ENPRO INDUSTRIES, INC
Form 10-Q
May 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-31225

ENPRO INDUSTRIES, INC.
(Exact name of registrant, as specified in its charter)

North Carolina (State or other jurisdiction of incorporation)	01-0573945 (I.R.S. Employer Identification No.)
5605 Carnegie Boulevard, Suite 500, Charlotte, North Carolina (Address of principal executive offices)	28209 (Zip Code)

(704) 731-1500
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of April 28, 2015, there were 22,822,574 shares of common stock of the registrant outstanding, which does not include 199,376 shares of common stock held by a subsidiary of the registrant and accordingly are not entitled to be voted. There is only one class of common stock.

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements
ENPRO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
Three Months Ended March 31, 2015 and 2014
(in millions, except per share amounts)

	2015	2014
Net sales	$277.5	$287.2
Cost of sales	187.7	190.7
Gross profit	89.8	96.5
Operating expenses:		
Selling, general and administrative	77.3	78.9
Other	1.1	0.2
Total operating expenses	78.4	79.1
Operating income	11.4	17.4
Interest expense	(13.0)	(11.1)
Interest income	0.1	0.2
Other expense	(4.1)	(4.2)
Income (loss) before income taxes	(5.6)	2.3
Income tax benefit (expense)	4.0	(1.0)
Net income (loss)	$(1.6)	$1.3
Comprehensive income (loss)	$(17.8)	$0.3
Basic earnings (loss) per share	$(0.07)	$0.06
Diluted earnings (loss) per share	$(0.07)	$0.05

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Three Months Ended March 31, 2015 and 2014
(in millions)

	2015	2014
OPERATING ACTIVITIES		
Net income (loss)	$(1.6)	$1.3
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	7.2	7.5
Amortization	6.9	6.7
Accretion of debt discount	0.3	1.8
Loss on exchange and repurchase of convertible debentures	2.8	3.6
Deferred income taxes	1.5	(12.3)
Stock-based compensation	1.3	2.2
Other non-cash adjustments	0.3	(0.6)
Change in assets and liabilities, net of effects of acquisitions of businesses:		
Accounts receivable, net	(4.1)	(21.0)
Inventories	(11.5)	(9.3)
Accounts payable	(1.2)	2.8
Other current assets and liabilities	(21.0)	(10.5)
Other non-current assets and liabilities	(2.4)	2.8
Net cash used in operating activities	(21.5)	(25.0)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(9.1)	(6.7)
Payments for capitalized internal-use software	(1.1)	(2.8)
Acquisitions, net of cash acquired	(30.6)	(1.9)
Other	—	0.1
Net cash used in investing activities	(40.8)	(11.3)
FINANCING ACTIVITIES		
Net proceeds from short-term borrowings	0.8	0.7
Proceeds from debt	41.4	70.3
Repayments of debt	(23.3)	(34.5)
Repurchase of common stock	(47.4)	—
Dividends paid	(4.8)	—
Repurchase of convertible debentures conversion option	(21.6)	—
Other	(2.0)	(4.7)
Net cash provided by (used in) financing activities	(56.9)	31.8
Effect of exchange rate changes on cash and cash equivalents	(2.8)	(0.1)
Net decrease in cash and cash equivalents	(122.0)	(4.6)
Cash and cash equivalents at beginning of period	194.2	64.4
Cash and cash equivalents at end of period	$72.2	$59.8
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$27.0	$18.1
Income taxes, net	$2.2	$13.3

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in millions, except share amounts)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$72.2	$194.2
Accounts receivable, net	209.8	205.2
Inventories	168.8	159.7
Prepaid expenses and other current assets	38.0	44.0
Total current assets	488.8	603.1
Property, plant and equipment, net	199.3	199.3
Goodwill	237.1	232.4
Other intangible assets	210.8	202.8
Investment in GST	236.9	236.9
Deferred income taxes and income tax receivable	99.1	80.3
Other assets	47.4	49.2
Total assets	$1,519.4	$1,604.0
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings from GST	$24.0	$23.6
Notes payable to GST	12.2	11.7
Current maturities of long-term debt	2.2	22.5
Accounts payable	89.5	87.8
Accrued expenses	108.7	131.6
Total current liabilities	236.6	277.2
Long-term debt	340.1	298.6
Notes payable to GST	271.0	259.3
Other liabilities	131.7	130.5
Total liabilities	979.4	965.6
Commitments and contingencies		
Temporary equity	0.1	1.0
Shareholders' equity		
Common stock – $.01 par value; 100,000,000 shares authorized; issued, 23,414,744 shares in 2015 and 24,172,716 shares in 2014	0.2	0.2
Additional paid-in capital	402.4	477.3
Retained earnings	188.9	195.3
Accumulated other comprehensive loss	(50.3)	(34.1)
Common stock held in treasury, at cost – 199,376 shares in 2015 and 200,022 shares in 2014	(1.3)	(1.3)
Total shareholders' equity	539.9	637.4
Total liabilities and equity	$1,519.4	$1,604.0

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Overview, Basis of Presentation and Recently Issued Authoritative Accounting Guidance

Overview

EnPro Industries, Inc. (“we,” “us,” “our,” “EnPro” or the “Company”) is a leader in the design, development, manufacture and marketing of proprietary engineered industrial products that primarily include: sealing products; heavy-duty truck wheel-end component systems; self-lubricating non-rolling bearing products; precision engineered components and lubrication systems for reciprocating compressors; and heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines, including parts and services.

Basis of Presentation

The accompanying interim consolidated financial statements are unaudited, and certain related information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted in accordance with Rule 10-01 of Regulation S-X. They were prepared following the same policies and procedures used in the preparation of our annual financial statements and reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of results for the periods presented. The Consolidated Balance Sheet as of December 31, 2014 was derived from the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2014. The results of operations for the interim periods are not necessarily indicative of the results for the fiscal year. These consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2014 included within our annual report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities and the disclosures regarding contingent assets and liabilities at period end and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

All intercompany accounts and transactions between our consolidated operations have been eliminated.

Recently Issued Authoritative Accounting Guidance

In May 2014, a comprehensive new revenue recognition standard was issued that will supersede nearly all existing revenue recognition guidance. The new guidance introduces a five-step model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. In April 2015, a one-year deferral of the effective date of the new revenue recognition standard was proposed. If approved, the new standard will become effective for us beginning with the first quarter 2018. We are currently evaluating the new guidance, including possible transition alternatives, to determine the impact it will have on our consolidated financial statements.

In April 2015, a standard was issued that amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

2. Acquisitions

In February 2015, we acquired the stock of ATDynamics, Inc. ("ATDynamics"), a privately-held company offering innovative aerodynamic products to the commercial trucking industry. ATDynamics is managed as part of our Stemco division within the Sealing Products segment. ATDynamics, headquartered in Hayward, California, is a leading designer and manufacturer of a suite of aerodynamic products engineered to reduce fuel consumption in the global freight transportation industry.

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We paid $30.6 million, net of cash acquired, for the business. The acquisition of ATDynamics includes an agreement that could require us to pay additional consideration based on the future gross profit of ATDynamics during the twelve months subsequent to the acquisition. The range of undiscounted amounts we could pay under the contingent consideration agreement is between $0 and $5.0 million. The fair value of the contingent consideration recognized on the acquisition date was $0.8 million, which is included in accrued expenses in the accompanying Consolidated Balance Sheet as of March 31, 2015.

Because the assets, liabilities and results of operations for this acquisition are not significant to our consolidated financial position or results of operations, pro forma financial information and additional disclosures are not presented.

3. Earnings Per Share

	Three Months Ended March 31,	
	2015	2014
	(in millions, except per share amounts)	
Numerator (basic and diluted):		
Net income (loss)	$(1.6)	$1.3
Denominator:		
Weighted-average shares – basic	23.8	21.3
Share-based awards	—	0.1
Convertible debentures and related warrants	—	3.7
Weighted-average shares – diluted	23.8	25.1
Earnings (loss) per share:		
Basic	$(0.07)	$0.06
Diluted	$(0.07)	$0.05

As discussed further in Note 9, "Long-Term Debt - Convertible Debentures", we previously issued Convertible Senior Debentures (the “Convertible Debentures”). Under the terms of the Convertible Debentures, upon conversion, we will settle the par amount of our obligations in cash and the remaining obligations, if any, in common shares. Pursuant to applicable accounting guidelines, we include the conversion option effect in diluted earnings per share during such periods when our average stock price exceeds the adjusted conversion price ($33.68 per share at March 31, 2015 and $33.79 per share at March 31, 2014). As discussed further in Note 9, "Long-Term Debt - Convertible Debentures", we repurchased a significant portion of our outstanding Convertible Debentures in March 2015.

