IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	
	§	
J T THORPE COMPANY,	§	**Case No. 02-41487-H5-11**
	§	**(Chapter 11)**
Debtor.	§	

NOTICE OF FILING AUDITED ANNUAL REPORT AND CLAIMS SUMMARY

The J T Thorpe Company Successor Trust (the "Trust") hereby files its Audited Annual Report for the fiscal year ending December 31, 2008, attached hereto as Exhibit A, and a summary of the claims disposed of during the period covered by the Audited Annual Report (the "Claims Summary"), attached hereto as Exhibit B.

Pursuant to the provisions of the J T Thorpe Company Successor Trust Agreement, the Trust is providing copies of the Audited Annual Report and the Claims Summary to the Trust Advisory Committee, the Legal Representative and the reorganized debtor.

F:\HH\TH004-0002\Filing\4.30.08\Notice of Filing 4.30.08.doc

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/1

Dated: April 30, 2008
Dallas, Texas

Respectfully submitted by:

Jo E. Hartwick

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA,
A Professional Corporation
Sander L. Esserman
State Bar No. 06671500
Jo E. Hartwick
State Bar No. 09175045
2323 Bryan Street
Suite 2200
Dallas, Texas 75201-2689
Telephone: (214) 969-4900
Telecopier: (214) 969-4999

Counsel for the J T Thorpe Company Successor Trust

F:\HH\TH004-0002\Filing\4.30.08\Notice of Filing 4.30.08.doc

J.T. Thorpe Company (Texas) Asbestos Trust Annual Reports, 2007 annual report
ACL Doc 13960 · Page 2 of 24
Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/2

CERTIFICATE OF SERVICE

I hereby certify that 30th day of April, 2008, I served a true and correct copy of the foregoing Notice of Filing Audited Annual and Claims Summary and Exhibits A and B thereto by electronic mail on the members of the Trust Advisory Committee (Steven T. Baron, Russell Budd, Bryan O. Blevins, Jr.), the Legal Representative (Richard B. Schiro) and by United States mail, postage prepaid, to the Reorganized Debtor, J T Thorpe Company, Attn: Mr. Richard Nowland, 6833 Kirbyville Avenue, Houston, Texas 77033 on the 30th day of April, 2008.

Jo E. Hartwick

F:\HH\TH004-0002\Filing\4.30.08\Notice of Filing 4.30.08.doc

J.T. Thorpe Company (Texas) Asbestos Trust Annual Reports, 2007 annual report
ACL Doc 13960 · Page 3 of 24
Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/3

EXHIBIT A

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/4

J T Thorpe Company
Successor Trust

Financial Statements
Years ended December 31, 2007 and 2006

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/5

J T Thorpe Company
Successor Trust

Financial Statements
Years ended December 31, 2007 and 2006

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/6

J T Thorpe Company Successor Trust

Contents

Independent Auditors' Report 3

Financial Statements

Statements of fund deficit 4

Statements of changes in fund deficit 5

Statements of cash flows 6

Notes to financial statements 7

J.T. Thorpe Company (Texas) Asbestos Trust Annual Reports, 2007 annual report
ACL Doc 13960 · Page 7 of 24
Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/7

BDO Seidman, LLP
Accountants and Consultants

700 North Pearl, Suite 2000
Dallas, Texas 75201
Telephone: 214-969-7007
Fax: 214-953-0722

Independent Auditors' Report

The Board of Trustees
J T Thorpe Company Successor Trust

We have audited the accompanying statements of fund deficit of J T Thorpe Company Successor Trust (the "Trust") as of December 31, 2007 and 2006 and the related statements of changes in fund deficit and cash flows for years then ended. These financial statements are the responsibility of the Trust's management. 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 audits 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund deficit of the Trust as of December 31, 2007 and 2006 and the changes in fund deficit and cash flows for years ended December 31, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Trust is intended to be self-liquidating. The 2007 and 2006 fund deficit includes the Trustee's estimate of the aggregate liability that arises from asbestos injury claims to be filed with the Trust, resulting in a substantial deficit. Currently, the insurance proceeds to be recovered and available to settle these claims is not known and, accordingly, these insurance proceeds are not reflected in the fund deficit.

