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, 2014 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.

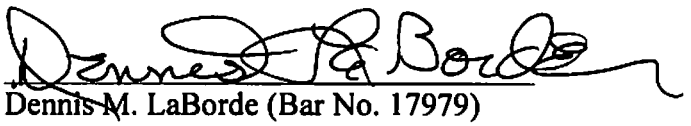
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Date: April 29, 2015

BALDWIN & HASPEL BURKE & MAYER, LLC



Dennis M. LaBorde (Bar No. 17979)
Baldwin & Haspel LLC
1100 Poydras Street
Suite 2200 Energy Centre
New Orleans, LA 70163
Tel. 504.585.7711
Fax 504.585.7751

CAMPBELL & LEVINE, LLC

Douglas A. Campbell
Philip E. Milch
1700 Grant Building
Pittsburgh, PA 15219
Tel. 412.261.0310
Fax 412.261.5066

-and-

Marla Rosoff Eskin
Kathleen Campbell Davis
800 N. King Street, Suite 300
Wilmington, DE 19801
Tel. 302.426.1900
Fax 302.426.9947

Counsel to the Babcock & Wilcox Company Asbestos Personal Injury Trust

{C0417488.1 }

IN THE UNITED STATES BANKRUPTCY COURT
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In re:	*	NUMBER
THE BABCOCK & WILCOX COMPANY,	*	00-10992
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DIAMOND POWER INTERNATIONAL	*	00-10993
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AMERICON, INC.	*	00-10995

ANNUAL REPORT AND ACCOUNT OF THE BABCOCK & WILCOX COMPANY ASBESTOS PI TRUST FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014

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, 2014.

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, 2014 to December 31, 2014 (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



{D0261609.1 }

> 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, Bruce Mattock, 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: 75% of the Trust's invested assets are committed to fixed income (18% is allocated to short-term municipal bonds and/or cash and 55% to intermediate-term municipal bonds); 5% of the Trust's invested assets are committed to hedge funds; and the remaining 22% of the Trust's invested assets are

[1] Audited Financial Statements at Note 3.

committed to equities (9% are allocated to U.S. equity managers and 13% are allocated to non-U.S. equity managers). The portfolio was in line with the target allocation at year-end 2014. Over the last three years, net of fees, the Trust has earned 5.0% annually. On a cumulative basis since inception of Cambridge Associates performance reporting (October, 2006), the Trust has earned 46.6%.

The Trust continues to retain the following managers: Harding, Loevner LP, Northern Trust and Sanderson Asset Management Limited as non-U.S. equity managers; Northern Trust as U.S. equity manager; Eaton Vance and Standish Mellon 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.

The Trust incepted with the following new managers in 2014: DL Partners Opportunities, which is categorized as a hedge fund. The Trust also invested with the following hedge funds during the reporting period: Covalent Capital Partners, Crestwood Capital Partners, ESG Cross Border Equity, Falcon Edge Global, Blue Mountain Credit Alt Fund, Davidson Kempner Partners, GSO Special Situations, and Standard Life GARS. The Trust is invested in its hedge fund managers through commingled Limited Partnership vehicles. Limited Partnerships utilize independent third party administrators and a separate custodian. The managers in the Trust's hedge fund program invest in well diversified arbitrage strategies and secondarily in long/short equity strategies. Broadly speaking, the hedge fund program is intended to generate, over a full

market cycle, close to equity-like returns with lower volatility and lower correlation to the rest of the Trust's portfolio. The other expected benefits of the hedge fund program are diversification (e.g., access to specialized strategies not otherwise available in the other equity or fixed income investments), superior performance (versus long-only equities) in down equity markets, and access to some of the most talented investment managers. At Cambridge Associates' recommendation, the Trust has retained hedge fund managers who use no or minimal leverage, who employ trading strategies that are understandable to the Trustees, and who provide appropriate portfolio transparency to Cambridge Associates and to the Trust.

During the Reporting Period, the Trustees regularly met with Cambridge for updates and reports on the investments. In addition, in April 2014, the Trustees held an Annual Review meeting where they met with the Trust's equity and fixed income managers to review each organization, investment strategy, performance and market outlook for the upcoming year. In December 2014, the Trustees held a meeting with the Trust's hedge fund managers to review the organization, investment strategy, performance and market outlook for the upcoming year.

G. Insurance Coverage Matters

Gilbert LLP serves 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. The Trust now has received all such payments.

