IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
Combustion Engineering, Inc.,	)	Case No. 03-10495 (JKF)
	)	
Debtor.	)	

NOTICE OF FILING OF ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST FOR FISCAL YEAR ENDED DECEMBER 31,2011

(For the Period January 1, 2011 to December 31, 2011)

PLEASE TAKE NOTICE that, on April 30, 2012, the Trustees of the Combustion Engineering 524(g) Asbestos PI Trust (the "Trust") filed its Annual Report, Financial Statements and Results of Operations of the Trust for Fiscal Year Ended December 31, 2011 (the "Annual Report") and its audited financial statements for the same period (the "Audited Financial Statements"). The Annual Report and the Audited Financial Statements are attached hereto as Exhibits "A" and "A-1."

Dated: April 30, 2012

Respectfully submitted,

THE HOGAN FIRM

By: *Daniel K. Hogan*

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ATTORNEYS FOR THE COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
	)	
Combustion Engineering, Inc.,	)	**Case No. 03-10495 (JKF)**
	)	
Debtor.	)	

ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST
FOR FISCAL YEAR ENDED DECEMBER 31, 2011

The Honorable Ken Kawaichi, Ret., Ellen S. Pryor and the Honorable Richard Neville, Ret., Trustees of the Combustion Engineering 524(g) Asbestos PI Trust (the "Trust"), created pursuant to Combustion Engineering, Inc.'s Plan of Reorganization, as Modified through October 7, 2005 (the "Plan"), submit this Annual Report, Financial Statements and Results of Operations of the Combustion Engineering 524(g) Asbestos PI Trust for Fiscal Year Ended December 31, 2011.

I. General

Combustion Engineering, Inc. ("Combustion Engineering") filed a voluntary petition for relief under Chapter 11, title 11 of the United States Code (the "Bankruptcy Code") on February 17, 2003. The United States Bankruptcy Court for the District of Delaware entered the Order Confirming (and Recommending Affirmance by the U.S. District Court) Debtor's Plan of Reorganization as Modified Through October 7, 2005 and Setting Bar Dates to File Certain Claims in Paragraphs 50, 51, 52, 53 and 73 on December 19, 2005 (the "Confirmation Order"). On March 1, 2006, the United States District Court for the District of Delaware entered its order affirming the Confirmation Order and Issuing Injunctions. The Effective Date of the Plan occurred on April 21, 2006. Pursuant to the Plan, Steven Kazan, Russell W. Budd, Brent Coon,

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John D. Cooney and Matthew P. Bergman are the members of the Trust Advisory Committee ("TAC") and David T. Austern is the Future Claimants' Representative ("FCR").

The Combustion Engineering 524(g) Asbestos PI Trust Agreement ("Trust Agreement") and the Combustion Engineering 524(g) Asbestos PI Trust Bylaws (the "Bylaws") require the Trustees to meet with the TAC and the FCR at least two times each calendar year, at regular or special meetings. In 2011, the Trust held regular meetings on March 2, 2011, May 18, 2011, September 14, 2011, and November 16, 2011. The Trust held a special meeting on March 22, 2011.

The Trustees generally held weekly Trustees' meetings throughout the year, usually by telephone.

Effective September 10, 2010, the Trustees named Hon. Ken Kawaichi, Ret., Managing Trustee for a one year term. Effective September 10, 2011, the Trustees named Ellen Pryor Managing Trustee for a one year term.

The principal office of the Trust is located at 1105 North Market Street, Suite 1300, P.O. Box 8985, Wilmington, Delaware 19899. The Trust's administrative office is located at 400 N. Saint Paul Street, Suite 600, Dallas, Texas 75201.

In 2011, the Trust entered and/or continued service agreements with: Stutzman, Bromberg, Esserman & Plifka, a Professional Corporation (general counsel); Lain Faulkner & Co. P.C. (accountant and administrator); Verus Claims Services LLC (TDP Claims processing facility and claims administrator); Gilbert LLP (insurance counsel); Argy, Wiltse & Robinson, P.C. (auditor); Wilshire Associates (financial consultant); State Street Bank & Trust (custodian); AllianceBernstein LP (money manager); Northern Trust Investments, N.A. (money manager); Standish Mellon Asset Management Company LLC (money manager); State Street Global

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Advisors (money manager); Vanguard Investments (money manager); Legal Analysis Systems (claims forecasting); and AON Risk Services Central, Inc. (insurance agent). The Trust retained local counsel as needed.

