court held a hearing on the First Extension Motion, and on September 11, 1995, entered an order extending the period for

filing a plan for an additional six months, to March 11, 1996, and extended the exclusive period for solicitation of acceptances to May 10, 1996.

On February 15, 1996, DCC filed its Second Motion to Extend Exclusive Periods for Dow Corning Corporation to File Plan of Reorganization and Obtain Acceptances Thereof (the **''Second Extension Motion''**). On February 16, 1996, the Tort Committee filed a Motion for Leave to File Plan of Reorganization and to Terminate the Debtor's Exclusive Periods to File and Solicit Acceptances of a Plan of Reorganization (the **''Termination Motion''**).

The Court conducted hearings on the Second Extension Motion and the Termination Motion which concluded on March 7, 1996. The Court then entered an order (the **''Suspension Order''**) deferring rulings on those motions and suspending further action for up to 90 days thereafter on those motions and related matters, including the bar date and estimation matters described further herein. DCC's exclusivity period was continued pending termination of the period of suspension and the Court's ruling on the exclusivity-related motions.

On April 30, 1996, the Court vacated the Suspension Order and reconvened hearings on, among other things, the pending exclusivity matters for May 16, 1996. On that date, the Court issued an Order (the **''May 16 Order''**) extending the term of the Debtor's exclusivity for a period of 21 days following the entry of orders in the Court on pending motions requesting the establishment of procedures for the estimation of certain Personal Injury Claims, the fixing of bar dates for filing proofs of claim and the notice procedure therefor, and the appointment of a scientific advisory panel to assist in the estimation process, as discussed further herein. The Court's May 16 Order further extended the Debtor's period of exclusivity for solicitation of acceptances of its Plan for an indefinite period, subject to further order.

On December 2, 1996, the Debtor filed its Plan of Reorganization and related proposed form of Disclosure Statement.

On January 10, 1997, the Tort Committee and the Commercial Committee jointly filed their Motion to Modify Exclusivity (the **''Modification Motion''**), seeking the termination of the Debtor's exclusivity which remained in effect under the May 16 Order pending the Court's rulings on the pending bar date and estimation-related issues, to allow the two committees to file the joint plan of reorganization which they had negotiated in the period following the entry of the May 16 Order. The Court held a hearing on the Modification Motion on April 16-18, 1997, and on May 12, 1997, announced its ruling denying the Modification Motion. In its ruling, the Court directed the Debtor to file an amended Plan of Reorganization within 21 days after the issuance of its order regarding estimation protocols, discussed further herein. The Tort Committee and the Commercial Committee appealed the denial of the Modification Motion, which appeal was argued before the District Court on October 28, 1997, and remains pending.

On August 25, 1997, following the release of the Court's order on estimation protocols, the Debtor filed its Amended Plan of Reorganization and related [Proposed] Amended Disclosure Statement. Following notice to creditors, a hearing to consider approval of the Amended Disclosure Statement commenced on November 3, 1997. At the conclusion of the hearing on November 20, 1997, the Court announced its findings that the Amended Plan had deficiencies that, taken in the aggregate, rendered it unconfirmable in a ''cramdown'' setting. As the Amended Disclosure Statement indicated DCC's belief that the Plan would be confirmable in that event, the Court declined to approve the Amended Disclosure Statement.

On March 10, 1998, the Tort Committee filed a new Motion to Terminate Exclusivity (the **''Renewed Motion'')** pursuant to which it again requested that it be allowed to file a plan of reorganization. After hearings in April and May, 1998 on that motion, the Court announced that it would withhold its ruling pending the outcome of mediator-led negotiations, as discussed below. As a result of the agreement reached between DCC and the Tort Committee, it is anticipated that no ruling will be made on the Renewed Motion.

G. Insurance Settlements. DCC is an insured under a number of insurance policies that DCC contends entitle it, *inter alia*, to reimbursement of certain costs incurred in connection with the Products Liability Claims. Among such policies are primary liability insurance policies (**''Primary Policies''**) and excess insurance policies (**''Excess Policies''**). DCC and its officers, directors, subsidiaries and its Shareholders (in limited instances) are the insureds under the Primary Policies. The majority of the Excess Policies insure these and other parties, including Dow Chemical and various of its subsidiaries and related companies.

As described in section 3.4(B) herein, DCC was involved in pre-petition litigation with many of the Insurance Companies related to insurance coverage for Breast Implant Claims. Trial in the Michigan Action was scheduled, prior to the Petition Date, to commence on September 18, 1995. As the trial date approached, settlement discussions

accelerated. Shortly after the Petition Date, DCC was able to conclude settlements with Hartford Accident and Indemnity Company and various related insurers (collectively, **''Hartford''**) and Royal Indemnity Company (**''Royal''**) based upon substantial settlement discussions with those parties that had occurred before the Petition Date. In August, 1995, the Court approved the compromises and settlements with Hartford and Royal. The Tort Committee, Dow Chemical and Hoechst Marion Roussel, Inc. (**''HMR''**), a former affiliate of Dow Chemical, and certain other parties objected to the Hartford settlement. Dow Chemical and HMR objected to the Royal settlement. The settlement with Hartford provides for cash payments by Hartford of $107.5 million in exchange for releases of the majority of the products liability limits of the Hartford policies, a so-called ''buy-out'' settlement. The Royal settlement provides that Royal pay covered amounts associated with Breast Implant Claims pursuant to agreed policy interpretations and mechanisms, a so-called ''coverage-in-place'' settlement.

Before the trial in the Michigan Action started, DCC reached additional agreements with some Insurance Companies for buy-out settlements that will produce approximately $266.5 million in settlement proceeds. These settlements include agreements with, among others, DCC's London Market Insurers, TIG Insurance Company, North River Insurance Company and Federal Insurance Company. These additional settlements were approved by the Court in March and April, 1996. DCC also reached a coverage-in-place settlement with American Guarantee and Liability Insurance Company, which was approved by the Court in May 1996.

In the course of discussing objections to this second group of insurance settlements, DCC reached settlements with HMR and Dow Chemical partially resolving issues relating to those parties as co-insureds under some of the policies involved in the settlements. The agreement with HMR provides that DCC will pay HMR up to 2½% of recoveries under insurance policies in which HMR claimed an interest as a co-insured in exchange for HMR's agreement not to compete with DCC for the shared product limits. The agreements with Dow Chemical provide for the escrow of most of the proceeds of the second group of insurance settlements under specified terms pending final resolution of the interest of various Claimants in such proceeds. The Court approved these settlements with HMR and Dow Chemical on January 25, 1996, over the objection of the Tort Committee.

During the course of trial in the Michigan Action and subsequent thereto, DCC negotiated a number of additional settlements including a coverage-in-place agreement with certain AIG insurers involving approximately $400 million in product liability limits and additional buy-out agreements in excess of $200 million with various insurers. The Court has approved these settlements with AIG and these other insurers. The Plan does not modify the terms of the settlement agreements reached with any of the Settling Insurers.

As the Plan contemplates that the proceeds of insurance coverages relating to Products Liability Claims will be used to fund obligations under the Funding Payment Agreement for the satisfaction of Personal Injury Claims, and that all such funds should be free and clear of all claims of other Entities (except as provided in the Insurance Allocation Agreement), Dow Corning will seek, as part of the Confirmation Order or pursuant to an adversary proceeding to be heard concurrently with confirmation, a determination that its claims and interests in amounts paid or to be paid under settlements of its Primary Policies and Excess Policies are superior to the rights or interests claimed by other entities including Insurance Companies, Physicians, Health Care Providers and Government Payors. The determination of interests in the insurance proceeds will be based upon the contractual rights and obligations of the Settling Insurers and the non-Settling Insurers under applicable non-bankruptcy law (except to the extent bankruptcy law may grant the Court jurisdiction to make such a determination). Although Dow Corning will seek a determination of rights in the insurance settlement proceeds, Dow Corning does not intend to modify the contractual or non-bankruptcy law rights of non-Settling Insurers through the provisions of the Plan. Notwithstanding the foregoing, nothing in the Plan or Confirmation Order will modify or eliminate the rights of HMR pursuant to the settlement approved by the Court on January 25, 1996, the rights of Dow Chemical pursuant to the Insurance Allocation Agreement, or the rights of the Claims Administrator pursuant to the Funding Payment Agreement and any insurance assignment executed in connection therewith.

H. Bar Date Motions. As part of the claims resolution process in chapter 11, it is necessary for the Court to provide a procedure and deadline for the filing of proofs of claim. This is accomplished by the entry of an order, called a ''bar date order,'' directing Claimants to file their proofs of claim by the specified deadline or have their Claims against the debtor disallowed.

On December 1, 1995, DCC filed its Motion for Order (1) Setting Bar Date for Filing Proofs of Claim; (2) Approving Alternative Proof of Claim Forms for Filing Certain Proofs of Claim; (3) Modifying Local Rule 2.02; and (4) Approving Notice Procedures (the **''First Bar Date Motion''**). The Court commenced a hearing on the First Bar

Date Motion on January 4, 1996. At the conclusion of the hearing, the Court determined that it would not set a bar date at that time, denying the First Bar Date Motion without prejudice, and indicated that it wished to have the opportunity to consider the establishment of a bar date in conjunction with its review of proposals for the estimation of Products Liability Claims.

On February 15, 1996, DCC filed, along with its Estimation Procedures Motion and Scientific Advisory Panel Motion (discussed below) its Renewed Motion for Order (1) Setting Bar Date for Filing Proofs of Claim; (2) Approving Alternative Proof of Claim Forms for Filing Certain Proofs of Claim; (3) Modifying Local Rule 2.02; and (4) Approving Notice Procedures (the **''Second Bar Date Motion''**). Although a hearing on the Second Bar Date Motion was set to commence on March 7, 1996, such hearing was continued pursuant to the Suspension Order and commenced on June 12, 1996. At the conclusion of that hearing, the Court announced its preliminary approval of a stipulation between the Debtor and other parties in interest regarding the notice procedures relating to a bar date and the filing of proofs of claim; directed an expansion of the scope of notice to Foreign Claimants; and instructed the parties to reach agreement on a bar date for filing proofs of claim.

On July 29, 1996, the Court entered the Bar Order, setting January 15, 1997 as the Bar Date for Domestic Claims and setting February 14, 1997 as the Bar Date for Claims held by Implant Claimants who continuously maintained their residence outside of the United States, its territories and Puerto Rico during the period from September 15, 1996 through November 15, 1996. Pursuant to the Bar Order, written notice of the Bar Date was mailed to approximately 844,000 potential Claimants and other parties in interest and an extensive domestic and foreign advertising campaign was conducted.

I. Estimation Procedures/Scientific Advisory Panel Motions. The jurisdictional statutes relating to bankruptcy prohibit the Court from conducting trials to allow or disallow Claims for personal injury for purposes of receiving distributions in the Case, and vest such authority in the District Court. Nevertheless, the Court may estimate those unliquidated Claims for other purposes, such as for confirming a plan of reorganization. This authority is provided to allow for the efficient administration of the bankruptcy case, which usually cannot be delayed to provide for the final liquidation and allowance of all Claims.

On February 15, 1996, DCC filed its Motion to Estimate Tort Claims and to Establish Estimation Hearing Procedures (the **''Estimation Procedures Motion''**) proposing, *inter alia*, a schedule for the filing of pleadings, the designation of expert witnesses, and other discovery matters in connection with proposed estimation hearings to commence in the fall of 1996. On March 5, 1996, the Tort Committee filed its Motion of Tort Claimants' Committee for Order Approving and Establishing Procedures to Estimate Debtor's Aggregate Tort Liability for Plan Feasibility Purposes (the **''TCC Estimation Motion''**), proposing its own suggested structure for tort claims estimation.

DCC also filed on February 15, 1996, a Motion for the Appointment of an Independent Panel of Scientific Experts Under Federal Rule of Evidence 706 (the **''Scientific Advisory Panel Motion''**), seeking the appointment of an independent panel of scientific experts, chosen by the Court alone, to review the state of collected scientific information on the interconnection, if any, of breast implants and various disease claims. The proposed panel would provide the Court with a report to assist it in the estimation process.

Although a hearing on the Estimation Procedures Motion and the Scientific Advisory Panel Motion was set to commence on March 7, 1996, such hearing was continued pursuant to the Suspension Order. Following the termination of the Suspension Order, the Court conducted extensive pre-trial hearings on the Estimation Procedure Motion, the TCC Estimation Motion and the Science Advisory Panel Motion on May 16-17, 1996. The Court held a hearing on the estimation motions on July 18-19, 1996, and announced its intention to issue an opinion and order regarding both motions.

On May 12, 1997, the Court made available a draft order on estimation, subject to a confidentiality order, which was reviewed by attorneys for the Debtor, the Shareholders, the Committees, and several other parties in interest. After reviewing the comments from those parties, on July 29, 1997, the Court issued an Order and a separate, extensive Opinion (collectively, the **''Estimation Ruling''**) on the Estimation Procedures Motion, the TCC Estimation Motion, and the Scientific Advisory Panel Motion.

In the Estimation Ruling, the Court indicated it would recommend to the District Court that the Breast Implant Disease Claims should be liquidated through one or more common-issue causation trials in the event either a Consensual Plan is not possible or if the Court denies the pending Motion for Summary Judgment filed by DCC with respect to the Disease Objection (discussed below). The Court also indicated that it would recommend that the District Court utilize a

scientific advisory panel to assist in the liquidation of these Claims. The Court further stated that if the plaintiffs won the Causation Trial, some form of collective adjudication, rather than a lengthy series of individual trials, should be employed to resolve the remaining aspects of the disease Claims. The Court recommended that in these circumstances the District Court decide individual causation and damages issues through extrapolation from the results of jury trials of randomly selected implant Claims. The Court observed that the careful and prudent design and implementation of a collective adjudication method would protect the legitimate rights of all parties. The Court noted in particular that Personal Injury Claimants would likely be willing to give up their statutory right to individual jury trials in order to participate in a sampling process that could resolve their Claims much more quickly. The Court recognized that if these issues were handled by the District Court, its decisions would be binding, whereas if the Court handled the same issues via an estimation process, the results would not necessarily be binding. Thus, to avoid possible duplication of effort, *e.g.*, trying the causation issue once in the Court and again in the District Court, the Court denied the Scientific Advisory Panel Motion (without prejudice to being renewed at another time), the Estimation Procedures Motion, and the TCC Estimation Motion.

Subsequent to the entry of its Estimation Ruling, the Court forwarded it to the District Court as a report and recommendation. The District Court has made no rulings with respect to the recommendations contained therein.

J. Motion to Withdraw the Reference. On May 3, 1996, the Tort Committee filed with the District Court its Motion for Withdrawal of Reference with Respect to Proceedings Involving Estimation or Liquidation of Tort Claims and Related Proceedings (the **''Withdrawal Motion''**). Pursuant to the jurisdictional provisions of the Bankruptcy Code and the related provisions of the United States Code, jurisdiction of bankruptcy matters is given to the district courts, which are in turn authorized to ''refer'' that authority to the bankruptcy courts. Those statutes further provide that a district court, for ''cause shown,'' may withdraw the reference of that authority as to a specific matter or of the case in its entirety.

The Withdrawal Motion asserted that the interrelationship of the claims estimation and liquidation processes, in light of the jurisdictional limitation of the Court's power to conduct trials to liquidate personal injury claims, militated in favor of withdrawing the reference as to the claims estimation matters, which matters were set for hearing on May 16, 1996. The Withdrawal Motion was withdrawn prior to hearing after the Tort Committee failed to obtain a stay of the commencement of the estimation and related hearings pending a hearing of the Withdrawal Motion by the District Court.

On August 19, 1997, the Tort Committee moved in the District Court to transfer to that court all matters relating to valuing and liquidating tort claims, including the matters relating to the plan process (the **''New Withdrawal Motion''**). The New Withdrawal Motion was argued in September 1997, and has not yet been decided by the District Court.

K. MDL Registrations as Proofs of Claim. On June 20, 1996, the Tort Committee filed its Motion Requesting ''Jury View'' of the MDL Claims Facility in Connection With Proceedings by Dow Corning Corporation to Establish a Bar Date and Bankruptcy Claims Facility (the **''Claims Motion''**), seeking, among other things, to have the Court declare that the registrations filed with the claims administrator for the MDL 926 Court were sufficient to qualify as ''claims'' in the Case, thus obviating the need for certain of the Personal Injury Claimants to file proofs of claim in the Case. By its opinion dated July 16, 1996, the Court determined that the MDL registrations, having been filed nearly two years prior to the Petition Date, and further having in many cases not designated a responsible manufacturer against which a claim was made, were insufficient to constitute a proof of claim in the Case. The Tort Committee appealed the Court's ruling to the District Court.

On January 17, 1997, the District Court entered its ruling reversing the Court, finding that certain of the MDL registrations met the necessary qualifications to constitute ''informal'' proofs of claim in the Case. DCC disagreed with the District Court's ruling, and appealed to the Sixth Circuit.

On April 6, 1998, the Sixth Circuit entered its opinion and order reversing the District Court, finding that a ''prepetition filing is not converted to a proof of claim upon the declaration of bankruptcy,'' and concluded that the registrations filed by the MDL Claimants did not constitute formal or informal proofs of claim. The Sixth Circuit further found that the transfer of claims which had been pending prepetition to the Eastern District of Michigan did not convert the MDL registrations into documents filed in bankruptcy.

L. Omnibus Objection to Implant Claims. On April 7, 1997, the Debtor filed an Omnibus Disease Objection to Breast Implant Claims (the **''Disease Objection''**), together with an Omnibus Supplemental Objection to Implant

Claims, a motion regarding procedures relating to the objections, and a motion for summary judgment with respect to the Disease Objection. The Disease Objection and the related summary judgment motion assert that there is no sufficient scientific evidence or expert opinion testimony admissible under the standards established in *Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579 (1993), to support a finding, by a court or jury, that it is more likely than not that silicone-gel breast implants cause any disease asserted by Breast Implant Claimants. Certain limited pre-trial proceedings were held before the Court with respect to the Disease Objection and the related matters in September 1997.

On November 20, 1997, the Court entered its Opinion on Court's Authority to Decide Dow Corning's Motion for Summary Judgment on its Omnibus Disease Objection to Breast Implant Claims, in which the Court determined that the prohibition against the Court's presiding over the liquidation of individual Breast Implant Claims did not preclude its consideration of pre-trial matters, including the legal sufficiency of evidence and the potential disallowance of such Claims on summary judgment. Thus, the Court determined that it could hear and determine Dow Corning's summary judgment motion as it was within the Court's ''core'' jurisdiction.

On December 19, 1997, the Court entered its Supplemental Opinion on Debtor's Motion for Summary Judgment on Omnibus Disease Claim Objection, announcing its decision that it would not rule on the summary judgment motion. The Court found that, notwithstanding its view that it had jurisdiction to consider the motion, its ruling could potentially conflict with the District Court's views on the related claims against the Shareholders pending in the District Court and thus cause significant inconsistent results that could not be harmonized by appeal. The Court therefore issued its concurrent Report on Dow Corning Corporation's Motion for Summary Judgment on Its Omnibus Disease Claim Objection, recommending the District Court's withdrawal of the reference to the Court of both the Disease Objection and the related Motion for Summary Judgment. On February 2, 1998, the District Court issued its Order partially withdrawing the reference (leaving responsibility for certain administrative matters relating to the Disease Objection with the Court), as recommended by the Court.

M. Appointment of Judge Pointer. On April 7, 1997, the Debtor filed its Motion for a Certificate of Necessity Pursuant to 28 U.S.C. § 292(d) (the **''Rule 292 Motion''**) with the Chief Judge of the Sixth Circuit, seeking the temporary assignment of U.S. District Judge Sam C. Pointer, Chief Judge of the Northern District of Alabama, to preside in breast implant-related matters, and specifically, issues related to disease causation, in the Case. Judge Pointer has presided over breast implant claims in the MDL 926 Court since those claims were consolidated in 1992.

On June 29, 1997, the Chief Justice of the United States, upon the certification of necessity by the Chief Judge of the Sixth Circuit, entered an order, styled Designation and Assignment of a Chief United States District Judge for Service in Another Circuit (the **''Pointer Designation''**), approving the requested relief and appointing Judge Pointer ''for the purpose of presiding over all breast implant and non-breast implant personal injury claims arising out of the reorganization of the Dow Corning Corporation and cases against the shareholders of the Dow Corning Corporation that have been transferred to the Eastern District of Michigan.''

Subsequent to the entry of the Pointer Designation, Judge Denise Page Hood, the district judge of the District Court before whom matters relating to the Case are pending, and Judge Pointer have indicated to the parties that they intend to work cooperatively in exercising jurisdiction over Breast Implant related matters.

N. Appointment of Mediator and Agreement on Terms of Joint Plan. On November 5, 1997, the Court, citing the pendency of the Disease Objection, and contested matters relating to the Plan and Disclosure Statement, appointed Francis E. McGovern, professor of law at Duke University School of Law and a recognized authority in the area of mass tort litigation and mass claims resolution, as mediator ''to assist the parties in resolving their disputes, and to help bring the parties to agreement upon a plan of reorganization.'' On November 11, 1997, the District Court, based on the pendency of several matters, including matters on appeal from the Court, and its jurisdiction over the related Claims against the Shareholders, appointed Professor McGovern as mediator. Thereafter, Professor McGovern commenced his meetings with the various parties in the Case. Over the next several months, Professor McGovern continued to meet with the representatives of DCC, the Shareholders and the Tort Committee in an attempt to reach agreement on the terms of a proposed joint plan of reorganization. Those efforts resulted in the execution on July 7, 1998 of a term sheet binding the parties to an agreement for the treatment of Personal Injury Claims in the Case and in the execution of subsequent addenda to the term sheet in September and November, 1998 resolving issues arising in the course of finalizing the agreements described in the term sheet, all leading to the filing of the Plan.

O. Appointment of Rule 706 Panel in the MDL Case. In a series of orders entered in 1996, Judge Pointer appointed in the MDL a national scientific panel (the **''706 Panel''**) to address, pursuant to Federal Rule of Evidence

706, whether existing studies, research and reported observations provide a reliable scientific basis to support the conclusion that silicone gel breast implants cause or exacerbate a variety of alleged classical or atypical diseases, syndromes or conditions. The 706 Panel conducted two public hearings and heard testimony and argument presented by parties to the MDL, and has heard commentary and input from selected experts.

On November 30, 1998, the 706 Panel released its report. The 706 Panel concluded that scientific studies completed to date do not provide consistent evidence that silicone breast implants cause systemic illness in humans. Dow Corning believes that this report will make it significantly more difficult in the future for women to win in court on claims that breast implants caused a systemic illness and will lead most courts to dismiss such claims before trial. The Tort Committee believes that the report ignores substantial scientific evidence of disease causation and that any impact the 706 Panel's scientific views will have on breast implant lawsuits is impossible to predict until the testimony of the 706 Panel members is taken later this year. Until that process is completed, the report cannot be used in court proceedings.

The Debtor has not participated in the proceedings before the 706 Panel. At a joint status conference held by the Court and the District Court, the parties agreed that the report of the 706 Panel could have a material effect on the Case. The Court therefore entered its order on February 2, 1998, modifying the automatic stay to allow the parties in this Case, including the Debtor, to participate in proceedings before the 706 Panel, including requiring the Debtor to provide information to the 706 Panel, allowing the parties to participate by submission of written inquiries to the 706 Panel through its counsel, and allowing the parties to participate in discovery of the 706 Panel after its report is issued.

ARTICLE VI

DESCRIPTION OF THE PLAN

THE FOLLOWING DESCRIPTION OF THE PLAN IS QUALIFIED BY THE ACTUAL PROVISIONS OF THE PLAN AND THE PLAN DOCUMENTS. TO THE EXTENT THE PROVISIONS OF THE PLAN OR THE PLAN DOCUMENTS DIFFER FROM THE DESCRIPTION SET OUT BELOW, THE PROVISIONS OF THE PLAN AND THE PLAN DOCUMENTS SHALL CONTROL.

6.1 Classification of Claims and Interests.

A. General. The Bankruptcy Code requires DCC to classify Claims asserted against its estate. The Bankruptcy Code prohibits dissimilar creditors from being placed within the same class. Except for such prohibition, the Bankruptcy Code is silent as to other guidelines to be used in classification. Generally, every secured creditor is classified within a separate class. This is necessary because a secured creditor's rights against unique collateral are generally considered to be sufficiently dissimilar from any other creditor's rights to allow for joint classification. Priority claims, except for Bankruptcy Code section 507(a)(1), (2) and (8) claims, are generally classified within the same class. Except with respect to Class 3 (Convenience Class) Claims, which shall not be aggregated, if a Claimant or an Interest Holder has more than one Claim or Interest in the same class, such Claims or Interests shall be aggregated and treated as a single Claim or a single Interest, but if a Claimant and/or Interest Holder has Claims and/or Interests in different classes, such Claims and/or Interests shall only be aggregated within the same class and not between classes. Additionally, if a Claim has been acquired or transferred, the Claim shall be placed in the class in which it would have been placed if it were owned by the original holder of such Claim.

B. Unclassified Claims. As provided in the Bankruptcy Code, certain groups of Claims (or potential Claims) are not classified for treatment under the Plan. Those Claims are listed herein.

1. Administrative Claims. This group consists of all Administrative Claims allowed under section 507(a)(1) of the Bankruptcy Code. Most of the Claims in this category consist of the ''hold-back'' portions of Claims for professional fees for various professionals (attorneys, accountants, financial advisors, etc.) retained by permission of the Court. It is estimated that the amount owing to this group of Claims will total $2.4 million as of the Effective Date. Also within this group of potential Claims, but not quantified, are obligations generally incurred in the ordinary course of the operations of DCC, which claims shall be paid according to the agreed terms with those parties.

2. Priority Tax Claims. This group consists of all Claims for taxes allowable under section 507(a)(8) of the Bankruptcy Code. DCC estimates this group of Claims to aggregate $4.3 million.

C. Classes. For the purposes of the Plan, those Claimants holding Claims against, or Shareholders holding Interests in, the Debtor are grouped in the following classes in accordance with section 1122(a) of the Bankruptcy Code.

1. Class 1—Other Priority Claims. Class 1 consists of all Priority Claims against DCC arising under section 507(a)(2) through (7) of the Bankruptcy Code. DCC is not aware of any Claims that may fall into this class.

2. Class 2—Secured Claims. Class 2 consists of all Secured Claims against DCC. The Class 2 Claims consist of potential setoff rights held by vendors to DCC, which claims are believed to be nominal, and the mechanics lien claims asserted against the Debtor's corporate center, Midland, Michigan plant and Hemlock, Michigan facilities, in the aggregate approximate amount of $760,000. Although their treatment is summarized within a single class in the Plan, to conform to the requirements of the Bankruptcy Code, each holder of a Secured Claim will be considered to be classified within a separate subclass of Class 2, *i.e.*, Class 2A, Class 2B, etc.

3. Class 3—Convenience Claims. Class 3 consists of all Unsecured Claims (other than Public Debt Claims) against DCC of $10,000.00 or less, *provided*, that, if the holder of an Unsecured Claim in an amount greater than $10,000.00 shall make an election to reduce such Claim to $10,000.00, such Claim shall be treated as a Convenience Claim for all purposes. The election shall be made on the ballot for accepting or rejecting the Plan, completed and returned within the time fixed by order of the Court. Making this election shall be deemed to be a waiver by such electing holder of any right to participate in Class 4 as to any and all Claims held by such holder. This class is estimated to be comprised of approximately 3,000 Claimants having Claims aggregating (in principal amount) approximately $4.65 million.

4. Class 4—Unsecured Claims. Class 4 consists of all Unsecured Claims against DCC not classified in any other Class. As part of the Plan, interest will accrue on these Claims from the Petition Date to the Effective Date, at the Case Interest Rate of 6.28%, compounded annually on each anniversary of the Petition Date. The Class 4 Claims are estimated by DCC to be comprised of the following amounts of principal and interest, assuming an Effective Date of June 30, 1999:

CLASS 4 CLAIM SUMMARY[12]			
	Principal and Interest on Petition Date	**Interest Accrual at 6.28% (through 6/30/99)**	**Total Principal and Interest (6/30/99)**
Short-Term Loans/Revolver			
Revolver-BofA	$100.8	$28.9	$129.7
Revolver-BofA	50.1	14.3	64.4
Revolver-BofA	110.6	31.7	142.3
Revolver-BofA	115.6	33.1	148.7
Loans and Public Debt Claims			
1995 Medium Term Notes	$5.0	$1.4	$6.5
1996 Medium Term Notes	10.0	2.9	12.9
1998 Medium Term Notes	10.0	2.9	12.9
2001 Medium Term Notes	9.5	2.7	12.3
9.375% Debentures (due 2008)	77.0	22.0	99.0
8.15% Debentures (due 2029)	50.3	14.4	64.7
Nippon Life (3.0B Yen-payable in Yen)	23.0	6.6	29.6
Credit Lyonnais	25.4	7.2	32.5
First National Bank of Chicago	7.2	2.0	9.2
Bank of New York	20.2	5.7	25.9
Comerica	10.0	2.9	12.9
Bank of Tokyo Term	20.3	5.7	26.0
Other Debt			
Trade Payables[13]	61.6	17.6	79.1
Forward Contracts	24.3	6.9	31.2
Swaps	47.9	13.7	61.6
Pre-Petition Personal Injury Settlements	31.3	8.9	40.2
Miscellaneous Claims	200.0	57.2	257.2
Total	**$1,010.1**	**$288.8**	**$1,298.9**

12 Amounts in this table are in millions of dollars.

13 The aggregate amount of Trade Payables is undisputed; the Debtor is reviewing its records to determine whether disputes remain as to individual Claims.

5. Class 4A—Prepetition Judgment Claims. Class 4A consists of the Claims of certain Personal Injury Claimants whose Claims were resolved by judgments entered prior to the Petition Date, which judgments were either on appeal or as to which the time for taking an appeal had not expired as of the Petition Date and were consequently stayed by the filing of the Case. Four Claimants in this Class obtained judgments against the Debtor: Rebecca and Robert Stabile, who obtained a judgment in the aggregate amount of $1,745,000 entered on February 16, 1995, and Gladys and Robert Laas, who obtained a judgment in the aggregate amount of $5,230,000 entered on April 25, 1995. Dow Corning obtained judgment in its favor with respect to the other Class 4A Claimants, Jennifer Ladner, Tammy Turner and Harla Jean Gossett.

6. Class 4B—DCC Guaranty Claims. Class 4B consists of the holders of guaranty agreements executed by the Debtor with respect to the operations of certain of its Subsidiaries. There are 12 holders of Claims in Class 4B, which entities are listed in section 4.3 of this Disclosure Statement. The total of such contingent Claims is approximately $82 million. All the underlying obligations of the Subsidiaries are current, and no defaults are anticipated with respect to these Claims.

7. Class 5—Domestic Breast Implant Personal Injury Claims. Class 5 consists of the Breast Implant Personal Injury Claims against DCC held by Claimants who are not defined below as ''Foreign.'' (Claimants not meeting the criteria to be classified as **''Foreign''** are referred to herein and in the Plan as **''Domestic''** Claimants). This class is estimated to include approximately 135,000 Breast Implant Users, not including Rule 3005 Claimants or supplemental Claims. Dow Corning disputes its liability to substantially all of these Claimants.

8. Classes 6.1 and 6.2—Foreign Breast Implant Personal Injury Claims. Classes 6.1 and 6.2 consist of the Breast Implant Personal Injury Claims against DCC held by Claimants who are not citizens of the United States, are not resident aliens within the United States, Puerto Rico, the territories and possessions of the United States, or a United States military facility (such geographic areas being referred to herein as the **''Greater U.S.''**), or who reside outside the Greater U.S., *and* whose implant procedures occurred outside the Greater U.S. (Claimants meeting these criteria are referred to herein and in the Plan as **''Foreign''** Claimants.) Class 6.1 includes Foreign Claimants in Category 1 and 2 countries (see **Exhibit ''C''**) and is estimated to include approximately 11,500 to 13,500 Breast Implant Users, not including Rule 3005 Claimants. Class 6.2 includes Foreign Claimants in Category 3 and 4 countries (see **Exhibit ''C''**) and is estimated to include approximately 8,000 Breast Implant Users, not including Rule 3005 Claimants. Dow Corning disputes its liability to substantially all of these Claimants.

9. Class 6A—Quebec Class Action Settlement Claimants. Class 6A consists of the settling members of the class of plaintiffs in a class action filed in the province of Quebec against DCC and its subsidiary, DC Canada, asserting Claims relating to Breast Implants. There are approximately 7,500 members of the class action in Quebec. Although DCC disputes its liability to the Class 6A Claimants, the Claims are to be resolved pursuant to the Quebec Breast Implant Settlement Agreement.

10. Class 6B—Ontario Class Action Settlement Claimants. Class 6B consists of the settling members of the class of plaintiffs in class action filed in the province of Ontario against DCC and its subsidiary, DC Canada, asserting Claims relating to Breast Implants. There are approximately 2,500 Breast Implant Users who are members of the class action in Ontario. Although DCC disputes its liability to the Class 6B Claimants, the Claims are to be resolved pursuant to the Ontario Breast Implant Settlement Agreement.

11. Class 6C—B.C. Class Action Settlement Claimants. Class 6C consists of the settling members of the class of plaintiffs in a class action filed in the province of British Columbia against DCC and its subsidiary, DC Canada, asserting Claims relating to Breast Implants. The affected plaintiffs include those resident Claimants in British Columbia who do not opt out of the class action or those Claimants who are resident of any province of Canada other than British Columbia, Quebec and Ontario who timely elect to be bound by the class action. There are approximately 4,100 Breast Implant Claimants who are members of the class action in British Columbia. Although DCC disputes its liability to the Class 6C Claimants, the Claims are to be resolved pursuant to the B.C. Class Action Settlement Agreement.

