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, 2013 TO DECEMBER 31, 2013, AND FINAL ACCOUNT FOR TRUSTEE FRANK ANDREWS, DECEASED, FOR THE PERIOD JANUARY 1, 2013 TO NOVEMBER 26, 2013

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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, 2013.

The Trust suffered a great loss with the passing of Trustee Frank Andrews in November 2013. Trustee Andrews served the Trust since its inception and contributed greatly to its success. This will be the last report covering Mr. Andrews's service as trustee and the account submitted hereby will be a final account on his behalf.

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, 2013 to December 31, 2013 (the "**Reporting Period**"), and to provide the basis for the trustees' annual account and 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 ("**Celotex**"), and its wholly owned subsidiary, Carey Canada, Inc. ("**Carey Canada**"), 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 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.

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Article 5.5 of the Trust Agreement provides:

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 $60,000 per annum, except that the Chairperson shall receive $75,000 per annum for his or her services.[1] In addition, for all time expended attending Trustee meetings, preparing for such meetings, and working on authorized projects, the Trustees shall receive the sum of $500 per hour. The Trustees shall record all hourly time to be charged to the Trust on a daily basis. 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, in 2005, Article 5.5(a) of the Trust Agreement was amended to increase the trustees' per annum compensation from $50,000 to $60,000. 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 became 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. Mr. Andrews died in November 2013. Ms. Meadows and Mr. Stevens continued their service throughout the remainder of 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 until his death.

At the December 5, 2013 meeting, Ms. Meadows was elected as chairperson of the Trust to serve the remainder of the annual term begun by Mr. Andrews in June.

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 advisors throughout the Reporting Period. Members of the PI Advisory Committee and the Legal Representative attended the May 23, 2013 meeting of the trustees.

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 (the "***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 ("**ARPC**") continued to serve as Executive Director of the Trust.

C. Trust Auditors

The Trust's auditors are BDO USA, LLP of McLean, Virginia. BDO 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, 2013. 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 its usage of the Delaware Claims Facility's resources, each trust pays a *pro rata* portion of the facility's costs. In effect, the Delaware Claims Facility operates on a not-for-profit, or cost-pass-through, basis. During the Reporting Period, the WRG Asbestos PI Trust joined the Delaware Claims Facility as a member trust.

E. Trust Advisors

Under the terms of the Trust Agreement, there were three advisory groups that have participated in the affairs of the Trust: 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

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PD Advisory Committee, the Court determined in an opinion rendered on March 24, 2010, that 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 decision on February 3, 2012.

The PD Advisory Committee appealed the decision of the District Court to the United States Court of Appeals for the Eleventh Circuit. On November 16, 2012, the Eleventh Circuit affirmed the determination that the PD Advisory Committee continued to exist after August 12, 2009 (which issue was not contested by the Trust), but reversed the denial of the fees sought by the PD Advisory Committee for services rendered after August 12, 2009. The Eleventh Circuit remanded to this Court for further proceedings the determination of the amounts that should be paid the PD Advisory Committee for services rendered after August 12, 2009.

On remand this Court established a procedure to resolve the dispute over the amounts sought by the PD Advisory Committee. On September 24, 2013, this Court entered an order that resolved the dispute.

On March 5, 2014, this Court dismissed with prejudice an appeal arising from the last dispute relating to a property damage claim paid by the Trust. Accordingly, the last property damage claim has been disallowed by final, non-appealable order, and the PD Advisory Committee no longer exists. It is the intent of the trustees, subject to the Court's approval, that this will be the last Annual Report that will discuss the PD Advisory Committee or address matters relating to the now fully resolved property damage claims. Further, this will be the last Annual Report that is served on the former members of the PD Advisory Committee or their counsel or on the Property Damage Claims Administrator or his counsel.

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F. Professional Fees and Expenses

During the Reporting Period, the Trust paid $2,063,965 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 2013 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.

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

> [A]fter 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 reconsider the Payment Percentage on an annual basis.

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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. During the last Reporting Period, the annual reconsideration of the Payment Percentage revealed that a downward adjustment in the Payment Percentage would be appropriate, due largely to increases in malignancy claim filings. But application of a lower Payment Percentage would have reduced average Individually Reviewed claim values well below the Discounted Cash Payment ("**DCP**") claim values set forth in the Claims Resolution Procedures ("**CRP**"). (The Payment Percentage does not apply to DCP claims.) This was unworkable.

In September 2012, the trustees directed that all claims payments be suspended until alternatives could be explored with the PI Advisory Committee and Legal Representative, including amending the claim values in the CRP, which amendments require their consent. Consultation with the PI Advisory Committee and Legal Representative ensued. On July 23, 2013, the trustees, with the consent of the PI Advisory Committee and Legal Representative, approved an adjustment to the Payment Percentage from 9.4% to 6.5%. Concurrent with that adjustment, an amendment to the CRP was approved and the following new DCP claim values were assigned:

Mesothelioma	$6,800
Lung Cancer	$1,750
Other Cancer	$1,080
Non-Malignancy: Asbestosis	$690
Non-Malignancy: Bilateral Pleural Disease	$350

Going forward, the trustees will adjust the DCP values for the disease categories listed above each time there is a change in the Payment Percentage.

