UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re: THE CELOTEX CORPORATION, et al., Debtors.	CONSOLIDATED CASE NOS. Case No. 90-10016-8G1 Case No. 90-10017-8G1 Chapter 11

ANNUAL REPORT, SUMMARY OF CLAIMS DISPOSED, FINANCIAL STATEMENT, AND ACCOUNT OF THE TRUSTEES OF THE ASBESTOS SETTLEMENT TRUST FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

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Frank Andrews, Sharon M. Meadows, and James W. Stevens, the trustees of the Asbestos Settlement Trust (the "**Trust**"), created pursuant to the Modified Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code for the Celotex Corporation and Carey Canada Inc. ("**Plan of Reorganization**"), submit this Annual Report, Summary of Claims Disposed, Financial Statement, and Account for the calendar year ended December 31, 2011.

I. GENERAL

A. Purpose and Contents

The purpose of this Annual Report, Summary of Claims Disposed, Financial Statement, and Account is to fulfill the financial reporting requirements of the Second Amended and Restated Asbestos Settlement Trust Agreement (the "**Trust Agreement**"); to report on the actions taken and obligations incurred on behalf of the Trust by its trustees during the period January 1, 2011 to December 31, 2011 (the "**Reporting Period**"); and to provide the basis for the Court's discharge of the trustees from liability arising out of any matter disclosed herein, as provided in Article 5.12 of the Trust Agreement.

B. Background on Bankruptcy Cases and the Trust

On October 12, 1990, the Celotex Corporation, and its wholly owned subsidiary, Carey Canada Inc., filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code. The Chapter 11 cases of Celotex and Carey Canada (the "**Bankruptcy Cases**") were consolidated for procedural purposes, and jointly administered, pursuant to an order of the Court. On December 6, 1996, the Court entered an order in these cases confirming the Plan of Reorganization. On March 4, 1997, the United States District Court for the Middle District of Florida adopted and affirmed this Court's confirmation order. On May 30, 1997 (the "**Effective Date**"), the Plan of Reorganization became effective and the trustees began to operate the Trust.

Through a series of transactions on and shortly after the Effective Date, the Trust was funded with the stock of Celotex, Carey Canada, Walter Industries, and JWC, along with significant amounts of cash and the expected proceeds from certain litigation. The purpose of the Trust is to assume the asbestos liabilities of Celotex Corporation and its affiliates, and to use the assets of the Trust to pay all the asbestos claimants, both present and future, of those companies on a substantially equivalent basis.

C. Governing Provisions of the Trust Agreement

The Annual Report, Summary of Claims Disposed, Financial Statement, and Account are filed in compliance with the following provisions of the Trust Agreement.

Article 3.2 (c) of the Trust Agreement provides:

> **3.2 General Administration**.
>
> (c) (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 Trust (including, without limitation, a balance sheet of the Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the 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 the special-purpose accounting methods adopted by the trustees. The trustees shall provide a copy of such report to the TAC, the Legal Representative, the PDCA, the PD Advisory Committee (collectively, the **"Approving Entities"**) and Reorganized Celotex when such reports are filed with the Bankruptcy Court.
>
> (ii) Simultaneously with delivery of each set of financial statements referred to in Article 3.2(c)(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 Approving Entities and Reorganized Celotex when such report is filed.

Article 5.5 of the Trust Agreement provides:

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5.5 Compensation and Expenses of Trustees.

(a) Each of the trustees shall receive compensation from the Trust for his or her services as Trustee in the amount of $50,000 per annum, plus a per diem allowance for meetings or other Trust business attended in the amount of $2,000. [1] The trustees shall determine the scope and duration of activities that constitute a meeting and, if the trustees elect to provide for payment for activities of less than a full day's duration, may provide for partial payment of per diem amounts on a proportional basis for activities of less than a full day's duration. The per annum compensation payable to the trustees hereunder shall be reviewed every three (3) years and increased with the consent of the TAC and the Legal Representative.

(b) The Trust will promptly reimburse all trustees and the Chairperson for all reasonable out-of-pocket costs and expenses incurred by the trustees in connection with the performance of their duties hereunder.

(c) The Trust will include in the report to be filed pursuant to Article 3.2(c)(i) of this Trust Agreement, and in a separate annual report to be filed in the same manner, a description of the amounts paid under this Article 5.5.

Article 5.12 of the Trust Agreement provides:

5.12 Settlement of Trustees' Accounts. Notwithstanding any state law to the contrary, the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the trustees, whether such account is rendered by the trustees themselves or is sought by any other person. The trustees shall render successive accounts covering periods ending at the end of each calendar year consisting of the filings required by Article 3.2(c) of this Trust Agreement. In addition, an account shall be rendered for the period ending on the date of the death, resignation, removal or retirement of any Trustee. Upon the approval of any such periodic account by the Bankruptcy Court after hearing on notice to the Approving Entities and such other parties as the Bankruptcy Court may designate, and subject to the terms of the order of the Bankruptcy Court granting such approval, the trustees shall be discharged from any further liability or responsibility as to all matters disclosed in such periodic account, and an action against a trustee for breach of trust arising out of any matter disclosed in such periodic account shall be barred as provided in Fla. Stat. Ann. § 737.307.[2]

[1] As previously reported, pursuant to Article 5.5(a) of the Trust Agreement, the trustees' per annum compensation was increased from $50,000 to $60,000 in 2005. During the 2008 reporting period, trustee compensation provisions of the Trust Agreement were again amended to increase the per annum compensation for the Chairperson to $75,000**.** In addition, the per diem fee payment was replaced with an hourly rate of $500 for all authorized work performed by the trustees on behalf of the Trust. With these increases, the annual retainer and hourly rate of compensation for the trustees is now comparable to that paid to the trustees of other existing, large asbestos trusts, for example, Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust, Babcock & Wilcox Company Asbestos PI Trust, DII Industries, LLC Silica PI Trust, Owens Corning/Fibreboard Asbestos Personal Injury Trust, Federal-Mogul Asbestos Personal Injury Trust, and United States Gypsum Asbestos Personal Injury Settlement Trust.

[2] Effective July 1, 2007, the State of Florida repealed Chapter 737 of the Florida Statutes and added the Florida Trust Code in Chapter 736. Accordingly, the statute that currently bars proceedings against trustees based on a periodic account is Section 736.1008 of the Florida Statutes.

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II. TRUST ADMINISTRATION

A. Trustees

Frank Andrews, Sharon M. Meadows, and James W. Stevens served as the trustees of the Trust during the Reporting Period. Section 5.1 of the Trust Agreement provides that one trustee shall be designated chairperson annually by a vote of the trustees. Mr. Andrews was so designated during the Reporting Period and continued to serve as chairperson of the Trust. On June 16, 2011, Sharon Meadows was re-elected by the remaining trustees, with the consent of the Personal Injury Advisory Committee ("**PI Advisory Committee**") and Legal Representative, to serve another five year term as trustee.

During the Reporting Period, the trustees held four formal meetings of the Trust. These meetings were designated by the trustees as "regular meetings" under the Trust's bylaws. Outside the regular meetings, the trustees conferred among themselves and with Trust advisers throughout the Reporting Period.

The compensation paid to the trustees during the Reporting Period is set forth in a supplemental schedule to the Trust's audited financial statements, which are attached as **Exhibit 1**. The filing of the financial statements with this supplemental schedule on compensation satisfies the requirements of Article 5.5(c) of the Trust Agreement.