12. Class 6D—Electing Australia Breast Implant Settlement Claimants. Class 6D consists of the Breast Implant Claimants who are residents of Australia or who received their implants in Australia and who timely elect to participate under the Australia Breast Implant Settlement Option by indicating their election on their ballot on the Plan. Breast Implant Claimants eligible to participate in Class 6D have asserted Claims against DCC or its subsidiary, Dow Corning Australia PTY, Ltd. There are approximately 4,500 Breast Implant Users eligible to participate in Class 6D, not including Rule 3005 Claimants who will have only limited options to participate and

Raw Material Claimants who will be entitled to receive a limited fixed payment amount. Although DCC disputes its liability to the Class 6D Claimants, the Claims of Claimants who elect to participate will be resolved pursuant to the Australia Breast Implant Settlement Option.

13. Class 7—Silicone Material Claims. Class 7 consists of the Silicone Material Claims against DCC (other than those held by Claimants in Classes 6B, 6C and 6D). These Claims arise from implantation of a Non-Dow Corning Breast Implant manufactured by a United States-based manufacturer using a medical grade gel system purchased from Dow Corning. This class is estimated to include approximately 100,000 Claimants who claim to have been implanted, not including Rule 3005 Claimants. Dow Corning disputes its liability to these Claimants.

14. Class 8—Miscellaneous Raw Material Personal Injury Claims. Class 8 consists of the Miscellaneous Raw Material Personal Injury Claims against DCC other than those held by Claimants in Classes 6B, 6C, 6D and 7. This class is estimated to include up to 50,000 Claimants who claim to have been implanted, not including Rule 3005 Claimants. Dow Corning disputes its liability to these Claimants.

15. Class 9—Domestic Other Products Personal Injury Claims. Class 9 consists of the Other Products Personal Injury Claims against DCC held by Domestic Claimants. This class is estimated to include approximately 17,000 Other Products Personal Injury Claimants who assert they have or had a Dow Corning Covered Other Product, not including Rule 3005 Claimants. Dow Corning disputes its liability to substantially all of these Claimants.

16. Classes 10.1 and 10.2—Foreign Other Products Personal Injury Claims. Class 10.1 consists of the Other Products Personal Injury Claims against DCC held by Foreign Claimants in Category 1 and 2 countries (see **Exhibit ''C''**). This class is estimated to include approximately 2,300 Other Products Personal Injury Claimants who assert they have or had a Covered Other Product. Class 10.2 consists of the Other Products Personal Injury Claims against DCC held by Foreign Claimants in Category 3 and 4 countries (see **Exhibit ''C''**). This class is estimated to include approximately 100 Covered Other Products Personal Injury Claimants who assert they have or had a Dow Corning Other Product. Dow Corning disputes its liability to substantially all of these Claimants.

17. Class 11—Co-Defendant Claims. Class 11 consists of the parties who have been named or have been aligned as co-defendants with the Debtor in litigation with respect to Personal Injury Claims that are not otherwise classified. These Claimants include, without limitation, Baxter Healthcare Corp., Baxter International, Inc., Minnesota Mining & Manufacturing Co., and Bristol-Myers Squibb Company. The amount and allowability of these Claims are disputed.

18. Class 12—Physician Claims. Class 12 consists of the Claims of Physicians with respect to Personal Injury Claims involving Breast Implants, Non-Dow Corning Breast Implants and Other Products. These Claims include Physician Tortious Conduct Claims such as for loss of profit or damage to reputation allegedly caused by, among other things, Dow Corning's alleged misrepresentation about the extent and results of Dow Corning's implant testing, and Physician Claimants' reliance thereon in providing their patients medical services involving Dow Corning's Breast Implants and Other Products. They also include Physician Products Liability Reimbursement Claims (a) arising in connection with litigation or Claims asserted by implant recipients against both the Physician Claimant and Dow Corning and (b) alleging that the Physician Claimant and Dow Corning are both liable or potentially liable for injuries allegedly sustained by the implant recipients. The amount and allowability of these Claims are disputed.

19. Class 13—Health Care Provider Claims. Class 13 consists of the Claims of Health Care Providers with respect to Personal Injury Claims involving Breast Implants, Non-Dow Breast Implants and Other Products. The amount and allowability of these Claims are disputed.

20. Class 14—Domestic Health Insurer Claims. Class 14 consists of the Claims of Domestic Health Insurers for payments made or to be made on behalf of Personal Injury Claimants. The amount and allowability of these Claims are disputed.

21. Class 14A—Foreign Health Insurer Claims. Class 14A consists of the Claims of Foreign Health Insurers for payments made or to be made on behalf of Personal Injury Claimants. The amount and allowability of these Claims are disputed.

22. Class 15—Government Payor Claims. Class 15 consists of the Claims of Government Payors with respect to their Other Claims against DCC. The amount and allowability of these Claims are disputed.

23. Class 16—Shareholder Claims. Class 16 consists of the Claims of the Shareholders arising with respect to liabilities for Personal Injury Claims. The amount and allowability of these Claims are disputed.

24. Class 17—General Contribution Claims. Class 17 consists of all Claims for indemnity, contribution, subrogation or the like which are not treated within classes 11 through 16. The amount and allowability of these Claims are disputed.

25. Class 18—LTCI Personal Injury Claims. Class 18 consists of the LTCI Personal Injury Claims against DCC. This Class is estimated to be comprised of approximately 5,900 Claimants. The amount and allowability of these Claims are disputed.

26. Class 19—LTCI Other Claims. Class 19 consists of the LTCI Other Claims against DCC. The amount and allowability of these Claims are disputed.

27. Class 20—Intercompany Claims. Class 20 consists of the Intercompany Claims against DCC. The Class 20 Claims, net of offsets previously authorized, aggregate approximately $25.02 million.

28. Class 21—Subordinated Claims. Class 21 consists of Subordinated Claims against DCC. DCC is not aware of any Claims that would be allowable in Class 21. If Claims are Allowed with respect to the pending securities law or shareholder derivative actions, *see* section 3.4(E) above, the Debtor will seek to have such Claims subordinated pursuant to section 510 of the Bankruptcy Code.

29. Class 22—Environmental Claims. Class 22 consists of the Environmental Claims against DCC. DCC maintains an accrued reserve for accounting purposes for Class 22 Claims in the aggregate amount of $7.8 million.

30. Class 23—Retiree Benefit Claims. Class 23 consists of the Claims for payments to any entity or person for the purpose of providing or reimbursing payments for retired employees of Dow Corning and their spouses and dependents, for medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability or death under any plan, fund, or program established by Dow Corning prior to the Petition Date.

31. Class 24—Interests. Class 24 consists of the Shareholders of DCC: Dow Chemical (which holds its Interest through a wholly-owned subsidiary, Dow Holdings, Inc.) and Corning.

6.2 Impaired Classes. Classes 4 through 21 (excepting Class 4B) and 24 are impaired under the Plan. The Proponents are seeking acceptances of the Plan by Claimants in these classes.

6.3 Non-Voting and Unimpaired Classes. Claimants holding Claims classified in Class 1 shall receive the treatment prescribed for their Claims under the Bankruptcy Code. Therefore, such Claimants are not entitled to vote on the Plan, and the Debtor will not solicit acceptances of the Plan from such Claimants. Claimants holding Claims classified in Classes 2, 3, 4B, 22 and 23 are unimpaired and are conclusively presumed to have accepted the Plan under the provisions of section 1126(f) of the Bankruptcy Code, and the Proponents will not solicit acceptances of the Plan from the Claimants holding such Claims.

6.4 Treatment of Claims and Interests.

A. General. The Claims and Interests, as classified in section 6.1 above, shall be satisfied in the manner set forth in this section 6.4.

B. Other Priority Claims—Class 1. All Allowed Other Priority Claims shall be paid by the Reorganized Debtor either (a) in full, in cash, as soon as practicable after the Effective Date (or, if later, the Allowance Date) or (b) upon such terms as may be agreed to in writing by such Claimant and the Reorganized Debtor.

C. Secured Claims—Class 2. Class 2 shall consist of separate subclasses for each Claim secured by a Security Interest in or Lien upon property in which the Debtor has an interest, as appropriate. Each subclass is deemed to be a separate class for all purposes under the Bankruptcy Code. The legal, equitable and contractual rights of Persons holding Allowed Secured Claims in any subclass of Class 2 will either (a) not be altered by the Plan or (b) at the option of the Debtor, will be treated in any other manner that will result in such Allowed Secured Claims being deemed unimpaired under section 1124 of the Bankruptcy Code.

D. Convenience Claims—Class 3. Any person holding an Allowed Convenience Claim shall be entitled to receive as soon as practicable after the Effective Date, or, if later, the Allowance Date, payment of its Allowed Claim in cash.

E. Unsecured Claims—Class 4. Each Allowed Unsecured Claims in Class 4 shall include interest thereon from the Petition Date through the Effective Date at the Case Interest Rate, and such fees, costs and expenses (including liquidated damages or prepayment penalties), but only to the extent such fees, costs and expenses are allowable under applicable law. The Case Interest Rate is the Federal judgment rate in effect on the Petition Date (6.28%), which amount is compounded annually on each anniversary of the Petition Date.

Each Claimant holding an Allowed Unsecured Claim will receive, as payment in full, as soon as practicable following the Effective Date (or, if later, the Allowance Date), the sum of (a) a cash payment equal to the lesser of 24% of the holder's Allowed Unsecured Claim or a pro rata share of $315.6 million and (b) Senior Notes in a principal amount equal to the balance of the Allowed Unsecured Claim. In the event the Court determines that the treatment of Class 4 does not satisfy the requirements of either section 1129(a)(7) or, in the event confirmation is sought pursuant to section 5.18 of the Plan, section 1129(b) of the Bankruptcy Code, the Proponents shall propose amendments to the Plan to ensure its compliance with the requirements of section 1129 of the Bankruptcy Code, and thereafter request confirmation of the Plan, as amended.

To the extent distributions in respect of any Allowed Class 4 Claims are not made on the Effective Date, interest shall accrue on the unsatisfied portion of such Allowed Class 4 Claim from the Effective Date until the date on which distribution is actually made in respect thereof at the rate set for the initial issuance of Senior Notes under the Plan, compounded on each interest payment date under the Senior Notes so issued. All such interest shall be paid in cash at the time distributions in respect of such Claim are made.

The Senior Notes will mature on the tenth anniversary of the Effective Date, on which date the entire principal balance will be paid as a single balloon payment, with interest, which shall accrue from and after the Effective Date, payable in semi-annual installments at the Plan Interest Rate.

The interest rate on the Senior Notes shall be computed based upon a formula or procedure (a ''Rate Setting Procedure'') that is determined by the Court at the confirmation hearing to result in the Senior Notes having a value, as of the effective date of the Plan (within the meaning of section 1129 of the Bankruptcy Code), that is equal to the principal amount of the Senior Notes. Prior to the confirmation hearing, the Proponents shall attempt to reach agreement with the Commercial Committee regarding the Rate Setting Procedure. Absent agreement between the Proponents and the Commercial Committee, the Proponents will request a Rate Setting Procedure providing that the interest rate be set by establishing a financial reference point, such as the interest rate on 10-year U.S. Treasury securities as of the Effective Date, and providing for a certain basis point spread above such reference rate, resulting in automatic adjustments to account for changes in market conditions between the Confirmation Date and the Effective Date. Upon the motion of the Debtor or the Commercial Committee, and after notice and a hearing prior to the Effective Date, the Court shall approve a modification of the Rate Setting Procedure if the Court determines, prior to the Effective Date, that due to changed circumstances the Rate Setting Procedure approved at the confirmation hearing is no longer adequate to cause the Senior Notes to have a value, as of the effective date of the Plan, that is equal to their principal amount.

The terms of the Senior Notes indenture governing covenants and events of default are described in Exhibit ''D'' to the Plan.

The Debtor shall use its commercially reasonable best efforts to obtain a preliminary indication from the rating agencies of a rating for the Senior Notes prior to the confirmation hearing and will use its reasonable best efforts to obtain an investment grade rating for the Senior Notes prior to the Effective Date from at least two of the following credit rating agencies: Standard & Poor's, Moody's, Fitch, and Duff & Phelps, with at least one of the ratings to be from Standard & Poor's or Moody's. The Debtor cannot, however, state with certainty what rating will be obtained, or

indeed, whether a rating will be obtained at all. The Debtor shall prepare and file an application to list the Senior Notes on the New York Stock Exchange and shall use its reasonable best efforts to cause the Senior Notes to become so listed no later than the Effective Date.

The Debtor shall file a registration statement with the Securities and Exchange Commission prior to the Effective Date to effect the registration of the Senior Notes under the Securities Exchange Act of 1934, and shall use its reasonable best efforts to cause the Registration Statement to become effective no later that than the Effective Date (or as soon thereafter as possible). On the Effective Date, the Debtor shall enter into a registration rights agreement providing certain demand and piggyback registration rights for certain of the holders of the Senior Notes.

F. Prepetition Judgment Claims—Class 4A. On the Effective Date, the post-confirmation injunction provided in the Confirmation Order will be modified to the limited extent required to allow the exhaustion of any post-judgment appeals in connection with any pre-petition judgment Claims. The Litigation Facility will be substituted for the Debtor as party to the appeals; the appeals will be prosecuted in the appellate courts of the jurisdictions in which the written judgments were obtained. If the final resolution of the appeal is in favor of the Prepetition Judgment Claimant, the amount of the judgment, as finally determined on appeal (whether by settlement, remittitur or affirmance), shall be treated and paid in the same manner as Class 4 Claims under the Plan. If the appeal results in an order remanding the matter for new trial as to liability and/or damages, the holder of the Prepetition Judgment Claim shall have the Claim resolved through litigation in the Litigation Facility. The limited modification of the post-confirmation injunction provided above shall not otherwise affect or limit the effect of the release and injunction provisions of sections 8.3 through 8.5 of the Plan.

G. DCC Guaranty Claims—Class 4B. The holders of DCC Guaranty Claims shall retain their Claims, if any, against DCC, and the Plan leaves unaltered the legal, equitable and contractual rights to which such Claims entitle the holders thereof.

H. Domestic and Foreign Personal Injury Claims—Classes 5 through 10.2 (Other Than Claims in Classes 6A, 6B, 6C and 6D)[14]. Dow Corning proposes to resolve the Personal Injury Claims in Classes 5 through 10.2 by either settling Claims pursuant to the terms of the Settlement Facility Agreement or litigating Claims pursuant to the terms of the Litigation Facility Agreement. To this end, the Plan is designed to compensate Settling Personal Injury Claimants through the settlement options provided under the Settlement Facility.

All holders of Personal Injury Claims (other than (i) Miscellaneous Raw Material Claimants and (ii) Other Products Claimants whose Claims do not arise from a Covered Other Product, whose Claims will be processed in the Litigation Facility) who timely return Participation Forms and elect to settle their Claims, and those that do not timely return Participation Forms, shall become Settling Personal Injury Claimants and their Claims shall be resolved in the Settlement Facility. All Personal Injury Claimants who timely return Participation Forms and elect to litigate their Claims shall be treated as Non-Settling Personal Injury Claimants and their Claims shall be resolved by the Litigation Facility.

To maximize the recovery to Settling Personal Injury Claimants, section 5.10 of the Plan proposes, to the extent the Court deems it allowed by law, to limit the amounts to be paid to attorneys for Settling Personal Injury Claimants to a range of between 10% and 30% of the Claimants' recovery, depending on the level of compensation to be paid to the Settling Personal Injury Claimant under the Settlement Facility Agreement. Payments under either the Expedited Release Payment Option or the Explantation Payment Option of the Settlement Facility are excluded from the computation of any payment to be made to attorneys for the individual Claimants, and no fee payments may be made with respect to these payments. If the Court does not approve the proposed fee limitation, the rights of the Claimants and their counsel will be governed by the existing arrangements between them or as the Court shall otherwise determine.

Non-Settling Personal Injury Claimants, parties asserting Assumed Third Party Claims, Miscellaneous Raw Material Claimants and Other Products Claimants whose Claims do not arise from use of a Covered Other Product will have their Claims resolved through the procedures established by the Litigation Facility Agreement and the Case Management Order. The terms of the Case Management Order have been negotiated and agreed to by Dow Corning and the Tort Committee, and will be submitted to the District Court for approval prior to the Confirmation Date.

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[14] All discussion in this section 6.4(H) will not apply to the Claimants in Classes 6A, 6B, 6C and 6D, whose treatment is discussed in sections 6.4(I) through (L), which follow.

Under the Case Management Order, the Non-Settling Claimants will either resume existing litigation or initiate suit—in either case against the Litigation Facility. The litigation will proceed first with pre-trial dispositive motion practice. This dispositive motion practice may include a ‘‘*Daubert*’’ hearing to determine if there is sufficient admissible evidence to permit a jury trial as to whether silicone causes systemic diseases. The Manager of the Litigation Facility will seek such a common issues hearing and the Debtor has reserved, on behalf of the Litigation Facility, the right to seek adjudication of other common issues. The Tort Committee has reserved the right on behalf of all individual Personal Injury Claimants to oppose such common issue adjudications. The District Court will decide whether common issue adjudications are appropriate. The Debtor and the Tort Committee have agreed in the Case Management Order that the earliest time the District Court can consider such issues is 270 days after the deadline for opt-out elections. The Litigation Manager will aggressively litigate the merits of the unresolved Claims.

At the conclusion of the pre-trial settlement procedures and/or the common issues/dispositive motion practice, individual cases may be certified for trial, upon the recommendation of the Special Master. The Proponents shall request that, under the Case Management Order, in certifying cases for trial, the District Court shall take into account (i) the status of any appeals regarding *Daubert* or other common issues rulings, (ii) the litigation burdens on the Litigation Facility and the other defendants of multiple trials (including the availability of witnesses and counsel and the manageability of simultaneous trials), (iii) the interest of Claimants in a prompt and fair resolution of their Claims, (iv) the need to assure the integrity of the $400 million Litigation Fund cap and the fair distribution of funds to Claimants, (v) the readiness of the case for trial, and (vi) overall judicial efficiency.

Individual cases will be certified for trial in the federal district court for the Eastern District of Michigan or in the district where the Claims arose. In individual cases that (i) were originally filed in state court and (ii) were not removed to federal court prior to the Petition Date, the cases may be remanded to that state court for trial, subject to the consent of all parties to each individual case to the remand to that court. If remand occurs, the District Court will retain jurisdiction over any issues common to all Breast Implant Claims. The state court to which the case is remanded must agree to be bound by the terms of the Case Management Order.

I. Quebec Class Action Claims—Class 6A. Claims in Class 6A are to be resolved pursuant to the terms of the Quebec Breast Implant Settlement Agreement, provided such agreement is approved by the Court as part of confirmation of the Plan. That agreement provides, in pertinent part, for the treatment described below.

1. Eligible Class 6A Claimants. Eligible Quebec Class Action Settlement Claimants (defined in the Quebec Breast Implant Settlement Agreement as **‘‘Settling Claimants’’**) shall include (i) those Breast Implant Personal Injury Claimants who are among the parties certified as members of the class of claimants in the class action against DCC and its subsidiary, Dow Corning Canada, Inc., and who have not timely elected to opt out of treatment as a member of such class and (ii) those Breast Implant Personal Injury Claimants who elect to opt to participate as Settlement Class Members under the terms of the Quebec Breast Implant Settlement Agreement.

2. Funding. The Reorganized Debtor will provide funding, in the aggregate amount of $37.25 million (nominal), over a seven-year period, to fund the Quebec Class Action Fund.

3. Claim Liquidation. Claims will be processed and paid by administrators under the supervision of the court in Quebec. The claims administrators shall provide information to the Reorganized Debtor and the Court to allow for the coordination of resolution of related claims and to assist the Reorganized Debtor in obtaining reimbursement under available insurance coverage.

4. Payment Grid. Claims shall be processed pursuant to a settlement grid, to be approved by the Quebec court, that adopts the basic eligibility criteria and definitions of compensable conditions of the Plan and provides compensation comparable to the amounts offered (after taking into account the adjustment for foreign domicile) for similar Claims under the Settlement Facility, as well as for Claims in Classes 6B, 6C and 6D.

5. Claims of Family Members. Immediate family members of a Quebec Class Action Settlement Claimant who have themselves timely filed proofs of claim in the Case will be resolved and paid under the terms of the Litigation Facility Agreement.

6. Effect of Opt-Out Elections/Failure to Obtain Court Approval. Class 6A Claimants who timely opted out of the class action in Quebec and who do not timely elect to participate as Settling Claimants shall be treated as Class 6.1 Claimants under the Plan. The time period for opting out of the class action in Quebec has expired. Dow Corning believes that three individuals opted out. If the Court should fail to approve the Quebec Breast Implant Settlement Agreement, Class 6A Claimants shall be treated as Class 6.1 Claimants.

J. Ontario Class Action Claims—Class 6B. Claims in Class 6B are to be resolved pursuant to the terms of the Ontario Breast Implant Settlement Agreement, provided such agreement is approved by the Court as part of confirmation of the Plan. That agreement provides, in pertinent part, for the treatment described below.

1. Eligible Class 6B Claimants. Eligible Ontario Class Action Settlement Claimants (defined in the Ontario Breast Implant Settlement Agreement as **''Settling Claimants''**) shall include (i) those Breast Implant Personal Injury Claimants who are among the parties certified as members of the class of claimants in the class action against DCC and its subsidiary, Dow Corning Canada, Inc., and who have not timely elected to opt out of treatment as a member of such class and (ii) those Breast Implant Personal Injury Claimants, Silicone Material Claimants and Miscellaneous Raw Material Claimants who are not members of the certified class but who timely elect to opt to participate as Settlement Class Members under the terms of the Ontario Breast Implant Settlement Agreement.

2. Funding. The Reorganized Debtor will provide funding, in the aggregate amount of $17.9 million (nominal), over a seven-year period, to fund the Ontario Class Action Fund.

3. Claim Liquidation. Claims will be processed and paid by administrators under the supervision of the court in Ontario. The claims administrators shall provide information to the Reorganized Debtor and the Court to allow for the coordination of resolution of related claims and to assist the Reorganized Debtor in obtaining reimbursement under available insurance coverage.

4. Payment Grid. Claims shall be processed pursuant to a settlement grid, to be approved by the Ontario court, that adopts the basic eligibility criteria and definitions of compensable conditions of the Plan and provides compensation comparable to the amounts offered (after taking into account the adjustment for foreign domicile) for similar Claims under the Settlement Facility, as well as for Claims in Classes 6A, 6C and 6D.

5. Claims of Family Members. The Ontario Breast Implant Settlement Agreement provides for resolution of the Claims of Family Members of such Claimants. Such Family Member Claims shall be resolved out of the payments of the Reorganized Debtor to the Ontario Class Action Fund.

6. Effect of Opt-Out Elections/Failure to Obtain Court Approval. Class 6B Claimants who opted out of the class action in Ontario and who do not timely elect to participate as Settlement Class Members shall be treated as Class 6.1, Class 7 or Class 8 Claimants under the Plan. The time period for electing to opt out of the Ontario class action has expired. Dow Corning believes that 15 members opted out. If the Court should fail to approve the Ontario Breast Implant Settlement Agreement, Class 6B Claimants shall be treated as Class 6.1, 7 or 8 Claimants, as appropriate.

K. B.C. Class Action Claims—Class 6C. Claims in Class 6C are to be resolved pursuant to the terms of the B.C. Class Action Settlement Agreement, provided such agreement is approved by the Court as part of confirmation of the Plan. That agreement provides, in pertinent part, for the treatment described below.

1. Eligible Class 6C Claimants. Eligible B.C. Class Action Settlement Claimants (defined in the B.C. Class Action Settlement Agreement as **''Settling Claimants''**) shall include (i) those Breast Implant Personal Injury Claimants, Silicone Material Claimants and Miscellaneous Raw Material Claimants who are residents of British Columbia having Claims against DCC and its subsidiary, DCC Canada, Inc., and who have not timely elected to opt out of treatment as a member of such class and (ii) those Breast Implant Personal Injury Claimants, Silicone Material Claimants and Miscellaneous Raw Material Claimants who are resident of any Canadian province other than British Columbia, Quebec and Ontario who elect to participate as Settlement Class Members under the terms of the B.C. Class Action Settlement Agreement.

2. Funding. The Reorganized Debtor will provide funding, in the aggregate amount of $25.1 million (nominal), over a seven-year period, to fund the B.C. Class Action Fund.

3. Claim Liquidation. Claims will be processed and paid by administrators under the supervision of the court in British Columbia. The claims administrators shall provide information to the Reorganized Debtor and the Court to allow for the coordination of resolution of related claims and to assist the Reorganized Debtor in obtaining reimbursement under available insurance coverage.

4. Payment Grid. Claims shall be processed pursuant to a settlement grid, to be approved by the British Columbia court, that adopts the basic eligibility criteria and definitions of compensable conditions of the Plan and

provides compensation comparable to the amounts offered (after taking into account the adjustment for foreign domicile) for similar Claims under the Settlement Facility, as well as for Claims in Classes 6A, 6B and 6D.

5. Claims of Family Members. The treatment afforded the Class Members in Class 6C shall be cumulative of the Claims of Family Members of such Claimants, and such Family Member Claims shall be deemed released in consideration of the payments of the Reorganized Debtor to the B.C. Class Action Fund.

6. Effect of Opt-Out and Opt-In Elections/Failure to Obtain Court Approval. Class 6C Claimants who reside in British Columbia and who timely opt out of the class action in British Columbia and the potential Class 6C Claimants who reside in Canadian provinces other than British Columbia, Quebec and Ontario and who do not timely elect to become Settlement Class Members in the class action in British Columbia shall become (or shall remain) Class 6.1, 7 or 8 Claimants under the Plan. The time period for electing to opt either in or out, as applicable, of the class action has not commenced. Following receipt of information regarding the results of the opt-in/opt-out elections in British Columbia, Dow Corning will have 45 days to review and consider the effect of the elections. If, in the view of Dow Corning, the number of opt-outs is excessive or the number of opt-ins is insufficient, it may withdraw from the settlement. Similarly, if materially more than 4,100 ''Primary Claimants'' elect to become Class 6C Claimants, or if the Confirmation Date is delayed beyond December 31, 1999, the Settlement Claimants may withdraw from the settlement. If Dow Corning or the Settlement Claimants withdraw from the settlement or if either the Court or the British Columbia court fails to approve the settlement, Class 6C Claimants shall be treated as Class 6.1, Class 7 or Class 8 Claimants, as appropriate.

L. Australia Breast Implant Claims—Class 6D. Claims in Class 6D are to be resolved pursuant to the terms of the Australia Breast Implant Settlement Option, provided such proposed settlement option is approved by the Court as part of confirmation of the Plan. That settlement option provides, in pertinent part, for the treatment described below.

1. Eligible Class 6D Claimants. Eligible Australia Breast Implant Settlement Claimants (defined in the Australia Breast Implant Settlement Option as **''Settling Australian Claimants''**) shall include those Breast Implant Personal Injury Claimants, Silicone Material Claimants and Miscellaneous Raw Material Claimants who reside in Australia or who received their Breast Implants in Australia and who timely register to participate as Settling Australian Claimants under the terms of the Australia Breast Implant Settlement Option.

Claimants may not participate in the Australia Breast Implant Settlement Option if they (i) have accepted compensation from Dow Corning and/or the Released Parties related to any Dow Corning Breast Implant Claim other than under the program operated by Dow Corning Australia PTY Ltd. from 1992 through 1996 that provided reimbursement for certain removal expenses; (ii) have released Dow Corning and/or the Released Parties with respect to any Dow Corning Breast Implant Claim; or (iii) have had dismissed with prejudice any action against Dow Corning and/or the Released Parties with respect to any Dow Corning Breast Implant Claim. Eligible Australian Breast Implant Settlement Claimants release all options to pursue remedies other than under the Australia Breast Implant Settlement Option upon registration and should therefore carefully consider their options before making an election to participate.

2. Funding. The Reorganized Debtor will provide funding, in the aggregate amount of up to $36 million (nominal), over a seven-year period, to fund the Australia Breast Implant Optional Settlement Fund. The actual amount of the funding provided by the Reorganized Debtor will depend upon the number of Australian Breast Implant Users who filed a timely proof of claim and who elect to participate in Class 6D. The Australia Breast Implant Settlement Option permits the Trustees appointed to manage the Australia Breast Implant Optional Settlement Fund to assign the right to receive the scheduled payments from the Reorganized Debtor to a third-party financial institution in exchange for a single lump-sum payment. Such an assignment might allow acceleration of payments to Settling Australian Claimants but would reduce somewhat the total nominal amount available for distribution to such Settling Australian Claimants.

The aggregate nominal funding for the Australia Breast Implant Optional Settlement Fund will be determined by the number of eligible Australian Breast Implant Users who elect to participate in the following manner: If 2,400 eligible Australian Breast Implant Users who filed a timely proof of claim elect to participate, including substantially all of those Australian Breast Implant Users and Raw Material Breast Implant Claimants who are represented by the firms of Slater & Gordon and Reilly Basheer Downs & Humphries, then Dow Corning will pay to the Trust to be established in Australia the sum of $21 million over a period of seven years. The funding will be increased by $35,500 for each group of five additional eligible Australian Breast Implant Users above 2,400 who timely filed proofs of claim and timely elected to participate up to a maximum funding of $36 million.

3. Claim Liquidation. Claims will be processed and paid in Australian dollars by a claims administrator supervised by a Trustee designated under the Australia Breast Implant Settlement Option. The initial Trustee will be selected by the Court at confirmation from those nominated by the Debtor, Slater & Gordon, Reilly Basheer Downs & Humphries, and/or Settling Australian Claimants. The Trustee and the claims administrator will act under the supervision of the Supreme Court of Victoria. The Trustee will be independent of Dow Corning, the Released Parties and any Australian Claimant or counsel. The Trustee will invest the funds paid by Dow Corning to the Trust and will oversee the activities of the claims administrator. The Trustee is required to appoint a firm of independent accountants as auditors of the Trust.

The claims administrator will be independent of both Dow Corning and the Released Parties and of any Australian Claimants or counsel. The claims administrator will be directed to adopt procedures to maintain the confidentiality of Claimant files. The claims administrator shall provide information to the Reorganized Debtor and the Court to allow for the coordination of resolution of related claims and to assist the Reorganized Debtor in obtaining reimbursement under available insurance coverage.

4. Payment Grid. Claims shall be processed by the claims administrator pursuant to a settlement grid that generally adopts the basic eligibility criteria and definitions of compensable conditions of the Plan, with certain variations in compensation structure, amounts, and/or eligibility criteria appropriate under circumstances applicable to Claims in Australia. Dow Corning believes that the Australia Breast Implant Settlement Option will generally provide compensation comparable to the amounts offered (after taking into account the adjustment for foreign domicile) under the settlement Grid structure employed in the Settlement Facility, as well as for claims in Classes 6A, 6B and 6C. The recovery by individual Claimants in Class 6D in some cases could be greater than and in other cases could be less than the recovery available under Class 6.1.

Breast Implant Users who elect to participate in the Australia Breast Implant Settlement Option will be entitled to choose among several settlement options each of which is summarized below:

a. Expedited Option. Expedited Option. Australian Breast Implant Users will receive $A 2000[15] upon proof of implantation with a Dow Corning Breast Implant. To qualify for this expedited payment, the Claimant must provide documentation of ‘‘Level I’’ proof of product identification which generally adopts the product identification requirements established under the Plan for Class 6.1 Claimants. Claimants who cannot establish product identification under these standards may receive an expedited payment of $A 500 if they present documentation of ‘‘Level II’’ proof of product identification. A Claimant who elects the expedited payment option may also obtain benefits for a qualified rupture, as described below.

b. Medical Conditions Option. Under this Option, Australian Breast Implant Users are entitled to obtain payments for certain disease/medical conditions and rupture. The compensable medical conditions include some, but not all, of the medical conditions compensable under the Plan for Class 6.1 Claimants. Specifically, the compensable medical conditions consist of all conditions defined as Disease Option I in the Plan (equivalent to the conditions compensable under the Original Global Settlement). The diagnostic criteria for those medical conditions compensable under the Australia Breast Implant Settlement Option are the same as the criteria applicable to Class 6.1 Claimants. In addition to compensation for a medical condition, Breast Implant Users are also eligible to receive compensation for rupture. The criteria for defining a qualified rupture are the same as for Class 6.1 Claimants. Claims for compensation under the medical condition option will be evaluated and placed in the highest compensation category for which the Claimant qualifies based both on the Claimant’s medical condition and on the medical condition documentation.

To qualify for this option, the Claimant must submit: documentation demonstrating that she qualifies as a Class 6D Claimant, a completed Claim form, product identification documentation and medical condition documentation. Medical condition documentation consists of appropriate medical records or evaluations or a medical report of a medical practitioner who is a fellow with the Royal Australian College of Physicians with advanced training in internal medicine, rheumatology, immunology, neurology, neurosurgery and/or general surgery or equivalent qualification.

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[15] As of January 27, 1999, an Australian dollar ($A) had an exchange rate equivalent to $US .63.

Claimants will be entitled to appeal the categorization of their Claim on the medical condition compensation schedule by submitting an appeal to a claims review panel. The members of the claims review panel will be appointed by the Trust.

c. Localized Injury. As an alternative to the medical condition option for disease/medical conditions or rupture, Breast Implant Users may instead receive compensation for certain localized injuries. Specifically, Australian Breast Implant Users may receive compensation if they document that they suffered from ''contracture,'' or if they document surgical removal of breast tissue as a result of the need to remove silicone gel masses, or if they had their Dow Corning Breast Implant removed. The benefits for localized injury related to contracture and surgical removal of breast tissue are not offered to Class 6.1 Claimants under the Plan.

d. Raw Material Claimants. Raw Material Claimants (Claimants who do not have a Dow Corning Breast Implant but who have an implant made by Baxter, Bristol, Cox Uphoff, Mentor or Bioplasty) who elect to participate will be entitled to receive a payment of $A 500 upon proof of product identification and proof of eligibility to participate in Class 6D. Claimants who have received compensation from other manufacturers may not be eligible to receive a payment. In general, the raw material payment option covers the same categories of Claimants as does Class 7 of the Plan; however, the raw material Option under the Australia Breast Implant Settlement Option does not offer separate payments for Claims based on disease or medical conditions.

