IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	
	:	
FULLER-AUSTIN INSULATION COMPANY,	:	C.A. No. 02-1661 (LPS)
	:	
Debtor.	:	
	:	

Annual Report of Trustees

Pursuant to Sections 2.2(c)(ii) of that certain Fuller-Austin Asbestos Settlement Trust's Trust Agreement effective as of December 8, 1998 (the "Trust Agreement"), the Trustees of the Fuller-Austin Asbestos Settlement Trust (the "Trust") hereby file required reports as follows (capitalized terms not otherwise defined herein shall be used with the meanings given them in the Trust Agreement):

1. The audited annual financial statements of the Trust for the year ending December 31, 2013.

2. A summary of the number and the type of claims disposed of during 2013.

As required by the Trust Agreement, the Approving Entities and Reorganized Fuller-Austin have been provided copies of these reports.

Executed this 1st day of April 2014.

Fuller-Austin Asbestos Settlement Trust

By: _____
W.D. Hilton, Jr., Managing Trustee

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FULLER-AUSTIN ASBESTOS SETTLEMENT TRUST

Consolidated Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2013 and 2012

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FULLER-AUSTIN ASBESTOS SETTLEMENT TRUST

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REPORT OF INDEPENDENT AUDITORS

The Trustees of Fuller-Austin Asbestos Settlement Trust

We have audited the accompanying consolidated financial statements of the Fuller-Austin Asbestos Settlement Trust (the Trust), which comprise the consolidated statements of fund deficit as of December 31, 2013 and 2012, and the related consolidated statements of changes in fund deficit and changes in investments for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2013 and 2012, and the results of their operations and their changes in investments for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 7, the Trust is intended to be self-liquidating. The current year fund deficit includes the Trustee's estimate of the aggregate future liability to arise from Asbestos Claims filed with the Trust, resulting in a substantial deficit. Currently, the amount of insurance proceeds to be recovered and available to settle these claims, other than that included as an insurance settlement receivable, is not known and, accordingly, these proceeds are not reflected in the fund deficit.

Restriction on Use

This report is intended solely for the information and use of the Trustees, Management of the Trust, and for filing with the United States District Court for the District of Delaware and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the United States District Court for the District of Delaware, is a matter of public record.

BKM Dowan Horan, LLP

March 27, 2014

FULLER-AUSTIN ASBESTOS SETTLEMENT TRUST

Consolidated Statements of Fund Deficit

	December 31,	
	2013	2012
ASSETS		
Investments at fair value	**$ 138,388,979**	$ 138,541,708
Investment income receivable	**363,504**	490,039
Deferred tax asset	**1,311,604**	3,698,420
Prepaid expenses and other assets	**68,358**	119,111
Investment in Trust Services, Inc.	**27,785**	27,785
Total assets	**140,160,230**	142,877,063
LIABILITIES		
Accounts payable and accrued expenses	**137,389**	71,060
Accrued asbestos injury claims	**209,912,549**	237,290,182
Total liabilities	**210,049,938**	237,361,242
Fund deficit	**$ (69,889,708)**	$ (94,484,179)

See accompanying notes to consolidated financial statements.

FULLER-AUSTIN ASBESTOS SETTLEMENT TRUST

Consolidated Statements of Changes in Fund Deficit

	Years Ended December 31,	
	2013	2012
Fund deficit, beginning of year	**$ (94,484,179)**	$ (136,822,369)
Additions		
Insurance proceeds received and accrued	**23,351,380**	2,142,371
Interest and dividend income	**2,698,514**	3,455,673
Realized gain on investments	**402,660**	-
Unrealized gain on investments	**5,025,297**	1,696,163
Adjustment to accrued asbestos injury claims	**-**	37,675,148
Total additions	**31,477,851**	44,969,355
Deductions		
Operating and legal expenses	**1,199,734**	1,183,450
Realized loss on investments	**-**	147,815
Deferred income tax expense	**2,386,816**	1,299,900
Adjustment to accrued asbestos injury claims	**3,296,830**	-
Total deductions	**6,883,380**	2,631,165
Fund deficit, end of year	**$ (69,889,708)**	$ (94,484,179)

See accompanying notes to consolidated financial statements.

