IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF LOUISIANA

IN RE:	*	NUMBER
THE BABCOCK & WILCOX COMPANY,	*	00-10992
	*	SECTION "B"
DEBTOR(S)	*	CHAPTER 11
	*	REORGANIZATION
Jointly Administered With		
DIAMOND POWER INTERNATIONAL	*	00-10993
BABCOCK & WILCOX CONSTRUCTION	*	00-10994
AMERICON, INC.	*	00-10995

NOTICE OF FILING ANNUAL REPORT AND CLAIMS SUMMARY

The Babcock & Wilcox Company Asbestos Personal Injury Trust (the "Trust") hereby files its Audited Financial Statements for the fiscal year ending December 31, 2011 and an Annual Report for the period covered by the Audited Financial Statements. The Annual Report and Financial Statements are attached hereto as Exhibit 1.

Pursuant to the provisions of the Babcock & Wilcox Company Asbestos Personal Injury Trust Agreement, the Trust is providing copies of the Annual Report and the Financial Statements to the Trust Advisory Committee, the Legal Representative, the United States Trustee and the Reorganized Debtor.

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Date: April 30, 2012

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{D0220976.1 }

EXHIBIT 1

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF LOUISIANA

In re:	*	NUMBER
THE BABCOCK & WILCOX COMPANY,	*	00-10992
	*	SECTION "B"
DEBTOR(S)	*	CHAPTER 11
	*	REORGANIZATION

Jointly Administered With

DIAMOND POWER INTERNATIONAL	*	00-10993
BABCOCK & WILCOX CONSTRUCTION	*	00-10994
AMERICON, INC.	*	00-10995

ANNUAL REPORT AND ACCOUNT OF THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011

James J. McMonagle, Jack T. Marionneaux, and Philip A. Pahigian, the Trustees of the Babcock & Wilcox Company Asbestos Personal Injury Trust (the "Trust"), created pursuant to the Joint Plan of Reorganization as of September 28, 2005, as amended through January 17, 2006 (the "Plan") submit this Annual Report, Financial Statements, and Claims Summary for the fiscal year ended December 31, 2011.

I. INTRODUCTION

The purpose of this Annual Report is to comply with the reporting requirements of the Babcock & Wilcox Company Asbestos Personal Injury Trust Agreement (the "Trust Agreement") and to report to the Court on the actions taken by the Trustees on behalf of the `Trust during the period from January 1, 2011 to December 31, 2011 (the "Reporting Period").

Section 2.2(d) of the Trust Agreement provides:

> The Trustees shall timely account to the Bankruptcy Court as follows:
>
> (i) The Trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred and twenty (120) days following the end of each fiscal year, an annual report containing financial statements

Babcock & Wilcox Asbestos Trust Annual Reports, 2011 annual report Published by AsbestosClaims.Law
ACL Doc 13761 · Page 4 of 28 asbestosclaims.law/library/13761/4

> of the Asbestos PI Trust (including, without limitation, a balance sheet of the Asbestos PI 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 Trustees 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. The Trustees shall provide a copy of such report to the TAC, the FCR, and the Reorganized Debtors when such reports are filed with the Bankruptcy Court.
>
> (ii) Simultaneously with delivery of each set of financial statements referred to in Section 2.2(d)(i) above, the Trustees shall cause to be prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. The Trustees shall provide a copy of such report to the TAC, the FCR, and the Reorganized Debtors when such report is filed.
>
> (iii) All materials required to be filed with the Bankruptcy Court by this Section 2.2(d) shall be available for inspection by the public in accordance with procedures established by the Bankruptcy Court and shall be filed with the Office of the United States Trustee for the Eastern District of Louisiana.

The Trust Agreement further provides for the inclusion of a description of the amounts paid to the Trustees, Trust Advisory Committee (the "TAC"), and Future Claimants' Representative (the "FCR") in the accounts filed with the Bankruptcy Court. See Sections 4.5(c), 5.6, and 6.5.