In compliance with Article 5.5 of the Trust Agreement and the Trust's guidelines for payment of trustee fees and expenses, the Trust paid the trustees compensation and reimbursed their expenses on a quarterly basis. As part of an *in camera* filing made in connection with this report ("***In Camera* Submission**"), the Trust has supplied the Court with the time and expense records of the trustees for the Reporting Period, along with a copy of the Trust's guidelines for payment of trustee fees and expenses.

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B. Trust Officers

Dr. B. Thomas Florence of Analysis Research Planning Corporation continued to serve as Executive Director of the Trust.

C. Trust Auditors

The Trust's auditors are Argy, Wiltse & Robinson, P.C. of McLean, Virginia. The Argy firm has significant experience auditing asbestos personal injury trusts and, as required, has conducted an audit of the Trust in conformity with special purpose accounting methods adopted by the trustees. They have expressed an opinion that the Trust's financial statements present fairly, in all material respects, the financial position of the Trust and the results of its operations and its cash flows as of December 31, 2011. The auditors' opinion expressly provides that it is intended for the use of this Court.

D. Trust's Wilmington Claims Processing Facility

As previously reported, the Trust had operated a stand-alone claims processing facility in Wilmington, Delaware for the processing and payment of the Trust's asbestos-related personal injury claims. The Trust's claims facility gained a reputation for fair, efficient, and cost-effective claims processing. As the Trust's backlog of claims was reduced, and as new filings diminished, the trustees were cognizant of the relative increase in claims processing costs in proportion to the number of claims processed. In 2006, the trustees considered available options to reduce claims processing costs, such as closing or reducing the size of its stand-alone facility, contracting with a third-party to process its claims, or joining with other asbestos-related personal injury trusts in some joint processing arrangement whereby overhead and other common costs could be shared. As previously reported, the trustees decided that the best alternative was to keep its experienced claims staff and physical facilities intact, while looking for opportunities to jointly process claims with other asbestos personal injury trusts and thereby share the costs of the claims facility.

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In 2006, four new, large asbestos trusts were formed at the conclusion of the Chapter 11 proceedings for Babcock & Wilcox Company, Armstrong World Industries, Inc., Owens Corning Fibreboard Company, and United States Gypsum Company. As previously reported, the Trust and those four other asbestos trusts entered into an agreement whereby they would jointly process claims through their common ownership of the Celotex Trust's claims processing facility. The vehicle for this common ownership is the Delaware Claims Processing Facility, LLC, a Delaware limited liability company (the "**Delaware Claims Facility**"), formed to own and operate the Celotex Trust's former claims processing facility. The Delaware Claims Facility processes each member trust's claims in accordance with that trust's applicable governing documents. Based on each member trust's usage of the claims facility's resources, each pays a *pro rata* portion of the claims facility's cost. In effect, the Delaware Claims Facility operates on a not-for-profit or cost-pass-through basis.

E. Trust Advisors

Under the terms of the Trust Agreement, there were three advisory groups who participated in the affairs of the Trust. They were the Property Damage Advisory Committee ("**PD Advisory Committee**"), consisting of three property damage lawyers, Daniel A. Speights, Martin W. Dies, and Karen Cordry; the PI Advisory Committee, now consisting of four personal injury lawyers, Russell Budd, Steven Kazan, Joseph F. Rice, and Gary W. Kendall; and the Legal Representative, now James L. Patton.

As reported in the trustees' 2009 annual report, the Trust determined that the PD Advisory Committee had expired pursuant to Article 8.1 of the Trust Agreement because the Trust had paid the last allowed property damage claim and all disallowed property damage claims had been disallowed by final, non-appealable order. In connection with a dispute regarding the Trust's responsibility for the payment of legal expenses allegedly incurred by the PD Advisory Committee, the Court determined in an opinion rendered on March 24, 2011, that

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although the PD Advisory Committee no longer had any duties and the Trust was not responsible for any fees or expenses of the PD Advisory Committee after August 12, 2009, the PD Advisory Committee did continue to exist. The attorneys for the PD Advisory Committee appealed this ruling to the United States District Court for the Middle District of Florida (the "**District Court**"), which affirmed this Court's orders on February 3, 2012. The PD Advisory Committee filed a further appeal to the Eleventh Circuit Court of Appeals (the "**Eleventh Circuit**"). That appeal remains pending.

The remaining advisory groups, the PI Advisory Committee and the Legal Representative, attended the June meeting of the trustees during the Reporting Period.

F. Professional Fees and Expenses

During the Reporting Period, the Trust paid $1,890,915 in professional fees and expenses. All professional fees and expenses are reviewed by the trustees and/or the Trust's staff for compliance with the Trust's professional fee and expense guidelines. A copy of the Trust's fee and expense guidelines is part of the *In Camera* Submission. The professional fees and expenses are set forth and itemized in a supplemental schedule to the Trust's 2011 financial statement, which is attached as **Exhibit 1**.

III. PAYMENT PERCENTAGE AND CRP

A. Payment Percentage

The Trust is a limited fund. None of the asbestos claimants who are beneficiaries of the Trust will have their claims paid in full. Instead, they will be paid some percentage (the "**Payment Percentage**") of the liquidated amount of their claims. The trustees are charged with the duty of periodically determining the Payment Percentage by considering, on the one hand, estimates of the number, types, and values of present and expected future claims and, on the other hand, the value and liquidity of the Trust's assets.

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Pursuant to Article 3.4(b) of the Trust Agreement, during the first two years of the Trust's operation the Initial Payment Percentage, as defined in the Plan of Reorganization, could be relied upon by the trustees in paying claimants. The Plan set the Initial Payment Percentage at 12%. (Plan of Reorganization, at Article 1.85.)

Pursuant to Article 3.4(a) of the Trust Agreement, after the first two years the trustees must periodically reconsider the determination of the Payment Percentage. The language of that provision provides that

> after the second anniversary of the Effective Date [of the Plan of Reorganization], but no less frequently than once every two (2) years, the trustees shall consider their determination of the Payment Percentage to assure that it is based on credible, current information and forecasts, and may, after such consideration, change the Payment Percentage.

To better ensure the Trust's ability to pay present and future claimants in substantially the same manner, the trustees decided in 2001 that thereafter they would consider the Payment Percentage determination on an annual basis.

As previously reported, as a result of the annual review, the trustees determined that the Payment Percentage should be adjusted from 14.1% to 9.4%, effective December 13, 2010. The Payment Percentage during the Reporting Period remained unchanged.

IV. SUMMARY OF CLAIMS DISPOSED

A. PI Claims Administration

1. Summary of Claims Processed

As of December 31, 2011, the Trust had received approximately 754,466 personal injury claims. During the Reporting Period, the Trust paid 30,758 personal injury claims in the aggregate amount of $58,689,736.[3] Since inception the Trust has paid 395,251[4] personal injury

[3] For accounting purposes, the full amounts of Individually Reviewed Claims ("**IRC**") settlements are expensed in the period in which the claims are settled. Upon settlement, one half of the payment is made and a reserve is established for the other half. Two years following the initial payment, the second payment is made and charged against the previously established reserve. In 2011, there was a net increase of $10.2 million in the reserve.
[4] An IRC claim paid is counted as one claim paid, regardless of the number of installments paid to date.

