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, 2018 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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{B1523933.1}

Date: April 30, 2019

BALDWIN & HASPEL BURKE & MAYER, LLC

S/ DENNIS M. LABORDE
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 R. Eskin
Mark T. Hurford
Kathleen Campbell Davis
222 Delaware Avenue, Suite 1620
Wilmington, DE 19801
Tel. 302.426.1900
Fax 302.426.9947

Counsel to the Babcock & Wilcox Company Asbestos Personal Injury Trust

{B1523933.1}

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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, 2018

James J. McMonagle, Jack T. Marionneaux, and Philip A. Pahigian, the Trustees of The Babcock & Wilcox Company Asbestos PI 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, 2018.

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, 2018 to December 31, 2018 (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 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, the Trust Advisory Committee (the "TAC"), and the 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

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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 the 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 meetings to address Trust policies and claims processing matters and meetings with the Trust's investment advisor and investment managers, and devoted

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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

Ankura Consulting Group, LLC 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, Perry Weitz, and John Cooney served as Members of the TAC during the Reporting Period.[1] 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.

[1] Effective as of April 17, 2015, the Trust Agreement was amended with the consent of the TAC and FCR to increase the number of TAC members to seven (7). John Cooney became the seventh TAC member.

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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 Company 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: 71% of the Trust's invested assets are committed to fixed income (17% is allocated to short-term municipal bonds and/or cash and 54% to intermediate-term municipal bonds); 6.5% of the Trust's invested assets are committed to hedge funds; and the remaining 22.5% of the Trust's

[1] Audited Financial Statements at Note 3.

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invested assets are committed to equities (9% are allocated to U.S. equity managers and 13.5% are allocated to non-U.S. equity managers). The portfolio was in line with the target allocation at year-end 2017. Over the last three years, net of fees, the Trust has earned 2.7% annually. On a cumulative basis since inception of Cambridge Associates performance reporting (October, 2006), the Trust has earned 60.8%.

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. One of the Trust's actively managed non-U.S. equity managers is invested through a commingled vehicle that has a separate custodian (selected by the investment manager). The Trust utilizes custodian accounts, wire transfers and zero-balance banking accounts to reduce its exposure to systemic banking system risk.

The Trust was 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, DL Partners Opportunities, Three Bays, 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

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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 March 2018, the Trustees held an Annual Review meeting where they met with certain of the Trust's equity, hedge fund and fixed income managers to review each organization, investment strategy, performance and market outlook for the upcoming year.

G. Insurance Coverage Matters

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. Those agreements 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.

Since 2006, the Trust's Special Insurance Counsel (Gilbert LLP) has engaged in settlement discussions with, and has filed claims in the insolvency proceedings of, the insurers

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with which the Debtors and other Plan Proponents did not settle in advance of the Plan's Effective Date. All of the settlement discussions and insolvency filings commenced to date have concluded, resulting in additional recoveries for the Trust, some of which continue to be received. In addition, the Trust continues to monitor potential opportunities to recover additional sums, including to the extent that insolvent insurers accelerate distributions or increase their distribution percentages for claims that the Trust already has established, or otherwise. For example, in 2018, the Trust coordinated the payment of an additional distribution from the estate of one such insurer.

The Trust anticipates that its insurance-recovery efforts will continue at least through 2019.

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, 2018, 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. After application of the payment percentage and applicable sequencing adjustment, the 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 1/13 and the malignant to nonmalignant ratio of the Pre-Petition Liquidated Trust Claims in dollars paid was 1.1/1.

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As of December 31, 2018, the Trust had received 624,768 Unliquidated PI Trust Claims and had paid a total of 311,122 claims. Of the claims paid, there were 81,089 malignancy claims and 230,033 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust had paid approximately $1,768 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 1/2.8. and 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 0 (zero) Pre-Petition Liquidated PI Trust Claims. After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $0 to asbestos victims in settlement of their Pre-Petition Liquidated PI Trust Claims.

During the Reporting Period, the Trust received 22,892 Unliquidated PI Trust Claims. Out of the Trust's pending claims filed since inception, the Trust paid a total of 12,701 claims during the reporting period. Of the claims paid, there were 4,486 malignancy claims and 8,215 non-malignancy claims. After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $38.78 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 1/1.8 and the malignant to nonmalignant ratio of the Unliquidated Trust Claims in dollars paid was 4.5/1.