II. BACKGROUND

On February 22, 2000, B&W, Americon, Diamond Power, and B&W Construction (the "Debtors") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code. The Chapter 11 cases were consolidated for procedural purposes and jointly administered pursuant to an order of the Court. On December 28, 2005, the United States Bankruptcy Court for the Eastern District of Louisiana (the "Bankruptcy Court") recommended confirmation of the

Plan in Consolidated Case Nos. 00-20992 through 00-10995. On January 17, 2006, the United States District Court for the Eastern District of Louisiana entered an order confirming the Plan. On February 22, 2006 (the "Effective Date"), the Plan became effective and the Trustees began to operate the Trust.

On the Effective Date, pursuant to the terms of the Plan, the Trust was funded with the McDermott Consideration, as that term is defined in the Plan. The purpose of the Trust is to assume the liabilities of the Debtors, their predecessors and successors in interest, arising from or related to Asbestos PI Trust Claims, as defined in the Plan, and to use the assets of the Trust to pay both present and future asbestos claimants in such a way that the holders of Asbestos PI Trust Claims are treated fairly. See Trust Agreement, Section 1.2.

III. TRUST ADMINISTRATION

A. Trustees

James J. McMonagle, Jack T. Marionneaux, and Philip A. Pahigian served as the Trustees of the Trust during the Reporting Period. Mr. McMonagle served as the Managing Trustee during the Reporting Period.

1. Meetings

During the Reporting Period, the Trustees held formal meetings in accordance with the requirements of the Trust Agreement. These meetings were designated as "regular meetings" under the Trust's By-laws. Each meeting was in person and was attended by representatives of the TAC and FCR. In addition to these formal meetings, the Trustees held regularly scheduled weekly teleconferences, met individually with Trust advisors, held executive sessions and special purpose meetings, including meeting to address Trust policies and claims processing matters and meetings with the Trust's investment advisor and investment managers, and devoted

considerable time to Trust matters outside of scheduled meetings. Activities included exercising oversight over the investment and liquidation of Trust assets to pay claims and the Trust's processes to receive, process, and pay claims pursuant to the Trust Distribution Procedures, communicating with claimants regarding the processing of claims, continual monitoring of the claims and investment processes and supervising various insurance related matters.

2. Compensation

The compensation and expenses paid to the Trustees during the Reporting Period is set forth in the Trust's financial statements attached hereto as Exhibit "A." The inclusion of this information in the Trust's financial statements satisfies the requirements of Section 4.5(c) of the Trust Agreement. All distributions related to Trustee compensation and expense reimbursements were made in accordance with the Trust Agreement guidelines and applicable By-laws.

B. Trust Officers

Analysis Research Planning Consulting ("ARPC") continued to serve as the Trust's Executive Director during the Reporting Period.

C. Trust Advisory Committee

Russell W. Budd, Steven Kazan, Peter A. Kraus, Mark C. Meyer, Joseph F. Rice and Perry Weitz served as Members of the TAC during the Reporting Period. The compensation and expenses paid to the Members of the TAC during the Reporting Period is set forth in the Trust's financial statements. The inclusion of this information in the Trust's financial statements satisfies the requirements of Section 5.6 of the Trust Agreement. All distributions related to compensation and expense reimbursements to Members of the TAC were made in accordance with the Trust Agreement guidelines and applicable By-laws.

D. Future Claimants' Representative

Eric D. Green served as the FCR during the Reporting Period. The compensation and expenses paid to the FCR during the Reporting Period is set forth in the Trust's financial statements. The inclusion of this information in the Trust's financial statements satisfies the requirements of Section 6.5 of the Trust Agreement. All distributions related to FCR compensation and expense reimbursements were made in accordance with the Trust Agreement guidelines and applicable By-laws.