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claims in the aggregate amount of $976,449,228.[5] This payment figure includes the payment adjustments made due to the change in scheduled claims values. A summary showing the number and amount of claims, including personal injury claims, paid by the Trust during the Reporting Period is attached as **Exhibit 2.** This summary is filed in fulfillment of the requirement contained in Article 3.2(c)(ii) of the Trust Agreement.

B. PD Claims Administration

As reported in the trustees' 2009 annual report, the Trust paid the last allowed property damage claims in 2009. Since inception, the Trust paid the aggregate amount of $255,851,802.64 for property damage claims.

C. Status of Unresolved Disputes Relating to Property Damage Claims

As of the end of the Reporting Period, only certain disputes involving or relating to the alleged failure of the trustees to promptly pay disputed property damage claims ("**Additional Claims**") remained unresolved. As reported in the trustees' 2009 annual report, the Court set a bar date of August 12, 2009, for filing Additional Claims. These unresolved disputes include claims by (a) Maine Township High School District 207 ("**Maine High**") and Township High School District 211 ("**Township High**") in the adversary proceeding styled *Maine Township High School District 207 and Township High School District 211, Counterplaintiffs v. Asbestos Settlement Trust, Counterdefendant,* Adv. No. 02-ap-00307 Consolidated with Adv. No. 02-ap-00183 (in part), Adv. No. 02-ap-00725 and Adv. No. 03-ap-00010 (the "**Districts' Adversary**"), (b) Commonwealth of Pennsylvania,[6] and (c) Southern Wesleyan University, f/k/a Central Wesleyan College ("**Southern Wesleyan**") in the adversary proceeding styled *Southern Wesleyan University, et al. v. Frank Andrews, Sharon M. Meadows, James W. Stevens, and The*

[5] This amount does not include the outstanding second installment payments due on individually reviewed claims, which are paid two years after the claim is allowed and the first installment paid.
[6] There has been no activity by Pennsylvania with respect to its counterclaim, which merely sought payment of its claims. Pennsylvania did not file Additional Claims against the Trust or the Trustees prior to the bar date of August 12, 2009.

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Celotex Asbestos Settlement Trust, Adv. No. 8:09-ap-558-PMG (the "**Southern Wesleyan Adversary**").

1. Maine Township and Township High Dispute

After the Trust paid their allowed property damage claims, Maine High and Township High (collectively, the "**Districts**") opposed the dismissal of the Districts' Adversary. On January 14, 2009, the Districts filed an amended counterclaim against the Trust alleging Additional Claims. On December 8, 2009, this Court granted the Trust's motion to dismiss and on January 14, 2010 a second amended counterclaim was filed. The Trust is currently defending the Districts' claims against it. On January 19, 2011, the Trust filed a motion for summary judgment which the Court denied on November 20, 2011. The case remains pending.

2. Southern Wesleyan University Dispute

As reported in the trustees' 2010 annual report, Fairfield University, Michigan State University, Prince George's Community College, Rochester Institute of Technology, University of Cincinnati, and Claremont McKenna College (collectively, the "**Colleges**") sought a greater recovery for their allowed property damage claims than had been paid by the Trust. This request by the Colleges was denied by this Court. That ruling was affirmed by the District Court and the Eleventh Circuit.

On February 20, 2009, the Colleges filed a motion for leave to pursue Additional Claims against the Trust and the trustees in another jurisdiction. This Court denied the requested relief. That ruling was appealed to the District Court which dismissed the appeal determining that the order of this Court was interlocutory and denying the Colleges leave to appeal that order. The Colleges filed an appeal of that ruling to the Eleventh Circuit. That appeal has been briefed and remains pending.

Before the Trust and the trustees responded to the initial complaint in the Southern Wesleyan Adversary that had been filed by Southern Wesleyan and 37 other universities and

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colleges, including the Colleges, a First Amended and Restated Complaint was filed by Southern Wesleyan as the representative for the members of a certified class of colleges and universities in a case pending in South Carolina as the only plaintiff. The Colleges and other colleges and universities were dropped as plaintiffs in the Southern Wesleyan Adversary. The Trust and the trustees moved to dismiss the First Amended and Restated Complaint on the grounds that Southern Wesleyan lacked standing. On April 6, 2010, this Court granted the motion and dismissed the complaint. Southern Wesleyan appealed this decision to the District Court which affirmed this Court's ruling. The Colleges filed a further appeal to the Eleventh Circuit. That appeal has been briefed and remains pending.

V. TRUST'S ASSETS

All the Trust's assets available to pay claims are reflected in the Trust's 2011 financial statements, which have been audited by Argy, Wiltse & Robinson, P.C. and are attached at **Exhibit 1**. The financial statements were prepared in accordance with special purpose accounting rules adopted by the trustees. The preparation of the financial statements by an independent accounting firm and the filing of the statements with the Bankruptcy Court satisfies the requirements of Article 3.2(c)(i) of the Trust Agreement.

A. Investment Portfolio

As of the end of the Reporting Period, the Trust's investment portfolio totaled $524,950,780. Excluding Celotex Corporation assets, the Trust's investment portfolio totaled $506,024,119. As previously reported, the Trust retains the firm of Cambridge Associates, LLC ("**Cambridge**") as its investment/asset management advisory firm. In 2011, guided by Cambridge, the trustees reviewed and adopted a new benchmark for Brown Brothers Harriman, one of the Trust's bond investment portfolios, by allowing the manager to invest in both tax-exempt and taxable securities. Nevertheless, the fixed income allocation is heavily weighted toward non-taxable securities because the Trust, like every qualified settlement fund, is subject

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to the highest personal income tax rate on all its investment income. With Cambridge's assistance, separate investment managers were selected in previous years and continue to manage segments of the Trust's investment portfolio. During the Reporting Period, Brown Brothers Harriman continued to serve as the custodian of all Trust funds. Brown Brothers Harriman and Goldman Sachs continued to serve as managers of separate municipal bond accounts. John W. Bristol (U.S. growth manager) and McDonald Capital (U.S. value manager) continued to serve as managers of the U.S. equity portfolio. Hansberger Global Investors (non-U.S. growth manager and Sanderson Asset Management (non-U.S. value manager) continued to serve as managers of the non-U.S. equity portfolio.

The trustees developed investment guidelines consistent with Article 4 of the Trust Agreement. These guidelines are frequently reviewed and periodically updated by the trustees with Cambridge's assistance. The guidelines state that the average bond portfolio quality must be AA or better at all times, with a minimum quality of investment grade or the equivalent by one nationally recognized statistical rating organization for any single security. The bond portfolios are diversified as to individual issuer and sector, and the credit quality remains very high in the portfolio relative to the stated benchmark. The current version of the Trust's investment guidelines is attached as **Exhibit 3.**

During the Reporting Period, the trustees received detailed monthly reports from Cambridge on the performance of the Trust's investment portfolio and regularly conferred, typically monthly, with representatives of Cambridge. As they do every year, the trustees also met in person with and formally reviewed the performance of each of the Trust's investment managers.

