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, 2016 TO DECEMBER 31, 2016, AND FINAL ACCOUNT FOR TRUSTEE JAMES W. STEVENS FOR THE PERIOD JANUARY 1, 2016 TO MAY 30, 2016

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TABLE OF CONTENTS

Page

I. GENERAL 1

A. Purpose and Contents 1

B. Background on Bankruptcy Cases and the Trust 1

C. Governing Provisions of the Trust Agreement 2

II. TRUST ADMINISTRATION 4

A. Trustees 4

B. Trust Officers 5

C. Trust Auditors 5

D. Trust's Wilmington Claims Processing Facility 6

E. Trust Advisors 7

F. Professional Fees and Expenses 7

III. PAYMENT PERCENTAGE AND CRP 7

A. Payment Percentage 7

IV. SUMMARY OF CLAIMS DISPOSED 8

A. PI Claims Administration 8

V. TRUST'S ASSETS 9

A. Investment Portfolio 9

B. Celotex Corporation 10

VI. TRUST'S CONTINGENT ASSETS 12

A. Insurance Litigation 12

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asbestosclaims.law/library/14290/2

Sharon M. Meadows, sole trustee 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**"), submits this Annual Report, Summary of Claims Disposed, Financial Statement, and Account for the calendar year ended December 31, 2016.

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, 2016 to December 31, 2016 (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.

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 $550 per hour. The Trustees shall record all hourly time to be charged to the Trust on a daily basis. The per annum and hourly compensation payable to the Trustees shall be reviewed periodically 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

[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. On May 22, 2014, Section 5.5 of the Trust Agreement was amended to increase the hourly rate paid to the trustees to $550. Also, a provision was added that trustee compensation shall be reviewed periodically and increased with the consent of the PI Advisory Committee and the Legal Representative. Effective January 1, 2015, the hourly compensation paid to the trustees was increased to $600.

Celotex Asbestos Trust Annual Reports, 2016 annual report Published by AsbestosClaims.Law
ACL Doc 14290 · Page 5 of 51 asbestosclaims.law/library/14290/5

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]

II. TRUST ADMINISTRATION

A. Trustees

Sharon M. Meadows and James W. Stevens served as the trustees of the Trust during the Reporting Period. Mr. Stevens's term expired on May 30, 2016 and his position was not filled. Ms. Meadows served as sole remaining trustee 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. Ms. Meadows served as chairperson during the Reporting Period.

During the Reporting Period, four formal meetings of the Trust were held. These meetings were designated by the trustee(s) 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. Counsel to the PI Advisory Committee and the Legal Representative attended the May 18, 2016 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

[2] Effective July 1, 2008, 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.

Celotex Asbestos Trust Annual Reports, 2016 annual report Published by AsbestosClaims.Law
ACL Doc 14290 · Page 6 of 51 asbestosclaims.law/library/14290/6

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.

1. Amendment to Trust Agreement

On May 31, 2016, following the expiration of Trustee Stevens's term, the Trust Agreement, with the consent of the PI Advisory Committee and the Legal Representative, was amended to reduce the number of trustees from two (2) to one (1). Section 5.1 now designates Trustee Meadows as sole trustee, but the PI Advisory Committee and the Legal Representative may elect (on an annual basis) to increase the number of trustees to two. Reference to the term of Trustee Stevens was removed from Section 5.2, and Section 5.3 was amended to revise the provisions governing the appointment of a successor trustee. Trustee Meadows is currently serving a seven year term ending May 30, 2018.

B. Trust Officers

Dr. B. Thomas Florence of Ankura Consulting Group, formerly Analysis Research Planning Corporation or ARPC, continued to serve as Executive Director of the Trust during the Reporting Period.

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, 2016. The auditors' opinion expressly provides that it is intended for the use of this Court.

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 7 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/7

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. 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.

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. In 2013, the WRG Asbestos PI Trust joined the Delaware Claims Facility as a member trust, and effective May 18, 2016, the Pittsburgh Corning Corporation Asbestos Personal Injury Settlement Trust was admitted as a member trust.

