IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

In re:	)	Jointly Administered at
	)	Case No. 03-35592 JKF
MID-VALLEY, INC., *et. al.*,	)	
	)	Chapter 11
Reorganized Debtors.	)	
	)	Document No. 2669
	)	

ORDER OF COURT PERMITTING THE FILING OF CERTAIN DOCUMENTS WITHOUT REOPENING THE REORGANIZATION CASES[1]

WHEREAS, this Court entered an Order of Final Decree on November 21, 2005 at Docket No. 2514 ordering that the Reorganized Debtors' Reorganization Cases be closed; and

WHEREAS, pursuant to the terms of the Confirmation Order, the Asbestos PI Trust Documents and the Silica PI Trust Documents, certain additional informational and other filings are anticipated to be made including, but not limited to (i) annual reports to be filed by the Asbestos and Silica PI Trusts; and (ii) amended Plan Exhibits filed by the Reorganized Debtors (collectively, the "Additional Filings"); and

WHEREAS, at the hearing held on November 6, 2006, this Court indicated that the Additional Filings should not necessitate the reopening of these Reorganization Cases or any related payment of filing fees; it is hereby

ORDERED, that the Clerk of this Court is directed to accept the Additional Filings and the Additional Filings shall not require the reopening of these Reorganized Cases or

[1] Capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Uniform Glossary of Defined Terms for Plan Documents filed of record on November 5, 2004 (Dkt. No. 2086).

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 1 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/1

the payment of any related filing fees; and it is further

ORDERED, each such Additional Filing shall include a copy of this Order, affixed to the front of the Additional Filing; and it is further

ORDERED, that counsel for the Reorganized Debtors shall immediately serve a copy of this Order on (i) each entity set forth in the Reorganized Debtors' current Official Service List; (ii) each entity set forth on the current Bankruptcy Rule 2002 Notice List; and (iii) any other parties-in-interest, and file a certificate of service with the Clerk of the Bankruptcy Court within ten (10) days hereof; and it is further

ORDERED, that the Clerk of the Bankruptcy Court is hereby directed to make a notation on the dockets that, the Reorganization Cases (Case Nos. 03-35592, 03-35593, 03-35595, 03-35596, 03-35597, 03-35599, 03-35600, and 03-35601) have been closed.

Dated: 11/16/2006 12:39:42, 2006

Judith K. Fitzgerald
United States Bankruptcy Judge

wmk

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 2 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/2

IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF PENNSYLVANIA

In re:	§	Jointly Administered at
	§	Case No. 03-35592-JKF
MID-VALLEY, INC., et al.,	§	
	§	Chapter 11
Reorganized Debtors	§	
	§	

DII INDUSTRIES, LLC ASBESTOS PI TRUST'S 2010 ANNUAL REPORT AND NOTICE OF UNCLAIMED PROPERTY

2010 ANNUAL REPORT

Pursuant to articles 2.2, 4.5, 5.6, and 6.5 of the DII Industries, LLC Asbestos PI Trust Agreement ("Trust Agreement"), the Trustees of the DII Industries, LLC Asbestos PI Trust ("Trust") report the following 2010 activities:

I. Financial Statements

As required by article 2.2(c)(i) of the Trust Agreement, the Trust's Special Purpose Financial Statements with Independent Auditors' Report for the Years Ended December 31, 2010 and 2009 is attached as Exhibit A.

II. Claims Summary

As required by article 2.2(c)(ii) of the Trust Agreement, a summary of the claims disposed of by the Trust in 2010 is attached as Exhibit B.

III. Trustees' Fees, Expenses, and Activities

As required by article 4.5 of the Trust Agreement, a description of the amounts the Trust paid to the Trustees in 2010 is provided below.

In 2010, the Trustees earned $723,392 (a) conducting weekly meetings with the Trust's staff; (b) conducting quarterly meetings with the Trust Advisory Committee and Legal Representative;[1] (c) monitoring the Trust's financial portfolio and conducting regular meetings with the Trust's financial advisors and investment managers;[2] (d) monitoring and conducting the Trust's activity in mediations, arbitrations, and litigation; (e) monitoring and conducting the Trust's response to discovery requests; (f) reviewing and revising the Trust Distribution Procedures;[3] (g) reviewing and revising the processes the Trust utilizes to value and otherwise

[1] The Trust's 2010 quarterly meetings were held on February 3 in Washington, D.C.; April 14 in Washington, D.C.; July 22 in Dallas, Texas; and October 28 in Dallas, Texas.

[2] The Trustees conducted meetings with their investment managers in 2010 in New York, New York on February 16 and 17 and November 9 and 10.