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

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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, 2019

BALDWIN HASPEL BURKE & MAYER LLC

S/ DENNIS M. LABORDE
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
Marla Rosoff Eskin (DE No. 2989)
Mark T. Hurford (DE No. 3299)
Kathleen Campbell Davis (DE No. 4229)
222 Delaware Avenue, Suite 1620
Wilmington, DE 19801
Telephone: 302-426-1900
Facsimile: 302-426-9947
meskin@camlev.com
mhurford@camlev.com
kdavis@camlev.com

-and-

Douglas A. Campbell
Stanley E. Levine
Philip E. Milch
310 Grant Street, Suite 1700
Pittsburgh, PA 15219
Telephone: 412-261-0310
Facsimile: 412-261-5066

Counsel to The Babcock & Wilcox Company Asbestos PI Trust

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EXHIBIT A

The Babcock & Wilcox Company Asbestos PI Trust

Audited Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2018 and 2017

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, 2018 and 2017

The Babcock & Wilcox Company Asbestos PI Trust

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BDO

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

8401 Greensboro Drive
Suite 800
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, 2018 and 2017, 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 Note 2 to the special-purpose financial statements. 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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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, 2018 and 2017, 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 special-purpose 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 Trust and is not intended to be and should not be used by anyone other than the specified party. 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 18, 2019

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Special-Purpose Financial Statements

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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,	2018	2017
Assets		
Cash and cash equivalents	$ 29,118,257	$ 27,634,183
Investments, at fair value		
Bonds	265,214,046	298,616,125
Equity securities	66,012,345	78,103,204
Alternative investments	44,453,091	55,175,854
Interest and other receivables	3,125,213	3,210,654
Total assets	407,922,952	462,740,020
Liabilities		
Accrued expenses and accounts payable	496,924	506,192
Settled but unpaid claims	1,632,698	894,374
Income taxes payable	-	1,962,000
Total liabilities	2,129,622	3,362,566
Net assets available for the payment of claims	$ 405,793,330	$ 459,377,454

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,	2018	2017
Additions		
Insurance recoveries	$ 2,403,190	$ -
Net appreciation in fair value of investment securities	-	22,154,793
Net change in fair value of alternative investments	-	6,459,598
Interest and dividend income	10,181,235	9,755,336
Total additions	12,584,425	38,369,727
Deductions		
Net depreciation in fair value of investment securities	11,096,379	-
Net change in fair value of alternative investments	6,290,130	-
Personal injury claims expenses	39,521,535	41,963,742
Operating expenses	4,825,145	5,251,191
Claims processing expenses	2,197,360	1,588,896
Income tax expense	2,238,000	2,773,000
Total deductions	66,168,549	51,576,829
Decrease in net assets available for the payment of claims	(53,584,124)	(13,207,102)
Net assets available for the payment of claims		
Beginning of the year	459,377,454	472,584,556
End of the year	$ 405,793,330	$ 459,377,454

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,	2018	2017
Cash flows from operating activities:		
Decrease in net assets available for the payment of claims	$ (53,584,124)	$ (13,207,102)
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	5,129,743	5,302,287
Net (appreciation) depreciation in fair value of investment securities	11,096,379	(22,154,793)
Net change in fair value of alternative investments	6,290,130	(6,459,598)
Changes in operating assets and liabilities		
Interest and other receivables	85,441	646,861
Accrued expenses and accounts payable	(9,268)	(427,143)
Settled but unpaid claims	738,324	(4,135,914)
Income taxes payable	(1,962,000)	1,962,000
Total adjustments	21,368,749	(25,266,300)
Net cash used in operating activities	(32,215,375)	(38,473,402)
Cash flows from investing activities:		
Sales and maturities of bonds	141,461,175	180,092,543
Purchases of bonds	(116,444,341)	(164,778,931)
Purchases of equity securities	(10,031,990)	(9,611,434)
Sales of equity securities	14,281,972	30,792,774
Reinvestment of income in alternative investments	(543,827)	(448,426)
Distributions/withdrawals from investment in alternative investments	4,976,460	6,139,542
Net cash provided by investing activities	33,699,449	42,186,068
Net increase in cash and cash equivalents	1,484,074	3,712,666
Cash and cash equivalents at the beginning of the year	27,634,183	23,921,517
Cash and cash equivalents at the end of the year	$ 29,118,257	$ 27,634,183

See accompanying notes to the special-purpose financial statements.

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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 utilizing 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

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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:

- 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

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based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for 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 alternative investments, 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 alternative investments is based on the Trust's proportionate share of each fund's 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 statements 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 statements 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.

The Trust is generally no longer subject to income tax examinations by the Internal Revenue Service for the years ended December 31, 2014 and prior.