In 2011, the total Trust investment portfolio returned 2.6% net of investment managers' fees. (Municipal bond returns have not been adjusted to reflect pre-tax equivalent returns.) Excluding Celotex Corporation assets, the portfolio returned 2.7 % net of investment managers'

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fees. The Trust's total investment return since 2001, when Cambridge was retained as investment advisors, is shown, along with 2011's investment performance, by asset class in the Cambridge composite report attached as **Exhibit 4.**

B. Celotex Corporation

Gail King Gibson of Keating Muething & Klekamp PLL, outside counsel to the Trust, and George Wood, president and general counsel of the Celotex Corporation, serve as members of the Board of Directors of the company. Ms. Gibson and/or Mr. Wood attended the Trust's regular meetings and reported on the status of the Celotex Corporation. In accordance with a prohibition in the Trust Agreement, the trustees do not serve as directors of the company.

During the Reporting Period, Celotex continued the process of winding up its corporate affairs. The company continued to manage its assets, including its financial investments, its former research and development facility, and other former industrial real estate. The company also continued to administer various benefit plans relating to former employees and to address its potential liabilities, including certain matters that are the subject of ongoing litigation. It is anticipated that the company shall continue, through at least 2014, the process of winding-up its corporate affairs, managing its assets, and addressing its potential liabilities. The company currently has three employees.

Effective August 31, 2004, the company adopted a plan of liquidation and made a partial liquidating distribution to the Trust in the amount of $377,524,000 in cash and investments. In addition to other assets, the company retained $50,000,000 in cash and investments. Upon complete liquidation of the company, any remaining assets will be transferred to the Trust.

As of 2003, Celotex's financial statements were no longer audited separately and, therefore, are no longer included in the *In Camera* Submission accompanying this annual report. Celotex's financial data and internally prepared financial statements, however, are audited in connection with the preparation of the audited financial statements of the Trust.

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VI. TRUST'S CONTINGENT ASSETS

A. Insurance Litigation

Since the Trust's inception in 1997, the attorneys of Gilbert LLP have continually represented the Trust in insurance coverage-related matters. During the Reporting Period, the attorneys at Gilbert LLP pursued on behalf of the Trust insurance coverage for asbestos-related bodily injury and property damage claims in a number of proceedings, including the following:

Wellington ADR Proceedings. In 1985, Celotex and a number of its liability insurers entered into the Agreement Concerning Asbestos-Related Claims (commonly known as the "**Wellington Agreement**"), which, among other things, resolved disputes concerning the manner in which liability insurance policies issued by the signatory insurers would respond to asbestos-related bodily injury claims against the signatory "producers" – companies like Celotex that had mined, manufactured, sold, and/or installed asbestos and/or asbestos-containing products. The Trust has pursued seven alternative dispute resolution ("**ADR**") proceedings under the Wellington Agreement in which the Trust seeks determinations that liability policies containing exclusions for "asbestosis" or "asbestosis and related diseases arising out of asbestos products" do not preclude coverage for diseases other than asbestosis, such as mesothelioma or lung cancer. The Trust has entered into agreements settling six of these ADR proceedings, which have been approved by the Bankruptcy Court. In the seventh proceeding, Court approved settlements have been entered into with all but one insurer.

Non-Products ADR Proceeding. On May 25, 2000, the Trust filed an ADR proceeding against Travelers Casualty and Surety Company ("**Travelers**") and the London Market Insurers, asserting that the insurers must pay immediately for their share of Celotex's non-products liability. The Trust previously reported on the success of its ADR Proceedings against Travelers.. The Trust has settled with most of the London Market Insurers (with Bankruptcy Court approval), and it has a few unresolved disputes remaining.

Miscellaneous Other Proceedings. On May 25, 2000, the Trust initiated an ADR proceeding against International Insurance Company and U.S. Fire Insurance Company, asserting that the insurers must pay immediately for Celotex's non-products and products liability. This proceeding is on-going.

The Trust has demanded payment pursuant to a coverage-in-place agreement with Hudson Insurance Company, and that insurer has disputed its obligations under the agreement. This dispute also is on-going.

The Trust has partially settled a dispute regarding shared insurance coverage for asbestos property damage and bodily injury claims under policies issued by London Barrett Companies to the Dana Corporation. The Trust has settled over 80% of the available coverage with several of the companies that subscribed to the policies. The Trust expects additional recoveries from Excess Insurance Company and is pursuing claims against certain insolvent London Companies who also subscribed to the policies.

The Trust also is pursuing claims against the Liquidator for Integrity Insurance Company. Integrity, which is now insolvent, issued two excess policies with combined face limits of $10,000,000. The Trust made claims for $10,000,000 with Integrity's Liquidator, but the Liquidator raised an objection to the claims, which was upheld by a Special Master and, subsequently, the New Jersey trial court that appointed the Special Master. The case is currently before the New Jersey Supreme Court.

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Dated: Tampa, Florida
April 30, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on April 30, 2012, I electronically filed a true and correct copy of the Annual Report, Summary of Claims Disposed, Financial Statement and Account of the Trustees of the Asbestos Settlement Trust for the Period January 1, 2011 to December 31, 2011, including exhibits, with the Clerk of the United States Bankruptcy Court for the Middle District of Florida by using the CM/ECF system, and I furnished a copy of the foregoing document(s) to the following parties in the manner of service indicated below:

Via United States Mail:

Legal Representative for Unknown Claimants
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Young, Conaway, Stargatt & Taylor
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AUDITED SPECIAL-PURPOSE
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

ASBESTOS SETTLEMENT TRUST

DECEMBER 31, 2011 AND 2010

ASBESTOS SETTLEMENT TRUST

AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 2011 AND 2010

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ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Trustees
Asbestos Settlement Trust
Wilmington, Delaware

We have audited the accompanying special-purpose statements of assets, liabilities and net assets available for the payment of claims of Asbestos Settlement Trust (the Trust) (a Trust created under the laws of the State of Florida) as of December 31, 2011 and 2010, and the related special-purpose statements of changes in net assets available for the payment of claims and special-purpose statements of cash flows for the years then ended. These special-purpose financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

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

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 27, 2012

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ASBESTOS SETTLEMENT TRUST

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

DECEMBER 31, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 6,934,635	$ 19,010,910
Investments, at fair value		
Short-term bonds	1,032,160	2,033,580
Equity investments	166,152,194	171,979,336
Investments in bonds	327,459,085	351,989,442
Investment in Celotex Corp.	20,817,681	27,605,499
Interest and other receivables	4,103,850	4,806,145
Total assets	526,499,605	577,424,912
Liabilities		
Accrued personal injury claims, accrued expenses, and accounts payable	3,604,436	3,159,643
Final installments due under IRC claims	37,024,918	24,823,494
Total liabilities	40,629,354	27,983,137
Net assets available for the payment of claims	$ 485,870,251	$ 549,441,775

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

ASBESTOS SETTLEMENT TRUST

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

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Additions		
Insurance recoveries	$ 6,036,007	$ 24,465,576
Interest and dividend income, net of amortization	14,946,286	16,245,140
Net realized gains and change in unrealized gains on investments	767,934	19,697,297
Other additions	8,239	16,201
Total additions	21,758,466	60,424,214
Deductions		
Personal injury claim payments and expenses	71,157,108	37,048,533
Loss on investment in Celotex Corp.	6,787,818	5,831,330
Operating expenses	7,385,064	7,204,997
Total deductions	85,329,990	50,084,860
(Decrease) increase in net assets available for the payment of claims	(63,571,524)	10,339,354
Net assets available for the payment of claims		
Beginning of year	549,441,775	539,102,421
End of year	$ 485,870,251	$ 549,441,775