E. Trust Advisors

Under the terms of the Trust Agreement, there are two trust advisors: the PI Advisory Committee, consisting of four personal injury lawyers, Russell Budd, Steven Kazan, Gary W. Kendall, and Joseph F. Rice and the Legal Representative, now James L. Patton. During the Reporting Period, Gary Kendall provided written notice of his resignation to the PI Advisory Committee members effective January 1, 2017. The remaining members of the PI Advisory Committee decided not to choose a successor to Mr. Kendall pursuant to Section 7.2(a) of the Trust Agreement.

F. Professional Fees and Expenses

During the Reporting Period, the Trust paid $1,574,607 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 2016 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,

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 9 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/9

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.

On September 3, 2015, the Trustees, with the consent of the PI Trust Advisory Committee and the Legal Representative, adopted an increase in the Payment Percentage from 6.5% to 7.7%. This adjustment was based on Ankura's recommendation following its analysis of claim filing trends, the estimated value of the Trust's assets, and the Trust's projected future income and expenses. No adjustment to the Payment Percentage was recommended during the Reporting Period.

IV. SUMMARY OF CLAIMS DISPOSED

A. PI Claims Administration

1. Summary of Claims Processed.

As of December 31, 2016, the Trust had received approximately 856,771 personal injury claims. During the Reporting Period, the Trust paid 12,886 personal injury claims in the aggregate amount of $29,675,984. Since inception, the Trust has paid 469,027 personal injury claims in the aggregate amount of $1,181,574,713. A summary showing the number and amount

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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.

V. TRUST'S ASSETS

All the Trust's assets available to pay claims are reflected in the Trust's 2016 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 $466,418,315. Excluding Celotex Corporation assets, the Trust's investment portfolio totaled $432,936,646. 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. Johnston International Equity Strategy (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.

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 11 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/11

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 equivalent of investment grade rating 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 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 she does every year, Trustee Meadows also met in person with and formally reviewed the performance of each of the Trust's investment managers.

In 2016, the total Trust investment portfolio returned +2.8% net of investment managers' fees. (Municipal bond returns have not been adjusted to reflect pre-tax equivalent returns.) Excluding Celotex Corporation assets and cash, the portfolio returned +2.9% net of investment managers' fees. The Trust's total investment return since 2001, when Cambridge was retained as investment advisors, is shown, along with 2016's investment performance, by asset class in the Cambridge composite report attached as **Exhibit 4**.

B. Celotex Corporation

Rachael A. Rowe of Keating Muething & Klekamp PLL and George Wood, president and general counsel of Celotex, continued to serve as members of the Board of Directors of the company during the Reporting Period until the corporation was formally dissolved (as further described below). Mr. Wood and/or Ms. Rowe attended the Trust's regular meetings and

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 12 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/12

reported on the status of Celotex and its subsidiaries. In accordance with a prohibition in the Trust Agreement, no trustee served as a director of Celotex.

As previously reported, on August 5, 2013, a Certificate of Dissolution was filed with the State of Delaware beginning a three-year wind-down period pursuant to Delaware law. During the Reporting Period, Celotex completed the process of winding up its corporate affairs and resolving outstanding liabilities. During the wind-down, the company continued to manage and attempt to liquidate its assets, including its financial investments, its former research and development facility property, and other real estate. On August 1, 2016, Celotex adopted a Plan of Distribution to effect the complete dissolution of the company in accordance with the applicable Delaware dissolution statutes. Simultaneously, pursuant to the Plan of Distribution, the Trust caused CX LLC to be formed. CX LLC is a wholly owned subsidiary of the Trust and a disregarded entity for tax purposes. The Trust transferred all of its stock held in Celotex Corp. to CX LLC. The liquidating distributions made to CX LLC under the Plan of Distribution were made in exchange for all the outstanding shares of the stock of Celotex Corp. held by CX LLC immediately prior to the cancellation of those shares as a result of the dissolution. CX LLC now holds the equity interests of the subsidiaries formerly owned by Celotex.