[3] On September 2, 2010, the Trustees, with the consent of the Trust Advisory Committee and Legal Representative, amended section 8.4 of the Trust Distribution Procedures, pursuant to articles 2.1(d)(ix), 2.2(f)(xi), and 7.3 of the Trust Agreement and sections 3.1, 3.2, and 8.1 of the Trust Distribution Procedures, as follows (added language is underlined):

> All submissions to the Asbestos PI Trust by a holder of an Asbestos PI Trust Claim of a proof of claim form and materials related thereto shall be treated as made in the course of settlement discussions between the holder and the Asbestos PI Trust, and such submissions and all communications related thereto are intended by the parties to be confidential and to be protected by all applicable state and federal privileges, laws, rules and regulations including but not limited to those directly applicable to settlement discussions, patient confidentiality and the Health Insurance Portability and Accountability Act of 1996. Absent the claimant's written consent authorizing the release of information to a particular party, the Asbestos PI Trust shall preserve the confidentiality of such claimant submissions and communications, and may disclose the contents thereof only (a) to its claims processing agent to the extent necessary to facilitate the processing of claims pursuant to this TDP; and (b) in response to a valid order or subpoena issued by the Bankruptcy Court, the United States District Court for the Northern District of Texas, or a District Court of Dallas County, Texas. The Asbestos PI Trust shall provide a copy of any such order or subpoena to the claimant whose records are sought, or to such claimant's counsel, promptly after it receives the order or subpoena. Additionally, the Asbestos PI Trust shall on its own initiative or upon request of the claimant in question take all necessary and appropriate steps to preserve any privileges in the court that issued the order or subpoena ~~Bankruptcy Court~~ and on any appeal from ~~the Bankruptcy Court~~ such court.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/4

evaluate claims to ensure that similar claims are treated similarly and that the average Liquidated Amounts of claims in each of the five more serious disease levels approximate such claims' Average Values; (h) monitoring the Trust's claims processing facility's performance; (i) evaluating, and coordinating the Trust's response to, proposed or actual changes to tax laws; (j) reviewing and revising the list of sites at which asbestos-containing products manufactured or distributed by Halliburton or Harbison-Walker were located; (k) reviewing and authorizing quarterly and annual reporting to Halliburton; (l) evaluating the Trust's staffing needs; (m) reviewing and revising the Trust's claim audit program; and (n) otherwise administering the Trust. Additionally, the Trustees recovered $52,192 of the expenses they incurred.

IV. Trust Advisory Committee Fees, Expenses, and Activities

As required by article 5.6 of the Trust Agreement, a description of the amounts the Trust paid to the Trust Advisory Committee in 2010 is provided below.

The Trust paid the Committee and its counsel $147,205 in fees and reimbursed $10,491 of the expenses they incurred in 2010. During the year, the Committee advised the Trustees in their performance of the activities listed above and otherwise advised the Trustees.

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 5 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/5

V. Legal Representative Fees, Expenses, and Activities

As required by article 6.5(b) of the Trust Agreement, a description of the amounts the Trust paid to the Legal Representative in 2010 is provided below.

The Trust paid the Legal Representative and its counsel $140,245 in fees and reimbursed $29,665 of the expenses they incurred in 2010. Like the Trust Advisory Committee, the Legal Representative advised the Trustees in their performance of the activities listed above and otherwise advised the Trustees.

VI. Additional Information

For additional information regarding the Trust's financial statements or operations, please contact its Executive Director, Marcellene Malouf, DII Industries, LLC Asbestos PI Trust, P.O. Box 821628, Dallas, Texas 75382, 214-271-0551 or go to www.diiasbestostrust.org.

Alan R. Kahn, Managing Trustee
DII Industries, LLC Asbestos PI Trust

Mark M. Gleason, Trustee
DII Industries, LLC Asbestos PI Trust

Honorable Robert M. Parker, Trustee
DII Industries, LLC Asbestos PI Trust

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 6 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/6

NOTICE OF UNCLAIMED PROPERTY

Pursuant to section 9.6(a) of the Conformed Fourth Amended and Restated Joint Prepackaged Plan of Reorganization for the Debtors under Chapter 11 of the United States Bankruptcy Code, attached as Exhibit C is information regarding unclaimed or undeliverable funds that the Trust distributed.

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 7 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/7

EXHIBIT A

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/8

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2010 and 2009

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Table of Contents

	Page
Report of Independent Auditors	1 - 2
Financial Statements:	
Special-Purpose Statements of Net Claimants' Equity	3
Special-Purpose Statements of Changes in Net Claimants' Equity	4
Special-Purpose Statements of Cash Flows	5
Notes to Special-Purpose Financial Statements	6 - 18

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/10

BKM SOWAN HORAN

Accountants + Consultants

15301 Dallas Parkway
Suite 960
Addison, Texas 75001
MAIN 214 545 3965
FAX 214 545 3966
www.bkmsh.com

REPORT OF INDEPENDENT AUDITORS

To the Trustees of
DII Industries, LLC Asbestos PI Trust

We have audited the accompanying special-purpose statement of net claimants' equity of DII Industries, LLC Asbestos PI Trust (the Trust) as of December 31, 2010, and the related special-purpose statements of changes in net claimants' equity and cash flows for the year 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 audit. The special-purpose financial statements of the Trust as of December 31, 2009, were audited by other auditors whose report dated April 14, 2010, expressed an unqualified opinion on those statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 2 and 5, these financial statements were prepared on a special-purpose basis of accounting. As such, they do not include the Trust's estimated claims liability which would be required for these financial statements to be a complete presentation of the Trust's liabilities and expenses. The special-purpose basis of accounting has been used to better communicate to the beneficiaries of the Trust the funds available to satisfy current and future claims, as well as operational costs of the Trust.

