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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION

In re J.T. THORPE, INC., a California corporation; J.T. THORPE, INC., a dissolved California corporation; Debtors.	Chapter 11 Case Nos. LA-02-14216-BB & LA-04-35876-BB (Jointly Administered Under Case No. LA-02-14216-BB) **NINTH ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT** **Hearing**: Date: June 3, 2015 Time: 2:00 p.m. Place: Courtroom 1475 255 East Temple Street Los Angeles, CA 90012

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TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE AND OTHER PARTIES IN INTEREST:

The Trustees of the J.T. Thorpe Settlement Trust by and through their counsel, Levene, Neale, Bender, Yoo & Brill, hereby file the Ninth Annual Report and Accounting, Audited Financial Statements, and Claim Report.

DATED: April 29, 2015

Respectfully submitted,

By: //s// *Eve H. Karasik*

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NINTH ANNUAL REPORT AND ACCOUNTING OF J.T. THORPE SETTLEMENT TRUST

The Trustees of the J.T. Thorpe Settlement Trust ("Trust") hereby submit this Ninth Annual Report and Accounting ("Annual Report") covering Trust activities that occurred during the period from January 1, 2014 to and including December 31, 2014 ("Accounting Period"), and certain activities of the Trust that took place outside of the Accounting Period. This Annual Report is submitted to the U.S. Bankruptcy Court for the Central District of California, Los Angeles Division, *In re J.T. Thorpe, Inc., a California corporation*; *J.T. Thorpe, a dissolved California corporation*; *Thorpe Holding Company, a California corporation*; and *Thorpe Technologies, Inc., a California corporation*, Case Nos. LA 02-14216-BB; LA 04-35876-BB; LA 04-35877-BB; LA 04-35847-BB, Jointly Administered Under Case No. LA 02-14216-BB, in accordance with the *First Amended Joint Plan of Reorganization* [Docket No. 472] (the "Plan"); *Order Confirming First Amended Joint Plan of Reorganization Dated August 5, 2005, and Granting Related Relief* [Docket No. 1455] ("Confirmation Order"); and the Trust Agreement, Bylaws, Trust Distribution Procedures, and Case Valuation Matrix, as amended from time to time, established pursuant to the Plan,[1] and pursuant to the laws of the state of Nevada, where the Trust is organized and where it resides. The Trust Agreement states in Section 7.11 that the Trust is governed by Nevada law. Section 164.015 of the Nevada Revised Statutes allows the Trust to render an accounting and seek approval for its past actions. The factual statements in this Annual Report are supported by the Declaration of Sara Beth Brown, Executive Director, in Support of Motion to Approve and Settle J.T. Thorpe Settlement Trust's Ninth Annual Report and Accounting, Audited Financial Statements, and Claim Report as described in paragraphs 6, 7, and 8, *infra*. Capitalized terms not defined herein are defined in the Glossary of Terms for the Plan Documents. This Court has approved each Annual Report beginning in 2007.

[1] The Appendix includes the Plan; Order Confirming the Plan; Eighth Amendment to and Complete Restatement of J.T. Thorpe Settlement Trust Agreement (the "Trust Agreement"); Third Amendment to and Complete Restatement of J.T. Thorpe Settlement Trust Bylaws ("Trust Bylaws"); Second Amendment to and Complete Restatement of J.T. Thorpe Case Valuation Matrix (the "Matrix"); Second Amendment to and Complete Restatement of Trust Distribution Procedures ("TDP"); other controlling documents approved by this Court; and other documents as indicated.

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1. Effective Date: In compliance with Sections 4.1 and 7.2 of the Plan, and the Glossary of Terms for the Plan Documents, the Effective Date of the Trust is June 29, 2006.

2. Appointment of Trustees: In its March 23, 2006 Order Granting Plan Proponents' Motion for Approval of Appointment of Trustee for the J.T. Thorpe Settlement Trust, this Court approved the appointment of Mr. Stephen M. Snyder as the sole Trustee of the Trust.

As initially described in the Trust's Fourth Annual Report, on April 19, 2007, the number of Trustees was increased to three (3) by the Futures Representative and the Trust Advisory Committee effective on the first anniversary of the Effective Date of the Trust.

Mr. Snyder was designated as the Managing Trustee on July 24, 2007, and has acted in that capacity since that time. Dr. Sandra R. Hernandez and Mr. John F. Luikart have acted as Trustees of the Trust since June 29, 2007.

3. Appointment of Trust Advisory Committee: In the Order Confirming the Plan, this Court approved the appointment of Alan Brayton, Steven Kazan, and David Rosen as the initial members of the TAC. Mr. Brayton has served as Chair of the TAC, and Messrs. Kazan and Rosen have continued to serve as members of the TAC since the Effective Date of the Trust.

4. Appointment and Continuation of Futures Representative: The Honorable Charles B. Renfrew, retired, was appointed as the Futures Representative in the J.T. Thorpe Reorganization Cases on December 2, 2002, and his continued appointment as the Futures Representative of the Trust was approved by this Court in the Confirmation Order. Judge Renfrew has served as the Trusts' Future Representative since the Effective Date of the Trust.

5. Fiscal Year and Tax Obligations: The Trust is required by the Internal Revenue Code to account for and report on its activities for tax purposes on a calendar-year basis. Therefore, the Trust's fiscal year is the calendar year. Except where otherwise stated, all reports attached to this Annual Report cover the Accounting Period. Section 2.2(b) of the Trust Agreement requires the Trustees to file income tax and other returns and statements in a timely manner, and to comply with all withholding obligations as legally required, including fulfilling requirements to maintain its status as a Qualified Settlement Fund. The 2013 federal tax return was filed by its

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extended due date of September 15, 2014 and the 2014 federal tax return will be filed by its extended due date of September 15, 2015. The Trust resides in Nevada, and Nevada has no state income tax. Although the Trust is not subject to tax in California, the Trustees file a tax return in California each year, attaching a copy of the Trust's federal tax return, but showing no California taxable income or state tax liability.

6. Annual Report: Section 2.2(c)(i) of the Trust Agreement provides in pertinent part:

> The Trustees shall cause to be prepared and filed with the Bankruptcy Court . . . an annual report containing financial statements of the Trust (including, without limitation, a statement of the net claimants' equity of the Trust as of the end of such fiscal year and a statement of changes in net claimants' equity for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustees and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the equity presently available to current and future claimants and as to the conformity of the financial statements with the following special-purpose accounting methods which differ from accounting principles generally accepted in the United States.

The Trust's financial statements are prepared using special-purpose accounting methods that depart from Generally Accepted Accounting Principles (GAAP) in certain respects in order to better disclose the amount and changes in net claimants' equity.

7. Financial Report: In accordance with the requirements of Section 2.2(c)(i) of the Trust Agreement, the Trust has caused its financial statements to be audited by Grant Thornton LLP, the independent certified public accountants retained by the Trust to perform the annual audit of its financial statements. The Trust's audited financial statements ("Audited Financial Statements") are attached hereto as Exhibit "A". These include a Statement of Net Claimants' Equity, a Statement of Changes in Net Claimants' Equity, a Statement of Cash Flows and explanatory Notes. The Statement of Net Claimants' Equity, which is the equivalent of a corporate balance sheet, reflects total assets of the Trust at market value and on the other comprehensive basis of accounting adopted by the Trust. These Audited Financial Statements show, among other things, that as of December 31 2014, total Trust assets were $154,316,460, total liabilities were $12,089,248 and Net Claimants' Equity was $142,227,212.

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8. Claim Report: Section 2.2(c)(ii) of the Trust Agreement provides that along with the Audited Financial Statements, the Trust shall file with the Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. The J.T. Thorpe Settlement Trust Claim Report As of December 31, 2014 ("Claim Report") is attached hereto as Exhibit "B". During the Accounting Period, the Trust received 494 claims, paid 410 claims, and made settlement offers on 491 claims. Since the Trust received its first Trust Claim[2] on October 24, 2006, the Trust has received 7,040 Trust Claims, paid 3,989 Trust Claims, and 2,356 Trust Claims have been withdrawn.[3]

Section 5.4 of the TDP provides that "as soon as practicable after the Effective Date, the Trust shall pay all Trust Claims that were liquidated by (i) a written settlement agreement entered into prior to the Petition Date for the particular claim, or (ii) the pre-confirmation claims liquidation process." The vast majority of the 1,474 Trust claims identified in this Court's January 27, 2006, Order Liquidating Asbestos Related Claims (hereafter "PCLP Claims") were paid in 2006. To date, eleven (11) PCLP Claims have been withdrawn by their respective law firms. During the Accounting Period, no PCLP Claims were paid. The Trust has not yet received proper release documents for twenty-two (22) remaining unpaid PCLP Claims in the amount of $75,762.57.