FULLER-AUSTIN ASBESTOS SETTLEMENT TRUST

Consolidated Statement of Changes in Investments

	Years Ended December 31,	
	2013	2012
Investment inflows		
Insurance settlements	**$ 23,351,380**	$ 35,594,181
Interest and dividend income received	**2,825,049**	3,609,860
Net gains from investments	**5,427,956**	1,548,348
Total investment inflows	**31,604,385**	40,752,389
Investment outflows		
Operating and legal expenses	**1,082,651**	4,124,727
Asbestos claims paid	**30,674,464**	17,638,642
Total investment outflows	**31,757,115**	21,763,369
Net (decrease) increase in investments	**(152,730)**	18,989,020
Investments, beginning of year	**138,541,709**	119,552,689
Investments, end of year	**$ 138,388,979**	$ 138,541,709

See accompanying notes to consolidated financial statements.

Note 1 – Description of the Trust

General

Fuller-Austin Asbestos Settlement Trust (the "Trust") was established on December 11, 1998, pursuant to the Order Approving the Disclosure Statement and Confirming the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code for Fuller-Austin Insulation Company (the "Plan") dated November 13, 1998 (the "Confirmation Order"). The Trust was formed to resolve, pursuant to the Plan and Plan documents, the liabilities of Fuller-Austin Insulation Company ("Fuller-Austin"), resulting from known and unknown asbestos disease claims ("Asbestos Claims"), and the pending and threatened litigation related to such claims. The asbestos liabilities of Fuller-Austin and the Trust were established by judgment upon issuance of the Confirmation Order. Asbestos Claims typically allege asbestos-related disease or injury from occupational exposure to asbestos or products that contained asbestos. Since 1974, Fuller-Austin had been a wholly owned subsidiary of DynCorp.

Upon formation of the Trust, assets consisting of cash and 100 percent ownership of Fuller-Austin were transferred to the Trust from DynCorp.

Through its ownership of Fuller-Austin, the Trust has the right to reimbursement of Asbestos Claims indemnity and expense under the general liability insurance policies purchased by Fuller-Austin and DynCorp.

The purpose of the Trust is to assume the liabilities of Fuller-Austin, its successors in interest, and their Affiliates, arising from or relating to Asbestos Claims, and to use the Trust's assets and income to pay holders of Allowed Asbestos Claims in accordance with the Confirmation Order, Claims Resolution Procedures, and Trust Agreement in such a way that all holders of similar Asbestos Claims are treated in a substantially equivalent manner and to otherwise comply in all respects with the requirements of a trust established pursuant to section 524(g)(2)(B)(I) of the Bankruptcy Code.

The Trust is intended to be self-liquidating. In the current year, the Trustees and their experts estimated the aggregate liability for claims to ultimately be filed with and allowed by the Trust at $447,137,707, of which $237,225,158 had been paid as of December 31, 2013.

The estimate is based, in part, on Fuller-Austin's liability that was legally established by confirmation of the Plan and the forecast of the number of claims, by disease, expected to be resolved by the Trust over the next twenty-nine years. The amount of insurance that will ultimately be recovered and available to settle these claims is not currently known. The total number of claims to be filed may result in Allowed Asbestos Claims in excess of the assets and

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Note 1 – Description of the Trust – (Continued)

General - continued

insurance available for repayment, thus resulting in substantially equivalent pro rata payments to all holders of Allowed Asbestos Claims.

The Trustees are responsible for supervising and/or administering the Asbestos Claims resolution process, and effectively managing the assets held by the Trust to fund Asbestos Claims liabilities channeled to the Trust by the Confirmation Order.

