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8 **UNITED STATES BANKRUPTCY COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**
10 **SAN FRANCISCO DIVISION**

11 In re:
12 PLANT INSULATION COMPANY, a California
corporation,
13 Debtor.

Case No. 09-31347-TC

Chapter 11

**FOURTH ANNUAL REPORT AND
ACCOUNTING, AUDITED
FINANCIAL STATEMENTS, AND
CLAIM REPORT**

Date: June 10, 2016

Time: 9:30 a.m.

Place: Courtroom 16

450 Golden Gate Ave., 16th Floor
San Francisco, CA 94102

18
19 The Trustees of the Plant Insulation Company Asbestos Settlement Trust by and through
20 their counsel, Eve H. Karasik of Levene, Neale, Bender, Yoo & Brill hereby file this Fourth Annual
21 Report and Accounting, Audited Financial Statements, and Claim Report.

22 Respectfully submitted this 26 day of April, 2016.

23
24 By: //s// Eve H. Karasik
EVE H. KARASIK
LEVENE, NEALE, BENDER,
25 YOO & BRILL L.L.P.
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26
27 Bankruptcy Counsel for the Plant
Insulation Company Asbestos
28 Settlement Trust

1 **FOURTH ANNUAL REPORT AND ACCOUNTING**
2 **OF PLANT INSULATION COMPANY ASBESTOS SETTLEMENT TRUST**

3 The Trustees of the Plant Insulation Company Asbestos Settlement Trust (“Trust”)
4 hereby submit this Fourth Annual Report and Accounting (“Annual Report”) covering Trust
5 activities occurring from January 1, 2015 to and including December 31, 2015 (“Accounting
6 Period”), and certain activities of the Trust that took place outside the Accounting Period. This
7 Annual Report is submitted to the U.S. Bankruptcy Court for the Northern District of California, San
8 Francisco Division, *In re Plant Insulation Company*, Case No. 09-31347-TC, in accordance with the
9 *Amended and Restated Second Amended Plan of Reorganization of Plant Insulation Company* filed
10 on April 2, 2012 [Docket No. 2069] (“Plan”); the Court’s April 3, 2012 *Order Confirming Amended*
11 *and Restated Second Amended Plan of Reorganization of Plant Insulation Company* (“Confirmation
12 Order”) [Docket No. 2074]; the Plan, as amended by the modifications thereto filed on November
13 20, 2013 [Docket No. 2636] (“Modified Plan”); *Final Order Granting Motion to Preserve the Status*
14 *Quo Pending Entry of a Final Confirmation Order Consistent with the Court of Appeals’ Decision*
15 [Docket No. 2691]; the Court’s March 3, 2014 *Order Confirming Amended and Restated Second*
16 *Amended Plan of Reorganization of Plant Insulation Company, As Modified* [Docket No. 2722]
17 (“Modified Confirmation Order”); and the Trust Agreement, Trust Bylaws, Trust Distribution
18 Procedures, and Case Valuation Matrix, as amended from time to time, established pursuant to the
19 Plan,¹ and pursuant to the laws of the State of Nevada, where the Trust is organized and where it
20 resides. The Trust Agreement states in Section 7.9 that the Trust is governed by Nevada law.
21 Section 164.015 of the Nevada Revised Statutes allows the Trust to render an accounting and seek
22 approval for its past actions. The factual statements in this Annual Report are supported by the
23 Declaration of Sara Beth Brown, Executive Director, in Support of Motion to Approve and Settle
24 Plant Insulation Company Asbestos Settlement Trust’s Fourth Annual Report, the Audited Financial

25 _____
26 ¹ The Appendix includes the Plan; Confirmation Order; Modified Plan; Modified Confirmation Order; Fifth Amended
27 and Completely Restated Plant Insulation Company Asbestos Settlement Trust (“Trust Agreement”); Second Amended
28 and Completely Restated Plant Insulation Company Asbestos Settlement Trust Bylaws (“Trust Bylaws”); Second
Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Case Valuation Matrix (the
"Case Valuation Matrix"); First Amended and Completely Restated Plant Insulation Company Asbestos Personal Injury
Settlement Trust Distribution Procedures (“Trust Distribution Procedures”); other controlling documents approved by
this Court; and other documents as indicated.

1 Statements, and the Claim Report, as described in paragraphs 6, 7, and 8, *infra*. Capitalized terms
2 not defined herein are as defined in the Plan. This Court has approved each Annual Report
3 beginning in 2013.

4 1. Effective Date: On April 3, 2012, this Court entered the Confirmation Order.
5 In compliance with Sections 4.1 and 7.2 of the Plan, the Effective Date of the Trust is November 16,
6 2012. On March 3, 2014, this Court entered the Modified Confirmation Order. Therefore, the
7 Modified Effective Date of the Trust is September 22, 2014.

8 2. Appointment of Trustees: In the Confirmation Order, this Court approved the
9 appointment of John F. Luikart and Sandra R. Hernandez, M.D. as the initial trustees of the Trust,
10 who have acted in that capacity since the Effective Date of the Trust. In the Modified Confirmation
11 Order, this Court approved Stephen M. Snyder's appointment as the third Trustee of the Trust on
12 November 28, 2012, as well as his designation as Managing Trustee on February 7, 2013. Mr.
13 Snyder has acted in that capacity since that time.

14 3. Appointment of Trust Advisory Committee ("TAC"): In the Confirmation
15 Order and Modified Confirmation Order, this Court approved the appointment of Jerry Neil Paul,
16 Matthew Bergman, David McClain, Alan Brayton, and Ronald Shingler as the initial members of the
17 TAC. Mr. Brayton has served as the Chair of TAC since the Effective Date of the Trust.

18 4. Appointment and Continuation of Futures Representative: The Honorable
19 Charles B. Renfrew, retired, was appointed as the Futures Representative in the Debtor's case on
20 June 2, 2009, and his continued appointment as the Futures Representative of the Trust was
21 approved by this Court in the Confirmation Order and Modified Confirmation Order. Judge
22 Renfrew has served as the Trust's Futures Representative since the Effective Date of the Trust.

23 5. Fiscal Year and Tax Obligations: The Trust is required by the Internal
24 Revenue Code to account for and report on its activities for tax purposes on a calendar-year basis.
25 Section 2.2(b) of the Trust Agreement requires the Trustees to file income tax and other returns and
26 statements in a timely manner, and comply with all withholding obligations as legally required,
27 including fulfilling requirements to maintain its status as a Qualified Settlement Fund. The 2014
28 federal tax return was filed by its extended due date of September 15, 2015 and the 2015 federal tax

1 return will be filed by its extended due date of September 15, 2016. The Trust resides in Nevada,
2 and Nevada has no state income tax. Although the Trust is not subject to tax in California, the
3 Trustees file a tax return in California, attaching a copy of the Trust's federal tax return but showing
4 no California taxable income or state tax liability.