9. Public Inspection: In compliance with Section 2.2(c) of the Trust Agreement, the Annual Report, including the Audited Financial Statements and Claim Report, has been sent to the Futures Representative, the TAC, the Debtors, and the Office of the United States Trustee with responsibility for the Central District of California, and has been filed with the United States Bankruptcy Court for the Central District of California. Accordingly, the Annual Report and all attached and related documents have been made available for inspection by the public in accordance with procedures established by the Court.

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[2] "Trust Claims" are any claims submitted to the Trust after the Effective Date.

[3] "Withdrawn Claims" include claims which are not qualified and/or claims with deficiencies that have not been cured beyond a certain time period, and/or claims that have remained on hold beyond a certain time period.

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10. Trustees' Meetings: Article II, Section 4 of the Trust Bylaws provides that the Trustees shall meet in Nevada, or a state other than California, at least four times a year, as close as practicable on a quarterly basis. The Trustees held six meetings during the Accounting Period (January 13, 2014, February 20-21, 2014, March 25, 2014, April 17, 2014, September 22-23, 2014, and November 20-21, 2014). The January, February, April, September and November meetings were held in Nevada, and the March meeting was held in Arizona.

11. Arbitrations: During the accounting period, no arbitrations were held pursuant to Section 5.9 of the Trust Distribution Procedures.

12. Payment Percentage: Section 4.2 of the TDP provides that, commencing on the first day of January, after the Plan has been consummated and no less frequently than once every three years thereafter or at any time if requested to do so by the TAC or Futures Representative, the Trustees shall reconsider the Payment Percentage to assure that it is based on accurate current information and may, after such reconsideration, change the Payment Percentage if necessary with the consent of the TAC and Futures Representative. As initially described in the Trust's Fourth Annual Report, the Payment Percentage was temporarily decreased from 50% to 40% effective December 1, 2008 pursuant to the guidelines of Sections 2.3 and 4.2 of the TDP. As described in the Trust's Fifth Annual Report, at the November 18, 2010 meeting, the Payment Percentage was reviewed and adjusted to 45%. As described in the Trust's Eighth Annual Report, the Payment Percentage was reviewed on February 7, 2013 and remained at 45%. The Payment Percentage was again reviewed on September 23, 2014 and remains at 45%.

13. Maximum Annual Payment: Section 2.4 of the TDP requires that the Trust calculate an annual payment limit for claims ("Maximum Annual Payment") based upon a model of the amount of cash flow anticipated to be necessary over the entire life of the Trust to ensure that funds will be available to treat all present and future claimants as similarly as possible. At the November 20, 2014 meeting, the Maximum Annual Payment for 2015 was set at $8,900,000, plus the amount of $39,099,979 of excess funds carried over from prior years, which Section 2.5 of the

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TDP requires to be rolled over and remain dedicated to the respective "Disease Category" (as such term is defined in the TDP) to which they were originally allocated.

14. Inflation Adjustment: The original Payment Percentage approved by this Court was based upon projections of future claims payments adjusted annually for inflation. Beginning in 2008, all claims payments made during a calendar year include a cost of living adjustment based upon the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) announced in January each year. At the November 20, 2014 meeting, the CPI-W to be published in January 2015 was approved for use by the Trust in making the 2015 cost of living adjustment for claims payments. The CPI-W of 0.3% was issued on January 16, 2015. Consequently, all claims payments made during the 2015 calendar year will have a compounded inflation rate of 16.6% added to the payment amount.

15. Budget and Cash Flow Projections: Section 2.2(d) of the Trust Agreement requires the Trust to prepare a budget and cash flow projections prior to the commencement of each fiscal year covering such fiscal year and the succeeding four fiscal years. The Trustees approved the 2014 budget and the required four-year budget and cash flow projections on November 21, 2014. Pursuant to the Trust Agreement, these were provided to the TAC and Futures Representative. The budget for operating expenses, including investment fees, in 2015 totals $2,152,100.[4]

16. Trust Facilities and Services Sharing Agreement with Western Asbestos Settlement Trust: As initially described in the Trust's First Annual Report, the Trust and Western Asbestos Settlement Trust ("Western Trust") entered into a Trust Facilities and Services Sharing Agreement. The Trust agreed to pay a negotiated monthly amount. Such arrangement was approved by this Court in the order approving the Trust's First Annual Report. Pursuant to the annual reconciliation of fees presented on February 20, 2014, the Trust and the Western Trust set the advance payments at $29,000 per month for 2014.

[4] This figure excludes claimant payments budgeted for $8,900,000, extraordinary legal fees budgeted for $530,000, and income tax payments budgeted for $1,500,000. Budgeted investment fees were previously reported as a reduction to investment income. The 2015 operating expense budget includes investment fees of $733,500.

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Pursuant to the annual reconciliation of fees presented on February 27, 2015, the Trust and the Western Trust agreed that the advance payments shall be $35,000 per month for 2015. The total amount paid by the Trust to the Western Trust, after accounts were reconciled for 2014, was $392,714.

At the beginning of 2015, the Trusts each consulted with outside counsel concerning the continued viability and fairness of the Trust Facilities and Services Sharing Agreements by and between Western Trust and this Trust, and based on advice of counsel, the Trust and the Western Trust determined that the formula and methodology being used should continue and was fair to this Trust and the Western Trust.

17. Settlement Fund: The Settlement Fund was established at Wells Fargo Bank, N.A., to pay valid claims.

18. Operating Fund: The Operating Fund was established at Wells Fargo Bank, N.A. as described in the Trust's Annual Reports. During the Accounting Period, transfers were made from the Settlement Fund to the Operating Fund to pay anticipated operating expenses of the Trust.

19. Indemnity Fund (Self-Insured Retention): Section 4.6 of the Trust Agreement provides that the Trust shall indemnify the Trustees, the Trust's officers and employees, the Futures Representative, the TAC and each of their respective agents. The Trustees, the Futures Representative, the TAC and their respective agents have a first priority lien upon the Trust's assets to secure the payment of any amounts payable to them pursuant to Section 4.6.

In addition to the first priority lien on all the Trust's assets, in 2006, the Trust established an indemnity fund in the amount of $5,000,000, as described in the Trust's Annual Reports. All interest earned by the fund is returned to the Trust quarterly. During the Accounting Period, no claims were made against the fund and no money was paid from the fund.

20. Legal Dispute: As initially described in the Seventh Annual Report, on September 19, 2012, the Trust filed its *Complaint for Declaratory Judgment* [Docket No. 1] and on October 24, 2012, its *First Amended Complaint for (I) Declaratory Judgment and (II) Equitable Relief* [Docket No. 18] (the "Amended Complaint") in the Bankruptcy Court (Adversary Case No.

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2:12-ap-02182-BB) (the "Adversary Proceeding") against Michael J. Mandelbrot and the Mandelbrot Law Firm (collectively, "Mandelbrot"). The Amended Complaint (i) requested a declaratory judgment from the Bankruptcy Court "confirming that the Investigation to determine whether the Defendants have engaged in a pattern or practice of submitting unreliable evidence to the J.T. Thorpe Trust is authorized and appropriate under the circumstances," and (ii) sought related equitable relief.