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

This report is intended for the information and use of the Trustees, management of the Trust, and for filing with the United States Bankruptcy Court for Western District of Pennsylvania – Pittsburgh Division, 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 Bankruptcy Court for the Western District of Pennsylvania – Pittsburgh Division, is a matter of public record.

BKM Dowan Horan, LLP

April 28, 2011

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/12

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Net Claimants' Equity

	December 31,	
	2010	2009
ASSETS		
Cash and cash equivalents	$ **197,202,798**	$ 341,813,095
Investments, at fair value	**1,992,189,232**	2,141,843,601
Investment income receivable	**19,758,724**	21,846,546
Prepaid expenses and other assets	**84,592**	139,614
Property and equipment, net	**52,845**	53,821
Income tax receivable	**-**	4,170,298
Total assets	**2,209,288,191**	2,509,866,975
LIABILITIES		
Accounts payable and accrued expenses	**753,534**	979,720
Income tax payable	**172,828**	-
Settled but unpaid claims	**1,631,647**	24,128,973
Deferred tax liability	**22,343,796**	39,263,303
Total liabilities	**24,901,805**	64,371,996
Net claimants' equity (Note 2)	$ **2,184,386,386**	$ 2,445,494,979

See accompanying notes to special-purpose financial statements

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

	Years ended December 31,	
	2010	2009
Net claimants' equity, beginning of period	**$ 2,445,494,979**	$ 2,533,305,854
Additions		
Interest and dividend income	**58,662,415**	69,258,654
Net realized gain on investments	**23,053,376**	12,978,175
Net unrealized gain on investments	**27,529,576**	174,052,785
Income tax benefit	**3,802,819**	-
Total additions	**113,048,186**	256,289,614
Deductions		
Asbestos claims payment expense	**(363,832,837)**	(261,604,784)
Operating and legal expenses	**(10,323,942)**	(11,549,859)
Income tax expense	**-**	(70,945,846)
Total deductions	**(374,156,779)**	(344,100,489)
Net claimants' equity, end of period	**$ 2,184,386,386**	$ 2,445,494,979

See accompanying notes to special-purpose financial statements

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 14 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/14

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Cash Flows

	Years ended December 31,	
	2010	2009
Cash inflows		
Investments and dividend income	**$ 83,803,613**	$ 86,784,817
Sales of investments, net	**177,183,945**	243,701,427
Total cash inflows	**260,987,558**	330,486,244
Cash outflows		
Asbestos claims payments	**(386,330,163)**	(250,865,485)
Operating and legal expenses	**(10,470,981)**	(11,997,381)
Purchases of property and equipment	**(23,149)**	-
Net income tax paid	**(8,773,562)**	-
Total cash outflows	**(405,597,855)**	(262,862,866)
Net increase (decrease) in cash and cash equivalents	**(144,610,297)**	67,623,378
Cash and cash equivalents, beginning of period	**341,813,095**	274,189,717
Cash and cash equivalents, end of period	**$ 197,202,798**	$ 341,813,095

See accompanying notes to special-purpose financial statements

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 15 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/15

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 1 - Description of the Trust

General

The DII Industries, LLC Asbestos PI Trust (the Trust) is a Pennsylvania common law trust, and is a Qualified Settlement Fund within the meaning of Treasury Department regulations issued pursuant to Section 468B of the Internal Revenue Code. The Trust was created on January 20, 2005, in connection with confirmation of the Chapter 11 Joint Plan of Reorganization (the Plan) for DII Industries, LLC, formerly Dresser Industries, and certain of its affiliated debtors and debtors-in-possession (the Debtors). The Debtors were direct or indirect subsidiaries of the Halliburton Company (Halliburton). The Plan was confirmed by order entered on July 21, 2004, by the United States Bankruptcy Court for the Western District of Pennsylvania (the Order). The Order was affirmed by the United States District Court for the Western District of Pennsylvania on December 1, 2004. The Plan became effective on January 20, 2005. The purpose of the Trust is to assume the asbestos liabilities of the Debtors, Halliburton, Harbison-Walker Refractories Company, and certain other businesses, and to use the Trust's assets and income to pay holders of those asbestos liabilities in such a way that all holders of similar asbestos claims, both current and future, are treated in a substantially equivalent manner.