E. Claims Processing

The Delaware Claims Processing Facility, LLC continues to process the Babcock & Wilcox Asbestos PI Trust Claims. The terms of the Trust's ownership interest in the Delaware Claims Processing Facility are detailed in the Audited Financial Statements.[1]

F. Investment Management

Cambridge Associates LLC of Boston, Massachusetts continues to serve as the Trust's investment advisor. Cambridge Associates represents other asbestos settlement trusts and has significant experience advising such trusts regarding investment management. Cambridge Associates advises the Trustees on asset allocation, meeting liquidity needs, and the selection and oversight of individual investment managers for the investable portions of the Trust's portfolio. The Trust's invested assets are allocated in compliance with the Trust's investment guidelines. At the end of the reporting period, the target allocation was as follows: 80% of the Trust's invested assets are committed to fixed income (20% is allocated to short-term municipal bonds and/or cash and 60% to intermediate-term municipal bonds; the remaining 20% of the Trust's invested assets are committed to equities (8% are allocated to U.S. equity managers and 12% are allocated to non-U.S. equity managers). The portfolio was largely in line with the target

[1] Audited Financial Statements at Note 3.

allocation at year-end 2011.

The Trust continues to retain the following managers: Sanderson Asset Management Limited, Northern Trust and Harding, Loevner Management as non-U.S. equity managers; Northern Trust as U.S. equity manager; Standish Mellon and Eaton Vance as intermediate-term municipal bond managers; and UBS as a short-term municipal bond manager. Northern Trust served as Custodian for the Trust's separately-managed investment accounts. The Trust's actively managed non-U.S. equity portfolios are invested through commingled vehicles that have a separate custodian (selected by the investment manager) for each of the respective vehicles. The Trust utilizes custodian accounts, wire transfers and zero-balance banking accounts to reduce its exposure to systemic banking system risk.

During the Reporting Period, the Trustees regularly met with Cambridge for updates and reports on the investments. In addition, in May 2011, the Trustees held an Annual Review meeting where they met with investment managers to review each organization, investment strategy, performance and market outlook for the upcoming year.

G. Insurance Coverage Matters

The Trust retained Gilbert LLP as Special Insurance Counsel to the Trust. Prior to the Effective Date of the Plan of Reorganization, the Debtors and other Plan Proponents reached settlement agreements with many of the Debtors' historical insurers that required the settling insurers to make cash payments to or for the benefit of the Trust. Certain of those agreements required the settling insurers to make payments into escrow accounts during the pendency of the bankruptcy case, and those escrow accounts were released to the Trust in the first quarter of 2006. Certain other settlement agreements required the insurers to pay settlement proceeds to the Trust after the Plan's Effective Date in 2006. Each year since the Plan Effective Date, the

Trust has received substantial payments from insurers, including in 2011. Although the Plan Proponents settled with many of the Debtors' insurers prior to the Plan's Effective Date, they did not settle with all of the Debtors' insurers. Accordingly, in 2006, the Trust initiated settlement discussions with several unsettled insurers, which continued through 2011. Many of those discussions now have been resolved. The Trust also has filed claims in the insolvency proceedings of several unsettled insurers. The Trust anticipates that its efforts to secure coverage from unsettled insurers will continue at least through 2012.

H. General Counsel

Campbell & Levine, LLC of Pittsburgh, Pennsylvania and Wilmington, Delaware continued to serve as general counsel to the Trust. Baldwin Haspel Burke & Mayer, LLC of New Orleans, Louisiana continued to serve as local counsel.

IV. ANNUAL REPORT AND ACCOUNT

A. Summary of Claims

As of December 31, 2011, the Trust had paid a total of 9,221 Pre-Petition Liquidated PI Trust Claims. Of the claims paid, there were 678 malignancy claims and 8,543 non-malignancy claims.[1] After application of the payment percentage and applicable sequencing adjustment, the Trust has paid approximately $62.1 million to asbestos victims in settlement of their Pre-Petition Liquidated PI Trust Claims. The malignant to nonmalignant ratio of the Pre-Petition Liquidated PI Trust Claims paid in number was 1/14 and the malignant to nonmalignant ratio of the Pre-Petition Liquidated Trust Claims in dollars paid was 1.1/1.

As of December 31, 2011, the Trust had received 471,034 Unliquidated PI Trust Claims and had paid a total of 210,678 claims. Of the claims paid, there were 47,598 malignancy claims

[1] Unknown disease diagnoses were allocated based on claim count.