The Adversary Proceeding was procedurally consolidated with a similar adversary proceeding brought by the Thorpe Insulation Company Asbestos Settlement Trust (and collectively with the J.T. Thorpe Settlement Trust, the "Trusts") in the Bankruptcy Court. The docket for the consolidated actions was maintained in the J.T. Thorpe Settlement Trust adversary proceeding (Case No. 2:02-bk-14216-BB). In addition, the Western Trust commenced a similar adversary proceeding against Mandelbrot in its bankruptcy case pending in the United States Bankruptcy Court for the Northern District of California. All three trusts are supervised by the same Trustees and the same Futures Representative, and all three trusts evaluate and process claims through the same facility and processing staff.[5]

On the morning of trial on January 23, 2014, Mandelbrot, the Trusts, as well as the Western Trust and the Plant Insulation Settlement Trust, entered into an agreement that resolved the Adversary Proceeding. The terms of the agreement and settlement were read in to the record and agreed to by all parties, including Mandelbrot. The Trusts prepared an Order, Findings of Fact and Conclusions of Law and a Judgment that set forth the terms and effect of the agreement. Several days later, but before the Trusts were able to lodge any of these draft documents, Mandelbrot's attorney withdrew as counsel, Mandelbrot substituted himself as counsel into the Adversary Proceedings and then attempted to repudiate the agreement laid on the record on January 23, 2014. The Trusts provided copies of the Order, Findings of Fact and Conclusions of Law and Judgment to Mandelbrot and filed them, along with a Notice of Dispute [Docket No. 197] on February 11, 2013.

[5] The Western Trust adversary proceeding against Mandelbrot was dismissed without prejudice on October 30, 2013. [Docket No. 109]

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Mandelbrot filed written objections to the agreement on or about February 12, 2014.

At the Trusts' request, this Court set a hearing and briefing schedule for enforcement of the stipulated agreement. The hearing was held on March 27, 2014 and this Court ruled that the agreement was enforceable. The Order Granting Motion To Enforce January 23, 2014 Stipulated Agreement [Docket No. 232] ("Enforcement Order") and Order Following Trial On Adversary Complaints And Motion For Instructions [Docket No. 233] ("Order After Trial") were entered. The Order After Trial ordered, among other things, that Mandelbrot: (1) "effective immediately" shall file no new claims with the Trusts; (2) "effective immediately, Mandelbrot shall cease all activity with respect to claims ("Pending Claims") for the Trusts and shall transfer each Pending Claim and all past claims made against the Trusts to an attorney who will take responsibility; and (3) that if the Trusts do not receive a notice of transfer for the Pending Claims and past claims by July 23, 2014, then those claims shall be deemed withdrawn and Mandelbrot agreed that all such claims with respect to this Trust may be deemed withdrawn. All of this was reduced to a Judgment, entered on April 7, 2014, resolving the adversary proceedings. [Docket No. 234]. This Court issued its Findings of Fact and Conclusions of Law supporting its Order after Trial [Docket No. 235] on April 9, 2014. The Trust has implemented the stipulated agreement found to be enforceable by this Court. Following entry of Judgment, Mandelbrot filed a notice of appeal, and likewise filed a motion to stay enforcement of the Judgment pending appeal. On May 27, 2014, this Court heard and denied Mandelbrot's motion to stay enforcement judgment and order following trial. Thereafter, in early June 2014, Mandelbrot filed a motion to stay enforcement of the judgment and order pending appeal before the Honorable Virginia A. Phillips of the United States District Court for the Central District of California, who has been assigned to hear Mr. Mandelbrot's appeal of the judgment and order. Prior to the hearing on the motion, which was scheduled for July 7, 2014, Judge Phillips denied Mr. Mandelbrot's motion on the grounds that Mr. Mandelbrot had failed to meet his burden of establishing an abuse of discretion by the Bankruptcy Court in denying the requested stay.[6]

[6] Attached hereto as Exhibit "C" is the Honorable Virginia A. Phillips' Minute Order (1) Denying Motion to Stay Enforcement of Judgment and Order following Trial (Doc. No. 10) and (2) Vacating July 7, 2014 Hearing (in Chambers) (Document 26). In her Order, Judge Phillips noted that even if she were to engage in a *de novo*

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Thereafter, on June 18, 2014, and pursuant to a briefing schedule established by the United States District Court, Mr. Mandelbrot filed his District Court brief. Briefing on Mr. Mandelbrot's appeal was completed on July 15, 2014, and no decision has been issued.

As a result of the stipulation, and consistent with its terms, the Trust is not accepting claims from Mandelbrot and all claims previously submitted by Mandelbrot have been transferred to new counsel.

21. Amendments to the Trust Documents: As described in the Trust's Eighth Annual Report, the J.T. Thorpe Settlement Trust Bylaws were amended on February 20, 2014, and amendments to the Trust Distribution Procedures and Matrix were approved on March 25, 2014. Copies of the Third Amended and Completely Restated J.T. Thorpe Settlement Trust Bylaws, J.T. Thorpe, Inc., a California corporation/J.T. Thorpe, Inc., a dissolved California corporation/Thorpe Holding Company, Inc., a California corporation/Thorpe Technologies, Inc., a California corporation Asbestos Personal Injury Settlement Second Amendment to and Complete Restatement of Trust Distribution Procedures, and Second Amendment to and Complete Restatement of J.T. Thorpe Case Valuation Matrix are included in the Appendix filed herewith.

On November 20, 2014, sections 4.5(a) and 6.6(b) of the Trust Agreement were amended to allow for an annual increase in Trustee and TAC compensation based upon the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) announced in January each year. A copy of the Eighth Amendment to and Complete Restatement of J.T. Thorpe Settlement Trust Agreement is included in the Appendix filed herewith.

22. Notifications to Beneficiaries: During the Accounting Period and, additionally, from January 1, 2015 to and including April 16, 2015, the following notifications were placed on the Trust's Web site:

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consideration, she would agree with the decision of the Bankruptcy Court on the merits of the motions brought before the Bankruptcy Court.

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a. Notice of Suspension of Pro Bono Evaluation Procedures (posted January 14, 2014);

b. Notice of settlement of Mandelbrot adversary proceeding (posted January 31, 2014);

c. Notice of claims processing FTP server maintenance (posted February 18, 2014);

d. Notice of computer system incursion (posted February 21, 2014);

e. Notice/update regarding computer system incursion (posted March 6, 2014);

f. Notice regarding submission of claims in paper form (posted March 14, 2014);

g. Notice/update regarding settlement of Mandelbrot adversary proceeding (posted April 16, 2014);

h. Notice/update regarding submission of claims (posted April 25, 2014);

i. Notice of hearing on the Trust's Eighth Annual Report and Accounting (posted April 30, 2014);

j. Notice of approved modifications to the TDP and Matrix (posted May 1, 2014);

k. Notice/update regarding settlement of Mandelbrot adversary proceeding (posted May 5, 2014);

l. Notice/update regarding settlement of Mandelbrot adversary proceeding (posted May 12, 2014);

m. Notice/update regarding submission of claims (posted July 10, 2014); and

n. Notice regarding compliance with court order in Mandelbrot adversary proceeding (posted March 6, 2015).

23. Attempt to Place False Claim in the Western Trust Database/Overhaul of Network Infrastructure: On February 18, 2014, Western Trust staff discovered that an attempt had been made to place a fictitious claim within the Western Trust database on or about February 15,

2014. In response to the incursion, the Trust unplugged its system from the internet and took it off-line. A cyber-security firm was hired to conduct a forensic investigation. The Trust also hired a law firm that specialized in the legal requirements, if any, related to the false claim placement. The cyber-security firm's investigation revealed no evidence of exfiltration of data on or from the Trust's server. There was also no evidence that the intruder accessed any personally identifiable information or protected health information contained elsewhere in the Trust's system. Based on the cyber-security firm's findings, the law firm determined that potentially applicable state and federal data breach notification laws did not require notice to any third parties of the attempted false claim placement. In an abundance of caution, the following law enforcement agencies were contacted to report the data breach: the Reno Police Department, the Monterey Park Police Department (where the private post office box for the fictitious law firm was located), and the Las Vegas office of the Federal Bureau of Investigation. All three agencies noted the data breach but did not pursue an investigation despite follow up by the law firm. The Trust began again accepting claims in paper form on March 14, 2014, and the Trust also began accepting claims on CD on April 25, 2014.

As a result of this false claim placement attempt, the Trust determined that it needed an independent information technology company to review the Trust's network infrastructure and security. After consultation with other trusts across the country, the Trust retained the information technology firm of STF Consulting of Atlantic Highlands, NJ in June of 2014. By the end of June, 2014, STF Consulting had implemented increased security measures so that on July 10, 2014, the Trust opened up its system to again allow electronic filing of claims. STF Consulting has completed a total overhaul of the Trust's core network infrastructure and has continued to refine the network throughout the remainder of 2014 and the first quarter of 2015.