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

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 13 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/13

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 six alternative dispute resolution ("**ADR**") proceedings under the Wellington Agreement in which the Trust sought 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 all of these ADR proceedings, all of which have been approved by the Bankruptcy Court.

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 the London Market Insurers proceeding (with Bankruptcy Court approval).

Miscellaneous Other Proceedings. The Trust pursued an ADR proceeding against International Insurance Company (**"International**") and U.S. Fire Insurance Company ("**U.S. Fire**"), asserting that the insurers must pay immediately for Celotex's non-products and products liability. The Trust now has settled the insurance policies at issue in this proceeding, along with other outstanding insurance policies issued by insurance companies affiliated with International and U.S. Fire (the "**ACE Companies**"). The Court approved this settlement agreement, and the ACE Companies have paid the settlement amount.

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

Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 15 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/15

Dated: May 1, 2017
Tampa, Florida

Respectfully submitted,

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Attorneys for Celotex Asbestos Settlement Trust

BY: /s/ Jeffrey W. Warren
Jeffrey W. Warren, Esq.
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 1, 2017, 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, 2016 to December 31, 2016, and Final Account for Trustee James W. Stevens for the Period January 1, 2016 to May 30, 2016, 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:

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Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 17 of 51
Published by AsbestosClaims.Law
asbestosclaims.law/library/14290/17

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/s/ Jeffrey W. Warren
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Celotex Asbestos Trust Annual Reports, 2016 annual report
ACL Doc 14290 · Page 18 of 51
Published by AsbestosClaims.Law
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Exhibit “1”

Asbestos Settlement Trust

Audited Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2016 and 2015

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

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Asbestos Settlement Trust

Audited Special-Purpose Financial Statements
with Supplementary Information
Years Ended December 31, 2016 and 2015

Asbestos Settlement Trust

Contents

Independent Auditor's Report 1-2

Financial Statements

Special-Purpose Statements of Assets, Liabilities and Net Assets Available for the Payment of Claims 3

Special-Purpose Statements of Changes in Net Assets Available for the Payment of Claims 4

Special-Purpose Statements of Cash Flows 5

Notes to the Special-Purpose Financial Statements 6-14

Supplementary Information

Independent Auditor's Report on Supplementary Information 15

Supplementary Schedules of Operating Expenses 16-17

Supplementary Schedules of Professionals Fees 18-19

Supplementary Schedules of Trustee Fees and Expenses 20

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Independent Auditor's Report

Trustees
Asbestos Settlement Trust
Wilmington, Delaware

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of Asbestos Settlement Trust (the Trust) (a Trust created under the laws of the State of Florida), which comprise the special-purpose statements of assets, liabilities and net assets available for the payment of claims as of December 31, 2016 and 2015, 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 and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose financial statements in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilites of Asbestos Settlement Trust as of December 31, 2016 and 2015, and the additions, deductions, and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2 to the special-purpose financial statements, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available to fund current and future claimants.

Restriction of Use

Our report is intended solely for the information and use of the management of the Trust, the Trustees, the 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. This restriction is not intended to limit the distribution of this report, which, upon filing with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division, is a matter of public record.

BDO USA, LLP

McLean, Virginia
April 19, 2017

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Special-Purpose Financial Statements

Asbestos Settlement Trust

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

December 31,	2016	2015
Assets		
Cash and cash equivalents	$ 47,164,626	$ 21,388,179
Investments, at fair value		
Short-term bonds	12,092,831	6,861,382
Equity investments	147,313,829	132,834,611
Investments in bonds	265,424,488	281,315,775
Investment in CX LLC	19,611,061	36,681,772
Interest and other receivables	2,790,937	3,045,754
Total assets	494,397,772	482,127,473
Liabilities		
Accrued personal injury claims, accrued expenses, and accounts payable	1,500,188	2,957,087
Total liabilities	1,500,188	2,957,087
Net assets available for the payment of claims	$ 492,897,584	$ 479,170,386