The Trust maintained liability insurance for the Trustees, the members of the TAC and the FCR.

II. Asbestos PI Claims

The Combustion Engineering 524(g) Asbestos PI Trust First Amended and Restated Asbestos PI Trust Distribution Procedures (effective September 16, 2009) (the "TDP"), the Combustion Engineering 524(g) Asbestos PI Trust Revised and Restated Procedures for Reviewing and Liquidating TDP Claims, the Combustion Engineering 524(g) Asbestos PI Trust Claim Form, the Combustion Engineering 524(g) Asbestos PI Trust Release and other claims-related forms and instructions are available at www.cetrust.org.

A. Payment Percentage, Maximum Annual Payment and Claims Payment Ratio

The Payment Percentage for 2011 was 48.33%, which was the Initial Payment Percentage adopted in 2006.

The Maximum Annual Payment for 2011 was $75,000,000.

Under the TDP, Claims Payment Ratios are 87% for Category A Claims (malignancy claims and severe asbestosis) and 13% for Category B Claims (other non-malignancy claims).

The Maximum Annual Payment and Claims Payment Ratios were applied as follows:

From 2010, the Trust carried $59,992,000 into 2011 for payment on Category A Claims and $7,101,242 for payment on Category B Claims.

For 2011, 87% of the Maximum Annual Payment of $75,000,000 was allocated to Category A Claims and 13% was allocated to Category B Claims, with payments as follows:

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Category A Claims 87% =	$ 65,250,000
Carryover from 2010 =	$ 59,992,000
Total for 2011 =	$125,242,000
Paid in 2011 (net of refunds) =	$ 89,282,678
Carryover into 2012 =	$ 35,959,322
Category B Claims 13% =	$ 9,750,000
Carryover from 2010 =	$ 7,101,242
Total for 2011 =	$16,851,242
Paid in 2011 (net of refunds) =	$ 11,717,948
Carryover into 2012 =	$ 5,133,294

All liquidated Category A Claims and Category B Claims in the FIFO Payment Queue (as that term is defined in the TDP) in 2011 were paid by the Trust.

B. Claims Statistics for the Fiscal Year Ending December 31, 2011

The Trust received 33,575 claims in 2011. The Trust liquidated and paid 12,730 claims for a total of $101,000,626. Below is further detail with respect to the claims received and paid by the Trust in 2011.

Total claims received in 2011:

Total Category A Claims received in 2011 =		11,093
Category A Claims submitted for Expedited Review	7,605	
Category A Claims submitted for Individual Review	3,488	
Total Category B Claims received in 2011 =		22,482
Category B Claims submitted for Expedited Review	21,129	
Category B Claims submitted for Individual Review	1,353	

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Total claims received in 2011 =		33,575

Total claims paid in 2011:

Total Category A Claims paid in 2011 =		3,422
Category A Claims paid pursuant to Expedited Review	2,381	
Category A Claims paid pursuant to Individual Review	1,041	
Total Category B Claims paid in 2011 =		9,308
Category B Claims paid pursuant to Expedited Review	9,150	
Category B Claims paid pursuant to Individual Review	158	
Total claims paid in 2011 =		12,730

Since inception of the Trust, the Trust has not approved 191,488 claims, including rejected claims, claims with un-cured deficiencies, and withdrawn and deferred claims. The number of claims in the FIFO Processing Queue (as that term is defined in the TDP) on December 31, 2011, totaled 23,572, of which 4,491 are Category A Claims and 14,590 are Category B Claims.

III. Compensation and Expenses of Trustees

Under Section 5.5 (c) of the Trust Agreement, the Trust reports to the Court the amount of compensation and expenses paid to the Trustees. The Trustees have received compensation and reimbursement for out-of-pocket costs and expenses during the fiscal year ending December 31, 2011[1], as follows:

Trustees (3)	$559,067
Delaware Trustee	$2,500

[1] Amounts reported on an accrual basis as provided in the audited financial statements.