24. System Development: During the Accounting Period, the Trust entered into a contract with an outside vendor to develop an updated claims processing system and move to a new platform, which is expected to be completed within weeks.

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25. Filing Fee: Pursuant to Section 6.5 of the TDP at the September 22, 2014 meeting, the filing fee was reviewed and there were no recommended changes to the existing $250 fee during the Accounting Period or as of the date hereof.

26. Trustee's Compensation: Section 4.5(c) of the Trust Agreement requires the Trust to report the amounts paid to the Trustees for compensation and expenses. During the Accounting Period, the Trustees each received per annum compensation in the amount of $20,000 paid in quarterly installments. The total paid to all Trustees for hourly compensation and for reimbursement of expenses was $131,120 and $3,708, respectively.

27. Significant Vendors: Although the Trust has many vendors, those who were paid more than $100,000 during the Accounting Period are listed alphabetically below:

a. Analysis Research Planning Corporation ("ARPC"): Provides monthly maintenance of the Trust's current claims processing system. Dr. Vasquez of ARPC acts as the expert professional with whom the Trustees consult;

b. Eagle Capital Management, LLC: One of six investment managers for the Trust described in paragraph 28, *infra*;

c. Fergus, a Law Office: Counsel to the Honorable Charles Renfrew, Futures Representative;

d. Harding Loevner, LP: One of six investment managers for the Trust described in paragraph 28, *infra*;

e. Klee, Tuchin, Bogdanoff & Stern LLP: Counsel to the Trust for the Mandelbrot appeals described in paragraph 20, *supra*;

f. Molland Law: Co-counsel for the Mandelbrot litigation described in paragraph 20, *supra*;

g. Morgan Lewis & Bockius: Counsel to the Trust in the Mandelbrot investigation and the Adversary Proceeding described in paragraph 20, *supra*;

h. Western Asbestos Settlement Trust for shared services pursuant to the Trust Facilities Services Sharing Agreement, as described in paragraph 16, *supra*; and

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i. Westwood Management Corporation: One of six investment managers for the Trust described in paragraph 28, *infra*.

28. Trust Investment Management: Article 3 of the Trust Agreement authorizes the Trust to administer the investment of funds in the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs, subject to certain limitations. The Trust closely monitors any market volatility with its investment advisors and continues to be in compliance with its Investment Policy Statement. Callan Associates, Inc. continued to assist the Trust during the Accounting Period as its manager of investment managers. Eagle Capital Management, Harding Loevner, LP, Segall Bryant & Hamill, Standish Mellon Asset Management, State Street Global Advisors, and Westwood Management Corporation have continued to act as the Trust's investment managers.

Additionally, the Trust's Investment Policy Statement was amended on February 27, 2015, a copy of which is included in the Appendix filed herewith.

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The Trustees submit that the Annual Report and attached exhibits demonstrate the Trust acted prudently and expeditiously in executing its legal obligations during the Accounting Period and up to and including the date hereof. The Trust conscientiously worked to execute equitable claims procedures and process Trust Claims with due diligence during the Accounting Period and up to and including the date hereof. Moreover, the Trust worked with its accountants and financial advisors to preserve and grow Trust assets in order to fulfill the purpose of the Trust – paying valid asbestos claims. In doing so, the Trust carefully complied with all Plan documents and the mandates of this Court.

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EXHIBIT “A”

EXHIBIT "A"



Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

J. T. Thorpe Settlement Trust

December 31, 2014 and 2013

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Report of Independent Certified Public Accountants

Trustees
J.T. Thorpe Settlement Trust

We have audited the accompanying financial statements of J.T. Thorpe Settlement Trust ("the Trust"), organized in the State of Nevada, which comprise the statements of net claimants' equity as of December 31, 2014 and 2013, and the related statements changes in net claimants' equity and cash flows 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 the Trust's other basis of accounting; 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 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 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 Trust'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 Trust'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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Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of J.T. Thorpe Settlement Trust as of December 31, 2014 and 2013, and the changes in net claimants' equity and cash flows for the years then ended in accordance with the Trust's other basis of accounting.

Basis of accounting

We draw attention to Note A.2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the Trust's other basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expense for the years ended December 31, 2014 and 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on use

Our report is intended solely for the information and use of the management of the Trust and Trustees, the beneficiaries of the Trust, the Futures Representative, the Futures Counsel, the members of the Trust Advisory Committee, and the United States Bankruptcy Court for the Central District of California, Los Angeles Division and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Reno, Nevada
April 15, 2015

J. T. Thorpe Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2014	2013
ASSETS		
Cash, cash equivalents and investments		
Available-for-sale		
Restricted	$ 5,000,000	$ 5,000,000
Unrestricted	147,955,819	151,980,051
Total cash, cash equivalents and investments	152,955,819	156,980,051
Accrued interest and dividend receivables	1,043,211	1,074,656
Prepaid federal income tax	317,430	245,032
Total assets	$ 154,316,460	$ 158,299,739
LIABILITIES		
Accrued expenses	$ 159,250	$ 545,576
Claim processing deposits	265,000	349,000
Unpaid claims (Note D)		
Outstanding offers	1,946,235	3,208,511
Pre-confirmation liquidated claims	75,763	84,224
Deferred tax liability	9,247,000	8,255,000
Facility and staff sharing agreement payable	396,000	348,000
Total liabilities	$ 12,089,248	$ 12,790,311
NET CLAIMANTS' EQUITY	$ 142,227,212	$ 145,509,428

The accompanying notes are an integral part of these statements.

J. T. Thorpe Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

For the years ended December 31,

	2014	2013
Net claimants' equity, beginning of year	$ 145,509,428	$ 149,446,552
Additions to net claimants' equity		
Investment income	3,874,118	4,163,988
Net decrease in outstanding claim offers	1,270,737	-
Net realized and unrealized gains on available-for-sale securities	5,906,042	10,629,876
Federal tax reductions	101,824	-
Total additions	11,152,721	14,793,864
Deductions from net claimants' equity		
Operating expenses	2,755,715	3,507,430
Provision for income taxes, current	1,099,341	165,485
Provision for income taxes, deferred	992,000	3,645,000
Net increase in facility sharing	48,000	36,000
Claims settled	9,539,881	10,771,240
Net increase in outstanding claim offers	-	605,833
Total deductions	14,434,937	18,730,988
Net claimants' equity, end of year	$ 142,227,212	$ 145,509,428

The accompanying notes are an integral part of these statements.

J. T. Thorpe Settlement Trust

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2014	2013
Cash inflows:		
Investment income receipts	$ 3,905,561	$ 4,151,286
Net realized gain on available-for-sale securities	4,001,203	771,425
Federal tax reductions	101,824	-
Total cash inflows	8,008,588	4,922,711
Cash outflows:		
Claim payments made	9,539,881	10,771,239
Decrease in claim processing deposits	84,000	38,750
Disbursements for Trust operating expenses	3,142,041	3,317,220
Disbursements for Trust income taxes	1,171,739	63,661
Total cash outflows	13,937,661	14,190,870
Net cash outflows	(5,929,073)	(9,268,159)
Non-cash changes:		
Net unrealized gains on available-for-sale securities	1,904,841	9,858,451
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	(4,024,232)	590,292
Cash, cash equivalents and investments available-for-sale, beginning of year	156,980,051	156,389,759
Cash, cash equivalents and investments available-for-sale, end of year	$ 152,955,819	$ 156,980,051

The accompanying notes are an integral part of these statements.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

The J. T. Thorpe Settlement Trust (the Trust), organized pursuant to the laws of the state of Nevada with its office in Reno, Nevada, was established pursuant to the J. T. Thorpe, Inc. (J. T. Thorpe), Dissolved J. T. Thorpe, Inc. (Dissolved Thorpe), Thorpe Technologies, Inc., and Thorpe Holding Company, Inc., (collectively the Debtors), First Amended Joint Plan of Reorganization (the Plan), dated August 5, 2005. The Trust was formed to assume the Debtors' liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions for which the Debtors' are legally responsible; liquidate, resolve, pay and satisfy all valid asbestos-related claims in accordance with the Plan; preserve, hold, manage and maximize the Trust assets for use in paying and satisfying allowed asbestos-related claims; prosecute, settle and manage the disposition of the asbestos in-place insurance coverage; and prosecute, settle and manage asbestos insurance coverage actions. Upon approval of the Plan, the Trust assumed liability for existing and future asbestos health claims against the Debtors. The Trust was created effective June 29, 2006.

