IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
ACandS, Inc.,	)	Case No. 02-12687 (KG)
	)	
Debtor.	)	

ACANDS ASBESTOS SETTLEMENT TRUST'S NOTICE OF FILING OF ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

Pursuant to Article 5.1 of the Debtor's Second Plan of Reorganization and Section 2.2(c) of the ACandS Asbestos Settlement Trust Agreement (the "**Trust Agreement**"), the Trustee of the ACandS Asbestos Settlement Trust (the "**Trust**"), The Honorable Alfred M. Wolin (the "**Trustee**"), hereby gives notice of the filing of the Trust's Annual Report for the year ended December 31, 2018 (the "**Annual Report**"), a copy of which is attached hereto as Exhibit 1.

Consistent with Sections 2.2(c), 4.5(c), 5.6, and 6.5 of the Trust Agreement, the Annual Report includes a copy of the Trust's financial statements for the year ended December 31, 2018; the opinion and report from the independent auditors for the Trust; a summary of the number and type of claims disposed of during the year ended December 31, 2018; and a report of the total fees and expenses paid to the Trustee, the Trust Advisory Committee, and the Future Claimants' Representative for the year ended December 31, 2018. In addition, as required by Section 2.2(c)(i) of the Trust Agreement, a copy of the Annual Report has been provided to the Trust Advisory Committee and the Future Claimants' Representative. Last, pursuant to Section 2.2(c)(iii) of the Trust Agreement, this report is available for inspection by the public through the records of the Bankruptcy Court, and a copy has been provided to the office of the United States Trustee for the District of Delaware.

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Dated: April 30, 2019

Respectfully submitted,

MORRIS JAMES LLP

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EXHIBIT 1

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ACANDS Asbestos Settlement Trust

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

Pursuant to Article 5.1 of the Debtor's Second Plan of Reorganization (the "**Plan**") and Section 2.2(c) of the ACandS Asbestos Settlement Trust Agreement (the "**Trust Agreement**"), the Trustee of the ACandS Asbestos Settlement Trust (the "**Trust**"), The Honorable Alfred M. Wolin (the "**Trustee**"), makes the following Annual Report for the year ended December 31, 2018 (the "**Annual Report**").

A. Financial Statements

Section 2.2(c)(i) of the Trust Agreement requires the Annual Report to include the following:

> [F]inancial statements of the Trust (including, without limitation, a balance sheet of the Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustee and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles.

Attached as Exhibit 1.A is a copy of the ACandS Asbestos Settlement Trust Special Purpose Financial Statements (the "**Audited Financial Statements**") for the year ended December 31, 2018 (the "**Reporting Period**"). The auditor for the Trust, EisnerAmper LLP, has provided an opinion regarding the fairness of the financial statements' presentation and their conformity with generally accepted accounting principles. The auditor's opinion expressly provides that it is intended for the use of this Court.

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B. Claims Summary

Section 2.2(c)(ii) of the Trust Agreement requires the Annual Report to include a summary regarding the number and type of claims disposed of during the period covered by the financial statements. Verus Claims Services, LLC, acts as the Trust's claims processing agent. Attached as Exhibit 1.B is a summary of claims processed and paid by the Trust in 2018. During the Reporting Period, the Trust received 27,654 claims, approved 14,471 claims, and paid 13,848 claims for a total aggregate amount of $24,142,004. An additional 17,072 claims were either rejected or withdrawn during the Reporting Period.

C. Trustee Fees

Section 4.5(c) of the Trust Agreement states that the Annual Report shall include a description of the amounts paid to the Trustee in 2018. The Audited Financial Statements attached as Exhibit 1.A set forth the amount paid in fees and expenses to the Trustee during the Reporting Period.[1]

D. Trust Advisory Committee Fees

Section 5.6 of the Trust Agreement provides that the Annual Report shall include a description of the amounts paid to the Trust Advisory Committee (the "**TAC**") in 2018. The Audited Financial Statements set forth the amount paid in fees and expenses to the TAC members during the Reporting Period.[2] The members of the TAC are Matthew Bergman, Brian O. Blevins, Jr., John D. Cooney, Steven Kazan, Joseph F. Rice, Armand J. Volta, Jr., and Perry Weitz.

[1] *See* Audited Financial Statements at 13.
[2] *Id.*

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E. Future Claimants' Representative Fees

Section 6.5 of the Trust Agreement provides that the Annual Report shall include a description of the amounts paid to the Future Claimants' Representative (the "**FCR**") in 2018. The Audited Financial Statements set forth the amount paid in fees and expenses to the FCR during the Reporting Period.[3] The FCR is Lawrence Fitzpatrick.