5 6. Annual Report: Section 2.2(c)(i) of the Trust Agreement provides in pertinent
6 part:

7
8 The Trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon
9 as available, and in any event within 120 days following the end of each fiscal year,
10 an annual report containing financial statements of the Trust (including, without
11 limitation, a statement of the net claimants' equity of the Trust as of the end of such
12 fiscal year and a statement of changes in net claimants' equity for such fiscal year)
13 audited by a firm of independent certified public accountants selected by the Trustees
14 and accompanied by an opinion of such firm as to the fairness of the financial
15 statements' presentation of the equity presently available to current and future
16 claimants and as to the conformity of the financial statements with accounting
17 principles generally accepted in the United States, except for the special-purpose
18 accounting methods

19 The Trust's financial statements are prepared using special-purpose accounting methods that depart
20 from Generally Accepted Accounting Principles (GAAP) in certain respects in order to better
21 disclose the amount and changes in net claimants' equity.

22 7. Financial Report: In accordance with the requirements of Section 2.2(c)(i) of
23 the Trust Agreement, the Trust has caused its accounts to be audited by independent certified public
24 accountants, Grant Thornton, LLP. The Trust's audited financial statements ("Audited Financial
25 Statements") are attached hereto as Exhibit "A". These include a Statement of Net Claimants'
26 Equity, a Statement of Changes in Net Claimants' Equity, a Statement of Cash Flows and
27 Explanatory Notes. The Statement of Net Claimants' Equity, which is the equivalent of a corporate
28 balance sheet, reflects total assets of the Trust at market value, other than an equity ownership of the
Reorganized Debtor, which is reported at cost, and on the other comprehensive basis of accounting
utilized by the Trust. These Audited Financial Statements show, among other things, that as of
December 31, 2015, total Trust assets were \$246,755,064, total liabilities were \$7,618,761, and Net
Claimants' Equity was \$239,136,303.

8. Claim Report: Section 2.2(c)(ii) of the Trust Agreement provides that along
with the Audited Financial Statements, the Trust shall file with the Court a report containing a

1 summary regarding the number and type of claims disposed of during the period covered by the
2 financial statements. The Plant Asbestos Settlement Trust Claim Report As Of December 31, 2015
3 (“Claim Report”), is attached hereto as Exhibit “B”. During the Accounting Period, the Trust
4 received 663 claims, paid 16 claims, and made settlement offers on 35 claims. Since the Trust
5 received its first Trust Claim² on February 23, 2015, the Trust has received 1,038 Trust Claims, paid
6 16 Trust Claims, and one (1) Trust Claim has been withdrawn.³

7 Section 5.5 of the TDP provides that, “As soon as practicable after the Effective Date,
8 the Trust shall pay all Trust Claims that were liquidated by (i) a settlement agreement entered into
9 prior to the Petition Date for the particular claim, or (ii) a judgment of any kind entered on or before
10 October 15, 2007 (collectively, “Pre-Petition Liquidated Claims”). As of the date hereof, no Pre-
11 Petition Liquidated Claims have been submitted to the Trust for payment.

12 9. Public Inspection: In compliance with Section 2.2(c)(iii) of the Trust
13 Agreement, the Annual Report, including the Audited Financial Statements and Claim Report, has
14 been provided to the TAC, the Futures Representative, and the Office of the United States Trustee
15 with responsibility for the Northern District of California. The Trust filed the Annual Report,
16 including the Audited Financial Statements and Claim Report, with the Bankruptcy Court for the
17 Northern District of California. Accordingly, the Annual Report and all attached and related
18 documents are available for inspection by the public.

19 10. Trustees’ Meetings: Article II, Section 4 of the Trust Bylaws provides that the
20 Trustees shall meet in Nevada, or a state other than California, at least four times per year, as close
21 as practicable on a quarterly basis. The Trustees held five (5) meetings during the Accounting
22 Period (February 26-27, 2015, March 24, 2015, April 16, 2015, September 15, 2015, and November
23 19-20, 2015). The February, April, September and November meetings were held in Nevada, and
24 the March meeting was held in Arizona.

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² “Trust Claims” are any claims submitted to the Trust after the Effective Date.

28 ³ “Withdrawn Claims” include claims which are not qualified and/or claims with deficiencies that have not been cured
beyond a certain time period, and/or claims that have remained on hold beyond a certain time period.

1 11. Arbitrations: During the Accounting Period, no arbitrations were held
2 pursuant to Section 5.10 of the Trust Distribution Procedures.

3 12. Funds Received Ratio: Sections 2.3 and 4.2 of the TDP provide that the
4 Initial Funds Received Ratio will be set by the Trust, with the consent of the TAC and Futures
5 Representative, once the Trust has collected sufficient assets to make the expense and burden on
6 claimants of a distribution worthwhile. On February 26, 2015, the Trust, with the consent of the
7 TAC and Futures Representative, set the Initial Funds Received Ratio at 9%, based upon the analysis
8 and advice of the Trust's expert economist. Based upon further information provided to the Trust's
9 expert economist, the Funds Received Ratio was adjusted to 8.6% on September 15, 2015.

10 13. Disease Category Claims Payment Ratio: Section 2.5 of the TDP provides
11 that the Trust, with the consent of the TAC and Futures Representative, will set the Disease Category
12 Claims Payment Ratio for claims that were unliquidated as of the Petition Date. On March 24, 2015,
13 the Disease Category Claims Payment Ratio for "Category A" claims (malignant claims) was set at
14 88% and the Disease Category Claims Payment Ratio for "Category B" claims (non-malignant
15 claims) was set at 12% by the Trustees, in consultation with, and based upon the advice of, the
16 Trust' expert economist and with the consent of the TAC and Futures Representative.

17 14. Maximum Annual Payment: Section 2.4 of the TDP requires that the Trust
18 calculate an annual payment for claims based upon a model of the amount of cash flow anticipated
19 to be necessary over the entire life of the Trust to ensure that funds will be available to treat all
20 present and future claimants as similarly as possible. On March 24, 2015, the Maximum Annual
21 Payment for 2015 was set at \$81,100,000. On November 20, 2015, the Maximum Annual Payment
22 for 2016 was set at \$49,400,000, plus the amount of excess funds carried over from 2015, which
23 Section 2.5 of the TDP requires to be rolled over and remain dedicated to the respective Disease
24 Category (as such term is described in the TDP) to which they were originally allocated.