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IV. Plan Reserve Blocked Account

Under the Excess Funds Agreement entered as of April 20, 2006, by and among the Trust, Combustion Engineering, Inc., ABB Inc. and ABB Holdings Inc., a Plan Reserve Blocked Account was established and funded to pay certain administrative expenses of the Combustion Engineering Chapter 11 case and certain unsecured creditor claims filed against the Combustion Engineering bankruptcy estate, all if and as allowed by the Bankruptcy Court. To the extent that funds remain in the Plan Reserve Blocked Account after the payment of the allowed administrative expenses and unsecured claims, the funds become the property of the Trust pursuant to the Plan. If the allowed administrative expenses and unsecured claims exceed the amount of the funds in the Plan Reserve Blocked Account, the Trust has no liability for the payment of the remaining portion of the allowed administrative expenses and unsecured claims. Under the Plan, the Trust has the right to object to and litigate the validity and allowance of administrative expenses and unsecured claims. The only liability the Trust has for the payment of the allowed administrative expenses and unsecured claims beyond the Trust's interest in the Plan Reserve Blocked Account is the cost of litigating any objections. By agreement with Combustion Engineering, Inc. entered on November 6, 2006, one half of certain legal fees incurred and accrued by Combustion Engineering, Inc. after April 21, 2006 will be paid from the Plan Reserve Blocked Account.

In 2011, pursuant to the Excess Funds Agreement, Combustion Engineering, Inc. provided the Trust with reports regarding the status of the Plan Reserve Blocked Account. Pursuant to the report dated December 7, 2011, Combustion Engineering, Inc. informed the Trust that, as of November 30, 2011, the balance of the Plan Reserve Blocked Account totaled approximately $11,200,000.

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V. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2011, is attached here as Exhibit "A-1." The attached financial statements include supplemental schedules with the Trust's operating expenses and income taxes for the years ended December 31, 2011 and 2010.

Dated: April 30, 2012

THE HOGAN FIRM

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ATTORNEYS FOR THE COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

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EXHIBIT A-1

AUDITED SPECIAL-PURPOSE
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

DECEMBER 31, 2011 AND 2010

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COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 2011 AND 2010

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ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Trustees
Combustion Engineering 524(g) Asbestos PI Trust
Dallas, Texas

We have audited the accompanying special-purpose statements of assets, liabilities and net claimants' equity of the Combustion Engineering 524(g) Asbestos PI Trust (the Trust) (a Trust created under the laws of the State of Delaware) as of December 31, 2011 and 2010, and the related special-purpose statements of changes in net claimants' equity and special-purpose statements of cash flows for the years then ended. These special-purpose financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

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

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

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

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

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 20, 2012

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COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES AND NET CLAIMANTS' EQUITY

DECEMBER 31, 2011 AND 2010

	2011	2010
Assets		
Cash, cash equivalents and investment securities	$ 1,015,034,218	$ 1,066,383,338
Insurance receivables	0	1,000,000
Accrued interest and dividends receivable	10,070,504	10,738,122
Other assets	11,206	10,373
Total assets	1,025,115,928	1,078,131,833
Liabilities		
Accrued claims, accrued expenses, and accounts payable	562,356	1,492,127
Net claimants' equity	$ 1,024,553,572	$ 1,076,639,706

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

COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Additions		
Investment income	$ 40,843,901	$ 40,462,461
Net realized gain on investment securities	13,766,000	0
Change in net unrealized gain on investment securities	55,367	7,136,245
Total additions	54,665,268	47,598,706
Deductions		
Operating expenses and income taxes	6,025,258	5,849,493
Net realized loss on investment securities	0	2,137,644
Total deductions	6,025,258	7,987,137
Increase in net claimants' equity	48,640,010	39,611,569
Net claimants' equity		
Beginning of year	1,076,639,706	1,113,636,174
Additions to net claimants' equity	273,612	1,121,697
Distributions from net claimants' equity	(100,999,756)	(77,729,734)
End of year	$ 1,024,553,572	$ 1,076,639,706

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

COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash inflows:		
Investment income receipts	$ 41,511,519	$ 40,040,360
Net realized gain on sale of investment securities	13,766,000	0
Proceeds from insurance settlements	1,000,000	28,000,000
Proceeds from ABB note receivable	0	50,000,000
Proceeds from income tax refund	0	950,493
Proceeds from other refunds	272,778	143,726
Total cash inflows	56,550,297	119,134,579
Cash outflows:		
Distributions to claimants	101,847,014	76,882,476
Trust operating expenses and income taxes	6,107,770	5,708,379
Net realized loss on sale of investment securities	0	2,137,644
Total cash outflows	107,954,784	84,728,499
Net cash (outflows) inflows	(51,404,487)	34,406,080
Non-cash changes:		
Net unrealized gain on investment securities	55,367	7,136,245
Net (decrease) increase in cash, cash equivalents and investment securities	(51,349,120)	41,542,325
Cash, cash equivalents and investment securities, beginning of year	1,066,383,338	1,024,841,013
Cash, cash equivalents and investment securities, end of year	$ 1,015,034,218	$ 1,066,383,338