F. Trust Investments

The Trustee devoted significant efforts in 2018 managing the investment of the Trust's liquid assets. The Trustee met regularly with the Trust's investment manager, Brown Brothers Harriman & Co. (**"BBH"**). BBH manages the Trust's fixed income and equity investments.

Throughout the Reporting Period, the Trustee continued to retain the services of the Concord Advisory Group, Ltd. to provide advice on investment policies, asset allocation, liquidity management, and the Trust's selection and oversight of its investment manager.

G. Other

1. Amendment to the TDP

On May 9, 2018, the Trustee, with the consent of the TAC and FCR, adopted the Eighth Amendment to the TDP. This amendment to Section 6.3 of the TDP extends the time period from six months to one year by which a claimant must accept, reject, or initiate arbitration on the Trust's written offer on the claim before the claim will be considered withdrawn.

2. Dissolution of ACandS, Inc.

As previously reported, the dissolution ACandS, Inc. was completed on May 15, 2014 under Delaware law. The remaining assets of the Corporation were distributed to the Trust pursuant to a Plan of Distribution executed on May 12, 2017 by the President of ACandS, Inc. and the Trustee.

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[3] *Id.*

3. Payment Percentage

Pursuant to Section 4.2 of the Trust Distribution Procedures ("**TDP**"), the Trustee is required to reconsider the payment percentage at least once every three years. In 2011, the Trustee retained Ankura Consulting Company ("**Ankura**") to conduct an initial analysis of the payment percentage. Since that time, Ankura has continued to monitor factors affecting the payment percentage on behalf of the Trustee. During the Reporting Period, Ankura conducted the periodic analysis of the payment percentage as required by the TDP. No adjustment to the current payment percentage of 7.2% was recommended.

4. Civil Investigative Demand

In September 2018, the United States Department of Justice ("**DOJ**") served a Civil Investigative Demand ("**CID**") on the Trust pursuant to the False Claims Act. Several other asbestos trusts were served with almost identical demands. The stated focus of this CID is to determine whether the Medicare Program has been reimbursed in accordance with Medicare Secondary Payer Act for payments made by asbestos settlement trusts. The Trust has engaged counsel to assist it with its response to the CID.

5. Renewal of TAC Member Terms

The terms of TAC members Matthew P. Bergman, Bryan O. Blevins, Jr., and Steven Kazan expired on July 31, 2018. Each appointed himself for an additional five-year term in accordance with the Trust Agreement.

H. Meetings

In fulfillment of the meeting requirements contained in the Trust Agreement, during the Reporting Period the Trustee held quarterly meetings with the TAC, FCR, Trust counsel, and

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other Trust professionals on the following dates: February 6, 2018, May 22, 2018, September 25, 2018, and November 13, 2018.

I. Additional Information

For additional information regarding the Trust's financials or operations, please contact its General Counsel, Keating Muething & Klekamp PLL, One East Fourth Street, Suite 1400, Cincinnati, Ohio 45202, attention: Bethany P. Recht. Additional information is available on the Trust's website: http://www.acandsasbestostrust.com.

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Exhibit 1.A

Audited Financial Statements

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ACANDS ASBESTOS SETTLEMENT TRUST

SPECIAL-PURPOSE
FINANCIAL STATEMENTS

DECEMBER 31, 2018
(with independent auditors' report thereon)



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ACANDS ASBESTOS SETTLEMENT TRUST

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INDEPENDENT AUDITORS' REPORT

To the Trustee of
ACandS Asbestos Settlement Trust

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of ACandS Asbestos Settlement Trust (the "Trust"), which comprise the special-purpose statement of assets, liabilities and net claimants' equity as of December 31, 2018, and the related special-purpose statements of changes in net claimants' equity and cash flows for the year then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting as described in Note B; this includes determining that the special-purpose accounting methods adopted by the Trustee is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose 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 special-purpose financial statements based on our audit. We conducted our audit 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose 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 entity'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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and net claimants' equity of ACandS Asbestos Settlement Trust as of December 31, 2018, and its changes in net claimants' equity and its cash flows for the year then ended, in accordance with the special-purpose accounting methods described in Note B.