Termination

Pursuant to the Trust Agreement, the Trust will automatically terminate upon the occurrence of the first of the following events:

- 90 days after all Asbestos Claims filed have been settled, or otherwise resolved, and twelve months have elapsed during which no new Asbestos Claim has been filed;

- The Trustees have in place irrevocable insurance policies and claims handling agreements (with suitable third parties) both of which have been approved by the court and are adequate to discharge all expected remaining obligations and expenses of the Trust; or

- 21 years less 91 days pass after the death of the last survivor of all the descendants of Joseph P. Kennedy, Sr. of Massachusetts living on December 11, 1998.

On the termination date, after payment of all the Trust's liabilities have been provided for, all monies remaining in the Trust estate shall be given to such organization(s) exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, which tax-exempt organization(s) shall be selected by the Trustees using their reasonable discretion; provided, however, that (i) if practicable, the tax-exempt organization(s) shall be related to the treatment of, research on or the relief of suffering of individuals suffering from asbestos related lung disorders, and (ii) the tax-exempt organization(s) shall not bear any relationship to Reorganized Fuller-Austin within the meaning of section 468B(d)(3) of the Internal Revenue Code. Notwithstanding any other provision of the Plan Documents, this Article 7.2(b) cannot be modified or amended.

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Note 2 - Summary of Significant Accounting Policies

Basis of presentation and consolidation

The consolidated financial statements of the Trust are prepared under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the Trust and its wholly owned subsidiary, Fuller-Austin. All significant inter-company transactions and balances have been eliminated.

Fund deficit

The initial funding, all other assets received, and all payments made by the Trust are recorded directly to the fund deficit. Estimates of certain liabilities are also recorded directly to the fund deficit when they become estimable and probable. Portions of the fund deficit are used to fund the legal and operational expenses of the Trust. The fund balance deficit represents current funding available to compensate all present and unknown claimants, as well as the Trustees' estimate of the aggregate liability for Asbestos Claims.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 27, 2014, the date on which the financial statements were available to be issued.

Insurance proceeds and insurance settlements

All, or a portion of, future proceeds to be paid to the Trust through the execution of a settlement agreement with the insurer will be recognized as an accrued receivable if and when all of the following conditions are met:

- The Trust has obtained an executed copy of the settlement agreement.
- Future payments due to the Trust are in settlement of policies that have been exhausted by claims incurred by the Trust, and the terms of settlement can reasonably be assumed to be satisfied.
- The future claims paying ability of the insurer is deemed to be collectible, and the insurer holds a Standard & Poor's rating of AA- or better.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Insurance proceeds and insurance settlements - continued

Unless the unpaid amounts due under an insurance settlement qualify as accrued receivables, future payments will be recognized on a cash (as received) basis in the corresponding accounting period.

Cash equivalents

The Trust considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Consolidated Statements of Changes in Investments

The accompanying consolidated statements of changes in investments represent the various inflows and outflows of cash during the reporting periods in order to reconcile the changes in investments at fair value from the beginning to the end of the years then ended on the cash basis.

Investments

Investments consist of equity and debt securities with maturities exceeding three months. Investments are carried at fair value. Changes in fair value are recorded as reductions or increases to the fund balance (deficit). The Trust records securities transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis. All investments are considered to be available for sale.

The Trust's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and such change could materially affect the value of the Trust's portfolio.

Fair value of investments

The Trust measures its investments at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("Inputs") that qualifies an investment for each level:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Fair value of investments - continued

- Level 2 - Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, Inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and Inputs that are derived from or corroborated by observable markets.

- Level 3 - Developed from unobservable data, reflecting the investment manager's assumptions.

When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value of financial assets and classify these assets as Level 1. In other cases where a quoted market price for identical assets in an active market is either not consistently available or not observable, fair value is estimated using valuation methodologies based on available and observable market information or a matrix pricing model. These financial assets would then be classified as Level 2. If quoted market prices are not available, fair value is determined using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. In these instances, financial assets will be classified based upon the lowest level of input that is significant to the valuation. Thus, financial assets may be classified in Level 3 even though there may be some significant inputs that may be readily available.