We used a portion of the net proceeds from the original sale of the Convertible Debentures to enter into call options, consisting of hedge and warrant transactions, which entitle us to purchase shares of our stock from a financial institution at an adjusted price of $33.68 per share and entitle the financial institution to purchase shares of our stock from us at an adjusted price of $46.64 per share. The warrant transactions have a dilutive effect during such periods that the average price per share of our common stock exceeds the $46.64 per share strike price of the warrants. The repurchase transaction discussed above did not reduce the respective obligations under the hedge and warrant transactions entered into in connection with the original sale of the Convertible Debentures, which remain in force with respect to the original amount of the Convertible Debentures. On March 17, 2015, we entered into an agreement with this financial institution to effectively accelerate and offset settlement obligations of the parties under the call options providing for a net-share settlement with shares being delivered to us during the second quarter of 2015.

In the three months ended March 31, 2015, there was a loss attributable to common shares. There were 1.6 million potentially dilutive shares excluded from the calculation of diluted earnings per share since they were antidilutive.

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4. Inventories

	March 31, 2015	December 31, 2014
	(in millions)	
Finished products	$106.4	$ 101.2
Work in process	25.3	22.1
Raw materials and supplies	45.9	45.7
	177.6	169.0
Reserve to reduce certain inventories to LIFO basis	(12.8)	(12.8)
Manufacturing inventories	164.8	156.2
Incurred costs relating to long-term contracts	9.5	9.1
Progress payments related to long-term contracts	(5.5)	(5.6)
Net balance associated with completed-contract inventories	4.0	3.5
Total inventories	$168.8	$ 159.7

We use the last-in, first-out (“LIFO”) method of valuing certain of our inventories. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels and costs, which are subject to change until the final year-end LIFO inventory valuation.

Refer to Note 5, “Long-Term Contracts” for additional information about incurred costs and progress payments related to long-term contracts.

5. Long-Term Contracts

Additional information regarding engine contracts accounted for under the percentage-of-completion (“POC”) method is as follows:

	March 31, 2015	December 31, 2014
	(in millions)	
Cumulative revenues recognized on uncompleted POC contracts	$211.4	$198.6
Cumulative billings on uncompleted POC contracts	205.5	200.0
	$5.9	$(1.4)

These amounts were included in the accompanying Consolidated Balance Sheets under the following captions:

	March 31, 2015	December 31, 2014
	(in millions)	
Accounts receivable, net (POC revenue recognized in excess of billings)	$7.8	$6.3
Accrued expenses (billings in excess of POC revenue recognized)	(1.9)	(7.7)
	$5.9	$(1.4)

During the quarter ending March 31, 2015, total U.S. Dollar equivalent revenues under a multi-year €89.2 million engine sales contract accounted for utilizing the POC method fell below the total projected U.S. Dollar costs as a result of the significant strengthening of the U.S. Dollar as compared to the Euro since the contract date of May 2014. As a result, we recorded a loss provision of $6.2 million during the first quarter of 2015. We have not entered into any transactions to hedge the impact of future foreign exchange rate changes on this contract. An evaluation of the impact of exchange rates on the contract will be performed quarterly for the duration of the contract.

Additional information regarding engine contracts accounted for under the completed-contract method is as follows:

	March 31, 2015	December 31, 2014
	(in millions)	
Incurred costs relating to long-term contracts	$6.4	$5.9
Progress payments related to long-term contracts	(10.5)	(10.5)
Net balance associated with completed-contract inventories	$(4.1)	$(4.6)

Incurred costs related to long-term contracts in the table above represent inventoried work in process and finished products related to engine contracts accounted for under the completed-contract method.

Progress payments related to long-term contracts in the table above are either advanced billings or milestone billings to the customer on contracts accounted for under the completed-contract method. Upon shipment of the completed engine, revenue associated with the engine is recognized, and the incurred inventoried costs and progress payments are relieved.

At March 31, 2015 and December 31, 2014, progress payments related to long-term contracts shown above were in excess of incurred costs resulting in net liability balances. As such, the net liability balances are reflected in accrued expenses on the accompanying Consolidated Balance Sheets. Refer to Note 4, “Inventories” for additional information about incurred costs and progress payments related to long-term contracts for which the incurred costs exceeded the progress payments.

In addition to inventoried costs, we also make deposits and progress payments to certain vendors for long lead time manufactured components associated with engine projects. At March 31, 2015 and December 31, 2014, deposits and progress payments for long lead time components accounted for under the POC method totaled $2.1 million and $2.1 million, respectively, and at March 31, 2015 and December 31, 2014, deposits and progress payments for these long lead time components accounted for under the completed-contract method totaled $0.9 million and $0.8 million, respectively. These deposits and progress payments are classified in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

6. Goodwill and Other Intangible Assets

The changes in the net carrying value of goodwill by reportable segment for the three months ended March 31, 2015, are as follows:

	Sealing Products	Engineered Products	Power Systems	Total
	(in millions)			
Goodwill as of December 31, 2014	$169.0	$56.3	$7.1	$232.4
Change due to acquisition	8.8	—	—	8.8
Change due to foreign currency translation	(1.9)	(2.2)	—	(4.1)
Goodwill as of March 31, 2015	$175.9	$54.1	$7.1	$237.1

The goodwill balances reflected above are net of accumulated impairment losses of $27.8 million for the Sealing Products segment and $108.7 million for the Engineered Products segment as of March 31, 2015 and December 31, 2014.

Identifiable intangible assets are as follows:

	As of March 31, 2015		As of December 31, 2014	
	Gross Carrying Amount (in millions)	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized:				
Customer relationships	$215.4	$100.4	$213.6	$98.2
Existing technology	63.3	23.6	53.7	22.7
Trademarks	35.5	16.4	33.8	16.7
Other	23.0	20.8	24.0	20.8
	337.2	161.2	325.1	158.4
Indefinite-Lived:				
Trademarks	34.8	—	36.1	—
Total	$372.0	$161.2	$361.2	$158.4

Amortization expense for the three months ended March 31, 2015 and 2014, was $5.3 million and $5.8 million, respectively.

7. Accrued Expenses

	March 31, 2015 (in millions)	December 31, 2014
Salaries, wages and employee benefits	$38.9	$43.0
Interest	8.6	35.3
Customer advances	7.4	13.5
Income and other taxes	11.5	8.7
Other	42.3	31.1
	$108.7	$131.6

8. Related Party Transactions

The historical business operations of Garlock Sealing Technologies LLC (“GST LLC”) and The Anchor Packing Company (“Anchor”) resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers. Those subsidiaries manufactured and/or sold industrial sealing products, predominately gaskets and packing, that contained encapsulated asbestos fibers. Anchor is an inactive and insolvent indirect subsidiary of Coltec Industries Inc (“Coltec”). Our subsidiaries’ exposure to asbestos litigation and their relationships with insurance carriers have been managed through another Coltec subsidiary, Garrison Litigation Management Group, Ltd. (“Garrison”). GST LLC, Anchor and Garrison are collectively referred to as “GST.”

On June 5, 2010 (the "Petition Date"), GST commenced an asbestos claims resolution process under Chapter 11 of the United States Bankruptcy Code, which is ongoing. The resulting deconsolidation of GST from our financial results, discussed more fully in Note 15, "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." required certain intercompany indebtedness described below to be reflected on our Consolidated Balance Sheets.

As of March 31, 2015 and December 31, 2014, Coltec Finance Company Ltd., a wholly-owned subsidiary of Coltec, had aggregate, short-term borrowings of $24.0 million and $23.6 million, respectively, from GST’s subsidiaries in Mexico and Australia. These unsecured obligations were denominated in the currency of the lending party, and bear interest based on the applicable one-month interbank offered rate for each foreign currency involved.

Effective as of January 1, 2010, Coltec entered into an original issue amount $73.4 million Amended and Restated Promissory Note due January 1, 2017 (the “Coltec Note”) in favor of GST LLC, and our subsidiary Stemco LP entered into an original issue amount $153.8 million Amended and Restated Promissory Note due January 1, 2017, in favor of GST LLC (the “Stemco Note”, and together with the Coltec Note, the “Notes Payable to GST”). The Notes Payable to GST amended and replaced promissory notes in the same principal amounts which were initially issued in March 2005, and which matured on January 1, 2010.