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Basis of Accounting

We draw attention to Note B of the special-purpose financial statements, which describes the basis of accounting. The financial statements are prepared using special-purpose accounting methods adopted by the Trustee, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust, and the United States Bankruptcy Court for the District of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
April 29, 2019

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ACANDS ASBESTOS SETTLEMENT TRUST

Special-Purpose Statement of Assets, Liabilities and Net Claimants' Equity
December 31, 2018

ASSETS	
Cash and cash equivalents	**$ 3,374,920**
Investments:	
Investments	**188,769,998**
Income receivable	**1,089,368**
Total investments	**189,859,366**
Other assets:	
Prepaid federal income taxes	**781,863**
Prepaid expenses and other assets	**45,515**
Total other assets	**827,378**
Total assets	**$194,061,664**
LIABILITIES AND NET CLAIMANTS' EQUITY	
Liabilities:	
Settled claims payable	**$ 5,471,754**
Accounts payable	**280,656**
Total liabilities	**5,752,410**
Net claimants' equity	**188,309,254**
Total net claimants' equity	**188,309,254**
Total liabilities and net claimants' equity	**$194,061,664**

The accompanying notes are an integral part of these special-purpose financial statements

ACANDS ASBESTOS SETTLEMENT TRUST

Special-Purpose Statement of Changes in Net Claimants' Equity
Year Ended December 31, 2018

Additions:	
Contributions - insurance	**$ 153,867**
Investment income, net:	
Interest and dividends income and accretion of fixed maturities, net	**6,651,636**
Realized gain on sale of securities, net	**4,381,151**
Change in net unrealized gain on investment securities	**(12,701,782)**
Total investment expense, net	**(1,668,995)**
Total additions	**(1,515,128)**
Deductions:	
Claims settled	**23,992,008**
Operating expenses	**1,785,741**
Investment advisory fees	**339,717**
Federal income tax	**1,573,767**
Total deductions	**27,691,233**
Net decrease in net claimants' equity	**(29,206,361)**
Net claimants' equity - beginning	**217,515,615**
Net claimants' equity - ending	**$ 188,309,254**

The accompanying notes are an integral part of these special-purpose financial statements

ACANDS ASBESTOS SETTLEMENT TRUST

Special-Purpose Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Net decrease in net claimants' equity	**$ (29,206,361)**
Adjustments to reconcile net decrease in net claimants' equity to net cash used in operating activities:	
Net realized gain on investment securities	**(4,381,151)**
Change in net unrealized gain on investment securities	**12,701,782**
Accretion of fixed maturities, net	**(580,468)**
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:	
Accrued interest on investment securities	**109,369**
Prepaid federal income taxes	**191,767**
Prepaid expenses and other assets	**-**
Settled claims payable	**44,322**
Accounts payable	**167,873**
Net cash used in operating activities	**(20,952,867)**
Cash flows from investing activities:	
Proceeds from sale of investments	**120,730,329**
Purchases of investments	**(97,321,514)**
Net cash provided by investing activities	**23,408,815**
Net increase in cash and cash equivalents	**2,455,948**
Cash and cash equivalents - beginning	**918,972**
Cash and cash equivalents - ending	**$ 3,374,920**
Supplemental disclosure:	
Federal income taxes paid	**$ 1,382,000**

The accompanying notes are an integral part of these special-purpose financial statements

ACANDS ASBESTOS SETTLEMENT TRUST

Notes to Special-Purpose Financial Statements
December 31, 2018

NOTE A - DESCRIPTION OF BUSINESS

ACandS Asbestos Settlement Trust (the "Trust"), organized pursuant to the laws of the State of Delaware, was established on July 31, 2008 pursuant to the Second Plan of Reorganization of ACandS, Inc. (the "Debtor"). The Trust is a "qualified settlement fund" pursuant to the meaning of Section 1.468B-1 et seq. to the Treasury Regulations promulgated under Section 468B of the Internal Revenue Code. The Trust will assume all Asbestos Personal Injury Claims (whether now existing or arising at any time hereafter) and use Trust assets to pay holders of such Asbestos Personal Injury Claims in accordance with the Asbestos Settlement Trust Agreement and the Asbestos Settlement Trust Distribution Procedures ("TDP").

In addition, the Trust satisfies the pre-petition bankruptcy claims in accordance with the Bankruptcy Code.

The Trust was initially funded with cash, rights to proceeds from asbestos insurance policies, insurance settlement rights, and 100% of the common stock of the Debtor post reorganization whose accounts had been consolidated in the special-purpose financial statements.

On May 15, 2014, the Trust filed a certificate of dissolution for the Debtor, with a statutory three-year wind down period. On May 15, 2017, the Debtor transferred all of its assets to the Trust.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustee which differ from accounting principles generally accepted in the United States of America ("GAAP"). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and related operating expenses of the Trust. Because the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount.