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and 163,080 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust had paid approximately $1,403.24 million to asbestos victims in settlement of their Unliquidated PI Trust Claims. The malignant to nonmalignant ratio of the Unliquidated PI Trust Claims paid in number was 1/3.4 and the malignant to nonmalignant ratio of the Unliquidated Trust Claims in dollars paid was 2.9/1.

During the reporting period, the Trust paid a total of 43 Pre-Petition Liquidated PI Trust Claims. Of the claims paid, there were 4 malignancy claims and 39 non-malignancy claims.[2] After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $0.06 million to asbestos victims in settlement of their Pre-Petition Liquidated PI Trust Claims. The malignant to nonmalignant ratio of the Pre-Petition Liquidated PI Trust Claims paid in number was 1/10 and the malignant to nonmalignant ratio of the Pre-Petition Liquidated Trust Claims in dollars paid was 1/2.

During the reporting period, the Trust received 29,979 Unliquidated PI Trust Claims and paid a total of 30,830 claims. Of the claims paid, there were 7,123 malignancy claims and 23,707 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $115.3 million to asbestos victims in settlement of their Unliquidated PI Trust Claims. The malignant to nonmalignant ratio of the Unliquidated PI Trust Claims paid in number was 1/3 and the malignant to nonmalignant ratio of the Unliquidated Trust Claims in dollars paid was 3/1.

A summary of the claims processing procedures and policies may be found at the Trust website at www.bwasbestostrust.com.

B. Reconsideration of Payment Percentage

[2] Unknown disease diagnoses were allocated based on claim count.

Section 4.2 of the Trust Distribution Procedures requires that the Trustees reconsider the payment percentage if they deem such reconsideration to be appropriate in order, among other things, to assure that the Trust will be able to pay similarly situated current and future claimants as equitably as reasonably possible. On August 8, 2011, the Trust advised all claimants and counsel that the Trustees deem such reconsideration to be appropriate at that time.

As required by Section 4.2 of the Trust Distribution Procedures, the Trustees based their decision to propose a reduction in the payment percentage on current estimates of the number, types and values of present and future claims against the Trust, the value of assets currently available for claims payments, anticipated processing, administrative and legal expenses, and other material matters that the Trustees and their advisors considered to be reasonably likely to affect the sufficiency of the assets to pay a comparable percentage of full value to all holders of claims against the Trust.

During such reconsideration, the Trustees consulted with the TAC and the FCR of the Trust, whose consent to the payment percentage reduction is required by Section 2.2 (g)(i) of the Trust's Trust Agreement. After concluding the consultation and consent process, on December 21, 2011 the Trustees notified all claimants and counsel that, with the consent of the TAC and the FCR, the payment percentage applicable to the Trust was being reduced to 11.9%.

V. Financial Information

The Trust's audited financial statements for the Reporting Period are attached hereto as Exhibit "A." The financial statements were audited by Argy, Wiltse & Robinson, P.C.

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Date: April 30, 2012

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Counsel to the Babcock & Wilcox Company Asbestos Personal Injury Trust

AUDITED SPECIAL-PURPOSE
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

THE BABCOCK & WILCOX COMPANY
ASBESTOS PI TRUST

DECEMBER 31, 2011 AND 2010

THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

	Page
Independent Auditor's Report	1
Financial Statements	
Special-Purpose Statements of Assets, Liabilities and Net Assets Available for the Payment of Claims	2
Special-Purpose Statements of Changes in Net Assets Available for the Payment of Claims	3
Special-Purpose Statements of Cash Flows	4
Notes to the Special-Purpose Financial Statements	5 - 10
Supplemental Information	
Independent Auditor's Report on Supplemental Information	11
Supplemental Schedules of Operating Expenses	12

ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Trustees
The Babcock & Wilcox Company Asbestos PI Trust
Wilmington, Delaware

We have audited the accompanying special-purpose statements of assets, liabilities and net assets available for the payment of claims of The Babcock & Wilcox Company Asbestos PI Trust (the Trust) (a statutory Trust created under the laws of the State of Delaware) as of December 31, 2011 and 2010, and the related special-purpose statements of changes in net assets available for the payment of claims and special-purpose statements of cash flows for the years then ended. These special-purpose financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the special-purpose financial statements, these special-purpose financial statements were prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available for current and future claimants of the Trust.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with the special-purpose basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of the Trust, the Trustees, the Future Claimants' Representative, the Trust Advisory Committee, the beneficiaries of the Trust, and the United States Bankruptcy Court for the Eastern District of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 19, 2012