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

ASBESTOS SETTLEMENT TRUST

SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
(Decrease) increase in net assets available for the payment of claims	$ (63,571,524)	$ 10,339,354
Adjustments to reconcile (decrease) increase in net assets available for the payment of claims to net cash used in operating activities:		
Amortization of premium on investments	3,378,412	4,234,239
Net realized gains and change in unrealized gains on investments	(767,934)	(19,697,297)
Change in the carrying value of investment in Celotex Corp.	6,787,818	5,831,330
Changes in operating assets and liabilities:		
Interest and other receivables	702,295	281,971
Accrued personal injury claims, accrued expenses and accounts payable	444,793	(3,369,377)
Final installments due under IRC claims	12,201,424	(33,924,463)
Net cash used in operating activities	(40,824,716)	(36,304,243)
Cash flows from investing activities:		
Sales and maturities of bonds	235,907,059	345,182,010
Purchases of bonds	(202,427,073)	(300,926,529)
Purchases of equity securities	(17,739,898)	(11,841,962)
Sales of equity securities	13,008,353	10,273,130
Net cash provided by investing activities	28,748,441	42,686,649
Net (decrease) increase in cash and cash equivalents	(12,076,275)	6,382,406
Cash and cash equivalents at the beginning of the year	19,010,910	12,628,504
Cash and cash equivalents at the end of the year	$ 6,934,635	$ 19,010,910

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

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ASBESTOS SETTLEMENT TRUST

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF THE TRUST

On October 12, 1990, The Celotex Corporation (Celotex Corp.) and its then wholly-owned subsidiary, Carey Canada Inc. (Carey Canada) (collectively, the Pre-Reorganized Companies), voluntarily filed petitions for reorganizing under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the Bankruptcy Court). The filing of the petitions was precipitated by the Pre-Reorganized Companies' then potentially substantial present and future asbestos-related liabilities. On December 6, 1996, the Bankruptcy Court entered an order (the Confirmation Order) confirming the modified joint plan of reorganization (the Confirmed Plan) proposed and filed by the Pre-Reorganized Companies, the Asbestos Health Claimants Committee, the Legal Representative representing the interests of future asbestos bodily injury claimants, and the Trade Creditors Committee, and supported by the Asbestos Property Damage Claimants Committee. On March 4, 1997, the United States District Court for the Middle District of Florida adopted, issued and affirmed the Confirmation Order. The Confirmation Order has become final and cannot be appealed. The Confirmed Plan became effective on May 30, 1997 (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 Asbestos Settlement Trust (the Trust), to assume all liabilities and obligations of the Pre-Reorganized Companies, in respect of all asbestos-related personal injury and property damage claims, both present and future (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) cash received from Carey Canada, a wholly-owned subsidiary of Celotex Corp., (b) asbestos insurance recoveries as described in Note 2, (c) cash and investments from the Settlement Account, a segregated, custodial account at Bank of America Illinois, funded by Celotex Corp. and designated by order of the Bankruptcy Court dated March 30, 1995 as the Celotex Fund Recipient (as defined in the Veil Piercing Settlement Agreement), (d) 100% of the outstanding shares of reorganized Carey Canada common stock, (e) 100% of the outstanding shares of reorganized Celotex Corp. common stock, (f) promissory notes receivable from Celotex Corp., and (g) the Russellville Industrial Revenue Bond, contributed by JWC Holdings Corporation (JWC), the former parent of Celotex Corp., in consideration for the releases and injunctions described in the Confirmed Plan.

The Trustees are responsible for supervising and administering the Asbestos Claims resolution process. The Trust will use its funding for Trust operations and for settlement of Asbestos Claims as defined in the Confirmed Plan.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

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- Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the contract or agreement.

- The full amount of claims is expensed in the period in which the confirmed claims are settled. Final installments due on Individually-Reviewed Claims (IRC) represents a reserve established to record the liability for payments on settled IRC claims. One-half of the payment is made upon settlement and the second payment is expensed and the reserve established. The second payment is made two years after the first payment. Adjustments to previously settled claims (including those resulting from changes to gross schedule values and payments percentages in accordance with amendments to the TDP) are recorded in the period in which the effective date of the adjustment falls, as approved by the Trust.

  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.

  Effective December 17, 2010, the Trustees approved an adjustment of the IRC payment percentage from 14.1% to 9.4%. Accordingly, the accrual for final installments due under IRC claims has been adjusted to reflect a reduction in the affected IRC Second Payments.

- 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 fixed assets are capitalized and depreciated over the useful lives of the assets. During 2011 and 2010, there were no expenses related to purchases of property and equipment.

- The Trust's investment in 100% of the outstanding common stock of Celotex Corp. is being accounted for at the net of Celotex Corp.'s cash and cash equivalents, marketable securities, fair value of remaining real estate and fair value of liabilities. Any changes in the value of the Trust's investment in the Celotex Corp. is recorded as a gain or loss in the accompanying special-purpose statements of changes in net assets available for the payment of claims. Under GAAP, consolidated financial statements of the Trust and Celotex Corp. would be presented.

- 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.

- The Trust does not record any asbestos insurance recoveries until the funds are received from the insurance carriers. These recoveries come from various insurance coverages obtained by Celotex Corp. covering, among other things, products and general liability claims. Future recoveries under such policies will inure to the Trust. Under GAAP, an asset would be recorded for an estimate of the amount to be received for insurance recoveries that are due to the Trust.

- The Trust records amortization of premium and accretion of discount on its investment securities under the straight-line method. Under GAAP, such amortization and accretion would be calculated under the effective interest (i.e., constant yield) method.

- Investments are stated at fair-value. All interest and dividend income are included in interest and dividend income on the accompanying special-purpose statements of changes in net assets available for the payment of claims. The net realized and unrealized gains or losses on investments in the accompanying special-purpose statements of changes in net assets available for the payment of claims consist of realized gains or losses on sales of investments and the

change in unrealized gains or losses on investments held. Under GAAP, such investments would be assessed for classification based on GAAP defined criteria, and based on that classification, the unrealized gains and losses would be reported in the current period special-purpose statement of changes in net assets available for the payment of claims and/or as a separate component of the change in net assets available for the payment of claims.

Use of estimates

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

Cash equivalents

The Trust considers all highly liquid instruments with original maturities of one month or less to be cash equivalents. The Trust maintains cash balances that may at times exceed federally insured limits. Cash balances are maintained at high-quality financial institutions and the Trust believes the credit risk related to these cash balances is minimal.

Short-term investments

Short-term investments include commercial paper and other liquid investments with original maturities of less than one year.

Investments

Investment securities (including all bonds and equity investments) are stated at fair value based on quoted market prices for identical or similar instruments traded in active markets as of the date of the special-purpose financial statements with the changes in unrealized gains and losses recorded in the current period. The fair value of the investment in Celotex Corp. is based on the fair value of its assets and liabilities as of the date of the special-purpose financial statements. Investment income is recognized when earned. Realized gains and losses on sales are determined using the specific identification method.

Accrued personal injury claims, accrued expenses and accounts payable

Accrued personal injury claims consist of certain personal injury claims that are settled but unpaid as of December 31, 2011 and 2010. Accrued expenses and accounts payable consist of legal accruals, as well as outstanding invoices associated with managing the Trust.