25 15. Section 5.4(d) of the TDP requires that all claims payments be adjusted for
26 inflation annually beginning with the calendar year after the Effective Date of the Trust. Prior to
27 2015, the Trust had not received nor paid any claims. Therefore, beginning in 2016, all claims
28 payments made during a calendar year will include a cost of living adjustment based upon the

1 Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical*
2 *Workers* (CPI-W) announced in January each year. At the November 20, 2015 meeting, the CPI-W
3 to be published in January 2016 was approved for use by the Trust in making the 2016 cost of living
4 adjustment for claims payments. The CPI-W of 0.4% was issued on January 20, 2016.
5 Consequently, all claims payments made during the 2016 calendar year will have an inflation rate of
6 0.4% added to the payment amount.

7 16. Budget and Cash Flow Projections: Section 2.2(d) of the Trust Agreement
8 requires the Trust to prepare a budget and cash flow projections prior to the commencement of each
9 fiscal year covering such fiscal year and the succeeding four fiscal years. The Trustees approved the
10 2016 budget and the required four-year budget and cash flow projections on November 20, 2015.
11 Pursuant to the Trust Agreement, these were provided to the TAC and Futures Representative. The
12 budget for operating expenses, including investment fees, in 2016 is \$2,077,663.⁴

13 17. Trust Facilities and Services Sharing Agreement with Western Asbestos
14 Settlement Trust: As initially described in the Trust's Second Annual Report, the Trust and Western
15 Asbestos Settlement Trust ("Western Trust") entered into a Trust Facilities and Services Sharing
16 Agreement. The Trust agreed to pay a negotiated monthly amount. Such arrangement was approved
17 by this Court in the order approving the Trust's Second Annual Report. As described in the Trust's
18 Third Annual Report, pursuant to the annual reconciliation of fees presented on February 27, 2015,
19 the Trust and the Western Trust set the advance payments at \$42,000 per month for 2015. Pursuant
20 to an interim reconciliation of fees presented on September 15, 2015, the Trust and the Western
21 Trust revised the advance payments to \$37,000 per month as of July 1, 2015. Pursuant to the annual
22 reconciliation of fees presented on February 18, 2016, the Trust and the Western Trust agreed that
23 the advance payments shall be \$44,000 per month for 2016. The total amount paid by the Trust to
24 the Western Trust, after accounts were reconciled for 2015, was \$472,304.

25 As described in the Trust's Third Annual Report, during the Accounting Period, the
26 Trusts each consulted with outside counsel concerning the continued viability and fairness of the
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⁴ This figure excludes claimant payments budgeted for \$49,400,000 and extraordinary legal fees budgeted for \$175,000.

1 Trust Facilities and Services Sharing Agreements by and between Western Trust and this Trust, and
2 based on advice of counsel, the Trust and the Western Trust determined that the formula and
3 methodology being used should continue and was fair to this Trust and the Western Trust.

4 18. Creation of Site List: As described in the Trust's Third Annual Report, the
5 Trust has been in the process of compiling site lists by reviewing records, as well as soliciting
6 assistance and information from claimants and their attorneys and from former counsel to and
7 employees of the Debtor. On April 16, 2015, the Preliminary Plant Asbestos Site List ("Preliminary
8 List") was approved and on September 15, 2015 and April 14, 2016, modifications to the
9 Preliminary List were approved. The Trust continues to review information that has been submitted
10 to the Trust with respect to locations where Plant Insulation Company's asbestos operations were
11 conducted. Some of this information has been submitted as supporting documentation specific to a
12 particular claimant when a claim is filed. The Trust has also obtained broad historical information
13 from other sources, including, but not limited to, Plant Insulation Company's business records. The
14 Trust has been working, and will continue to work, to identify and verify the historical information
15 regarding exposure sites and relevant dates that would have broader application than just a single
16 claimant. As the Trust becomes satisfied that it has sufficiently verified historical information about
17 the location and dates of Plant Insulation Company's asbestos operations, it will seek approval of
18 additional modifications to the Preliminary List.

19 19. Custodial Accounts: In November of 2012, the Trust established a custody
20 relationship and opened accounts with Wells Fargo Bank, N.A., to act as custodian for the Trust.

21 20. Settlement Fund: In February of 2013, the Settlement Fund was established at
22 Wells Fargo Bank, N.A. to pay valid claims.

23 21. Operating Fund: In August of 2014, the Operating Fund was established at
24 Wells Fargo Bank, N.A., to pay anticipated operating expenses of the Trust. During the Accounting
25 Period, transfers were made from the Settlement Fund to the Operating Fund to pay anticipated
26 operating expenses of the Trust.

27 22. Indemnity Fund (Self-Insured Retention): Section 4.6 of the Trust Agreement
28 provides that the Trust shall indemnify the Trustees, the Trust's officers and employees, the Futures

1 Representative, the TAC and each of their respective agents. The Trustees, the Futures
2 Representative, the TAC and their respective agents have a first priority lien upon the Trust's assets
3 to secure the payment of any amounts payable to them pursuant to Section 4.6.

4 In December of 2014, the Trust established an indemnity fund at Wells Fargo
5 Bank, N.A., in the amount of \$10,000,000 to provide liability coverage for the Trustees, the Futures
6 Representative and the TAC, and their agents to pay the expenses, costs and fees (including
7 attorneys' fees and costs) associated with defending any judicial, administrative, or arbitral
8 action, suit or proceeding.

9 23. Mandelbrot Law Firm and Michael J. Mandelbrot Settlement: As described in
10 the Trust's Third Annual Report, on January 23, 2014, the Trustees entered into an agreement with
11 the Mandelbrot Law Firm and its principal, Michael J. Mandelbrot (herein "Mandelbrot"), requiring
12 that Mandelbrot transfer all its pending claims to other counsel and cease "immediately" further
13 claims-filing activity with the Trust. This agreement was made on the record during a bench trial of
14 the J.T. Thorpe Trust and Thorpe Insulation Trust (collectively the "Thorpe Trusts") adversary
15 proceedings against Mandelbrot (*J.T. Thorpe Settlement Trust and Thorpe Insulation Company*
16 *Asbestos Settlement Trust*, U.S. Bankruptcy Court for the Central District of California Case No.
17 2:12-ap-02182BB) presided over by the Honorable Sheri Bluebond. The evidence produced during
18 pre-trial discovery, and in the trial before Judge Bluebond in January 2014, caused the Trustees of
19 this Trust to conclude that it was appropriate to bar Mandelbrot from submitting claims to this Trust,
20 i.e., to impose a similar limitation with regard to this Trust that the Thorpe Trusts had imposed on
21 Mandelbrot in mid-2013. In the stipulation, Mandelbrot agreed, among other things, that the Thorpe
22 Trusts' decision to stop accepting further evidence from Mandelbrot in 2013 was reasonable and,
23 further, that it was reasonable for this Trust to take similar action now and bar Mandelbrot from
24 submitting claims to this Trust. Accordingly, this Trust joined the stipulation and since has acted in
25 conformity with its terms.