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THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS AVAILABLE FOR THE PAYMENT OF CLAIMS

DECEMBER 31, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 72,405,795	$ 63,927,361
Investments, at fair value		
Fixed income securities	477,537,229	513,263,362
Equity securities	136,488,959	164,090,984
Interest and other receivables	5,673,769	5,983,210
Income taxes receivable	3,875,139	3,875,139
Total assets	695,980,891	751,140,056
Liabilities		
Accrued expenses and accounts payable	710,353	554,267
Settled but unpaid claims	12,334,790	1,433,776
Total liabilities	13,045,143	1,988,043
Net assets available for the payment of claims	$ 682,935,748	$ 749,152,013

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

THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR THE PAYMENT OF CLAIMS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Additions		
Insurance recoveries	$ 21,567,124	$ 38,505,793
Net appreciation in fair value of investments	20,077,126	25,296,261
Interest and dividend income	17,643,116	20,842,934
Total additions	59,287,366	84,644,988
Deductions		
Personal injury claim expense	115,507,279	205,191,942
Operating expenses	6,697,082	8,315,326
Claims processing expenses	3,299,270	4,413,589
Total deductions	125,503,631	217,920,857
Decrease in net assets available for the payment of claims	(66,216,265)	(133,275,869)
Net assets available for the payment of claims		
Beginning of year	749,152,013	882,427,882
End of year	$ 682,935,748	$ 749,152,013

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

THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Decrease in net assets available for the payment of claims	$ (66,216,265)	$ (133,275,869)
Adjustments to reconcile the decrease in net assets available for the payment of claims to net cash used in operating activities:		
Amortization of premiums on bonds, net	6,346,038	6,024,863
Net appreciation in fair value of investments	(20,077,126)	(25,296,261)
Changes in operating assets and liabilities		
Interest and other receivables	309,441	1,557,970
Accrued expenses and accounts payable	156,086	(162,430)
Settled but unpaid claims	10,901,014	(141,677,189)
Net cash used in operating activities	(68,580,812)	(292,828,916)
Cash flows from investing activities:		
Sales and maturities of fixed income securities	307,296,329	501,112,461
Purchases of fixed income securities	(246,700,485)	(442,135,044)
Purchases of equity securities	(11,256,280)	(28,947,088)
Sales of equity securities	27,719,682	113,598,338
Net cash provided by investing activities	77,059,246	143,628,667
Net increase (decrease) in cash and cash equivalents	8,478,434	(149,200,249)
Cash and cash equivalents at the beginning of the year	63,927,361	213,127,610
Cash and cash equivalents at the end of the year	$ 72,405,795	$ 63,927,361

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

THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF THE TRUST

On February 22, 2000, The Babcock & Wilcox Company (B&W), the related entities of Diamond Power International, Inc., Babcock & Wilcox Construction Co., Inc., Americon, Inc., McDermott International, Inc. a Panamanian corporation (MII), and McDermott Incorporated (collectively, the Debtors), voluntarily filed petitions for reorganizing under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Eastern District of Louisiana (the Bankruptcy Court). On January 17, 2006, the District Court entered an order (the Confirmation Order) confirming the Joint Plan of Reorganization dated September 28, 2005, as amended through January 17, 2006 (the Confirmed Plan) proposed and filed by the Debtors, the Asbestos Claimants Committee, the Future Asbestos-Related Claimants Committee, and McDermott, Incorporated. The Confirmed Plan became effective on February 22, 2006 (the Effective Date or the Effective Date of the Plan of Reorganization).