Also during the Reporting Period, the Trust ceased making payments on an installment basis with respect to Individually Reviewed claims. In general, going forward, a holder of a

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valid claim who elects the Individualized Review Process shall receive a payment that is subject to the Payment Percentage that is in effect at the time the claim is paid.

IV. SUMMARY OF CLAIMS DISPOSED

A. PI Claims Administration

1. Summary of Claims Processed.

As of December 31, 2013, the Trust had received approximately 800,334 personal injury claims. During the Reporting Period, the Trust paid 33,324 personal injury claims in the aggregate amount of $66,090,659.[3] Since inception, the Trust has paid 421,864 personal injury claims in the aggregate amount of $1,078,090,328.[4] A summary showing the number and amount of 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. As reported above, the last disallowed property damage claim was disallowed by final, non-appealable order entered on March 5, 2014. Since inception, the Trust paid the aggregate amount of $255,851,802.64 in property damage claims. It is the intent of the trustees, subject to the Court's approval, that this will be the last Annual Report that will discuss the PD Claims Administration.

C. Status of Disputes Relating to Property Damage Claims

As of the end of the Reporting Period, only one dispute involving or relating to the alleged failure of the trustees to promptly pay disputed property damage claims ("**Additional**

[3] For accounting purposes, the full amounts of Individually Reviewed claim 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. In the past, two years following the initial payment, the second payment was made and charged against the previously established reserve. In 2013, the second payment reserve decreased by $38.5 million due to the elimination of the second installment payment effective July 23, 2013.

[4] This amount does not include second installment payments due on certain Individually Reviewed claims.

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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. The unresolved dispute related to claims by 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.

After the Trust paid their allowed property damage claims, Maine High and Township High (collectively, the "**Districts**") opposed the dismissal of the Districts' Adversary Proceeding. 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. On January 19, 2012, the Trust filed a motion for summary judgment which the Court denied on November 20, 2012 based on its determination that the record at that time did not establish, as a matter of law, that the Trust had a reasonable belief that the Property Damage Claims Administrator abused his discretion in allowing the Districts' claims. The Trust filed a renewed motion for summary judgment and supplemented the record with an affidavit and additional documents. On October 16, 2013, this Court entered Final Summary Judgment in favor of the Trust. The Districts filed a notice of appeal. While their appeal was pending, the Districts stipulated to a dismissal, with prejudice, of their appeal and an order dismissing the appeal, with prejudice, was entered on March 5, 2014.

V. TRUST'S ASSETS

All the Trust's assets available to pay claims are reflected in the Trust's 2013 financial statements, which have been audited by BDO USA, LLP 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 $511,118,770. Excluding Celotex assets, the Trust's investment portfolio totaled $501,185,908. As previously reported, the Trust retains the firm of Cambridge Associates, LLC ("**Cambridge**") as its investment/asset management advisory firm. The fixed income allocation is heavily weighted toward non-taxable securities because the Trust, like every qualified settlement fund, is subject to the highest income tax rate on all its investment income. With Cambridge's assistance, separate investment managers were selected 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 holdings within the bond portfolio must have a minimum quality of investment grade or the equivalent by one nationally recognized statistical rating organization for any single security. The bond portfolio is diversified as to individual issuer and sector, and the credit quality remains very high in the portfolio relative to

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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 2013, the total Trust investment portfolio returned 9.7% net of investment managers' fees. (Municipal bond returns have not been adjusted to reflect pre-tax equivalent returns.) Excluding Celotex assets, the portfolio returned 9.9% net of investment managers' fees. The Trust's total investment return since 2001, when Cambridge was retained as investment advisors, is shown, along with 2013'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 Celotex, served as members of the Board of Directors of the company during the Reporting Period. Ms. Gibson and/or Mr. Wood attended the Trust's regular meetings and reported on the status of Celotex. 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 property, and other 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. The company currently has three employees.

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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.

On March 28, 2013 a written consent of the sole shareholder of Celotex was executed by the Executive Director of the Trust adopting resolutions to dissolve Celotex, cease its operations, and make provisions for payment of its liabilities and the distribution of its assets.

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.

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 have continued to pursue 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), but 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 demanded payment pursuant to a coverage-in-place agreement with Hudson Insurance Company, and that insurer disputed its obligations under the agreement. The Trust settled this dispute.

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 and has recovered payments from several insolvent London Companies through their Schemes of Arrangement. The Trust expects additional recoveries from Excess Insurance Company and also expects to receive additional payments

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from certain insolvent London Companies who subscribed to the policies as they increase their percentage payouts in their Schemes of Arrangement.

Dated: Tampa, Florida
May 1, 2014

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 1, 2014, 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, 2013 to December 31, 2013, 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
James L. Patton Jr.
Young, Conaway, Stargatt & Taylor
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Wilmington DE 19801

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