This report is intended for the information and use of the Trust, the Trustees, the Trustees' Advisory Committee, the beneficiaries of the Trust and the United States Bankruptcy Court for the Southern District of Texas and is not intended to be and should not be used by anyone other than the specified parties. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Southern District of Texas, is a matter of public record.

BDO Seidman, LLP

April 25, 2008
Dallas, Texas

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/8

J T Thorpe Company Successor Trust

Statements of Fund Deficit

December 31,	**2007**	2006
Assets		
Cash and cash equivalents	**$ 25,567,513**	$ 13,849,510
Investments, at fair value	**160,015,734**	147,986,791
Insurance settlement receivable	**1,000,000**	6,875,000
Notes receivable - J T Thorpe Company	**2,111,952**	2,239,327
Other assets	**1,160,800**	1,496,058
Total assets	**189,855,999**	172,446,686
Liabilities		
Accounts payable and accrued expenses	**185,660**	190,919
Accrued asbestos injury claims liability	**617,532,962**	893,605,011
Total liabilities	**617,718,622**	893,795,930
Fund deficit	**$ (427,862,623)**	$(721,349,244)

See accompanying notes to financial statements.

J T Thorpe Company Successor Trust

Statements of Changes in Fund Deficit

For the Years Ended December 31,	**2007**	2006
Fund deficit, beginning of year	**$ (721,349,244)**	$ (746,907,252)
Additions:		
Insurance proceeds	**31,950,000**	8,818,921
Investment income	**9,672,855**	7,326,698
Interest income from notes receivables	**142,493**	149,011
Unrealized gain on investments, net	**-**	2,206,490
Total additions	**41,765,348**	18,501,120
Deductions:		
Operating and legal expenses	**1,526,732**	3,511,377
Unrealized loss on investments, net	**371,082**	-
Accrued asbestos injury claims expense	**(253,619,087)**	(10,568,265)
Total deductions	**(251,721,273)**	(7,056,888)
Fund deficit, end of year	**$ (427,862,623)**	$ (721,349,244)

See accompanying notes to financial statements.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/10

J T Thorpe Company Successor Trust

Statements of Cash Flows

For the Years Ended December 31,	**2007**	2006
Cash inflows		
Investment redemptions	**$ 123,579,166**	$ 141,921,651
Insurance settlements received	**37,825,000**	11,318,921
Proceeds from notes receivable	**127,375**	-
Refund of prepaid taxes	**113,512**	-
Interest and dividends received	**9,825,533**	3,249,359
Total cash inflows	**171,470,586**	156,489,931
Cash outflows		
Investment purchases	**135,979,191**	152,555,913
Asbestos injury claims paid	**22,452,962**	9,053,530
Operating and legal expenses paid	**1,320,430**	4,364,731
Total cash outflows	**159,752,583**	165,974,174
Net increase (decrease) in cash and cash equivalents	**11,718,003**	(9,484,243)
Cash and cash equivalents, beginning of year	**13,849,510**	23,333,753
Cash and cash equivalents, end of year	**$ 25,567,513**	$ 13,849,510

See accompanying notes to financial statements.

J T Thorpe Company Successor Trust

Notes to Financial Statements

1. Description of the Trust

General - J T Thorpe Company Successor Trust (the "Trust") was established on April 21, 2004 (the "Effective Date") pursuant to the J T Thorpe Company Plan of Reorganization (the "Plan").

Purpose - The primary purposes of the Trust are as follows:

- To direct the litigation, resolution, payment and satisfaction of all asbestos injury claims in accordance with the Plan, the claims resolution procedures established under the Trust and the J T Thorpe Company Asbestos Claims Resolution Procedures (the "CRP");
- To preserve, hold, manage and maximize the Trust's assets for use in paying and satisfying allowed asbestos injury claims and allowed unsecured claims;
- To prosecute, settle and manage the disposition of the in-place insurance coverage; and
- To prosecute, settle and manage asbestos insurance actions.