The documentation standards and criteria for compensation under the Australia Breast Implant Settlement Option may result in the payment of compensation to some Claimants who would not be eligible for compensation as Class 6.1 Claimants. For example, to receive compensation under the Australia Breast Implant Settlement Option, Breast Implant Users will be required to provide proof of implantation with a Dow Corning Breast Implant and documentation of the particular compensable condition. The Agreement adopts two levels of product identification standards: ''Level I'' proof, which generally adopts the product identification standards applicable to Class 6.1 Claimants and ''Level II'' proof, which permits proof of implantation based on criteria not available to Class 6.1 Claimants. This means that Claimants who may not be eligible to receive any compensation under the settlement program for Class 6.1 Claimants because they are unable to present adequate proof of product identification may be eligible to receive compensation under the Australia Breast Implant Settlement Option if they can establish Level II proof of product identification. Claimants who present Level I proof of product identification will receive higher compensation than Claimants who present Level II proof.

To obtain compensation under the Australia Breast Implant Settlement Option for a medical condition, the Claimant must submit certain documentation establishing the presence of the compensable condition. The documentation requirements differ in some respects from the documentation requirements applicable to Class 6.1 Claimants by permitting those Claimants who cannot obtain their medical records to instead submit a medical report. The deadlines for submitting documentation under the Australia Breast Implant Settlement Option are shorter and more rigid than some of the similar deadlines under the Settlement Facility for Class 6.1 Claimants.

The mechanism for determining the applicable compensation level for certain settlement options is somewhat different than the procedures applicable to Class 6.1 Claimants. The Australia Breast Implant Settlement Option allocates the aggregate Australia Breast Implant Optional Settlement Fund for different categories of payment as follows:

(1) An amount not to exceed 10 percent of the aggregate (up to $US 3.6 million) is to be allocated for administration. This ''Costs of Settlement and Administration Fund'' is to be used to pay all costs of maintaining the trust, claims administration, any payments to be made to the Health Insurance Commission of Australia (**''HIC''**), and the fees and expenses of Slater & Gordon, Reilly Basheer Downs & Humphries, and other counsel who qualify under the Australia Breast Implant Settlement Option related to the negotiation and implementation of the settlement option in accordance with standards of the Supreme Court of Victoria, subject to approval by the Supreme Court of Victoria, and certain taxes assessed against the Trust. Payment will be made to the HIC only for the purpose of resolving any Claims that the HIC may have as to Class 6D members to reimburse the HIC for medical treatment relating to Dow Corning Breast Implants. If an agreement is reached with the HIC, the agreement would be designed to extinguish and settle any such Claims against Class 6D Claimants.

(2) An amount equal to 1.27% of the aggregate nominal funding is to be allocated for payment of any Claimants (including Rule 3005 Claimants) who did not file a proof of claim in the Case on or before March

1, 1997. Subject to available funds, such Claimants may receive up to $A 1,500 depending on proof of product identification.

(3) Eligible Raw Material Claimants will receive a payment of $A 500.

(4) The remainder of the aggregate amount will be used to pay eligible Breast Implant User Claimants under the various settlement options. Claimants who elect the expedited option will receive $A 2,000 or $A 500 depending on whether they submit Level I or Level II proof of product identification. Claimants electing any of the other settlement options (medical condition/rupture) will receive their pro rata shares of the remaining Australia Breast Implant Optional Settlement Fund distributed in proportion to the base compensation ratio for the condition documented by the Claimant. The ratios and the projected compensation for each (non-Advanced) category (with Level I proof), and based on the current Australian exchange rate, are as follows:

Condition	Compensation Ratio	Projected Approximate Base Compensation
Disability Level A	0.60	$A 47,650
Disability Level B	0.24	$A 19,060
Disability Level C	0.12	$A 9,530
SS/SLE	1.0	$A 79,400
Localized Injury	0.11	$A 8,740
Rupture	0.25	$A 19,850

The compensation amount may vary based on the number and nature of the participants, and an individual's Claim may be increased or decreased based on various factors. For example, Claimants who have implants made by multiple manufacturers (i.e., a Dow Corning Breast Implant and an implant made by Baxter, Bristol or 3M) will have their compensation reduced by one-half. The claims administrator has discretion to adjust this reduction based on the particular facts of the Claim. The compensation amount will also be reduced if the Claimant has only Level II proof of product identification or if the Claimant has technical deficiencies in the Claim. The compensation amount will be increased if the Claimant is an ''Advanced Claimant,'' as described below. DCC and the Australian counsel that negotiated the Australia Breast Implant Settlement Option believe that up to 1,250 Australian Breast Implant Users may qualify as Advanced Claimants.

5. Treatment of Advanced Claims. The Australia Breast Implant Settlement Option provides that class members who meet certain requirements are treated as Advanced Claimants. Advanced Claimants who submit Level I proof will receive one-third higher compensation than non-Advanced Claimants. Advanced Claimants are those who filed lawsuits, other than as members of a class action, against Dow Corning in a state court of any state of the United States before May 15, 1995 and whose claim as of that date (i) remained within, or had been returned to, the jurisdiction of that state court, (ii) was not bound by the decision of the U.S. District Court Judge Pointer in *In re Silicone Gel Breast Implant Products Liability Litigation,* Case No. CV 92-P-10000-S (N.D. Ala. Apr 25, 1995), and (iii) was pending in a state court which would not dismiss foreign claimants suits in favor of litigation in their home courts. Dow Corning and certain Australian counsel disagree as to the effect on both liability or the assessment of damages of the procedural status of the Claims held by Advanced Claimants. The distinction provided to Advanced Claimants is provided solely for purposes of compromising the disputes with the Advanced Claimants who elect to participate and does not constitute any waiver by Dow Corning of the position that federal law rather than state law governs the issue of *forum non conveniens* of cases properly removed to federal court; nor does it constitute a waiver of any arguments as to the applicability of choice of law rules or the right to assert that such claims should be removed to federal court. Some representatives of Australian Claimants have expressed concern that this treatment of Advanced Claims favors clients of one of the attorneys who negotiated the settlement option to the disadvantage of other eligible Claimants. Dow Corning believes that the definition of Advanced Claim is based on a procedural distinction among Claims and will apply to a number of Claimants who are not represented by the counsel principally responsible for negotiation of the Australia Breast Settlement Option.

6. Claims of Family Members. The treatment afforded the class members in Class 6D shall be cumulative of the Claims of Family Members of such Claimants, and such Family Member Claims shall be deemed

released in consideration of the payments of the Reorganized Debtor to the Australia Breast Implant Optional Settlement Fund.

7. Counsel's Fees. Slater & Gordon, Reilly Basheer Downs & Humphries, and other counsel who facilitate the implementation of the Australia Breast Implant Settlement Option may be entitled to fees paid out of the Costs of Settlement and Administration Fund for negotiating the settlement option and implementing the Claims processing structure, in accordance with existing general standards for costs and fees published by the Supreme Court of Victoria and subject to the approval of the Supreme Court of Victoria. The scale of costs and fees prescribes specific charges for specific tasks and services. The settlement option also provides for the establishment of uniform fees for counsel for Settling Australian Claimants consistent with the terms of the Plan applicable to all Claims in Classes 5 and 6.1. Fees paid to counsel for individual Settlement Claimants will reduce the amounts otherwise payable to Settling Australian Claimants.

8. Effect of Registration Elections/Failure to Obtain Court Approval. Potential Class 6D Claimants who reside in Australia or who received their Breast Implants in Australia and who do not timely register to participate in the settlement option shall be treated as Class 6.1, 7 or 8 Claimants under the Plan, as appropriate. Elections to participate will be made on the ballot for accepting or rejecting the Plan by indicating the Claimant's election to be treated in Class 6D. Claimants who elect to participate will release all Claims against Dow Corning and the Released Parties and are required to indemnify Dow Corning in the event Dow Corning incurs costs to third parties in connection with the Claimant's Breast Implants. This indemnification should not be triggered unless a Claimant's family members pursue Claims against one of the Released Parties or the Claimant pursues Claims against a third party (i.e., a doctor, hospital or other manufacturer) who then seeks reimbursement from Dow Corning. If the Court should fail to approve the Australia Breast Implant Settlement Option or if the minimum participation by eligible Claimants is not met, Class 6D Claimants shall be treated as Class 6.1, 7 or 8 Claimants, as appropriate.

In addition to the aforementioned risks, Settling Australian Claimants are also required to indemnify the Debtor and certain other Released Parties for any liability incurred to third parties such as the HIC or any private health insurance companies related to the Electing Claimant's breast implants. No such indemnification is required under the treatment afforded to Class 6.1 Claimants.

9. Risks Related to Treatment of Class 6D. The payment to Class 6D Claimants is capped in an aggregate amount to be determined based on the number of Australian Breast Implant Users who elect to participate in Class 6D. While some categories of settlement payments are fixed under the terms of the option (such as the payment for expedited Claimants), other categories of settlement payments will be determined after all Claims are evaluated and the actual amount payable will depend on the number and types of Claims asserted by the eligible Claimants. All payments made to Claimants in Class 6D from the Australia Breast Implant Optional Settlement Fund will be in Australian Dollars while all payments made to Claimants in Class 6.1 will be made in U.S. dollars. As reflected in footnote 15, as of January 27, 1999, $A 1 had an exchange rate value of $US .63. Exchange rates, however, may vary from time to time and may affect the relative recoveries between Classes 6D and 6.1 depending on when the Claims are ultimately paid.

M. Other Claims Related to Implants—Classes 11 through 17. The Debtor has objected to the allowance of many of the Claims in Classes 11 through 15 and 17 (''**Other Claims**'') and, except as herein described, intends to object to substantially all of such claims.

1. Claims in Class 11. Claimants in Class 11 shall have the option to elect to settle their Claims against the Debtor or to litigate the allowability of such Claims. Settling Co-Defendant Claimants shall release all Claims (including but not limited to contribution Claims, but excluding Claims filed under Bankruptcy Rule 3005) against the Debtor-Affiliated Parties and the Shareholder-Affiliated Parties arising from or relating to Products Liability Claims and, in exchange, the Debtor-Affiliated Parties and the Shareholder-Affiliated Parties shall release all Claims (including but not limited to contribution Claims) the Debtor-Affiliated Parties and/or the Shareholder-Affiliated Parties may have against a Settling Co-Defendant Claimant: (i) arising from or relating to any Claims that are discharged, released and/or enjoined pursuant to the Plan; and (ii) for any amount that was paid by any of the Debtor-Affiliated Parties or Shareholder-Affiliated Parties that if not so paid would have been a Products Liability Claim or would have been a Claim arising from or relating to a Products Liability Claim. The parties

shall exchange the releases on the Effective Date or as soon thereafter as may be practicable. To the extent a Personal Injury Claimant asserts a Product Liability Claim against a Debtor-Affiliated Party and/or Shareholder-Affiliated Party and a Claim against a Settling Co-Defendant Claimant in a single action that has been or will be transferred to the District Court, the Claims against the Debtor-Affiliated Party and/or the Shareholder-Affiliated Party shall be severed from the Claim against the Settling Co-Defendant Claimant and the Claim against the Settling Co-Defendant Claimant shall be tried in the court from which such Claim was transferred. Co-Defendant Claimants who do not elect to settle by the deadline for voting on the Plan shall have their Claims estimated for distribution on or before the Effective Date. The Estimated Amount of any such Claims will be paid (subject to the terms of the Settlement Facility Agreement and the Funding Payment Agreement) by the Claims Administrator on, or as soon as practicable after, the Effective Date. If not estimated for distribution on or before the Effective Date, such Claims will be channeled to the Litigation Facility for purposes of Claim liquidation and paid (subject to the terms of the Settlement Facility Agreement and the Funding Payment Agreement) when Allowed. References to a ''Claim'' against a non-Debtor party in section 5.13.1 of the Plan shall have the same meaning as that contained in 11 U.S.C. § 101(5).

2. Claims in Class 12. Claimants in Class 12 (Physician Claims) who settle their claims against the Debtor (the **''Settling Physicians''**) will receive the protection of the release and injunctive provisions of sections 8.3, 8.4 and 8.5 of the Plan. The release and injunctive protection in sections 8.3 and 8.4 of the Plan will be effective as to all Claims against the Settling Physicians, other than Malpractice Claims, that could be asserted by Personal Injury Claimants who elect or are deemed to have elected to become Settling Personal Injury Claimants. Additional protection is conditionally afforded in section 8.5 of the Plan, which provides for the channeling of Claims held by Non-Settling Personal Injury Claimants against Settling Physicians to the Litigation Facility, where the Claims will be resolved in tandem with the related Claims, if any, against the Litigation Facility, as successor to Dow Corning with respect to Personal Injury Claims of Non-Settling Personal Injury Claimants. This additional protection is conditional upon the Claims against the Settling Physicians being transferred, as Claims ''related to'' the Case, to the District Court for resolution.

The Claims held by Claimants in Class 12 who timely elect to litigate their Claims against the Debtor will be channeled to and assumed by the Litigation Facility. Claims in Class 12 that become Allowed Claims will be paid in accordance with the Settlement Facility Agreement, the Litigation Facility Agreement and the Funding Payment Agreement.

Additional details regarding treatment of Class 12 Claimants can be found in section 1.2, at pages 12 through 15 of this Disclosure Statement.

3. Claims in Class 13. Class 13 includes hospitals and other Health Care Providers with Claims generally (a) arising in connection with litigation or claims asserted by Personal Injury Claimants against both the Health Care Providers and Dow Corning and (b) alleging that the Health Care Providers and Dow Corning are both liable or potentially liable for injuries allegedly sustained by the Personal Injury Claimants. Health Care Providers generally allege that if they are found liable to the Personal Injury Claimants for the alleged injuries, Dow Corning should reimburse or indemnify them for any such losses.

a. Settlement Option for Health Care Providers. The Plan treats Health Care Provider Claims in an aggregated manner. Health Care Providers may elect to settle **all** of their Claims relating to Products Liability Claims or they may elect to litigate **all** such Claims. Health Care Providers electing the settlement option will be required to ''give up'' or release **all** such Claims that they have against Dow Corning and all other Released Parties. Thus, a Health Care Provider may not elect to give up certain claims and litigate others. However, if a Health Care Provider holds a Class 4 Commercial Claim or other Claim unrelated to the Personal Injury Claims, that Claim will not be released but will be entitled to separate treatment under the Plan.

Settling Health Care Providers will receive no cash payment in exchange for their election to settle, but will obtain the benefits of the release, injunction and channeling provisions as provided in sections 8.3 through 8.5 of the Plan. Settling Health Care Providers will receive certain protections under the Plan, including:

(1) A release from all Claims relating to Products Liability Claims held against them by Dow Corning and all other Released Parties;

(2) A release from all Personal Injury Claims, **except Malpractice Claims as defined in the Plan,** which Settling Personal Injury Claimants hold, may hold or may have held against Settling Health Care Providers, either based upon tort, contract or otherwise (**Malpractice Claims asserted by Personal Injury Claimants will be resolved in the courts where such claims have been or may be filed**); and

(3) All parties who release Products Liability Claims against the Settling Health Care Providers will also be permanently enjoined, *i.e.* prevented from, among other things, (a) commencing or continuing any action or other proceeding against a Settling Health Care Provider and (b) seeking to enforce, attach, collect or recover against any Settling Health Care Provider or the property of any Settling Health Care Provider at any time on or after the Effective Date of the Plan. (The release and injunction shall not affect Claims preserved under the Domestic Health Insurer Settlement Agreement.)

Settling Health Care Providers are not released or protected from Claims (including Malpractice Claims) held by Non-Settling Personal Injury Claimants. Claims held by Non-Settling Personal Injury Claimants against Settling Health Care Providers (other than Malpractice Claims) *may* be transferred to the District Court in Michigan. The Litigation Facility shall file a motion seeking to transfer such Non-Settling Personal Injury Claims. The Claimants' Advisory Committee shall support such motion to transfer. Settling Health Care Providers will be required to (i) join in the Litigation Facility's motion to transfer such claims, and (ii) cooperate with the Litigation Facility by providing non-confidential lists and other information on the Claims asserted against them by the Non-Settling Personal Injury Claimants.

If the transfer of Non-Settling Personal Injury Claims is contested, the District Court will determine whether the Claims asserted by Non-Settling Personal Injury Claimants against Settling Health Care Providers are within its ''related to'' jurisdiction, *i.e.* whether such Claims could conceivably have an impact on the Debtor (such as through contribution claims), and should therefore be transferred to the District Court. If these Claims are not within the ''related to'' jurisdiction of the District Court, the transfer will be denied and litigation of such Claims will proceed in the courts where they have been or may be brought and will be the responsibility of the Health Care Providers. If the transfer is granted, then the transferred Claims of Non-Settling Personal Injury Claimants (**''Assumed Third Party Claims''**) will be subject to the following procedures established under the Plan:

(1) The Assumed Third Party Claims will be resolved pursuant to the Litigation Facility Agreement's claim resolution procedures and will be consolidated with any corresponding claims against the Debtor. Any settlement by the Litigation Facility shall include Assumed Third Party Claims.

(2) The District Court will have the power and authority to set trial venue for Non-Settling Personal Injury Claims against Settling Health Care Providers in the District Court, in the federal district court for the federal district in which the Claim arose, or, in some circumstances, the state court in which such Claim was originally filed.

(3) Persons who have held, hold or may hold Assumed Third Party Claims against Settling Health Care Providers will be enjoined from (a) commencing or continuing any action or other proceeding relating to an Assumed Third Party Claim except as permitted under the Plan provisions and Litigation Facility Agreement, and (b) asserting any right or Claim or taking any act against a Settling Health Care Provider in respect to an Assumed Third Party Claim which fails to conform or comply with the Plan and Litigation Facility Agreement.

(4) If transfer is granted as described above, the only Claims against Settling Health Care Providers that will be permitted to go forward in courts other than those described in subparagraph (2) above will be Malpractice Claims, as defined in the Plan. (This prohibition does not affect any Claims preserved under the Domestic Health Insurer Settlement Agreement.) If alleged Malpractice Claims are asserted in contravention of the Plan terms, the Proponents anticipate that the Health Care Providers will seek relief to enforce the terms of sections 8.4 and 8.5 of the Plan.

b. The Litigation Option. All Claims of Health Care Providers who timely elect the litigation option will be resolved through the Litigation Facility established under the Plan. **Non-Settling Health Care Providers will receive no protection under the release, injunction and channeling provisions of the Plan.**

A Health Care Provider seeking to review the Litigation Facility Agreement, the Settlement Facility Agreement and the Funding Payment Agreement in order to decide whether to settle or litigate must request

copies of these documents by calling 1-800-651-7030 (Domestic Claimants) or 1-202-332-5510 (Foreign Claimants) or may download copies from Dow Corning's website at http://www.implantclaims.com/ plandocs.

The Proponents believe that most or all of the Health Care Provider Claims for contribution and indemnity will be disallowed by the Court as contingent. However, certain Health Care Providers take the position that such a disallowance would be inappropriate and, in any event, would merely be temporary, as once the contribution or indemnity Claim became fixed, it would be entitled, underlying non-bankruptcy law permitting, to allowance notwithstanding any prior temporary disallowance. If such Claims are finally disallowed by the Court, they will not be paid unless subsequently Allowed on appeal. To date this allowance/disallowance issue regarding such reimbursement Claims remains open. All remaining Claims of Non-Settling Health Care Providers will be aggressively contested by the Manager of the Litigation Facility. If any Claims of Non-Settling Health Care Providers become Allowed in the Litigation Facility, those Allowed Claims will, subject to the terms of the Litigation Facility Agreement, the Settlement Facility Agreement, and the Funding Payment Agreement, be paid as a Settlement Fund Other Payment in full, in cash, including any interest as required by law.

If sufficient funds are not then presently available to pay all Allowed Claims in full, payments may be made in installments or delayed until funds are available under the Funding Payment Agreement. Because of the many variables described above, it is impossible to predict when any Non-Settling Health Care Providers will receive payment on their Allowed Claims. Additional information regarding the Litigation Facility and the procedures for Claim resolution and payment appears at pages 84 through 88 of this Disclosure Statement and in the Litigation Facility Agreement.

c. The Election Process. Personal Injury Claimants will have six months from the Effective Date of the Plan to elect whether to settle or to ''opt out'' and litigate their Claims. As soon as practicable after this Personal Injury Claimant ''opt-out'' deadline, Health Care Providers will be provided with a copy of the list of Non-Settling Personal Injury Claimants to enable the Health Care Providers to determine which of their patients have elected to continue to litigate their Personal Injury Claims.

In addition to the list of Non-Settling Personal Injury Claimants, each Health Care Provider will be provided with an election form setting forth the process by which Health Care Providers may elect to settle or litigate their Claims. Health Care Providers will have 45 days from the date of service of the list of Non-Settling Personal Injury Claimants to return the election form indicating whether they have conditionally elected to settle, subject to the District Court's determination of the motion to transfer the Non-Settling Personal Injury Claims, or have elected to litigate their Claims. Health Care Providers who fail to return the form will be deemed to have conditionally elected to settle. Within 30 days after the service of the District Court's order disposing of such motion to transfer, Health Care Providers must make their conditional election to settle final. Any Health Care Provider who fails timely to revoke its conditional election to settle shall be deemed to have made a final election to settle. A Health Care Provider who is deemed to have made a final election to settle agrees to settle **all** Claims related to Products Liability Claims that such Health Care Provider has against Dow Corning and the other Released Parties. A Health Care Provider who elects the litigation option has decided by such election to litigate **all** Claims that the Health Care Provider has against Dow Corning relating to Products Liability Claims.

HEALTH CARE PROVIDERS WHO DO NOT AFFIRMATIVELY ELECT TO LITIGATE SHALL HAVE SETTLED ALL OF THEIR RESPECTIVE CLAIMS.

d. Recommendation Regarding Plan. Counsel for various of the Health Care Providers have reviewed the terms of the Plan and its treatment of Health Care Providers. Based upon such review, counsel is recommending acceptance of the Plan by their respective clients.

4. Claims in Classes 14 and 14A. Domestic Health Insurers have the option to settle their Claims pursuant to the Domestic Health Insurer Settlement Agreement and receive payments in cash on the Effective Date or to litigate their Claims and receive the treatment provided in section 6.05 of the Litigation Facility Agreement. All Class 14 Claimants who do not elect to litigate will be deemed to have elected to settle their Claims pursuant to the Domestic Health Insurer Settlement Agreement which will provide, in pertinent part, for the treatment provided below.

a. Settlement Fund. The settling Domestic Health Insurers will receive payments from a cash fund. The aggregate amount of the fund will be determined by multiplying the Participant Fraction (as described below) times the Class 14 Settlement Amount (as described below). The Participant Fraction is a fraction whose numerator is the aggregate number of insured lives represented by the settling Domestic Health Insurers who timely filed proofs of claim in the Case and whose denominator is the aggregate number of insured lives represented by all the Domestic Health Insurers who timely filed proofs of claim in the Case. The Class 14 Settlement Amount will be $40 million.

b. Proportionate Shares of Settlement Fund. Each settling Domestic Health Insurer will receive its proportionate share of the settlement fund based upon the proportionate number of ''insured lives'' it represents as compared to the aggregate number of ''insured lives'' of all the aggregate settling Domestic Health Insurers.

c. Minimum Participation. For the Domestic Health Insurer Settlement Agreement to be effective, the settling Domestic Health Insurers must demonstrate that they represent *both:*

(i) at least two-thirds (⅔) of the aggregate number of ''insured lives'' within the commercially insured domestic market; and

(ii) at least three-fourths (¾) of the aggregate number of ''insured lives'' represented by all Domestic Health Insurers who timely filed proofs of claim in the Case.

d. Release of Reimbursement Claims. Generally, the settling Domestic Health Insurers will be required to release any claims for reimbursement or subrogation against any Personal Injury Claimant. Class 14 Claimants who elect to litigate their Claims and the holders of Foreign Health Insurer Claims in Class 14A will be treated pursuant to the provisions of section 6.05 of the Litigation Facility Agreement.

e. If Settlement Not Effective. In the event that no Domestic Health Insurer Settlement Agreement becomes effective, all Class 14 Claims will be treated as Class 14 Claimants who have elected to litigate their Claims and will be treated pursuant to the provisions of section 6.05 of the Litigation Facility Agreement. Allowed Claims of non-settling Class 14 Claimants will be paid from the Settlement Fund as Settlement Fund Other Payments as provided in the Settlement Facility Agreement.

f. Treatment of Class 14A Claimants. All Class 14A Claims will be treated as having elected to litigate their Claims and will be treated pursuant to the provisions of section 6.05 of the Litigation Facility Agreement. Allowed Claims of Class 14A Claimants will be paid from the Settlement Fund as Settlement Fund Other Payments as provided in the Settlement Facility Agreement.

g. Notice of Claim Resolution of Settling Personal Injury Claims. Non-Settling Claimants in Classes 14 and 14A (**''Derivative Claimants''**) may submit to the Claims Administrator a request for notification regarding the resolution of the Claims of any individual Settling Personal Injury Claimant for which the Derivative Claimant asserts a contractual or statutory reimbursement claim. The Claims Administrator shall—in writing—notify the Derivative Claimant of the approval for payment of such Settling Personal Injury Claimant's Claim provided:

(1) the Derivative Claimant has identified the Settling Personal Injury Claimant with sufficient particularity to enable the Claims Administrator to identify the relevant Claimant, and

(2) the Derivative Claimant provides to the Claims Administrator a written request identifying the Settling Personal Injury Claimant and the name and address of the person representing the Derivative Claimant to be notified.

The Claims Administrator shall not, as a result of this notification procedure, delay payment to the Settling Personal Injury Claimant. Nothing in the notice provision of the Settlement Facility Agreement grants or shall be deemed to grant to the Class 14 or 14A Claimants any right to interfere with, delay or stop payment to any Settling Personal Injury Claimant or establish or shall be deemed to establish any entitlement by the Derivative Claimant to any portion of the payment to the Settling Personal Injury Claimant.

Nothing in the Settlement Facility Agreement affects the rights under applicable law, if any, of the Derivative Claimants to commence any separate proceeding to recover directly from the Settling Personal Injury Claimant payment received from the Settlement Facility.

h. Cutoff of Rights to Recover Against the Settlement Facility. Certain Claimants in Classes 14 and 14A have asserted rights under section 509 of the Bankruptcy Code or otherwise to recover from the Settlement Facility if the Settlement Facility pays Allowed Claims of Settling Personal Injury Claimants without notice to or an adjudication of competing rights of such Class 14 and 14A Claimants to such settlement amounts. Dow Corning will seek, as part of the Confirmation Order or pursuant to an adversary proceeding to be heard concurrently with confirmation, a determination that any such right to recover against the Settlement Facility shall be cut off by the payment of an Allowed Claim of a Settling Personal Injury Claimant and that the sole remedy available to such Class 14 or 14A Claimant shall be to pursue a recovery directly from the Settling Personal Injury Claimant.

i. Notice of Claim Resolution of Non-Settling Personal Injury Claims. In accordance with section 7.03 of the Litigation Facility Agreement, no Claim of a Non-Settling Personal Injury Claimant will be paid until notice is given to non-settling Health Insurers who have actually filed subrogation or reimbursement Claims in the Claimant's case.

5. Claims in Classes 15 and 17. Unless a different treatment is agreed to by the Proponents and the affected Claimants, the Proponents shall seek to have the Claims in Classes 15 and 17 estimated for distribution on or before the Confirmation Date. The Estimated Amount of any such Claims will be paid (subject to the terms of the Settlement Facility Agreement and the Funding Payment Agreement) by the Claims Administrator on, or as soon as practicable after, the Effective Date. If not estimated for distribution on or before the Confirmation Date, such Claims will be channeled to the Litigation Facility for purposes of Claim liquidation and when Allowed will be paid by the Claims Administrator from the Settlement Funds.

In addition to the above treatment, Class 15 Claimants shall have the right to request the notification of pending Claim resolution by the Settlement Facility described in the preceding section 6.4(M)(4)(g), and will be made parties to the determination to be sought by Dow Corning regarding the extinguishment of recourse of all Derivative Claimants to the Settlement Facility, as described in the preceding section 6.4(M)(4)(h).

6. Class 16 Claims. Except as provided in the Litigation Facility Agreement and in section 6.16 of the Plan regarding the Mahlum Claims and the Spitzfaden Claims, the Shareholder Claims in Class 16 will be released and discharged upon the Effective Date. Shareholder Claims relating to the Mahlum Claims and the Spitzfaden Claims will receive the following treatment:

First, in the event the Mahlum Claims and/or the Spitzfaden Claims are settled prior to the Effective Date, all amounts paid by a Shareholder Affiliated Party to Mahlum Claimants and/or Spitzfaden Claimants to settle such Claims shall constitute Allowed Class 16 Claims, and the Shareholder Affiliated Party will be reimbursed such amounts in full, together with interest at the same rate as the Senior Notes. Payment of such amounts will be made by the Claims Administrator from the Settlement Fund on the same basis and with the same priority as ''Premium'' Payments under the Settlement Facility Agreement.

Second, in the event a Shareholder Affiliated Party pays a judgment on account of Mahlum Claims or Spitzfaden Claims prior to the channeling of those Claims to the Litigation Facility, all Class 16 Claims of the Shareholder Affiliated Party arising out of the payment of the judgment shall be channeled to the Litigation Facility for resolution and the Shareholder Affiliated Party will be entitled to assert against the Reorganized Debtor all Claims, based on contribution, indemnity or otherwise, available to the Shareholder Affiliated Party under applicable law. Any such Class 16 Claims that become Allowed Claims pursuant to the procedures of the Litigation Facility will be paid by the Reorganized Debtor, and not from the Settlement Fund or the Litigation Fund.

7. Basis for Disallowance of Other Claims. The Proponents believe that, unless earlier settled, most of the Claims in Classes 11 through 15 and 17 will be disallowed. The Claimants in those Classes disagree with the Proponents' belief. The Other Claims are derivative in nature and necessarily dependent on the validity of the underlying Personal Injury Claims (such underlying Claims herein called **''Direct Claims''**), which the Debtor and/or the Litigation Facility will strongly contest. Further, section 502(e) of the Bankruptcy Code operates to disallow many of these Derivative Claims as contingent. These Claims should be disallowed as contingent because (i) the Other Claimants have not actually paid the Direct Claimants and/or (ii) the Debtor's liability to the Direct Claimant for the amounts paid by the Other Claimant has not been determined. Certain Physician and Health Care Provider Claimants in Classes 12 and 13 vigorously dispute the application of section 502(e)(1) to their Claims and do not believe such Claims are subject to dismissal on the basis provided by such section. For example, the Claim of a Commercial Health Insurer, which asserts a Claim related to its obligation to pay medical costs

associated with a Direct Claimant's explant procedure, would be disallowable as contingent until such Commercial Health Insurer paid the explant procedure costs and until there was a determination that the Debtor is or was liable to the Direct Claimant for such costs (*i.e.*, because it was determined that the costs were reasonably required as a result of the use of a defective product manufactured by the Debtor). Further, section 509(c) of the Bankruptcy Code should limit the payment of many Allowed Other Claims. Finally, applicable state law may further limit the ripeness and enforceability of these Other Claims.

N. LTCI-Related Claims—Classes 18 and 19. At Closing, the Reorganized Debtor will, in full release, satisfaction and discharge of all Claims in Classes 18 and 19 cause the execution and delivery of the Litigation Facility Agreement and the assignment of the LTCI Indemnities to the Litigation Facility. The Litigation Facility will assume full responsibility for resolving Claims in Classes 18 and 19 pursuant to the Litigation Facility Agreement.

O. Allowed Intercompany Claims—Class 20. Each Joint Venture or Subsidiary of the Debtor holding an Allowed Claim in Class 20 will retain its right to payment from the Debtor; provided, however, that the Reorganized Debtor will make no cash payment on account of such Allowed Claim. On the Effective Date, all Allowed Claims in Class 20 will be set off against amounts owing to the Debtor by the holders of such Claims. To the extent that any Class 20 Claim remains unpaid after giving effect to such setoff, such unpaid amount will be satisfied by credits for future royalty obligations owing to the Reorganized Debtor or for future sales of product and/or services by the Reorganized Debtor in the ordinary course of the post-Effective Date business of the Reorganized Debtor and the applicable Joint Venture or Subsidiary.

P. Allowed Subordinated Claims—Class 21. Each Claimant holding an Allowed Subordinated Claim will receive, as soon as practicable following the Effective Date (or, if later, the Allowance Date), a Subordinated Note in a principal amount equal to the amount of the Allowed Subordinated Claim.

The Subordinated Notes will mature on the tenth anniversary of the Effective Date, with interest payable in semi-annual installments at the Plan Interest Rate.

Q. Environmental Claims—Class 22. The holders of Claims, other than Disallowed Claims, arising under Environmental Laws shall retain their Claims, if any, against DCC, and the Plan leaves unaltered (a) the legal, equitable and contractual rights to which such Claims entitle the holders thereof, and (b) the rights and obligations of the Debtor, and any other holder of such Claims during the Case, pursuant to any settlement approved by a Final Order of the Court entered before the Confirmation Date.