The Trust was initially funded with insurance settlement proceeds, Dissolved Thorpe securities, cash and a note receivable. Since the Trust's creation, the note receivable has been collected. The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs thereto, as defined in the Plan.

The Trust processes and pays all asbestos-related claims in accordance with the J. T. Thorpe Settlement Trust Agreement, as amended and restated, the Case Valuation Matrix, as amended and restated, (Matrix) and Trust Distribution Procedures, as amended and restated, (TDP) (collectively, the Trust Documents).

2. Special-Purpose Accounting Methods

The Trust's financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future claims. These special-purpose accounting methods are as follows:

- The financial statements are prepared using the accrual basis of accounting, as modified below.
- The funding received from J. T. Thorpe, Dissolved Thorpe, Thorpe Technologies, Inc., Thorpe Holding Company, Inc. and their insurers is recorded directly to net claimants' equity. These funds do not represent income of the Trust. Offers for asbestos health claims are reported as deductions from net claimants' equity and do not represent expenses of the Trust.
- Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed when incurred. These costs include acquisition costs of computer hardware, software and software development.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Special-Purpose Accounting Methods - Continued

- Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum commitments outstanding at period end for non-cancelable obligations have been recorded as deductions from net claimants' equity.
- The liability for unpaid claims reflected in the statement of net claimants' equity represents settled but unpaid claims and outstanding offers. A claims liability is recorded once an offer is made to the claimant at the amount equal to the expected pro rata payment. No liability is recorded for future claim filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.
- Available-for-sale securities are recorded at fair value. All interest and dividend income on available-for-sale securities is included in investment income on the statement of changes in net claimants' equity. Net realized and unrealized gains and losses on available-for-sale securities are recorded as a separate component on the statement of changes in net claimants' equity.
- Realized gains and losses on available-for-sale securities are recorded based on the security's amortized cost. At the time a security is sold, all previously recorded unrealized gains and losses are reversed and recorded net, as a component of other unrealized gains and losses in the accompanying statement of changes in net claimants' equity.

3. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and cash invested in money market funds.

4. Investments

Fair value measurements are determined through the use of an independent, nationally recognized pricing service. For securities that have quoted prices in active markets, market quotations are provided. For securities that do not trade on a daily basis, the pricing service provides fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. The Trust reviews on an ongoing basis the reasonableness of the methodologies used by the pricing service, as well as determines the aggregate portfolio price performance and reviews it against applicable indices.

5. Deposits

Claims processing deposits represent filing fees collected for each unliquidated claim, which fees are refunded by the Trust if the claim is paid.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. 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 assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates.

7. Concentration of Risk

Financial instruments that potentially subject the Trust to concentrations of risk consist of cash, cash equivalents and investments. Cash equivalents consist of money market accounts. Cash equivalents and demand deposits are in excess of Federal Deposit Insurance Corporation limits.

The Trust utilizes risk controls to meet investment objectives authorized by its Trustees. Such risk controls include the use of outside investment advisors meeting predetermined criteria, and third-party quantitative and qualitative risk measurement evaluation tools. The Trust believes its risk control practices are appropriate to meet investment objectives.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

8. Income Taxes

The Trust's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2014, the Trust did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor did it incur any interest and penalties expense with any unrecognized tax benefits for the year then ended. The Trust is unaware of information concerning any tax positions for which a material change in the unrecognized tax benefit or liability is reasonably possible within the next twelve months. The Trust files income tax returns in the United States. Although the Trust owes no tax to the State of California, it files an annual tax return in California reporting no taxable income or tax owed. The Trust is no longer subject to United States federal tax examinations for years before 2011 and state examinations before 2010.

9. Reclassification

Certain prior year amounts have been reclassified to current year presentation. These reclassifications had no impact on net claimants' equity.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Trust has classified its investments as available-for-sale, and recorded the securities at estimated fair value, as follows:

	December 31, 2014	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 50,866	$ 50,886
U.S. Government obligations	2,535,124	2,536,863
Municipal bonds	166,578	159,592
Asset backed securities	302,547	296,733
Corporate debt	1,978,284	1,955,926
	$ 5,033,399	$ 5,000,000
Unrestricted		
Cash demand deposits	$ 300,434	$ 300,434
Cash equivalents	8,984,212	8,984,213
Equity securities	40,685,784	61,349,586
U.S. Government obligations	7,047,478	7,091,331
Municipal bonds	60,040,566	62,830,136
Asset-backed securities	895,223	892,289
Corporate debt	6,556,954	6,507,830
	$ 124,510,651	$ 147,955,819

	December 31, 2013	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 57,775	$ 57,776
U.S. Government obligations	2,196,215	2,118,230
Municipal bonds	156,701	148,241
Asset backed securities	261,335	258,621
Corporate debt	2,485,193	2,417,132
	$ 5,157,219	$ 5,000,000
Unrestricted		
Cash demand deposits	$ 251,703	$ 251,703
Cash equivalents	12,790,088	12,790,088
Equity securities	44,792,975	64,620,382
U.S. Government obligations	6,630,254	6,447,383
Municipal bonds	57,490,725	59,703,071
Asset-backed securities	806,162	812,787
Corporate debt	7,556,903	7,354,637
	$ 130,318,810	$ 151,980,051

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust accounts for investments according to a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Trust's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 - Valuations based on models where significant inputs are not observable, and for which the determination of fair value requires significant management judgment or estimation. The Trust does not hold any Level 3 investments as of December 31, 2014 and 2013.

Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Trust accounts, were as follows at:

	December 31, 2014	
	Level 1	Level 2
Assets		
Cash demand deposits	$ 300,434	$ -
Cash equivalents	9,035,099	-
Equity securities	61,349,586	-
U.S. Government obligations	1,862,148	7,766,046
Municipal bonds	-	62,989,728
Asset-backed securities	-	1,189,022
Corporate debt	8,463,756	-
	$ 81,011,023	$ 71,944,796

	December 31, 2013	
	Level 1	Level 2
Assets		
Cash demand deposits	$ 251,703	$ -
Cash equivalents	12,847,864	-
Equity securities	64,620,382	-
U.S. Government obligations	3,848,150	4,717,463
Municipal bonds	-	59,851,312
Asset-backed securities	-	1,071,408
Corporate debt	9,771,769	-
	$ 91,339,868	$ 65,640,183

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust experiences transfers in and out of levels within the fair value hierarchy primarily due to the market activity of the underlying security. The Trust's policy is to recognize transfers in and out at the actual date the event or change in circumstance caused the transfer. During December 31, 2014 and December 31, 2013, no securities were transferred between Level 1 to Level 2.

The maturities of the Trust's available-for-sale securities at market value (excluding cash equivalents) are as follows as of December 31, 2014:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. Government obligations	$ -	$ 2,039,576	$ 1,392,434	$ 6,196,184
Municipal bonds	2,410,402	26,749,386	31,112,938	2,717,002
Asset-backed securities	-	665,838	161,479	361,705
Corporate debt	619,703	3,702,773	3,650,185	491,095
	$ 3,030,105	$ 33,157,573	$ 36,317,036	$ 9,765,986

NOTE C - FIXED ASSETS

The cost of non-income producing assets that will be exhausted during the life of the Trust and are not available for satisfying claims are expensed as incurred. Since inception, the cost of fixed assets expensed, net of disposals, includes:

Acquisition of computer hardware and software	$ 172,411

These items have not been recorded as assets, but rather as operating expenses and direct deductions from net claimants' equity in the accompanying financial statements. The cost of fixed assets that were expensed during the years ended December 31, 2014 and 2013 were $63,484 and $7,728, respectively.

Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately $10,500 and $3,200 for the years ended December 31, 2014 and 2013, respectively.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE D - CLAIM LIABILITIES

The Trust distinguishes between claims that were resolved prior to the establishment of the Trust (Pre-Confirmation Liquidated Claims) and claims received and processed using the Trust Procedures after the creation of the Trust (Trust Claims).

The cases underlying the Pre-Confirmation Liquidated Claims were stayed by the court until the Plan was approved. The Trust approved procedures and immediately arranged to pay, subject to receiving a claimant release, the approved Payment Percentage of the liquidated value of each Pre-Confirmation Liquidated Claim.