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, since 2006, the Trust has engaged in settlement discussions with, and has filed claims in the insolvency proceedings of, its remaining unsettled insurers. All of the settlement discussions and insolvency filings commenced to date have concluded, resulting in additional recoveries for the Trust, including a total of $1.24 million in 2014. The Trust also potentially could collect additional sums to the extent that insolvent insurers increase their distribution percentages for claims that the Trust already has established. In addition, the Trust continues to monitor other potential opportunities to recover additional sums, including as a result of such payment percentage increases, or by the resolution of additional insurer insolvencies, or otherwise. The Trust anticipates that its insurance-recovery efforts will continue at least through 2015.

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, 2014, the Trust had paid a total of 9,234 Pre-Petition Liquidated PI Trust Claims. Of the claims paid, there were 679 malignancy claims and 8,555 non-malignancy claims.[1] After application of the payment percentage and applicable sequencing adjustment, the

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

Trust has paid approximately $62.3 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 1/13and the malignant to nonmalignant ratio of the Pre-Petition Liquidated Trust Claims in dollars paid was 1.1/1.

As of December 31, 2014, the Trust had received 537,002 Unliquidated PI Trust Claims and had paid a total of 252,997 claims. Of the claims paid, there were 61,638 malignancy claims and 191,359 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust had paid approximately $1,551 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 1/3and the malignant to nonmalignant ratio of the Unliquidated Trust Claims in dollars paid was 3/1.

During the reporting period, the Trust paid a total of 4 Pre-Petition Liquidated PI Trust Claims. Of the claims paid, there was 0 malignancy claim and 4 non-malignancy claims.[2] After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $197,000 to asbestos victims in settlement of their Pre-Petition Liquidated PI Trust Claims.

During the reporting period, the Trust received 16,983 Unliquidated PI Trust Claims and paid a total of 15,944 claims. Of the claims paid, there were 6,896 malignancy claims and 9,048 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $45.5 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 1/1.4 and the malignant to nonmalignant ratio of the Unliquidated

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

Trust Claims in dollars paid was 8/1.

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

B. Financial Information

The Trust's audited financial statements for the Reporting Period are attached hereto as Exhibit "A." The financial statements were audited by BDO USA LLP .

Date: April 30, 2015

CAMPBELL & LEVINE, LLC

/s/ Kathleen Campbell Davis

Marla Rosoff Eskin (No. 2989)
Kathleen Campbell Davis (No. 4229)
800 N. King Street, Suite 300
Wilmington, DE 19801
Tel. 302.426.1900
Fax 302.426.9947

-and-

Douglas A. Campbell
Philip E. Milch
1700 Grant Building
Pittsburgh, PA 15219
Tel. 412.261.0310
Fax 412.261.5066

Counsel to the Babcock & Wilcox Company Asbestos Personal Injury Trust

The Babcock & Wilcox Company Asbestos PI Trust

Audited Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2014 and 2013

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



The Babcock & Wilcox Company Asbestos PI Trust

Audited Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2014 and 2013

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The Babcock & Wilcox Company Asbestos PI Trust

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BDO

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8405 Greensboro Drive
Suite 700
McLean, VA 22102

Independent Auditor's Report

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

We have audited the accompanying special-purpose financial statements of The Babcock & Wilcox Company Asbestos PI Trust (the Trust) (a statutory trust created under the laws of the State of Delaware), which comprise the special-purpose statements of assets, liabilities, and net assets available for the payment of claims as of December 31, 2014 and 2013, and the related special-purpose statements of changes in net assets available for the payment of claims and the special-purpose statements of cash flows for the years 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 the Summary of Significant Special-Purpose Accounting Policies. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 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.

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of The Babcock & Wilcox Company Asbestos PI Trust as of December 31, 2014 and 2013, and the additions, deductions, and cash flows for the years then ended, in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2 of the special-purpose financial statements, these special-purpose financial statements were prepared on a special-purpose 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. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available to fund current and future claimants.

Restriction of Use

Our 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. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Eastern District of Louisiana, is a matter of public record.