The special-purpose accounting methods include the following:

Net Claimants' Equity
Net claimants' equity represents funds available to pay asbestos and bankruptcy related claims that have been submitted but not processed or not yet submitted. Trust expenses are also paid from net claimants' equity. Under GAAP, net claimants' equity would be reduced for estimates of amounts to be paid for claims that have been submitted, but not processed or not yet submitted.

Claim Expense
Claims are expensed in the period in which the confirmed claims are settled. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

As stated within the TDP, in each year, the Trust shall be empowered to pay out all of the income earned during the year, together with a portion of its principal, calculated so that the application of Trust funds over its life shall correspond with the needs created by the estimated initial backlog of claims and the anticipated future flow of claims (the "Maximum Annual Payment"). The Trust's distributions to all claimants (excluding holders of Pre-Petition Liquidated Claims) for that year shall not exceed the Maximum Annual Payment determined for that year. The Maximum Annual Payment shall be allocated and used to satisfy all liquidated Trust Claims, subject to the Claims Payment Ratio.

Settled claims payable in the special-purpose statement of assets, liabilities and net claimants' equity reflects claims approved but unpaid at December 31, 2018.

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ACANDS ASBESTOS SETTLEMENT TRUST

Notes to Special-Purpose Financial Statements
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Basis of presentation: (continued)

Payment for Services
Payments for services to be received over an extended period in the future are expensed as paid since these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.

Unrealized Gains and Losses on Investment Securities
Net unrealized gains and losses relating to investment securities are recorded as a net addition or deduction in the special-purpose statement of changes in net claimants' equity. Under GAAP, these gains or losses would be recorded as a separate component of net claimants' equity as accumulated other comprehensive income.

[2] Use of estimates:

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

[3] Cash and cash equivalents:

The Trust maintains its cash, which at times may exceed federally insured limits, with financial institutions. The Trust has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk on cash.

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

[4] Investments:

The Trust's investment securities are used to satisfy claims and are carried at fair value. Net realized and unrealized gains and losses relating to investment securities are recorded as a net addition or deduction in the special-purpose statement of changes in net claimants' equity. Realized investment gains and losses on investment securities are recorded based on the security's original cost. Investment income is recognized when earned.

[5] Income taxes:

The Trust has elected to be treated as a Qualified Settlement Fund under the Internal Revenue Code and Regulations. As a result, the Trust is subject to federal income taxes based on modified gross income, which is exclusive of unrealized gains or losses and claims settled incurred during the year. In the opinion of management, the Trust is not subject to state income taxes, and therefore, the special-purpose financial statements do not include any provision or liability for state income taxes. However, federal income tax expense for the year ended December 31, 2018 was $1,573,767.

The Trust files income tax returns in the United States federal jurisdiction. Income tax returns filed prior to 2015 are closed under statute of limitations. There are no uncertain income tax positions taken by the Trust as of December 31, 2018 and no income tax-related interest or penalties have been accrued for 2018.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Fair value measurements:

The Trust values its investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 focuses on the price that would be received to sell the asset, which is referred to as the exit price. FASB ASC 820 provides guidance on how to measure fair value, when required, under existing accounting standards. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - Observable inputs that reflect quoted prices for identical assets in active markets that the Trust has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs reflecting the Trust's estimates of the assumptions that market participants would use in pricing the asset (including assumptions about risk).

The Trust has classified its investments in accordance with FASB ASC 820, as more fully disclosed in Note C.

NOTE C - INVESTMENTS

Investment securities carried at fair value as of December 31, 2018 are as follows:

	December 31, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity investments:				
Municipal bonds	$ 114,225,345	$ 6,527,389	$ -	$ 120,752,734
U.S. Treasury Bills	12,090,776	-	-	12,090,776
Corporate bonds	7,575,458	209,435	(7,752)	7,777,141
Asset-backed securities	2,079,859	-	(21,139)	2,058,720
Equities:				
Mutual funds	26,091,526	20,090,306	(91,205)	46,090,627
Total	$ 162,062,964	$ 26,827,130	$ (120,096)	$ 188,769,998

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ACANDS ASBESTOS SETTLEMENT TRUST

Notes to Special-Purpose Financial Statements
December 31, 2018

NOTE C - INVESTMENTS (CONTINUED)

The unrealized losses and fair values of investment securities in an unrealized loss position for less than twelve months and twelve months or longer as of December 31, 2018, are shown below:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturity investments:						
Corporate bonds	$ 466,614	$ 7,752	$ -	$ -	$ 466,614	$ 7,752
Asset-backed securities	-	-	2,058,720	21,139	2,058,720	21,139
Equities:						
Mutual funds	1,877,416	91,205	-	-	1,877,416	91,205
Total	$2,344,030	$ 98,957	$2,058,720	$ 21,139	$4,402,750	$ 120,096

The Trust held three securities that were in an unrealized loss position as of December 31, 2018, one of which had been in an unrealized loss position for a period of twelve months or longer.