The Notes Payable to GST bear interest at 11% per annum, of which 6.5% is payable in cash and 4.5% is added to the principal amount of the Notes Payable to GST as payment-in-kind (“PIK”) interest, with interest due on January 31 of each year. In conjunction with the interest payments in 2015 and 2014, $17.6 million and $16.9 million, respectively, was paid in cash and PIK interest of $12.2 million and $11.7 million, respectively, was added to the principal balance of the Notes Payable to GST. If GST LLC is unable to pay ordinary course operating expenses, under certain conditions, they can require Coltec and Stemco to pay in cash the accrued PIK interest necessary to meet such ordinary course operating expenses, subject to certain caps. The interest due under the Notes Payable to GST may be satisfied through offsets of amounts due under intercompany services agreements pursuant to which we provide certain corporate services, make available access to group insurance coverage to GST, make advances to third party providers related to payroll and certain benefit plans sponsored by GST, and permit employees of GST to participate in certain of our benefit plans.

The Coltec Note is secured by Coltec’s pledge of certain of its equity ownership in specified U.S. subsidiaries. The Stemco Note is guaranteed by Coltec and secured by Coltec’s pledge of its interest in Stemco. The Notes Payable to GST are subordinated to any obligations under our senior secured revolving credit facility described in Note 9, "Long-Term Debt - Revolving Credit Facility".

We regularly transact business with GST through the purchase and sale of products. We also provide services for GST including information technology, supply chain, treasury, accounting and tax administration, legal, and human resources under a support services agreement. GST is included in our consolidated U.S. federal income tax return and certain state combined income tax returns. As the parent of these consolidated tax groups, we are liable for, and pay, income taxes owed by the entire group. We have agreed with GST to allocate group taxes to GST based on the U.S. consolidated tax return regulations and current income tax accounting guidance. This method generally allocates taxes to GST as if it were a separate taxpayer. As a result, we carry an income tax receivable from GST related to this allocation.

Amounts included in our consolidated financial statements arising from transactions with GST include the following:

Description	Consolidated Statements of Operations Caption	Three Months Ended March 31, 2015	2014
		(in millions)	
Sales to GST	Net sales	$6.1	$6.9
Purchases from GST	Cost of sales	$5.3	$6.2
Interest expense to GST	Interest expense	$7.8	$7.5

Description	Consolidated Balance Sheets Caption	March 31, 2015	December 31, 2014
		(in millions)	
Due from GST	Accounts receivable, net	$9.1	$18.5
Income tax receivable from GST	Deferred income taxes and income tax receivable	$78.5	$73.0
Due from GST	Other assets	$1.1	$1.1
Due to GST	Accounts payable	$7.2	$7.5
Accrued interest to GST	Accrued expenses	$7.7	$29.8

9. Long-Term Debt

Convertible Debentures

In October 2005, we issued $172.5 million in aggregate principal amount of Convertible Debentures, net of an original issue discount of $61.3 million. The Convertible Debentures that remain outstanding bear interest at the annual rate of 3.9375%, with interest due on April 15 and October 15 of each year, and will mature on October 15, 2015, unless they are converted prior to that date. The Convertible Debentures are direct, unsecured and unsubordinated obligations and rank equal in priority with all unsecured and unsubordinated indebtedness and senior

in right of payment to all subordinated indebtedness. They do not contain any financial covenants.
Holders may convert the Convertible Debentures into cash and shares of our common stock, under certain circumstances. As of April 1, 2015, the Convertible Debentures remained convertible by holders of the Convertible Debentures.

This conversion right was triggered because the closing price per share of EnPro's common stock exceeded $43.79, or 130% of the adjusted conversion price of $33.68, for at least twenty (20) trading days during the thirty (30) consecutive trading day period ending on March 31, 2015. The Convertible Debentures will be convertible until June 30, 2015, and may be convertible thereafter if one or more of the conversion conditions is satisfied during future measurement periods. Because the Convertible Debentures are currently convertible, we classified the excess cash required to redeem the Convertible Debentures over their carrying value as temporary equity.

In March 2015, we purchased for cash approximately $21.3 million in aggregate principal amount of Convertible Debentures in a privately negotiated transaction. We paid $44.9 million to complete the transaction of which $23.3 million was allocated to the extinguishment of the liability component and the remaining $21.6 million was allocated to the reacquisition of the associated conversion option. We recognized a $2.8 million pre-tax loss on the transaction ($1.8 million net of tax) which is included in other (non-operating) expense in the accompanying Consolidated Statement of Operations.

This transaction reduced the aggregate principal amount of the Convertible Debentures outstanding to approximately $2.2 million.

The debt discount, $0.1 million as of March 31, 2015, is being amortized through interest expense until the maturity date of October 15, 2015, resulting in an effective interest rate of approximately 9.5%. Interest expense related to the Convertible Debentures for the three months ended March 31, 2015 and 2014 includes $0.2 million and $1.6 million, respectively, of contractual interest coupon and $0.2 million and $1.8 million, respectively, of debt discount amortization.

Senior Notes

In September 2014, we completed an offering of $300 million aggregate principal amount of our 5.875% Senior Notes due 2022 (the "Senior Notes"). We issued the notes net of an original issue discount of $2.4 million.

The Senior Notes are unsecured, unsubordinated obligations of EnPro and mature on September 15, 2022. Interest on the Senior Notes accrues at a rate of 5.875% per annum and is payable semi-annually in cash in arrears on March 15 and September 15 of each year. The debt discount is being amortized through interest expense until the maturity date resulting in an effective interest rate of 6.0%. The Senior Notes are required to be guaranteed on a senior unsecured basis by each of EnPro's existing and future direct and indirect domestic subsidiaries that is a borrower under, or guarantees, our indebtedness under the Revolving Credit Facility or guarantees any other Capital Markets Indebtedness (as defined in the indenture governing the Senior Notes) of EnPro or any of the guarantors.

On or after September 15, 2017, we may, on any one or more occasions, redeem all or a part of the Senior Notes at specified redemption prices plus accrued and unpaid interest. In addition, we may redeem a portion of the aggregate principal amount of the Senior Notes before September 15, 2017 with the net cash proceeds from certain equity offerings at a specified redemption price plus accrued and unpaid interest, if any. We may also redeem some or all of the Senior Notes before September 15, 2017 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, plus a "make whole" premium.

Each holder of the Senior Notes may require us to repurchase some or all of the Senior Notes for cash upon the occurrence of a defined "change of control" event. Our ability to redeem the Senior Notes prior to maturity is subject to certain conditions, including in certain cases the payment of make-whole amounts.

The indenture governing the Senior Notes includes covenants that restrict our ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications set forth in the indenture.

Revolving Credit Facility

We have a $300 million senior secured revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility bear interest at an annual rate of LIBOR plus 1.75% or base rate plus 0.75%, although the interest rates under the Revolving Credit Facility are subject to incremental increases based on a consolidated total leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility.

EnPro and Coltec are the permitted borrowers under the Revolving Credit Facility. Each of our domestic, consolidated subsidiaries (other than GST and their respective subsidiaries, unless they elect to guarantee upon becoming consolidated subsidiaries in the future) are required to guarantee the obligations of the borrowers under the Revolving Credit Facility, and each of our existing domestic, consolidated subsidiaries (which does not include the domestic entities of GST) has provided such a guarantee.

Borrowings under the Revolving Credit Facility are secured by a first priority pledge of certain of our assets. The Revolving Credit Facility contains financial covenants and required financial ratios, including a maximum consolidated total net leverage and a minimum consolidated interest coverage as defined in the agreement. It also contains affirmative and negative covenants which are subject to customary exceptions and qualifications.
The borrowing availability under our Revolving Credit Facility at March 31, 2015 was $247.9 million after giving consideration to $10.7 million of outstanding letters of credit and $41.4 million of outstanding revolver borrowings.

10. Pensions and Postretirement Benefits

The components of net periodic benefit cost for the Company’s U.S. and foreign defined benefit pension and other postretirement plans for the three months ended March 31, 2015 and 2014, are as follows:

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
	(in millions)			
Service cost	$1.6	$2.0	$0.1	$0.2
Interest cost	3.0	2.8	0.1	0.1
Expected return on plan assets	(4.7)	(4.2)	—	—
Amortization of net loss	1.9	0.7	—	—
Deconsolidation of GST	(0.2)	(0.2)	—	—
Net periodic benefit cost	$1.6	$1.1	$0.2	$0.3

We do not anticipate making any contributions to our U.S. defined benefit pension plans in the year ending December 31, 2015.

