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JUDGE: Hon. Karen Overstreet
DATE: n/a
TIME:
CHAPTER: 11
LOCATION: Seattle

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON, AT SEATTLE

In re:	)	No. 00-10390
	)	
E.J. BARTELLS, INC.,	)	TRUSTEE'S TWELFTH ANNUAL
	)	REPORT
Debtor.	)	
	)	

Richard Hilfer, trustee of the Bartells Asbestos Settlement Trust [the ATrust@], by his undersigned counsel, pursuant to Articles 4.2 and 4.3 of the Trust Agreement governing the same, provides the following annual report of the Trust's activity for calendar year 2012:

1. Financial Statements. Reviewed financial statements are attached hereto as Exhibit 1.

2. Claim Dispositions. A summary of claim dispositions during 2012 is attached hereto as Exhibit 2.

Respectfully submitted this 8th day of May, 2013.

BUCKNELL STEHLIK SATO & STUBNER, LLP

/s/ Edwin K. Sato

Edwin K. Sato, WSBA # 13633
Attorneys for Richard Hilfer, trustee

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EXHIBIT 1

BARTELLS ASBESTOS SETTLEMENT TRUST

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Richard J. Hilfer, Trustee
Bartells Asbestos Settlement Trust
Port Townsend, Washington

We have reviewed the accompanying statement of assets and trust equity – modified cash method of Bartells Asbestos Settlement Trust (the Trust) as of December 31, 2012, and the related statement of income and expenses – modified cash method for the year then ended. A review includes primarily applying analytical procedures to the Trust's financial data and making inquiries of the Trust. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Trust is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash method of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash method of accounting, as described in Note 2.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
May 3, 2013

BARTELLS ASBESTOS SETTLEMENT TRUST
STATEMENT OF ASSETS AND TRUST EQUITY – MODIFIED CASH METHOD
DECEMBER 31, 2012
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS	
CASH AND CASH EQUIVALENTS	$ 222,948
INVESTMENTS	
Common Stocks, at Fair Value	740,254
Municipal Bonds, at Fair Value	2,415,172
Total Investments	3,155,426
INCOME TAXES RECEIVABLE	42,967
DEFERRED INCOME TAXES	33,583
Total Assets	$ 3,454,924
TRUST EQUITY	$ 3,454,924

See accompanying Notes to Financial Statements.

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BARTELLS ASBESTOS SETTLEMENT TRUST
STATEMENT OF INCOME AND EXPENSES – MODIFIED CASH METHOD
YEAR ENDED DECEMBER 31, 2012
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

INCOME	
Interest	$ 105,129
Dividend	16,059
Miscellaneous	2,459
Total Income	123,647
EXPENSES	
Claims Paid	406,850
Trustee Fee	32,400
Professional Fees	10,665
Investment	26,206
E and O Insurance	9,166
Reimbursed to Trustee	3,527
File Storage	3,945
Legal Fees	280
Foreign Taxes	911
Miscellaneous	272
Total Expenses	494,222
CHANGE IN NET ASSETS BEFORE REALIZED AND UNREALIZED GAIN ON INVESTMENTS	(370,575)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	113,127
Loss Before Income Tax Benefit	(257,448)
INCOME TAX BENEFIT	9,727
NET LOSS	(247,721)
Trust Equity - Beginning of Year	3,702,645
TRUST EQUITY - END OF YEAR	$ 3,454,924

See accompanying Notes to Financial Statements.

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NOTE 1 CREATION OF THE TRUST

At the entry of the order for relief in the E. J. Bartells (Bartells) Co. Chapter 11 case, Bartells was named a defendant in the personal injury and wrongful death actions arising from the presence of or exposure to asbestos. On February 14, 2001, pursuant to the Bankruptcy Court Plan (the Plan) all liability for asbestos claims was automatically assumed by the Bartells Asbestos Settlement Trust (the Trust). Richard J. Hilfer was named the trustee. The Trust is irrevocable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Presentation

The Trust prepares its financial statements on the modified cash method of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed, rather than when the obligation is incurred. The cash method is modified in that investments are stated at market value as of the date of the financial statements, income taxes are accrued on current year taxable income at the statuary rate of 35 percent, and deferred income taxes are recorded.