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

COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF THE TRUST

The Combustion Engineering 524(g) Asbestos PI Trust (the Trust), organized pursuant to the laws of the State of Delaware, was established pursuant to the Combustion Engineering, Inc.'s (CE) plan of reorganization, as modified through October 7, 2005 (the Plan) and became effective on April 20, 2006. The Trust was formed to assume all Asbestos PI Trust Claims (whether now existing or arising at any time hereafter) and to use the Asbestos PI Trust assets to pay holders of claims in accordance with the Asbestos PI Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos personal injury claims and the related costs thereto, as defined in the Plan. The Trust's principal office is in Wilmington, Delaware and its administrative office is located in Dallas, Texas. Defined terms have the meaning that is defined in the Plan.

The Trust was initially funded with ABB, Ltd. stock, ABB promissory note, CE contribution agreement, CE convertible secured note, and insurance settlement rights, as further detailed in Note 8. Any additional insurance rights or proceeds determined subsequent to the inception date will be credited directly to net claimants' equity. Since its creation, the Trust has divested itself of all ABB, Ltd. holdings.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net claimants' equity and related operating expenses of the Trust. Since the accompanying 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:

a. The funds received from ABB, Ltd., and CE are recorded as contributions directly to net claimants' equity. These funds do not represent income of the Trust. Under GAAP, these funds would be recorded as income to the Trust in the period that the funds were assigned to the Trust, could be reasonably estimated, and collectability was assured.

b. Insurance recoveries are recorded when the related policies are settled and collectability is assured from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by CE and related entities and assigned to the Trust or were negotiated by the Trust. All known insurance recoveries have been received.

c. Investment securities are recorded at fair market value. All interest and dividend income, net of investment expenses, are included in investment income in the accompanying special-purpose statements of changes in net claimants' equity. Net realized and unrealized gains and (losses) on investment securities are recorded as a net addition or (deduction) in the special-purpose statements of changes in net claimants' equity.

d. Non-interest bearing notes have not been discounted to present value. Under GAAP, these notes would be included in the financial statements at present value, with interest earned and recorded over the term of the note.

e. 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 underlying contract or agreement.

f. The full amounts of claims are generally treated as distributions from net claimants' equity in the period in which the settled claims are paid. A settled claim is a claim that has been accepted by the claimant and approved by the Trustees. An unpaid claim is a claim that has been approved by the Trustees, but cannot be paid due to annual cap limitations or has been authorized for payment by the Trustees and not paid. Unpaid claims that are a result of annual cap limitations are recorded when 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.

g. 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.

h. Payments for property and equipment are expensed as incurred. Under GAAP, payments for property and equipment are capitalized and depreciated over the useful lives of the assets. To date, the Trust has incurred no expense related to purchases of property and equipment.

i. 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. Income tax refunds are recorded when cash is received by the Trust. 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, such as unrealized gains and losses on investment securities.

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 disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on net claimants' equity. As of December 31, 2011 and 2010, the Trust has made no significant estimates and assumptions.

Cash equivalents and investment securities

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investment securities are stated at fair market value with changes in unrealized gains and losses recorded in the current period. Investment income is recognized when earned. Any unearned interest and dividend income are recorded as accrued interest and dividends receivable. Realized gains and losses on sales are determined using the specific identification method.

Accrued claims, accrued expenses and accounts payable

Accrued claims consist of certain claims that are settled but unpaid at December 31, 2011 and 2010. A settled claim is a claim that has been accepted by the claimant and approved by the Trustees. An unpaid claim is a claim that has been approved for payment by the Trustees, but cannot be paid due to annual cap limitations or has been authorized by the Trustees and not paid. Unpaid claims that are a result of annual cap limitations are recorded when settled.

Accrued expenses and accounts payable consist of outstanding invoices associated with managing the Trust.

Operating expenses

Operating expenses of the Trust are recorded as deductions on the statement of changes in net claimants' equity in the period in which the invoices are received and approved.