R. Retiree Benefit Claims—Class 23. The holders of Allowed Retiree Benefit Claims shall retain their Claims, if any, against DCC, and the Plan leaves unaltered the legal, equitable and contractual rights to which such Claims entitle the holders thereof. Retiree Benefit Claims shall be deemed to be Allowed Claims and shall be paid, performed and honored by the Reorganized Debtor in full when due in accordance with their terms notwithstanding any other contrary provision of the Plan or the Confirmation Order; *provided, however*, that the rights of retirees shall be subject to modification or termination as provided by the terms of the existing benefit plans and the terms of the collective bargaining agreements, consistent with applicable law.

S. Interests—Class 24. The Shareholders shall retain their Interests in the Debtor.

6.5 Conditions Precedent to Confirmation and Effective Date.

A. Conditions Precedent to Confirmation. Confirmation of the Plan shall not occur unless and until each of the following conditions shall have been satisfied or have been waived in accordance with section 7.3 of the Plan.

1. The Court or the District Court, as appropriate, shall have entered an Estimation Order(s) with respect to any Estimated Amount(s) that are necessary for confirmation of the Plan.

2. The District Court shall have entered the Case Management Order.

3. The Confirmation Order shall provide that the settlement provisions provided in section 5.4.1 of the Plan are binding on all Settling Personal Injury Claimants.

4. The Confirmation Order shall approve and provide for the implementation of the Insurance Allocation Agreement.

5. The Confirmation Order shall approve and provide for the implementation of the Domestic Health Insurer Settlement Agreement.

6. The Confirmation Order shall approve and provide for the implementation of the other Plan Documents.

7. The Confirmation Order shall effect the release of certain Claims and the injunction against the prosecution of the Released Claims against those third parties, including the Shareholder-Affiliated Parties, as described in sections 8.3 and 8.4 of the Plan, and shall provide for the channeling injunction with respect to Assumed Third Party Claims described in section 8.5 of the Plan.

8. The Confirmation Order shall be in form and substance reasonably acceptable to the Proponents and the Shareholders.

B. Conditions to the Effective Date. Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date shall not occur unless and until each of the following conditions shall have been satisfied or waived in accordance with section 7.3 of the Plan.

1. No timely-filed appeal shall have been taken from the Confirmation Order challenging, directly or indirectly, the validity and enforceability of the releases and injunctions described in sections 8.3 and 8.4 of the Plan and/or the limits of required funding as set forth in the Funding Payment Agreement for the release, satisfaction and discharge of all claims in Classes 5 through 19 of the Plan (collectively, the **''Release/Funding Issues''**), or, if such an appeal regarding any Release/Funding Issue shall have been filed, such appeal shall have been denied or dismissed and such releases and injunctions and such limits of required funding shall have been affirmed in all respects pursuant to a Final Order.

2. The Debtor shall have received from the Internal Revenue Service (**''IRS''**) a ruling reasonably satisfactory to Dow Corning and its tax counsel regarding the following matters: (i) the Depository Trust will be treated as a qualified settlement fund within the meaning of section 468B of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder; (ii) the payments to be made with respect to Claims Allowed through the procedures therefor in the Litigation Facility will be fully deductible by the Reorganized Debtor at the time of (or before) each such disbursement; and (iii) such other matters as tax counsel for Dow Corning may reasonably require.

3. The Indenture shall have been qualified under the Trust Indenture Act of 1939, as amended, by the Securities and Exchange Commission.

C. Waiver of Conditions. Pursuant to section 7.3 of the Plan, any condition to either confirmation or the Effective Date set forth above may be waived by the Proponents and the Shareholders.

6.6 Means for Implementation of the Plan.

A. Litigation Process. Claims of Non-Settling Personal Injury Claimants, Assumed Third Party Claims, Miscellaneous Raw Material Claims and those Other Claims (including Non-Settling Physician Claims) to be liquidated in the Litigation Facility will be processed for Allowance and payment under the jurisdiction of the District Court (with respect to Non-Settling Personal Injury Claims, Assumed Third Party Claims and Miscellaneous Raw Material Claims) or the Court (with respect to Non-Settling Other Claims and Non-Settling Physician Claims). The Claims of Non-Settling Personal Injury Claimants, Assumed Third Party Claims, Miscellaneous Raw Material Claims and those Other Claims (including Non-Settling Physician Claims) will be resolved under the terms of the Litigation Facility Agreement and a Case Management Order negotiated and agreed to by the Debtor and the Tort Committee and approved by the District Court.

B. Settlement Regarding Allocation of Insurance Proceeds and Coverage. The Plan includes an Insurance Allocation Agreement which resolves a complex and hotly contested series of disputes between Dow Corning and Dow Chemical over rights to certain shared insurance and provides Dow Corning with immediate access to substantial insurance necessary to the funding of the Plan.

Dow Corning has entered into a series of cash buy-out settlements that released substantial, although disputed, coverage available under insurance policies that insure both Dow Corning and Dow Chemical, in exchange for present and future payments. Subject to the escrow agreements, Dow Chemical acquiesced in Dow Corning's decision to liquidate these policies in an effort to facilitate its reorganization.

To facilitate funding of the Plan and in partial consideration of the releases and injunctive protections provided under the Plan, Dow Corning and Dow Chemical have agreed to an allocation of the remaining shared insurance upon confirmation of the Plan. The Insurance Allocation Agreement settles disputes with respect to approximately $416

million in cash escrows and settlement funds (plus $61 million in future payments and additional future interest) established in connection with certain settlements approved by the Court, proceeds from over $470 million in shared product insurance limits available under coverage in place settlements, and proceeds from approximately $290 million in unsettled shared product insurance limits all as more particularly described in the Insurance Allocation Agreement. The Insurance Allocation Agreement generally provides that 75% of the Shared Insurance Assets (as defined in the Insurance Allocation Agreement) including Dow Chemical recoveries of certain claims unrelated to Dow Corning shall be paid to Dow Corning for use in funding the Settlement Facility pursuant to the terms of the Funding Payment Agreement, and 25% of the Shared Insurance Assets, not to exceed $285 million, shall be made available to Dow Chemical under the terms outlined in the Insurance Allocation Agreement for its potential use in paying excess insurance products liability claims. This allocation will apply to recoveries from the Shared Insurance Assets by Dow Chemical as well as Dow Corning.

Dow Chemical will be required to account for all amounts received under the Insurance Allocation Agreement. The amounts made available to Dow Chemical, net of any allowed debits for its products claims, will be deemed to accrue interest at an agreed rate specified in the Insurance Allocation Agreement. Dow Chemical will debit the Account (a) for amounts that, after exhaustion of other products liability insurance, Dow Chemical has actually paid to defend, settle or pay any judgment arising from (i) claims relating to exposure to or use of, prior to December 1, 1987, products allegedly manufactured, sold or distributed by Dow Chemical, and (ii) silicone implant or injection claims against it, to the extent there is a determination that any silicone implant or injection claim against Dow Chemical is not covered by Dow Chemical's general liability insurance and other available product liability insurance is exhausted; and (b) for amounts Dow Chemical is unable to recover from Shared Insurance Assets due to any asserted failure to exhaust underlying coverage that is not available to it because of Dow Corning's prior cash settlements. In the event the funds made available to Dow Chemical are not utilized to pay claims in accordance with the Insurance Allocation Agreement, after 17½ years, the funds will revert, with interest, to the Reorganized Debtor. The amount of any reversion will be paid by the Reorganized Debtor to the Settlement Facility if required by the Funding Payment Agreement.

Dow Corning believes that the Insurance Allocation Agreement provides significant benefits to the estate. Initially, it eliminates uncertainty as to the availability of insurance assets for use in the Plan by obviating the legal dispute between Dow Corning and Dow Chemical based on the potential application of the decision *In re UNR Indus. Inc.*, 942 F.2d 1101 (7th Cir. 1991). As a result, the Insurance Allocation Agreement gives the Reorganized Debtor immediate access upon confirmation of the Plan to hundreds of millions of dollars in proceeds from the shared insurance settlement and escrow funds for use in funding the Depository Trust and is likely to expedite access to substantial additional funds from coverage in place and unsettled policies. It also eliminates the risk that Dow Chemical's product liability claims could supersede rights the Reorganized Debtor might have to some or all of the Shared Insurance Assets. Dow Corning therefore believes that the Insurance Allocation Agreement provides certainty as to its ability to access insurance proceeds to meet its funding obligations under the Plan.

In sum, the Debtor believes that the Insurance Allocation Agreement creates an identity of interests between Dow Chemical and the Reorganized Debtor to maximize recoveries from specified Shared Insurance Assets for the benefit of the Reorganized Debtor. In particular, it helps to minimize controversies regarding which claims should be attributable to particular insurance policy years. The Debtor believes that the Insurance Allocation Agreement will facilitate the cash flow needed to enable the Reorganized Debtor to successfully implement the Plan, while eliminating the specter of protracted litigation.

This description is subject to the actual terms of the Insurance Allocation Agreement which shall control. The Insurance Allocation Agreement becomes binding on the Reorganized Debtor and Dow Chemical only on the Effective Date of the Plan.

C. Filing and Payment of Allowed Administrative Claims. All requests for the payment of administrative expenses (other than Claims arising in the ordinary course of business operations of the Debtor) pursuant to section 503(b)(1) of the Bankruptcy Code shall be filed with the Court no later than 75 days after the Effective Date or at such time as the Court may otherwise order. The Reorganized Debtor shall cause all Allowed Administrative Claims to be paid in cash in full on the Effective Date, or, if later, the Allowance Date, in accordance with section 2.1 of the Plan. Additional information regarding the Administrative Claims is provided in Article VI, section 6.1(B)(1) of this Disclosure Statement.

D. Payment of Allowed Other Priority Claims. The Reorganized Debtor shall cause all of the Allowed Other Priority Claims asserted against it to be paid in accordance with section 4.1 of the Plan. Section 4.1 relating to the payment of Allowed Other Priority Claims is described in Article VI, section 6.4(B) of this Disclosure Statement.

E. Payment to United States Trustee. All fees due to the United States Trustee pursuant to 28 U.S.C. § 1930(a) shall be paid by the Reorganized Debtor as and when they become due and shall be based on the Reorganized Debtor's total disbursements, including ordinary course of business disbursements as well as disbursements made under the Plan, but disbursements shall not include distributions by the Settlement Facility or the Litigation Facility to the ultimate recipients. Such fee obligations shall not terminate until the Case is converted or dismissed, or until the Case is no longer pending upon entry of a final decree closing the Case, whichever shall first occur.

F. Closing. One or more closings (each, a **''Closing''** and collectively, the **''Closings''**) shall be conducted in the offices of DCC, or at such other location(s) designated by the Proponents, at 10:00 o'clock a.m., Eastern Time, on one or more Business Days selected by the Proponents on, or as soon as practicable after, the Effective Date (each, a **''Closing Date''** and collectively, the **''Closing Dates''**) for the purpose of making the distributions to holders of Allowed Claims provided for in the Plan. As soon as practicable after the conditions to the Effective Date in section 7.2 of the Plan have been satisfied or waived in accordance with section 7.3 of the Plan, the Proponents shall give written notice of the applicable Closing Date to the other Official Committees and any Claimant that will be directly involved in a Closing. Separate Closing Dates may be scheduled for different Classes of creditors or Shareholders treated under the Plan to the extent necessary in the sole discretion of DCC. All references in the Plan to a Closing Date shall refer to the Closing Date designated for the transaction involved. (Although the Plan provision allowing multiple Closings is intended to afford all parties-in-interest the flexibility to efficiently conclude the transactions contemplated by the Plan, the Proponents intend, if at all possible, to conduct a single Closing.)

G. Debtor's Obligations at Closing. The following shall occur at the Closing:

1. Payment, Cure and Reinstatement or Setoff of Allowed Secured Claims. The Reorganized Debtor shall pay or make provision for the prompt payment to the holders of Allowed Secured Claims either, with respect to Allowed Secured Claims evidenced by a valid mechanics and materialmen's lien, the full amount of such Claim or, with respect to Allowed Secured Claims payable in installments, an amount equal to all overdue principal installments and accrued and unpaid interest, if any, as of the Closing Date. The Allowed Secured Claims shall thereby be paid or reinstated, without premium or penalty. Alternatively, if an Allowed Secured Claim consists of an amount subject to setoff under section 553 of the Bankruptcy Code, the holders of such Allowed Secured Claims shall effect such setoffs on the Effective Date or, if later, the Allowance Date.

2. Satisfaction of Allowed Unsecured Claims. The Reorganized Debtor shall cause the distribution of cash (to Class 3) and cash and Senior Notes (to Class 4 and, if applicable, Class 4A) to be made as provided in sections 4.3, 5.1 and 5.2 of the Plan.

3. Satisfaction of Personal Injury Claims and LTCI Claims. Unless the Settlement Facility and the Litigation Facility have been earlier established, the Reorganized Debtor shall cause the Settlement Facility and the Litigation Facility to be established and shall execute the Funding Payment Agreement and shall deliver any payment(s) then due thereunder to the Depository Trust[16], in full satisfaction of the Personal Injury Claims and the LTCI Claims. Pertinent terms of the Settlement Facility Agreement and the Litigation Facility Agreement are described in sections 6.6(H) through (J) which follow.

4. Satisfaction of Allowed Other Claims Related to Implants. The Claims Administrator shall cause the distribution of cash and Senior Notes with respect to Claims in Classes 11, 15 and 17 which have been Allowed or estimated for distribution as of the Closing Date, as provided in sections 5.13.1, 5.13.5 and 6.11.8 of the Plan. Other Claims liquidated through the Litigation Facility will be paid (subject to the terms of the Litigation Facility Agreement and the Funding Payment Agreement) from the Settlement Facility in cash, with interest, if required by law, with funds provided pursuant to the Settlement Facility Agreement and the Funding Payment Agreement, when Claims in Classes 11 through 17 are Allowed.

5. Satisfaction of Settling Domestic Health Insurer Claims. Provided the Domestic Health Insurer Settlement Agreement has become effective, the Reorganized Debtor shall consummate the terms of that agreement.

6. Satisfaction of Allowed Subordinated Claims. The Reorganized Debtor shall cause all Allowed Subordinated Claims to be satisfied in accordance with section 5.16 of the Plan.

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16 The Depository Trust is a trust established pursuant to the Settlement Facility Agreement to hold, invest and disburse funds paid pursuant to the Funding Payment Agreement.

H. MATERIAL PROVISIONS OF THE SETTLEMENT FACILITY AND LITIGATION FACILITY AGREEMENTS. THE FOLLOWING IS A SUMMARY OF CERTAIN SIGNIFICANT PROVISIONS OF THE SETTLEMENT FACILITY AGREEMENT AND THE LITIGATION FACILITY AGREEMENT. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE TEXT OF THE APPLICABLE AGREEMENT.

1. Purposes, Organization and Operation. The Settlement Facility and the Litigation Facility will provide an orderly way to resolve and liquidate the various Claims and Assumed Third Party Claims assumed by or otherwise processed under each entity under guidelines established for their respective operations.

The Settlement Facility will be governed by New York law. The Litigation Facility will be governed by Michigan law and will maintain its principal offices in the Eastern District of Michigan.

2. Transfer of Consideration. At Closing, the Reorganized Debtor will deliver the Funding Payment Agreement to the Claims Administrator of the Settlement Facility. Any payment due thereunder shall be delivered to the Depository Trust. The Funding Payment Agreement evidences the obligation of the Reorganized Debtor to make payments to or on behalf of the Settlement Facility and the Litigation Facility after the Effective Date and is more fully discussed below.

3. Governance of the Settlement Facility. The Persons or Entities responsible for operation of the Settlement Facility and their respective functions and duties are the following:

a. MDL 926 Court. The MDL 926 Court will supervise and oversee the operations of the Claims Office. In connection with this activity, the MDL 926 Court will review and approve salaries, expenses and budgets for the Claims Office.

b. Claims Administrator. The initial Claims Administrator will be designated by the Proponents, subject to approval of the MDL 926 Court. The Claims Administrator will be responsible for conducting and supervising the claims-processing functions of the Claims Office. The Claims Administrator will be responsible to assure that Claims are reviewed and evaluated in accordance with the eligibility criteria outlined in the Plan. The Claims Administrator will determine the timing of distributions of funds for payment of Claims. As a member of the Finance Committee, the Claims Administrator will also make recommendations to the District Court regarding the availability of funds for payment of ''Premium'' Payments, as well as the availability of Litigation Fund assets for payment of First Priority Payments. The Claims Administrator will develop and maintain procedures for the detection of potentially fraudulent Claims.

The Claims Administrator will be independent of the Reorganized Debtor and other Released Parties based on qualification standards described in the Settlement Facility Agreement. The Claims Administrator will serve for the duration of the Settlement Program. If the Claims Administrator dies or resigns or becomes unable to perform his or her duties, the Debtor's Representatives and the Claimants' Advisory Committee (described below), will designate a replacement, subject to the approval of the MDL 926 Court.

c. Financial Advisor. The Financial Advisor, who will be selected by the Finance Committee (described below), will have the primary responsibility, along with the Finance Committee, for overseeing the investment of all funds paid to the Settlement Facility and held by the Depository Trust, for providing investment instructions to the Depository Trust, and for overseeing the preparation of financial statements and reports required by the Settlement Facility Agreement.

d. MDL Claims Administrator. The MDL Claims Administrator may, with the approval of the MDL 926 Court, serve as consultant to the Dow Corning Settlement Program Claims Administrator to assist in the efficient and accurate operation of the Claims Office. The MDL Claims Administrator may provide substantive guidance, information and training to the Claims Administrator and the Operations Manager of the Claims Office so that they, in turn, will implement claims-processing guidelines, protocols and interpretation of criteria of the Dow Corning Settlement Program that are consistent with the guidelines and protocols of the MDL 926 Claims Office.

e. Appeals Judge. The Appeals Judge will determine all appeals from Claims decisions made by the Claims Administrator. The Appeals Judge will be the same individual who decides appeals from the decisions of the MDL Claims Administrator. The Appeals Judge will serve as a member of the Finance Committee, which is described below.

The initial Appeals Judge will be Frank Andrews, the current appeals officer for the MDL 926 Court. Any successor Appeals Judge will be jointly selected by the Debtor's Representatives and the Claimants' Advisory Committee, subject to the approval of the MDL 926 Court.

f. Quality Control Supervisor. The Claims Administrator will appoint a Quality Control Supervisor. The Quality Control Supervisor will, under the direction of the Claims Administrator, establish review systems that will assure that the procedures and Claim processing protocols applied by the MDL 926 Claims Office are applied to the Dow Corning Settlement Program Claims Office with respect to Breast Implant Claims except as modified by the Plan and the Plan Documents. The Quality Control Supervisor will also review and monitor Claims Office processing to assure that the Claims Office staff accurately and consistently apply the eligibility criteria and protocols in the evaluation of Claims.

g. Operations Manager. The Operations Manager will be selected by the Claims Administrator with input from the Finance Committee and the Proponents and subject to the approval of the MDL 926 Court. The Operations Manager will be responsible for the daily supervision of the staff of the Claims Office.

h. Claims Office Staff. The Claims Office will operate using the staff, facilities and equipment used by the MDL 926 Claims Office.

4. Governance of the Litigation Facility. The Litigation Facility will be operated through a corporate entity, DCC Litigation Facility, Inc. (the **''LF Corporation''**). The sole stockholder in LF Corporation will be the Reorganized Debtor, which shall appoint the board of directors for the corporation. The Persons or Entities responsible for operation of the Litigation Facility and their respective functions and duties are the following.

a. Manager. The Litigation Facility will be operated by the LF Corporation Officer, called the **''Manager''** or the **''Litigation Manager''** in this Disclosure Statement, who is also designated as the Manager of the Litigation Facility. The Manager will be designated by the Reorganized Debtor, subject to approval by the Court. The Manager will implement the procedures for reviewing, resolving and litigating Claims under the terms of the Litigation Facility Agreement. Specifically, the Manager will litigate and settle Claims as appropriate. All settlements must be approved by Dow Corning and are subject to review by the Special Master (who shall consult with the Finance Committee) to assure that the settlements represent a fair distribution of the Litigation Fund. The Manager will have the authority to hire necessary counsel, auditors and staff; will prepare and provide reports; and will develop budgets for the operation of the Litigation Facility.

The Manager will, unless earlier removed by Dow Corning or the District Court, serve for the duration of the Litigation Facility or until his or her earlier death or resignation. The Manager will owe fiduciary obligations to LF Corporation, to the Reorganized Debtor and to the Shareholders. If the Manager dies or resigns or becomes unable to perform his or her duties, the Reorganized Debtor will designate a replacement.

b. Special Master. The Special Master shall be appointed by the District Court to assist the District Court in the administration of the Claims transferred to the Litigation Facility in order to resolve such Claims efficiently and within the capped Litigation Fund. The initial Special Master will be Professor Francis McGovern. In this capacity, the Special Master shall be responsible for the implementation of the provisions of the Case Management Order which will govern the pre-trial procedures, the procedure for certifying cases for trial, the trial venue and any settlement procedures. The Special Master will review all proposed settlements of Claims in the Litigation Facility. In evaluating proposed settlements, the Special Master shall consult with the other members of the Finance Committee.

5. Common Governance Entities. The Settlement Facility and the Litigation Facility will share certain common governance Entities. Those common Entities are the following:

a. Finance Committee. The Finance Committee will be comprised of the Claims Administrator, the Special Master and the Appeals Judge (all described above). Subject to the approval and supervision of the District Court, the Finance Committee will be responsible for the following: (1) selecting the Financial Advisor to oversee the investment of the Settlement Fund and the Litigation Fund; (2) conducting the analysis and preparing the projections needed to determine the availability of funds for payment of all categories of Claims, (3) making recommendations to the District Court regarding the release of funds from the Settlement Fund and the Litigation Fund, (4) developing recommendations for submission to the District Court regarding

the necessity of deferrals or reductions in Claims payments; (5) reviewing proposed settlements of Non-Settling Personal Injury Claims to determine the adequacy of funds for payment thereof; (6) directing the paying agent to disburse payments for Allowed Claims and expenses in accordance with the Settlement Facility Agreement; and (7) recommending and establishing salaries, benefits, fees and expenses of the Settlement Facility and Litigation Facility.

b. Claimants' Advisory Committee. The Special Master will appoint a three person Claimants' Advisory Committee. If the Special Master reasonably concludes that additional members of the Claimant's Advisory Committee are necessary in order for the Claimants' Advisory Committee to fulfill its duties under the Settlement Facility Agreement, the Special Master has discretion to appoint up to a total of five members. No member of the Claimants' Advisory Committee may be a bankruptcy lawyer. The Claimants' Advisory Committee will consult with the Claims Administrator, the Special Master, and the Finance Committee, and shall attend and participate in meetings of the Finance Committee. The Claimants' Advisory Committee may take actions as appropriate to enforce the obligations in the Plan, the Funding Payment Agreement and the Settlement Facility Agreement.

c. Debtor's Representatives. The Reorganized Debtor will designate ''Debtor's Representatives.'' The Debtor's Representatives will consult with the Claims Administrator, the Special Master, and the Finance Committee, and shall attend and participate in meetings of the Finance Committee. The Debtor's Representatives may take actions as appropriate to enforce the obligations in the Plan, the Funding Payment Agreement and the Settlement Facility Agreement.

6. Liability of Facilities' Administrators; Indemnity. The Claims Administrator, the Special Master and the Manager will not be liable to either the Settlement Facility or the Litigation Facility or to any party whose Claim is administered therein unless they acted with gross negligence, willful misconduct or breach of fiduciary duty.

The Settlement Facility and the Litigation Facility will indemnify the Claims Administrator, the Special Master and the Manager, respectively, to the fullest extent permitted by applicable law.

7. Duties of the Claims Office and the Litigation Manager. The Claims Office and the Litigation Facility Manager will, respectively, resolve and liquidate the Claims assumed by the Settlement Facility and the Assumed and Surviving Third Party Claims channeled to the Litigation Facility according to the terms of the Settlement Facility Agreement, the Litigation Facility Agreement and the Plan, as applicable. Both Facilities have accounting and reporting duties to the Court, Reorganized Dow Corning, Debtor's Representatives, the Claimants' Advisory Committee and the Shareholders under the Settlement Facility Agreement and the Litigation Facility Agreement. Those duties generally include the preparation of periodic reports of Claims filed, processed and paid.

8. Accounting. In operating the business and affairs of the Settlement Facility and the Litigation Facility, the Finance Committee and the Litigation Manager will prepare budgets, project cash flow as necessary or appropriate, and cause quarterly unaudited and annual audited financial statements to be prepared for their respective entities. The financial statements will include balance sheets, statements of receipts and disbursements, statements of profit and loss, and supplementary schedules of investments and assets, listing both principal and income.

9. Reporting Duties. The Trustee of the Depository Trust and the Litigation Manager will file tax returns for their respective entities and pay any reported liabilities. The Trustee will also perform all acts necessary to maintain qualification of the Depository Trust as a Qualified Settlement Fund under federal tax law. The Finance Committee and the Litigation Manager will file the annual and quarterly financial statements described in section 6.6(H)(8) of this Disclosure Statement with the Court, the Reorganized Debtor and the Shareholders. At the time of filing each financial statement, the Finance Committee and the Litigation Manager will also file with the District Court, the Reorganized Debtor, the Claimants' Advisory Committee, the Shareholders and the MDL 926 Court a report containing a summary of the number of resolved Claims and the total amount paid as to Claims (in the aggregate, not individually) liquidated by their respective Entities from the Effective Date to the end of the period covered by the accounting. The Claims Administrator and the Litigation Manager will maintain (but need not file with the Court) separate records of all individual payments, arbitration awards, judgments and settlements concerning Claims liquidated by their respective entities.

10. Liability for Assumed Claims and Expenses of Settlement Facility and Litigation Facility. All Settlement Facility expenses and payments in respect of Claims assumed by the Settlement Facility will, except in the limited circumstances where the Litigation Fund may be used for payment of certain Claims in the Settlement Facility (described further below), be payable solely from the funds provided to the Settlement Facility for payment of Claims of Settling Personal Injury Claimants and the earnings thereof, as discussed in section 6.6(I) below. All Litigation Facility expenses and payments in respect of Non-Settling Personal Injury Claims, Class 12 Claims and Assumed Third Party Claims will be payable solely from the Litigation Fund to be designated pursuant to the Funding Payment Agreement. The Claims Administrator, the Litigation Manager, Dow Corning, the Reorganized Debtor, the Released Parties and their respective officers, directors, agents and employees will not be liable for any expense or payment in respect of any Claim assumed by the Settlement Facility or the Litigation Facility.

11. Irrevocability; Amendments. The Settlement Facility Agreement and the Litigation Facility Agreement will be irrevocable. The Settlement Facility Agreement and the Litigation Facility Agreement may be amended to resolve ambiguities or to correct obvious errors by an instrument signed by the Reorganized Debtor and the Claimants' Advisory Committee. All other amendments, supplements and modifications require approval of the District Court or the Court after notice to the Reorganized Debtor, the Shareholders, the Claimants' Advisory Committee, and such other notice and hearing as the Court may direct. Nevertheless, without the consent of the Reorganized Debtor and the Claimants' Advisory Committee, no amendment may be made that would, directly or indirectly: (i) affect the validity, requirement for, or effectiveness of any release of the Released Parties, (ii) increase the amount or change the due date of any payment to be made by the Reorganized Debtor to the Settlement Facility pursuant to the Funding Payment Agreement, (iii) in the case of the Settlement Facility, (a) increase the liquidation value or settlement value of any Claim administered by the Facility, or the amount or value of any payment, award or other form of consideration payable to a Claimant from the Facility, (b) materially change the qualification criteria that are part of the Disease Payment Option, the Rupture Payment Option, or the Medical Condition Payment Option for Other Products Claimants, (c) affect the rights of the Settlement Facility (or the Depository Trust) to receive payments pursuant to the Insurance Allocation Agreement, or (d) cause the Depository Trust to no longer qualify as a Qualified Settlement Fund under federal tax law.

12. Termination. The Settlement Facility and Litigation Facility shall terminate as soon as practicable after the Reorganized Debtor's funding obligations under the Funding Payment Agreement have been satisfied. The Claims Administrator and the Manager will endeavor to conclude the activities of the Settlement Facility and Litigation Facility, respectively, within sixty days thereafter, and shall seek an order from the District Court confirming the termination of Facilities. The Reorganized Debtor's funding obligations terminate on the earlier of:

a. the date when all Allowed Claims in each of Classes 5 through 19 and all other obligations of the Settlement Facility and Litigation Facility have been paid, all Claims filed have been liquidated and paid or otherwise finally resolved, and no new Claims have been timely made against the Settlement Facility or the Litigation Facility for two consecutive Funding Periods (as defined in the Funding Payment Agreement); or

b. the date when all payment of all amounts required by the Funding Payment Agreement have been made.

Upon such termination, the Claims Administrator and the Manager shall remain authorized to wind up the affairs of the Settlement Facility, the Depository Trust and the Litigation Facility.

13. Disposition of Excess Funds from the Settlement Facility. If, upon termination of the Settlement Facility, any funds which the Reorganized Debtor was required to pay under the Funding Payment Agreement remain in the Settlement Facility after payment of or adequate provision for any remaining Settlement Facility expenses, the excess funds will be distributed, if cost effective, pro rata to the holders of Allowed Claims previously paid by the Settlement Facility, or, if such distribution would not be cost effective, to a neutral medical research institute or university selected by the Finance Committee, after consulting with the Claimants' Advisory Committee.

I. Material Provisions of the Funding Payment Agreement.

1. Unified Funding of Settlement Facility and Litigation Facility. Except as otherwise provided in the Plan, all funding pursuant to the Funding Payment Agreement will be made to the Depository Trust for the account of the Settlement Facility, where those funds will be under the management of the Finance Committee and the Financial Advisor.

The Depository Trust will be funded in three ways. First, on the Effective Date, the Reorganized Debtor will provide funding in the amount of $985 million (plus interest to the extent required by the Funding Payment Agreement). Second, the Reorganized Debtor is required by the Funding Payment Agreement to pay proceeds of products liability insurance recoveries to the Settlement Facility. In addition, Dow Corning shall assign its rights to those insurance proceeds (but not the policies themselves) to the Settlement Facility pursuant to the Assignment and Security Agreement. If the amount paid by the Reorganized Debtor from such insurance recoveries exceeds that year's funding cap, the excess paid shall be credited against the Reorganized Debtor's future funding obligations as provided in the Funding Payment Agreement. Third, additional funding will be made on an ''as needed'' basis, upon request from the Claims Administrator. Such requests can be made monthly, subject to annual caps on the amount of required funding under the Funding Payment Agreement.

2. Funds Administration; Establishment of Dedicated Funds. The Finance Committee, subject to court approval and oversight, shall be responsible for the investment of funds provided to the Depository Trust and for the disbursement of funds in payment of Claims and expenses of the Facilities.

Of the funding committed by Dow Corning, the sum of up to $400 million (Net Present Value as of the Effective Date) will be designated as the **''Litigation Fund''** and made available for payment of certain Claims, as specified in the Settlement Facility Agreement, including the Allowed Non-Settling Personal Injury Claims, Allowed Class 12 Claims, Allowed Assumed Third Party Claims and the expenses of the operation of the Litigation Facility, including the legal costs of defense of Claims against the Facility. The remaining funds will be designated as the **''Settlement Fund.''** The Settlement Fund includes several dedicated ''subfunds'' for payment of Claims of certain classes of settling Personal Injury Claims. Those subfunds include (i) the **''Silicone Material Claimants Fund''** in the aggregate amount of $57.5 million (NPV) for payment of Claims of the Allowed Claims of settling Silicone Material Claims in Class 7, (ii) the **''Other Products Fund''** in the aggregate amount of $36 million (NPV) for payment of the Allowed Claims of settling Other Products Claimants in Classes 9, 10.1 and 10.2 and (iii) the **''Increased Severity Fund''** in the aggregate amount of $15 million (NPV) for payment of the certain ''increased severity'' Claims of Breast Implant Claimants whose Claims are resolved under Disease Payment Option I of the Grid.

Although funds designated as the Litigation Fund are intended to be used solely for payment of Non-Settling Personal Injury Claims, Class 12 Claims and Assumed Third Party Claims, beginning on or after the fourth anniversary of the Effective Date, funds designated as the Litigation Fund may be used for payment of First Priority Claims, upon the recommendation of the Finance Committee, but only upon order of the District Court. In determining whether such an order should be entered, the District Court will determine whether (i) funds are needed for payment of First Priority Claims, and (ii) the remaining assets of the Litigation Fund, after accounting for the proposed payment of First Priority Payment, will be adequate to pay all Claims that may be paid from the Litigation Fund.

3. The Shareholder Credit Facility. The Shareholders shall establish a credit facility in the amount of $300 million which may be drawn upon by the Reorganized Debtor to make payments due under the Funding Payment Agreement. Advances will be available for a period of ten years following the Effective Date, the years during which the highest level of funding obligations will occur. Advances from the credit facility are to be repaid with interest; however, repayment of such advances will be subordinated to the Debtor's other obligations under the Funding Payment Agreement and the Senior Notes in the event of a default by the Reorganized Debtor in respect of such obligations. The amount of availability under the credit facility will, consistent with the projected level of funding requirements for the Settlement Facility, decrease by the amount of $50 million per year beginning in the sixth year following the Effective Date. Upon the expiration of the credit facility, all remaining unpaid advances are to be paid by Dow Corning; the Settlement Facility will have no obligation for repayment of any advances from the credit facility.