The Trustees, with the consent and approval of the Trustees' Advisory Committee (the "TAC") and the Legal Representative, are to establish claims resolution procedures that are to provide for the allowance and payment or disallowance of Class 7 Unsecured Asbestos Claims (as defined by the Plan). In furtherance of this purpose, the Trustees are responsible for supervising and administering the claims resolution procedures set forth in the CRP and in such a way that all holders of similar Asbestos Claims are treated in a substantially equivalent manner and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B)(i) of the Bankruptcy Code. Also in furtherance of its purpose, the Trustees are to hold, manage and liquidate the Trust's assets.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/12

J T Thorpe Company Successor Trust

Notes to Financial Statements

Funding of the Trust - The Trust assumed the liabilities of J T Thorpe Company with respect to all asbestos injury claims and all unknown asbestos injury claims on the Effective Date. The Trust was initially funded by the following:

- Promissory Notes for $2,300,000, funded by the Reorganized J T Thorpe Company and Thorpe Corporation (the "Obligors") on the Effective Date, and by the obligations of the Obligors to make future payments in respect to the Promissory Notes;
- Proceeds received pursuant to the terms of asbestos insurance action recoveries, asbestos in-place insurance coverage, asbestos insurance settlement agreements and asbestos insurance policies; and
- Assets transferred from the J T Thorpe Company Payment Trust, net of liabilities.

Trustees of the Trust - The Trustees are to act as fiduciaries to the Trust in accordance with the provisions of the Successor Trust Agreement and the Plan. There are three trustees at all times, other than during a vacancy in the position of Trustee and other circumstances as defined in Article 5.01 of the J T Thorpe Successor Trust Agreement.

Trustees' Advisory Committee and Legal Representative - The Trustees' Advisory Committee (the "TAC"), which consists of three voting members, represents all holders of asbestos injury claims, excluding unknown asbestos claimants. Neither the TAC nor its members serve in a fiduciary capacity or owe fiduciary duties to holders of asbestos injury claims. The Legal Representative serves in a fiduciary capacity, representing the interests of unknown asbestos injury claimants, for the purpose of protecting the rights of persons that might subsequently assert asbestos injury claims. The TAC, together with the Legal Representative, participates with the Trustees in the implementation of the CRP by providing consultation with respect to critical issues affecting the Trust. Additionally, the Plan and the CRP provide for instances in which consent of the TAC and the Legal Representative must be obtained by the Trustees before implementing certain actions.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/13

J T Thorpe Company Successor Trust

Notes to Financial Statements

Claims Resolution Procedures - The CRP was adopted in connection with the Plan, the Disclosure Statement and the J T Thorpe Company Successor Trust Agreement. The CRP is designed to provide a prompt determination and payment of unsecured asbestos claims and provide reasonable assurance that the Trust will value, and be in a financial position to pay, similar unsecured claims that may arise in the future in substantially the same manner. Pursuant to the Plan and the Successor Trust Agreement, the CRP will be administered by the Trustees in consultation with the TAC, which represents the interests of holders of present unsecured asbestos injury claims, and a Legal Representative, who represents the rights and interests of unknown asbestos injury claimants.

Payment Sum Percentage -The CRP provides that, to seek to insure substantially equal treatment of all Uncovered Asbestos Claims, the Trustees must determine, with the consent of the TAC and the Legal Representative, the percentage of the full liquidated value that will be paid to holders of Unsecured Asbestos Claims (the "Payment Sum Percentage"). Based on their experts' recommendation, the Trustees determined that the Initial Payment Sum Percentage should be set at 18.5%. The TAC and the Legal Representative consented to the setting of the Initial Payment Sum Percentage at 18.5%. By order dated November 18, 2005, the United States Bankruptcy Court for the Southern District of Texas granted the Motion for Approval of the Initial Payment Sum Percentage Applicable to Asbestos Claims Processed by the J T Thorpe Company Successor Trust filed by the Trustees and ordered the Initial Payment Sum Percentage set at 18.5%. In November 2007, the Trustees requested that Analysis, Research & Planning Corporation ("ARPC") provide an updated claims study. As a result of ARPC's updated claims study, in December 2007, the Trustees unanimously voted, with the unanimous consent of the Trust Advisory Committee and Legal Representative, to raise the Payment Sum Percentage to 38%.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/14