The essential elements of the Confirmed Plan include, among other things: the utilization of a qualified settlement fund, in the form of the The Babcock & Wilcox Company Asbestos PI Trust (the Trust), to assume all liabilities and obligations of the Debtors, their predecessors and successors in interest, for all Asbestos PI Trust Claims and Asbestos Property Damage Claims (as defined in the Plan) (collectively, the Asbestos Claims), and to resolve, and provide for the payment in part or in full, of all Asbestos Claims in accordance with procedures established pursuant to the Confirmed Plan.

When formed, the Trust was funded with (a) $350 million in cash received from McDermott International, the parent company of The Babcock & Wilcox Company, (b) asbestos insurance recoveries (as described in Note 6) (c) a $250 million five-year promissory note receivable from McDermott International, and (d) a contingent payment right to receive $355 million within 180 days of November 30, 2006 upon satisfaction of certain conditions precedent, all in consideration for the releases and injunctions described in the Confirmed Plan. Both the $250 million note and the $355 million contingent payment were received in 2006.

The Trustees are responsible for supervising and administering the Trust and to use the Trust's assets and income to pay the holders of all Asbestos Claims in accordance with the Trust Agreement and the Trust Distribution Procedures agreement in such a way that holders of Asbestos Claims are treated fairly, equitably and reasonably in light of the limited assets available to satisfy such claims, and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B) of the Bankruptcy Code.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees, 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 the related operating expenses of the Trust. Since 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:

- Assets are recorded when they are received by the Trust and are available for the payment of asbestos claims.

- Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or

agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.

- The full amount of claims are expensed in the period in which the confirmed claims are settled. A settled claim is a claim that has been allowed by the Trust and accepted by the claimant, with an approved release. 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.

- Payments for services to be received over an extended period in the future are expensed as paid because 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.

- Payments for property and equipment are expensed as incurred. Under GAAP, payments for property and equipment are capitalized and depreciated over the useful lives of the assets. To date, the Trust has incurred no expense related to purchases of property and equipment.

- Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Under GAAP, the provision for income taxes is recorded based upon income reported for financial statement purposes, and federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Under GAAP, deferred taxes include a provision for taxes attributable to changes in unrealized gains and losses on investments.

- Asbestos insurance recoveries are not recorded until the funds are received from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by The Babcock & Wilcox Company and related entities and assigned to the Trust. The insurance policies cover, among other things, products and general liability claims. Future recoveries under such settlements, which were assigned to the Trust, will inure to the Trust. Under GAAP, asbestos insurance recoveries are recorded upon settlement and assurance of collectibility.

- Investments are recorded at fair value. All interest and dividend income, net of investment expenses, are included in interest and dividend income in the accompanying special-purpose statements of changes in net assets available for the payment of claims. The net appreciation or depreciation in fair value of investments in the accompanying special-purpose statements of changes in net assets available for the payment of claims consists of realized gains or losses on sales of investments and the change in unrealized gains or losses on investments held. Under GAAP, unrealized gains and losses are recorded as other comprehensive income or loss, with the accumulated balance disclosed separately on the special-purpose statements of assets, liabilities and net assets available for the payment of claims.

Use of estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosures of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to the net assets available for the payment of claims during the reporting period. Actual results could differ from those estimates and such differences could have a material effect upon the net assets available for the payment of claims.

Cash equivalents

The Trust considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

Investment securities, with the exception of the international equities fund, are stated at fair value based on quoted market prices for identical or similar instruments traded in active markets as of the date of the

special-purpose financial statements with the changes in unrealized gains and losses recorded in the current period. Fair value of the international equities fund is based on the Trust's proportionate share of the fund's net assets, as reported by the investee as of the date of the special-purpose financial statements. Investment income is recognized when earned. Gains and losses on sales of investment securities are determined using the specific identification method.

Accrued expenses and accounts payable

Accrued expenses and accounts payable consist of accruals and outstanding invoices associated with managing the Trust.

Operating expenses

Operating expenses of the Trust are paid from the net assets available for the payment of claims when invoices are received.

Claims processing expenses

Claims processing expenses are paid from net assets available for the payment of claims when invoices are received (see Note 3).

Income taxes

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations (the Code) thereunder. As a result the Trust is subject to federal income taxes based on modified gross income, as defined by the Code. In the opinion of the Trustees and advisors, 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.