4. Covenants; Reporting Obligations. The Funding Payment Agreement requires the Reorganized Debtor to observe certain covenants including to (i) make timely payment of all amounts due under the Funding Payment Agreement, (ii) maintain its properties, (iii) maintain its corporate existence, (iv) limit its ability to engage in consolidations or mergers, (v) not pledge, assign, transfer, or grant a lien in its Insurance Proceeds except for the benefit of the Trust; (vi) not take actions that would have a material adverse effect on its ability to satisfy its funding obligations under the Funding Payment Agreement. The Reorganized Debtor is also required to provide the Finance Committee and the Claimants' Advisory Committee with (i) copies of all publicly-filed financial

reports and its annual audited financial statements for a period of eight years following the Effective Date (and for later periods if determined appropriate by the Finance Committee), (ii) unaudited quarterly financial statements, and (iii) a quarterly statement by an officer that there has been no default under the agreement or the occurrence of an event that has a material adverse effect on its ability to perform under the agreement.

5. Effect of Default Under the Funding Payment Agreement. In the event of a payment default under the Funding Payment Agreement, interest shall accrue on the unpaid payment (or portion thereof) at the prime rate of interest plus 1½%. This interest is not included within the $2.35 billion (NPV) funding cap. In the event of two or more payment defaults and/or a breach of any covenant under the Agreement, the Claims Administrator and the Claimants' Advisory Committee shall have the right to seek the imposition of any and all remedies from the District Court. The District Court may impose such remedies as it determines to be necessary and appropriate to fully protect the rights of the Settlement Facility to payment in full, to protect against future defaults, and to maintain the Settlement Facility's rights *vis a vis* other creditors of the Reorganized Debtor.

J. Claims Resolution Procedures Under the Settlement Facility and the Litigation Facility. As their names suggest, the Settlement Facility and the Litigation Facility will use different approaches to resolve Claims. The Settlement Facility will offer Settling Personal Injury Claimants a variety of options to settle their Claims. Claimants who elect not to settle must risk litigating the merits of their Claims and Surviving Third Party Claims against the Litigation Facility. Claimants whose Claims are processed in the Settlement Facility must resolve their Claims under the Settlement Facility and may not pursue their Claims in any other manner, including litigation. The Plan further provides for the transfer of certain Claims related to Personal Injury Claims to the Litigation Facility for resolution. Non-settling Claimants whose Claims are processed in the Litigation Facility must resolve their Claims under the Litigation Facility and may not take advantage of the settlement options offered by the Settlement Facility. Following is a summary of the basic resolution procedures used by the Settlement Facility and the Litigation Facility. THE FOLLOWING SUMMARY, HOWEVER, IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE TEXTS OF THE SETTLEMENT FACILITY AGREEMENT AND THE LITIGATION FACILITY AGREEMENT.

1. Resolving Breast Implant Personal Injury Claims Under the Settlement Facility: The Philosophy of Settlement. The methods for resolving Breast Implant Claims under the Settlement Facility encourage Claimants to settle their Claims without facing the uncertainty of litigation. The Proponents believe that the settlement options under the Settlement Facility offer Claimants reasonable compensation for Claims based on objective proof evaluated by independent and neutral parties. Claimants whose Breast Implant Claims are processed under the Settlement Facility have the opportunity to participate in three settlement options.

a. Explantation Payment Option. Claimants can receive a one-time payment in the amount of $5,000 if they have a Dow Corning Breast Implant removed during the period after December 31, 1990 and ending on the tenth anniversary of the Effective Date. That payment would be made upon the Claimant's providing proof that she had a Dow Corning breast implant (or breast implants) and, by contemporaneous surgical record or hospital record, that the breast implant(s) had been removed. (If, however, the Breast Implant was removed in 1991 and was replaced with another silicone gel breast implant in that same procedure, the Claimant is not eligible to receive payment under this option. If the Breast Implant for which explantation benefits are sought was removed after January 1, 1992, and was replaced with another silicone gel breast implant either in the same procedure or any subsequent procedure, the Claimant is not eligible to receive payment under this option.)

If a Claimant wishes to have her implant(s) removed and does not have the funds to pay for the procedure, the Claims Office can arrange for the direct payment of up to $5,000 to the selected provider for the procedure. (If the cost of the explantation procedure is less than $5,000, the difference between the actual cost of the procedure and the $5,000 explantation benefit will be paid to the Claimant.)

All applications for payment under this option must be received on or before the tenth anniversary of the Effective Date. Any deficiencies in the application must be cured within six months of notification of such deficiencies.

b. Rupture Payment Option. Under this option, any Claimant who can demonstrate that, prior to the second anniversary of the Effective Date, she had a Dow Corning Breast Implant that ruptured after implantation and prior to the explantation procedure will receive a one-time payment of $20,000, and will be qualified, if funds are available, for a ''Premium'' payment of up to $5,000. (''Rupture'' is defined to mean

the failure of the elastomer envelope(s) surrounding a silicone-gel implant to contain the gel, resulting in contact of the gel with the body, not solely as a result of ''gel bleed,'' but due to a tear or other opening in the envelope occurring after implantation and prior to the explantation procedure.) An eligible claimant will be entitled to receive only one payment, regardless of the number of qualified ruptures.

In limited circumstances where a documented serious chronic medical condition precludes the surgical removal of the Breast Implant, and qualifying proof of Rupture through MRI examination is provided, the Claimant shall be eligible to receive benefits under this option without undergoing explantation.

In certain circumstances, a Claimant whose Rupture Claim documentation is classified as unacceptable by the Claims Office may submit the Rupture Claim to the Reorganized Debtor through an ''individual review process.'' Claimants whose medical documentation demonstrates visual confirmation of a breach in the envelope or migration of silicone from a Dow Corning Breast Implant may authorize the submission of those records, redacted to preserve the Claimant's confidentiality, for review by the Reorganized Debtor. The Reorganized Debtor will have sixty days to review the Claimant's submission to either accept or reject the Rupture Claim. The Reorganized Debtor shall consider and not unreasonably deny a Claim that includes:

(1) Medical documentation, created before explantation surgery or within a reasonable time after explantation, demonstrating visual confirmation of a breach in the elastomer envelope found upon or prior to removal of a silicone gel Breast Implant; or

(2) Medical documentation demonstrating migration along tissue planes distant from the implant of a substantial mass of material confirmed by biopsy to be silicone from a ruptured Dow Corning single or double-lumen silicone gel Breast Implant.

In connection with this individual review process, the Reorganized Debtor shall be entitled, at its expense, to review, test and examine any explant materials and/or pathology slides that have been preserved.

If the Reorganized Debtor denies the Rupture Claim, the Claimant can appeal to the MDL 926 Court (or its designee for such appeals). The decision of the MDL 926 Court or its designee is final and binding on both the Claimant and the Reorganized Debtor.

To be eligible for the Rupture Payment Option, the Claimant must submit her Claim therefor, together with all supporting documentation, to the Claims Office on or before the second anniversary of the Effective Date. If a Claimant is explanted within ninety days prior to this deadline, the Claimant may have up to thirty days after the deadline to submit the required application and documentation. In the event of any deficiency in the Claim form or supporting documentation, the Claimant shall have six months following notification thereof to cure the deficiency.

c. Disease Payment Option or the Expedited Release Payment Option. In addition to requesting compensation for an explant or rupture of a Breast Implant, a Breast Implant Claimant may obtain compensation under either the Disease Payment Option or the Expedited Release Payment Option.

(1) Disease Payment Option. Under this settlement option, settling Breast Implant Claimants who have certain defined symptoms or medical conditions will be eligible to receive a payment from the Settlement Facility. The CRP, attached as Annex ''A'' to the Settlement Facility Agreement, defines the particular medical conditions that will qualify for payment and describes the different payment categories. There are eight different compensation levels for which Breast Implant Claimants might qualify based on specified diseases or medical conditions. In general, the amount that the Claimant receives will depend on the nature of the medical condition and the type of documentation submitted to support the Claim. The amounts for which the Claimant qualifies will be paid in the form of a ''Base'' payment, which will be paid as a First Priority Payment, and a ''Premium'' payment, to be paid, if funds remain available, as a Second Priority Payment.

Claimants may seek recovery under one of two different sets of disease criteria. Disease Payment Option I provides compensation based on the disease definitions and severity/disability categories in the Original Global Settlement Disease Schedule (Exhibit D to the Breast Implant Settlement Agreement Notice.) This option is equivalent to Option One—Fixed Benefit Option of the Revised Settlement Program. Breast Implant Claimants who meet the definitions and criteria specified for the disease compensation program in the Original Global Settlement Agreement will qualify for Compensation Level One—A, B or C of the compensation levels in the Settlement Facility.

Disease Payment Option II provides compensation based on disease definitions and criteria set forth in the guidelines of the Revised Settlement Program Long Term Benefit Schedule. Those who qualify under Disease Payment Option II will be eligible for one of five compensation levels under the Grid.

The Claims Office will be responsible for determining whether the documentation submitted satisfies the definitions and criteria specified. If the Claims Office determines that the documentation is deficient, the Claimant will be notified of such deficiency and the procedures to cure such deficiency. The Claims Office will be authorized to accept documents and records previously submitted to and acceptable under the procedures of the MDL 926 Claims Office by Breast Implant Claimants under the Global Settlement Agreement or RSP in the MDL 926 Court.

The process for evaluating Claims under this settlement option and for determining the appropriate compensation level consists of three (3) steps. First, the Claims Office will review each Claim to determine whether it is subject to certain threshold disqualifications. For example, a Claimant who has previously settled her Claim with Dow Corning would not be eligible to participate in the settlement option. Second, the Claims Office will determine whether the Claim meets the specific qualification criteria that describe the nature of the eligible medical conditions and the documentation required to support the Claim. These qualification criteria include various symptoms, diseases and medical findings, as well as disability. Third, if the Claims Office confirms the existence of an eligible medical condition for which the Claimant applied, then it will determine the applicable compensation level on the Grid. Each Claimant will be entitled to payment for one Covered Condition, subject to the right to receive payment for Increased Severity, and shall be placed in the highest compensation level applicable based upon the Claims submission. (The ability of a Claimant to apply for additional compensation due to Increased Severity does not impair or otherwise affect the terms or scope of the release and discharge provisions of the Plan and the Confirmation Order.)

If the Claimant disputes the evaluation of her Claim, she may have the decision of the Claims Office reviewed by the Claims Administrator and, if not satisfied by the determination of the Claims Administrator, by the Appeals Judge. The review process is more fully described in subsection (h), which follows.

The Allowed amounts payable to a qualifying Claimant under the Disease Payment Option is subject to adjustment if the Claimant has received both a Dow Corning Breast Implant(s) and a silicone gel breast implant(s) made by any of the Participating Co-Defendants. In that event, the Allowed amount(s) payable under the Disease Option to such Claimant shall be reduced by 50%. In the event that such a Claimant has a Rupture Claim and has previously received or receives an ‘‘enhanced rupture payment’’ under the Revised Settlement Program, her compensation under the Rupture Payment Option (discussed in subsection (b) above) will also be reduced by 50%.

(2) Expedited Release Payment Option. This option consists of an expedited payment to Claimants who are Breast Implant Users. Claims processed under this option can qualify for payment without proof of a qualifying medical condition and without the potential delays of processing a disease claim. Breast Implant Claimants who do not presently assert a qualifying medical condition may choose to accept the Expedited Release Payment in full satisfaction of potential disease claims or may forgo any immediate payment and preserve their right to seek compensation if they manifest such a condition before the fifteenth anniversary of the Effective Date.

Under the Expedited Release Payment Option, Claimants must provide the Settlement Facility with acceptable evidence that the Breast Implant is a Dow Corning product. Acceptable evidence includes hospital or surgical operative records from the implant or explant procedure specifying that the Claimant was implanted with a Breast Implant, or a copy of the Claimant’s medical records containing the Breast Implant package label. The compensation under this option is fixed at $2,000 per Claimant, regardless of the number of Breast Implants (and, if applicable, the number and/or types of Other Products) associated with a Claim(s) asserted by the Claimant.

The Expedited Release Payment Option will be available, unless extended or renewed by the Claims Administrator, for three years after the Effective Date.

d. Claims of Family Members. Certain Claims have been asserted by the spouses, parents and children of Personal Injury Claimants. These Claims, referred to as **''Family Member Claims,''** are comprised of (i) **''Consortium Claims,''** and (ii) **''Children Direct Claims.''**

i. Consortium Claims are Claims that derive from the relationship of a spouse, parent, child or other individual related to or claiming some personal relationship to a Breast Implant User, Other Product User, or a Non-Dow Corning Breast Implant User to the extent those claims are recognized under applicable non-bankruptcy law. The option to settle Consortium Claims shall be controlled by and be subject to the election of the Breast Implant Claimant, the Other Products Claimant or the Non-Dow Corning Breast Implant Claimant (the **''Primary Claimant''**). If the Primary Claimant elects the settlement option described in Section 5.4 of the Plan or is deemed to be a Settling Claimant because of a failure to timely elect to litigate, then any and all Consortium Claims related to that Primary Claimant shall be deemed settled and discharged for no additional compensation regardless of whether the Family Member elects or would have elected to litigate his or her Consortium Claim separately. Thus, the settlement Grid amount specified for such Primary Claimant is intended to cover both the Primary Claimant and the related Consortium Claims, and, accordingly, the Primary Claimant's election to take the settlement option shall operate as a release of both her Claims and all related Consortium Claims.

If the Primary Claimant elects to litigate, any Consortium Claims that could be brought under applicable non-bankruptcy law must be brought against the Litigation Facility pursuant to Section 5.4.2 of the Plan, which provides for liquidation of all Non-Settling Personal Injury Claims pursuant to the Litigation Facility Agreement.

ii. Children Direct Claims are Claims asserted by children born to a Breast Implant User or Non-Dow Corning Breast Implant User arising from the alleged exposure to the Breast Implant, Other Product or the component parts of those products in utero, through breast feeding or otherwise.

Any Children Direct Claims made will be resolved through the procedures established by the Litigation Facility. For these purposes, such **''Children Direct Claimants''** shall be deemed to be ''Non-Settling Personal Injury Claimants.'' There is no settlement option available to Children Direct Claimants.

e. How Claims Are Processed. The Settlement Facility is instructed to process Claims and pay Allowed Claims as promptly as possible consistent with the need to assure appropriate review of Claim submissions. The settlement program is designed to resemble, to the greatest extent possible, the claims process in the Revised Settlement Program. Accordingly, the Claims Office shall use the settlement protocols of the MDL 926 Claims Office and shall use the personnel of the MDL 926 Claims Office to process Claims for payment.

The Settlement Facility will observe the following guidelines in ordering the Claims for review and payment:

(1) The Claims Office shall adopt procedures to maintain the confidentiality of all Claim files and Claimants' identities. Every Claimant is entitled to a copy of his/her Claim file.

(2) Claims will generally be processed within each payment option elected in the order in which completed submissions are received.

(3) Review of Proof of Manufacturer, and Claims for explantation and rupture may begin as soon as Claimants submit the appropriate form(s) and documentation. Breast Implant Claims for disease will not be allowed or processed until the Claimant has acceptable proof (or only a minor deficiency) in her Proof of Manufacturer.

(4) All Claimants may supplement their prior submissions to the MDL 926 Claims Office to support a Claim in this Settlement Program.

The ordering process just described will quickly provide value to a significant number of Claimants.

f. Payment of Claims—Generally. Upon Allowance[17], Claims will be paid based upon the determination of the Finance Committee regarding available funding under the Funding Payment Agreement. On the Effective Date, the Settlement Facility will receive initial funding of at least $985 million, which, in the Proponents' view, should be adequate to distribute payments to Claimants in the early stages of the operations of the Settlement Facility. Following the Effective Date, the Settlement Facility (with the exception of the payment of recoveries of insurance proceeds), will be funded on an ''as needed'' basis, and the Claims Administrator will be authorized to make monthly requests for funding, based on the results of actual Claims resolution.

Provided that the caps on annual funding are not exceeded, the ''Base'' amount of Claims should be paid promptly after Allowance. (Payments under any settlement option will be reduced by any amount previously paid to the Claimant or her physician or other health care provider (a) under the Dow Corning Removal Assistance Program or (b) in prior partial settlements between Dow Corning and the Claimant that did not result in a full or general release of claims.) Dow Corning is responsible for providing the Claims Administrator with adequate information to determine whether such setoffs apply.

If, on the other hand, the Finance Committee determines that there will be insufficient funds to pay the scheduled payments on all Allowed Claims in full immediately, the Settlement Facility shall, upon the recommendation of the Finance Committee and with the permission of the District Court, make proportional and/or installment distributions, with further payments to be made when additional funds become available to the Settlement Facility.

Finally, in the event it is determined, on or after the fourth anniversary of the Effective Date, that the level of required funding from Dow Corning will be insufficient to pay all Allowed First Priority Payments in the Settlement Facility from the Settlement Fund, the Finance Committee shall have the authority to seek an order authorizing the payment of First Priority Payments out of the Litigation Fund. The Finance Committee may recommend and seek an order of the District Court authorizing access the Litigation Fund for payment of the Allowed First Priority Payments. Such order shall be based on a finding (i) that funds are needed for payment of First Priority Payments, and (ii) that the remaining assets in the Litigation Fund, after accounting for the proposed payment of First Priority Payments, will be adequate to pay all Claims that may be paid from the Litigation Fund.

g. Release. By accepting payment from the Settlement Facility, a Claimant will release all Claims against the Facilities and provide additional documentation (by endorsement of the settlement check) of the release under the Plan of the Released Parties and their property.

h. Review. If a Claimant disputes the Claims Office's evaluation or characterization of the Claimant's Claim under the compensation structure of the Claims Resolution Procedures of the Settlement Facility, the Claimant may have the Claims Office's decision reviewed by Claims Administrator. That review will be initiated by written request to the Claims Administrator requesting review of the action of the Claims Office. The review of the Claims Administrator will be a *de novo* review, *i.e.,* the review will be made independently of the prior findings of the Claims Office and based on a fresh review of the Claim file of the Claimant.

If the Claimant is dissatisfied by the decision of the Claims Administrator, the matter may be further appealed to the Appeals Judge. That request is initiated by a written request addressed to the Appeals Judge. In this appeal, as with the first appeal, the burden of proof will be on the Claimant. The review by the Appeals Judge is restricted to a review of the appeal record and the Claim file, and may not result in a modification of substantive eligibility criteria. The decision of the Appeals Judge will be final and binding on the Claimant and the Settlement Facility.

2. Resolving Other Products Personal Injury Claims and Silicone Material Claims Under the Settlement Facility. The philosophy underlying the resolution of Other Products Personal Injury Claims and Silicone Material Personal Injury Claims under the Settlement Facility is the same as that for the resolution of Breast Implant Claims. However, due to the limited range of conditions presented by the Other Products Claims and Silicone Material Claims, the options for resolution of such Claims are more limited, as described herein.

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[17] See footnote 5 regarding the effect, if any, of objections to Personal Injury Claims filed by the Commercial Committee.

a. Other Products Settlement Options. The settlement options under the Settlement Facility for Covered Other Products Users are the Expedited Release Payment Option and the Medical Condition Payment Option. To be eligible to receive compensation under this option a Covered Other Products User must submit the appropriate forms on or before the second anniversary of the Effective Date. Similar to the treatment provided to Breast Implant Claimants described in section 6.6(J)(1)(c)(2) above, the first option consists of an Expedited Release Payment of $1,000 to Covered Other Products Users based on proof that their implant is a Dow Corning Product. Acceptable evidence includes hospital or surgical operative records from the implant or explant procedure specifying that the Claimant was implanted with an Implant, or a copy of the Claimant's medical records containing the Implant package label. If the proof just described is unavailable, the Settlement Facility will accept a statement from the medical doctor who performed the implantation or from a responsible person at the treating facility, attesting that the Claimant was implanted with an implant and providing the basis for that conclusion. The compensation Allowed under this option is determined per Claimant, regardless of the number and/or types of Other Products (and, if applicable, the number of Breast Implants) associated with a Claim(s) asserted by the Claimant.

The other option available to Covered Other Products Users is the Medical Condition Payment Option. This option consists of a payment to Covered Other Products Users who have specified symptoms or medical conditions, and requires a higher level of proof from the Claimant and more detailed evaluation by the Claims Office. The Claims Office will evaluate and categorize Claims according to the guidelines and criteria set forth in the Claims Resolution Procedures document attached to the Settlement Facility Agreement. Generally, the process for determining the compensation of Claims consists of these steps: First, the Claims Office will review each Claim to determine if it is subject to certain threshold disqualifications. If the Claim is disqualified, the Claims Office will reject the Claim and so notify the Claimant. Next, if no threshold disqualification is found, the Claims Office will determine whether the Claim meets the stated criteria for a qualified medical condition. Last, if the Claims Office confirms the existence of a qualified medical condition, then the Claimant will be notified of the Allowed compensation level.

The amount to be paid to settling Other Products Claimants is subject to a number of variables. The Claims are to be paid from a fixed fund (the **''Other Products Fund''**) in the amount of $36 million (NPV) (including $6 million (NPV) designated as a ''Premium'' payment). In distributing the Other Products Fund, the Claims Administrator has the authority to reduce payments to Other Products Claimants whose Implants were in place for more than five years. Conversely, if funds remain available from the aggregate $36 million (NPV) cap after paying all Allowed Other Products Claims held by settling Other Products Claimants, the remaining amount shall be disbursed, using guidelines developed by the Claimants' Advisory Committee and the Claims Administrator, to Other Products Claimants (including implant Claimants with TMJ devices, knee, hip, large or small orthopedic devices, and chin or facial implants) who have demonstrated the most serious injuries or conditions.

b. Silicone Material Claims. All Silicone Material Claimants are required to submit the supporting documentation for their Claims by the second anniversary of the Effective Date. Thereafter, the Claims Administrator shall determine, based on the settlement option elected by and approved for each Claimant and the number of Silicone Material Claimants, the amount payable for each Claim from the Silicone Material Claimants Fund of $57.5 million (NPV). The Claims Administrator is to allocate the Silicone Material Claimants Fund such that all Silicone Material Claimants who elect the Expedited Payment Option will receive the same amount and Silicone Material Claims under the Disease Payment Option shall receive no more than 40% of the amount paid to Breast Implant Claimants under the equivalent level of the Grid.

The payments to be made to Silicone Material Claimants are further subject to dollar-for-dollar reduction or ''marshaling'' for any payment that the Claimant has received or is eligible to receive from any other breast implant manufacturer, except that Silicone Material Claimants whose breast implants were made by CUI, Mentor or Bioplasty will be deemed to have marshaled all of the assets of those Entities and will be subject to no reduction.

In the event funds from the Silicone Material Claimants Fund remain after payment for Allowed Claims as calculated by the Claims Administrator, the Claims Administrator has the discretion to make a supplemental pro rata distribution to holders of Allowed Silicone Material Claims.

c. Other Settlement Provisions. Other elements of the settlement procedures of the Settlement Facility, including those for the release of Claims of Family Members, for the processing and payment of Claims, and for the requirement of a release as a condition of settlement are essentially the same as for the

resolution of Breast Implant Personal Injury Claims, and are discussed in more detail in the foregoing section 6.6(J)(1)(c) through (h).

3. Payment of Foreign Claims.

a. Payment Adjustment. The amounts payable for Foreign Breast Implant and Other Product Claims shall be 60% (for Category 1 and 2 countries) or 35% (for Category 3 and 4 countries) of the amounts payable to Domestic Claimants, depending on country of residence (*see* **Exhibit ''C''**). The proposed reduced settlement payments reflect Dow Corning's belief that the recoveries for product liability claims in foreign countries are substantially less than those available in domestic courts under applicable domestic law, based on differences between foreign and United States substantive law and legal systems, and various procedural, cultural and economic factors (which vary from country to country), which, in Dow Corning's belief, support the separate classification of Foreign Claims, and the reduced settlement payments offered to their holders, under the Plan. Some parties disagree with Dow Corning's belief in this regard.

The schedule describing the adjustment to be made for payment of Foreign Claims is included as **Exhibit ''C''** to this Disclosure Statement. The Debtor has entered into several settlement agreements with Foreign Claimants in Quebec, Ontario, and British Columbia, and is providing Australian Claimants with the Australia Breast Implant Settlement Option. While those arrangements, which are to be approved at the time of confirmation, provide for the creation of separate settlement funds and the establishment of their own grids for Claim resolution, the criteria for Claim Allowance and the compensation therefor are comparable to the treatment of Foreign Claims under the Grid (as adjusted).

b. Categorization of Foreign Claims. Foreign Claimants are classified into categories based on their country of residence for purposes of calculating the appropriate settlement payment. The categorization of countries is determined generally based on the per capita GDP of each country as compared to the per capita GDP of the United States, as well as certain additional factors. Specifically, Category 1 countries include countries with a purely common law legal system. Category 2 is comprised of countries with a per capita GDP greater than 60 percent of the GDP of the United States and all countries in the European Union. Category 3 is comprised of countries with a per capita GDP of between 30 percent and 60 percent of that of the United States. Category 4 is comprised of countries with a per capita GDP of less than 30 percent of that of the United States. The determination of the per capita GDP is determined using The World Factbook, published by the Central Intelligence Agency.

c. Procedure for Adjustment to Categorization. The categorization of countries for purposes of computing the compensation amount for Foreign Claimants was computed based on data available as of January 29, 1999. If, due to changed economic conditions, the application of the formula for categorization of countries described at 6.6(J)(3)(b) above would result in the placement of any country in a category different than that specified on **Exhibit ''C,''** the Claims Administrator, with the agreement of the Debtor's Representatives and the Claimants' Advisory Committee may amend **Exhibit ''C''** to place such country in the appropriate category. Such adjustments shall be permitted no more than once in any calendar year, and any recategorization shall apply to all Claimants from the affected country whose claims are paid in the year of the recategorization or in subsequent years. Foreign Claimants who believe that due to changed economic conditions their country is not correctly categorized based on the formula and data source set forth at 6.6(J)(3)(b) above may submit to the Claims Administrator a request for recategorization. In the absence of consent of the parties, the Foreign Claimant may bring a motion before the MDL 926 Court to recategorize the country.

4. Resolving Claims Under the Litigation Facility. The procedures under the Litigation Facility allow Non-Settling Personal Injury Claimants to resolve their Claims by trial if those Claims are not earlier settled. These procedures will provide an orderly process for resolving such Claims. The litigation process will be governed by the Litigation Facility Agreement and the Case Management Orders. The terms of an initial Case Management Order have been agreed to by Dow Corning and the Tort Committee and are to be approved by the District Court at the time of the hearing to approve the Plan. The Case Management Order provides that the District Court will oversee the resolution of Claims through the Litigation Facility Agreement, assisted by a Special Master. The manner by which Claims other than LTCI Claims and Claims in Classes 11 through 17 will be processed are described below.

a. Election to Litigate. Claimants will have 180 days following the earlier of (i) the Effective Date and (ii) the mailing of the notice of the election deadline pending an appeal of the Confirmation Order within which to decide whether they wish to resolve their Claims through the Litigation Facility. To elect litigation, Claimants must (i) sign and return a Participation Form to the Claims Administrator indicating their desire to bypass the Settlement Facility and have their Claim processed in the Litigation Facility and (ii) file a copy of the Participation Form reflecting the opt-out election in the Master Docket maintained by the District Court within thirty days of so electing. Claimants who do not timely return and file the Participation Form will have their Claims processed in the Settlement Facility.

If a Claimant timely returns and files a Participation Form, but does not already have a lawsuit pending, the Claimant must then file a complaint in the District Court setting forth her Claims and must do so within sixty days of the date on which her Participation Form is filed. This requirement is tolled for minor Claimants until six months after their 18th birthday and for Unmanifested Claimants until six months after manifestation of illness or symptoms of sufficient severity to support a disease payment, provided, however, that any such tolled Claims must be filed prior to the 15th year after the Effective Date. Claimants who already have a lawsuit pending (whether in the MDL proceeding or otherwise) will have their individual files established in the Master Docket created pursuant to the terms of the Case Management Order. In addition to the individual case filings, the Master Complaint, as amended, filed in the MDL proceeding by the Plaintiffs' National Steering Committee shall also be filed in the Master Docket created pursuant to the Case Management Order in the Litigation Facility.

Claims channeled to the Litigation Facility shall be asserted solely against the Litigation Facility. All Claims in the Litigation Facility will be consolidated for pretrial handling in the District Court.

b. Pre-Trial Settlement Procedures. During the pre-trial stage, the District Court, acting with the assistance of the Special Master, will develop and implement procedures for the efficient and fair resolution and trial of the cases in the Litigation Facility. Specifically, they will:

(1) establish and implement procedures for organizing and presenting cases in the Litigation Facility;

(2) finalize and implement the Case Management Orders, which will establish specific procedures for the processing of Claims;

(3) establish guidelines for and coordinate all pretrial discovery;

(4) conduct any common issue or consolidated motion practice, including, if applicable, any consolidated ''*Daubert*'' procedure;

(5) finalize and implement pretrial settlement procedures;

(6) establish guidelines for and coordinate the certification of cases for trial.

To assist the Litigation Facility's evaluation of Claims, each Claimant shall prepare and file with the Litigation Facility Manager answers to a questionnaire which shall describe the nature and support for the Claimant's Claim and damages. The questionnaire shall be filed within 120 days after the later of the end of the 180-day Election Period or the date on which the Claimant's complaint is filed in the Master Docket. Claimants who have previously answered a substantially similar questionnaire or interrogatories in the MDL 926 Court shall be permitted to update and then file such answers.

The documents and depositions in the MDL Depository in Cincinnati shall be available for use in individual trials, subject to the Rules of Evidence. Any report by the 706 Panel appointed by the MDL 926 Court shall be available to all parties for use in the Litigation Facility, subject to applicable Rules of Evidence and the orders of the MDL 926 Court.

The Manager will ask the District Court to hear a common issue ''*Daubert*'' motion to determine certain issues that may be common to all or most of the cases in the Litigation Facility. Such a dispositive motion may include a ''*Daubert* hearing'' to assess if there is sufficient admissible evidence to permit a jury trial as

to whether silicone causes systemic diseases. The Manager may also seek adjudication of other ''common issues'' affecting a large number of cases. The Tort Committee has reserved the right on behalf of all individual Personal Injury Claimants to argue that such common issue adjudication is not appropriate or is inconsistent with existing law. The District Court has not ruled on whether such a motion would be appropriate. However, the Debtor and the Tort Committee have agreed that a hearing on any such common issued ''*Daubert*'' motion would not commence prior to 270 days after the expiration of the six-month Election Period.

c. Trial. After the conclusion of the pre-trial procedures applicable to a specific individual case, the Special Master may recommend to the District Court whether individual cases should be certified for trial. Such recommendation shall take into account, at a minimum, the following factors:

(1) allowance for the determination of any appeals with respect to ''*Daubert*'' or other significant common issues;

(2) the need to insure that all Litigation Facility obligations and expenses can be paid within the Litigation Fund;

(3) the available resources of the Litigation Facility, including availability of witnesses, defense counsel and experts, and the overall burden on the defense effort. The Special Master and the District Court shall specifically preserve the ability of the Facility to prepare for and effectively try each case certified for trial;

(4) the settlement history, both of opt-out cases as a whole and individual cases in particular;

(5) the date of the filing of the case at issue;

(6) the merits of the case at issue;

(7) the readiness of the case for trial;

(8) judicial efficiency; and

(9) hardship (severity of ailment, etc.).

In general, cases will be tried in the United States District Court for the Eastern District of Michigan, or in the federal district court where the Claim arose. However, for selected cases originally filed in state court and not removed prior to the Petition Date, the District Court may order such case to be remanded to and tried in that state court recommended by the Special Master and approved by counsel for all parties to the case (including the Litigation Facility).

In cases certified for trial, the Litigation Facility may (i) conduct a medical examination of the Claimant and (ii) take limited depositions of the Claimant, the Claimant's spouse and his or her experts and physicians pursuant to guidelines set forth in the Case Management Order. Additional discovery may also be taken with permission of the District Court.

All Non-Settling Claimants who proceed to litigation will have the right to trial by jury.

d. Participation Under the Plan by Rule 3005 Claimants. As described above, as a result of the filing of Rule 3005 Claims by various Entities, persons covered by the filings may have a further opportunity to participate in the bankruptcy even though they did not themselves timely file proofs of claim. (*See* section 2.3(C) of this Disclosure Statement.) Claimants who did not timely file a proof of claim against Dow Corning by the bar date but on whose behalf a Rule 3005 Claim has been timely filed (called **''Rule 3005 Claimants''** in this Disclosure Statement'') may file a notice of intent with the Court as provided in Bankruptcy Rule 3005 to act on her or his behalf with respect to such Claim. Notwithstanding Bankruptcy Rule 3005, a Personal Injury Claimant on whose behalf a Rule 3005 Claim has been timely filed will be entitled to file the Notice of Intent on or before 90 days after the Effective Date. Personal Injury Claimants who timely file a Notice of Intent will be considered registered with the Claims Office and will thereby have all rights as specified in the Rule 3005 filing and will be subject to all deadlines applicable to all Personal Injury Claimants. The Claims of Rule 3005 Claimants who do not timely file a Notice of Intent shall be disallowed.

If the Rule 3005 Claimant timely files a Notice of Intent with the Court and returns a signed Participation Form to the Claims Office on or before the six-month anniversary of the Effective Date, such Claimant will

have the right to elect whether to settle or litigate. Rule 3005 Claimants who do not timely elect litigation or who do not return a signed Participation Form to the Claims Office on or before the six-month anniversary of the Effective Date shall be deemed Settling Personal Injury Claimants.