Income Taxes

Federal income taxes are computed at current tax rates applied to reported earnings. Adjustments are made currently for all permanent differences between taxable income and financial statement income.

The Trust, as a settlement fund, files an annual income tax return (Form 1120-SF).

The Financial Accounting Standards Board (FASB) issued *Accounting Standards Codification* (ASC) Topic 740, *Income Taxes* (Topic 740), on accounting for uncertainty in income taxes. The Trust adopted this guidance for the year ended December 31, 2012. Management evaluated the Trust's tax positions and concluded that the Trust had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Should that status be challenged in the future, the Trust's tax returns for 2009 and through the current tax year are open for examination by the Internal Revenue Service.

Use of Estimates

The preparation of modified cash method financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all bank deposits, money market accounts, and short-term investments with original maturities of 90 days or less to be cash equivalents. Cash may subject the Trust to concentrations of risk as, from time to time, cash balances exceed amounts insured by the Federal Deposit Insurance Corporation.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in debt and equity securities that have a readily determined market value are classified as available for sale securities and are recorded at fair value. Unrealized holding gains and losses are reported in earnings. Realized gains or losses are recognized when a security is sold for the difference between the sales price and the carrying value at the date of sale. Proceeds from sales of investments available for sale totaled $1,213,385 for the year ended December 31, 2012.

Claims Paid

The Trust pays asbestos claims after required procedures in the Asbestos Resolution Claim Procedures (ACRP) have been satisfied. The ACRP governs how claims are submitted, the criteria for payment, the order claims are to be paid, and other matters related to the liquidation and payment of claims. The ACRP is a matter of record and can be amended only with court approval.

Subsequent Events

The Trust has evaluated subsequent events through May 3, 2013, which is the date the financial statements were available to be issued.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 – Inputs to the valuation methodology include:

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Trust's significant financial instruments are marketable securities. These financial instruments are measured at fair value on recurring basis.

The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Common Stocks: Valued at the closing price reported on the active market on which the individual funds are traded.

Municipal Bonds: Fair value measured using benchmark curves, reported trades, broker quotes and material event notices, plus market research publications on bonds with similar yields.

The following table sets forth by level, within the fair value hierarchy, the Trust's investment assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Common Stocks	$ 740,254	$ -	$ -	$ 740,254
Municipal Bonds	-	2,415,172	-	2,415,172
Total	$ 740,254	$ 2,415,172	$ -	$ 3,155,426

The following table sets for the cost basis and fair value of investments as of December 31, 2012:

	Cost Basis	Fair Value
Common Stocks	$ 548,819	$ 740,254
Municipal Bonds	2,238,307	2,415,172
Total	$ 2,787,126	$ 3,155,426

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NOTE 4 FEDERAL INCOME TAXES

Deferred income taxes result from changes during the year in deferred income tax assets and liabilities. The Trust's deferred tax assets consist entirely of the benefit from $95,952 of operating loss carryforwards which may be used to offset future taxable income. No valuation allowance has been established against deferred income tax assets, based on management's determination that it is more likely than not that the assets will be fully realized. The operating loss carryforwards, if not used, will expire in various years through 2030.

The provision (benefit) for income tax consisted of the following for the year ended December 31, 2012:

Current Expense	$ 4,000
Deferred Benefit	(13,727)
Total Federal Income Tax Benefit	$ (9,727)

Current income taxes are based on the taxable income for the year, as measured by the current year's tax return. The Trust's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from tax-exempt income and unrealized gains (losses) for financial statement purposes but not for federal income tax purposes.

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EXHIBIT 2

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BARTELLS ASBESTOS SETTLEMENT TRUST
Claims Disposed of - 2012

Mesothelioma

62 paid $ 470,000
5 denied

Lung Cancer

4 paid $ 6,000
1 denied

Asbestosis Death/Serious Asbestos

0 paid

Other Cancer

0 paid

Non-Malignant 1

1 paid $ 1,050

Non-Malignant 2

0 paid
1 denied

TOTALS

74 claims disposed $477,050 (Checks issued – 2012)

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