Operating and administrative expenses

Operating and administrative expenses of the Trust 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 (the Code) thereunder. As a result, the Trust is subject to federal income taxes based on modified gross income, as defined by the Code. In the opinion of management, the Trust is not subject to state income taxes and therefore, the special-purpose financial statements do not include any provision or liability for state income taxes.

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

Subsequent events

The Trust has evaluated its December 31, 2011 special-purpose financial statements for subsequent events through April 27, 2012, 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.

NOTE 3 - RELATED PARTIES

On November 1, 2006, the Trust became a member in a limited liability company under an agreement with four other Qualified Settlement Funds, contributing property and equipment valued at $132,193 as a capital contribution to this entity.

Effective January 1, 2007, this entity began processing all of the Trust's bodily injury claims.

During the years ended December 31, 2011 and 2010, the Trust incurred expenses of $3,330,083 and $3,366,178, respectively, related to services provided by this entity, as well as for reimbursement of expenses paid by the entity on behalf of the Trust. As of December 31, 2011 and 2010, there is no amount due from the Trust to this entity. As of December 31, 2011 and 2010, $120,491 and $63,656, respectively, is owed to the Trust from this entity, and is included in interest and other receivables on the accompanying special-purpose statements of assets, liabilities and net assets available for the payment of claims.

NOTE 4 - INVESTMENTS

Investment securities consist of the following at December 31, 2011:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bonds	$ 1,007,959	$ 24,201	$ 0	$ 1,032,160
Equity	165,761,048	255,310,678	(254,919,532)	166,152,194
Bonds	314,652,991	14,765,095	(1,959,001)	327,459,085
	$ 481,421,998	$ 270,099,974	$ (256,878,533)	$ 494,643,439

Investment securities consist of the following at December 31, 2010:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bonds	$ 2,010,672	$ 22,908	$ 0	$ 2,033,580
Equity	158,363,113	225,908,159	(212,291,936)	171,979,336
Bonds	345,859,732	8,426,789	(2,297,079)	351,989,442
	$ 506,233,517	$ 234,357,856	$ (214,589,015)	$ 526,002,358

The Trust invests in a professionally managed portfolio that contains U.S. and international equity securities, and municipal bonds. Such investments 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 and special-purpose statements of changes in net assets available for the payment of claims.

Investment in the Celotex Corporation

The Celotex Corp. common stock investment represents a 100% ownership interest in Celotex Corp. The estimated fair value of the Trust's investment in the common stock of The Celotex Corp. as of December

31, 2011 and 2010 consisted of cash and cash equivalents, marketable securities, and the fair value of remaining real estate, less the fair value of liabilities. Marketable securities that Celotex Corp. invests in include U.S. treasury obligations, bank obligations, tax exempt obligations, corporate obligations, and repurchase agreements.

The Trust recorded a reduction in the carrying value of its investment in Celotex Corp. of $6,787,818 and $5,831,330 for the years ended December 31, 2011 and 2010, respectively, for the change in the estimated fair value of its investment.

NOTE 5 - INCOME TAXES

There were no income tax payments made and no income tax refunds received during the years ended December 31, 2011 and 2010.

As of December 31, 2011, the Trust had available a net operating loss carryforward of approximately $38,000,000 available to offset future taxable income. In accordance with the Trust's accounting policies, no asset has been recorded for the net operating loss carryforwards as the benefit of the carryforwards is recorded by the Trust when realized as a current tax benefit. The Trust's net operating loss carryforward will expire, if not utilized, in various years through 2031.

NOTE 6 - CONTINGENT ASSETS AND INSURANCE RECOVERIES

The Trust received insurance recoveries from insurers in the amount of $6,036,007 and $24,465,576 during the years ended December 31, 2011 and 2010, respectively. 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.

NOTE 7 - CONTINGENT LIABILITIES

The Trust has entered certain reimbursement and indemnification agreements in the Plan Documents (as defined in the Confirmed Plan), including, but not limited to, the Agreement Regarding Disputed Claims, the Affiliate Asset Purchase Agreements, and the Tax Cooperation and Indemnification Agreements. These agreements could 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.

Substantial third party claims have been asserted against Celotex Corp. for which the Trust may be contingently liable. It is presently not possible to determine the extent, if any, of the Celotex Corp's liability which might arise as a result thereof.

NOTE 8 - LIABILITY FOR ASBESTOS CLAIMS

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

NOTE 9 - TRUSTEES' LIABILITY INSURANCE

The Trust purchased Trustees' liability insurance for premiums of $179,080 and $188,440 in 2011 and 2010, respectively. The current policy term is May 30, 2011 to May 30, 2012. The Trust's accounting

policy is to expense in the current period any amounts which will not be available to pay future Asbestos Claims or expenses of the Trust. Accordingly, an amount of $179,080 and $188,440 was recorded as a deduction in net assets available for payments of claims in 2011 and 2010, respectively.

NOTE 10 - TRUSTEES AND TRUST ADVISORS

The individuals serving as Trustees of the Trust are not members of the Board of Directors of Celotex Corp. The Trustees are required to provide notice, to consult, or obtain the consent of the Trustees' Advisory Committee (the TAC), the Legal Representative, the Property Damage Advisory Committee (the PDAC) or the Property Damage Claims Administrator (the PDCA) in various matters as detailed in the First Amended and Restated Asbestos Settlement Trust Agreement, the Asbestos Settlement Trust First Amended and Restated Bylaws, the Second Amended and Restated Asbestos Personal Injury Claims Resolution Procedures, and the Third Amended and Restated Asbestos Property Damage Claims Resolution Procedures.

Fees and expenses of the Trustees and trust advisors for 2011 and 2010 were as follows:

	2011		
	Fees	Expenses	Total
Trustees	$ 352,200	$ 22,812	$ 375,012
Trustees' Advisory Committee attorney fees	66,395	705	67,100
Legal representative	52,613	3,543	56,156
	$ 471,208	$ 27,060	$ 498,268

	2010		
	Fees	Expenses	Total
Trustees	$ 363,300	$ 15,059	$ 378,359
Trustees' Advisory Committee attorney fees	50,555	618	51,173
Legal representative	40,639	3,077	43,716
	$ 454,494	$ 18,754	$ 473,248

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

SUPPLEMENTAL INFORMATION

ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

To the Trustees
Asbestos Settlement Trust
Wilmington, Delaware

Our audit was made for the purpose of forming an opinion on the basic special-purpose financial statements as of and for the years ended December 31, 2011 and 2010 taken as a whole in accordance with the basis of accounting described in Note 2 of such statements. The supplemental information on pages 12 to 16 is presented for purposes of additional analysis and is not a required part of the basic special-purpose financial statements. The supplemental information for the years ended December 31, 2011 and 2010 has been subjected to the auditing procedures applied in the audit of the basic special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic special-purpose financial statements taken as a whole.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 27, 2012

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ASBESTOS SETTLEMENT TRUST

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2011

Professional fees (see Supplemental Schedule of Professional Fees)		$ 1,890,915
General and administrative		
Investment advisory and custodial fees - Brown Brothers	$ 295,123	
Investment advisory fees - Cambridge & Associates	223,307	
Investment advisory fees - Goldman Sachs	258,514	
Investment advisory fees - John W. Bristol	203,434	
Investment advisory fees - McDonald Capital	247,991	
Investment advisory fees – Sanderson	320,010	
Other administrative expenses	159,829	1,708,208
Trustee fees and expenses		375,012
TAC attorney fees		
Caplin & Drysdale/attorney fees	66,395	
Caplin & Drysdale/expenses	705	67,100
Legal representative fees and expenses		
Young, Conaway, Stargatt & Taylor/fees	52,613	
Young, Conaway, Stargatt & Taylor/expenses	3,543	56,156
Carey-Canada fees and expenses		
Administrative expenses	17,103	
U.S. trustee fees	1,300	18,403
Trustee liability insurance		179,080
United States trustee fee		37,050
Facility usage expenses		3,053,140
Total operating expenses		$ 7,385,064

See independent auditor's report on supplemental information.