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Subsequent events

The Trust has evaluated its December 31, 2011 special-purpose financial statements for subsequent events through April 20, 2012, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

Cash, cash equivalents and investment securities consist of the following at December 31, 2011:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 60,699,307	$ 60,699,307	$ 0
Equities	120,948,948	149,810,698	28,861,750
Bonds	773,206,652	804,524,213	31,317,561
Total cash, cash equivalents and investments	$ 954,854,907	$ 1,015,034,218	$ 60,179,311

Cash, cash equivalents and investment securities consist of the following at December 31, 2010:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 71,613,623	$ 71,613,623	$ 0
Equities	131,081,644	188,880,403	57,798,759
Bonds	803,564,312	805,889,312	2,325,000
Total cash, cash equivalents and investments	$ 1,006,259,579	$ 1,066,383,338	$ 60,123,759

The maturities of the Trust's investment in bonds are as follows as of December 31, 2011:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Bonds	$ 80,263,761	$ 221,585,819	$ 295,563,654	$ 207,110,979	$ 804,524,213

The maturities of the Trust's investment in bonds are as follows as of December 31, 2010:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Bonds	$ 63,376,888	$ 233,440,306	$ 281,745,987	$ 227,326,131	$ 805,889,312

NOTE 4 - FAIR VALUE MEASUREMENTS

The Trust's investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal

market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the Trust would use valuation models.

The Trust's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - 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** - 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 following section describes the valuation methodologies the Trust uses to measure its financial assets at fair value.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Municipal and state bonds: Valued using a metrics system provided by the pricing vendors.

In general, and where applicable, the Trust uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2011			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 60,699,307	$ 60,699,307	$ 0	$ 0
Equities:				
Common stock	84,247,105	84,247,105	0	0
Mutual funds	65,563,593	65,563,593	0	0
Total equities	149,810,698	149,810,698	0	0
Bonds:				
State government	162,618,130	0	162,618,130	0
Municipal	641,906,083	0	641,906,083	0
Total bonds	804,524,213	0	804,524,213	0
Total assets at fair value	$ 1,015,034,218	$ 210,510,005	$ 804,524,213	$ 0

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Description	As of December 31, 2010			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Cash and cash equivalents	$ 71,613,623	$ 71,613,623	$ 0	$ 0
Equities:				
Common stock	97,447,609	97,447,609	0	0
Mutual funds	91,432,794	91,432,794	0	0
Total equities	188,880,403	188,880,403	0	0
Bonds:				
State government	157,727,629	0	157,727,629	0
Municipal	648,161,683	0	648,161,683	0
Total bonds	805,889,312	0	805,889,312	0
Total assets at fair value	$ 1,066,383,338	$ 260,494,026	$ 805,889,312	$ 0

NOTE 5 - ABB PROMISSORY NOTE AND RECEIVABLE UNDER CE CONTRIBUTION AGREEMENT

The Trust held a promissory note due from ABB in the original amount of $350,000,000. The promissory note did not bear any interest. The Trust collected the outstanding balance of $50,000,000 in 2010.

NOTE 6 - INSURANCE RECEIVABLE

The insurance receivable as of December 31, 2010 consists of insurance recoveries that have been settled and for which collectability has been deemed probable. The insurance receivable of $1,000,000 as of December 31, 2010 was collected in 2011.

NOTE 7 - INCOME TAXES

For federal income tax purposes, CE has elected for the qualified assets of the Trust to be taxed as a Designated Settlement Fund (DSF). The statutory income tax rate for the DSF is 35%. The following is a summary of the estimated net taxable operating loss for the years ended December 31:

	2011	2010
Increase in net claimants' equity before income taxes	$ 48,640,010	$ 39,611,569
Less: municipal bond interest	(36,861,587)	(36,714,872)
Plus: realized losses on investment securities	0	2,137,644
Less: realized gains on investment securities	(13,766,000)	0
Less: change in net unrealized gains on investment securities	(55,367)	(7,136,245)
Plus: expenses allocable to municipal bond interest	1,402,152	1,378,602
Net taxable operating loss	(640,792)	(723,302)
Statutory tax rate	35%	35%
Provision for current income taxes	$ 0	$ 0

During the year ended December 31, 2009, the Trust filed a second amended 2006 federal income tax return in order to carryback the capital losses generated in 2008 to offset the taxable income generated in 2006. As a result, the Trust received a federal income tax refund of $950,493 in 2010. The refund has been included in additions to net claimants' equity on the accompanying 2010 special-purpose statement of changes in net claimants' equity.

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During the years ended December 31, 2011 and 2010, the Trust generated capital losses of approximately $0 and $2,100,000, respectively. The capital losses generated in 2010 will be carried forward to offset future capital gains and will expire after five years if not utilized. At December 31, 2011, the Trust has cumulative capital losses of $66,700,202 available to carryforward. Total cumulative capital losses of $31,894,037, $32,668,521, and $2,137,644 will expire on December 31, 2013, 2014 and 2015, respectively.