J T Thorpe Company Successor Trust

Notes to Financial Statements

Trust Termination - The Trust automatically terminates on the date (the "Termination Date") ninety days after the first to occur of the following events:

- All asbestos injury claims duly filed with the Trust have been liquidated and settled or otherwise resolved, and twelve consecutive months have elapsed during which no new asbestos injury claim has been filed with the Trust;
- If the Trustees have procured and have in place irrevocable insurance policies 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 this Trust and the CRP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements;
- If in the judgment of two-thirds of the Trustees, with the consent of the TAC and the Legal Representative, which consent shall not be unreasonably withheld, that the continued administration of the Trust is uneconomic or adverse to the best interests of the persons holding asbestos injury claims; or
- Twenty-one years less ninety-one days pass after the death of the last survivor of all the descendents of George Herbert Walker Bush living on the date hereof.

2. Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires the Trustees 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/15

J T Thorpe Company Successor Trust

Notes to Financial Statements

Fund Balance - The initial funding received from J T Thorpe Company and Thorpe Corporation and its liability insurers was recorded directly to fund balance. These funds do not represent income of the Successor Trust. Accrued asbestos injury claims expense is reported as deductions in fund balance and does not represent expenses of the Trust. Portions of the fund balance are used to fund the legal and operational expenses of the Trust.

Estimates of Certain Liabilities - Estimates of certain liabilities, including the accrued asbestos injury claims liability, are recorded directly to the fund balance when they become estimable and probable as defined by Statement of Financial Accounting Standards No. 5 ("SFAS No.5") "*Accounting for Contingencies*".

Cash Equivalents - Cash equivalents are all short term, highly liquid investments that will mature within three months or less after being acquired by the Trust. Cash equivalents are carried at cost, which approximates fair value.

Investments - Investments consist of debt and equity securities acquired with maturities exceeding three months and are recorded at fair value. While the Trust's intent is to hold debt securities to maturity, consistent with Statement of Financial Accounting Standards No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*", the Trust has classified all debt securities that have readily determinable fair values as available-for-sale, as the sale of such securities may be required prior to maturity to fund obligations to asbestos injury claimants.

The cost of debt securities available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Realized and unrealized gains and losses on available-for-sale securities are recorded as separate components on the statement of changes in fund balance. Realized gains and losses on available-for-sale securities are determined using the specific-identification method. Dividend and interest income is recognized when earned. The Trust also holds investments in certain private placement limited partnerships. The fair value of the private placement limited partnerships are based upon the Trust share in the estimated fair

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/16

market values of the net assets of the partnerships as reported by the general partners.

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

- The Trust has obtained an executed copy of the settlement agreement;
- Future payments due to the Trust are in settlement of policies that have been exhausted by claims incurred by the Trust, and the terms of settlement can reasonably be assumed to be satisfied; and
- The future claims paying ability of the insurer is deemed to be collectable, and the insurer holds an A.M. Best rating of A or better.