11. Shareholders' Equity

On January 13, 2015, we adopted a policy under which we intend to declare regular quarterly cash dividends on our common stock, as determined by our board of directors, after taking into account our cash flows, earnings, financial position and other relevant matters. In accordance with this policy we declared a cash dividend of $0.20 per share payable on March 16, 2015 to shareholders of record at the close of business on March 2, 2015. Total dividend payments of $4.8 million were made during the three months ended March 31, 2015. Additionally, we declared a quarterly dividend of $0.20 per share to be paid on June 15, 2015 to shareholders of record at the close of business on June 1, 2015.
On February 19, 2015, our board of directors authorized the repurchase up to $80.0 million of our outstanding common shares. During the three months ended March 31, 2015 we repurchased 0.8 million shares for $54.3 million. Of this amount $47.4 million had settled as of March 31, 2015. The repurchase plan was completed in April 2015 after purchasing an additional 0.4 million shares.

12. Business Segment Information

We aggregate our operating businesses into three reportable segments. The factors considered in determining our reportable segments are the economic similarity of the businesses, the nature of products sold or services provided, the production processes and the types of customers and distribution methods. Our reportable segments are managed separately based on these differences.

Our Sealing Products segment designs, manufactures and sells sealing products, including: metallic, non-metallic and composite material gaskets, dynamic seals, compression packing, resilient metal seals, elastomeric seals, hydraulic components, expansion joints, heavy-duty truck wheel-end component systems including brake products, heavy-duty truck aerodynamic products, flange sealing and isolation products, pipeline casing spacers/isolators, casing end seals, modular sealing systems for sealing pipeline penetrations, hole forming products, manhole infiltration sealing systems, safety-related signage for pipelines, bellows and bellows assemblies, pedestals for semiconductor manufacturing, and PTFE products.

Our Engineered Products segment includes operations that design, manufacture and sell self-lubricating, non-rolling metal-polymer, solid polymer and filament wound bearing products, aluminum blocks for hydraulic applications, and precision engineered components and lubrication systems for reciprocating compressors.

Our Power Systems segment designs, manufactures, sells and services heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines.

Segment profit is total segment revenue reduced by operating expenses, restructuring and other costs identifiable with the segment. Corporate expenses include general corporate administrative costs. Expenses not directly attributable to the segments, corporate expenses, net interest expense, gains and losses related to the sale of assets, and income taxes are not included in the computation of segment profit. The accounting policies of the reportable segments are the same as those for EnPro.

Segment operating results and other financial data for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
	(in millions)	
Sales		
Sealing Products	$160.9	$155.0
Engineered Products	77.2	91.8
Power Systems	40.2	41.1
	278.3	287.9
Intersegment sales	(0.8)	(0.7)
Net sales	$277.5	$287.2
Segment Profit		
Sealing Products	$18.0	$17.1
Engineered Products	3.4	8.7
Power Systems	0.6	3.3
Total segment profit	22.0	29.1
Corporate expenses	(9.8)	(10.1)
Interest expense, net	(12.9)	(10.9)
Other expense, net	(4.9)	(5.8)
Income (loss) before income taxes	$(5.6)	$2.3

Segment assets are as follows:

	March 31, 2015	December 31, 2014
	(in millions)	
Sealing Products	$623.0	$578.3
Engineered Products	302.5	308.7
Power Systems	143.8	145.6
Corporate	450.1	571.4
	$1,519.4	$1,604.0

13. Fair Value Measurements

We utilize a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs that reflect our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements as of	
	March 31, 2015	December 31, 2014
	(in millions)	
Assets		
Cash equivalents:		
Money market	$—	$117.7
Time deposits	23.8	22.8
	23.8	140.5
Deferred compensation assets	5.7	5.6
	$29.5	$146.1
Liabilities		
Deferred compensation liabilities	$7.9	$7.9

Our cash equivalents and deferred compensation assets and liabilities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The carrying values of our significant financial instruments reflected in the Consolidated Balance Sheets approximated their respective fair values except for the following instruments:

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Long-term debt	$342.3	$358.5	$321.1	$345.3
Notes payable to GST	$283.2	$292.1	$271.0	$278.3

The fair values for long-term debt are based on quoted market prices for identical liabilities, but these would be considered Level 2 computations because the market is not active. The notes payable to GST computations would be considered Level 2 since they are based on rates available to us for debt with similar terms and maturities.

14. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component (after tax) for the three months ended March 31, 2015 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	$17.0	$(51.1)	$(34.1)
Other comprehensive income before reclassifications	(17.5)	—	(17.5)
Amounts reclassified from accumulated other comprehensive loss	—	1.3	1.3
Net current-period other comprehensive income (loss)	(17.5)	1.3	(16.2)
Ending balance	$(0.5)	$(49.8)	$(50.3)

Changes in accumulated other comprehensive income by component (after tax) for the three months ended March 31, 2014 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	$42.6	$(28.2)	$14.4
Other comprehensive income before reclassifications	(1.4)	—	(1.4)
Amounts reclassified from accumulated other comprehensive income	—	0.4	0.4
Net current-period other comprehensive income (loss)	(1.4)	0.4	(1.0)
Ending balance	$41.2	$(27.8)	$13.4

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2015 and 2014 are as follows:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Statement of Operations Caption
(in millions)	Three Months Ended March 31,		
	2015	2014	
Amortization of pension and other postretirement plans:			
Actuarial losses	$1.9	$0.7	(1)
Tax benefit	(0.6)	(0.3)	Income tax expense
Net of tax	$1.3	$0.4	

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 10, “Pensions and Postretirement Benefits” for additional details).

15. Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.

On the Petition Date, GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court (the "Bankruptcy Court"). The filings were the initial step in a claims resolution process, which is ongoing. The goal of the process is an efficient and permanent resolution of all pending and future asbestos claims through court approval of a plan of reorganization that will establish a trust to resolve and pay all asbestos claims. GST seeks an agreement with asbestos claimants and other creditors on the terms of a plan for the establishment of such a trust and repayment of creditors in full, or in the absence of such an agreement, an order of the Bankruptcy Court confirming such a plan.

In November 2011, GST filed a proposed plan of reorganization with the Bankruptcy Court. GST's initial proposed plan called for a trust to be formed, to which GST and affiliates would contribute $200 million and which would be the exclusive remedy for future asbestos personal injury claimants – those whose claims arise after confirmation of the plan. The initial proposed plan provided that each present asbestos personal injury claim, i.e., any pending claim or one that arises between the Petition Date and plan confirmation, would be assumed by reorganized GST and resolved either by settlement (pursuant to a matrix contained in the proposed plan or as otherwise agreed), or by payment in full of any final judgment entered after trial in federal court. The initial proposed plan was revised and replaced by GST's first amended proposed plan of reorganization filed in May 2014.

On April 13, 2012, the Bankruptcy Court granted a motion by GST for the Bankruptcy Court to estimate the allowed amount of present and future asbestos claims against GST for mesothelioma, a rare cancer attributed to asbestos exposure, for purposes of determining the feasibility of a proposed plan of reorganization. The estimation trial began on July 22, 2013 and concluded on August 22, 2013.

On January 10, 2014, Bankruptcy Judge George Hodges announced his estimation decision in a 65-page order. Citing with approval the methodology put forth by GST at trial, the judge determined that $125 million is the amount sufficient to satisfy GST's liability for present and future mesothelioma claims. Judge Hodges adopted GST's "legal liability" approach to estimation, focused on the merits of claims, and rejected asbestos claimant representatives' approach, which focused solely on GST's historical settlement history. The judge's liability determination is for mesothelioma claims only. The court has not yet

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determined amounts for GST's liability for other asbestos claims and for administrative costs that would be required to review and process claims and payments, which will add to the amount.

In his opinion, Judge Hodges wrote, "The best evidence of Garlock's aggregate responsibility is the projection of its legal liability that takes into consideration causation, limited exposure and the contribution of exposures to other products."

The decision validates the positions that GST has been asserting for the more than four years it has been in this process. Following are several important findings in the opinion:

•Garlock's products resulted in a relatively low exposure to asbestos to a limited population, and its legal responsibility for causing mesothelioma is relatively de minimis.

•Chrysotile, the asbestos fiber type used in almost all of Garlock's asbestos products, is far less toxic than other forms of asbestos. The court found reliable and persuasive Garlock's expert epidemiologist, who testified that there is no statistically significant association between low dose chrysotile exposure and mesothelioma.

•The population that was exposed to Garlock's products was necessarily exposed to far greater quantities of higher potency asbestos from the products of others.