See accompanying notes to the 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,	2016	2015
Additions		
Insurance recoveries	$ 12,520,397	$ 1,005,368
Interest and dividend income, net of amortization	11,850,406	12,407,805
Net realized gains (loss) and change in unrealized gains (loss) on investments	1,933,063	(5,815,539)
Gain on investment in CX LLC	23,256,143	-
Other additions	1,358	5,925
Total additions	49,561,367	7,603,559
Deductions		
Personal injury claim payments and expenses	29,756,314	30,585,971
Operating expenses	6,077,855	6,026,401
Total deductions	35,834,169	36,612,372
Increase (decrease) in net assets available for the payment of claims	13,727,198	(29,008,813)
Net assets available for the payment of claims		
Beginning of the year	479,170,386	508,179,199
End of the year	$ 492,897,584	$ 479,170,386

See accompanying notes to the special-purpose financial statements.

Asbestos Settlement Trust

Special-Purpose Statements of Cash Flows

Years Ended December 31,	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets available for the payment of claims	$ 13,727,198	$ (29,008,813)
Adjustments to reconcile increase (decrease) in net assets available for the payment of claims to net cash used in operating activities:		
Amortization of premium on investments, net	1,752,846	1,870,340
Net realized (gain) loss and change in unrealized gain (loss) on investments	(1,933,063)	5,815,539
Gain on investment in CX LLC	(23,256,143)	-
Changes in operating assets and liabilities:		
Interest and other receivables	254,814	(97,455)
Accrued personal injury claims, accrued expenses and accounts payable	(1,456,890)	1,067,618
Total adjustments	(24,638,436)	8,656,042
Net cash used in operating activities	(10,911,238)	(20,352,771)
Cash flows from investing activities:		
Distribution from CX LLC	40,326,853	-
Sales and maturities of bonds	92,274,623	106,077,702
Purchases of bonds	(88,056,869)	(96,744,190)
Sales of equity securities	7,873,258	23,879,696
Purchases of equity securities	(15,730,180)	(20,676,159)
Net cash provided by investing activities	36,687,685	12,537,049
Net increase (decrease) in cash and cash equivalents	25,776,447	(7,815,722)
Cash and cash equivalents at the beginning of the year	21,388,179	29,203,901
Cash and cash equivalents at the end of the year	$ 47,164,626	$ 21,388,179

See accompanying notes to the special-purpose financial statements.

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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 the "Significant Accounting Policies", (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.

On August 1, 2016 Celotex Corp. signed a Plan of Distribution, the purpose of which was to effect the complete dissolution of Celotex Corporation in accordance with the applicable Delaware dissolution statutes.

Simultaneously, pursuant to the Plan of Distribution, the Trust caused CX LLC to be formed. CX LLC is a wholly owned subsidiary of the Trust and a disregarded entity for tax puurposes. The Trust transferred all of its stock held in Celotex Corp. to CX LLC. The liquidating distributions made to CX LLC under the Plan of Distribution were made in exchange for all of the outstanding shares of the stock of Celotex Corp. held by CX LLC.

CX LLC now holds the equity interests of the subsidiaries formerly held by Celotex Corp.

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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.

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.

- 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.

  Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

- Payments for services to be received over an extended period in the future are expensed as paid because these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.

- Payments for property and equipment are expensed as incurred. Under GAAP, payments for fixed assets are capitalized and depreciated over the useful lives of the assets. During 2016 and 2015, there were no expenses related to purchases of property and equipment.

- The Trust's investment in CX LLC (formerly its investment in Celotex Corp.) is reported at the net book value of CX LLC, which is calculated as the fair value of cash and cash equivalents, marketable securities, and the cost of real estate (including capitalized development costs) less the fair value of liabilities. Any changes in the value of the Trust's investment in CX LLC is recorded as a gain or loss in the accompanying special-purpose statements of changes in net assets available for the payment of claims. Cash contributions to CX LLC are recorded as an increase in the investment in CX LLC. Distributions to the Trust from CX LLC reduce the carrying value of the investment.

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Under GAAP, consolidated financial statements and related notes to the consolidated financial statements of the Trust and its wholly owned subsidiary 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.