For all claims, a liability for unpaid claims is recorded at the time the offer is extended and the release authorization is mailed. Funds are mailed after the approved release is signed, received, and approved by the Trust. Unpaid claims liabilities remain on the Trust's books until the offer is accepted, rejected, withdrawn or expires after six months. Offers may be extended an additional six months upon written request and good cause. During the years ended December 31, 2014 and 2013, there were no expired offers.

All claimants are entitled to the full liquidated value of their claim. Under the TDP, claimants receive an initial pro rata payment equal to the approved Payment Percentage of the claim's liquidated value. The remaining obligation for the unpaid portion of the liquidated amount is not recorded, and is not a liability of the Trust, unless the Payment Percentage is increased. In that instance, the Trust would be obligated to retroactively pay the increased percentage to all previously paid claimants (see Note F).

In the interest of treating all claimants equitably in accordance with the Plan, the Trustees have recommended that all payments made during each calendar year ended December 31, 2008 through December 31, 2014 include a cost of Living Adjustment for inflation based on the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W). Claims liabilities at year end are adjusted for any approved Inflation Adjustment. Inflation Adjustments are cumulative. Cumulative Inflation Adjustments of 16.60% and 16.26% are included in outstanding claims liabilities as of December 31, 2014 and 2013, respectively.

The Trust processed and approved approximately $8,277,605 and $11,376,489 of Trust Claims during the years ended December 31, 2014 and 2013, respectively.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE E - FACILITY AND STAFF SHARING AGREEMENT

The Trust has entered into a facilities and staff sharing agreement with the Western Asbestos Settlement Trust, (the Western Trust). The two trusts are related through common trustees. Under the agreement, and in exchange for advance monthly payments, the Western Trust provides use of its facilities and services relating to administration and claims processing. The monthly payment of $26,000 was in place through December 31, 2013. The monthly payment in 2014 was $29,000; and provisions allow for automatic renewals for additional one-year periods unless either party provides written notice. The amounts of advance monthly payments are agreed upon between the trusts from time to time. As of December 31, 2014, the equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Western Trust. The reconciliation is performed and recorded in the period subsequent to the reconciliation period. The reconciliation performed for the year ended December 31, 2014 resulted in an additional payment to the Western Trust of approximately $44,660. The reconciliation performed for the year ended December 31, 2013 resulted in an additional payment to the Western Trust of approximately $56,000. The monthly payment for 2015 was increased to $35,000. A portion of the future payments under this agreement have been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE F - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan approved by the United States Bankruptcy Court for the Central District of California, Los Angeles Division. The TDP was adopted pursuant to the Plan and concurrently with the Trust Agreement. It is designed to provide fair and equitable treatment for all Trust claims that may presently exist or may arise in the future. The TDP prescribes certain procedures for distributing the Trust's limited assets, including pro rata payments and initial determination of claim value based on compensable diseases, and individual factual information concerning each claimant as set forth in the Trust Documents.

Under the TDP, the Trust forecasts its anticipated annual sources and uses of cash until the last projected future claim has been paid. A pro rata Payment Percentage is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

Based on research and testimony presented during the bankruptcy, the court approved an initial Payment Percentage to claimants to be applied to the liquidated value of then current and estimated future claims. The TDP provided that the committee and the Futures Representative may agree on a different Initial Payment Percentage prior to the Effective Date if another party became a Settling Asbestos Insurance Company. Pursuant to an agreement between the Committee and the Futures Representative dated June 29, 2006, the Initial Payment Percentage to be used was 50% of the total liquidated value. The TDP gives the Trustees, with the consent of the Trust Advisory Committee ("TAC") and the Futures Representative, the power to periodically update its estimate of the Payment Percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose additional changes in the Payment Percentage. In December 2008, the Payment Percentage was temporarily decreased from 50% to 40%. The decrease had no impact on previously paid claims. In November 2010, after evaluating assumptions regarding the Trust's future assets and liabilities, the Trustees approved an increase in the Payment Percentage from 40% to 45%. The increase was retroactive for all claims previously paid at the 40% Payment Percentage. These changes were made with the consent of the TAC and Futures Representative.

J. T. Thorpe Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE G - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

To avoid the high costs of director and officer liability insurance, and pursuant to the Trust Agreement, the Trust has elected to be self-insured and has established a segregated security fund of $5 million. These funds are devoted exclusively to securing the obligations of the Trust to indemnify the former and current Trustees and officers, employees, agents and representatives of the Trust. The funds are held in a separate Trust bank account; and interest income accrues to the benefit of the Trust. As of December 31, 2014 and 2013, cash, cash equivalents and investments of $5,000,000 were restricted for these purposes.

NOTE H - INCOME TAXES

For federal income tax purposes, the Trust is taxed as a Qualified Settlement Fund (QSF). Income and expenses associated with the Trust are taxed in accordance with Section 468B of the Internal Revenue Code. The statutory income tax rate for the Trust is 39.6% for the years ended December 31, 2014 and 2013.

The Trust records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities.

The provision for income taxes consists of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Income tax – current	$ 1,099,341	$ 165,485
Deferred income tax expense	992,000	3,645,000
	$ 2,091,341	$ 3,810,485

The components of the deferred income tax asset (liability), as presented in the statement of net claimants' equity consisted of the following at December 31:

	2014	2013
Deferred tax asset (liability)		
Operating loss carryforwards	$ -	$ 258,000
Other	24,000	3,000
Unrealized appreciation	(9,271,000)	(8,516,000)
	$ (9,247,000)	$ (8,255,000)

NOTE I - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 15, 2015, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure.

SUPPLEMENTAL INFORMATION

J. T. Thorpe Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2014	2013
Accounting	$ 50,310	$ 55,286
Claims processing/claims system development	131,599	83,557
Futures representative	253,380	450,539
Information technology support	23,528	36,025
Investment expense	730,866	683,548
Legal fees	770,520	1,544,120
System security	75,844	-
Trust advisory committee	30,295	15,211
Trust facility and staff sharing expense	404,360	415,290
Trustee fees	216,346	219,802
Trustees professional	68,667	4,052
	$ 2,755,715	$ 3,507,430

EXHIBIT “B”

EXHIBIT "B"

J.T. Thorpe Settlement Trust
Claim Report
As of December 31, 2014

This report is submitted pursuant to Section 2.2 (c)(ii) of the Eighth Amendment to and Complete Restatement of J.T. Thorpe Settlement Trust Agreement, which requires the Trust to file with the Bankruptcy Court a summary of the number and type of claims disposed of during the period covered by the financial statements ("Accounting Period"). This report summarizes the Trust's processing of claims liquidated under supervision of the Bankruptcy Court ("Pre-Confirmation Liquidated Claims") and claims received since June 29, 2006, the Effective Date of the Trust ("Trust Claims").

Pre-Confirmation Liquidated Claims

In 2006, the Trust implemented a procedure to pay the Pre-Confirmation Liquidated Claims ("PCLP Claims") in accordance with the Plan, the Trust Distribution Procedures, the Confirmation Order, the January 27, 2006, Order Liquidating Asbestos Related Claims, and the Agreement Regarding Initial Payment Percentage entered into on June 29, 2006, by the Trust Advisory Committee and the Futures Representative. The Agreement Regarding Initial Payment Percentage provided that the Initial Payment Percentage was to be 50% of the total liquidated claim value. This remained in effect until December 1, 2008, when the Trustees, with the agreement of the Futures Representative and the TAC, adjusted the Payment Percentage to 40%. The Payment Percentage was reviewed and adjusted to 45% on November 18, 2010.

No PCLP Claims were paid during the Accounting Period. The Trust has not yet received proper release documents for twenty-two (22) remaining unpaid PCLP Claims in the total amount of $75,763. That amount is based upon the current Payment Percentage of 45% and includes an inflation adjustment of 16.6% utilized for claims payments made in 2015, which is based upon the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W").

Trust Claims

Claims received and disposed of from January 1, 2014, through December 31, 2014, in accordance with the Second Amendment to and Complete Restatement of J.T. Thorpe Case Valuation Matrix ("Matrix") and the J.T. Thorpe, Inc., a California corporation/J.T. Thorpe, Inc., a dissolved California corporation/Thorpe Holding Company, Inc., a California corporation/Thorpe Technologies, Inc., a California corporation Asbestos Personal Injury Settlement Second Amendment to and Complete Restatement of Trust Distribution Procedures ("TDP") are as set forth below.