From time to time the Trust may hold financial investments where there is no active market or the market is dislocated. When determining the fair value of such investments the valuation depends on facts and circumstances requiring significant management judgment. It is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available.

Claims and claim expenses

Claims and claim expenses are recorded when they can be estimated and are probable.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Use of estimates - continued

disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the fund deficit during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of accrued asbestos injury claims, fair value of investments, insurance settlements receivable, and the valuation allowance against deferred tax assets. Actual results could differ from those estimates.

Income taxes

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the tax rates currently in effect. A valuation allowance is established when it is more likely than not that the deferred tax assets may not be realized.

The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities. The Trust tax returns for the years beginning 2010 remain open for examination by government authorities. The Trust's estimate of the potential outcome of any uncertain tax issues is subject to the Trustees' assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trustees' assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has recognized no increase in liabilities for unrecognized tax benefits.

Note 3 - Investment in Trust Services, Inc.

The Trust is an owner of Trust Services, Inc. (a Texas corporation) ("TSI") along with the NGC Bodily Injury Trust ("NGC"). Currently, each owner trust, the Trust and NGC, has a one half interest in TSI through the ownership of one share of TSI stock each. The Trust also has a comprehensive services agreement with TSI, initially expiring December 31, 2002, and automatically renewing each year thereafter. TSI provides administrative, financial, investment, and claims processing services to the Trust in exchange for a pro-rata reimbursement of TSI's expenses based on an agreed upon allocation methodology.

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Note 3 - Investment in Trust Services, Inc. – (Continued)

The Trust has recorded, as expense, reimbursements paid to TSI for its management and administrative services. These reimbursements totaled $430,152 and $411,657 for the years ended December 31, 2013 and 2012, respectively. The Trust had prepaid expense reimbursements of $15,103 and $55,936 at December 31, 2013 and 2012, respectively.

Note 4 - Claims Resolution

The Asbestos Claims Resolution Procedures ("CRP") was adopted in connection with the Plan. The CRP provides for processing, allowing or disallowing, liquidating, and paying all Asbestos Claims as required by the Plan and the Trust Agreement.

Note 5 - Investments and Fair Value Measurements

The Trust had net unrealized holding gains on investments of $7,025,668 and $2,000,371 at December 31, 2013 and 2012, respectively. The estimated fair values of the Trust's investments are as follows:

	2013		2012	
	Cost	**Fair Value**	Cost	Fair Value
Cash equivalents	**$ 2,673,249**	**$ 2,673,249**	$ 4,759,471	$ 4,759,471
Debt securities	**99,299,943**	**99,283,568**	112,416,271	113,090,082
Equity securities	**20,587,358**	**28,418,795**	19,365,595	20,692,155
Absolute Funds	**8,802,761**	**8,013,367**	-	-
	$ 131,363,311	**$ 138,388,979**	$ 136,541,337	$ 138,541,708

The following is a description of the valuation methodologies used for financial assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy.

Cash equivalents

Cash equivalents include money market funds and are carried at cost, which approximates fair value. These assets are classified as Level I.

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Note 5 - Investments and Fair Value Measurements – (Continued)

Equity securities

All of the Trust's equity securities are those that are publicly traded and are SEC filers. These securities are classified as Level 1 because quoted prices are available for these securities in an active market.

Debt securities

The Trust's investments in debt securities do not have quoted market prices. These fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow and are classified within Level 2 of the valuation hierarchy. These level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed, and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, these securities could be classified within Level 3 of the valuation hierarchy. Currently, all of the Trust's debt securities are considered to be Level 2 securities.

Absolute funds

The Trust's investments in absolute funds are classified as Level 1 because net asset values are calculated and published daily. These funds can be sold in an active market.