- Under GAAP, for financial statement disclosure purposes all investments would be categorized based on the priority of inputs used to measure fair value. Under GAAP, inputs used in measuring fair value are categorized into three levels. Level 1 includes inputs that are based upon quoted prices for identical instruments traded in active markets. Level 2 includes inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. Level 3 includes inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The accompanying special-purpose financial statements do not categorize all investments into these levels.

- Under GAAP, disclosure is made about contractual maturities of investments in debt securities as of the date of the latest balance sheet presented. Such disclosures are not included in these special-purpose financial statements.

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.

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Cash and 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. The Trust has not experienced any losses related to these balances.

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 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, 2016 and 2015. 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.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 4). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial

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statements when the net gains are realized (i.e. the securities are sold) and the taxes become currently payable.

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, 2016 and 2015, the Trust incurred expenses of $2,081,632 and $2,617,687, respectively, for reimbursement of expenses paid by the entity on behalf of the Trust. As of December 31, 2016 and 2015, $118,627 and $393,928, respectively, is due 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 payment of claims.

4. Investments

Investment securities consist of the following at December 31, 2016:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bonds	$ 12,001,421	$ 91,930	$ (520)	$ 12,092,831
Equity	113,688,043	36,206,395	(2,580,609)	147,313,829
Bonds	262,008,882	5,558,289	(2,142,683)	265,424,488
	$ 387,698,346	$ 41,856,614	$ (4,723,812)	$ 424,831,148

Investment securities consist of the following at December 31, 2015:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bonds	$ 6,759,046	$ 103,066	$ (730)	$ 6,861,382
Equity	102,954,119	32,339,188	(2,458,696)	132,834,611
Bonds	272,127,623	9,990,474	(802,322)	281,315,775
	$ 381,840,788	$ 42,432,728	$ (3,261,748)	$ 421,011,768

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

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available for the payment of claims and special-purpose statements of changes in net assets available for the payment of claims.

Investment in CX LLC

On July 31, 2016, the Trust liquidated its investment in Celotex Corp. and transferred its interest to CX LLC. As of August 1, 2016, the CX LLC member unit investment represents a 100% ownership interest in CX LLC. The value of the Trust's investment in CX LLC (formerly Celotex Corp.) as of December 31, 2016 and 2015 consisted of cash and cash equivalents, marketable securities, and the cost of remaining real estate, less the fair value of liabilities. Marketable securities that CX LLC invests in include U.S. treasury obligations, bank obligations, tax exempt obligations, corporate obligations, and repurchase agreements. The value of real estate is based on the cost basis of the land plus development costs. Liabilities consist primarily of accounts payable and accrued expenses. The fair value of accounts payable and liabilities is considered to be the same as their carrying values due to the relatively short maturity of these items.

The following summarizes the financial information used to compute the value of the Trust's investment in CX LLC and Celotex Corp. as of December 31, 2016 and 2015, respectively:

	2016	2015
Cash and marketable securities	$ 4,804,363	$ 16,085,783
Land and improvements	1,086,750	1,000
Other assets	881,282	698,772
Interest in IBIS Walk Residential, LLC	13,644,612	25,085,706
Total assets	20,417,007	41,871,261
Accounts payable and accrued expenses	18,750	1,030,281
Retirement plan benefit obligations	787,196	4,159,208
Total liabilities	805,946	5,189,489
Net estimated value of investment	$ 19,611,061	$ 36,681,772

The change in carrying value represents the change of the value of the underlying assets of the investment in CX LLC and Celotex Corp. There was no change in value reported on the Trust's investment in Celotex Corp. during the year ended December 31, 2015.

As of December 31, 2015, the fair value of the two retirement plan benefit obligations was determined using actuarial calculations as prepared by an independent actuarial services firm. As both plans were unfunded, the full amount of the calculated accumulated benefit obligations have been recorded. These obligations were paid in full during the year ended December 31, 2016, and there is no remaining liability.