26 However, after making the stipulation, Mandelbrot's trial counsel was substituted out
27 as counsel, and Mandelbrot disavowed the agreement and unsuccessfully challenged its validity in
28

1 Judge Bluebond's court. After further hearings, Judge Bluebond entered judgment reaffirming the
2 validity and enforceability of the agreement (the "Judgment and Order").

3 Mandelbrot filed a Motion to Stay Enforcement of the Judgment and Order Following
4 Trial. On May 27, 2014, Judge Bluebond of the U.S. Bankruptcy Court for the Central District of
5 California heard and denied Mandelbrot's motion to stay enforcement of the judgment and order
6 following trial. Thereafter, in early June 2014, Mandelbrot appealed the Judgment and Order and
7 filed a motion to stay enforcement of the judgment and order pending appeal before the Honorable
8 Virginia A. Phillips of the United States District Court for the Central District of California, who has
9 been assigned to hear Mandelbrot's appeal of the Judgment and Order. Prior to the hearing on the
10 motion, which was scheduled for July 7, 2014, Judge Phillips denied Mandelbrot's motion on the
11 grounds that Mandelbrot had failed to meet the burden of establishing an abuse of discretion by the
12 Bankruptcy Court in denying the requested stay.

13 Thereafter, on June 18, 2014, and pursuant to a briefing schedule established by the
14 United States District Court, Mandelbrot filed a District Court brief. Briefing on Mandelbrot's
15 appeal was completed on July 15, 2014, and on September 3, 2015, Judge Phillips affirmed the
16 Bankruptcy Court's Judgment and Order. On September 17, 2015, Mandelbrot filed a notice of
17 appeal with the United States Court of Appeals for the Ninth Circuit. Mandelbrot filed an opening
18 brief in late January 2016 and the Trusts filed their responsive brief on February 26, 2016.
19 Mandelbrot filed a reply brief on April 7, 2016. It is anticipated that oral argument will occur
20 sometime in the first quarter of 2017.

21 As a result of the stipulation, and consistent with its terms, the Trust is not accepting
22 claims from Mandelbrot. The Trust believes it is obligated to advise claims filers that Mandelbrot is
23 not permitted to file claims with the Trust and on March 6, 2015, posted such a notification on its
24 Web site. However, the Trust has been informed that Mandelbrot's Web site has continued to
25 publish allegations of Trust fiduciary misconduct similar in tone to those adjudicated before the U.S.
26 Bankruptcy Court for the Central District of California and to include the Trust in lists of asbestos
27 trusts with which Mandelbrot files claims despite the Judgment and Order precluding Mandelbrot
28 from filing claims with the Trust.

1 Recently, it has come to the Trust's attention that Mandelbrot also alleged that
2 members of the Trust Advisory Committee, because of that appointment, have a fiduciary duty to
3 disclose their attorney work product regarding evidence of product identification related to Plant.
4 The Trust has not understood fiduciary responsibilities to require disclosure of attorney work
5 product but has requested and received from various plaintiffs' counsel including Trust Advisory
6 Committee members evidence those counsel were willing to provide as described in paragraph 18,
7 *supra*.

8 24. Amendments to the Trust Documents: On September 15, 2015, section 4.5(a)
9 of the Trust Agreement was amended to adjust the managing trustee's hourly rate of compensation.
10 A copy of the Fifth Amended and Completely Restated Plant Insulation Company Asbestos
11 Settlement Trust Agreement is included in the Appendix filed herewith.

12 25. Notifications to Beneficiaries: During the Accounting Period and,
13 additionally, from January 1, 2016 to and including April 15, 2016, the following notifications were
14 placed on the Trust's Web site:

- 15 a. Notification of acceptance of paper claims submissions (posted
16 February 23, 2015);
- 17 b. Notice regarding compliance with court order in settlement with
18 Mandelbrot Law Firm and Michael J. Mandelbrot (posted March 6, 2015);
- 19 c. Notification of Initial Funds Received Ratio (posted March 12, 2015);
- 20 d. Notice of timing of requests for consideration at September 2015
21 meeting (posted April 17, 2015);
- 22 e. Notice of hearing on the Trust's Third Annual Report and Accounting
23 (posted April 30, 2015);
- 24 f. Notice regarding preliminary site list (posted May 7, 2015);
- 25 g. Notice of updated hearing time on the Trust's Third Annual Report
26 and Accounting (posted May 11, 2015);
- 27 h. Notice regarding new Web based claims processing system (posted
28 May 13, 2015);

1 i. Notice regarding submitting Pre-Petition Liquidated Claims for
2 processing by the Trust (posted May 14, 2015);

3 j. Notice of posting amended Trust Agreement (posted September 28,
4 2015);

5 k. Notice regarding Funds Received Ratio adjustment and claims
6 processing (posted December 14, 2015); and

7 l. Notice of timing of requests for consideration at Trustees' meetings
8 (posted March 4, 2016).

9 26. Claims Processing System Development: As described in the Trust's Third
10 Annual Report, in 2014, the Trust entered into a contract with an outside vendor to develop an
11 updated claims processing system and move to a new platform. In December of 2015, development
12 of the system was sufficient for the Trust to begin processing claims utilizing the new Web based
13 platform.

14 27. Trustees' Compensation: Section 4.5(c) of the Trust Agreement requires the
15 Trust to report the amounts paid to the Trustees for compensation and expenses. During the
16 Accounting Period, the Trustees each received per annum compensation in the amount \$40,120. The
17 total paid to all Trustees for hourly compensation and for reimbursement of expenses was \$111,362
18 and \$2,917, respectively.