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 special-purpose 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 alternative investments. 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, 2018 approximate $24.1 million.

The Trust invests in a professionally managed portfolio that contains equity securities, municipal bonds, and alternative investments. 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 statements of assets, liabilities and net assets available for the payment of claims.

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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 several 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 $2,075,222 and $1,484,215 for the years ended December 31, 2018 and 2017, respectively. There were no amounts payable to DCPF at December 31, 2018 and 2017. 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.

4. Investments

Investment securities consist of the following at December 31:

	2018			
Description	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	$ 263,326,436	$ 2,407,276	$ (519,666)	$ 265,214,046
Equity securities	34,081,710	31,930,635	-	66,012,345
	$ 297,408,146	$ 34,337,911	$ (519,666)	$ 331,226,391

	2017			
Description	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	$ 293,677,123	$ 5,085,284	$ (146,282)	$ 298,616,125
Equity securities	34,050,941	44,052,263	-	78,103,204
	$ 327,728,064	$ 49,137,547	$ (146,282)	$ 376,719,329

Net (depreciation) appreciation in the fair value of investment securities of ($11,096,379) and $22,154,793 for the years ended December 31, 2018 and 2017, respectively, consists of the net change in unrealized gains and net realized gains from investment sales.

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

	2018	2017
Bonds	$ (3,051,392)	$ 3,444,774
U.S. equity securities	(12,121,628)	8,045,031
	$ (15,173,020)	$ 11,489,805

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

	2018	2017
Bonds	$ (204,109)	$ 2,149,509
U.S. equity securities	4,280,750	8,515,479
	$ 4,076,641	$ 10,664,988

Summary of changes in alternative investments

The table below sets forth a summary of changes in the fair value of the Trust's alternative investments for the years ended December 31:

	2018	2017
Balance, beginning of the year	$ 55,175,854	$ 54,407,372
Reinvestment of income	543,827	448,426
Purchases	-	-
Distributions/withdrawals	(4,976,460)	(6,139,542)
Net change in fair value	(6,290,130)	6,459,598
Balance, end of the year	$ 44,453,091	$ 55,175,854

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Alternative investments categories

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

	Fair Value 2018	Fair Value 2017	Redemption Frequency (if Currently Eligible)	First/Next Redemption	Notice Period (days)	Gate
(a)						
Multi-strategy fund	$ 6,409,112	$ 6,269,479	Semi-annually	June 30, 2019	65	10%
Multi-strategy fund	3,069,671	3,272,748	Monthly	January 31, 2019	5	none
Multi-strategy fund	2,979,248	3,198,419	Annually	June 30, 2019	44	25%
Multi-strategy fund	2,720,338	3,147,339	Quarterly	March 31, 2019	60	25%
	15,178,369	15,887,985				
(b)						
Long/short fund	3,455,204	3,464,891	25% Quarterly	September 30, 2019	95	none
Long/short fund	3,078,182	3,080,921	Quarterly	March 31, 2019	60	none
Long/short fund	2,335,727	2,103,902	33% Annually	June 30, 2021	65	none
Long/short fund	1,110,406	1,902,612	N/A	N/A	none	none
Long/short fund	110,459	2,828,436	N/A	N/A	none	none
Long/short fund	-	2,371,528	N/A	N/A	none	none
	10,089,978	15,752,290				
(c)						
International equity fund	19,184,744	23,535,579	Daily	January 1, 2019	none	none
	$ 44,453,091	$ 55,175,854				

(a) Alternative investments 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 funds contains derivative positions or a combination of long and short positions and private placement positions. The fair value of the alternative 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 years ended December 31, 2018 and 2017.

(b) This category includes alternative investments that hold securities traded in various global equity markets. Positions within the alternative investment can be both long and short and cover various industries such as banking, utilities and technologies. The fair value of the alternative 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 years ended December 31, 2018 and 2017.

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(c) The international equity fund within this category invests primarily in equity securities, including foreign currency spot contracts and money market funds. The objective of this fund is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in another country other than the United States and Canada. The securities within the fund invest in securities listed or traded on a regulated market. The fair value of the alternative investment in this category was estimated based on the Trust's proportionate share of the fund's net assets, as reported on the fund's financial statements for the years ended December 31, 2018 and 2017.

5. Income Taxes

The Trust made estimated income tax payments totaling $4,200,000 and $811,000 during the years ended December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the trust recorded income tax expense of $2,238,000 and $2,773,000, respectively.