Income tax expense is estimated and includes amounts payable or receivable under current federal income taxes.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 4). The taxes associated with gains on investments will be recorded in the Trust's financial statements when the net gains are realized (i.e. the securities are sold) and the taxes become currently payable.

Risks and uncertainties

The Trust maintains cash balances that may at times exceed federally insured limits. Cash balances are maintained at high-quality financial institutions and the Trust believes the credit risk related to these cash balances is minimal.

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments 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 the amounts reported in the net assets available for the payment of claims.

Subsequent events

The Trust has evaluated its December 31, 2011 financial statements for subsequent events through April 19, 2012, the date the financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 3 - RELATED PARTIES

On November 1, 2006, the Trust became a member in the Delaware Claims Processing Facility (DCPF), a limited liability company under an agreement with four other Qualified Settlement Funds. The purpose of DCPF is to operate a claims processing facility. At inception, the Trust contributed $100 in capital to this entity. Effective January 1, 2007, this entity began processing all of the Trust's Asbestos Claims.

The Trust paid expenses related to the operation of this entity of $3,219,700 and $4,331,612 for the years ended December 31, 2011 and 2010, respectively. There were no amounts that are payable to the facility during the years ended December 31, 2011 and 2010. Expenses charged to the Trust related to the operation of this entity include direct labor expense, other direct expenses, and an allocation of common costs.

NOTE 4 - INVESTMENTS

Investment securities consist of the following at December 31:

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal bonds	$ 452,937,830	$ 24,599,399	$ 0	$ 477,537,229
U.S. equity securities	104,853,710	11,315,147	0	116,168,857
International equities fund	24,245,093	0	(3,924,991)	20,320,102
	$ 582,036,633	$ 35,914,546	$ (3,924,991)	$ 614,026,188

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal bonds	$ 510,563,171	$ 2,700,191	$ 0	$ 513,263,362
U.S. equity securities	118,946,057	22,216,757	0	141,162,814
International equities fund	23,316,646	0	(388,476)	22,928,170
	$ 652,825,874	$ 24,916,948	$ (388,476)	$ 677,354,346

Realized gains and (losses) from investment sales consist of the following as of December 31:

	2011	2010
U.S Government fixed income securities	$ 147,060	$ 1,634,391
Municipal bonds	7,866,325	9,550,217
U.S. equity securities	2,810,766	(4,625,837)
International equities fund	455,191	517,206
	$ 11,279,342	$ 7,075,977

NOTE 5 - INCOME TAXES

As of December 31, 2011 and 2010, the Trust has an income tax receivable in the amount of $3,875,139 related to a federal tax refund. This federal income tax refund relates to income taxes paid in 2006. In 2010, the Trust filed an amended 2006 tax return in order to carry back net operating losses generated in 2008 and 2009. In accordance with the Trust' special-purpose basis of accounting, a receivable has been recorded for the amount currently receivable. The Trust made no income tax payments and recorded no income tax expense during the years ended December 31, 2011 and 2010.

As of December 31, 2011, the Trust has approximately $12,300,000 of remaining net operating loss carry forwards available to offset future taxable income. The Trust's net operating losses will expire, if not utilized, at various dates through December 31, 2030.

NOTE 6 - INSURANCE RECOVERIES

Under the terms of settlement agreements with certain insurance companies, the Trust is entitled to future insurance recoveries that are to be paid ratably over an extended period of time. In accordance with the Trust's accounting policies, such insurance recoveries are recorded as an addition to net assets available for the payment of claims when the funds are received from the insurance companies. During the years ended December 31, 2011 and 2010, the Trust received insurance recoveries from insurers in the amount of $21,567,124 and $38,505,793, respectively.

NOTE 7 - CONTINGENT LIABILITIES

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust.

The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material. The Trust has obtained insurance for purposes of supporting its obligation to indemnify the Trustees.