Halliburton and its affiliates were granted the protection of a permanent channeling injunction entered by the Bankruptcy Court and the District Court in connection with the Order. The injunction enjoins the assertion of Asbestos Unsecured PI Trust Claims (Asbestos Claims) against those entities and channels such claims to the Trust for resolution.

The Trustees are fiduciaries to the beneficiaries of the Trust and are responsible for administering the Trust and the Trust's assets in accordance with the Plan.

The Trust is governed by a Trust Agreement and Trust Distribution Procedures (TDP) that establish the framework and criteria for allowance and payment of asbestos-related claims by the Trust. There are eight disease levels specified in the TDP. Claimants have the option of selecting either the Expedited Review process or the Individual Review process as defined in the TDP. Expedited Review generally requires less documentation, less time to review and receives a specified amount for the particular disease level that is allowed. Individual Review generally requires additional documentation, requires more time to review and claims may be allowed within a range of values.

The Trust's assets consist primarily of cash and cash equivalents and investment securities, which, with the earnings on such investments, are intended to be totally consumed by the allowance and payment of claims and operation of the Trust. The percentage of the amount of

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/16

Note 1 - Description of the Trust – (Continued)

General – continued

each allowed claim that will actually be paid will be determined by projections of total allowable Asbestos Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings, on the other.

In 2009, The Trust received an updated claims forecast from Analysis, Research, and Planning Corporation (ARPC). Claims forecast estimates are presented in Note 5. Also in 2009, the Trust received the consent of the Trust Advisory Committee (TAC) and Legal Representative (LR) to amend various provisions of the TDP. Upon approval, the Fifth Amended TDP became effective. Included in the changes were increases in the Scheduled, Average, and Maximum Values. At the same time, the Trust adjusted the Payment Percentage from one-hundred percent (100%) to fifty-two point five percent (52.5%) based on the revised claims forecast from ARPC. These changes generally had the effect of increasing the dollar amounts of payments to Trust beneficiaries whose claims are allowed. As a result of all the changes, the Trust made supplemental payments to previously paid Trust beneficiaries. These supplemental payments were calculated using a variety of inputs. These supplemental payments were made only to claimants whose releases the Trust received on or before October 28, 2009.

Termination

Section 7.2 of the Trust Agreement provides that the Trust shall automatically terminate on the date (the Termination Date) ninety (90) days after the first to occur of the following events:

- the Trustees, in their discretion, decide to terminate the Trust because (A) they deem it unlikely that new Asbestos Claims will be filed against the Trust and (B) all Asbestos Claims duly filed with the Trust have been liquidated and paid to the extent provided in the Trust Agreement and TDP, or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan, and twelve (12) consecutive months have elapsed during which no new Asbestos Claims have been filed with the Trust;

- if the Trustees have in place access to sufficient assets and have established claims-handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and TDP, the date on which the Bankruptcy Court enters a Final Order approving the sufficiency of such assets and other arrangements; or

Published by AsbestosClaims.Law

asbestosclaims.law/library/14317/17

Note 1 - Description of the Trust – (Continued)

Termination - continued

- to the extent that any rule against perpetuities shall be deemed applicable to the Trust, twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all of the descendants of the late Joseph P. Kennedy, Sr. of Massachusetts living on the date hereof.

On the Termination Date, after payment of all of the Trust's liabilities have been provided for, all remaining assets of the Trust shall be applied to such charitable purposes as the Trustees in their reasonable discretion shall determine, which charitable purposes, if practicable, shall be related to the treatment of, research regarding, or payment of claims related to, asbestos-caused disorders.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on a special-purpose presentation basis which does not include the Trust's estimated claims liability. The special-purpose basis of accounting has been used to better communicate to the beneficiaries of the Trust the funds available to satisfy current and future claims as well as operational costs of the Trust.

Subsequent events

The Trust has evaluated subsequent events through April 28, 2011 (the date the special-purpose financial statements are available to be issued), and determined there were no significant events that were either required to be recorded as of December 31, 2010, or disclosed in the special-purpose financial statements.

Cash and cash equivalents

The Trust considers all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/18

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

Investments

Investments are stated at estimated fair value. Changes in fair value are recorded as reductions or increases to net claimants' equity. Realized gains and losses on investments in securities are calculated based on the specific identification method. Investments in hedge funds are stated at fair value as determined by the hedge fund manager. 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.

Fair value of investments

The Trust measures fair value of its investments using the fair value hierarchy. From time to time the Trust may hold investments for which there is no active market or the market is dislocated. When determining the fair value of such investments, the valuation is dependent on facts and circumstances requiring significant judgment by management. It is acceptable to use inputs based on management's 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 claims processing expense

Amounts due to claimants for allowed claims are recorded when approved and signed releases are received and verified. Claims processing expenses are recorded as incurred and are included in operating and legal expenses in the special-purpose statements of changes in net claimants' equity. Claims approved for payment with signed release forms received and verified before the end of the year are accrued for in the special-purpose statements of net claimants' equity. See Note 4.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Trust uses the straight-line and accelerated methods of depreciation over the estimated useful lives of the assets. Depreciation expense was approximately $25,000 for each of the years ended December 31, 2010 and 2009.

