

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF INDIANA
HAMMOND DIVISION AT LAFAYETTE**

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)	
In the Matter of:)	
)	CASE NO.: 98-40533
CONSOLIDATED INDUSTRIES CORP.)	
)	
Debtor.)	Chapter 7
)	
_____)	

**DECLARATION OF TRUSTEE DANIEL L. FREELAND IN SUPPORT OF MOTION
BY THE TRUSTEE FOR AUTHORITY TO COMPROMISE AND SETTLE KB
LITIGATION, AND REQUEST FOR HEARING**

I, Daniel L. Freeland, hereby declare as follows:

1. I am the court-appointed Trustee for the Chapter 7 estate of the debtor Consolidated Industries Corporation (the "Debtor").

2. I have, with the assistance of counsel, investigated the claims made against the Debtor in KB Home, et al. v. Consolidated Industries Corporation, et al, Case No. BC 250181 (Superior Court of Los Angeles County, California) (the "KB Litigation"). It is my understanding that the plaintiffs in the KB Litigation (the "KB Entities") seek to recover monetary damages incurred in connection with the replacement of allegedly defective horizontal gas furnaces manufactured by the Debtor.

3. I am aware that the parties to the KB Litigation negotiated arm's length settlements during the past few months. Under a settlement agreement with the KB Entities (the "KB Settlement Agreement"), the KB Entities have agreed to release all claims against the Debtor in exchange for the Debtor allowing them to withdraw their election to opt out of the Salah Class

Settlement and for their reinstatement as members of the Salah Class, for a payment from the Debtor's insurers equal to one-third of the undisbursed funds from the Addison class action settlement, that are transferred to the Consolidated settlement fund pursuant to the terms of the Salah Court's March 12, 2003 Order, and for the Debtor's allowing the KB Entities a pre-petition general unsecured claim in the amount of \$925,000, which amount shall be the compromised amount of KB's warranty claims against the Debtor's chapter 7 bankruptcy estate. Under a settlement agreement with the KB Entities and certain defendants who installed the subject furnaces (the "Installer Settlement Agreement), 50% of the total settlement payments from the Installers will be paid to the estate and 50% will be paid to the KB Entities.

4. I believe litigation of these claims could be complicated and costly due to the nature of the claims asserted by the Plaintiffs. I further believe that settlement of the warranty claims through the allowance of an unsecured claim is appropriate because there is no insurance coverage for warranty claims. The amount of this claim is substantially less than what I believe would be the amount of the claim if the estate was to litigate with the Plaintiffs regarding liability.

5. I have concluded based upon the foregoing and my investigation of the KB Litigation claims, as well as the advice I have received from independent counsel, that accepting the KB Settlement Agreement and the Installer Settlement Agreement would be in the best interests of the estate and its creditors.

6. Attached as Exhibit A hereto is a true and correct copy of the fully executed KB Settlement Agreement. Attached as Exhibit B hereto is a true and correct copy of the fully executed Installer Settlement Agreement.

I declare under the penalties of perjury that the foregoing is true and correct.

Executed on October 22, 2004

/s/ Daniel L. Freeland
Daniel L. Freeland, Trustee