NOTE 8 - LIABILITY FOR ASBESTOS CLAIMS

The settled but unpaid claims liability at December 31, 2011 and 2010 consists of personal injury claims that were settled, but unpaid as of December 31, 2011 and 2010, respectively. These amounts have been included in personal injury claim expense in the accompanying statement of changes in net assets available for the payment of claims for the years ended December 31, 2011 and 2010. The entire balance was paid subsequent to December 31, 2011 and 2010, respectively.

The ultimate number of Asbestos Claims to be filed and the liability for all such claims are uncertain at this time. The net assets available for the payment of claims at December 31, 2011 and 2010 represent funding available for all Asbestos Claims for which no fixed liability has yet been established. The net assets available for the payment of claims at December 31, 2011 and 2010 may or may not be sufficient to meet all future obligations of the Trust.

NOTE 9 - TRUST LIABILITY INSURANCE

The Trust purchased liability insurance for a premium of $129,722 and $135,600 in 2011 and 2010, respectively. The current policy term is February 2011 to February 2012. The Trust's accounting policy is to expense in the current period any amounts that will not be available to pay future Asbestos Claims or expenses of the Trust. Accordingly, this amount was recorded as a deduction in net assets available for payment of claims during the year ended December 31, 2011.

NOTE 10 - TRUSTEES, TRUST ADVISORY COMMITTEE, AND FUTURE CLAIMANTS' REPRESENTATIVE

Fees and expenses of the Trustees, Trustees' Advisory Committee, the Future Claimants' Representative, the facility Board of Managers and related counsels for the years ended December 31, 2011 and 2010 were as follows:

	2011			
	Fees	Retainer	Expenses	Total
Trustees	$ 426,706	$ 191,631	$ 42,448	$ 660,785
Future Claimants' Representative	8,830	0	319	9,149
Future Claimants' Representative Counsel	262,730	0	7,686	270,416
Trust Advisory Committee	6,221	0	1,167	7,388
Trust Advisory Committee Counsel	263,902	0	12,254	276,156
DCPF Board of Managers	79,570	0	0	79,570
	$ 1,047,959	$ 191,631	$ 63,874	$ 1,303,464

	2010			
	Fees	Retainer	Expenses	Total
Trustees	$ 456,047	$ 201,323	$ 36,582	$ 693,952
Future Claimants' Representative	51,635	0	3,214	54,849
Future Claimants' Representative Counsel	610,536	0	22,702	633,238
Trust Advisory Committee	23,892	0	5,976	29,868
Trust Advisory Committee Counsel	325,006	0	70,539	395,545
DCPF Board of Managers	81,977	0	0	81,977
	$ 1,549,093	$ 201,323	$ 139,013	$ 1,889,429

The above amounts are included in operating expenses in the special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2011 and 2010.

Babcock & Wilcox Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 13761 · Page 25 of 28
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SUPPLEMENTAL INFORMATION

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ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Trustees
The Babcock & Wilcox Company Asbestos PI Trust
Wilmington, Delaware

Our audits were made for the purpose of forming an opinion on the basic special-purpose financial statements as of December 31, 2011 and 2010, and for the years then ended taken as a whole in accordance with the basis of accounting described in Note 2 of such statements. The supplemental information on page 12 is presented for purposes of additional analysis and is not a required part of the basic special-purpose financial statements. The supplemental information for the years ended December 31, 2011 and 2010 has been subjected to the auditing procedures applied in the audit of the basic special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic special-purpose financial statements taken as a whole.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 19, 2012

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THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST

SUPPLEMENTAL SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Investment advisory service and investment management fees	$ 2,051,585	$ 2,248,986
Trust management fees	1,633,176	2,394,584
General legal fees	673,161	714,165
Trustee fees and expenses	660,785	693,952
Other legal fees	465,877	483,661
Accounting, finance and tax fees	427,039	416,767
Future claimants' representative and future claimants' representative counsel fees and expenses	279,565	688,087
Trust Advisory Committee counsel fees and expenses	276,156	395,545
Trustee/TAC/Legal rep insurance	142,455	150,086
Trust Advisory Committee fees and expenses	7,388	29,868
Miscellaneous operating expenses	79,895	99,625
Total operating expenses	$ 6,697,082	$ 8,315,326

See independent auditor's report on supplemental information.

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