BDO USA, LLP

McLean, Virginia
April 23, 2015

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Audited Special-Purpose Financial Statements

The Babcock & Wilcox Company Asbestos PI Trust

Special-Purpose Statements of Assets, Liabilities and Net Assets Available for the Payment of Claims

December 31,	2014	2013
Assets		
Cash and cash equivalents	$ 37,709,377	$ 58,157,501
Investments, at fair value		
Bonds	405,182,391	418,135,060
Equity securities	102,415,051	100,024,022
Investment in international equities fund	26,609,185	27,273,887
Hedge funds	31,597,102	25,218,841
Interest and other receivables	4,938,576	5,440,944
Total assets	$ 608,451,682	$ 634,250,255
Liabilities		
Accrued expenses and accounts payable	$ 552,798	$ 704,121
Settled but unpaid claims	774,814	368,999
Total liabilities	1,327,612	1,073,120
Net assets available for the payment of claims	$ 607,124,070	$ 633,177,135

See accompanying notes to the 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,	2014	2013
Additions		
Insurance recoveries	$ 2,745,057	$ -
Net appreciation in fair value of investment securities	14,326,631	5,619,330
Net change in fair value of international equities fund	(1,438,885)	6,167,787
Net change in fair value of hedge funds	378,261	1,218,841
Interest and dividend income	13,678,559	13,685,921
Total additions	29,689,623	26,691,879
Deductions		
Personal injury claim expenses	46,185,641	27,826,664
Operating expenses	5,842,128	7,168,259
Claims processing expenses	3,714,919	3,453,158
Total deductions	55,742,688	38,448,081
Decrease in net assets available for the payment of claims	(26,053,065)	(11,756,202)
Net assets available for the payment of claims		
Beginning of the year	633,177,135	644,933,337
End of the year	$ 607,124,070	$ 633,177,135

See accompanying notes to the special-purpose financial statements.

The Babcock & Wilcox Company Asbestos PI Trust

Special-Purpose Statements of Cash Flows

Years Ended December 31,	2014	2013
Cash flows from operating activities:		
Decrease in net assets available for the payment of claims	$ (26,053,065)	$ (11,756,202)
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	7,687,663	6,918,093
Net appreciation in fair value of investment securities	(14,326,631)	(5,619,330)
Net change in fair value of international equities fund	1,438,885	(6,167,787)
Net change in fair value of hedge funds	(378,261)	(1,218,841)
Changes in operating assets and liabilities		
Interest and other receivables	502,368	(531,867)
Income tax receivable	-	3,875,139
Accrued expenses and accounts payable	(151,323)	241,317
Settled but unpaid claims	405,814	311,677
Total adjustments	(4,821,485)	(2,191,599)
Net cash used in operating activities	(30,874,550)	(13,947,801)
Cash flows from investing activities:		
Sales and maturities of fixed income securities	199,853,013	204,984,380
Purchases of fixed income securities	(183,692,552)	(205,619,671)
Purchases of equity securities	(7,235,510)	(9,127,922)
Sales of equity securities	8,275,657	25,935,394
Reinvestment of income in international equities fund	(774,182)	-
Distributions/withdrawals of investment in international equities fund	-	3,491,675
Purchases of hedge funds	(6,000,000)	(24,000,000)
Net cash provided (used in) by investing activities	10,426,426	(4,336,144)
Net decrease in cash and cash equivalents	(20,448,124)	(18,283,945)
Cash and cash equivalents at the beginning of the year	58,157,501	76,441,446
Cash and cash equivalents at the end of the year	$ 37,709,377	$ 58,157,501

See accompanying notes to the special-purpose financial statements.

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 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.

2. Summary of 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 are not based upon GAAP, the accounting treatment by other parties for these same transactions may differ as to timing and amount. The special-purpose accounting methods include the following:

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- Assets are generally 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 from net assets available for the payment of claims 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 expenses 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 collectability.

- Under GAAP, for financial statement disclosure purposes all investments would be categorized based on the priority of inputs used to measure fair value. Under GAAP, inputs used in measuring fair value are categorized into three levels. Level 1 includes inputs that are based upon quoted prices for identical instruments traded in active markets. Level 2 includes inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for

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substantially the full term of the investment. Level 3 includes inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The accompanying special-purpose financial statements do not categorize all investments into these levels.

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 are stated at fair market value. Fair market value for investment securities, other than hedge funds, are based on quoted market prices for identical or similar instruments traded in active markets as of the date of the special-purpose financial statements. The fair market value for hedge funds is based on the Trust's proportionate share of each funds' net assets, as reported as of the date of the special-purpose financial statements. The net appreciation or depreciation in fair market value of investments in the accompanying special-purpose statement of changes in net assets available for the payment of claims consists of realized gains or losses on sales of investments and the changes in unrealized gains or losses on investments held. Investment income is recognized when earned. All interest and dividend income, net of investment expenses, are included in interest and dividend income in the accompanying special-purpose statement of changes in net assets available for the payment of claims. 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.

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Claims processing expenses

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

Income taxes

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations thereunder (the Code). 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 income 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's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investments in equity securities, municipal bonds, and hedge funds. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2014 approximate $38 million.