•The estimates of Garlock's aggregate liability that are based on its historic settlement values are not reliable because those values are infected with the impropriety of some law firms and inflated by the cost of defense.

In June 2014, the official committee representing current asbestos claimants filed a motion with the Bankruptcy Court asking the court to re-open the estimation process for further discovery and alleging that GST misled the court in various respects during the estimation trial. On December 4, 2014, the Bankruptcy Court denied the Committee's motion to re-open.

On May 29, 2014, GST filed its first amended proposed plan of reorganization. The first amended plan provided $275 million in total funding for (a) present and future asbestos claims against GST that have not been resolved by settlement or verdict prior to the Petition Date, and (b) administrative and litigation costs.

On January 14, 2015, we announced that GST and we had reached agreement with the Future Claimants' Representative that includes a second amended plan of reorganization. This revised plan was filed with the Bankruptcy Court on January 14, 2015 and supersedes the prior plans filed by GST. If approved by the Bankruptcy Court and implemented, the revised plan will provide certainty and finality to the expenditures necessary to resolve all current and future asbestos claims against GST and against its Garrison and Anchor Packing subsidiaries. The Future Claimants' Representative has agreed to support, recommend and vote in favor of the revised plan, which provides payments to all claimants who have a compensable disease and had meaningful contact with GST asbestos containing products.

The revised plan provides for the establishment of two facilities – a settlement facility (which would receive $220 million from GST and $30 million from Coltec upon consummation of the plan and additional contributions from GST aggregating $77.5 million over the seven years following consummation of the plan) and a litigation fund (which would receive $30 million from GST upon consummation of the plan) to fund the defense and payment of claims of claimants who elect to pursue litigation under the plan rather than accept the settlement option under the plan. Funds contained in the settlement facility and the litigation fund would provide the exclusive remedies for current and future GST asbestos claimants other than claimants whose claims had been resolved by settlement or verdict prior to the Petition Date and were not paid prior to the Petition Date. The plan provides that GST will pay in full claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date (with respect to claims resolved by verdict, such payment will be made only to the extent the verdict becomes final). The revised plan provides that if the actual amount of claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date is less than $10.0 million GST will contribute the difference to the settlement facility. In addition, the revised plan provides that, during the 40-year period following confirmation of the plan, GST would, if necessary, make supplementary annual contributions, subject to specified maximum annual amounts that decline over the period, to maintain a specified balance at specified dates of the litigation fund. The maximum aggregate amount of all such contingent supplementary contributions over that period is $132 million. GST, and we, believe that initial contributions to the litigation fund may likely be sufficient to permit the balance of that facility to exceed the specified thresholds over the 40-year period and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions is $0. Under the plan, EnPro would guarantee GST's payment of the $77.5 million of deferred contributions plus accrued interest to the settlement facility and, to the extent they are required, the supplementary contributions to the litigation fund. Additional details of the revised plan are described below in Note16, "Commitments and Contingencies - Asbestos - GST's Second Amended Proposed Plan of Reorganization."

The revised plan incorporates the Bankruptcy Court’s determination in January 2014 that $125 million is sufficient to satisfy GST’s aggregate liability for present and future mesothelioma claims; however, it also provides additional funds to provide full payment for non-mesothelioma claims and to gain the support of the Future Claimants’ Representative of the plan. Under the terms of the plan, we would retain 100% of the equity interests of GST LLC. The plan also provides for the extinguishment of any derivative claims against us based on GST asbestos products and operations.

We anticipate that payments under the plan to the settlement facility and litigation fund by GST, which will be paid primarily from GST cash balances and remaining insurance and the payment to the settlement facility by Coltec, will be deductible against U.S. taxes. We plan to seek an IRS determination to that effect.

We expect continued opposition from the committee representing current asbestos claimants (the "Current Asbestos Claimants Committee") and their law firms to the revised plan of reorganization.

On April 10, 2015, the Bankruptcy Court entered an order that approved the disclosure statement for the second amended plan of reorganization, established an asbestos claims bar date and approved procedures for voting and soliciting votes for the second amended plan. The Bankruptcy Court also approved the method for providing notice of the second amended plan and asbestos claims bar date to known and unknown claimants and the form and substances of the notices. Under such order, proofs of claim must be filed on or before October 6, 2015 for all claims based on asbestos-related diseases diagnosed on or before August 1, 2014 for which lawsuits against any defendant or claims against any trusts were filed on or before August 1, 2015, or be forever barred. The Bankruptcy Court has scheduled the hearing on confirmation of the second amended plan of reorganization to commence on June 20, 2016.

If the Bankruptcy Court confirms the second amended plan, all present and future asbestos claims against GST will be discharged and an injunction will be entered giving GST permanent protection from future asbestos litigation. Confirmation and consummation of the plan are subject to a number of risks and uncertainties, including the actions and decisions of creditors and other third parties who have an interest in the bankruptcy proceedings, delays in the confirmation or effective date of a plan of reorganization due to factors beyond GST's or our control, which would result in greater costs and the impairment of value of GST, appeals and other challenges to the plan, and risks and uncertainties affecting GST and Coltec's ability to fund anticipated contributions under the plan as a result of adverse changes in their results of operations, financial condition and capital resources, including as a result of economic factors beyond their control. Accordingly, we cannot assure you that GST will be able to obtain Bankruptcy Court approval of its second amended plan of reorganization and the settlement and resolution of claims and related releases of liability embodied therein, and the time period for the resolution of the bankruptcy proceedings is not presently determinable.

GST continues to hope that it can reach a consensual resolution that will also be acceptable to representatives of current claimants, recognizing that an agreed settlement would provide the best path to certainty and finality through section 524(g) of the Bankruptcy Code, provide for faster and more efficient completion of the case, save significant future costs, and allow for the attainment of complete finality.

Financial Results

Condensed combined financial information for GST is set forth below, presented on a historical cost basis.

GST
(Debtor-in-Possession)
Condensed Combined Statements of Operations (Unaudited)
(in millions)

	Three Months Ended March 31,	
	2015	2014
Net sales	$54.2	$59.0
Cost of sales	33.8	35.9
Gross profit	20.4	23.1
Operating expenses:		
Selling, general and administrative	10.7	10.9
Asbestos-related	(0.2)	0.3
Other	0.1	0.5
Total operating expenses	10.6	11.7
Operating income	9.8	11.4
Interest income, net	8.0	7.6
Income before reorganization expenses and income taxes	17.8	19.0
Reorganization expenses	(3.5)	(2.9)
Income before income taxes	14.3	16.1
Income tax expense	(4.8)	(5.6)
Net income	$9.5	$10.5
Comprehensive income	$6.5	$10.5

GST
(Debtor-in-Possession)
Condensed Combined Statements of Cash Flows (Unaudited)
Three Months Ended March 31, 2015 and 2014
(in millions)

	2015	2014
Net cash provided by operating activities	$11.1	$6.1
Investing activities		
Purchases of property, plant and equipment	(1.0)	(1.6)
Net payments on loans to affiliates	(0.8)	(0.7)
Other	0.1	(0.3)
Net cash used in investing activities	(1.7)	(2.6)
Effect of exchange rate changes on cash and cash equivalents	(1.4)	(0.1)
Net increase in cash and cash equivalents	8.0	3.4
Cash and cash equivalents at beginning of period	66.0	42.8
Cash and cash equivalents at end of period	$74.0	$46.2

GST
(Debtor-in-Possession)
Condensed Combined Balance Sheets (Unaudited)
(in millions)

	March 31, 2015	December 31, 2014
Assets:		
Current assets	$359.5	$370.9
Asbestos insurance receivable	80.7	80.7
Deferred income taxes	87.8	85.6
Notes receivable from affiliate	271.0	259.3
Other assets	72.4	73.5
Total assets	$871.4	$870.0
Liabilities and Shareholder’s Equity:		
Current liabilities	$32.5	$42.7
Other liabilities	91.7	86.6
Liabilities subject to compromise (A)	339.1	339.1
Total liabilities	463.3	468.4
Shareholder’s equity	408.1	401.6
Total liabilities and shareholder’s equity	$871.4	$870.0

(A) Liabilities subject to compromise include pre-petition unsecured claims which may be resolved at amounts different from those recorded in the condensed combined balance sheets. Liabilities subject to compromise consist principally of asbestos-related claims. GST has undertaken to project the number and ultimate cost of all present and future bodily injury claims expected to be asserted, based on actuarial principles, and to measure probable and estimable liabilities under generally accepted accounting principles. GST has accrued $337.5 million as of March 31, 2015 for asbestos related claims. The accrual consists of total funding consisting of (a) $327.5 million for present and future asbestos claims against GST that have not been resolved by settlement prior to the Petition Date plus litigation and administrative expenses, and (b) $10.0 million for claims resolved by enforceable settlement and were not paid prior to the Petition Date and contributions by GST to the settlement facility under the revised plan to the extent such claims are less than $10.0 million. See Note 16, “Commitments and Contingencies – Asbestos.”