Net claimants' equity

The Trust, under the adopted special-purpose accounting convention, does not record the liability for future claims expected to be filed over the life of the Trust. The net claimants' equity is available for (i) the payments of allowed asbestos-related claims and (ii) operational expenses of the Trust.

Published by AsbestosClaims.Law

asbestosclaims.law/library/14317/19

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

Concentration of credit risk

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash, cash equivalents, and investments. The Trust maintains cash and cash equivalents at financial institutions it considers to be of high credit quality. At times, the Trust may have cash deposits in banks that exceed federally insured limits. The Trust has not experienced any losses in such accounts and based on consultations with its advisors, does not believe it is exposed to any significant risk of loss related to cash.

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.

The Trust has a formal investment policy of placing investments in high-quality financial institutions and limiting the size of any investment with any single entity or type of investment (i.e. debt securities, equity securities, hedge funds).

Use of estimates

The preparation of the special-purpose financial statements requires the Trustees and management of the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the financial statement date, and the reported amounts of additions and deductions to net claimants' equity during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of investments and the estimation of income taxes. Actual results could differ from these 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'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 Trust's assessment of such tax positions changes,

Published by AsbestosClaims.Law

asbestosclaims.law/library/14317/20

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

Income taxes - continued

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 liabilities for unrecognized tax benefits.

Note 3 - Funding of the Trust

Funding of the Trust was set forth in the Plan. On January 20, 2005, the effective date of the Trust, the Trust received $950,000 in cash proceeds, a note receivable from Halliburton in the amount of $30,742,628 due December 31, 2005, and 59,500,000 shares of Halliburton stock from the Debtors, which had a market value of $2,504,652,500. The value of funding, as of the effective date, totaled $2,536,345,128.

All shares of the Halliburton stock were sold on March 23, 2005, generating proceeds to the Trust of $2,481,983,000, net of fees and other charges of $46,767,000. The note receivable was paid in full at a discounted amount of $30,685,035 by December 31, 2005. The net cash realized from the funding of the Trust totaled $2,513,618,035.

The Plan also provides for additional funding through the Asbestos PI Trust Additional Funding Agreement. Under the Asbestos PI Trust Additional Funding Agreement, the Debtors are obligated to pay the Trust any insurance recoveries in excess of $2,300,000,000. This obligation ceases once the Debtors have paid an aggregate of $700,000,000 to the Trust. No proceeds were received or due as of December 31, 2010 and 2009, in connection with the Asbestos PI Trust Additional Funding Agreement. No estimate of any future collection under this obligation has been recorded as it is uncertain to occur.

Note 4 - Claims Processing

The Trust reviews and determines Asbestos Claims in accordance with the TDP. The TDP provides for processing, and either disallowing or allowing, liquidating and paying all Asbestos Claims as required by the Plan and the Trust Agreement. For the years ended December 31, 2010 and 2009, approximately $364,500,000 and $261,600,000, respectively, were expensed as asbestos claims payments. On December 31, 2010 and 2009, the Trust had approximately $1,632,000 and $24,130,000, respectively, in allowed claims which were qualified for payment but were unpaid at year-end.

Published by AsbestosClaims.Law

asbestosclaims.law/library/14317/21

Note 5 - Estimated Asbestos Claims

At inception, the Trust's experts estimated that 1,851,886 claims would ultimately be filed over the life of the Trust. This projected an ultimate claims liability of $3,663,852,130. The Trust's experts updated their forecast during 2009 and estimated that 758,035 claims would ultimately be filed over the remaining life of the Trust. This projected a remaining ultimate claims liability of $3,076,110,307. There was no updated estimate made during 2010.

Note 6 - Trust Advisory Committee and Legal Representative

The Trust Agreement sets forth the role and responsibility of the TAC and LR. The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos Claims (Current Claimants). The Trustees are required to consult with or obtain the consent of the TAC on certain matters identified in the Trust Agreement and the TDP. The TAC is comprised of eight attorneys who are engaged by Current Claimants.

The LR serves in a fiduciary capacity, representing the interests of the individuals who may file an Asbestos Claim in the future, but who at this time are unknown to the Trust (Future Asbestos Claimants). His role, in part, is to protect rights of the Future Asbestos Claimants. The Trustees are required to consult with or obtain the consent of the LR on certain matters identified in the Trust Agreement and the TDP.