The Trust invests in a professionally managed portfolio that contains equity securities, municipal bonds, and hedge funds. Such 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 Trust's account balance and the amounts reported in the special-purpose statement of assets, liabilities and net assets available for the payment of claims.

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 the 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 recorded expenses related to the operation of this entity of $3,562,865 and $3,368,025 for the years ended December 31, 2014 and 2013, respectively. There were no amounts payable to DCPF at December 31, 2014 and 2013. Expenses charged to the Trust related to the operation

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of this entity include direct labor expense, other direct expenses, and an allocation of common costs.

4. Investment

Investment securities consist of the following at December 31:

	2014			
Description	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	$ 392,497,547	$ 12,684,844	$ -	$ 405,182,391
U.S. equity securities	62,134,109	40,343,952	(63,010)	102,415,051
	$ 454,631,656	$ 53,028,796	$ (63,010)	$ 507,597,442

	2013			
Description	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	$ 414,122,788	$ 4,012,272	$ -	$ 418,135,060
U.S. equity securities	60,783,131	39,240,891	-	100,024,022
	$ 474,905,919	$ 43,253,163	$ -	$ 518,159,082

Net appreciation in the fair value of investment securities of $14,326,631 and $5,619,330 for the years ended December 31, 2014 and 2013, respectively, consists of the net change in unrealized gains (losses) and net realized gains from investment sales.

Net change in unrealized gains (losses) from investment market appreciation (depreciation) of the following as of December 31:

	2014	2013
Bonds	$ 8,672,572	$ (16,954,060)
U.S. equity securities	1,040,051	15,669,306
	$ 9,712,623	$ (1,284,754)

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Net realized gains from investment sales consist of the following as of December 31:

	2014	2013
Bonds	$ 2,506,033	$ 3,416,143
U.S. equity securities	2,107,975	3,487,941
	$ 4,614,008	$ 6,904,084

Summary of changes in international equities fund and hedge funds

The table below sets forth a summary of changes in the fair value of the Trust's investment in international equities fund and hedge funds for the year ended December 31:

	Investment in International Equities Fund	
	2014	2013
Balance, beginning of year	$ 27,273,887	$ 24,597,775
Reinvestment of income	774,183	-
Distributions/withdrawals	-	(3,491,675)
Net change in fair value	(1,438,885)	6,167,787
Balance, end of year	$ 26,609,185	$ 27,273,887

	Hedge Funds	
	2014	2013
Balance, beginning of year	$ 25,218,841	$ -
Purchases	6,000,000	24,000,000
Net change in fair value	378,261	1,218,841
Balance, end of year	$ 31,597,102	$ 25,218,841

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Hedge fund categories

The major categories of the Trust's hedge fund investments, including general information related to each category, are as follows:

	Fair Value 2014	Fair Value 2013	Redemption Frequency (if Currently Eligible)	First/Next Redemption	Notice Period (days)	Gate
(a) Multi-strategy fund	$ 5,431,480	$ 5,213,939	Semi-annually	June 30, 2015	65	10%
Multi-strategy fund	3,211,903	3,136,804	Quarterly	June 30, 2015	60	25%
Multi-strategy fund	3,160,817	3,035,994	Monthly	January 30, 2015	7	none
Multi-strategy fund	3,132,051	-	Annually	June 30, 2015	44	25%
	14,936,251	11,386,737				
(b) Long/short fund	3,225,243	3,254,061	50% Semi-annually	June 30, 2015	90	20%
Long/short fund	3,219,761	3,129,295	25% Quarterly	June 30, 2015	95	none
Long/short fund	2,932,289	3,000,000	36 months	December 30, 2016	60	none
Long/short fund	1,950,775	2,096,914	Quarterly	March 31, 2015	60	none
Long/short fund	2,332,783	2,351,834	33% Annually	June 30, 2015	65	none
Long/short fund	3,000,000	-	Quarterly	January 1, 2017	60	25%
	16,660,851	13,832,104				
	$31,597,102	$25,218,841				

(a) Hedge funds within this category use a variety of strategies to diversify risks and reduce volatility. One of the funds in this category invests in value equities, special situations, long-term arbitrage and structured credit and mortgage securities, while the other fund contains derivative positions or a combination of long and short positions and private placement positions. The fair value of the hedge fund investments in this category was estimated based on the Trust's proportionate share of each funds' net assets, as reported on the respective funds' financial statements for the year ended December 31, 2014 and 2013.

(b) This category includes investments in hedge funds that hold securities traded in various global equity markets. Positions within the hedge fund can be both long and short and cover various industries such as banking, utilities and technologies. The fair value of the hedge fund investments in this category was estimated based on the Trust's proportionate share of each funds' net assets, as reported on the respective funds' financial statements for the year ended December 31, 2014 and 2013.