16. Commitments and Contingencies

General

A description of environmental, asbestos and other legal matters relating to certain of our subsidiaries is included in this section. In addition to the matters noted herein, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows. Expenses for administrative and legal proceedings are recorded when incurred.

Environmental

Our facilities and operations are subject to federal, state and local environmental and occupational health and safety requirements of the U.S. and foreign countries. We take a proactive approach in our efforts to comply with environmental, health and safety laws as they relate to our manufacturing operations and in proposing and implementing any remedial plans that may be necessary. We also regularly conduct comprehensive environmental, health and safety audits at our facilities to maintain compliance and improve operational efficiency.

Although we believe past operations were in substantial compliance with the then applicable regulations, we or one or more of our subsidiaries are involved with various remediation activities at 15 sites where the future cost per site for us or our subsidiary is expected to exceed $100,000. Investigations have been completed for 11 sites and are in progress at the other four sites. Our costs at a majority of these sites relate to remediation projects for soil and groundwater contamination at former operating facilities that were sold or closed.

Our policy is to accrue environmental investigation and remediation costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. The measurement of the liability is based on an evaluation of currently available facts with respect to each individual situation and takes into consideration factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites. Liabilities are established for all sites based on these factors. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical data and legal information. As of March 31, 2015 and December 31, 2014, we had accrued liabilities of $17.0 million and $17.3 million, respectively, for estimated future expenditures relating to environmental contingencies. These amounts have been recorded on an undiscounted basis in the Consolidated Balance Sheets. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other parties potentially being liable, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

During 2013, we accrued a liability of $6.3 million related to environmental remediation costs associated with the pre-1983 site ownership and operation of the former Trent Tube facility in East Troy, Wisconsin. The Trent Tube facility was operated by Crucible Materials Corporation from 1983 until its closure in 1998. Crucible Materials Corporation commenced environmental remediation activities at the site in 1999. In connection with the bankruptcy of Crucible Materials Corporation, a trust was established to fund the remediation of the site. We have reviewed the trust's assets and have valued them at $750,000 for our internal purposes. During 2013, the Wisconsin Department of Natural Resources first notified us of potential liability for remediation of the site as a potentially responsible party under Wisconsin's “Spill Act” which provides that potentially responsible parties may be jointly and severally liable for site remediation. On April 1, 2015, we entered into a Consent Order with the Wisconsin Department of Natural Resources regarding remediation and, based on our evaluation of the site, believe that the amounts previously reserved are adequate to fulfill our obligations under the order.

Except as described below, we believe that our accruals for specific environmental liabilities are adequate for those liabilities based on currently available information. Actual costs to be incurred in future periods may vary from estimates because of the inherent uncertainties in evaluating environmental exposures due to unknown and changing conditions, changing government regulations and legal standards regarding liability.

Based on our prior ownership of Crucible Steel Corporation a/k/a Crucible, Inc. (“Crucible”), we may have additional contingent liabilities in one or more significant environmental matters. One such matter, which is included in the 15 sites referred to above, is the Lower Passaic River Study Area of the Diamond Alkali Superfund Site in New Jersey. Crucible operated a steel mill abutting the Passaic River in Harrison, New Jersey from the 1930s until 1974, which was one of many industrial operations on the river dating back to the 1800s. Certain contingent environmental liabilities related to this site were retained by Coltec when Coltec sold a majority interest in Crucible Materials Corporation (the successor of Crucible) in 1985. The United States Environmental Protection Agency (the “EPA”) has notified Coltec that it is a potentially responsible party (“PRP”) for Superfund response actions in the lower 17-mile stretch of the Passaic River known as the Lower Passaic River Study Area. Coltec and approximately 70 of the numerous other PRPs, known as the Cooperating Parties Group, are parties to a May 2007 Administrative Order on Consent with the EPA to perform a Remedial Investigation/Feasibility Study (“RI/FS”) of the contaminants in the Lower Passaic River Study Area. The RI/FS is ongoing and has not been completed. Separately, on April 11, 2014, the EPA released its Focused Feasibility Study (the “FFS”) with its proposed plan for remediating the lower eight miles of the Lower Passaic River Study Area. The FFS calls for bank-to-bank dredging and capping of the riverbed of that portion of the river and estimates a range of the present value of aggregate remediation costs of approximately $953 million to approximately $1.731 billion, although estimates of the costs and the timing of costs are inherently imprecise. The FFS is subject to a 90-day public comment period, which expired on August 28, 2014, and potential revision, including the adoption of a less extensive remedy, in light of comments that were received. No final allocations of responsibility have been made among the numerous PRPs that have received notices from the EPA, there are numerous identified PRPs that have not yet received PRP notices from the EPA, and there are likely many PRPs that have not yet been identified. During the fourth quarter of 2014, we accrued a liability of $3.5 million related to environmental remediation costs associated with the Lower Passaic River Study Area, which is our estimate of the low end of a range of reasonably possible costs. Based on our evaluation of the site, we are unable to estimate the upper end of a range of reasonably possible costs. Our actual remediation costs could be significantly greater than the $3.5 million we accrued.

Another such matter involves the Onondaga Lake Superfund Site (the “Onondaga Site”) located near Syracuse, New York. Crucible operated a steel mill facility adjacent to Onondaga Lake from 1911 to 1983. The New York State Department of Environmental Conservation (“NYSDEC”) has notified the Company and Coltec, as well as other parties, demanding reimbursement of unquantified environmental response costs incurred by NYSDEC and the EPA at the Onondaga Site. NYSDEC and EPA have alleged that contamination from the Crucible facility contributed to the need for environmental response actions at the Onondaga Site. In addition, Honeywell International Inc. (“Honeywell”), which has undertaken certain remediation activities at the Onondaga Site under the supervision of NYSDEC and the EPA, has informed the Company that it had claims against Coltec related to investigation and remediation at the Onondaga Site. In addition, the Company has received

notice from the Natural Resource Trustees for the Onondaga Lake Superfund Site (which are the U. S. Department of Interior, NYSDEC, and the Onondaga Nation) alleging that Coltec is considered to be a potentially responsible party for natural resource damages at the Onondaga Site. We have entered into tolling agreements with NYSDEC, the EPA and Honeywell. At this time, based on limited information we have with respect to estimated remediation costs and the respective allocation of responsibility for remediation among potentially responsible parties, we cannot estimate a reasonably possible range of loss associated with Crucible's activities that may have affected the Onondaga Site.
Except with respect to specific Crucible environmental matters for which we have accrued a portion of the liability set forth above, including the Lower Passaic River Study Area, we are unable to estimate a reasonably possible range of loss related to any other contingent environmental liability based on our prior ownership of Crucible.
See the section entitled "Crucible Steel Corporation a/k/a Crucible, Inc." in this footnote for additional information.
In addition, Coltec has received a notice from the EPA stating that Coltec is a potentially responsible party under CERCLA as the successor to a former operator in 1954 and 1955 of two uranium mines in Arizona. At this time, we have not yet determined whether any predecessor entity operated these mines in that period and have limited information regarding the sites and any potential remediation that may be required. As such, we cannot estimate a reasonably possible range of loss associated with cleanup at these sites.

Colt Firearms and Central Moloney

We may have contingent liabilities related to divested businesses for which certain of our subsidiaries retained liability or are obligated under indemnity agreements. These contingent liabilities include, but are not limited to, potential product liability and associated claims related to firearms manufactured prior to March 1990 by Colt Firearms, a former operation of Coltec, and for electrical transformers manufactured prior to May 1994 by Central Moloney, another former Coltec operation. We believe that these potential contingent liabilities are not material to our financial condition, results of operation and cash flows. Coltec also has ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, with regard to workers' compensation, retiree medical and other retiree benefit matters that relate to Coltec's periods of ownership of these operations.

Crucible Steel Corporation a/k/a Crucible, Inc.