Note 7 – Taxation

The Trust reports its income to the Internal Revenue Service as a Qualified Settlement Fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which is currently 35%.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/22

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 7 – Taxation – (Continued)

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

	Years ended December 31,	
	2010	2009
Net taxable income	**$ 33,785,553**	$ 1,923,867
Tax rate	**35%**	35%
Current federal income tax expense	**11,824,944**	673,353
Adjustment to prior year estimate	**7,339,193**	(2,021,802)
Deferred federal income tax expense (benefit)	**(22,966,956)**	72,294,295
Net federal tax expense (benefit)	**$ (3,802,819)**	$ 70,945,846

The Trust's net deferred income tax liability is comprised of the following:

	December 31,	
	2010	2009
Capital loss carryforward	**$ -**	$ 6,047,449
Unrealized gains on investments	**(22,343,796)**	(45,310,752)
Net deferred income tax liability	**$ (22,343,796)**	$ (39,263,303)

Note 8 - Investments and Fair Value Measurements

The Trust Agreement provides general guidelines for the investments of the Trust. More specific policies and guidelines are set forth in the Investment Guidelines which were developed by the Trust's financial advisor and adopted by the Trustees. With the assistance of the Trust's financial advisor, the Trustees selected US Bank as its custody bank.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/23

Note 8 - Investments and Fair Value Measurements – (Continued)

The Trust's financial advisor routinely reviews the Trust's asset allocation model and portfolio managers. The Trust's investments in hedge funds and foreign equity funds are not held at US Bank.

During 2009, the Trust received approximately $6.3 million from hedge fund investments that it had withdrawn from during 2008 and took withdrawals from two ongoing hedge fund investments totaling approximately $10.3 million. During 2010, the Trust selected two new hedge funds for direct investment, each in the amount of $10 million. At December 31, 2010, the Trust was informed that one hedge fund investment planned to return all external capital investments.

The Trust had a cumulative net unrealized gain on investments of $156,998,868 and $129,459,292 at December 31, 2010 and 2009, respectively. The estimated fair values of the Trust's investments are as follows at December 31:

	December 31, 2010		December 31, 2009	
	Cost	**Fair Value**	Cost	Fair Value
Cash and cash equivalents	**$ 197,202,798**	**$ 197,202,798**	$ 341,813,095	$ 341,813,095
Equity securities	**185,299,878**	**230,944,598**	185,362,917	207,078,565
Foreign equity funds	**101,567,465**	**152,214,383**	108,746,289	130,246,477
Debt securities	**1,456,774,319**	**1,459,676,669**	1,642,646,985	1,694,739,734
Hedge funds	**91,558,702**	**149,353,582**	75,628,118	109,778,825
	$ 2,032,403,162	**$ 2,189,392,030**	$ 2,354,197,404	$ 2,483,656,696

The Trust's net realized gain on sale of investments was $23,053,376 and $12,978,175 for the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, the amortization of bond discount expense included in interest and dividend income was $18,967,507 and $17,851,142, respectively.

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.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/24

Note 8 - Investments and Fair Value Measurements – (Continued)

Cash and cash equivalents
Cash equivalents are recorded at fair value on a recurring basis and include cash balances and money market funds classified as Level 1.

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 with 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.

Foreign equity funds
The Trust's invests in foreign equity funds which do not have quoted market prices. The fair values are estimated by using pricing models and quoted prices of the publicly traded international securities included in the funds. The funds are classified with Level 2 of the valuation hierarchy.

Hedge funds
Hedge funds are valued using Level 3 inputs due to the limited activity and transparency around inputs to this valuation. These valuations are based on the net asset values provided by general partners, a third party administrator, or investment managers. For these funds the Trust does not have full access to the underlying investment holdings to enable it to corroborate the fair value measurement used by these parties. However, the Trust's independent financial advisors monitor, regularly meet with, and review each fund manager. Additionally, the Trustees regularly review manager performance reports and meet directly with the fund managers annually.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/25

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 8 - Investments and Fair Value Measurements – (Continued)

Financial assets with changes in fair value that are measured on a recurring basis were as follows:

	December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 197,202,798**	**$ -**	**$ -**	**$ 197,202,798**
Equity securities	**230,944,598**	**-**	**-**	**230,944,598**
Foreign equity funds	**-**	**152,214,383**	**-**	**152,214,383**
Debt securities	**-**	**1,459,676,669**	**-**	**1,459,676,669**
Hedge funds	**-**	**-**	**149,353,582**	**149,353,582**
	$ 428,147,396	**$ 1,611,891,052**	**$ 149,353,582**	**$ 2,189,392,030**

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 341,813,095	$ -	$ -	$ 341,813,095
Equity securities	207,078,565	-	-	207,078,565
Foreign equity funds	-	130,246,477	-	130,246,477
Debt securities	-	1,694,739,734	-	1,694,739,734
Hedge funds	-	-	109,778,825	109,778,825
	$ 548,891,660	$ 1,824,986,211	$ 109,778,825	$ 2,483,656,696

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/26

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 8 - Investments and Fair Value Measurements – (Continued)

The changes in the balances of Level 3 financial assets were as follows for the year ended December 31, 2010:

Balance as of January 1, 2010	$	109,778,825
Change in net realized and unrealized gains or losses		23,644,173
Purchases, sales issuances, and settlements (net)		15,930,584
Balance as of December 31, 2010	$	149,353,582

Note 9 - Commitments and Contingencies

Leases

During 2006, the Trust entered into a non-cancelable lease which will expire at the end of July 2012 for office space. Rent expense for the years ended December 31, 2010 and 2009, was approximately $95,000 and $93,000, respectively.