During the years ended December 31, 2011 and 2010, the Trust generated net operating losses of $640,792 and $723,302, respectively. At December 31, 2011, the Trust has net operating loss carryforwards to offset future taxable income of $1,375,572. The net operating losses generated in 2010 and 2011 will expire after fifteen years if not utilized.

NOTE 8 - NET CLAIMANTS' EQUITY

The contributions to net claimants' equity for the years ended December 31, 2011 and 2010 are comprised of insurance settlement rights, foreign scheme payments, and miscellaneous refunds. Pursuant to the Plan, the Trust was assigned certain settled and unsettled insurance rights. All unsettled insurance rights have now been settled. Additionally, the Trust has negotiated certain insurance settlements directly. Any future rights or proceeds for which there is no receivable recorded will be recorded directly as an increase to net claimants' equity when received.

During the years ended December 31, 2011 and 2010, the Trust recorded $273,612 and $1,121,697, respectively, in foreign scheme payments, tax refunds and other miscellaneous refunds directly as additions to net claimants equity.

NOTE 9 - DISTRIBUTIONS FROM NET CLAIMANTS' EQUITY

For the years ended December 31, 2011 and 2010, the Trust settled 12,754 and 6,618 claims totaling $100,999,756 and $77,729,734, respectively. For the years ended December 31, 2011 and 2010, the Trust received 32,014 and 109,893 new claim filings, respectively.

The following is a reconciliation of distributions from claimants equity to total claims (and related expenses) paid for the year ended December 31:

	2011	2010
Distribution from net claimants' equity	$ 100,999,756	$ 77,729,734
Change in accrued claims and related expenses	847,258	(847,258)
Total cash paid for distributions to claimants	$ 101,847,014	$ 76,882,476

NOTE 10 - CONTINGENT LIABILITIES

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust.

The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material.

NOTE 11 - LIABILITY FOR ASBESTOS CLAIMS

Personal injury claims that were settled, but unpaid as of December 31, 2011 and 2010 have been accrued and included in accrued claims, accrued expenses and accounts payable. These amounts have been included in distributions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the years ended December 31, 2011 and 2010.

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are not determinable at this time. The net claimants' equity at December 31, 2011 and 2010 represents funding available for all Asbestos PI Trust Claims for which no fixed liability has yet been established.

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SUPPLEMENTAL INFORMATION

ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Trustees
Combustion Engineering 524(g) Asbestos PI Trust
Dallas, Texas

Our audits were made for the purpose of forming an opinion on the basic special-purpose financial statements for the years ended December 31, 2011 and 2010 taken as a whole in accordance with the basis of accounting described in Note 2 of such statements. The supplemental information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic special-purpose financial statements. The supplemental information for the years ended December 31, 2011 and 2010 has been subjected to the auditing procedures applied in the audit of the basic special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic special-purpose financial statements taken as a whole.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 20, 2012

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COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

SCHEDULES OF INVESTMENT INCOME

DECEMBER 31, 2011 AND 2010

	2011	2010
Investment income		
Interest on municipal bonds	$ 36,861,689	$ 36,714,872
Dividends from mutual funds	2,231,597	1,974,748
Other dividends	1,735,057	1,722,563
Interest on short term investments	15,558	50,278
Total investment income	$ 40,843,901	$ 40,462,461

See Independent auditor's report on supplemental information.

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COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST

SCHEDULES OF OPERATING EXPENSES AND INCOME TAXES

DECEMBER 31, 2011 AND 2010

	2011	2010
Operating expenses and income taxes		
Legal fees	$ 1,614,622	$ 1,053,977
Investment advisory fees	1,432,286	1,423,077
Claims processing services	1,069,576	1,117,577
Consulting	730,669	1,044,134
Trustee disbursements	559,067	597,298
Accounting and audit	372,577	395,918
Insurance	147,300	135,000
Custodial fees	102,099	88,620
Foreign taxes paid	2,678	444
Interest income on tax refund	0	(15,820)
Administrative costs	(5,616)	9,268
Total operating expenses and income taxes	$ 6,025,258	$ 5,849,493

See Independent auditor's report on supplemental information.

CERTIFICATE OF SERVICE

I, Daniel K. Hogan, certify that on April 30, 2012, a true and correct copy of the foregoing was served on the parties listed below via first class mail and all other parties registered for electronic service via CM/ECF.

/s/ Daniel K. Hogan
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