19 28. Significant Vendors: Although the Trust has many vendors, those who were
20 paid more than \$100,000 during the Accounting Period are listed alphabetically below:

21 a. Aon Risk Insurance Services West, Inc.: D&O/E&O insurance
22 carrier;

23 b. Analysis Research Planning Corporation ("ARPC"): Dr. Vasquez of
24 ARPC acts as the expert professional with whom the Trustees consult;

25 c. Fergus, a Law Office: Counsel to the Honorable Charles Renfrew,
26 Futures Representative;

27 d. Hon. Charles B. Renfrew: Futures Representative;
28

1 e. Sheppard Mullin Richter & Hampton LLP: Counsel to the Trust
2 Advisory Committee; and

3 f. Western Asbestos Settlement Trust for shared services pursuant to the
4 Trust Facilities and Services Sharing Agreement, as described in paragraph 17, *supra*.

5 29. Trust Investment Management: Article 3 of the Trust Agreement authorizes
6 the Trust to administer the investment of funds in the manner in which individuals of ordinary
7 prudence, discretion and judgment would act in the management of their own affairs, subject to
8 certain limitations. As described in the Trust's Third Annual Report, during the Accounting Period,
9 Callan & Associates was engaged as the Trust's investment consultant, and Harding Loevner, LP,
10 Segall Bryant & Hamill, Standish Mellon Asset Management Company, LLC, State Street Global
11 Advisors, and Westwood Management Corporation were engaged to act as the Trust's investment
12 managers. The Trust's Investment Policy Statement was approved on February 27, 2015 and
13 amended on February 18, 2016, copies of which are included in the Appendix filed herewith. The
14 Trust closely monitors any market volatility with its investment advisors and continues to be in
15 compliance with its Investment Policy Statement.

16 ***

17 The Trustees submit that the Annual Report and attached exhibits demonstrate the
18 Trust acted prudently and expeditiously in executing its legal obligations during the Accounting
19 Period and up to and including the date hereof. The Trust conscientiously worked to execute
20 equitable claims procedures and process Trust Claims with due diligence during the Accounting
21 Period and up to and including the date hereof. Moreover, the Trust worked with its accountants and
22 financial advisors to preserve and grow Trust assets in order to fulfill the purpose of the Trust--
23 paying valid asbestos claims. In so doing, the Trust carefully complied with all Plan documents and
24 the mandates of this Court.

EXHIBIT A



Financial Statements and Report of Independent
Certified Public Accountants

Plant Asbestos Settlement Trust

December 31, 2015 and 2014

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Report of Independent Certified Public Accountants

Trustees
Plant Asbestos Settlement Trust

We have audited the accompanying financial statements of Plant Asbestos Settlement Trust, (“the Trust”), which comprise the statements of net claimants’ equity as of December 31, 2015 and 2014, and the related statements of change in net claimants’ equity and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Trust’s other basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net claimants' equity of Plant Asbestos Settlement Trust as of December 31, 2015 and 2014, and the changes in net claimants' equity and cash flows for the years then ended, in accordance with the Trust's other basis of accounting.

Basis of accounting

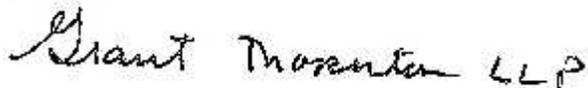
We draw attention to Note A.2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the Trust's other basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses for the years ended December 31, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on use

Our report is intended solely for the information and use of the management of the Trust and Trustees, the beneficiaries of the Trust, the Future Representative, the Future Counsel, the members of the Trust Advisory Committee, and the United States Bankruptcy Court for the Northern District of California, San Francisco Division and is not intended to be and should not be used by anyone other than these specified parties.



Reno, Nevada
April 14, 2016

Plant Asbestos Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2015	2014
ASSETS		
Cash, cash equivalents and investments		
Available-for-sale		
Restricted	\$ 10,000,000	\$ -
Unrestricted	218,942,433	223,528,338
	228,942,433	223,528,338
Accrued interest and dividend receivables	324,631	27,643
Deferred tax asset	17,488,000	24,089,000
Investment in recognized debtor	-	2,000,000
	\$ 246,755,064	\$ 249,644,981
LIABILITIES		
Accrued expenses	\$ 147,170	\$ 153,993
Claims processing deposits	177,250	-
Pending claimant carveout	6,270,000	6,270,000
Outstanding settlement offers	496,341	-
Facility and staff sharing agreement payable	528,000	408,000
	\$ 7,618,761	\$ 6,831,993
Total liabilities		
NET CLAIMANTS' EQUITY	\$ 239,136,303	\$ 242,812,988

The accompanying notes are an integral part of these statements.

Plant Asbestos Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

Years ended December 31,

	2015	2014
Net claimants' equity, beginning of year	\$ 242,812,988	\$ 5,020,946
Additions to net claimants' equity		
Initial funding	9,902,745	278,667,207
Investment income	1,356,664	54,009
Deferred lawsuit claim obligation	-	255,000
Benefit for income taxes, deferred	-	22,715,000
Total additions	11,259,409	301,691,216
Deductions from net claimants' equity		
Operating expenses	3,970,307	57,401,174
Claimant carveout	-	6,270,000
Provision for income taxes, deferred	6,601,000	-
Net realized and unrealized losses on available-for-sale securities	3,146,990	-
Increase in Trust offers outstanding	496,341	-
Trust claims paid	601,456	-
Net increase in facility and staff sharing agreement	120,000	228,000
Total deductions	14,936,094	63,899,174
Net claimants' equity, end of year	\$ 239,136,303	\$ 242,812,988

The accompanying notes are an integral part of these statements.

Plant Asbestos Settlement Trust
STATEMENTS OF CASH FLOWS

Years ended December 31,

	2015	2014
Cash inflows:		
Initial funding	\$ 10,602,745	\$ 278,667,207
Investment income receipts	1,059,676	26,366
Increase in claims processing deposit	177,250	-
Total cash inflows	11,839,671	278,693,573
Cash outflows:		
Claim payments made	601,456	-
Net realized losses on available-for-sale securities	467,072	-
Disbursements for Trust operating expenses	3,977,130	57,646,078
Total cash outflows	5,045,658	57,646,078
Non-cash changes:		
Net unrealized losses on available-for-sale securities	(1,379,918)	-
Total non-cash changes	(1,379,918)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,414,095	221,047,495
Cash and cash equivalents, beginning of year	223,528,338	2,480,843
Cash and cash equivalents, end of year	\$ 228,942,433	\$ 223,528,338

The accompanying notes are an integral part of these statements.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

Plant Asbestos Settlement Trust (the Trust), organized pursuant to the laws of the state of Nevada with its office in Reno, Nevada, was established pursuant to the Plant Insulation Company (the “Debtor”) Amended and Restated Second Amended Plan of Reorganization (the “Plan”), as modified, dated November 20, 2013. The Trust was formed to assume the Debtor’s liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, for which the Debtor has legal responsibility; liquidate, resolve, pay and satisfy all valid asbestos-related claims in accordance with the Plan, preserve, hold, manage and maximize the Trust assets for use in paying and satisfying allowed asbestos-related claims, prosecute, settle and manage the disposition of the asbestos in-place insurance coverage, and prosecute, settle and manage asbestos insurance coverage actions. Upon the Plan’s Effective Date of November 16, 2012, the Trust assumed liability for existing and future asbestos related claims against the Debtor. The Trust’s Modified Effective Date is September 15, 2014.