Financial assets with changes in fair value that are measured on a recurring basis were as follows at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 2,673,249	$ -	$ -	$ 2,673,249
Equity securities	28,418,795	-	-	28,418,795
Debt securities	-	99,283,568	-	99,283,568
Absolute funds	8,013,367	-	-	8,013,367
	$ 39,105,411	$ 99,283,568	$ -	$ 138,388,979

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Note 5 - Investments and Fair Value Measurements – (Continued)

Financial assets with changes in fair value that are measure on a recurring basis were as follows at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 4,759,471	$ -	$ -	$ 4,759,471
Equity securities	20,692,155	-	-	20,692,155
Debt securities	-	113,090,082	-	113,090,082
	$ 25,451,626	$ 113,090,082	$ -	$ 138,541,708

Note 6 - Insurance Settlements Receivable

The Trust executed a settlement agreement executed in 1998 totaling $48,500,000 that provided for maximum proceeds that could be received annually from this settlement were $2,000,000 for 24 years. The Trust received payments of $2,000,000 in both 2013 and 2012. Installment payments from 2005 through 2013 totaled $18,000,000. The Trust negotiated a buy-out of the remaining balance of $30,500,000 due to be paid through 2028. The buy-out payment of $21,350,000 was paid on August 14, 2013.

Insurance litigation initiated in California by Fuller-Austin in 1994 has now resulted in settlements with all solvent insurers and the case was dismissed January 6, 2012. Following a trial in April 2011 with the last remaining insurer that had not settled, extensive negotiations resulted in a settlement agreement consummated in August 2011 and approved by the United States District Court for the District of Delaware on September 7, 2011. The full settlement amount of $21,500,000 was paid to Fuller-Austin on January 4, 2012.

In May 2010, Fuller-Austin's remaining claims with Integrity Insurance Company in Liquidation ("Integrity") were allowed in the amount of $17,074,013. The initial payment, at the payment percentage at that time of 70%, was made to Fuller on March 7, 2012 in the amount of $11,951,809. The total allowed claim in the Integrity estate is $34,101,313, of which $23,870,918 has been received as of December 31, 2013. Due to the uncertainty of payment from insolvent insurers, no provisions had been made for past or future payments which are recorded in the Trust's financial statements only when received.

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Note 6 - Insurance Settlements Receivable – (Continued)

Subsquent to year end (March 4, 2014), Integrity filed its Certification of Richard L. White in Support of Motion for Approval of the Final Distribution of Assets and Closing the Estate. The Motion for Approval requests approval by the court of an increase in the payment percentage to 92%. The hearing on the Motion for Approval is scheduled for March 28, 2014 in the Superior Court of New Jersey Chancery Division: Bergen County.

Note 7 - Accrued Asbestos Injury Claims

The ultimate amount of Asbestos Claims to be filed and the aggregate liability was estimated at inception of the Trust by the Trustees and their experts at $1,332,197,375. This included $6,100,313 in pre-bankruptcy settlements and judgments of which $6,070,313 was subsequently paid and the remaining $30,000 claim was withdrawn in 2007.

The ultimate amount of Asbestos Claims to be filed and the aggregate accrued liability was estimated during 2013 by the Trustees and their experts at $209,912,549. The total amount of accrued asbestos injury claims is composed of the following:

	December 31,	
	2013	2012
Liability for unresolved Asbestos Claims	$ **138,868,000**	$ 145,867,000
Liability for resolved unpaid Asbestos Claims	**71,044,549**	91,423,182
	$ **209,912,549**	$ 237,290,182

During the year ended December 31, 2013, the Trustees and its experts have increased the accrued asbestos injury claim liability by $3,296,830 based on current year estimates and projections. During the year ended December 31, 2012, the Trustees and its experts decreased the accrued asbestos injury claim liability by $37,675,148 based on their estimates and projections. The Trust is paying allowed claims based on its current payment sum percentage of 78%, which was adjusted from 71% on October 17, 2013.