On December 28, 2012, IBIS Walk Residential, LLC, a 65% indirectly-owned subsidiary of CX LLC (prior to August 1, 2016 this interest was held by a holding company owned by Celotex Corp.), obtained a bank loan wherein it could borrow up to $32,500,000 to finance improvement of its land by construction of an apartment complex. The loan was secured by the related land,

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apartment complex, and financial instruments. The apartment complex was sold during the year ended December 31, 2016, and the loan was paid in full from the proceeds of the sale.

As a result of the dissolution of Celotex Corp. and the sale of certain assets and settlement of certain liabilities held by CX LLC, the Trust received a distribution of cash in the amount of $40,326,853, from CX LLC. This amount reduced the carrying value of the investment in CX LLC.

5. Income Taxes

There were no income tax payments made and no income tax refunds received during the years ended December 31, 2016 and 2015.

As of December 31, 2016, the Trust had available a net operating loss carryforward of approximately $1,000,000 available to offset future taxable income. The Trust's net operating loss carryforward will expire, if not utilized, in various years through 2031. If utilized, this net operating loss carryforward would result in a future deferred tax asset of approximately $396,000. Additionally, as of December 31, 2016, the estimated deferred tax liability associated with unrealized gains on investments is approximately $14,700,000. As disclosed in Note 2 to the financial statements, the Trust does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with net operating loss carryforward or cumulative unrealized gains and losses on investments.

6. Contingent Assets and Insurance Recoveries

The Trust received insurance recoveries from insurers in the amount of $12,520,397 and $1,005,368 during the years ended December 31, 2016 and 2015, 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.

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.

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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, 2016 and 2015 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, 2016 and 2015 may or may not be sufficient to meet all future obligations of the Trust.

9. Trustees' Liability Insurance

The Trust purchased Trustees' liability insurance for premiums of $190,545 and $200,570 in 2016 and 2015, respectively. The current policy term is May 30, 2016 to May 30, 2017. 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, amounts of $190,545 and $200,570 were recorded as deductions in net assets available for payments of claims in 2016 and 2015, respectively.

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 2016 and 2015 were as follows:

	2016		
	Fees	Expenses	Total
Trustees	$ 187,800	$ 3,401	$ 191,201
Trustees' Advisory Committee	20,617	228	20,845
Legal representative	21,382	791	22,173
	$ 229,799	$ 4,420	$ 234,219

	2015		
	Fees	Expenses	Total
Trustees	$ 249,330	$ 3,608	$ 252,938
Trustees' Advisory Committee	12,367	442	12,809
Legal representative	15,537	1,222	16,759
	$ 277,234	$ 5,272	$ 282,506

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The above amounts are included in operating expenses in the special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2016 and 2015.

11. Subsequent Events

The Trust has evaluated its December 31, 2016 special-purpose financial statements for subsequent events through April 19, 2017, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

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Asbestos Settlement Trust

Supplementary Information
Years Ended December 31, 2016 and 2015

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Suite 800
McLean, VA 22102

Independent Auditor's Report on Supplementary Information

Trustees
Asbestos Settlement Trust
Wilmington, Delaware

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

BDO USA, LLP

April 19, 2017

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Asbestos Settlement Trust

Supplementary Schedule of Operating Expenses

Year Ended December 31, 2016

Professional fees (see Supplementary Schedule of Professional Fees)			$ 1,574,607
General and administrative			
Investment advisory and custodial fees - Brown Brothers	$	(76,538)	
Investment advisory fees - Cambridge & Associates		84,173	
Investment advisory fees - Goldman Sachs		204,186	
Investment advisory fees – Johnson Equity		75,963	
Investment advisory fees - John W. Bristol		155,856	
Investment advisory fees - McDonald Capital		328,019	
Investment advisory fees – Sanderson		353,917	
Other administrative expenses		25,638	1,151,214
Trustee fees and expenses			191,201
TAC attorney fees			
Caplin & Drysdale/attorney fees		20,617	
Caplin & Drysdale/expenses		228	20,845
Legal representative fees and expenses			
Young, Conaway, Stargatt & Taylor/fees		21,382	
Young, Conaway, Stargatt & Taylor/expenses		791	22,173
Carey-Canada fees and expenses			
U.S. trustee fees		1,300	1,300
Trustee liability insurance			190,545
United States trustee fee			30,084
Federal income tax			750,000
Facility usage expenses			2,145,886
Total operating expenses			$ 6,077,855