As described earlier in the Disclosure Statement, the Debtor undertook an extensive notice campaign designed to provide actual and/or constructive notice of the Bar Date in this Case. The Bar Date notification program, which was both a foreign and domestic notice program, in turn followed a significant global notification program undertaken in connection with the Original Global Settlement. As a result of these two global notification programs, the Proponents believe it unlikely that a material number of Breast Implant Claimants will utilize the Rule 3005 mechanism to assert a Claim when they did not do so in response to earlier notification programs. Further, the Proponents believe that most Claimants who have or believe they have significant injuries would have filed their own Claims. Thus, neither the number of Rule 3005 Claimants expected to come forward nor the magnitude and severity of their Claims is expected to be material.

e. Payment of Claims. Claims will be Allowed in the amount at which they have been settled or liquidated through trial (following appeals). Upon Allowance, Claims will be paid in whole or in part based on the amount then available under the Litigation Facility Agreement, the Settlement Facility Agreement and the Funding Payment Agreement. The Allowed Claims shall be presented by the Manager to the Claims Administrator and the Claims Administrator and the Finance Committee shall arrange for distribution of payments. If the Finance Committee determines that currently available funds are inadequate to pay all Allowed Claims of Non-Settling Personal Injury Claimants, the liquidated Surviving Third Party Claims, the Allowed Miscellaneous Raw Material Claims and the Allowed Claims of Other Products Claimants whose Claims did not arise from a Covered Other Product in full immediately out of the Litigation Fund, the Finance Committee, with the approval of the District Court, may pay such Claims in installments (based upon the principle of treating all similar Claims in substantially the same manner), with further payments to be made when additional funds become available to the Litigation Facility.

The Mahlum Claims and the Spitzfaden Claims shall be transferred to the Litigation Facility for resolution in certain circumstances as described in section 6.16.5 of the Plan and section 6.7(D) of this Disclosure Statement, which also describe the treatment of these claims absent transfer. If these Claims are so transferred, they shall be paid on the following basis:

The amount of any settlement of the Mahlum Claims and the Spitzfaden Claims entered into after the Effective Date, and approved by the Debtor and the Shareholders, will be paid by the Reorganized Debtor and/or the applicable Shareholder up to certain limits specified in the Litigation Facility Agreement and, unless otherwise agreed by the Claimants Advisory Committee, not from the Settlement Fund or the Litigation Fund. Any portion of a settlement in excess of those limits will be paid from the Settlement Fund, but only if approved by the Claimants' Advisory Committee. The amount of any judgment obtained by the eight named Spitzfaden Claimants that is entered after those Claims are transferred to the Litigation Facility will be paid by the Reorganized Debtor and not from the Settlement Fund or the Litigation Fund.

The amount of any judgment obtained by the Mahlum Claimants or the absent class members holding Spitzfaden Claims that is entered after those Claims are transferred to the Litigation Facility will be paid on the same basis as payments are made on Allowed Claims of Non-Settling Claimants, as described in this section of the Disclosure Statement.

The Litigation Facility shall have no liability for and shall not pay any judgment or arbitration award to the extent it imposes several liability against or allocates comparative fault to a Settling Physician or Settling Health Care Provider. Payment for such awards shall be made by the Settling Physician or Settling Health Care Provider.

To the extent the Settling Physician or Settling Health Care Provider, however, pays (i) a judgment or award, (ii) a cost in connection with the posting of a supersedeas bond, or (iii) other amounts, for any of which the Litigation Facility is also liable, the paying defendant shall have a claim for reimbursement, with interest, from the Litigation Facility. Such claim shall be subordinate to the obligation of the Litigation Facility to make payments to Personal Injury Claimants. If, however, the Claims Administrator or the affected defendant believe that the Litigation Facility has become adequately funded to timely meet its obligations to Claimants and pay the reimbursement claim, either may seek permission from the District Court to accelerate payment of the reimbursement claim to the affected defendant.

The Litigation Facility will remain in existence until Dow Corning's funding obligations have terminated in accordance with § 2.01(d) of the Funding Payment Agreement. The Funding Payment Agreement obligates Dow Corning to continue payments for up to 16 years following the Effective Date of the Plan, unless all Allowed Claims have been liquidated and paid before such time. The Litigation Facility will remain in existence at least until these payment obligations have ceased. Thereafter, the Manager of the Litigation Facility must seek Court permission to terminate after making adequate provisions to wind-up the affairs of the Litigation Facility.

5. LTCI Claims. LTCI Claims will be liquidated by tendering the defense thereof to (and enforcing the indemnity obligations of) the party or parties obligated to indemnify the Litigation Facility (as the Reorganized Debtor's assignee) for LTCI Claims under the applicable LTCI Indemnities relating thereto.

6. Punitive Damages. All Claims for punitive or exemplary damages shall not be Allowed Claims.

7. Claims in Classes 11 Through 15 and 17. Each Claimant in Classes 11 through 15 and 17 (which includes Claims held by Claimants in Class 14 that elect to litigate their Claims) whose Claim is to be liquidated in the Litigation Facility (i) shall not receive any payment from the Debtor and/or the Settlement Facility if (and to the extent) their Claim is disallowed pursuant to any common issue litigation procedures, and (ii) shall retain the right to adjudicate their Claim through litigation, subject to the provisions of the Plan and the Litigation Facility Agreement.

The Debtor believes that non-disease Claims previously paid by Other Claimants are still unliquidated as to the Debtor because no determination of the Debtor's liability has yet occurred, and thus, are not automatically payable by the Debtor. Through procedures to be developed and implemented by the Litigation Manager, and further subject to the docket controls and other procedures implemented by the Court, resolution of an Other Claim held by a Claimant in Classes 11 through 15 and 17 may be effected in conjunction with the resolution of the related underlying Personal Injury Claim. (Please refer to section 6.6(J)(4) of this Disclosure Statement for a more detailed description of the procedures to be implemented by the Litigation Manager in connection with the Other Claims described in this paragraph.) Payment of such Claims, if Allowed and qualified for payment, shall be made subject to the terms of the Litigation Facility Agreement, the Settlement Facility Agreement and the Funding Payment Agreement.

8. Claims in Class 16. Except as provided in the Litigation Facility Agreement and in section 6.16 of the Plan with respect to the Mahlum and Spitzfaden Claims, the Shareholder Claims in Class 16 shall be released and discharged upon the Effective Date. The treatment of the Shareholder Claims relating to the Mahlum Claims and the Spitzfaden Claims is described in section 6.4(M)(6) of the Disclosure Statement.

K. Other Obligations of the Reorganized Debtor. The Reorganized Debtor will (i) review all Claims filed against the estate (other than Personal Injury Claims and Other Claims assumed by the Litigation Facility) and, if advisable, object to such Claims; and (ii) investigate, prosecute, settle, or dismiss all Debtor Actions and its retained interest in Insurance Debtor Actions for the benefit of the Reorganized Debtor. The Reorganized Debtor shall be entitled to receive all Debtor Action Recoveries and any retained interest in Insurance Debtor Action Recoveries.

6.7 Effects of Plan Confirmation.

A. Discharge. Except as otherwise expressly provided in the Plan or the Confirmation Order, confirmation of the Plan shall discharge the Debtor as of the Effective Date from and completely extinguish the Debtor's liability for any Claim and Debt, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, that arose from any agreement of the Debtor entered into or obligation of the Debtor incurred before the Confirmation Date, or from any conduct of the Debtor prior to the Confirmation Date, or that otherwise arose before the Confirmation Date, including, without limitation, all interest, if any, on any such Debts, whether such interest accrued before or after the date of commencement of the Case, and including, without limitation, all Claims and Debt based upon or arising out of Products Liability Claims, and from any liability of the kind specified in sections 502(g), 502(h), and 502(i) of the Bankruptcy Code, whether or not a Proof of Claim is filed or is deemed filed under section 501 of the Bankruptcy Code, such Claim is allowed under section 502 of the Bankruptcy Code, or the holder of such Claim has accepted or rejected the Plan.

B. Vesting. Except as expressly provided in the Plan, on the Effective Date the Reorganized Debtor will be vested with all of the property of the estate free and clear of all Claims, Liens, encumbrances, charges and other interests

of Creditors and Shareholders, and may operate its business free and clear of any restrictions imposed by the Bankruptcy Code or the Court.

C. Release.

1. Description of Release. As set forth more fully in section 8.3 of the Plan, all Debtor-Affiliated Parties, the Shareholders, all Shareholder-Affiliated Parties, and the insurance companies who have settled with Dow Corning (and their Representatives) will be released from any and all Products Liability Claims, whether known or unknown, except for the obligations of those parties pursuant to the Plan and the related agreements. This means that anyone with a Claim relating to a Breast Implant or any of the other Claims being released will not be able to sue any of the Released Parties, including Dow Corning, Dow Chemical, Corning and the Settling Insurers. However, section 8.3 will not affect contribution, indemnity, subrogation, or other claims of non-settling Insurance Companies against Settling Insurers to the extent that such claims were not released by the orders approving the settlement agreements with the Settling Insurers. Additionally, section 8.3 of the Plan provides that the Settling Physicians, the Settling Health Care Providers, and their respective Representatives will be released by all Persons from any and all Personal Injury Claims, *except* for the following claims, which are not released by section 8.3: (i) Malpractice Claims[18] against Settling Physicians or Settling Health Care Providers; (ii) Claims against the Settling Physicians or Settling Health Care Providers held by non-Settling Personal Injury Claimants, and (iii) Products Liability Claims against the Settling Physicians or the Settling Health Care Providers that are held by Claimants in Classes 11 through 15 and 17 of the Plan whose Claims are liquidated by the Litigation Facility. All Claims against the Settling Physicians and Settling Health Care Providers that are not released by section 8.3 of the Plan (other than Malpractice Claims), *provided* that jurisdiction over such Claims is transferred to the District Court for resolution, will be subject to a channeling injunction and will be resolved, together with any corresponding Claim against DCC, through the Litigation Facility, as described in section 6.7(D) of this Disclosure Statement, which follows.

The effect of this release will be that any holder of a Claim being released will not be permitted to sue DCC, the Debtor-Affiliated Parties, the Shareholders, the Shareholder-Affiliated Parties, the Settling Insurers, or any Settling Physicians or Settling Health Care Providers with respect to the Released Claims. Any Person with such a Claim will be treated in accordance with the Plan and will receive the payment, if any, to which he or she may be entitled under the Plan, and this treatment will be the complete and sole compensation for their Claims (except Malpractice Claims, which are not released).

Finally, the release of Released Parties under section 8.3 of the Plan shall (i) operate, as between all Released Parties, as a mutual release of all Products Liability Claims, and (ii) effect a release of any contribution or indemnity Claims held against any of them by DCC.

2. History of Litigation Against Dow Chemical. The Breast Implant Claims against Dow Chemical are based principally on its alleged role in testing silicone manufactured by DCC for use in implantable medical products. Dow Chemical denies that it ever tested silicone to determine its suitability for use in medical implants, or that it ever advised DCC on the suitability of silicone for use in medical implants. Courts overseeing breast implant litigation in New York, California and Michigan have granted summary judgment to Dow Chemical on all cases within those states, based on their determinations as a matter of law that Dow Chemical's involvement in the testing an development of silicones was too remote for Dow Chemical to be liable to Personal Injury Claimants. The New York decision has been affirmed on appeal and is now final. The California decision has been upheld by the California Supreme Court and is now final. The Michigan decision is currently being appealed to the intermediate appellate court in Michigan. In addition, the federal district court overseeing consolidated jaw implant litigation in Minneapolis, Minnesota, ruled on similar grounds that Dow Chemical could not be held liable under the law of any state for alleged dangers or defects of silicone jaw implants manufactured by DCC. This ruling has been affirmed on appeal and is now final.

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[18] The effect of the definition of Malpractice Claims in the Plan is to determine what Claims will be released by Settling Personal Injury Claimants against Physicians and Health Care Providers. Such definition will not be applicable to, or otherwise affect, any Surviving Claims.

Other courts have reached different decisions. The MDL 926 Court in Birmingham, Alabama originally granted summary judgment to Dow Chemical, but subsequently vacated that ruling, finding that some claimants may be able to assert valid claims against Dow Chemical under the law of some states. The MDL 926 Court did not identify any states in which claims against Dow Chemical would be valid. Dow Chemical has filed a motion seeking appellate review of the MDL 926 Court's order by the United States Court of Appeals for the Sixth Circuit. The court overseeing breast implant litigation in New Jersey ruled that claimants in that state had no valid claims against Dow Chemical for fraud, conspiracy or aiding and abetting, but could pursue their claims that Dow Chemical voluntarily undertook on behalf of DCC to determine the safety of silicone for use in medical implants and negligently performed that undertaking. Two different Texas courts, overseeing consolidated breast implant litigation in Harris County and Dallas County, ruled that claimants could pursue some, but not all, of their claims against Dow Chemical. The courts of most states have not ruled one way or the other on whether Dow Chemical can be liable under the law of their states. However, Texas, Michigan, California and New York are the states in which the largest numbers of claims have been filed against Dow Chemical.

In addition, there have been three jury trials of silicone implant claims against Dow Chemical. In a 1994 case brought by two women against DCC and Dow Chemical in Houston, Texas, the jury found in favor of the defendants for one woman and awarded approximately $5 million in damages to the other woman. The jury also determined that Dow Chemical should be 20% responsible for this verdict. The court later determined that the jury's verdict against Dow Chemical was legally defective and awarded judgment to Dow Chemical notwithstanding the verdict. In 1995, a jury in Reno, Nevada awarded $14.1 million to one couple against Dow Chemical in a case (the *Mahlum* case) related to Breast Implants. In 1997, a jury in New Orleans, Louisiana found in the first phase of a multi-phase breast implant liability trial (the *Spitzfaden* case) that Dow Chemical could be liable for negligence, fraud and conspiracy, depending on the outcome of further proceeding regarding causation and damages in individual cases. That decision is on appeal.

On December 31, 1998, the Nevada Supreme Court issued a ruling reversing in part and affirming in part the judgment against Dow Chemical in the *Mahlum* case. By a 4 to 1 vote, the Nevada court reversed all of the claims in intentional tort and the $10 million punitive damages award, holding that Dow Chemical could not be liable to plaintiffs on those claims as a matter of law. The Nevada court affirmed, by a 3 to 2 vote, the trial court's judgment holding Dow Chemical liable for negligent performance of an undertaking and the $4.1 million compensatory damages award. Dow Chemical has filed a petition for rehearing of the Nevada court's affirmance of the judgment as to the negligent performance claim.

3. History of Litigation Against Corning. Except as described below, Corning has won an unbroken string of summary judgment decisions in federal and state courts dismissing claims against it. In the MDL, Judge Pointer granted final summary judgment in favor of Corning in April 1995. The plaintiffs' appeal from that ruling was voluntarily dismissed with prejudice in March 1996 while pending in the Eleventh Circuit. In all federal cases involving silicone jaw implants, Corning was granted final summary judgment in March 1995; the plaintiffs did not appeal from this judgment. Corning has also been granted summary judgment in all state cases in New York (where the plaintiffs' appeal against Corning was dismissed for lack of prosecution), California (where plaintiffs' appeal was rejected by the Court of Appeal and the plaintiffs thereafter stipulated to the dismissal of Corning from any further appeal), Connecticut, Michigan, New Jersey, Illinois, in Harris, Travis and Dallas Counties in Texas, in Hines County, Mississippi, and in the Western Grand Division of Tennessee. Most recently, in the *Spitzfaden* class action in Louisiana, Corning was granted complete summary judgment by the trial court in February 1997, which was vacated and remanded as premature by the intermediate Louisiana appellate court in February 1998. After the Louisiana Supreme Court declined to hear Corning's appeal, Corning transferred the remaining Louisiana cases against it to the District Court in Michigan pursuant to that Court's prior orders and those orders of the Sixth Circuit. Corning also has filed a separate motion in the District Court, seeking its dismissal from the remaining implant cases against it, and that motion was argued on February 27, 1998. Every trial court that has ruled on plaintiffs' claims against Corning has held that no viable direct or indirect claim exists against Corning under any legal theory and has granted Corning summary judgment as a matter of law.

4. Consideration Given by the Shareholders to Support the Plan. In return for the release of their liability in respect of Products Liability Claims as provided in section 8.3 of the Plan (and the protections of the injunction described in the next section), Dow Chemical and Corning have agreed to support the Plan in several important ways.

First, Dow Chemical has agreed with Dow Corning to a settlement of disputes between them concerning their shared products liability insurance. As described in more detail in section 6.6(B) of this Disclosure Statement, Dow Chemical purchased substantial excess products liability insurance coverage for itself and DCC. Although Dow Chemical paid 90% of the premiums for that coverage, most of the insurance is being contributed to the Plan and will not be available to Dow Chemical.

Second, the Shareholders have agreed to provide a $300 million credit facility to the Reorganized Debtor. At any time during the ten-year term of the credit facility, the Reorganized Debtor will be able to access the facility to make the payments due under the Funding Payment Agreement. These funds would be paid back by Reorganized DCC.

Third, the Shareholders have agreed to allow the Settlement Facility to make substantial payments for the disease Claims of Settling Personal Injury Claimants without requiring the Settling Personal Injury Claimants to prove causation—that is, without proof that the Claimants' diseases were, in fact, caused by a Dow Corning silicone implant. The Shareholders believe that epidemiological evidence establishes that there is no increased risk of disease in women with implants as compared with the general population. Thus, in the view of the Shareholders, their agreement to support a Plan that provides for the payment—ultimately from their equity in DCC—of hotly-disputed Claims that they believe would not be Allowable if tested through litigation, constitutes additional, and substantial, consideration for the proposed release.

Fourth, the Shareholders have agreed to limit their Class 16 Claims as provided in the Plan and the Litigation Facility Agreement. Among other things, the Shareholders will not be entitled to seek recovery of costs and expenses incurred by them related to litigation involving the Debtor's Breast Implants and Other Products.

The Debtor believes that the Shareholders' contribution to the Plan is substantial, since the issues resolved by the Plan have been hotly contested for many years, and that the Plan represents the best effort of the Debtor and the Tort Committee to resolve these disputed issues in a fair way that will bring closure to all parties.

5. Tort Committee Support of Release. The Tort Committee supports the release of the Shareholders as part of the overall terms of this Plan. The Tort Committee recognizes that the issues resolved by the Plan have been hotly contested for many years and that the Plan itself is the product of intensive negotiations between the Debtor, the Shareholders, and the Tort Committee over an extended period of time. In the judgment of the Tort Committee, the Plan, including the release of the Shareholders, is the best available way to resolve the disputed issues, thereby allowing Personal Injury Claimants to receive reasonable compensation without the additional delay of a plan process contested by the Debtor and the Shareholders.

D. Injunctive Relief. As set forth more fully in section 8.4 of the Plan, in order to enforce the release described above, all persons with Claims that are released under the Plan will also be enjoined from asserting any Released Claims against any of the Released Parties. In the event any Person takes any action that is prohibited by, or is otherwise inconsistent with the provisions of sections 8.3 or 8.4 of the Plan, (i) such Person may be held in contempt of Court and shall be subject to such other sanctions as the Court deems appropriate, and (ii) upon notice to the Court by an affected Released Party, the action or proceeding in which the Claim of such Person is asserted shall automatically be transferred to the Court (or, as applicable, the District Court) for enforcement of the provisions of sections 8.3 and 8.4 of the Plan.

As described in section 6.7(C)(1) of this Disclosure Statement, section 8.3 of the Plan does not release the Settling Physicians or the Settling Health Care Providers from (i) Claims of Non-Settling Personal Injury Claimants, (ii) Claims held by Claimants in Classes 11 through 15 and 17 of the Plan whose Claims have been assumed by the Litigation Facility, or (iii) Malpractice Claims, as defined in the Plan. As more particularly set forth in the Plan, those Claims that are not released are collectively referred to as **''Surviving Claims.''** As provided in sections 8.5 of the Plan, all Persons who have Surviving Claims (other than Malpractice Claims) will conditionally be entitled to pursue liquidation of their Surviving Claims against a Settling Physician and/or a Settling Health Care Provider in the District Court. (Surviving Malpractice Claims shall not be channeled and shall be liquidated in the courts where such claims have been or may be filed.) Section 8.5 of the Plan calls for a ''channeling injunction'' providing for the consolidation of the channeled Surviving Claims for resolution and litigation with the Claims against the Litigation Facility. The channeled Surviving Claims will be processed, settled, tried and otherwise resolved under the same steps as Claims against the Litigation Facility, as described in section 6.6(J)(4) of this Disclosure Statement with respect to Personal Injury Claims and, as described in section 6.6(J)(7) of this Disclosure Statement, with respect to Claims of the type that are classified in Classes 11 through 15 and 17. The channeling effect of the injunction as to the Surviving Claims against Settling

Physicians and Settling Health Care Providers is conditioned on such Claims becoming **''Assumed Third Party Claims''** (*i.e.* such Claims being transferred as Claims ''related to'' the bankruptcy Case, to the District Court). As of the date of this Disclosure Statement, no such transfer has occurred.

The Mahlum Claims and the Spitzfaden Claims (if not earlier resolved) will also be subject to the channeling injunction and shall be transferred to the Litigation Facility for resolution, but such transfer shall not occur (i) in the case of the Mahlum Claims, unless the existing judgment is reversed and the case is remanded for retrial, and (ii) in the case of the Spitzfaden Claims, until the existing judgment entered in Phase I proceedings is resolved by Final Order, and then only to the extent the judgment is affirmed as against Dow Chemical. The Claims will be resolved through the Claim resolution procedures contained in the Litigation Facility Agreement and the Case Management Orders. The provisions for payment of any such Claims that become Allowed are described in section 6.6(J)(4)(e).

Allowed Assumed Third Party Claims for which the Litigation Facility is liable will be paid from the Litigation Fund, provided that there is adequate funding to do so. If the Claims Administrator determines that currently available funds are inadequate to pay all Claims that are to be paid from the Litigation Fund, the Claims Administrator may pay Claims proportionally, with further payment to be made when additional funds become available to the Litigation Fund as provided in the Funding Payment Agreement.

In the event Settling Physician or Settling Health Care Provider pays a judgment or award in respect of a Claim for which the Litigation Facility is liable, or pays other amounts for which the Litigation Facility is liable, that party will have a claim for reimbursement, with interest, from the Litigation Facility. The right to reimbursement, however, will be subordinate to the obligation of the Litigation Facility to pay Allowed Personal Injury Claims and the liquidated amount of Surviving Claims, as provided in the Litigation Facility Agreement.

Notwithstanding the foregoing discussion, the Litigation Facility shall have no liability for and shall not pay any judgment or arbitration award to the extent it imposes several liability against or allocates comparative fault to a Settling Physician or Settling Health Care Provider. Payment for such awards shall be made by the Settling Physician or Settling Health Care Provider.

E. Supplemental Release and Injunction For Certain Settling Insurers. The release and injunction provided in sections 8.3 and 8.4 of the Plan shall, with respect to the London Market Insurers and TIG Insurance, include, without limitation, the prohibition against the commencement, continuation and/or enforcement of claims against (i) the London Market Insurers with respect to all Claims arising from or related to the development, manufacture and/or sale of any products by DCC, as well as certain environmental claims, all as described in the Order Authorizing and Approving Compromise and Settlement With the London Market Insurers entered on March 25, 1996, and (ii) TIG Insurance with respect to pollution claims under the Excess Policy, as defined and released in the Settlement Agreement attached as Exhibit ''1'' to the Order Authorizing and Approving Compromise and Settlement with TIG Insurance Company and Other Insurers, both of which were entered on March 25, 1996.

F. Retention of Jurisdiction. Notwithstanding entry of the Confirmation Order or the Effective Date having occurred, the Court and, as necessary, the District Court, will retain exclusive jurisdiction (a) to determine any Disputed Claims (other than Personal Injury Claims and, if elected by DCC, the remaining Products Liability Claims), (b) to determine requests for payment of Claims entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation of and reimbursement of expenses of parties entitled thereto, (c) to resolve controversies and disputes regarding interpretation and implementation of the Plan and the Plan Documents, (d) to enter orders in aid of the Plan and the Plan Documents including, without limitation, appropriate orders (which may include contempt or other sanctions) to protect the Debtor, the Reorganized Debtor, the Released Parties, the Parties, the Tort Committee and any of the Affiliates from actions prohibited under the Plan and to enforce the terms of the Funding Payment Agreement, (e) to resolve all actions involving the Depository Trust in accordance with the Settlement Facility Agreement, (f) to modify the Plan pursuant to section 11.4 of the Plan, (g) to determine any and all applications, Claims, adversary proceedings, and contested or litigated matters pending on the Effective Date, (h) to allow, disallow, reconsider, estimate, liquidate or determine any Claim against the Debtor and to enter or enforce any order requiring the filing of any such Claim before a particular date, (i) to determine any and all pending applications for the rejection or disaffirmance of executory contracts or leases, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom, (j) over actions either to enforce or to challenge the validity and enforceability of the releases and injunctions referred to in sections 8.3 through 8.5 of the Plan, and (k) to enter a final decree closing the Case; provided, however, that nothing contained in section 8.7 of the Plan is intended to confer jurisdiction upon the Court over, or grant authority to monitor, the day to day operations of the Settlement Facility or the Litigation Facility. Nothing within

section 8.7 of the Plan shall preclude the Reorganized Debtor from seeking the entry of an Order closing the Case, upon motion and notice to the Finance Committee and the Claimants' Advisory Committee. Any order closing the Case shall provide that the Court (i) shall retain jurisdiction to enforce by injunctive relief or otherwise the Confirmation Order, any other orders entered in the Case and the contractual obligations created by the Plan and the Plan Documents and (ii) shall retain all other jurisdiction and authority granted to it under the Plan and the Plan Documents. Nothing within section 8.7 of the Plan shall impair or alter the Reorganized Debtor's power to act without Court authority after the Effective Date.

6.8 Treatment of Executory Contracts, Unexpired Leases and Employee/Retiree Benefits Under the Plan.

A. General. The Bankruptcy Code gives the Debtor the power, subject to the approval of the Court, to assume, assume and assign, or reject ''executory contracts'' and ''unexpired leases'' to which the Debtor is a party. The Bankruptcy Code does not define ''executory contracts'' and ''unexpired leases.'' However, numerous courts have published opinions on the meaning of these terms. The term ''unexpired leases'' is generally construed to have its ordinary, plain meaning; specifically, a lease that has not yet expired by its own terms. The most widely accepted definition of an ''executory contract'' is a contract to which both parties to the contract still have material obligations to perform or execute.

Rejection or assumption may be effected either pursuant to a plan of reorganization or by order of the Court entered upon application of a debtor after notice and a hearing. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages incurred by reason of the rejection within such time as the Court may allow. Even though the rejection occurs after the Petition Date, the Bankruptcy Code provides that the rejection will be deemed to have occurred pre-petition, thus relegating any damage claim asserted by the other party to the contract or lease to the status of a pre-petition general unsecured claim, rather than a post-petition claim entitled to priority status. In the case of rejection of employment agreements and leases of real property, damage claims arising from such rejection are limited under the Bankruptcy Code.

In the case of assumption of an executory contract or unexpired lease, the Bankruptcy Code requires that a debtor promptly cure or provide adequate assurances that it will promptly cure any existing defaults (other than certain types of defaults based upon bankruptcy or the debtor's financial condition) and provide adequate assurance of future performance under such executory contracts or unexpired leases.

B. Specific Plan Provisions. All executory contracts that have not been rejected by order of the Court or are not the subject of a motion to reject pending on the Confirmation Date shall be deemed assumed by the Debtor on the Effective Date. The contracts assumed shall specifically include (i) obligations of the Debtor under the Assumed Warranties, (ii) all obligations of the Debtor to unions, including the United Steelworkers of America, AFL-CIO-CIC, and Local 12934 of the United Steelworkers of America, AFL-CIO-CIC, and all benefit plans related to such collective bargaining agreements, and (iii) all obligations of the Debtor to employees and retirees under any plans in effect as of the Petition Date. If any party to an executory contract or unexpired lease which is being assumed objects to that assumption, the Court shall conduct a hearing on such objection. All payments to cure defaults that may be required under section 365(b)(1) of the Bankruptcy Code shall be made by the Debtor. In the event of a dispute as to the amount of any payments or the ability of the Debtor to provide adequate assurance of future performance, the Debtor will make any payment required by section 365(b)(1) after the entry of a Final Order resolving such dispute.

C. Continuation of Pension Plan. Dow Corning sponsors the Dow Corning Employees Retirement Plan (the **''Pension Plan''**), which is a tax-qualified defined benefit pension plan covered by Title IV of the Employee Retirement Security Act (**''ERISA''**) of 1974, as amended. Pursuant to the Court's order dated August 11, 1995, granting Dow Corning's Motion to Assume and/or Honor Severance, Bonus, Stock Appreciation, and Pension Contracts with Employees and Retirees, Dow Corning has continued to fund and administer the Pension Plan in compliance with applicable laws.

Under ERISA, Dow Corning and the members of its controlled group are jointly and severally liable to the Pension Benefit Guaranty Corporation (**''PBGC''**) for unfunded benefit liabilities, as defined in ERISA § 4001(a)(18), 29 U.S.C. § 1301(a)(18), if the Pension Plan terminates. In addition, Dow Corning and members of its controlled group are jointly and severally liable for the contribution amounts necessary to satisfy ERISA's minimum funding standards. *See* ERISA §§ 302, 4062(c), 29 U.S.C. §§ 1082 and 1362(c); I.R.C. § 412, 26 U.S.C. § 412. Also, Dow Corning and members of its controlled group are jointly and severally liable for premiums, interest, and penalties imposed by ERISA for plans covered by Title IV of ERISA, ERISA § 4007(a), (b), (e), 29 U.S.C. § 1307(a), (b), (e); 29 C.F.R. § 4007.12(a).

Dow Corning intends to continue the Pension Plan, fund the Pension Plan in accordance with the minimum funding standards under the Internal Revenue Code and ERISA, pay all required PBGC insurance premiums, and continue to administer and operate the Pension Plan in accordance with the terms of the Pension Plan and provisions of ERISA. Dow Corning's reorganization proceedings, and, in particular, the Plan, shall not be in any way construed as discharging, releasing, or relieving Dow Corning, the Reorganized Debtor, or any party, in any capacity, from any liability with respect to the Pension Plan. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability as a result of any of the provisions of the Plan or the Plan's confirmation.

6.9 Other Provisions of the Plan.

A. Survival of Certain Corporate Indemnification Obligations. Any obligations, agreements or rights of the Debtor to indemnify its past and present officers, directors, and employees pursuant to its Articles of Incorporation, bylaws, resolutions of its board of directors, and applicable statutes in respect of any Claims, demands, suits, causes of actions or proceedings based upon any act or omission related to service with or for or on behalf of the Debtor at any time prior to the Confirmation Date will not be discharged or impaired by confirmation or consummation of the Plan, but will be deemed assumed by DCC on the Effective Date, will survive unaffected by the reorganization contemplated by the Plan, and will be performed and honored by the Reorganized Debtor.

B. Modification of the Plan. The Proponents reserve the right, in accordance with the Bankruptcy Code, to jointly amend, modify or withdraw the Plan prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Proponents may, upon order of the Court, amend or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. If Dow Corning proposes to modify the Plan in any respect that does not adversely affect Claimants in Classes 5 through 10.2, the Tort Committee will not unreasonably withhold its consent to such modification.

C. Committees; Representatives. The duties of the Official Committees will terminate on the Effective Date except with respect to any appeal of an order in the Case, fee applications, and any matters related to any proposed post-confirmation modification of the Plan.

THE PLAN CONTAINS OTHER TERMS AND PROVISIONS. WHILE THE PROPONENTS HAVE ATTEMPTED TO SUMMARIZE THE MORE SIGNIFICANT PLAN TERMS WITHIN THIS DISCLOSURE STATEMENT, YOU ARE URGED TO READ THE PLAN CAREFULLY AND IN ITS ENTIRETY.

ARTICLE VII

CERTAIN RISK FACTORS

The Plan, the securities to be issued pursuant to the Plan, the Settlement Facility and the Litigation Facility, and the payments thereunder, are subject to a number of material risks, including risks that might affect when payments will be issued and the amount that will be paid for individual Personal Injury Claims. In deciding how to vote on the Plan, each holder of an Impaired Claim should carefully consider all of the information contained in this Disclosure Statement, and the description of the risks described in this section.

7.1 Limitations on Aggregate Funding/Timing of Distributions by Settlement Facility/Potential for Reduction in Payments and Delay.

A. Limited Funding/Potential for Limitation or Reduction in Payments. As described earlier, the Plan provides that the Reorganized Dow Corning will make payments totaling up to $2.35 billion (NPV) for the resolution of product liability-related Claims, including Claims related to Breast Implants and Other Products. Of that aggregate sum, the total funding available and reserved for the resolution of Non-Settling Personal Injury Claims (those who chose to litigate) along with Assumed Third-Party Claims and Class 12 Claims, and all expenses associated with the resolution of litigated Claims, is limited to the sum of $400 million (NPV). This amount is called the ''Litigation Fund.'' The remainder of the $2.35 billion (NPV)—$1.95 billion (NPV) plus any earnings—is reserved to pay settlements and administrative costs to resolve Settling Personal Injury Claims. (The Plan provides that the Litigation Fund may in some circumstances also be used to make First Priority Payments to Settling Personal Injury Claimants but only after the District Court evaluates the sufficiency of funds to pay Claims subject to the Litigation Fund.)

1. Settling Claimants. Because the aggregate amount available for Settling Claims is capped, the Plan does not guarantee each individual Claimant's payment. This means that if the value of all Settling Claims (as

defined by the Settlement Grid) exceeds the aggregate funds available, payment amounts under the Settlement Grid would have to be reduced to assure a fair distribution among all Settling Claimants. As described earlier, under the Plan the types of payments that can be provided to Settling Personal Injury Claimants are divided into two categories: ''Base'' payments and ''Premium'' payments. The ''Base'' payments—which include the following payments for Breast Implant Claims: Explantation, Expedited Release, the ''Base'' compensation for Disease Payment Option Claims, and ''Base'' payments for Rupture Claims, as well as the bulk of payments for Other Products Claimants and all payments for Silicone Material Claimants—are given the highest priority and are called First Priority Payments. ''Premium'' payments—consisting primarily of an additional amount equal to 20% of the ''Base'' payments under the Breast Implant Disease Payment Option and an amount equal to 25% of the ''Base'' payment under the Rupture Payment Option as well as payments for Increased Severity of Disease with respect to Settling Breast Implant Claims B are lower priority payments. ''Premium'' payments can be deferred and will not be paid unless all First Priority Payments are assured. The Proponents believe that the amount of funding provided in the aggregate for Claims payable from the Settlement Fund will be sufficient to pay qualifying Settling Personal Injury Claimants at the amounts specified on the Grid for both the ''Base'' and ''Premium'' payments and that, to the extent there is any risk of a reduction in payments, it is most probable that the reduction would apply to the ''Premium'' payments available under the Plan for Settling Breast Implant Claimants.