Crucible, which was engaged primarily in the manufacture and distribution of high technology specialty metal products, was a wholly owned subsidiary of Coltec until 1983 when its assets and liabilities were distributed to a new Coltec subsidiary, Crucible Materials Corporation. Coltec sold a majority of the outstanding shares of Crucible Materials Corporation in 1985 and divested its remaining minority interest in 2004. Crucible Materials Corporation filed for Chapter 11 bankruptcy protection in May 2009.
In conjunction with the closure of a Crucible plant in the early 1980s, Coltec was required to fund a trust for retiree medical benefits for certain employees at the plant. This trust (the "Benefits Trust") pays for these retiree medical benefits on an ongoing basis. Coltec has no ownership interest in the Benefits Trust, and thus the assets and liabilities of this trust are not included in our Consolidated Balance Sheets. Under the terms of the Benefits Trust agreement, the trustees retained an actuary to assess the adequacy of the assets in the Benefits Trust in 1995, 2005 and 2015. The actuarial reports in 1995 and 2005 determined that the Benefits Trust has sufficient assets to fund the payment of future benefits. The third actuarial report released in January 2015, also determined that the Benefits Trust had sufficient assets to fund the payment of future benefits.
We have certain ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, including workers' compensation, retiree medical and other retiree benefit matters, in addition to those mentioned previously related to Coltec's period of ownership of Crucible. Based on Coltec's prior ownership of Crucible, we may have certain additional contingent liabilities, including liabilities in one or more significant environmental matters included in the matters discussed in "Environmental," above. We are investigating these matters and are unable to estimate a reasonably possible range of loss related to these contingent liabilities.

Warranties

We provide warranties on many of our products. The specific terms and conditions of these warranties vary depending on the product and the market in which the product is sold. We record a liability based upon estimates of the costs we may incur under our warranties after a review of historical warranty experience and information about specific warranty claims. Adjustments are made to the liability as claims data and historical experience necessitate.

Changes in the carrying amount of the product warranty liability for the three months ended March 31, 2015 and 2014 are as follows:

	2015	2014
	(in millions)	
Balance at beginning of year	$3.5	$3.8
Charges (credits) to expense	1.1	(0.3)
Settlements made (primarily payments)	(0.4)	(0.3)
Balance at end of period	$4.2	$3.2

BorgWarner

A subsidiary of BorgWarner Inc. (“BorgWarner”) has asserted claims against GGB France E.U.R.L. (“GGB France”) with respect to certain bearings supplied by GGB France to BorgWarner and used by BorgWarner in manufacturing hydraulic control units included in motor vehicle automatic transmission units. BorgWarner and GGB France are participating in a technical review before a panel of experts to determine, among other things, whether there were any defects in the bearings, whether any defect caused the damages claimed by BorgWarner and whether GGB was bound by certain notification requirements, which technical review is a required predicate to the commencement of a legal proceeding for damages. On October 14, 2014, BorgWarner filed a writ of claims with the Commercial Court of Brive-la-Gaillarde in France seeking monetary damages. On December 19, 2014, BorgWarner initiated “fast track” proceedings, which is a French legal process typically used for uncontested claims. On January 30, 2015, GGB France filed a writ of response challenging BorgWarner’s attempt to use the “fast track” process and, on February 4, 2015, GGB France filed a writ of response seeking to stay the proceedings on the merits pending the completion of the technical review. On April 2, 2015, the Commercial Court of Brive-la-Gaillarde rejected BorgWarner's requests for "fast track" proceedings. The timing of the decision with respect to GGB France's writ of response seeking to stay the proceeding on the merits is uncertain. There is no fixed deadline for the completion of the technical review and the presentation of the expert panel's findings. We believe that GGB France has valid factual and legal defenses to these claims and we are vigorously defending these claims. At this point in the technical review process we are unable to estimate a reasonably possible range of loss related to these claims.

Asbestos

Background on Asbestos-Related Litigation. The historical business operations of GST LLC and Anchor resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers in products produced or sold by GST LLC or Anchor, together with products produced and sold by numerous other companies. GST LLC and Anchor manufactured and/or sold industrial sealing products that contained encapsulated asbestos fibers. Other of our subsidiaries that manufactured or sold equipment that may have at various times in the past contained asbestos-containing components have also been named in a number of asbestos lawsuits, but neither we nor any of our subsidiaries other than GST LLC and Anchor have ever paid an asbestos claim.

Since the first asbestos-related lawsuits were filed against GST LLC in 1975, GST LLC and Anchor have processed more than 900,000 claims to conclusion, and, together with insurers, have paid over $1.4 billion in settlements and judgments and over $400 million in fees and expenses. Our subsidiaries’ exposure to asbestos litigation and their relationships with insurance carriers have been managed through Garrison.

Subsidiary Chapter 11 Filing and Effect. On the Petition Date, GST LLC, Garrison and Anchor filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court. The filings were the initial step in a claims resolution process, which is ongoing. See Note 15, "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." for additional information about this process and its impact on us.

During the pendency of the Chapter 11 proceedings, certain actions proposed to be taken by GST not in the ordinary course of business are subject to approval by the Bankruptcy Court. As a result, during the pendency of these proceedings, we do not have exclusive control over these companies. Accordingly, as required by GAAP, GST was deconsolidated beginning on the Petition Date.

As a result of the initiation of the Chapter 11 proceedings, the resolution of asbestos claims is subject to the jurisdiction of the Bankruptcy Court. The filing of the Chapter 11 cases automatically stayed the prosecution of pending asbestos bodily injury and wrongful death lawsuits, and initiation of new such lawsuits, against GST. Further, the Bankruptcy Court issued an order enjoining plaintiffs from bringing or further prosecuting asbestos products liability actions against affiliates of GST, including EnPro, Coltec and all their subsidiaries, during the pendency of the Chapter 11 proceedings, subject to further order. As a result, except as a result of the resolution of appeals from verdicts rendered prior to the Petition Date and the elimination of claims as a result of information obtained in the Chapter 11 proceedings, the numbers of asbestos claims pending against our subsidiaries have not changed since the Petition Date, and those numbers continue to be as reported in our 2009 Form 10-K and our quarterly reports for the first and second quarters of 2010.

Pending Claims. On the Petition Date, according to Garrison's claim records, there were more than 90,000 total claims pending against GST LLC, of which approximately 5,800 were claims alleging the disease mesothelioma. Mesothelioma is a rare cancer of the protective lining of many of the body’s internal organs, principally the lungs. The primary cause of mesothelioma is believed to be exposure to asbestos. As a result of asbestos tort reform during the 2000s, most active asbestos-related lawsuits, and a large majority of the amount of payments made by our subsidiaries in the years immediately preceding the Petition Date, have been of claims alleging mesothelioma. In total, GST LLC has paid $563.2 million to resolve a total of 15,300 mesothelioma claims, and another 5,700 mesothelioma claims have been dismissed without payment.

In order to estimate the allowed amount for mesothelioma claims against GST, the Bankruptcy Court approved a process whereby all current GST LLC mesothelioma claimants were required to respond to a questionnaire about their claims. Questionnaires were distributed to the mesothelioma claimants identified in Garrison’s claims database. Many of the 5,800 claimants (over 500) did not respond to the questionnaire at all; many others (more than 1,900) clarified that: claimants do not have mesothelioma, claimants cannot establish exposure to GST products, claims were dismissed, settled or withdrawn, claims were duplicates of other filed claims, or claims were closed or inactive. Still others responded to the questionnaire but their responses were deficient in some material respect. As a result of this process, less than 3,300 claimants presented questionnaires asserting mesothelioma claims against GST LLC as of the Petition Date and many of them did not establish exposure to GST products or had claims that are otherwise deficient. Since the Petition Date, many asbestos-related lawsuits have been filed by claimants against other companies in state and federal courts, and many of those claimants might also have included GST LLC as a defendant but for the bankruptcy injunction. Many of those claimants likely will make claims against GST in the bankruptcy proceeding.

Product Defenses. We believe that the asbestos-containing products manufactured or sold by GST could not have been a substantial contributing cause of any asbestos-related disease. The asbestos in the products was encapsulated, which means the asbestos fibers incorporated into the products during the manufacturing process were sealed in binders. The products were also nonfriable, which means they could not be crumbled by hand pressure. The U.S. Occupational Safety and Health Administration, which began generally requiring warnings on asbestos-containing products in 1972, has never required that a warning be placed on products such as GST LLC’s gaskets. Even though no warning label was required, GST LLC included one on all of its asbestos-containing products beginning in 1978. Further, gaskets such as those previously manufactured and sold by GST LLC are one of the few asbestos-containing products still permitted to be manufactured under regulations of the U.S. Environmental Protection Agency. Nevertheless, GST LLC discontinued all manufacture and distribution of asbestos-containing products in the U.S. during 2000 and worldwide in mid-2001.