Asbestos Settlement Trust

Supplementary Schedule of Operating Expenses

Year Ended December 31, 2015

Professional fees (see Supplementary Schedule of Professional Fees)			$ 1,090,463
General and administrative			
Investment advisory and custodial fees - Brown Brothers	$	272,578	
Investment advisory fees - Cambridge & Associates		222,680	
Investment advisory fees - Goldman Sachs		212,707	
Investment advisory fees – Johnson Equity		19,192	
Investment advisory fees - John W. Bristol		159,149	
Investment advisory fees - McDonald Capital		321,004	
Investment advisory fees – Sanderson		380,180	
Other administrative expenses		25,669	1,613,159
Trustee fees and expenses			252,938
TAC attorney fees			
Caplin & Drysdale/attorney fees		12,367	
Caplin & Drysdale/expenses		442	12,809
Legal representative fees and expenses			
Young, Conaway, Stargatt & Taylor/fees		15,537	
Young, Conaway, Stargatt & Taylor/expenses		1,222	16,759
Carey-Canada fees and expenses			
U.S. trustee fees		975	975
Trustee liability insurance			200,570
United States trustee fee			19,825
Facility usage expenses			2,818,903
Total operating expenses			$ 6,026,401

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Asbestos Settlement Trust

Supplementary Schedule of Professional Fees

Year Ended December 31, 2016

Accounting		
Accounting/audit	$	134,760
Accounting/taxes		43,250
Accounting/Other		50,000
Subtotal accounting		228,010
Legal fees		
Insurance issues		
Gilbert		20,159
Keating, Muething & Klekamp		8,089
Subtotal insurance issues		28,248
General		
Bush Ross, P.A		26,537
Keating, Muething & Klekamp		604,234
Other		15,163
Subtotal general		645,934
Other professional fees (general)		
Ankura Consulting		648,544
Medical review services		22,050
Other professional fees		1,821
Subtotal other professional fees (general)		672,415
Total professional fees	$	1,574,607

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Asbestos Settlement Trust

Supplementary Schedule of Professional Fees

Year Ended December 31, 2015

Accounting		
Accounting/audit	$	94,760
Accounting/taxes		9,190
Accounting/Other		38,718
Subtotal accounting		142,668
Legal fees		
Insurance issues		
Gilbert		25,035
Keating, Muething & Klekamp		32,872
Subtotal insurance issues		57,907
General		
Bush Ross, P.A		7,909
Keating, Muething & Klekamp		515,368
Subtotal general		523,277
Other professional fees (general)		
ARPC		334,016
Medical review services		3,600
Kekst & Company		28,995
Subtotal other professional fees (general)		366,611
Total professional fees	$	1,090,463

Asbestos Settlement Trust

Supplementary Schedules of Trustee Fees and Expenses

	2016 Trustee Fees and Expenses Paid in 2016			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total Payments
Sharon Meadows	$ 75,000	$ 69,950	$ 2,627	$ 147,577
James Stevens	30,000	-	-	30,000
	$ 105,000	$ 69,950	$ 2,627	$ 177,577

	2016 Trustee Fees and Expenses Accrued and Unpaid in December 31, 2016			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total
Sharon Meadows	$ -	$ 12,850	$ 775	$ 161,202
James Stevens	-	-	-	30,000
	$ -	$ 12,850	$ 775	$ 191,202

	2015 Trustee Fees and Expenses Paid in 2015			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total Payments
Sharon Meadows	$ 75,000	$ 64,300	$ 2,562	$ 141,862
James Stevens	60,000	23,200	30	83,230
	$ 135,000	$ 87,500	$ 2,592	$ 225,092

	2015 Trustee Fees and Expenses Accrued and Unpaid in December 31, 2015			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total
Sharon Meadows	$ -	$ 16,400	$ 949	$ 159,211
James Stevens	-	10,430	67	93,727
	$ -	$ 26,830	$ 1,016	$ 252,938

Trustee fees and expenses accrued and unpaid at December 31, 2016 and 2015 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.