On December 22, 2017, Congress passed the Tax Cuts and Jobs Act (the 2017 Tax Act) which reduced the income tax rate from 39.6% to 37% and modified the rules regarding the usability of certain net operating losses for the Trust beginning on January 1, 2018. Under the 2017 Tax Act, the Trust's net operating losses generated prior to January 1, 2018, are available to offset future taxable income and will expire, if not utilized, on various dates through 2037. There are no net operating losses as of January 1, 2018. During 2018, the Trust did not generate any net operating loss carryforwards. Net operating loss carryforwards generated after January 1, 2018, do not expire but can only be used to offset up to 80% of taxable income in future years as part of the 2017 Tax Act. In addition, there are no net operating loss carryback provisions under the 2017 Tax Act. As of December 31, 2018, the Trust did not have any net capital loss carryforwards available to offset future capital gains. Capital loss carryforwards created after January 1, 2018, may be carried back for three years and carried forward for five years. Capital loss carrybacks and carryforwards cannot create a net operating loss.

Additionally, as of December 31, 2018, the estimated deferred tax liability associated with unrealized gains on investments is approximately $9,500,000. As of December 31, 2017, the estimated deferred tax liability associated with unrealized gains on investments is approximately $19,300,000.

As disclosed in Note 2 to the special-purpose 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 carry forwards, net capital 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 special-purpose 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, 2018 and 2017, the Trust received insurance recoveries from insurers in the amount of $2,403,190 and $0, respectively.

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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 $1,632,698 and $894,374 consists of personal injury claims that were settled, but unpaid as of December 31, 2018 and 2017, respectively. These amounts have been included in personal injury claim expense in the accompanying special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2018 and 2017. The entire balance was paid subsequent to December 31, 2018 and 2017, 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, 2018 and 2017, represents 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, 2018 and 2017, 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 $107,892 and $108,191 in 2018 and 2017, respectively. The current policy term is from February 2017 through February 2019. The Trust's special-purpose 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, 2018 and 2017.

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

Fees and expenses of the Trustees, Trust Advisory Committee (TAC), the Future Claimants' Representative, the Delaware Claims Processing Facility (DCPF) Board of Managers, and related counsels for the years ended December 31, 2018 and 2017 were as follows:

	2018			
	Fees	Retainer	Expenses	Total
Trustees	$ 322,529	$ 222,808	$ 24,590	$ 569,927
Future Claimants' Representative	6,150	-	64	6,214
Future Claimants' Representative Counsel	48,515	-	3,129	51,644
Trust Advisory Committee	3,185	-	474	3,659
Trust Advisory Committee Counsel	65,744	-	1,806	67,550
DCPF Board of Managers	122,138	-	-	122,138
	$ 568,261	$ 222,808	$ 30,063	$ 821,132

	2017			
	Fees	Retainer	Expenses	Total
Trustees	$ 303,349	$ 212,721	$ 16,834	$ 532,904
Future Claimants' Representative	6,900	-	-	6,900
Future Claimants' Representative Counsel	57,263	-	3,649	60,912
Trust Advisory Committee	3,250	-	552	3,802
Trust Advisory Committee Counsel	69,965	-	2,681	72,646
DCPF Board of Managers	104,681	-	-	104,681
	$ 545,408	$ 212,721	$ 23,716	$ 781,845

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, 2018 and 2017, respectively.

11. Subsequent Events

The Trust has evaluated its December 31, 2018 special-purpose financial statements for subsequent events through April 18, 2019, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

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The Babcock & Wilcox Company Asbestos PI Trust

Supplementary Information
Years Ended December 31, 2018 and 2017

BDO

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

8401 Greensboro Drive
Suite 800
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 special-purpose 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 special-purpose 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

McLean, Virginia
April 18, 2019

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The Babcock & Wilcox Company Asbestos PI Trust

Supplementary Schedules of Operating Expenses

Years Ended December 31,	2018	2017
Trust management fees	$ 1,531,354	$ 1,650,910
Investment advisory service and investment management fees	1,462,437	1,474,848
Trustee fees and expenses	569,927	532,904
Accounting, finance and tax fees	389,680	323,530
General legal fees	368,610	474,521
Other legal fees	216,922	491,939
Trust liability insurance	107,892	108,191
Trust Advisory Committee Counsel fees and expenses	67,550	72,646
Future Claimants' Representative and Future Claimants' Representative Counsel fees and expenses	57,858	67,812
Miscellaneous operating expenses	49,256	50,088
Trust Advisory Committee fees and expenses	3,659	3,802
Total operating expenses	$ 4,825,145	$ 5,251,191

See independent auditor's report on supplementary information.

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