Future minimum lease payments for the remaining non-cancelable terms of the lease are as follows:

Years Ending December 31,		Amount
2011	$	89,301
2012		52,844
	$	142,145

The Financial Accounting Board has proposed new lease accounting rules. If enacted as proposed, the Company would have to record an asset and liability for the present value of future lease commitments. The amount would include an estimate for renewal options. Even if enacted as proposed, the new rules would not be effective earlier than 2012.

DII Industries Asbestos Trust Annual Reports, 2010 annual report Published by AsbestosClaims.Law
ACL Doc 14317 · Page 27 of 35 asbestosclaims.law/library/14317/27

Note 9 - Commitments and Contingencies – (Continued)

Retirement plan

The Trust maintains a safe-harbor 401(k) benefit plan (the Plan), which covers all employees who work at least 1,000 hours per year after one year of service. Each year the Trust makes a matching contribution to the Plan up to 4% of the employees' annual compensation. The Trust also contributes 3% of every eligible employee's salary, whether or not they have elected to participate. The Company's matching and safe harbor contributions were approximately $64,200 and $42,400 for the years ended December 31, 2010 and 2009, respectively.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/28

EXHIBIT B

CLAIMS DISPOSED OF IN 2010

	HAL Claims	HAL Payments	HW Claims	HW Payments
Claims Paid in 2010	**14,519**		**12,011**	
Level I. Other Asbestos Disease	66	$6,600.00	30	$9,000.00
Level II. Asbestosis/Pleural Disease	7,291	$4,210,552.50	6,441	$12,849,795.00
Level III. Asbestosis/Pleural Disease	2,644	$3,331,440.00	2,369	$8,954,820.00
Level IV. Severe Asbestosis	117	$604,182.82	88	$1,366,857.71
Level V. Other Cancer	522	$2,221,994.25	486	$6,191,638.37
Level VI. Lung Cancer 2	290	$724,587.56	158	$2,188,312.83
Level VII. Lung Cancer 1	1,250	$7,638,870.79	931	$27,872,559.53
Level VIII. Mesothelioma	2,339	$109,309,004.60	1,508	$166,926,280.30
Claims Withdrawn in 2010	**3,553**		**1,793**	
Claims Disallowed in 2010	**8,453**		**17,510**	

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/30

EXHIBIT C

Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/31

UNCLAIMED PROPERTY

Claimant Name	Distribution Amount	Date Distribution Was Returned to the Trust
Edward Harrison	$1,384.54	October 3, 2007
Darrell Hindman	$30.56	October 3, 2007
Billy Watkins	$30.56	October 3, 2007
Gary Zimmer	$30.56	October 3, 2007
Donald Hill	$30.56	October 3, 2007
James Dolan	$30.56	October 3, 2007
Richard Crow	$30.56	October 3, 2007
Charles Watters	$30.56	October 3, 2007
Albert Cruciano	$532.54	October 3, 2007
Oscar Howard	$532.54	October 3, 2007
Willie Dee Wilkins	$30.57	October 3, 2007
Aurthur Davis	$30.00	October 3, 2007
Wayne Cuthrell	$30.57	October 3, 2007
Virginia Burchfield	$215.18	October 3, 2007
John Lewter	$30.57	October 3, 2007
Ben Reeves	$30.57	October 3, 2007
Alphonso Newby	$30.57	October 3, 2007
Lehman Boyd	$1,384.55	October 3, 2007
William Huggins	$3,123.64	October 3, 2007
Henry Whitaker	$1,384.55	October 3, 2007
Rufus Outlaw	$30.57	October 3, 2007
William McKenney	$30.56	October 3, 2007
James Murphy	$1,800.00	December 17, 2007
Melvin Nash	$62.66	February 29, 2008
Joseph Witte	$62.66	February 29, 2008
Roy Wilson	$30.56	February 29, 2008
Joseph Manijak	$1,384.54	February 29, 2008
Austin Chatman	$243.31	February 29, 2008
Edward Piaskowski	$2,775.66	February 29, 2008
Peter Neforos	$62.66	November 13, 2008
Eddie Smith	$62.66	November 13, 2008
Ary Moats	$62.66	November 13, 2008
Michael Ioannu	$62.66	November 13, 2008
George Douglas	$1,384.55	November 13, 2008
William Green	$1,384.55	November 13, 2008
Wade Johnson	$30.57	November 13, 2008
Allen Kane	$30.57	November 13, 2008
Thomas Nealis	$65.16	February 5, 2009
Stephen Makos	$900.00	June 30, 2009