To assist Claimants in evaluating their Settlement Payment Options under the Plan, the following discussion outlines the basic data and assumptions considered by the Proponents in reaching the conclusions stated above. The analyses as to the anticipated numbers of Claims and the types of settlements for which they might qualify were developed using available information about the number of Claimants who have filed Proofs of Claim in the Case and, with respect to Breast Implant Claims, data available as a result of the Original Global Settlement (including data from the Revised Settlement Program) implemented by the MDL 926 Court, as well as medical data from published studies.

The Proponents have relied on the information provided on the Proofs of Claim filed by Claimants to determine the total number of Claims alleging a current or potential future injury due to an implant product manufactured by the Debtor. (A modest number of additional Claims might be asserted as a result of Proofs of Claim filed under Rule 3005 of the Code, and these potential Claims have also been considered.) The Proof of Claim statistics are necessarily based on the information provided by individual Claimants and reflect the Claimants' views of the nature of their Claims. In estimating the number of Claimants asserting different types of Claims, the Proponents have accepted the representations made on the Proofs of Claims as correct and accurate. Thus, in estimating the number of potentially eligible Claimants, the Proponents have classified Claims in accordance with the products and manufacturers identified by the Claimants on the Proof of Claim forms. In classifying Claims based on the identification of the manufacturer, the Proponents have also assumed that a portion of individuals who filed Claims but were unable to identify the manufacturer of their product will later conclude and be able to document that the Debtor was, in fact, the manufacturer of the product. Where a Claimant has asserted on the Proof of Claim form a Claim based on both a Breast Implant and an Other Product, the analysis assumes that such Claimant may be eligible to pursue separate Claims based on each product.

a. Breast Implant Claimants. With respect to the Breast Implant Claims (i.e., Claimants with Dow Corning Breast Implants), the Global Settlement and Revised Settlement Program data provide reasonable bases on which to evaluate the potential Claims experience under the Plan. The Plan adopts, for Breast Implant Claims, the qualifying criteria and claims-processing protocols of the Revised Settlement Program and also provides payments that are equal to or greater than the Revised Settlement Program. Because the Plan follows the Revised Settlement Program with respect to Breast Implant Claims, and in certain cases provides previously unavailable options and higher payment levels, the Proponents believe that it is reasonable to expect that the percentage of Breast Implant Claimants electing settlement will be similar to or greater than the percentage electing to settle under the Revised Settlement Program and that the percent of Breast Implant Claimants who will elect and qualify for each Settlement Payment Option will generally be similar to the experience in the Revised Settlement Program. Application of these data to the Claimant population in the Case indicates that the funds provided for Settling Personal Injury Claimants will be sufficient to provide full payment for all Settlement Payment Options under the Plan's compensation schedule.

Both the Proof of Claim data and the experience under the Original Global Settlement Agreement and the Revised Settlement Program represent concrete and highly relevant data from which to analyze the likely Claims experience under the Plan. While it is impossible to predict the exact number of individuals

who might seek to resolve their Claims under each of the available options, and who might further satisfy the criteria for payment under each Settlement Payment Option, evaluations based on these data and considering alternative assumptions suggest that all Settling Breast Implant Claims will be paid the full scheduled amount, including the ''Premium'' payments.

b. Silicone Material Claims. The Plan provides that all Settling Silicone Material Claims will be resolved within a fixed fund of $57.5 million Net Present Value. This Silicone Material Claimants' Fund is a subfund within the aggregate Settlement Fund described earlier in this Disclosure Statement. Silicone Material Claimants are eligible to apply for compensation under either the Expedited Release Payment Option or the Disease Payment Option. The Plan provides that all Silicone Material Claimants who elect the Expedited Release Payment Option be paid the same amount as determined by the Claims Administrator. The Silicone Material Claimants who qualify for the Disease Payment Option will be entitled to receive up to 40% of the amounts listed on the Disease Payment Option Grid for Breast Implant Claimants. Expedited Release and Disease Payments to Silicone Material Claimants will be offset by amounts those Claimants have received or will receive from certain other breast implant manufacturers as described at section 1.1(B)(3) of this Disclosure Statement. These offset provisions do not apply to Silicone Material Claimants with only Mentor, Bioplasty, or Cox-Uphoff breast implants or ''other registrants'' in the Revised Settlement Program with implants made by these manufacturers and who also have a post-August 1984 McGhan breast implant. The Plan requires that, before distributing payments from the Silicone Material Claimants' Fund, the Claims Administrator will review and evaluate all Silicone Material Claims, taking into account the possible requirement to reduce payments and will then determine the amount payable to each Claimant. Thus, under the Plan, the Silicone Material Claimants who select the Disease Payment Option could receive but are not guaranteed a payment equal to 40% of the amounts specified on the Grid. Rather, the amount payable will depend on a variety of factors—including the number of qualifying Silicone Material Claimants, the amounts such Claimants are entitled to receive from other manufacturers, the time period of distribution of payments and the particular disease categories for which the Claimants qualify.

The Proponents believe that the Proof of Claim data in the Case (which includes the identity of the manufacturers of implants) and the Revised Settlement Program data obtained from the MDL 926 Court provide relevant data upon which to evaluate the amount that may be paid to individual settling Silicone Material Claimants from the Silicone Material Claimants' Fund. Based on a review of these data, the Proponents believe that once the amount of the Expedited Release Payment is established, eligible Silicone Material Claimants with Disease Payment Option Claims may receive payments in a nominal amount of up to 40% although it is possible that payments could range between 20% and 40% of the amounts specified on the Disease Payment Option Grid. The Proponents believe that while it is impossible to provide an exact estimate of the likely amounts payable—because such amounts necessarily depend on the percentage of individuals who might choose the Disease Payment Option, the particular Covered Condition for which the Claimants might qualify and the amount of the offset that might be applicable—the available data provides a reasonable basis to conclude that the amounts payable will fall within the range cited above.

c. Other Products Claimants. Settling Other Products Claimants will be paid from a $36 million (NPV) subfund within the aggregate Settlement Fund.

The Proponents have assumed, based on the data obtained from the Proof of Claim forms filed in the Case, that there will be a relatively small number of individuals implanted with Other Products who have filed Proofs of Claim and who will pursue Claims in the Settlement Facility.

The Proponents believe, based on the Proof of Claim data, which indicates both the identity of the manufacturer and dates of removal of the Covered Products, and in light of the two-year deadline on applications for settlement payments for Other Products Claimants, that the aggregate amount of $36 million Net Present Value will be sufficient to pay Eligible Other Products Claimants the amounts specified on the compensation schedule specified in the Plan and that there will likely be sufficient additional funds in the Other Products Fund to permit a further distribution to eligible Other Products Claimants (including implant Claimants with TMJ devices, knee, hip, large or small orthopedic devices, and chin or facial implants).

2. Non-Settling Personal Injury Claimants. As described above, the Litigation Fund is limited to the aggregate sum of $400 million (NPV). The nominal amount payable for Claimants electing litigation will depend on the time period of resolution and payment of the such Claims.

The Proponents believe, based on the available data and the provisions of the Litigation Facility Agreement outlining the mechanism for the review, resolution and certification for trial of Claims electing litigation, that the

aggregate amount of the Litigation Fund will be sufficient to resolve all anticipated Claims subject to the Litigation Fund as Allowed. All Non-Settling Personal Injury Claimants face the ordinary risks of litigation applicable to any complex products liability case as well as procedures specified under the Plan (described earlier) regarding the certification of individual cases for trial. Under the Plan, litigation of individual cases would not likely commence until after the first anniversary of the Effective Date, and the District Court and the Special Master appointed to assist the District Court shall develop procedures to encourage settlement and other cost-efficient resolution of Non-Settling Personal Injury Claims within the available funds. The Proponents believe that assumptions regarding the resolution of Non-Breast Implant Claimants electing to litigate can be informed by the opt-out rate and other experience in the Revised Settlement Program and that these data provide a reasonable basis to conclude that the available Litigation Fund will be adequate to pay anticipated Allowed Non-Settling Claims. It is reasonable, given the structure of the Settlement Program and the Litigation Facility, to anticipate that the percentage of Breast Implant Claimants electing to litigate may be similar to or (more likely) less than the percentage of ''opt outs'' from the Revised Settlement Program. The Proponents further believe that most of the Claimants electing litigation will be Breast Implant Claimants and that a limited number of Other Products or Silicone Material Claimants will elect to litigate.

B. Timing/Potential for Delay.

1. Settling Claimants. The Proponents believe that the Plan provides efficient processes for resolving settling Claims as quickly as possible. Settling Personal Injury Claims will be processed through a Claims Office using the personnel, facilities and, in substantial part, the protocols of the existing MDL 926 Claims Office. By adopting the existing personnel, facilities and procedures, the Plan Proponents expect to avoid the inherent delay and expense associated with establishing a new claims processing facility. Accordingly, the Proponents anticipate that Claims processing operations will begin promptly after the Effective Date.

a. Timing of Payment for Settling Breast Implant Claimants. The Plan calls for the Settlement Facility to begin making First Priority Payments, as soon as Claimants qualify, within the first year after the Plan becomes effective. The Proponents believe that during the first several years the timing of payments will be affected by two factors: the speed with which Claimants prepare and submit Claim Forms and documents and the rate at which the Claims Office can review and evaluate Claims. Since the Facility will apply the criteria and protocols of the Revised Settlement Program, the Proponents believe that the Claims Office should be able to process and pay Settling Breast Implant Claims at least as quickly as the Revised Settlement Program. The Proponents expect that up to half of the First Priority Payments could be made within the first three years and approximately two-thirds of the First Priority Payments could be made within the first four years.

Because of their lower priority under the Plan and because of the Annual Payment Ceilings specified in the Funding Payment Agreement, the Second Priority Payments (''Premium'' payments) for most Claimants will likely be paid later—so that Breast Implant Claimants will first receive their ''Base'' Payments and then, at a later date, receive the ''Premium'' payments. The Proponents expect that Claimants will likely begin to receive ''Premium'' payments some years after the Effective Date. This means that those Claimants who receive the earliest First Priority Payments may receive their ''Premium'' payments several years after distribution of First Priority Payments.

b. Timing of Payment for Settling Silicone Material Claimants. Under the Plan the Claims Office must first receive and evaluate every Silicone Material Claim before distributing any payments to such Claimants. Because there is a two-year deadline for submitting such Claims, the Proponents assume that all Silicone Material Claims will be evaluated and distributions may commence beginning in the third year after the Effective Date. The Proponents expect that there will then be two distributions: the first for payments of the calculated amount of Allowed Claims under the Expedited Release Payment Option or Disease Payment Option to eligible Claimants and a second distribution consisting of Pro Rata payments of any excess amount available from the Silicone Material Claimants' Fund to all Eligible Silicone Material Claimants.

c. Timing of Payment for Settling Other Products Claimants. The Claims Office must first receive and evaluate every Settling Other Products Claim before distributing any payments to such Claimants. The Other Products Claimants are required to submit their Claims by the second anniversary of the Effective Date. Other Products Claims will be processed under procedures and qualification requirements that are specific for each type of implant. Because the MDL 926 Claims Office has had no previous experience with

processing such Claims, the Proponents expect that the Claims Office will require a longer time to create a process for reviewing these Claims than for review of Breast Implant or Silicone Material Claims. The Plan provides for revision and simplification of this Claims process if a study by the Claims Administrator indicates that administrative costs would exceed 10% of the Other Products Fund. Such simplification might reduce the time required to process and pay Other Products Claims. Based on these factors, the Proponents anticipate that all Other Products Claims will be evaluated by approximately the fourth year after the Effective Date and that distribution of Allowed payments will commence thereafter. The Proponents expect that there will then be two distributions: the first distribution for payment of the Allowed amount as calculated based on the compensation schedule and the second distribution of any amount remaining in the Other Products Fund (which will be distributed as determined by the Claims Administrator and the Claimants' Advisory Committee).

2. Timing of Payment for Non-Settling Personal Injury Claimants. The timing of payments for Claimants who elect litigation will depend on several factors—none of which can be predicted with certainty. First, the Plan provides that the District Court will preside over all pre-trial and common issues procedures. Common issue proceedings will not occur before 270 days after the Election Deadline (the deadline for opting out). Second, the District Court will institute pre-trial procedures and guidelines for the certification of individual cases for trial, and these procedures will take into account—among other things—the resources of the Litigation Facility (so that the flow of cases does not compromise the ability of the Litigation Facility to resolve cases), the date of filing and readiness for trial. These factors mean that the timing of resolution of any Non-Settling Personal Injury Claim will depend on its individual circumstances. The Plan does not impose specific limitations on annual funding for Non-Settling Personal Injury Claims, and thus, subject to the overall Annual Payment Ceilings, Non-Settling Personal Injury Claims may be payable as they are resolved.

3. Temporary Delays in Payment. Because the Funding Payment Agreement provides annual limits on the amounts payable, it is possible that payments of Allowed amounts to individual Claimants might be delayed for a period until additional funding is provided. The Proponents believe that the initial payment required at the time the Plan becomes effective along with earnings and subsequent payments anticipated in the first few years are sufficient to permit the payment in full of First Priority and Litigation Payments expected to be Allowed in the first several years after the Effective Date. There is a possibility that during some years—at approximately the sixth through ninth years after the Effective Date—some delays in First Priority Payments might be expected. In the event that funds available during any given year are not sufficient to pay the amount of Claims Allowed during that period, the Finance Committee will institute an installment payment system, and Claims will be paid the full Allowed amount as additional funding becomes available.

4. Payment Delays Attributable to Delays in the Effective Date. In general, the obligation of the Reorganized Debtor to make payments to the Settlement Facility pursuant to the Funding Payment Agreement occurs when the Plan becomes effective. The Effective Date is described in section 6.5 of the Disclosure Statement. The Plan will not become effective, and thus the Effective Date will not occur, until the conditions to the Effective Date set forth in section 6.5(B) have occurred. One of the events that might delay the occurrence of the Effective Date is an appeal from the provisions of the Plan providing for the releases and injunctions described in sections 8.3 and 8.4 of the Plan and/or the funding limitations contained in the Funding Payment Agreement. If such an appeal occurs, the funding by the Debtor will be delayed until the appeal is resolved and the release and funding payment limitation provisions have been affirmed by a Final Order that is itself no longer subject to further appeals. The Proponents cannot reasonably estimate the likelihood or timing of an appeal, but Claimants should be aware of the potential for delay that could result from an appeal on these release/funding limitation issues.

Pursuant to section 7.4 of the Plan, in the event of an appeal that raises a release/funding limitation issue, the Proponents would cooperate in seeking an expedited appeal. If the Confirmation Order is not stayed pending appeal, the Debtor will nonetheless pay funds to the Settlement Facility as provided in section 7.4 of the Plan. This will have the effect of allowing the Settlement Facility to prepare to handle Claims such that it can commence operations promptly after the Effective Date.

Similarly, the Effective Date will not occur unless the Debtor and Litigation Facility receive a favorable ruling from the IRS about certain tax matters relating to the Depository Trust and the Litigation Facility. While the Debtor will act expeditiously to seek such ruling, it cannot predict the speed with which the ruling will be forthcoming, as discussed in section 6.5(B) of the Disclosure Statement.

Each of the conditions to the effectiveness of the Plan can be waived by the joint action of the Proponents and the Shareholders.

If the Effective Date is delayed beyond the Interest Accrual Date (as defined in the Funding Payment Agreement), Dow Corning is required to pay interest on $905 million of the Initial Payment.

7.2 Business and Competition. The Debtor is engaged in highly competitive businesses, and the Debtor's products compete with both other silicone-based products and non-silicone based products in various specific applications. The Debtor's principal competitors, both within and outside of the United States, are other manufacturers of silicone-based products, as well as manufacturers of competing non-silicone based products. Although the Debtor is a leading worldwide provider of silicone-based products, there can be no assurance that the Debtor's existing or future competitors will not have the benefit of greater capital or other resources or other competitive advantages.

7.3 Certain Risks of Non-Confirmation. There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting creditors and interest holders will not be less than the value of the distributions that such creditors and interest holders would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. Although the Proponents believe that these requirements will be satisfied, there can be no assurance that the Court will concur. The confirmation and consummation of the Plan are also subject to certain conditions, which are described in section 6.5 of this Disclosure Statement.

If the Plan were not to be confirmed and consummated, it is unclear whether a reorganization comparable to the reorganization contemplated thereby could be implemented in a timely manner and, if so, what distributions holders of Claims and Interests ultimately would receive with respect to their Claims and Interests. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is possible that the Debtor would have to liquidate its assets, in which case there is a risk that the holders of Claims and Interests would receive less than they would have received pursuant to the Plan. *See* Article IX of this Disclosure Statement.

7.4 Potential Effects of a Prolonged Chapter 11 Proceeding. A prolonged chapter 11 proceeding could adversely affect the Debtor's relationships with its customers, suppliers and employees, which in turn could adversely affect the Debtor's competitive position, financial condition and results of operations. A weakening of the Debtor's financial condition and results of operations could adversely affect the Debtor's ability to implement the Plan.

7.5 Risks Relating to the Projections. The management of the Debtor has prepared the projected financial information contained in **Exhibit ''F''** to this Disclosure Statement (the **''Projections''**) in connection with the development of the Plan to present the projected effects of the Plan and the transactions contemplated thereby. The Projections assume that the Plan and the transactions contemplated thereby will be implemented in accordance with their terms, and are based upon numerous other assumptions and estimates. The assumptions and estimates underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those projected. Accordingly, the Projections are not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtor, which may vary significantly from those set forth in the Projections. Consequently, the projected financial information contained in this Disclosure Statement should not be regarded as a representation by the Debtor, the Debtor's advisors, or any other person that the Projections can or will be achieved.

7.6 Partial Holding Company Structure. A significant portion of the Reorganized Debtor's operations will continue to be conducted through subsidiaries. Consequently, it is likely that the Reorganized Debtor will continue to rely on dividends or other payments from its subsidiaries as a source of funds necessary for, among other things, the payment of principal of and interest on the Notes and the other indebtedness of the Company. The ability of such subsidiaries to pay dividends may be subject to applicable local law and certain other restrictions. Also, the subsidiaries are subject to normal business risks in the marketplace. Any right of the holders of the Notes to participate in the assets of any of the subsidiaries in the event of such subsidiary's liquidation or recapitalization will likely be subordinated to the claims of such subsidiary's creditors and preferred stockholders (if any), except to the extent that the Reorganized Debtor is itself recognized as a creditor of such subsidiary.

7.7 Subordination of Subordinated Notes. The payment of principal of and interest on, and any other amounts that may become owing in respect of, the Subordinated Notes will be subordinated to the prior payment in full of all existing and

future senior debt of the Reorganized Debtor and all indebtedness of the Reorganized Debtor's subsidiaries. As of an assumed Effective Date of June 30, 1999, as adjusted to give effect to the Plan and the transactions contemplated thereby, the senior debt of the Reorganized Debtor (other than obligations under the Settlement Facility Agreement and the Litigation Facility Agreement) and the aggregate indebtedness of its subsidiaries, on a consolidated basis, are projected in the Projections to total approximately $1.120 billion, excluding accrued interest. In the event of any subsequent bankruptcy, liquidation, dissolution, reorganization, or similar proceeding with respect to the Reorganized Debtor, assets of the Reorganized Debtor will be available to pay obligations on the Subordinated Notes only after all senior debt has been paid in full, and there can be no assurance that there will be sufficient assets to pay all or any portion of the amounts owing in respect of the Subordinated Notes.

7.8 Absence of Trading Market for the Notes. There is no established trading market for the Senior Notes or the Subordinated Notes (collectively, the **''Notes''**) and there can be no assurance that an active and liquid trading market for such securities will develop or be sustained.

7.9 Risks Associated With the Settlement Facility and the Litigation Facility. The Claims resolution process to be administered by the Claims Office of the Settlement Facility and the Manager of the Litigation Facility will constitute the sole means of seeking compensation or other relief in respect of all Claims subject thereto. There can be no assurance that the selection by the holder of such a Claim of a particular option for the resolution thereof will result in the maximization of the amount of compensation or other relief provided to such holder (or, in the case of litigation, in any compensation or other relief being provided to such holder.) Moreover, the amount of time that may be required to resolve a particular Claim may be substantial, particularly if such Claim is to be resolved by means of litigation. Additionally, notification may be required to be given to Health Insurers or to certain governmental Claimants of a Personal Injury Claimant's settlement and of any action taken in connection with the litigation of a Personal Injury Claim. Payment on a Personal Injury Claimant's Allowed Claim may be subject to the competing rights of such Personal Injury Claimant's Commercial Health Insurer or to certain governmental Claimants.

ARTICLE VIII

FINANCIAL INFORMATION AND FEASIBILITY

8.1 The ability of the Debtor to successfully reorganize depends, in part, upon the Reorganized Debtor's ability to successfully implement the business plan. The Debtor has prepared a detailed business plan for its future operations which underlies the Projections attached to this Disclosure Statement as **Exhibit ''F.'' Exhibit ''F''** also includes certain historical consolidated financial statements of the Debtor, together with the Debtor's management's analysis and discussion of the Debtor's financial condition and results of operations as of and for certain historical dates and periods. The Tort Committee and its professionals did not participate in the preparation of the Debtor's business plan, projections and financial statements and analyses relied upon or referred to in connection with this Disclosure Statement and assume no responsibility for the contents thereof.

THE DEBTOR'S PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS INCLUDING, AMONG OTHERS, THOSE DESCRIBED HEREIN. *SEE* ''ARTICLE VII—CERTAIN RISK FACTORS.'' CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

ARTICLE IX

LIQUIDATION ANALYSIS

9.1 Effects of Liquidation on Claims Generally. Section 1129(a)(7) of the Bankruptcy Code requires that every creditor in an impaired class who has not accepted a proposed plan of reorganization receive at least as much under the plan as that creditor would receive in a hypothetical liquidation of the debtor under chapter 7 of the Bankruptcy Code. That is, each creditor who votes to reject the plan is entitled to be certain that he or she is no worse off than he or she would be if the debtor were liquidated and the proceeds of that liquidation distributed among all the debtor's creditors in accordance

with the priorities established by the Bankruptcy Code. This requirement is colloquially referred to as the ‘‘best interests of creditors test.’’

Attached to this Disclosure Statement as **Exhibit ‘‘H’’** is the liquidation analysis prepared by Dow Corning with the assistance of its financial professionals. Reference is made to the liquidation analysis for valuation amounts and for a description of the procedures followed, the factors considered and the assumptions made in preparing the analysis. Because of the dispute over the value of the Claims of implant recipients, and the concerns any prospective purchaser would have over potential successor liability for such Claims, Dow Corning believes that any liquidation analysis is highly speculative. To the extent that confirmation of the Plan requires the establishment of hypothetical amounts for the value of Dow Corning and funds available to pay Allowed Claims, the Court will make those rulings at confirmation. In considering the liquidation analysis, creditors should consider the following factors:

A. Commercial Claims and Other Claims. Under the Plan, the holders of Allowed Claims in the impaired classes of commercial Claims (Class 4) and Other Claims (Classes 11 through 15 and 17) are being paid in full including post-petition interest (to the extent required by law). Because that is the most that holders of such Allowed Claims could receive in a chapter 7 case, the best interests test is satisfied as to them.

B. Personal Injury Claims. Personal Injury Claimants, regardless of their vote on the Plan itself, are given two basic options under a confirmed Plan—they may settle their Claims on the terms described in the Settlement Facility or they may elect to litigate their Claims.

1. The Treatment of Personal Injury Claims Under the Plan. The Plan creates a procedure by which Debtor is obligated to make periodic contributions to the Settlement Facility, up to the scheduled amount of $3.172 billion (subject to adjustment to maintain the capped NPV of $2.35 billion), for payment of all Allowed Claims of Personal Injury Claimants. A portion of the funding for payment of Personal Injury Claims, in the amount of $400 million (Net Present Value), is designated as the Litigation Fund for payment of the Claims of Non-Settling Personal Injury Claimants and the Assumed Third Party Claims.

Those Personal Injury Claimants who do not elect to litigate the value of their Claims will receive the value thereof based either on the acceptance of an expedited payment or on an amount determined by a schedule of symptoms and conditions. By the decision to accept treatment on the ‘‘settlement side,’’ the Settling Personal Injury Claimants have agreed to a value for their Claims, and payment of the Claims will therefore be payment in full, which is all they are entitled to.

Those Personal Injury Claimants who timely elect to litigate the value of their Claims will be afforded the opportunity to proceed through a litigation process that is substantially similar to the litigation process outside bankruptcy. The Plan and the related litigation process documents provide that those Claims, if reduced to judgment (if not earlier settled) will be paid in full.

Thus, the principal issue presented by the liquidation analysis, given the capped nature of the funding for payment of Personal Injury Claims, is whether the funding will be adequate to provide payment in full of the Claims as Allowed. While there are procedures in place in the various funding documents for the deferral or even the reduction of payments, the Proponents are of the belief that the proposed funding will be sufficient to pay all Allowed Personal Injury Claims in full. To this end, among the procedures to be undertaken at the confirmation hearing (if not before) will be a Claims estimation procedure to provide the Court with evidence supporting the position of the Proponents. Thus, assuming the Court does find that the funding for payment of Allowed Personal Injury Claims is adequate to provide the ‘‘advertised’’ payments, the Personal Injury Claimants will be receiving payment in full regardless of which Claim resolution path is chosen, which is all that those Claimants would receive in a hypothetical chapter 7 case.

2. The Treatment of Personal Injury Claims in a Chapter 7 Liquidation. The Proponents believe that a Trustee appointed in any chapter 7 liquidation proceeding would attempt, as does the Plan, to settle Claims under some type of a grid structure similar in concept and amount to the Revised Settlement Program, just as the Proponents have provided in the Plan. Settling Personal Injury Claimants could not, as a group, reasonably anticipate receiving more under a chapter 7 liquidation than under the Plan.

The treatment of Non-Settling Personal Injury Claimants under the Plan should be contrasted to the treatment which they would receive in a hypothetical chapter 7 case. A chapter 7 Trustee would be appointed to sell the assets and determine liabilities. (This sale, in addition to generating the funds for payment of Claims, would eliminate the immediacy of any need to quickly resolve Non-Settling Claims.) The Trustee might seek to determine

the value of disease Claims by a common issue causation trial.[19] If the Trustee were to prevail, all disease Claims would be disallowed and the holders of such Claims who had not settled would receive nothing in the chapter 7 distribution. In that event, non-disease Personal Injury Claims that were not eliminated as a result of the causation trial, such as Claims for rupture, local complications or mechanical failure of Other Products, would be paid in full.

Four factors principally determine the amount that Non-Settling Personal Injury Claimants would receive on their Claims in a chapter 7 proceeding. These factors are: (1) the number of Claimants; (2) the cost of resolving the Claims (whether globally through a common causation trial or through subsequent individual trials); (3) the amount of the judgments resulting from such trials or the amount at which settlements could be achieved; and (4) the total assets available to pay the Claims. These four factors are equally applicable to a determination of what Non-Settling Personal Injury Claimants would receive under the Debtor's Plan.

Under both a chapter 7 liquidation and the Plan, the number of Non-Settling Personal Injury Claimants should not vary materially. To the extent a creditor chooses to litigate under the Plan, it is reasonable to assume the same creditor would make the same decision under a chapter 7 liquidation.

Under both a chapter 7 liquidation and the Plan, the cost of liquidating the Claims should be substantially similar. That is, the Proponents know of no reason that a chapter 7 Trustee could litigate the same issues against the same Claimants with the same structure as that proposed by the Proponents and achieve any material savings on the cost of the litigation.

Under both a chapter 7 and the Plan, the amount of resulting judgments (or possible settlements) should be substantially the same. That is, no reason is known by the Proponents to anticipate that a judge or jury would render a different judgment or verdict just because the defendant was a chapter 7 Trustee instead of the Litigation Facility.

Therefore, if the aggregate amount of Allowed Claims to be fixed by litigation would be substantially similar under both the Plan and in a hypothetical chapter 7 case, the Court's determination of the adequacy of the proposed funding for the Litigation Fund will demonstrate that the Non-Settling Personal Injury Claimants are receiving at least as much as they would receive in chapter 7.

Because each of the four factors are substantially the same (if not more favorable for Claimants) in the Plan as compared to a chapter 7 liquidation, the Proponents believe that a Non-Settling Personal Injury Claimant would receive under the Plan at least as much as would be received under a hypothetical chapter 7 liquidation.

9.2 Other Liquidation Factors. A liquidation under chapter 7 might also lead to selling conditions that would substantially reduce the total value available to the estate, thus potentially impairing the amounts available for distribution in such a hypothetical chapter 7 case. The following are some, but not all, of the deleterious consequences that might result from a chapter 7 liquidation:

A. The sale of the Debtor's assets and businesses under the time pressure and adverse publicity attendant to a chapter 7 liquidation would create a difficult selling environment and could result in a transaction consummated at a substantial discount to going-concern value. In the Debtor's circumstances, these effects would be particularly acute because (i) the concerns of a purchaser over successor liability and (ii) the scale, technology and experience required in the silicone-based products industry limits the number of strategic buyers.

B. Conversion of the Case to a chapter 7 liquidation would adversely affect (i) morale, productivity and retention of the Debtor's employees; (ii) the willingness of the Debtor's vendors to provide goods and services and extend credit; (iii) the business relationships between the Debtor and its customers; and (iv) the ability of the Debtor to attract new customers and to exploit various business opportunities otherwise available to it. Given that the Debtor's profitability is heavily dependent on the maintenance of market share and sustained research and development efforts, any prolonged delay which results in loss of customers or loss of key personnel would cause a significant decline in projected cash flows and, therefore, value to a potential acquirer.

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[19] In the Estimation Ruling, the Court has indicated that, absent a consensual resolution of this Case through a plan of reorganization, a resolution of the causation issue through an aggregate trial would be appropriate.

ARTICLE X

POST-CONFIRMATION MANAGEMENT

10.1 Directors of Reorganized Debtor.

A. Appointment. If the Plan is confirmed, the board of directors of DCC as then constituted shall continue to serve as the initial board of directors of the Reorganized Debtor. Those directors are listed in Article III, section 3.1(A)(1) of this Disclosure Statement.

B. Tenure. The initial board of directors of the Reorganized Debtor will serve until the next annual meeting of shareholders, at which time such board members are subject to re-election or replacement by vote of the shareholders in accordance with applicable corporate law, the Reorganized Debtor's bylaws.

C. Compensation. If the Plan is confirmed, the existing directors will not be compensated by DCC for their services.

10.2 Corporate Governance of the Reorganized Debtor. If the Plan is confirmed, the corporate affairs will be conducted by the Reorganized Debtor pursuant to its existing corporate charter and bylaws.

10.3 Officers of the Reorganized Debtor.

A. Appointment. On the Effective Date, the then existing officers of DCC will continue to serve as the initial officers of the Reorganized Debtor. Those officers are listed in Article III, section 3.1(A)(1) of this Disclosure Statement.

B. Tenure. The officers shall serve at the pleasure of the Board of Directors of Reorganized DCC.

C. Compensation.

1. Salary. The officers' salaries will be set by the Board of Directors of Reorganized DCC. The annual salaries of these officers as of the date of approval of this Disclosure Statement are as follows:

OFFICER	SALARY
Richard A. Hazleton	$625,000.00
Gary E. Anderson	$430,000.00
Siegfried Haberer	$257,000.00
John W. Churchfield	$244,000.00
James R. Jenkins	$291,000.00
Barbara S. Carmichael	$195,000.00
Gifford E. Brown	$177,000.00
James V. Chittick	$189,500.00
Leon D. Crossman	$227,500.00
Burnett S. Kelly	$236,000.00
Robert P. Krasa	$246,000.00
Richard H. Hoover	$209,500.00
Jere D. Marciniak	$214,000.00
Charles W. Lacefield	$220,000.00
Endvar Rossi	$191,000.00
Neville J. Whitfield	$237,000.00

In addition to the above, all officers participate in various compensation and benefit plans, which have been approved by the Court (*see* section 5.3(E) herein).

2. Employee Benefit Plans. Reorganized DCC has assumed all employee benefit plans applicable to their officers and continue to perform their obligations under such plans post-confirmation.

ARTICLE XI

DISTRIBUTIONS/CLAIM RESOLUTION WITH RESPECT TO ALL CLAIMS OTHER THAN PRODUCT LIABILITY CLAIMS

11.1 General. The distribution and Claims resolution process set forth in Article Ten and in sections 11.1 and 11.3 of the Plan and described in the following paragraphs applies to all Claims, other than Personal Injury Claims and Other Claims assumed by the Litigation Facility. Personal Injury Claims and Other Claims assumed by the Litigation Facility will be determined in accordance with the provisions of the Settlement Facility Agreement and the Litigation Facility Agreement.

The Reorganized Debtor, or such third-party disbursing agents as the Reorganized Debtor may employ in its sole discretion, will make all distributions of cash, Senior Notes and Subordinated Notes required under the Plan, except for distributions made by agent banks or indenture trustees pursuant to sections 10.2 and 10.3, respectively, of the Plan as described below. The Reorganized Debtor and any such third-party disbursing agent will serve as disbursing agents under the Plan without bond, and the Reorganized Debtor and any such third-party disbursing agent may employ or contract with other entities to assist in or make the distributions required by the Plan.