ASBESTOS SETTLEMENT TRUST

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2010

Professional fees (see Supplemental Schedule of Professional Fees)		$ 1,703,204
General and administrative		
Investment advisory and custodial fees - Brown Brothers	$ 319,981	
Investment advisory fees - Cambridge & Associates	225,060	
Investment advisory fees - Goldman Sachs	294,334	
Investment advisory fees - John W. Bristol	189,057	
Investment advisory fees - McDonald Capital	222,278	
Investment advisory fees - Sanderson	292,916	
Other administrative expenses	138,671	
		1,682,297
Trustee fees and expenses		378,359
TAC attorney fees		
Caplin & Drysdale/attorney fees	50,555	
Caplin & Drysdale/expenses	618	
		51,173
Legal representative fees and expenses		
Young, Conaway, Stargatt & Taylor/fees	40,639	
Young, Conaway, Stargatt & Taylor/expenses	3,077	
		43,716
Carey-Canada fees and expenses		
Administrative expenses	30,462	
U.S. trustee fees	1,300	
		31,762
Trustee liability insurance		188,440
United States trustee fee		29,900
Facility usage expenses		3,096,146
Total operating expenses		$ 7,204,997

See independent auditor's report on supplemental information.

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ASBESTOS SETTLEMENT TRUST

SUPPLEMENTAL SCHEDULE OF PROFESSIONAL FEES

YEAR ENDED DECEMBER 31, 2011

Accounting		
Accounting/audit	$	73,377
Accounting/taxes		9,245
Accounting/Other		93,382
Subtotal accounting		176,004
Legal fees		
Insurance issues		
Bush Ross, P.A.		0
Gilbert		27,640
Keating, Muething & Klekamp		186,312
KCIC, LLC		510
Sabier		18,092
Subtotal insurance issues		232,554
Property damage		
Bush Ross, P.A.		63,377
Smith Hulsey & Busey		145,270
Keating, Muething & Klekamp		14,725
Subtotal property damage		223,372
General		
Ann Soden		8,869
Borden, Ladner		17,098
Bush Ross, P.A		152,327
Gilbert		11,649
Keating, Muething & Klekamp		389,087
Montgomery, McCracken, Walker & Rhoads, LP		37,987
Morris James		110
Morvillo, Abramowitz, Grand, Iason, Annell		57,005
Young, Conaway, Stargatt & Taylor		224
Other		41,029
Subtotal general		715,385
Other professional fees (general)		
ARPC		394,454
David B. Pearse, M.D.		43,650
Kekst & Company		24,548
Other		80,948
Subtotal other professional fees (general)		543,600
Total professional fees	$	1,890,915

See independent auditor's report on supplemental information.

ASBESTOS SETTLEMENT TRUST

SUPPLEMENTAL SCHEDULE OF PROFESSIONAL FEES

YEAR ENDED DECEMBER 31, 2010

Accounting	
Accounting/audit	$ 105,418
Accounting/taxes	9,535
Accounting/Other	67,993
Subtotal accounting	182,946
Legal fees	
Insurance issues	
Bush Ross, P.A.	405
Gilbert	9,252
Keating, Muething & Klekamp	116,035
KCIC, LLC	678
Subtotal insurance issues	126,370
Property damage	
Bush Ross, P.A.	98,858
Hilton, W.D. Jr.	0
Keating, Muething & Klekamp	29,899
Subtotal property damage	128,757
General	
Ann Soden	10,039
Bilzin Sumberg Baena Price & Axelrod LLP	0
Borden Ladner	10,477
Bush Ross P.A	120,586
Gilbert	8,307
Keating, Muething & Klekamp	491,357
Montgomery, McCracken, Walker & Rhoads, LP	35,956
Morris James	676
Young, Conaway, Stargatt & Taylor	6,290
Other	149,985
Subtotal general	833,673
Other professional fees (general)	
ARPC	342,509
David B. Pearse, M.D.	61,848
Kekst & Company	19,438
Other	7,663
Subtotal other professional fees (general)	431,458
Total professional fees	$ 1,703,204

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ASBESTOS SETTLEMENT TRUST

SUPPLEMENTAL SCHEDULE OF TRUSTEE FEES AND EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011 Trustee Fees and Expenses Paid in 2011			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total Payments
Frank Andrews	$ 75,000	$ 62,100	$ 13,345	$ 150,445
Sharon Meadows	60,000	35,750	3,239	98,989
James Stevens	60,000	23,000	3,497	86,497
	$ 195,000	$ 120,850	$ 20,081	$ 335,931

	2011 Trustee Fees and Expenses Accrued and Unpaid in December 31, 2011			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total
Frank Andrews	$ 0	$ 11,900	$ 1,355	$ 163,700
Sharon Meadows	0	14,700	722	114,411
James Stevens	0	9,750	654	96,901
	$ 0	$ 36,350	$ 2,731	$ 375,012

	2010 Trustee Fees and Expenses Paid in 2010			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total Payments
Frank Andrews	$ 75,000	$ 83,300	$ 10,075	$ 168,375
Sharon Meadows	60,000	44,250	2,235	106,485
James Stevens	60,000	29,850	2,709	92,559
	$ 195,000	$ 157,400	$ 15,019	$ 367,419

	2010 Trustee Fees and Expenses Accrued and Unpaid in December 31, 2010			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total
Frank Andrews	$ 0	$ 1,600	$ 0	$ 169,975
Sharon Meadows	0	6,550	17	113,052
James Stevens	0	2,750	23	95,332
	$ 0	$ 10,900	$ 40	$ 378,359

Trustee fees and expenses accrued and unpaid at December 31, 2011 and 2010 are included in accrued expenses and accounts payable in the special-purpose statements of assets, liabilities and net assets available for the payment of claims.