The value of each compensable disease is determined by the Matrix and TDP. Claim compensation is adjusted for individual claimants based upon tort related individual characteristics, including, but not limited to: age, marital status, dependents, medical specials, economic loss, exposure location, and whether living at the time of

commencement of litigation or filing the claim with the Trust. Each valid claim is awarded a total liquidated value. As of December 31, 2014, Trust Claims were paid at the approved Payment Percentage of 45%. Payments made on Trust Claims in 2014 included an additional 16.26% to account for inflation based upon the CPI-W.

During the Accounting Period, 494 claims were received. In addition, offers were issued to 491 claimants. Further, 410 claims were paid.

Below is a summary of the number and type of claims disposed of (paid) in 2014.

Compensable Disease	Number of Claims
Grade II Non-Malignant	107
Grade I Non-Malignant	65
Grade I Non-Malignant Enhanced Asbestosis	26
Grade I Non-Malignant Serious Asbestosis	38
Colo-Rectal	17
Esophageal	2
Laryngeal	2
Other Cancer	3
Lung Cancer	74
Mesothelioma	76
Total	410

EXHIBIT "C"

PRIORITY SEND

JS-6

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES -- GENERAL

Case No. CV 14-03883-VAP
USBC Case No. 2:02-BK-14216-BB
ADVERSARY Case No. 2:12-AP-02182-BB Date: July 3, 2014

Title: IN RE: J.T. THORPE, INC. & THORPE INSULATION COMPANY, DEBTORS

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PRESENT: HONORABLE VIRGINIA A. PHILLIPS, U.S. DISTRICT JUDGE

Marva Dillard Courtroom Deputy	None Present Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS:	ATTORNEYS PRESENT FOR DEFENDANTS:
None	None

PROCEEDINGS: MINUTE ORDER (1) DENYING MOTION TO STAY ENFORCEMENT OF JUDGMENT AND ORDER FOLLOWING TRIAL (DOC. NO. 10); AND (2) VACATING JULY 7, 2014 HEARING(IN CHAMBERS)

Before the Court is a Motion to Stay Enforcement of (1) Judgment in Adversary Proceeding, and (2) Order Following Trial on Adversary Complaints and Motion for Instructions (Doc. No. 10) ("Motion"), filed by Appellants Michael J. Mandelbrot ("Mandelbrot") and the Mandelbrot Law Firm (collectively, "Appellants") on June 4, 2014. Appellees J.T. Thorpe Settlement Trust and Thorpe Insulation Company Asbestos Settlement Trust (collectively, "Appellees") filed an Opposition to the Motion (Doc. No. 13) ("Opposition"), and a Request for Judicial Notice (Doc. No. 14)

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("Appellees' RJN") on June 16, 2014. The Futures Representative, Charles B. Renfrew, filed a Joinder in the Opposition (Doc. No. 15), also on June 16, 2014. Appellants filed their Request for Judicial Notice (Doc. No. 19) ("Appellants' RJN") as well as their Objection to Appellees' RJN (Doc. No. 18) on June 19, 2014. The Motion is appropriate for resolution without a hearing, and accordingly, the Court VACATES the July 14, 2014 hearing on this Motion. See Fed. R. Civ. P. 78; Local R. 7-15. After considering the papers filed in support of, and in opposition to, the Motion, the Court DENIES the Motion as set forth below.

I. BACKGROUND

This is an appeal of the United States Bankruptcy Court's May 28, 2014 denial of Appellants' Motion to Stay Enforcement of (1) Judgment in Adversary Proceedings, and (2) Order Following Trial on Adversary Complaints and Motion for Instructions ("Bankruptcy Court Motion"). Mandelbrot is a California attorney who has filed numerous claims for compensation for asbestos-related injuries against Appellees on behalf of individual clients. The parties commenced an adversary proceeding in the Bankruptcy Court after a dispute arose over audits of claims filed by Mandelbrot, and Appellees alleged Mandelbrot had exhibited a pattern of filing unreliable evidence in support of the claims. (See Appellees' RJN Ex. 4 at 6-7; Opp'n at 5-6.)

In January 2014, the Bankruptcy Court held a trial, beginning with the Appellees' case-in-chief. (See Appellees' RJN Ex. 4 at 8-9.) On January 23, 2014, while the trial was pending, the parties entered into a stipulated settlement agreement ("Agreement"), which was recited into the record. (Id. at 13.) Mandelbrot stipulated that he would file no new claims against Appellees, the Western Asbestos Settlement Trust, and the Plant Insulation Settlement Trust. He also stipulated that he would transfer his current clients to new counsel. (Id. at 13-15.) On January 31, 2014, however, Mandelbrot sought to withdraw from the Agreement (id. at 12-13), leading Appellees to file a Motion to Enforce January 23, 2014 Stipulated Agreement, which the Bankruptcy Court granted on April 7, 2014 (see Appellees' RJN Ex. 1). Also on April 7, 2014, the Bankruptcy Court issued an Order Following Trial on Adversary Complaints and Motion for Instructions, and a Judgment in Adversary Proceedings, in favor of Appellees. (Id. Exs. 2, 3.)

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On April 21, 2014, Appellants filed the Bankruptcy Court Motion, seeking a stay of judgment pending appeal. The Bankrupty Court held a hearing on this motion on May 27, 2014, and issued an Order denying the motion on June 4, 2014. (Id. Ex. 8.) That court found that Appellants do not have a reasonable likelihood of success on the merits of their appeal, and that the public interest demanded that the motion be denied. (Id. at 2.)

On May 20, 2014, Appellants filed a Notice of Appeal of the Bankruptcy Court's Order in this Court. (Doc. No. 1.) On June 4, 2014, Appellants filed the Motion. On June 16, 2014, Appellees filed the Opposition and their RJN. On June 19, 2014, Appellants filed their RJN and Objection to Appellees' RJN.

II. REQUESTS FOR JUDICIAL NOTICE

In their RJN, Appellees request that the Court take judicial notice of the following nine documents from the record of this case before the Bankruptcy Court, Case No. 2:12-AP-02182-BB:

(1) Order Granting Motion to Enforce January 23, 2014 Stipulated Agreement, Docket No. 232 (Appellees' RJN Ex. 1);
(2) Order Following Trial on Adversary Complaints and Motion for Instructions, Docket No. 233 (id. Ex. 2);
(3) Judgment in Adversary Proceedings, Docket No. 234 (id. Ex. 3);
(4) Findings of Fact and Conclusions of Law, Docket No. 235 (id. Ex. 4);
(5) May 24, 2013 Letter from Stephen M. Snyder, Managing Trustee, to Michael J. Mandelbrot, Esq. and the Mandelbrot Law Firm, Trial Exhibit 227[1] (id. Ex. 5);
(6) Trusts' Notice of Completion of Providing Notice to Beneficiaries and Potential Beneficiaries as Specified in April 7, 2014 Court Order, Docket No. 256 (id. Ex. 6);
(7) Transcript of Proceedings of Hearing Re Motion to Stay Enforcement of Judgment in Adversary Proceeding and Order Following Trial on Adversary Complaints and Motion for Instructions, Docket No. 281 (id.

[1] In its Findings of Fact and Conclusions of Law, the Bankruptcy Court ordered that this letter be "a part of the public record."

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Ex. 7);

(8) Order Denying Mandelbrot Amended Motion to Stay Enforcement of Judgment in Adversary Proceeding and Order Following Trial on Adversary Complaints and Motion for Instructions, Docket No. 283 (id. Ex. 8); and

(9) Trust Distribution Procedures for the J.T. Thorpe Settlement Trust, Exhibit A to Declaration of Sara Beth Brown in Support of "Notice of Motion and Motion for Approval of Continued Claim Payment by the J.T. Thorpe Settlement Trust in Accordance With Additional Evaluation Criteria," Docket No. 11 (id. Ex. 9).

In the Objection to Appellees' RJN, Appellants ask the Court to deny judicial notice of Appellees' Exhibits 5, 6, 7, and 8, asserting that these documents are "unreliable, contain perjury or perjured testimony, and were prepared by those with interests adverse to the Trusts who should be removed." (Objection to Appellees' RJN at 2.)