UNCLAIMED PROPERTY

Claimant Name	Distribution Amount	Date Distribution Was Returned to the Trust
Anthony Marcinkevich	$30.57	July 28, 2009
Joseph Roberts	$30.57	July 28, 2009
Thomas Simpson	$30.57	July 28, 2009
Fred Pless	$1,384.55	July 28, 2009
Eleanor Barrett	$142.65	July 28, 2009
Jerry Whitney	$244.54	July 28, 2009
Verna Rickman	$1,207.10	July 28, 2009
Charles Engle	$62.66	July 28, 2009
John Marsh	$221.13	September 15, 2009
Charles Ray	$1,429.69	October 16, 2009
Claudious Johns	$31.79	December 14, 2009
Charles Lovett	$31.79	January 13, 2010
Charles Harvey	$1,439.69	January 13, 2010
Sid Sharpe	$148.33	January 14, 2010
Lloyd Griffee	$31.79	Janaury 19, 2010
Ronald Cheslock	$1,439.69	January 25, 2010
Charles Coles	$772.50	January 29, 2010
Joseph Novak	$772.50	January 29, 2010
John Gorman	$31.79	January 29, 2010
Charles Best	$31.79	February 4, 2010
Herman Rose	$1,439.69	February 25, 2010
Thomas Struhar	$31.79	February 25, 2010
Donald Watson-Bey	$31.79	February 25, 2010
Donald Willis	$31.79	February 25, 2010
Emmett Wyman	$1,439.69	March 31, 2010
Gladys Russell	$1,439.69	March 31, 2010
Henry Lassen	$31.79	April 2, 2010
Howard Huff	$31.79	April 2, 2010
Othello Armstrong	$30.57	April 19, 2010
James Smerowski	$62.66	April 19, 2010
George Wilson	$62.66	April 19, 2010
Lawrence Miller	$62.66	April 19, 2010
Marvin Mezick	$31.79	May 17, 2010
Ira Pearce	$4,140.00	July 2, 2010
Ray Beamon	$31.79	August 12, 2010
Percy Brown	$1,439.69	August 12, 2010
Gene Draughn	$31.79	August 12, 2010
Eugene Mezick	$31.79	August 12, 2010
Burdell White	$772.50	August 16, 2010

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 33 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/33

UNCLAIMED PROPERTY

Claimant Name	Distribution Amount	Date Distribution Was Returned to the Trust
Roland Johnson	$31.79	August 19, 2010
Dennis Hall	$31.79	August 19, 2010
Richard Kroll	$31.79	August 30, 2010
Carroll Conway	$31.79	September 27, 2010
George Goddard	$772.50	October 4, 2010
George Broadmax	$31.79	October 22, 2010
James Long	$31.79	November 12, 2010
Charles Harris	$31.79	November 12, 2010
Shirley Reese	$31.79	November 12, 2010
Louis Lett	$31.79	November 12, 2010
John Erickson	$508.60	December 1, 2010
Ray Beamon	$1,407.90	December 6, 2010
Stanley Adams	$1,440.00	December 27, 2010
Guyton Weaver	$65.16	December 27, 2010
Oscar Hetrick	$62.66	December 28, 2010
John Narum	$30.57	December 28, 2010
Thomas McMonagle	$2,838.32	December 28, 2010
John Kirn	$2,838.32	December 28, 2010
John Flynn	$62.66	December 28, 2010
Richard Clark	$62.66	December 28, 2010
Bernard Magness	$62.66	December 28, 2010
James Hollins	$31.79	February 3, 2011
Samuel Bauckman	$772.50	March 7, 2011
Arthur Carroll	$772.50	March 7, 2011
Lester Cramer	$772.50	March 7, 2011
Bart Ecret	$772.50	March 7, 2011
Edward Fair	$1,440.00	March 7, 2011
William Falvey	$772.50	March 7, 2011
Joseph Finelli	$1,440.00	March 7, 2011
Robert Gilliard	$1,440.00	March 7, 2011
Michael Greenwald	$1,440.00	March 7, 2011
Grayson Hayes	$595.00	March 7, 2011
Donald Hunsberger	$772.50	March 7, 2011
William Hutchings	$2,572.50	March 7, 2011
Robert Kibler	$4,800.00	March 7, 2011
Elizabeth Macario	$1,440.00	March 7, 2011
Stephen Makos	$360.00	March 7, 2011
Lawrence Mugni	$1,440.00	March 7, 2011
Roy Vail	$1,440.00	March 7, 2011

UNCLAIMED PROPERTY

Claimant Name	Distribution Amount	Date Distribution Was Returned to the Trust
Kenneth Via	$8,054.50	March 7, 2011
Earl Smith	$1,440.00	March 7, 2011

DII Industries Asbestos Trust Annual Reports, 2010 annual report
ACL Doc 14317 · Page 35 of 35
Published by AsbestosClaims.Law
asbestosclaims.law/library/14317/35