Distributions on account of Allowed Bank Loan Claims shall be made either (i) if such agency relationship exists, to the agent bank for holders of Bank Loan Claims for further distribution to such holders, or (ii) there is no agent bank, directly to the holders of the Bank Loan Claims. Any such distribution made by an agent bank will be made pursuant to the applicable credit agreement. The delivery to an agent bank of the consideration to be distributed under the Plan to holders of Allowed Bank Loan Claims arising pursuant to the credit agreement under which such agent bank serves in such capacity will fully satisfy and discharge the Reorganized Debtor's obligations to distribute such consideration to such holders.

Distributions on account of Allowed Public Debt Claims shall be made to the indenture trustee for holders of Public Debt Claims for further distribution to such holders. Any such distribution made by an indenture trustee will be made pursuant to the applicable indenture. The delivery to an indenture trustee of the consideration to be distributed under the Plan to holders of Allowed Public Debt Claims arising pursuant to the indenture under which such indenture trustee serves in such capacity will fully satisfy and discharge the Reorganized Debtor's obligations to distribute such consideration to such holders.

As of the Distribution Record Date (*i.e.*, the close of business on the Effective Date), the transfer registers maintained by the Debtor or its agents (including agent banks and indenture trustees) for all Existing Debt Instruments will be closed. The Reorganized Debtor and any third-party disbursing agent (including agent banks and indenture trustees) shall have no obligation to recognize the transfer of any Existing Debt Instruments occurring after the Distribution Record Date, and will be entitled to recognize and deal only with holders of record of Existing Debt Instruments as of the Distribution Record Date.

11.2 Distribution Shall be Made Only to Holders of Allowed Claims. Distributions under the Plan shall be made only to the holders of Allowed Claims. Until a Disputed Claim becomes an Allowed Claim, the holder of that Disputed Claim shall not receive the consideration otherwise provided to the Claimants under the Plan. If necessary, in determining the amount of a Pro Rata distribution due to the holders of Allowed Unsecured Claims, the Reorganized Debtor shall make the Pro Rata calculation as if all Disputed Claims were Allowed Claims in the full amount claimed or in the Estimated Amount. When a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall make the distributions with respect to such Allowed Unsecured Claim, together with the interest accrued on the amount of each such distribution, net of any applicable federal and state taxes. If the Court disallows or allows in a reduced amount any Disputed Claims, any cash and accrued interest thereon otherwise distributable with respect to the disallowed Claim (or disallowed portion thereof) will become the property of the Reorganized Debtor, and the affected Claimant shall have no further rights against the Debtor or the Reorganized Debtor with respect to such disallowed Claim or portion of such disallowed Claim.

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Bank Loan Claim or Allowed Public Debt Claim evidenced by an Existing Debt Instrument, the holder of such Claim shall surrender the applicable Existing Debt Instrument to the Reorganized Debtor pursuant to a letter of transmittal to be furnished by the Reorganized Debtor (either directly or through an agent bank or an indenture trustee). Such letter of transmittal shall specify that delivery of such Existing Debt Instrument will be effected, and risk of loss and title thereto will pass, only upon the

proper delivery of such Existing Debt Instrument with the letter of transmittal. Such letter of transmittal shall also include, among other provisions, customary provisions with respect to the authority of the holder of the applicable Existing Debt Instrument to act and the authenticity of any signatures required on the letter of transmittal.

In addition to any requirements under the applicable credit agreement or indenture, any holder of an Allowed Claim evidenced by an Existing Debt Instrument that has been lost, stolen, mutilated or destroyed shall, in lieu of surrendering such Existing Debt Instrument, deliver to the Debtor or the Reorganized Debtor (a) evidence satisfactory to the Debtor or the Reorganized Debtor of the loss, theft, mutilation or destruction and (b) such security or indemnity as may be required by the Debtor or the Reorganized Debtor to hold it and its agents harmless from any damages, liabilities or costs incurred in treating such individual as a holder of such Existing Debt Instrument. Such holder shall thereupon be deemed to have surrendered such Existing Debt Instrument in accordance with the provisions of the Plan requiring such surrender.

Any holder of an Existing Debt Instrument that fails to surrender or to be deemed to have surrendered such Existing Debt Instrument within one year after the Effective Date shall have its claim for a distribution pursuant to the Plan on account of the Claim evidenced thereby discharged and shall be forever barred from asserting any such claim against the Reorganized Debtor or its property.

11.3 Objection Process. Unless otherwise provided by order of the Court, no further objections will be required with respect to any Claims that are to be resolved and paid through the Settlement Facility or the Litigation Facility. Any objections to other Claims that have not been filed by the Confirmation Date may be filed solely by the Debtor or the Reorganized Debtor.

11.4 No Distribution Pending Resolution. No distributions shall be made with respect to the holder of a Claim while an objection thereto is pending.

11.5 Initial/Final Distributions. Each holder of an Allowed Claim entitled to Pro Rata distributions shall, upon the later to occur of the Effective Date or the Allowance Date, receive an initial distribution of its Pro Rata entitlement under the Plan. Distributions reserved with respect to Claims undergoing objection shall be either distributed to the Claimant upon Allowance or, if the Claim is disallowed, retained by the Reorganized Debtor as its property.

11.6 Unclaimed Distributions of Certain Claimants. Unless otherwise provided for in the Plan, the Plan Documents, or a Final Order of the Court, distributions to be made under the Plan to Claimants holding Allowed Claims (other than Products Liability Claims) shall be made by the Reorganized Debtor by first class, United States mail, postage prepaid to (a) the latest mailing address set forth in a Proof of Claim filed with the Court by or on behalf of such Claimant or (b) if no such Proof of Claim has been timely filed, the mailing address set forth in the Schedules filed by the Debtor in the Case, as such Schedules may be amended. The Reorganized Debtor shall not be required to make any other effort to locate or ascertain the address of the holder of any Claim.

The Debtor will seek the inclusion in the Confirmation Order of a provision requiring any third-party paying agent charged with making distributions to holders of the Debtor's public debt instruments (including, if applicable, the indenture trustees therefor) to advise the Reorganized Debtor from time to time as to the identity of the persons who are entitled to unclaimed distributions in respect thereof. Based upon such advice, the Reorganized Debtor will file with the Bankruptcy Court, on the second, third and fourth anniversaries of the Effective Date, listings of persons, including holders of Public Debt Claims, who are entitled to unclaimed distributions in respect thereof.

If any Person entitled to receive a distribution directly from the Reorganized Debtor under the Plan does not come forward to collect such distribution, such distributions will be retained by the Reorganized Debtor for the benefit of such Person. Subject to section 10.6 of the Plan (which requires delivery of Existing Debt Instruments within one year after the Effective Date), if such Person communicates with the Reorganized Debtor within five years of the Effective Date, such distribution, together with any interest attributable to such amount, net of any applicable federal and state taxes, will be paid or distributed to such Person. Subject to section 10.6 of the Plan, if such Person does not communicate with the Reorganized Debtor within five years of the Effective Date, any such distribution and any interest thereon will become the Property of the Reorganized Debtor, and the affected Claimant shall have no further rights against the Debtor or the Reorganized Debtor.

11.7 Preservation of the Debtor's Affirmative Claims. Except as otherwise provided in the Plan, the allowance of any pre-petition Claim, the resolution of any Claim dispute, or the payment of such Claims shall not, absent an express contrary ruling by the Court, operate as a bar, by application of the principles of *res judicata* or collateral estoppel, to the recovery of pre-petition Claims or the exercise of any right of setoff held by the Debtor with respect to the Claims held by the affected Claimants. To the extent such right of setoff is not resolved in the Claim objection process, any affected Claimant shall retain its right of offset of mutual claims as provided in section 553 of the Bankruptcy Code.

ARTICLE XII

SECURITIES LAWS CONSIDERATIONS

12.1 General. The Senior Notes and the Subordinated Notes, if any, to be issued pursuant to the Plan constitute ''securities'' for purposes of federal and state securities laws. As discussed below, section 1145 of the Bankruptcy Code provides that the registration requirements under federal and state securities laws do not apply to the issuance of securities by a debtor under a plan of reorganization to holders of claims or interests wholly or principally in exchange for those claims or interests. With certain exceptions discussed below, recipients of such securities may also resell them without registration under such laws.

A. Issuance. Section 1145 of the Bankruptcy Code exempts the original issuance of securities under a plan of reorganization from registration under the Securities Act of 1933, as amended (the **''Securities Act''**), and applicable state securities law registration requirements. For the original issuance of securities under the Plan to be so exempt, three principal requirements must be satisfied: (i) the securities must be issued by the Debtor or its successor under the Plan, (ii) the recipient of the securities must hold a Claim against or Interest in the Debtor, and (iii) the securities must be issued entirely in exchange for the recipient's Claim against or Interest in the Debtor, or ''principally'' in such exchange and ''partly'' for cash or property. The original issuance of securities pursuant to the Plan will satisfy the foregoing requirements and, accordingly, will be exempt from registration under the Securities Act and state securities laws. However, in certain circumstances, subsequent offers or sales of such securities may be subject to the registration requirements under the Securities Act and such state laws.

B. Resale. Except for persons who may be deemed to be ''underwriters'' as discussed below, holders of Claims who receive securities pursuant to the Plan will be able to sell and transfer such securities without registration under the Securities Act or state securities laws and without complying with Rule 144 under the Securities Act.

Section 1145(b) of the Bankruptcy Code defines four types of ''underwriters'': (i) a person who purchases a claim against, an interest in, or a claim for administrative expenses against the debtor with a view to distributing any security received in exchange for such a claim or interest; (ii) a person who offers to sell securities offered under a plan of reorganization for the holders of such securities; (iii) a person who offers to buy such securities from the holders of such securities, if the offer is (a) with a view to distributing such securities and (b) made under a distribution agreement; and (iv) a person who is an ''issuer'' with respect to the security, as the term ''issuer'' is defined in section 2(11) of the Securities Act. Under section 2(11) of the Securities Act, an ''issuer'' includes any person directly or indirectly controlling or controlled by the debtor, or any person under direct or indirect common control with the debtor.

To the extent that persons deemed ''underwriters'' receive securities pursuant to the Plan, resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or applicable state securities laws. However, such persons may be able to sell such securities without registration subject to the provisions of Rule 144 under the Securities Act, which would permit the public sale of securities received pursuant to the Plan by ''underwriters'' subject to the availability to the public of current information regarding DCC and to compliance with specified volume limitations and certain other conditions.

Given the complex, subjective nature of the question of whether a particular holder may be an underwriter, the Debtor makes no representations concerning the right of any person to trade in any of the securities received under the Plan. **THE PROPONENTS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES UNDER THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING THE EFFECTS OF FEDERAL AND STATE SECURITIES LAWS ON THEIR ABILITY TO TRADE SUCH SECURITIES.**

Sales by ''stockbrokers'' of securities issued under the Plan will be exempt under section 1145(a)(4) of the Bankruptcy Code from the registration requirements of the Securities Act and state securities laws if they deliver a copy of the Disclosure Statement (and supplements hereto, if any, if ordered by the Court) at or before the time of delivery of such securities to their customers for the first 40 days after the Effective Date. Section 101 of the Bankruptcy Code defines ''stockbroker'' as a person having customers that are engaged in the business of effecting transactions in securities (i) for the accounts of others or (ii) with the general public from or for such person's own account.

ARTICLE XIII

FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

13.1 General. The Plan will have tax consequences to the Debtor and to holders of Claims and Interests. A description of certain federal income tax consequences of the consummation of the Plan is provided below. The description of tax consequences below is provided for informational purposes only and is subject to significant uncertainties. No tax opinion has been sought with respect to any tax consequences of the Plan, and no tax opinion is given by this Disclosure Statement.

This discussion of federal income tax consequences is based on the IRC, the Treasury Regulations promulgated and proposed thereunder, judicial decisions, and published administrative rulings and pronouncements of the IRS as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analysis and conclusions set forth below. Any such changes or interpretations may be retroactive, and could significantly affect the federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE, OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE FEDERAL TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN COMPANIES, NONRESIDENT ALIEN INDIVIDUALS, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, BROKER-DEALERS, AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED HEREIN.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

13.2 Federal Income Tax Consequences to the Debtor.

A. Cancellation of Indebtedness. Under the IRC, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income (**''COD Income''**) realized during the taxable year. Section 108 of the IRC provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of a bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court. Section 108 of the IRC requires the amount of COD Income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. Section 108 of the IRC further provides that a taxpayer does not realize COD Income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, holders of Claims in Classes 1 through 4 and in Class 21 will be paid the full amount of their Allowed Claims. Since those Claims will be paid in full, satisfaction of such Claims should not give rise to COD Income to the Debtor (except to the extent that interest previously accrued and deducted by the Debtor is not required to be paid).

With respect to holders of Claims in Classes 5 through 19, the satisfaction of those Claims should not result in COD Income to the Debtor because payment of such Claims would have given rise to a deduction to the Debtor. In any event, the Debtor believes that the funding of the Settlement Facility and the Litigation Facility pursuant to the Plan will be sufficient to pay in full each holder of such Claims once the amount of such Claims is ultimately determined.

To the extent holders of Claims in Classes 20 and 22 will be entitled to receive payment of their Claims, the Debtor should not realize any COD Income if payment of such Claims would have given rise to a deduction to the Debtor. Moreover, it is intended that such payment be sufficient to fully satisfy Claims to the extent they are canceled. To the extent the holders of Class 20 and 22 Claims will not be entitled to receive payment on their Claims, the Debtor's liability to the holders will not be canceled, and therefore will result in no COD Income to the Debtor.

The Debtor believes that the consummation of the Plan will not cause it to realize any COD Income. Accordingly, the Debtor believes that it will not be required to suffer any reduction of its tax attributes under section 108 of the IRC.

B. Deductibility of Payments to Depository Trust. It is a condition to effectiveness of the Plan that the IRS issue to the Debtor a ruling (i) to the effect that the Depository Trust will be a ''qualified settlement fund'' within the meaning of section 468B of the IRC and the regulations promulgated thereunder, and (ii) concerning deductibility (as more fully described below) of payments to the Depository Trust on behalf of the Settlement Facility.

The regulations promulgated under section 468B of the IRC provide that a fund, account, or trust will be a qualified settlement fund if three conditions are met. First, the fund, account, or trust must be established pursuant to an order of or be approved by a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority. A court order giving preliminary approval to a fund, account, or trust will satisfy this requirement even though the order is subject to review or revision. Second, the fund, account, or trust must be established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event or related series of events that has occurred and that has given rise to at least one claim asserting liability arising, among other things, out of a tort. Third, the fund, account, or trust must be a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor. The Depository Trust has been established with the express purpose of satisfying the requirements of a qualified settlement fund. While discretion to issue a ruling on this point rests entirely with the IRS, the Debtor believes that it will be able to obtain a ruling that the Depository Trust is a qualified settlement fund.

If, as expected, the Depository Trust is a qualified settlement fund, the Reorganized Debtor will be entitled to a deduction for its payments thereto once it has satisfied the usual requirements imposed on accrual basis taxpayers with respect to liabilities. Those requirements should be met at the time that payments are made to the Depository Trust or, in the case of amounts paid to the Depository Trust and designated as the Litigation Fund, no later than the time at which Claims are paid or expenses are incurred by or on behalf of the Litigation Facility (and possibly earlier). It is a condition to effectiveness of the Plan that Debtor receive a ruling from the IRS with respect to both the status for federal income tax purposes of the Depository Trust and the deductibility of the Reorganized Debtor's payments thereto.

The Plan provides that up to $400 million (NPV) of the funds transferred to the Depository Trust will be designated as the Litigation Fund and made available for payment of Allowed Non-Settling Personal Injury Claims and Allowed Third Party Claims and the expenses of operation of the Litigation Facility, including the legal costs of defense of Claims against the Facility. In addition, certain amounts in the Settlement Fund may be utilized to make payments in connection with other claims to be litigated by the Litigation Facility. It is conceivable that, among other features, the Reorganized Debtor's ownership and control of the Litigation Facility would cause the amounts in the Litigation Fund and other amounts to be nondeductible at the time of transfer to the Depository Trust. In this event, such amounts should be deductible at the time the Claims Administrator pays the related claim or incurs an expense. While discretion to issue a ruling on this point rests entirely with the IRS, and while the legal form of the Litigation Facility presents some novel tax questions, the Debtor believes that it will be able to obtain a ruling that the amounts will be deductible no later than the time that claims are paid from the Litigation Fund and expenses are incurred by the Litigation Facility.

In addition, the Debtor believes that it will be entitled to deductions for the assignment of its interests in the Coverage-in-Place Policies and any Insurance Debtor Action Recoveries, but only to the extent the Debtor previously included such amounts in its gross income.

Any deductions for payments made to the Depository Trust first would reduce or eliminate the Debtor's taxable income for the taxable year when the payment is made. To the extent these deductions were to exceed such year's otherwise taxable income, the excess would constitute a net operating loss (**''NOL''**) deduction. In general, NOLs generated in 1998 and thereafter may be carried back two years and forward twenty years. To the extent an NOL is a ''specified liability loss,'' however, it may be carried back ten years. The taxpayer may elect to waive the entire carry-back period with respect to an NOL, or may elect to waive only the additional eight years of carry-back afforded NOLs attributable to specified liability losses.

An NOL constitutes a specified liability loss to the extent it is attributable to product liability, or to expenses incurred in the investigation or settlement of, or opposition to, claims against the taxpayer on account of product liability. The Debtor believes that any NOL resulting from the payments to the Depository Trust would constitute a specified liability loss and accordingly would qualify for the ten-year carry-back period.

The Debtor, however, believes that the carry-back of its NOL would cause certain adverse tax consequences to the Debtor. Accordingly, the Debtor presently intends to elect to waive the entire carry-back period with respect to its NOL.

The Debtor has filed (or will file) a private letter ruling request with the Internal Revenue Service relating to the qualified settlement fund status of the Depository Trust and the deductibility of payments thereto. The Debtor believes that it will take several months to obtain a response to the ruling request, but believes that a ruling should be obtained prior to the Confirmation Date. If the ruling request is denied, the Debtor anticipates that it would make amendments to the Settlement Facility Agreement, Litigation Facility Agreement, and/or the Funding Payment Agreement to obtain a favorable ruling. The Debtor does not believe any amendments that might be required would significantly impact the operation of the Settlement Facility.

If the Depository Trust is a qualified settlement fund, it will be treated as a separate taxable entity. Its modified gross income, which will consist generally of investment earnings on amounts on deposit in the Depository Trust (less administrative fees and related costs) will generally be subject to federal income tax at a 39.6% rate. For purposes of determining the Depository Trust's modified gross income, payments to the Depository Trust and payments from the Depository Trust to Personal Injury Claimants in settlement of their Claims will not be taken into account.

13.3 Federal Income Tax Consequences to Claimants.

A. General. The tax consequences of the Plan to a holder of a Claim will depend, in part, on whether the Claim constitutes a ''tax security,'' what type of consideration the holder received in exchange for the Claim, whether the holder is a resident of the United States for tax purposes, whether the holder reports income on the accrual or cash-basis method, and whether the holder receives distributions under the Plan in more than one taxable year. In some cases, the modification of a Claim or the substitution of a new debt instrument or instruments for the Claim pursuant to the Plan may represent for tax purposes an exchange of the Claim for such modified Claim or for such new debt instrument, as the case may be, even though no actual transfer of the Claim takes place. **Holders are strongly advised to consult their tax advisors with respect to the tax treatment under the Plan of their particular Claims.**

B. Holders of Claims Other Than Personal Injury Claims.

1. Original Issue Discount. It is possible that the Senior Notes or the Subordinated Notes will be treated as having been issued with original issue discount. For example, if any such Senior Notes or Subordinated Notes are part of an issue of (or are issued for) debt instruments that are traded on an established securities exchange, and if the fair market value of the property exchanged therefor is, for purposes of section 1273(a)(3) of the IRC, more than a *de minimis* amount less than the principal amount of such Senior Notes or Subordinated Notes, such Senior Notes or Subordinated Notes may be treated as having been issued at their fair market values (or the fair market value of the property exchanged therefor) (that is, with original issue discount). Otherwise, they will be deemed to have been issued at their principal amounts. Pursuant to Treasury regulations, an ''established securities market'' includes a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers, or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions.

If the Senior Notes or the Subordinated Notes are issued with original issue discount, such original issue discount would be includible in the holder's gross income as interest over the term of the Note, based on the constant-interest method. As a result, holders would be required to include amounts in gross income in advance of any receipt of cash in respect of such income.

2. Definition of Tax Securities. There is no precise definition under the tax law of a ''tax security,'' and all facts and circumstances pertaining to the origin and character of the claim are relevant in determining its status. Nevertheless, courts generally have held that corporate debt obligations evidenced by written instruments with original terms to maturity of ten years or more constitute tax securities, while corporate debt obligations with original terms to maturity of five years or less do not. The cases are unsettled with respect to corporate debt obligations with original terms to maturity of between five and ten years. It is likely that the Public Debt Claims maturing in 1998 and thereafter and the Claims evidenced by notes originally held by Nippon Life will be considered tax securities for this purpose. The Public Debt Claims maturing in 1995 and 1996 may or may not constitute tax securities. It is likely that the other Unsecured Claims, including Claims arising from the purchase of goods or services, will not be considered tax securities.

3. Holders of Claims Constituting Tax Securities. Holders of Claims constituting tax securities who receive only tax securities of the Debtor in satisfaction of such Claims under the Plan should not generally recognize gain on the exchange, except to the extent the principal amount of any tax securities received were to exceed the principal amount (or issue price) of tax securities canceled. Holders of Claims constituting tax securities

may also recognize gain if they receive cash, or an obligation not constituting a tax security or any other such non-cash items (**''Boot''**) in either full or partial satisfaction of such Claims. In that event, any gain on the exchange, measured generally by the excess of the amount realized by the holder over the holder's tax basis in the Claim, will likely be recognized by the holder, but in an amount not to exceed the sum of the cash and the fair market value of the Boot. The amount realized for this purpose will generally equal the sum of the cash and the fair market value of any other consideration received under the Plan in respect of their Claims, including any tax securities. The amount realized with respect to any debt obligation received, however, will likely equal the amount for which the obligation is treated as having been issued, as determined for tax purposes.

Any gain recognized by the holder of a Claim constituting a tax security will generally be treated as capital gain, provided that the Claim represented a capital asset in such holder's hands. An individual's net capital gain (*i.e.*, any excess of net long-term capital gains over net short-term capital losses) will be taxed at a maximum rate of 20% for capital assets held for more than one year. The maximum tax rate for individuals on ordinary income is generally 39.6%. Under current law, corporations are taxed at the same rates on capital gain as on ordinary income.

Holders of Claims constituting tax securities who receive tax securities of the Debtor under the Plan in either partial or full satisfaction of such Claims generally will not be permitted to recognize any loss on such exchange.

A holder's aggregate tax basis in any tax securities received under the Plan in respect of a Claim constituting tax securities, aside from any amounts allocable to interest, will generally equal the holder's adjusted basis in such Claim, increased by any gain recognized on the exchange and decreased by the amount of cash and the fair market value of any Boot received. This aggregate basis should be apportioned among the items received according to their respective fair market values. The Boot received, if any, will have a fair market value basis. The holding period for any tax securities received in the exchange will generally include the holding period of the Claim surrendered, whereas the holding period for any Boot received will begin on the day after the date of receipt. If the aggregate tax basis allocated to any debt obligation received exceeds the fair market value of the debt obligation, the holder of the Claim may be able to amortize the excess as a premium expense over the term of the debt obligation. The rules and regulations governing this amortization are complex; holders are therefore urged to consult their tax advisors.

4. Holders of Claims Not Constituting Tax Securities. Holders of Claims not constituting tax securities will recognize gain or loss equal to the amount realized under the Plan in respect of their Claims less their respective tax bases in their Claims. The amount realized for this purpose will generally equal the sum of the cash and the fair market value of any other consideration received under the Plan in respect of their Claims, including any tax securities. The amount realized with respect to any debt obligation received, however, will likely equal the amount for which the obligation is treated as having been issued, as determined for tax purposes.

The character of any gain or loss recognized will depend on a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the holder's hands, whether the Claim was held for more than one year, whether the Claim was purchased at a discount, and whether and to what extent the holder has previously claimed a bad debt deduction with respect to the Claim. The holder's aggregate tax basis for any consideration received under the Plan will generally equal the amount realized. The holding period for any consideration received under the Plan will generally begin on the day following the receipt of such consideration.

C. Holders of Personal Injury Claims. Payments under the Plan to Personal Injury Claimants with respect to damages on account of personal injuries or sickness will not be includible in such Personal Injury Claimants' gross income under section 104 of the IRC. However, to the extent payments under the Plan to Personal Injury Claimants are attributable to medical expense deductions allowed under section 213 of the IRC for a prior taxable year, such payments will be taxable as ordinary income to the recipient.

D. Certain Other Tax Considerations for Claimants.

1. Receipt of Interest. Holders of Claims not previously required to have included in their gross income any accrued but unpaid interest on a Claim may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. Holders previously required to include in their gross income any accrued but unpaid interest on a Claim may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan. For purposes of determining the tax consequences to holders of Allowed Claims in Classes 3 and 4 with respect to accrued interest, the value of the consideration such holders receive under the Plan will be allocated first to principal and second to unpaid interest accrued thereon through the

Effective Date. The Debtor will file information returns reflecting the fact that the consideration received by such holders under the Plan equals such principal plus all such accrued interest.

2. Installment Method. Holders of Claims constituting installment obligations for tax purposes may be required to recognize currently any gain remaining with respect to the obligation if pursuant to the Plan the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold, or otherwise disposed of within the meaning of section 453B of the IRC.

3. Reinstated Claims. Holders should not generally recognize gain, loss, or other taxable income or deduction upon the reinstatement of their Claims under the Plan. Taxable income may, however, be recognized by such holders if they are considered to receive interest, damages, or other income in connection with the reinstatement of their Claims, or if such reinstatement is considered for tax purposes to involve a modification of the Claim.

4. Bad Debt and/or Worthless Securities Deduction. A holder who under the Plan receives in respect of its Claim an amount less than the holder's tax basis in such Claim may be entitled in the year of receipt or in an earlier year to a bad debt deduction in some amount under section 166(a) of the IRC or a worthless securities deduction under section 165(g) of the IRC.

5. Backup Withholding. A holder of Senior Notes or Subordinated Notes may, under certain circumstances, be subject to ''backup withholding'' at the rate of 31% with respect to interest paid, or original issue discount accrued, thereon, or the proceeds of a sale, exchange, or redemption of such Senior Notes or Subordinated Notes, unless such holder (i) is a corporation or is within the scope of certain other exempt categories and, when required, demonstrates this fact; or (ii) provides a correct taxpayer identification number, certifies that such holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding provisions of the IRC. A holder who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS. The Plan provides, in section 11.7, that no distributions will be made under the Plan unless tax identification information is provided. Backup withholding may apply to any amounts payable to a holder of an instrument and, accordingly, to the extent that any of the Senior Notes or Subordinated Notes is issued with any original issue discount, the amount to be withheld may actually exceed 31% of the stated interest payments that are made. Any amount withheld under these rules will be creditable against the holder's U.S. federal income tax liability, and may entitle such holder to a refund of federal income tax, provided that the required information is furnished to the IRS.

13.4 Request for IRS Ruling. The law with respect to certain federal income tax consequences of the Plan is uncertain. Accordingly, the Debtor shall file a request for the IRS to issue a ruling with respect to some of the uncertain tax consequences of the Plan. In particular, the Debtor will seek a ruling from the IRS that (i) the Depository Trust will be a ''qualified settlement fund'' (within the meaning of section 468B of the IRC and the regulations promulgated thereunder), (ii) the payments to be made with respect to Claims Allowed through the procedures provided therefor in the Litigation Facility will be fully deductible by the Reorganized Debtor at the time of (or before) each such disbursement; and (iii) such other matters as tax counsel for Dow Corning may reasonably require. There can be no assurance, however, that the IRS will issue such a ruling.

13.5 Importance of Obtaining Professional Tax Assistance. This discussion is intended only as a summary of certain federal income tax consequences of the Plan, and is not a substitute for careful tax planning with a tax professional. The tax consequences are in many cases uncertain, and may vary depending on a holder's individual circumstances. Accordingly, holders are urged to consult with their tax advisors about the federal, state, local, and foreign tax consequences of the Plan.

ARTICLE XIV

REQUIREMENTS FOR CONFIRMATION OF THE PLAN

14.1 General Confirmation Requirements. At the Confirmation Hearing, the Court will determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. If those requirements have been satisfied, the Court will enter the Confirmation Order. The requirements for confirmation under the Bankruptcy Code are as follows:

A. The plan complies with the applicable provisions of the Bankruptcy Code.

B. The proponents of the plan have complied with the applicable provisions of the Bankruptcy Code.

C. The plan has been proposed in good faith and not by any means forbidden by law.

D. Any payment made or promised by the proponents of the plan or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, was disclosed to the court, and any such payment made before confirmation of the plan is reasonable, or if such payment is to be fixed after confirmation of the plan, such payment is subject to the approval of the court as reasonable.

E. The proponents of the plan have disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the plan, as director, officer or voting trustee of the debtor, any affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan, and the appointment to, or the continuance in, such office of such individual, is consistent with the interests of Creditors and equity security holders and with public policy.

F. The proponents of the plan have disclosed the identity of any insider that will be employed or retained by the reorganized debtor and the nature of the compensation for such insider.

G. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

H. With respect to each class of impaired claims, either each holder of a claim in such class has accepted the plan, or will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the amount such claimant would receive or retain if the debtor was liquidated on such date under chapter 7 of the Bankruptcy Code.

I. Each class of claims or interests has either accepted the plan or is not impaired under the plan or the proponents will demonstrate compliance with section 1129(b) of the Bankruptcy Code and ‘‘cram down’’ any dissenting class.

J. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that administrative expense claims will be paid in cash in full on the effective date and that any tax claim entitled to priority under section 507(a)(8) is being paid in full in deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

K. At least one impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class.

L. Confirmation of the plan is not likely to be followed by the liquidation of the debtor or the need for further financial reorganization of the debtor or any successors to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

M. The plan provides for the payment of retiree benefits as required by section 1114 of the Bankruptcy Code.

The Proponents believe that the confirmation requirements applicable to the Case are met under the Plan. The Proponents will present evidence in support of each applicable requirement at the Confirmation Hearing.

14.2 Potential Cramdown of the Plan. If at least one class of impaired claims or interests accepts the plan, the Court may confirm a plan under the ‘‘cramdown’’ provisions of section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan over the dissenting votes of certain creditors and equity interest holders.

Cramdown under section 1129(b) of the Bankruptcy Code may not be effected if a class of unsecured claims rejects the plan unless:

A. The plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

B. The holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan, on account of such junior claim or interest, any property.

This Plan proposes that the Shareholders may receive or retain property on account of their Interests in the Debtor. It is the position of the Debtor that its assets exceed its liabilities and that the Allowed Claims of creditors in impaired classes will receive property of a value, as of the Effective Date, equal in amount to such class member's Allowed Claim.

If all impaired classes accept the Plan, and the Proponents meet the confirmation requirements of section 1129, the Plan will be confirmed as a consensual Plan. If all impaired classes do not accept the Plan, but at least one impaired class accepts the Plan, and the Plan otherwise meets the confirmation requirements of section 1129, the Debtor shall have the right, independent of the Tort Committee, to seek confirmation of the Plan using the ''cramdown'' provisions of section 1129(b) of the Bankruptcy Code. The Tort Committee will support confirmation of the Plan in accordance with section 1129(b) as it relates to Classes 5 through 10.2 unless it determines that its fiduciary duty to its constituency as a whole requires it to oppose such confirmation.

14.3 Absolute Priority Rule. Simply characterized, the absolute priority rule set forth in section 1129(b)(2)(B) of the Bankruptcy Code requires that confirmation obtained by ''cramdown'' meet an either/or test. Either (i) the members of each dissenting impaired class of unsecured claims must receive property of a value, as of the effective date of the plan, equal in amount to such class members' Allowed Claim; or (ii) the holders of claims and interests that are junior to each dissenting impaired class of claims must not receive any property under the plan of reorganization. The absolute priority rule applies only in cases where a class of claims or equity interests is both impaired and does not accept the plan. Thus, the absolute priority rule does not apply to all classes of claims and equity interests but only to the dissenting class and classes junior to the dissenting class.

Absent acceptance of a Plan by each impaired Class, the Plan cannot be confirmed unless Claims in each non-accepting Class are paid in full or the Shareholders do not retain their interests in the Debtor. The Plan proposes that the Shareholders retain their Interests, but expressly subject to the Plan and the Funding Payment Agreement, which provide that the value of Reorganized DCC, and thus, the retained equity in the Reorganized Debtor, is available (i) for payment, up to the agreed cap, of Allowed Claims in Classes 5 through 19, and (ii) for payment of Allowed Claims in other classes. The Proponents believe these provisions satisfy this requirement for confirmation of the Plan.

ARTICLE XV

CONCLUSION

15.1 Through confirmation of the Plan, the Proponents believe that all Products Liability Claims that had been, or could be, asserted against Dow Corning can be resolved in a timely and cost effective manner. The Proponents believe that the Plan provides a mechanism to resolve, and provide reasonable compensation to, the Products Liability Claimants. All other creditors are treated in a manner that allows their Claims to be paid in full. The Proponents believe that the Plan is fair to all parties-in-interest.

DOW CORNING CORPORATION AND THE TORT COMMITTEE URGE YOU TO VOTE TO ACCEPT THE PLAN.

DATED: February 4, 1999.

DOW CORNING CORPORATION

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Gary E. Anderson
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