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Note 8 - Trust Advisor and Legal Representative

Pursuant to the Plan and the Trust Agreement, two advisory positions were established, the Trust Advisor and the Legal Representative. The Trust Advisor serves in a fiduciary capacity representing all holders of Asbestos Claims, excluding Unknown Asbestos Claimants. The Legal Representative serves in a fiduciary capacity representing the interests of the Unknown Asbestos Claimants, for the purpose of protecting the rights of individuals who may subsequently assert Demands. As required by the Plan and the Trust Agreement, the Trust Advisor and the Legal Representative provide consultative services to the Trustees regarding specific issues affecting the Trust. Additionally, the Plan provides for instances in which the consent of the Trust Advisor and the Legal Representative must be obtained by the Trustees before implementing a decision.

Note 9 – Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which is 39.6% for the year ending December 31, 2013 having increased from 35% for the year ending December 31, 2012.

The Trust's federal tax income expense (benefit) is calculated as follows:

	Years Ended December 31,	
	2013	2012
Net taxable income	**$ 1,644,080**	$ 2,272,227
Tax rate	**39.6%**	35%
Federal income tax expense	**651,056**	795,279
Effect of Rate Change	**(350,282)**	-
Utilization of net loss carry forwards	**(651,056)**	(795,279)
Deferred federal income tax expense	**2,737,098**	1,299,900
Net federal income tax expense	**$ 2,386,816**	$ 1,299,900

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Note 9 – Taxation - (Continued)

The tax effects of temporary differences that give rise to deferred tax assets and liabilities were as follows:

	December 31,	
	2013	2012
Deferred tax assets:		
Net operating loss carryforward	**$ 3,185,430**	$ 3,422,228
Capital loss carryforward	**908,338**	976,322
	4,093,768	4,398,550
Deferred tax liability:		
Unrealized gain on investments	**(2,782,164)**	(700,130)
Net deferred tax assets	**$ 1,311,604**	$ 3,698,420

The Trust has net operating loss carry forwards of approximately $8,044,000 and $9,778,000 at December 31, 2013 and 2012, respectively, which will begin to expire during 2021. At December 31, 2013 and 2012, the Trust also has a capital loss carryforward of approximately $2,294,000 and 2,789,000, respectively, which begins to expire in 2014. Management has determined that a valuation allowance is not necessary since it is more likely than not that the tax benefits will be realized.

Note 10 - Litigation and Commitments

Fuller-Austin's insurance coverage litigation commenced in November 1994 as Fuller-Austin v. Fireman's Fund, et al in the Superior Court, County of Los Angeles, California, progressed through a jury trial in 2003 that resulted in judgments entered August 1, 2003 against Underwriters of Lloyds of London, Certain Solvent London Market Companies, Stonewall Insurance Company and Highlands Insurance Company (Highlands) (now in Receivership) for $188,793,014, plus pre- and post-judgment interest and awarded costs. A settlement with Highlands was approved by its receivership court on July 28, 2004, thus eliminating a $58,700,000 judgment.

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Note 10 - Litigation and Commitments – (Continued)

The remaining judgments were appealed. A California Court of Appeals, on January 19, 2006, affirmed, in part and reversed, in part, the rulings of the court below. Fuller-Austin's petitions to the California Supreme Court and the United States Supreme Court for review were denied. The case was remanded to the California Superior Court for resolution of issues as directed by the appellate ruling. The trial judge ordered the parties to mediate and appointed a mediator. Settlements were reached with ten (10) London Market Companies and Certain Underwriters of Lloyds of London in 2007 and 2008.

Following a bench trial that began on April 26, 2011, Fuller-Austin and Stonewall Insurance Company reached a settlement in 2011 that was consummated resulting in dismissal of the case on January 6, 2012, as described in Note 6.

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ATTACHMENT A

Fuller Austin Claims disposed of during 2013

Disease Name	Allowed	Disallowed	Total
Mesothelioma	28	22	50
Lung Cancer	138	79	217
Laryngeal Cancer	6	4	10
Esophageal Cancer	4	2	6
Stomach Cancer	1	2	3
Colo-Rectal Cancer	21	10	31
Asbestosis	356	113	469
Pleural Disease	20	6	26
Total	574	238	812

652 claims filed in 2013