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Updated: 04/20/2012

Celotex Asbestos Settlement Trust
Summary of Claims Disposed - 2011
Personal Injury and Property Damage

	DCP Paid Claims 2010		IRC Second Payments Paid in 2011		IRC First Payments Paid in 2011		Additional Payments for Increase in Payment Tables (Note 1)	Total PI Claims Paid 2011	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	Amount	# of Claims
Month									
Jan-11	$ 1,160,618	550	$ 947,701	923	4,153,945	1,248	$ 2,086	$ 6,264,350	2,721
Feb-11	$ 1,730,909	946	$ 790,340	670	1,620,153	409	$ 839	$ 4,142,241	2,025
Mar-11	$ 2,249,177	1,009	$ 539,763	629	2,925,297	1,150	$ 31,468	$ 5,745,705	2,788
Apr-11	$ 1,555,546	822	$ 768,537	825	3,275,642	1,401	$ 6,179	$ 5,605,904	3,048
May-11	$ 2,729,480	1,605	$ 507,389	447	2,354,511	652	$ 533	$ 5,591,913	2,704
Jun-11	$ 3,920,459	2,273	$ 420,051	461	2,519,945	922	$ 962	$ 6,861,417	3,656
Jul-11	$ 1,243,925	558	$ 693,030	799	1,566,817	553		$ 3,503,772	1,910
Aug-11	$ 1,028,654	561	$ 935,620	944	2,271,072	1,058	$ 14,516	$ 4,249,862	2,563
Sep-11	$ 1,170,518	510	$ 1,034,589	861	1,582,425	595	$ 26,747	$ 3,814,279	1,966
Oct-11	$ 471,318	202	$ 1,448,032	1,471	801,077	205	$ 1,809	$ 2,722,236	1,878
Nov-11	$ 2,742,338	1,267	$ 473,938	404	1,650,381	709	$ 2,545	$ 4,869,202	2,380
Dec-11	$ 1,764,660	823	$ 785,364	770	2,768,831	1,526		$ 5,318,855	3,119
Totals	**$ 21,767,602**	**11,126**	**$ 9,344,354**	**9,204**	**$ 27,490,096**	**10,428**	**$ 87,684**	**$ 58,689,736**	**30,758**

	PD First Payments Paid in 2011		PD Second Payments Paid in 2011		PD Settlements Paid in 2011		Total PD Claims Paid in 2011		Totals PI and PD Claims Paid in 2011	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims
Month										
Jan-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 6,264,350	2,721
Feb-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 4,142,241	2,025
Mar-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 5,745,705	2,788
Apr-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 5,605,904	3,048
May-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 5,591,913	2,704
Jun-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 6,861,417	3,656
Jul-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 3,503,772	1,910
Aug-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 4,249,862	2,563
Sep-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 3,814,279	1,966
Oct-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,722,236	1,878
Nov-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 4,869,202	2,380
Dec-11	$ -	-	$ -	-	$ -	-	$ -	-	$ 5,318,855	3,119
Totals	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ 58,689,736**	**30,758**

NOTE 1: In July 2008, the Trust began making adjustment payments to reflect the change in scheduled values approved for both DCP and IRC claims. Because the change in values was retroactive to July 1, 2007 for payments or offers made, many claimants received an additional payment during the Reporting Period. These additional payments are included in the total PI claims paid amounts but not in # of claims paid as that would exagerate the count since these claims would be counted for a second time. The total number of payments made as additional payments was 226.

ASBESTOS SETTLEMENT TRUST

INVESTMENT GUIDELINES FOR THE ASBESTOS SETTLEMENT TRUST

December 2010 (Revised)

1. The asset allocation for the Trust portfolio is as follows:

Asset Class	% of Portfolio
Bonds	70.0%
U.S. Equity	15.0%
Non-U.S. Equity	15.0%
Total Portfolio	100.0%

   a. The bond portfolio exists to provide short-term and intermediate-duration bonds given the length of the expected liability stream of the Trust. Given the current tax rate of the Trust, the portfolio will largely be invested in municipal bonds, but managers have the ability on an opportunistic basis to attain higher yield through taxable securities.

   b. The equity allocation exists to attain long-term capital appreciation, given the projected existence of the Trust. Historically, equities have outperformed bonds in attained long-term capital appreciation.

      i. The equity portfolio is structured to have exposure to both a growth and value style of investing to provide the necessary diversification in this portfolio.

      ii. In addition, the equity portfolio is broadly diversified across economic sectors and securities to provide additional diversification and reduce portfolio risk.

      iii. The equity portfolio is prohibited from holding any securities whose primary revenue derives from tobacco or tobacco-related products.

2. The portfolio will be monitored monthly by Cambridge Associates, and Cambridge Associates will communicate to the Trustees on their monthly call as to whether or not the portfolio requires asset allocation adjustments toward the target allocation as outlined above. Asset allocation adjustments are contingent on cash flow needs and market values and conditions.

3. Individual investment managers are subject to their individual manager guidelines, with respect to investment objective, benchmark, allowable securities, credit quality requirements (if applicable), and concentration limits.

4. Investments for the Account shall be subject to the following restrictions as stated in the Trust Agreement:

   a. The Adviser shall not acquire for the Account equity in any entity or other business enterprise if, immediately following such acquisition, the Account would hold more than 5% of the equity in such entity or business enterprise. The Account shall not hold, directly or indirectly, more than 10% of the equity in any entity or business enterprise.

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b. The Account shall not acquire or hold any long-term debt securities unless such securities are rated "Baa category" or higher by Moody's, "BBB category" or higher by S&P or have been given an equivalent investment grade rating by another nationally recognized statistical rating service, or have been issued or fully guaranteed as to principal and interest by the United States or any agency thereof.

c. The Account shall not acquire or hold for longer than 90 days any commercial paper unless such paper is rated "Prime-1" or higher by Moody's or "A-1" or higher by S&P or has been given an equivalent rating by another nationally recognized statistical rating agency.

d. The Account shall not acquire or hold any preferred stock unless such preferred stock is rated "AA category" or higher by Moody's or "A category" or higher by S&P or has been given an equivalent rating by another nationally recognized statistical rating agency.

e. The Account shall not acquire or hold any certificates of deposit unless all publicly held, long-term debt securities, if any, of the financial institution issuing the certificate of deposit and the holding company, if any, of which such financial institution is a subsidiary, meet the standards set forth in Item 2 above.

f. The Account shall not acquire or hold any repurchase obligations unless, in the opinion of the Adviser, they are adequately collateralized.

g. The Account shall not acquire or hold any options.

h. The Account shall not acquire or hold emerging market debt.

i. The following is not permitted: leverage (excludes futures transactions as defined above), reverse repurchase agreements; short-selling (except with respect to shorts against the box, and futures).

j. Trading with affiliated broker/dealers is not permitted.

k. Client has the right to advise Adviser at any time of any further restrictions applicable to the investments of and for the Account, and Adviser will thereafter abide by such restrictions in the management of the Account upon written notification by the Client to the Adviser.

5. The Manager will report the following information each month to the Trustees and to Cambridge Associates, Inc.: total return net of all commissions and fees; additions to, and withdrawls from, the Portfolio; current holdings at cost and market; and purchases and sales for the quarter. On an annual basis, the Manager will provide the Trustees with an audited and certified financial statement of the Manager's firm.

6. The Manager is required to inform the Trustees of any material change in fundamental investment philosophy or investment process, ownership, organizational structure, professional personnel, or Portfolio structure.

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Celotex Asbestos Settlement Trust
Asset Allocation & Asset Class Returns (Net)
As of December 31, 2011

Asset Class	Assets $	% of Managed Assets	% of Total Assets	Total Return 12/31/10-12/31/11
U.S. Equity	108,678,464	21.5%	20.7%	2.7 %
Non-U.S. Equity	61,943,588	12.2%	11.8%	-14.2 %
U.S. Bonds	334,868,964	66.2%	63.8%	6.6 %
Cash	533,102	0.1%	0.1%	---
Total AST Assets	**506,024,119**	**100.0%**	**96.4%**	2.7 %
Celotex Corporation Assets	1,810,566		0.3%	-0.3 %
Celotex Investment Corporation Assets	17,116,096		3.3%	0.3 %
Total Assets	**524,950,781**		**100.0%**	2.6 %

Celotex Asbestos Settlement Trust Asset Allocation as of December 31, 2011