The Trust regularly reviews the carrying value of its investments for declines that could be considered other-than-temporary. Continuous unrealized losses were primarily due to the impact of changes in the general level of interest rates rather than a decline in credit quality. The Trust does not consider these securities to be impaired on an other-than-temporary basis as of December 31, 2018.

Proceeds from sales of investment securities amounted to $120,730,329 in 2018. Gross gains and losses of $4,492,071 and $110,920, respectively, were realized on those sales during 2018.

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ACANDS ASBESTOS SETTLEMENT TRUST

Notes to Special-Purpose Financial Statements
December 31, 2018

NOTE C - INVESTMENTS (CONTINUED)

The estimated fair value of fixed maturity investments as of December 31, 2018 by contractual maturity are shown below:

Due in one year or less	
Municipal bonds	$ 2,185,769
U.S. Treasury Bills	12,090,776
Corporate bonds	-
Asset-backed securities	-
Total due in one year or less	14,276,545
Due after one year through five years	
Municipal bonds	17,980,575
U.S. Treasury Bills	-
Corporate bonds	6,492,147
Asset-backed securities	-
Total due after one year and through five years	24,472,722
Due after five years through ten years	
Municipal bonds	37,110,773
U.S. Treasury Bills	-
Corporate bonds	-
Asset-backed securities	2,058,720
Total due after five years and through ten years	39,169,493
Due after ten years	
Municipal bonds	63,475,617
U.S. Treasury Bills	-
Corporate bonds	1,284,994
Asset-backed securities	-
Total due after ten years	64,760,611
Total fixed maturity investments	
Municipal bonds	120,752,734
U.S. Treasury Bills	12,090,776
Corporate bonds	7,777,141
Asset-backed securities	2,058,720
Total fixed maturity investments	$ 142,679,371

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ACANDS ASBESTOS SETTLEMENT TRUST

Notes to Special-Purpose Financial Statements
December 31, 2018

NOTE C - INVESTMENTS (CONTINUED)

Investment securities held by the Trust are recorded at fair value in accordance with FASB ASC 820 as further described in Note B. The Trust measured fair value of these securities as of December 31, 2018 as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments:			
Municipal bonds	$ -	$ 120,752,734	$ -
U.S. Treasury Bills	-	12,090,776	-
Corporate bonds	-	7,777,141	-
Asset-backed securities	-	2,058,720	-
Equities:			
Mutual funds	46,090,627	-	-
	$ 46,090,627	$ 142,679,371	$ -

Major categories of the Trust's net investment income for the year ended December 31, 2018 are summarized as follows:

Interest income	$ 4,840,545
Dividends	1,230,623
Accretion of fixed maturities	580,468
Net investment income	$ 6,651,636

NOTE D - SETTLEMENTS RECEIVABLE

In 2010, the Trust entered into agreements with three insolvent London Market insurance companies (the "Insurers") to resolve the Insurers' obligations for claims submitted against the Debtor including Asbestos Personal Injury Claims and environmental liabilities. Pursuant to the terms of these agreements, the Trust agreed to release the Insurers from any current or future claims in exchange for settlement payments totaling approximately $1,530,000, of which the actual amounts to be collected by the Trust would be based upon a payment percentage as set forth in the respective Scheme of Arrangement as approved by the High Court of Justice of England and Wales (the "High Court").

As of December 31, 2018, the Trust has collected approximately $1,002,000 relating to these agreements; there were approximately $154,000 collected during the year ended December 31, 2018. Future amounts to be collected by the Trust are contingent upon an increase in payment percentages per the respective Scheme of Arrangement as approved by the High Court and are not estimable as of December 31, 2018, nor can collectability be assured. Furthermore, management does not expect the potential additional settlement funds to be significant to net claimants' equity. Based on this, no asset relating to these amounts has been recorded on the special-purpose statement of assets, liabilities and net claimants' equity as of December 31, 2018.