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5. Income Taxes

As of December 31, 2012, the Trust had an income tax receivable in the amount of $3,875,139 related to a federal tax refund. This federal income tax refund related 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. The refund was received by the Trust in 2013. The Trust made no income tax payments and recorded no income tax expense during the years ended December 31, 2014 and 2013.

As of December 31, 2014, the Trust has approximately $6,900,000 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, 2034. If utilized, this net operating loss carryforward would result in a future deferred tax asset of approximately $2,700,000. Additionally, as of December 31, 2014, the estimated deferred tax liability associated with unrealized gains on investments is approximately $22,500,000. As disclosed in Note 2 to the financial statements, the Trust does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with net operating loss carryforwards or cumulative unrealized gains and losses on investments.

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, 2014 and 2013, the Trust received insurance recoveries from insurers in the amount of $2,745,057 and $0, respectively.

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.

8. Liability for Asbestos Claims

The settled but unpaid claims liability of $774,814 and $368,999 consists of personal injury claims that were settled, but unpaid as of December 31, 2014 and 2013, 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, 2014 and 2013. The entire balance was paid subsequent to December 31, 2014 and 2013, 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, 2014 and 2013 represents funding available for all Asbestos Claims for which no fixed liability has yet

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been established. The net assets available for the payment of claims at December 31, 2014 and 2013 may or may not be sufficient to meet all future obligations of the Trust.

9. Trust Liability Insurance

The Trust purchased liability insurance requiring premiums of $123,064 and $123,895 in 2014 and 2013, respectively. The current policy term is from February 2014 through February 2015. 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 years ended December 31, 2014 and 2013.

10. Trustees, Trust Advisory Committee, and Future Claimants Representative

Fees and expenses of the Trustees, Trust Advisory Committee, the Future Claimants' Representative, the Delaware Claims Processing Facility (DCPF) Board of Managers, and related counsels for the years ended December 31, 2014 and 2013 were as follows:

	2014			
	Fees	Retainer	Expenses	Total
Trustees	$ 523,220	$ 206,661	$ 49,849	$ 779,730
Future Claimants' Representative	6,938	-	-	6,938
Future Claimants' Representative Counsel	82,416	-	5,197	87,613
Trust Advisory Committee	4,510	-	749	5,259
Trust Advisory Committee Counsel	139,045	-	7,680	146,725
DCPF Board of Managers	150,845	-	1,218	152,063
	$ 906,974	$ 206,661	$ 64,693	$ 1,178,328

	2013			
	Fees	Retainer	Expenses	Total
Trustees	$ 522,783	$ 195,180	$ 50,618	$ 768,581
Future Claimants' Representative	12,370	-	647	13,017
Future Claimants' Representative Counsel	220,204	-	6,597	226,801
Trust Advisory Committee	3,844	-	968	4,812
Trust Advisory Committee Counsel	211,745	-	6,722	218,467
DCPF Board of Managers	85,132	-	-	85,132
	$ 1,056,078	$ 195,180	$ 65,552	$ 1,316,810

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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, 2014 and 2013, respectively.

11. Subsequent Events

The Trust has evaluated its December 31, 2014 financial statements for subsequent events through April 23, 2015, 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.

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The Babcock & Wilcox Company Asbestos PI Trust

Supplementary Information
Years Ended December 31, 2014 and 2013

BDO

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8405 Greensboro Drive
Suite 700
McLean, VA 22102

Independent Auditor's Report on Supplementary Information

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

Our audits of the special-purpose financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audits of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

BDO USA, LLP

April 23, 2015

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The Babcock & Wilcox Company Asbestos PI Trust

Supplementary Schedules of Operating Expenses

Years Ended December 31,	2014	2013
Investment advisory service and investment management fees	$ 1,941,851	$ 2,013,649
Trust management fees	1,652,299	2,243,161
Trustee fees and expenses	779,730	768,581
General legal fees	581,178	1,019,310
Accounting, finance and tax fees	342,093	347,548
Trust Advisory Committee counsel fees and expenses	146,725	218,467
Trustee/TAC/Legal rep insurance	123,064	136,229
Other legal fees	105,700	127,490
Future claimants' representative and future claimants' representative counsel fees and expenses	94,551	239,818
Miscellaneous operating expenses	69,678	49,194
Trust Advisory Committee fees and expenses	5,259	4,812
Total operating expenses	$ 5,842,128	$ 7,168,259