The Trust was initially funded with cash, a note receivable and insurance settlement proceeds. The Trust’s funding is dedicated solely to the settlement of asbestos related claims and the related costs thereto, as defined in the Plan.

The Trust processes and pays all asbestos related claims in accordance with the Plant Asbestos Settlement Trust Agreement, as amended and restated, the Case Valuation Matrix, as amended and restated, (Matrix) and Trust Distribution Procedures, as amended and restated, (TDP) (collectively, the Trust Documents).

2. Special-Purpose Accounting Methods

The Trust’s financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future claims. These special-purpose accounting methods are as follows:

- The financial statements are prepared using the accrual basis of accounting, as modified below.
- The funding received from Plant Insulation Company and its liability insurers is recorded directly to net claimants’ equity. These funds do not represent income of the Trust. Offers for asbestos related claims are reported as deductions from net claimants’ equity and do not represent expenses of the Trust.
- Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed when incurred. These costs include acquisition costs of computer hardware, software and software development.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Special-Purpose Accounting Methods - Continued

- Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum commitments outstanding at period end for non-cancelable obligations have been recorded as deductions from net claimants' equity.
- The liability for unpaid claims will be reflected in the statement of net claimants' equity and will represent settled but unpaid claims and outstanding offers. A claims liability will be recorded once an offer is made to the claimant at the amount equal to the expected pro rata payment. No liability will be recorded for future claim filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.
- Available-for-sale securities are recorded at fair value, excluding any securities issued by the Reorganized Debtor which was recorded at cost, since no fair value was available. All interest and dividend income on available-for-sale securities is included in investment income on the statements of changes in net claimants' equity. Net realized and unrealized gains and losses on available-for-sale securities are recorded as separate components on the statement of changes in net claimants' equity.
- Realized gains/losses on available-for-sale securities are recorded based on the security's amortized cost. At the time a security is sold, all previously recorded unrealized gains/losses are reversed and recorded net, as a component of other unrealized gains/losses in the statement of changes in net claimants' equity.

3. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and cash invested in money market funds.

4. Investments

Fair value measurements are determined through the use of an independent, nationally recognized pricing service. For securities that have quoted prices in active markets, market quotations are provided. For securities that do not trade on a daily basis, the pricing service provides fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. The Trust reviews on an ongoing basis the reasonableness of the methodologies used by the pricing service, as well as determines the aggregate portfolio price performance and reviews it against applicable indices.

5. Deposits

Claims processing deposits represent filing fees collected for each unliquidated claim, which fees are refunded by the Trust if the claim is paid.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Use of Estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates.

7. Concentration of Risk

Financial instruments that potentially subject the Trust to concentrations of risk consist of cash and cash equivalents. Cash equivalents consist of money market accounts. Cash equivalents and demand deposits are in excess of Federal Deposit Insurance Corporation limits.

The Trust utilizes risk controls to meet investment objectives authorized by its Trustees. Such risk controls include the use of outside investment advisors meeting predetermined criteria, and third-party quantitative and qualitative risk measurement evaluation tools. The Trust believes its risk control practices are appropriate to meet investment objectives.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

8. Income Taxes

The Trust's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2015, the Trust did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor did it incur any interest and penalties expense with any unrecognized tax benefits for the year then ended. The Trust is unaware of information concerning any tax positions for which a material change in the unrecognized tax benefit or liability is reasonably possible within the next twelve months. The Trust files income tax returns in the United States. Although the Trust owes no tax to the State of California, it files an annual tax return in California reporting no taxable income or tax owed. The Trust is no longer subject to United States federal tax or state examinations before 2013.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Trust has classified its investments as available-for-sale, and recorded the securities at estimated fair value, as follows:

	December 31, 2015	
	Cost	Fair Value
<u>Restricted</u>		
Cash equivalents	\$ 412,232	\$ 412,232
U.S. Government obligations	5,002,172	4,952,321
Municipal bonds	52,916	52,717
Asset backed securities	470,910	468,418
Corporate and other debt	4,182,015	4,114,312
	\$ 10,120,245	\$ 10,000,000
 <u>Unrestricted</u>		
Cash demand deposits	\$ 494,670	\$ 494,670
Cash equivalents	153,414,547	153,414,548
Equity securities	25,537,397	24,849,865
U.S. Government obligations	19,898,128	19,696,024
Municipal bonds	813,618	810,992
Asset backed securities	4,121,028	4,081,639
Corporate and other debt	15,933,147	15,594,695
	\$ 220,212,535	\$ 218,942,433
	December 31, 2014	
	Cost	Fair Value
<u>Unrestricted</u>		
Cash demand deposit	\$ 428,849	\$ 428,849
Cash equivalents	223,099,489	223,099,489
	\$ 223,528,338	\$ 223,528,338

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust accounts for investments according to a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Trust's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 - Valuations based on models where significant inputs are not observable, and for which the determination of fair value requires significant management judgment or estimation. The Trust does not hold any Level 3 investments as of December 31, 2015 and 2014.

Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Trust accounts, were as follows at:

	December 31, 2015	
	Level 1	Level 2
<u>Assets</u>		
Cash demand deposits	\$ 494,670	\$ -
Cash equivalents	153,826,780	-
Equity securities	24,849,865	-
U.S. Government obligations	8,160,731	16,487,614
Municipal bonds	-	863,709
Asset-backed securities	-	4,550,057
Corporate and other debt	19,709,007	-
	\$ 207,041,053	\$ 21,901,380

	December 31, 2014
	Level 1
<u>Assets</u>	
Cash demand deposits	\$ 428,849
Cash equivalents	223,099,489
	\$ 223,528,338

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust's policy is to recognize transfers in and out of levels within the fair value hierarchy at the actual date the event or change in circumstance caused the transfer. Between the measurement dates of December 31, 2014 and December 31, 2015, no securities were transferred between Level 1 and Level 2.