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

Income Taxes - The Trust accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). SFAS 109 utilizes an asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that the change becomes enacted.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/17

J T Thorpe Company Successor Trust

Notes to Financial Statements

New Accounting Pronouncements - In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (FIN 48). This interpretation clarifies the accounting for uncertain tax positions recognized in a company's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. The interpretation requires management to analyze whether each tax position meets a "more likely than not" standard for sustainability upon examination by taxing authorities. Only tax benefit amounts meeting or exceeding this standard will be reflected in the tax provision expense and deferred tax asset balances. Also, the interpretation requires that any differences between the amounts of tax benefits reported on tax returns and tax benefits reported in the financial statements be recorded in a liability for unrecognized tax benefits. The liability for unrecognized tax benefits is reported separately from deferred tax assets and liabilities and classified as current or non-current based upon the expected period of payment. Additional disclosure in the footnotes to the financial statements is required concerning the income tax liability for unrecognized tax benefits, any interest and penalties related to taxes that are included in the financial statements, and open statutes of limitations for examination by tax jurisdictions. FIN 48 is effective for fiscal years beginning after December 15, 2007. The Trust will adopt FIN 48 as of January 1, 2008 and is still in the process of assessing what impact, if any, FIN 48 will have on its financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("SFAS No. 157"). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Trust is currently assessing the impact that the adoption of SFAS No. 157 will have on its financial statements.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/18

Amendment of FASB Statement No. 115" ("SFAS No. 159"), which permits an entity to choose to measure certain financial assets and liabilities at fair value. SFAS No. 159 also revises provisions of SFAS No. 115 that apply to available-for-sale and trading securities. This statement is effective for fiscal years beginning after November 15, 2007. The Trust does not expect the adoption of SFAS No. 159 to have a material impact on the Trust's fund deficit and changes in fund deficit and cash flows.

3. Investments

The Trust has recorded all its investment securities at fair value, as follows:

December 31, 2007,	Amortized Cost	Net Unrealized Gains/ (Losses)	Estimated Fair Value
Equity securities	$ 38,458,935	$ 1,144,455	$ 39,603,390
Corporate bonds	33,493,771	(69,807)	33,423,964
Mutual funds	32,039,790	(677,996)	31,361,794
US treasury /agency securities	25,433,130	282,627	25,715,757
Other fixed income securities	22,516,117	248,885	22,765,002
Hedge funds	4,000,000	26,767	4,026,767
Foreign government securities	1,069,727	1,716	1,071,443
Others	2,047,617	-	2,047,617
Total	$159,059,087	$ 956,647	$160,015,734

December 31, 2006,	Amortized Cost	Net Unrealized Gains/ (Losses)	Estimated Fair Value
Corporate bonds	$ 22,983,550	$ (161,235)	$ 22,822,315
Equity securities	9,851,913	1,443,614	11,295,527
Other fixed income securities	29,467,228	(58,171)	29,409,057
US Treasury /Agency securities	42,437,969	(191,158)	42,246,811
Foreign Government Securities	1,080,789	(3,861)	1,076,928
Mutual funds	34,014,721	1,160,601	35,175,322
Hedge funds	4,000,000	16,700	4,016,700
Other Funds	1,944,131	-	1,944,131
Total	$145,780,301	$ 2,206,490	$147,986,791

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/19

The contractual maturities of debt securities at December 31, 2007, were as follows:

Maturities	Amortized Cost	Fair Value
Due within one year	$ 14,034,709	$ 14,086,273
Due within two years	10,055,871	10,057,230
Due within three years	11,135,897	11,182,342
Due within four years	15,026,133	15,222,719
Due after four years	32,260,135	32,427,602
Total	$ 82,512,745	$ 82,976,166

The contractual maturities of debt securities at December 31, 2006, were as follows:

Maturities	Amortized Cost	Fair Value
Due within one year	$ 26,942,414	$ 26,887,646
Due within two years	12,259,168	12,191,349
Due within three years	10,087,100	10,036,274
Due within four years	5,194,351	5,159,402
Due after four years	41,486,503	41,280,440
Total	$ 95,969,536	$ 95,555,111

4. Insurance Settlement Receivable

The Trust executed settlement agreements with various insurers under certain insurance policies that cover the asbestos liabilities of J T Thorpe Company. Insurance settlement receivable amounts to $1,000,000 and $6,875,000 as of December 31, 2007 and 2006, respectively. The $1,000,000 is due to be paid as follows:

2008	$ 500,000
2009	500,000
Total	$ 1,000,000

5. Notes Receivable

The Trust was funded in part by Promissory Notes in the amount of $2,300,000 as of the Effective Date. The terms of the Promissory Notes are as follows:

- Tranche A Note - The note is in the amount of $1,250,000. Obligors will pay interest only for two years, payable quarterly as it accrues, and then the remaining amount due will be paid in twelve equal quarterly payments of principal and interest of

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/20

$50,405 commencing on the last day of the first calendar quarter following the second anniversary of the Effective Date, followed by twenty equal quarterly payments of principal and interest of $54,188 commencing on the last day of the first quarter following the fifth anniversary of the Effective Date. The interest rate is 6.5% per annum until the fifth anniversary of the Effective Date and thereafter at 9.5% per annum until the note is paid in full.

- Tranche B Note - The note is in the amount of $1,050,000. Obligors will pay interest only for five years and then amount due will be paid in twenty equal quarterly payments of principal and interest of $66,562 commencing on the last day of the first quarter following the fifth anniversary of the Effective Date. The interest rate is 6.5% per annum until the fifth anniversary of the Effective Date and thereafter at 9.5% per annum until the note is paid in full.

The common stock of Reorganized J T Thorpe Company is pledged to the Trust to secure the Promissory Notes pursuant a pledge agreement, dated the Effective Date. In the event of default, as defined, the common stock and all its rights shall vest in the Trust.

6. Fund Balance

The ultimate amount of asbestos injury claims to be filed and the related aggregate liability were estimated by the Trustees and their experts at $851,901,908 and $1,204,141,27 as of December 31, 2007 and 2006 respectively. The Accrued Asbestos Injury Claims Liability is composed of the following:

December 31,	**2007**	2006
Liability for Future Asbestos Injury Claims	**$ 560,388,195**	$ 878,553,491
Liability for Allowed Unpaid Asbestos Claims	**57,144,767**	15,051,520
Total	**$ 617,532,962**	$ 893,605,011

The fund balance represents current funding available to compensate all present and unknown claimants, as well as the

J T Thorpe Company Successor Trust

Notes to Financial Statements

Trustee's estimate of the aggregate liability from asbestos injury claims. The fund balance does not include unpaid amounts of insurance settlement not meeting the criteria of Note 2 nor policy limits of insolvent insurers.

7. Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund, and as such, is subject to Federal income taxation.

The Trust's federal tax benefit is calculated as follows:

December 31,	2007	2006
Net current taxable income	$ 5,800,024	$ 2,277,949
Tax rate	35%	35%
Federal current income tax expense	2,030,008	797,282
Federal deferred income tax benefit - NOL	(2,030,000)	(797,282)
Net income tax expense	$ -	$ -

As of December 31, 2007 and 2006, the Trust had a net operating loss carryover of approximately $14,000,000 and $20,000,000, respectively. The future ability of the Trust to benefit from this net operating loss carryforward is uncertain; therefore, the deferred tax asset related to the loss carryover has been fully reserved and has not been reflected on the statement of fund deficit.

8. Related Party Transactions

A managing shareholder of Lain Faulkner & Co., P.C. is also the Managing Trustee of the Trust. Lain Faulkner & Co., P.C. provided accounting services to the Trust in the amount of $163,581 and $146,185 in 2007 and 2006, respectively. Lain Faulkner & Co., P.C. also provided administrative services to the Trust through the Managing Trustee in the amount of $81,864 and $81,386 in 2007 and 2006, respectively.

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/22

EXHIBIT B

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/23

SUMMARY OF CLAIMS DISPOSED OF
DURING THE FISCAL YEAR ENDING DECEMBER 31, 2007

Type of Claim	Number of Claims
Claims Submitted to the Trust:	1,666
New Claims Paid by the Trust:	2,541
Payments on Claims Paid Prior to 2007 due to Adjustment of Payment Sum Percentage:	17,457

Published by AsbestosClaims.Law
asbestosclaims.law/library/13960/24