Exhibit “2”

Updated: 04/15/2015

Celotex Asbestos Settlement Trust
Summary of Claims Disposed - 2016
Personal Injury and Property Damage

	DCP Paid Claims 2016		IRC Second Payments Paid in 2016		IRC Full Payments Paid in 2016		Additional Payments for Increase in Payment Tables (Note 1)	Total PI Claims Paid 2016	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	Amount	# of Claims
Month									
Jan-15	$1,068,279	$830			$2,026,815	$402		$ 3,095,094	1,232
Feb-15	$671,196	$618			$908,119	$142		$ 1,579,315	760
Mar-15	$468,265	$367			$1,232,820	$321		$ 1,701,085	688
Apr-15	$588,700	$509			$2,358,811	$597		$ 2,947,511	1,106
May-15	$1,029,983	$709			$1,884,001	$446		$ 2,913,984	1,155
Jun-15	$493,770	$431			$1,947,351	$442		$ 2,441,120	873
Jul-15	$628,160	$613			$1,564,763	$303		$ 2,192,923	916
Aug-15	$0	$0			$0	$0		$ -	-
Sep-15	$2,475,526	$2,145			$3,232,555	$691		$ 5,708,080	2,836
Oct-15	$998,590	$1,043			$1,857,001	$384		$ 2,855,591	1,427
Nov-15	$705,815	$611			$1,077,949	$229		$ 1,783,764	840
Dec-15	$738,326	$687			$1,719,191	$366		$ 2,457,517	1,053
Totals	**$ 9,866,609**	**8,563**	**$ -**	**-**	**$ 19,809,375**	**4,323**	**$ -**	**$ 29,675,984**	**12,886**

	PD First Payments Paid in 2016		PD Second Payments Paid in 2016		PD Settlements Paid in 2016		Total PD Claims Paid in 2016		Totals PI and PD Claims Paid in 2016	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims
Month										
Jan-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 3,095,094	1,232
Feb-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 1,579,315	760
Mar-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 1,701,085	688
Apr-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,947,511	1,106
May-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,913,984	1,155
Jun-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,441,120	873
Jul-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,192,923	916
Aug-15	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-
Sep-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 5,708,080	2,836
Oct-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,855,591	1,427
Nov-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 1,783,764	840
Dec-15	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,457,517	1,053
Totals	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ 29,675,984**	**12,886**

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 exaggerate the count since these claims would be counted for a second time. The total number of payments made as additional payments was 45.

Exhibit “3”

ASBESTOS SETTLEMENT TRUST

INVESTMENT GUIDELINES FOR THE ASBESTOS SETTLEMENT TRUST

December 2012 (Revised)

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

Asset Class	**% of Portfolio**
Bonds	65.0%
U.S. Equity	20.0%
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.

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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Exhibit “4”

Celotex Asbestos Settlement Trust
Asset Allocation & Asset Class Returns (Net)
As of December 31, 2016

Asset Class	Assets $	% of Managed Assets	% of Total Assets	Total Return 12/31/15-12/31/16	Total Return Annualized Since Inception
U.S. Equity	97,793,198	22.6%	21.0%	8.5 %	6.8 %
Non-U.S. Equity	54,845,584	12.7%	11.8%	1.9 %	3.5 %
U.S. Bonds	280,297,864	64.7%	60.1%	1.2 %	3.5 %
Total Managed Assets	**432,936,646**	**100.0%**	**92.8%**	2.9 %	4.2 %
Cash	33,481,669	7.7%	7.2%	0.3 %	0.1 %
Total Assets	**466,418,315**		**100.0%**	2.8 %	4.0 %

Celotex Asbestos Settlement Trust Asset Allocation as of December 31, 2016