The maturities of the Trust's available-for-sale securities at market value are as follows as of December 31, 2015:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. Government obligations	\$ 704,278	\$ 8,263,697	\$ 3,774,319	\$ 11,906,051
Municipal bonds	-	606,874	256,835	-
Asset backed securities	-	2,405,397	890,675	1,253,985
Corporate debt	818,802	10,750,461	7,290,188	849,556
	<u>\$ 1,523,080</u>	<u>\$ 22,026,429</u>	<u>\$ 12,212,017</u>	<u>\$ 14,009,592</u>

NOTE C - FIXED ASSETS

The cost of non-income producing assets that will be exhausted during the life of the Trust and are not available for satisfying claims are expensed as incurred. Since inception, the cost of fixed assets expensed, net of disposals, includes:

Acquisition of computer hardware and software	<u>\$ 178,285</u>
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These items have not been recorded as assets, but rather as operating expenses and direct deductions from net claimants' equity in the accompanying financial statements. The cost of fixed assets that were expensed during the years ended December 31, 2015 and 2014 were \$117,802 and \$60,483, respectively.

Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately \$6,500 and \$1,400 for the years ended December 31, 2015 and 2014, respectively.

NOTE D - CLAIM LIABILITIES

The Trust distinguishes between claims that were resolved prior to the establishment of the Trust (Pre-Confirmation Liquidated Claims) and claims received and processed using the Trust Procedures after the creation of the Trust (Trust Claims).

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE D - CLAIM LIABILITIES - Continued

The cases underlying the Pre-Confirmation Liquidated Claims were stayed by the court until the Plan was approved. The Trust approved procedures and immediately arranged to pay, subject to receiving a claimant release, the approved Payment Percentage of the liquidated value of each Pre-Confirmation Liquidated Claim.

For all claims, a liability for unpaid claims is recorded at the time the offer is extended and the release authorization is mailed. Funds are mailed after the approved release is signed, received, and approved by the Trust. Unpaid claims liabilities remain on the Trust's books until the offer is accepted, rejected, withdrawn or expires after six months. Offers may be extended an additional six months upon written request and good cause. During the year ended December 31, 2015, there were no expired offers.

All claimants are entitled to the full liquidated value of their claim. Under the TDP, claimants receive an initial pro rata payment equal to the approved Payment Percentage of the claim's liquidated value. The remaining obligation for the unpaid portion of the liquidated amount is not recorded, and is not a liability of the Trust, unless the Payment Percentage is increased. In that instance, the Trust would be obligated to retroactively pay the increased percentage to all previously paid claimants (see Note I).

In the interest of treating all claimants equitably in accordance with the Plan, the Trustees have recommended that all payments made during the calendar year ended December 31, 2015 include a cost of Living Adjustment for inflation based on the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W). Claims liabilities at year end are adjusted for any approved Inflation Adjustment. Inflation Adjustments are cumulative. Cumulative Inflation Adjustment of 0.40% is included in outstanding claims liabilities as of December 31, 2015.

The Trust processed and approved \$1,097,797 of Trust Claims during the year ended December 31, 2015.

NOTE E - LAWSUIT CLAIM OBLIGATION

Pursuant to the Plan, the Trust entered into an agreement with Bayside. Under the agreement, and in exchange for monthly payments, Bayside was responsible for performing certain obligations related to processing and documenting claims filed in the tort system against non-settling insurers. The Trust incurred \$120,000 in claims obligations for the year ended December 31, 2014. The final payment was made on December 15, 2014.

NOTE F - PENDING CLAIMANT CARVEOUT

Pursuant to court orders, the Trust recorded a pending claimant carveout equal to 5.7% of settlements received from certain insurance carriers. These funds are to pay 149 claims filed prior to the effective date of the Trust.

NOTE G - LEGAL FEES - COVERAGE LITIGATION

For the years ended December 31, 2015 and 2014, the Trust incurred a total of \$1,500,000 and \$53,370,725, respectively, of contingent and hourly fees for coverage litigation.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE H - FACILITY AND STAFF SHARING AGREEMENT

The Trust has entered into a facilities and staff sharing agreement with the Western Asbestos Settlement Trust, (the Western Trust). The two trusts are related through common trustees. Under the agreement, and in exchange for advance monthly payments, the Western Trust provides use of its facilities and services relating to administration. The monthly payment of \$42,000 was in place from January 1, 2015 to June 30, 2015 and reduced to \$37,000 on July 1, 2015 through December 31, 2015 and \$30,000 was in place for 2014; and provisions allow for automatic renewal for additional one-year periods unless either party provides written notice. The amounts of advance monthly payments are agreed upon between the trusts from time to time. As of December 31, 2015, the equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Western Trust. Any excess of cost over payments or payments over cost is required to be repaid by the benefited party with interest. The reconciliation is performed and recorded in the period subsequent to the reconciliation period. The reconciliation for the years ended December 31, 2015 and 2014 resulted in a refund due to the Trust of approximately \$1,700 and an additional payment to the Western Trust of approximately \$112,000, respectively. The monthly payment for 2016 was increased to \$44,000. The future payments under this agreement have been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE I - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan confirmed by the United States Bankruptcy Court for the Northern District of California, San Francisco Division. The TDP was adopted pursuant to the Plan and concurrently with the Trust Agreement. It is designed to provide fair and equitable treatment for all Trust claims that may presently exist or may arise in the future. The TDP prescribes certain procedures for distributing the Trust's limited assets, including pro rata payments and initial determination of claim value based on scheduled disease values, and individual factual information concerning each claimant as set forth in the Trust Documents.

Under the TDP, the Trust forecasts its anticipated annual sources and uses of cash until the last projected future claim has been paid. A pro rata Funds Received Ratio is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

The Trustees, with the consent of the Trust Advisory Committee ("TAC") and Futures Representative, set the Initial Funds Received Ratio at 8.6%, based upon the analysis and advice of the Trust's expert economist. The TDP requires the Trustees, with the consent of the TAC and the Futures Representative, to periodically review the Funds Received Ratio and, if appropriate, propose additional changes in the pro rata Funds Received Ratio based on updated assumptions regarding the Trust's future assets and liabilities and if appropriate, propose additional changes in the Funds Received Ratio.