NOTE D - SETTLEMENTS RECEIVABLE (CONTINUED)

In August 2012, the Trust entered into an agreement with an insurance company in the course of liquidation (the "Liquidating Insurer") to resolve the Liquidating Insurer's obligations for claims submitted against the Debtor. Pursuant to the terms of the agreement, the Trust agreed to release the Liquidating Insurer from any further liability under the insurance policy in exchange for a settlement of $1,500,000, pursuant to California Insurance Code Section 1033. In November 2015, the Court overseeing the liquidation approved an initial payment of $900,000. The remaining $600,000 payment has not been approved by the Liquidator or the Court as of December 31, 2018 and, therefore, has not been accrued as a settlement receivable on the special-purpose statement of assets, liabilities and net claimants' equity as of December 31, 2018.

NOTE E - LIABILITY FOR ASBESTOS CLAIMS

Asbestos Personal Injury Claims that were settled but unpaid as of December 31, 2018 have been accrued and deducted from net claimants' equity. These amounts, totaling $5,471,754 as of December 31, 2018, have been included in settled claims payable on the special-purpose statement of assets, liabilities and net claimants' equity and settled claims on the special-purpose statement of changes in net claimants' equity for the year ended December 31, 2018.

The ultimate number and amount of future Asbestos Personal Injury Claims to be filed and the corresponding liability are not determinable at this time. Therefore, no liability relating to such claims has been recorded in the special-purpose financial statements as of December 31, 2018.

NOTE F - NET CLAIMANTS' EQUITY

The Trust 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 assets, including pro rata payments and initial determination of claim value based on scheduled diseases values, jurisdictions, and individual factual information concerning each claimant. 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 payment percentage is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

Based on research and testimony presented during the bankruptcy, the court approved an initial payment to claimants of 5.78% of the liquidated value of the then current and estimated future claims. The TDP gives the Trustees, with the consent of the Trust Advisory Committee and the Futures Representative, the power to periodically update its estimate of the payment percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose additional changes to the payment percentage. At December 31, 2018, the payment percentage was 7.2%.

NOTE G - ADMINISTRATIVE SERVICES AGREEMENTS

At inception, the Trust entered into services agreements with third-party administrators to provide administrative support and specialty services.

The Trust has an agreement with Verus, LLC ("Verus"), who provides the Trust with services for claims administration. Verus manages the claims process on behalf of the Trust. Fees paid to Verus amounted to $1,021,825 for the year ended December 31, 2018. The fees are included in operating expenses on the special-purpose statement of changes in net claimants' equity.

NOTE G - ADMINISTRATIVE SERVICES AGREEMENTS (CONTINUED)

The Trust has an agreement with Bederson, LLP ("Bederson") whereby Bederson provides accounting and tax services. Fees paid to Bederson amounted to $69,592 for the year ended December 31, 2018. The fees are included in operating expenses on the special-purpose statement of changes in net claimants' equity.

NOTE H - OPERATING EXPENSES

The components of operating expenses are as follows for the year ended December 31, 2018:

Claims consulting fees	$ 66,023
Claims processing fees	1,021,825
Insurance	46,300
Accounting and audit fees	112,972
Other	20,230
Trust general counsel	218,049
Future claims representative	12,533
Future claims representative attorney fees	30,239
TAC expenses	5,157
TAC attorney fees	90,503
Trustee fees	161,910
	$ 1,785,741

NOTE I - RISKS AND UNCERTAINTIES

The Trust invests in various investment securities which are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment security values balances and the amounts reported in the special-purpose statement of assets, liabilities and net claimants' equity.

NOTE J - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events that occurred between December 31, 2018 and April 29, 2019, which is the date the special-purpose financial statements were available to be issued.

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Exhibit 1.B

Claims Summary

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ACandS Asbestos Settlement Trust

Report of Asbestos Claim Activity and Disposition during Period from January 1, 2018 through December 31, 2018

Type of Claim	Number of Claims Filed	Number of Claims Approved for Payment	Number of Claims Withdrawn or Rejected	Liquidated Value of Approved Claims	Number of Approved Claims Paid	Amount Paid on Approved Claims after Application of Payment Percentage
Category A Claims (Disease Levels III – VII)	8,600	4,195	5,115	$272,898,738	3,867	$20,462,798
Category B Claims (Disease Levels I and II)	18,157	10,276	11,768	$49,577,940	9,981	$3,679,206
Unspecified Disease Level Claims	897	0	189	0	0	0
Total	27,654	14,471	17,072	$322,476,678	13,848	$24,142,004

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