In their RJN, Appellants ask the Court to take judicial notice of the following:

(1) Mandelbrot Opposition to Enforcement of Settlement Agreement, and Declaration of Michael J. Mandelbrot in Support of Opposition of Motion to Enforce Settlement Agreement, filed in Bankruptcy Court Case No. 2:12-AP-02182, Docket No. 216 (Appellants' RJN Ex. A); and

(2) Objection to Western Asbestos Tenth Annual Report and Accounting, in Bankruptcy Court Case No. 13-31914, Docket No. 1814 (id. Ex. B-P).

A court may take judicial notice of court filings and other matters of public record. See Reyn's Pasta Bella, LLC v. Visa USA, Inc., 442 F.3d 741, 746 n.6 (9th Cir. 2006) (citing Burbank-Glendale-Pasadena Airport Auth. v. City of Burbank, 136 F.3d 1360, 1364 (9th Cir. 1998)). Both Appellants and Appellees have provided reference and case numbers for these documents showing that they were in fact court documents and matters of public record. See Grant v. Aurora Loan Servs., Inc., 736 F. Supp. 2d 1257, 1264 (C.D. Cal. 2010) (citing cases); Velazquez v. GMAC Mortg. Corp., 605 F. Supp. 2d 1049, 1057-58 (C.D. Cal. 2008). Despite Appellants' objection to Appellees' RJN Exhibits 5-8, the Court finds no good cause to deny judicial notice of these documents, as they too are court documents and

matters of public record. The Court's judicial notice of the existence of certain records, however, does not denote notice of the truth, reliability, or admissibility of the contents of the documents. See Erie R.R. v. Tompkins, 304 U.S. 64, 78 (1938); Wyatt v. Terhune, 315 F.3d 1108, 1114 (9th Cir. 2003).

The Court thus GRANTS judicial notice of all the documents requested in Appellees' RJN and Appellants' RJN.

III. JURISDICTION AND STANDARD OF REVIEW

28 U.S.C. § 158(a) confers jurisdiction on federal district court to entertain an appeal from a bankruptcy court; it provides in pertinent part: "The district courts of the United States shall have jurisdiction to hear appeals . . . from final judgments, orders, and decrees."

Federal Rule of Bankruptcy Procedure 8005 provides that a bankruptcy court may stay a case pending the outcome of an appeal or make other appropriate orders to protect the interests of the parties involved. Fed. R. Bankr. P. 8005. A party seeking a stay must generally file the motion with the bankruptcy court first before seeking relief from a district court. Id.

A stay is not a matter of right – "even if irreparable injury might otherwise result." Nken v. Holder, 556 U.S. 418, 433 (2009). Rather, a stay is an exercise of judicial discretion. Id. A movant must generally satisfy four elements: "(1) appellant is likely to succeed on the merits of the appeal; (2) appellant will suffer irreparable injury; (3) no substantial harm will come to appellee; and (4) the stay will do no harm to the public interest." In re Irwin, 338 B.R. 839, 843 (E.D. Cal. 2006) (internal quotation marks omitted). The first two factors are the most important. Nken, 556 U.S. at 434.

After a bankruptcy court denies a motion to stay, the district court may only review the denial for abuse of discretion. In re Irwin, 338 B.R. at 847; Universal Life Church v. United States, 191 B.R. 433, 444 (E.D. Cal. 1995) ("When a bankruptcy court has ruled on the issue of a stay of its order pending appeal, the district court, sitting as an appellate court, reviews that decision for abuse of discretion."). Thus, Appellants' request that the Court conduct a de novo review the Bankruptcy Court's

denial of the motion to stay is unavailing. "Abuse of discretion" is the proper standard for the Court's review of the Motion.

IV. DISCUSSION

Appellants fail to establish that the Bankruptcy Court abused its discretion in denying their Bankruptcy Court Motion. The Motion never addresses how the Bankruptcy Court abused its discretion, and merely requests a de novo review of the Bankruptcy Court Motion by pointing the Court to the April 21, 2014 filing of the Bankruptcy Court Motion – without even attaching a copy of the motion but only reproducing a portion of the Bankruptcy Court's docket in the body of the Motion. (See Mot. at 2.) As Appellants fail to address the central question before this Court – the issue of the Bankruptcy Court's abuse of discretion – they fail to meet their burden as the moving party. Even if Appellants had argued that the Bankruptcy Court abused its discretion, the Court, as discussed below, finds Appellants cannot demonstrate that the Bankruptcy Court abused its discretion in denying a stay request. (See Appellees' RJN Ex. 8 at 2.)

In the Bankruptcy Court Motion, Appellants asserted that the Agreement violates California's public policy as expressed in California Business & Professions Code Section 16600 and California Rule of Professional Conduct 1-500. (Bankr. Ct. Mot. at 5-9; see also Opp'n at 13-19.) According to Appellants, the Agreement, which prevents Mandelbrot from filing new claims to Appellees and two other trusts, violates Section 16600's prohibition of contracts that restrain parties from engaging in a lawful profession, and Rule 1-500's disallowance of settlement agreements that restrict the right to practice law. (See Bankr. Ct. Mot. at 5-7.) On May 27, 2014, at the hearing on the Bankruptcy Court Motion, the Bankruptcy Court indicated to the parties that the motion in consideration essentially was seeking to relitigate the case, and that the court stood by the Findings of Fact and Conclusions of Law ("Findings") (in which the court found to the Agreement be valid, binding, and enforceable), as the Findings not only were based on the parties' knowing and voluntary entry into the Agreement itself, but also were consistent with the evidence the court had heard during the trial. (Appellees' RJN Ex. 7 at 3-4; id. Ex. 4 at 11-13.) On June 4, 2014, the Bankruptcy Court formalized its conclusion in an Order denying the Bankruptcy Court Motion, holding that Appellants failed to show that they have a reasonable likelihood of success on the merits of their appeal, or that the public interest

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demands a stay. (See id. Ex. 8 at 2.) Therefore, even if the remaining standards necessary to obtain a stay had been satisfied – i.e., whether Appellants will suffer irreparable injury, and whether no substantial harm will come to Appellees, the court found the Bankruptcy Court Motion should be denied. (Id.)

The record shows that the Bankruptcy Court considered the evidence and the issue of the enforceability of the Agreement, found Appellants' arguments to be unpersuasive, concluded that the Agreement was valid and enforceable, and denied the Bankruptcy Court Motion. (See Appellees' RJN Exs. 4, 7, 8; see also Appellants' RJN Ex. A.) This decision can hardly be said to be an "'arbitrary, fanciful or unreasonable'" judicial action, which no reasonable [person] would adopt. See In re Irwin, 338 B.R. at 844 (quoting In re Blackwell, 162 B.R. 117, 119 (E.D. Pa. 1993) (defining "abuse of discretion")). "If reasonable [persons] could differ as to the propriety of the action taken by the trial court, then it cannot be said that the trial court abused its discretion." Id. In consideration of the highly deferential standard of review, the Court cannot conclude that the Bankruptcy Court abused its discretion.

Moreover, even if the Court were to engage in a de novo consideration of Appellants' stay request, the Court would agree with Appellees that: (1) permitting Appellants with an established record of filing unreliable evidence in support of their clients' claims would undermine the public interest of ensuring the integrity of the claims process and a proper administration of mass-asbestos trusts created under bankruptcy court authority (see Opp'n at 11-13); (2) Appellants are unlikely to prevail on their argument that the Agreement violates Section 16600 and Rule 1-500, as the two provisions are inapplicable to the instant dispute arising out of Appellants' own misconduct (id. at 13-18); (3) Appellants, in the Bankruptcy Court Motion, fail to show any irreparable injury they will suffer absent a stay (id. at 19-20; see also Bankr. Ct. Mot. at 9-10); and (4) Appellees and their beneficiaries, including individual claimants, will receive substantial injury, if a stay is issued, as the stay likely will lead to delays and conflicting instructions (Opp'n at 20-21). Thus, the Court also agrees with the Bankruptcy Court on the merits of the Bankruptcy Court Motion.

V. CONCLUSION

For the foregoing reasons, the Court DENIES Appellants' Motion to Stay

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Enforcement of Judgment in Adversary Proceeding and Order Following Trial on Adversary Complaints and Motion for Instructions (Doc. No. 10).

IT IS SO ORDERED.

MINUTES FORM 11 Initials of Deputy Clerk ___md_____
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