NOTE J - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

To limit the high costs of director and officer liability insurance, and pursuant to the Trust Agreement, the Trust has elected to be partially self-insured and has established a segregated security fund of \$10 million. These funds are devoted exclusively to securing the obligations of the Trust to indemnify the former and current Trustees and officers, employees, agents and representatives of the Trust. The funds are held in a separate Trust bank account; and interest income accrues to the benefit of the Trust. As of December 31, 2015 and 2014, cash, cash equivalents and investments of \$10,000,000 were restricted for these purposes. In addition, the Trust has insurance policies providing \$5 million in coverage.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE K - INCOME TAXES

For federal income tax purposes, the Trust is taxed as a Qualified Settlement Fund (QSF). Income and expenses associated with the Trust are taxed in accordance with Section 468B of the Internal Revenue Code. The statutory income tax rate for the Trust is 39.6% for the years ended December 31, 2015 and 2014, respectively.

The Trust records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities.

The Trust has recorded a deferred tax asset of approximately \$17 million reflecting the benefit of approximately \$63 million in operating loss carryforwards, which expire in varying amounts between 2033 and 2036 and capital loss carryforwards of approximately \$467 thousand expiring in 2020. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. As of December 31, 2015, the Trust does not believe that all of the operating loss carryforwards will be utilized prior to their expiration due to reductions in future estimated earnings; accordingly, the Trust has recorded a valuation allowance of \$8,300,000.

The provision for income taxes consists of the following for the year and period ended December 31, 2015 and 2014:

	2015	2014
Federal income tax - current	\$ -	\$ -
Deferred income tax expense (benefit)	6,601,000	(22,715,000)
	\$ 6,601,000	\$(22,715,000)

The components of the deferred income tax asset, as presented in the statement of net claimants' equity consisted of the following at December 31:

	2015	2014
<u>Deferred tax asset (liability)</u>		
Operating loss carryforward	\$ 24,989,000	\$ 24,065,000
Capital loss carryforward	186,000	-
Fixed assets	67,000	24,000
Unrealized loss	546,000	-
	25,788,000	24,089,000
Valuation allowance	(8,300,000)	-
	\$ 17,488,000	\$ 24,089,000

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2015 and 2014

NOTE L - TRANSACTIONS WITH REORGANIZED DEBTOR

Pursuant to the Plan, the Trust invested \$2 million in the common stock of Bayside Insulation and Construction, Inc. ("Bayside"), the Reorganized Debtor, for an ownership percentage of 40%. Bayside has the right to purchase the shares back during the ten years subsequent to the effective date of the Plan at a purchase price of the principal amount paid for the shares by the Trust plus simple interest at 10% per year. Five years subsequent to the effective date of the Plan, the Trust has the right to require the Reorganized Debtor to repurchase the shares. The Trust recorded this investment at cost as an asset on the accompanying statement of net claimants' equity, in accordance with the Trust documents.

In addition, the Trust also received warrants to purchase up to 51% of Bayside's common stock, during the exercise period, which ends in 2022. The Plan documents authorize for a five-year secured, revolving loan to be made available to the Reorganized Debtor. In addition to producing audited financial statements and satisfying several conditions, the maximum amount that the Reorganized Debtor may borrow or have outstanding at any time is based on the eligible accounts receivable, as in a standard loan agreement of commercial banks. In accordance with the Plan documents, no amounts are recorded for these transactions as no cost were incurred.

On June 11, 2015, the Trust entered into an agreement with Bayside to return their shares and warrants in exchange for a note receivable for \$900,000, a portion of which is to repay borrowings on the revolving loan. As of December 31, 2015, approximately \$800,000 is outstanding.

NOTE M - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 14, 2016, the date the financial statements were available to be issued; no additional events were noted.

SUPPLEMENTAL INFORMATION

Plant Asbestos Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	<u>2015</u>	<u>2014</u>
Accounting	\$ 30,415	\$ 21,638
Administrative expense	-	74,202
Claims processing/claims system development	144,785	-
Contingency fees	1,500,000	53,370,725
Futures representative	280,060	990,582
Information technology support	20,509	12,618
Insurance	63,842	68,000
Interest expense	-	12,087
Investment expense	275,307	24,661
Lawsuit claim obligation	-	120,000
Legal fees	421,193	1,727,747
Professional fees	37,184	43,500
Site list research	103,102	27,291
Trust advisory committee	49,305	92,131
Trust facility and staff sharing expense	585,950	364,183
Trustee fees	256,752	344,649
Trustees professional	201,902	107,160
	<u>\$ 3,970,307</u>	<u>\$ 57,401,174</u>

EXHIBIT B

EXHIBIT "B"

Plant Asbestos Settlement Trust Claim Report As of December 31, 2015

This report is submitted pursuant to Section 2.2 (c)(ii) of the Fifth Amended and Completely Restated Plant Insulation Asbestos Settlement Trust Agreement, which requires the Trust to file with the Bankruptcy Court a summary of the number and type of claims disposed of during the time period covered by the financial statements ("Accounting Period"). The Trust is required to report on the Trust's processing of claims liquidated by settlement agreement entered into prior to the Petition Date for the particular claim or judgment of any kind entered on or before the Petition Date ("Pre-Petition Liquidated Claims") and claims received since the Effective Date of the Trust ("Trust Claims").

Pre-Petition Liquidated Claims

Section 5.5 of the TDP provides that, "As soon as practicable after the Effective Date, the Trust shall pay all Trust Claims that were liquidated by (i) a settlement agreement entered into prior to the Petition Date for the particular claim, or (ii) a judgment of any kind entered on or before October 15, 2007 (collectively, "Pre-Petition Liquidated Claims"). In May of 2015, the Trust requested plaintiffs' firms to submit any Pre-Petition Liquidated Claims and also placed a notification on its Web site. As of the date hereof, no Pre-Petition Liquidated Claims have been submitted to the Trust for payment.

Trust Claims

Claims received and disposed of from January 1, 2015, through December 31, 2015, in accordance with the Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Case Valuation Matrix ("Matrix") and First Amended and Completely Restated Plant Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP") are as set forth below.

The value of each compensable disease is determined by the Matrix and TDP. Claim compensation is adjusted for individual claimants based upon tort related individual characteristics including, but not limited to: age, marital status, dependents, medical specials, economic loss, and whether living at the time of commencement of litigation or filing the claim with the Trust. Each valid claim is awarded a total liquidated value. As of December 31, 2015, Trust Claims were paid at the approved Funds Received Ratio of 8.6%.

During the Accounting Period, 663 claims were received. In addition, offers were issued to 35 claimants. Further, 16 claims were paid.

Below is a summary of the number and type of claims disposed of (paid) in 2015.

Compensable Disease	Number of Claims
Lung Cancer	2
Mesothelioma	14
Total	16