Appeals. GST LLC has a record of success in trials of asbestos cases, especially before the bankruptcies of many of the historically significant asbestos defendants that manufactured raw asbestos, asbestos insulation, refractory products or other dangerous friable asbestos products. However, it has on occasion lost jury verdicts at trial. GST has consistently appealed when it has received an adverse verdict and has had success in a majority of those appeals. At March 31, 2015, two GST LLC appeals are pending from adverse decisions totaling $1.5 million.

GST LLC won reversals of adverse verdicts in one of three recent appellate decisions. In September 2011, the United States Court of Appeals for the Sixth Circuit overturned a $500,000 verdict against GST LLC that was handed down in 2009 by a Kentucky federal court jury. The federal appellate court found that GST LLC’s motion for judgment as a matter of law should have been granted because the evidence was not sufficient to support a determination of liability. The Sixth Circuit’s chief judge wrote that, “On the basis of this record, saying that exposure to Garlock gaskets was a substantial cause of [claimant’s] mesothelioma would be akin to saying that one who pours a bucket of water into the ocean has substantially contributed to the ocean’s volume.” In May 2011, a three-judge panel of the Kentucky Court of Appeals upheld GST LLC’s $700,000 share of a 2009 jury verdict, which included punitive damages, in a lung cancer case against GST LLC in Kentucky state court. This verdict, which was secured by a bond pending the appeal, was paid in June 2012. In a Kentucky appeal from a 2006 verdict against GST LLC, another Kentucky Court of Appeals panel upheld, in August 2014, GST LLC's share of the verdict and a $600,000 punitive damage award. The verdict against GST LLC totaled $874,000. This verdict and post-judgment interest were secured by a bond in the amount of $1.1 million. The plaintiff in the case agreed to resolve the case, including claims for post-judgment interest, for the amount of the bond and to forego additional accrued interest on the verdict, and GST LLC agreed to discontinue further appeals. Because the Company was responsible to the bonding company for the bond amount, the Company's Coltec subsidiary purchased the verdict from the plaintiff in September 2014 for the amount of the $1.1 million bond. As a result, Coltec has a claim against GST LLC for the amount of the judgment, including post-judgment interest.

Insurance Coverage. At March 31, 2015 we had $100.7 million of insurance coverage we believe is available to cover current and future asbestos claims payments and certain expense payments. GST has collected insurance payments totaling $95.6 million since the Petition Date. Of the $100.7 million of available insurance coverage remaining, we consider $100.0 million (99%) to be of high quality because the insurance policies are written or guaranteed by U.S.-based carriers whose credit rating by S&P is investment grade (BBB-) or better, and whose AM Best rating is excellent (A-) or better. Of the $100.7 million, $64.6 million is allocated to claims that were paid by GST LLC prior to the initiation of the Chapter 11 proceedings and submitted to insurance companies for reimbursement, and the remainder is allocated to pending and estimated future claims. There are specific agreements in place with carriers covering $66.2 million of the remaining available coverage. Based on those agreements and the terms of the policies in place and prior decisions concerning coverage, we believe that substantially all of the $100.7 million of insurance proceeds will ultimately be collected, although there can be no assurance that the insurance companies will make the payments as and when due. The $100.7 million is in addition to the $0.2 million collected in the first three months of 2015. Based on those agreements and policies, some of which define specific annual amounts to be paid and others of which limit the amount that can be recovered in any one year, we anticipate that $38.7 million will become collectible at the conclusion of GST's Chapter 11 proceeding and, assuming the insurers pay according to the agreements and policies, that the following amounts should be collected in the years set out below regardless of when the case concludes:
2015 – $20 million (in the remaining nine months of 2015)
2016 – $18 million
2017 – $13 million
2018 – $11 million
GST LLC has received $8.3 million of insurance recoveries from insolvent carriers since 2007, including a $185,000 payment received in the first quarter of 2015, and may receive additional payments from insolvent carriers in the future. No anticipated insolvent carrier collections are included in the $100.7 million of anticipated collections. The insurance available to cover current and future asbestos claims is from comprehensive general liability policies that cover Coltec and certain of its other subsidiaries in addition to GST LLC for periods prior to 1985 and therefore could be subject to potential competing claims of other covered subsidiaries and their assignees.
Liability Estimate. Our recorded asbestos liability as of the Petition Date was $472.1 million. We based that recorded liability on an estimate of probable and estimable expenditures to resolve asbestos personal injury claims under generally accepted accounting principles, made with the assistance of Garrison and an estimation expert, Bates White, retained by GST LLC's counsel. The estimate developed was an estimate of the most likely point in a broad range of potential amounts that GST LLC might pay to resolve asbestos claims (by settlement in the majority of the cases except those dismissed or tried) over the ten-year period following the date of the estimate in the state court system, plus accrued but unpaid legal fees. The estimate, which was not discounted to present value, did not reflect GST LLC's views of its actual legal liability. GST LLC has continuously maintained that its products could not have been a substantial contributing cause of any asbestos disease. Instead, the liability estimate reflected GST LLC's recognition that most claims would be resolved more efficiently and at a significantly lower total cost through settlements without any actual liability determination.
From the Petition Date through the first quarter of 2014, neither we nor GST endeavored to update the accrual except as necessary to reflect payments of accrued fees and the disposition of cases on appeal. In each asbestos-driven Chapter 11 case that has been resolved previously, the amount of the debtor's liability has been determined as part of a consensual plan of reorganization agreed to by the debtor, its asbestos claimants and a legal representative for its potential future claimants. GST did not believe that there was a reliable process by which an estimate of such a consensual resolution could be made and therefore believed that there was no basis upon which it could revise the estimate last updated prior to the Petition Date.
Given the Bankruptcy Court's January 2014 decision estimating GST's liability for present and future mesothelioma claims at $125 million and GST's filing in May 2014 of its first amended proposed plan of reorganization setting out its intention to fund a plan with total consideration of $275 million, GST undertook to revise its estimate of its ultimate expenditures to resolve all present and future asbestos claims against it to be no less than the amounts

required under its amended proposed plan. Similarly, while GST believed it to be an unlikely worst case scenario, GST believed its ultimate expenditures to resolve all asbestos claims against it could be no more than the total value of GST. As a result, GST believed that its ultimate asbestos expenditures would be somewhere in that range between those two values and therefore revised its estimate to the low end of the range. Accordingly, at June 30, 2014, GST revised its estimate of its ultimate expenditures to resolve all present and future asbestos claims to $279.6 million, the amount of expenditures necessary to resolve all asbestos claims under that amended plan.

In light of the filing of the second amended proposed plan of reorganization by GST on January 14, 2015, GST undertook to further revise its ultimate costs to resolve all asbestos claims against it. Under this revised plan, not less than $367.5 million will be required to fund the resolution of all GST asbestos claims, $30 million of which will be funded by Coltec. As a result, GST believes the low end of the range of values that will be necessary for it to fund to resolve all present and future claims is now $337.5 million. Accordingly, GST has revised its estimate of its ultimate asbestos expenditures to $337.5 million and has recorded its liability at March 31, 2015 at that amount. GST’s estimate of its ultimate asbestos expenditures of $337.5 million does not include any amount with respect to the contingent supplementary contributions to the litigation fund contemplated by the revised plan as GST believes that initial contributions to the litigation fund may likely be sufficient to permit the balance of that facility to exceed the specified thresholds over the 40-year period for such contributions and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions is $0.

GST's First Amended Proposed Plan of Reorganization. On May 29, 2014, GST filed an amended proposed plan of reorganization and a proposed disclosure statement for such amended plan. The plan provided $275 million in total funding for (a) present and future asbestos claims against GST that have not been resolved by settlement or verdict prior to the Petition Date, and (b) administrative and litigation costs. The $275 million was to be funded by GST ($245 million) and the Company's subsidiary, Coltec Industries Inc ($30 million), through two facilities - a settlement facility and a litigation facility. Funds contained in the settlement facility and the litigation facility would have provided the exclusive remedies for current and future GST asbestos claimants, other than claimants whose claims had been resolved by settlement or verdict prior to the Petition Date and were not paid prior to the Petition Date. The $275 million amount was more than double the $125 million that the Bankruptcy Court found to be a reasonable and reliable measure of the amount sufficient to satisfy present and future mesothelioma claims against GST, and was determined based on an economic analysis of the feasibility of the proposed plan. This plan was superseded by GST's second amended proposed plan of reorganization, discussed below.