LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011



Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/1

LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST

DECEMBER 31, 2011

CONTENTS

	Page
Independent Auditors' Report	1
Special-Purpose Financial Statements:	
Balance Sheet	2
Statement of Changes in Net Claimants' Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 8



Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/2

BEDERSON
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

405 Northfield Avenue, West Orange, New Jersey 07052 • 973.736.3333 • Fax: 973.736.3367

INDEPENDENT AUDITORS' REPORT

To the Trustee of
Leslie Controls, Inc. Asbestos Personal Injury Trust

We have audited the special-purpose balance sheet of Leslie Controls, Inc. Asbestos Personal Injury Trust (the "Trust") as of December 31, 2011, and the related special-purpose statements of changes in net claimants' equity and cash flows for the period from inception (April 28, 2011) to December 31, 2011. These financial statements are the responsibility of the Leslie Controls, Inc. Asbestos Personal Injury Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net claimants' equity of the Leslie Controls, Inc. Asbestos Personal Injury Trust as of December 31, 2011, and the results of its operations and its cash flows for the initial period then ended in conformity with the special-purpose basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust, and the United States Bankruptcy Court for the District of Delaware, and should not be used for any other purpose.

BEDERSON & COMPANY LLP

Bederson & Company LLP

West Orange, New Jersey
April 17, 2012

Leslie Controls Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 13997 · Page 3 of 10
Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/3

LESLIE CONTROLS, INC. ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE BALANCE SHEET

DECEMBER 31, 2011

ASSETS

Cash and Cash Equivalents - Wilmington Trust	$ 232,092
Receivables:	
Note - Leslie Controls, Inc.	1,000,000
Investments:	
Wilmington Trust investments	76,127,462
Income receivable	693,256
Total investments	76,820,718
Other Assets:	
Prepaid assets	10,471
TOTAL ASSETS	$ 78,063,281

LIABILITIES AND NET CLAIMANTS' EQUITY

LIABILITIES:	
Accounts payable	$ 86,713
NET CLAIMANTS' EQUITY	77,976,568
TOTAL LIABILITIES AND NET CLAIMANTS' EQUITY	$ 78,063,281

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

Leslie Controls Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 13997 · Page 4 of 10
Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/4

LESLIE CONTROLS, INC. ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE STATEMENT OF CHANGES IN NET CLAIMANTS' EQUITY
FROM APRIL 28, 2011 (DATE OF INCEPTION), TO DECEMBER 31, 2011

ADDITIONS:	
Contributions	$ 77,805,648
Investment income, net:	
Interest and dividends income	344,687
Investment advisory fees	(104,836)
Realized gain on sale of securities, net	405
Unrealized gain on investments, net	337,846
Total investment income, net	578,102
TOTAL ADDITIONS	78,383,750
DEDUCTIONS:	
Trustee	80,712
TAC attorney fees	23,009
TAC	1,285
Claims consultant fees	2,311
Future claims representative	32,128
Future claims representative attorney fees	36,913
Claims processing fees	17,653
Trust general counsel	186,382
Insurance litigation expenses	3,413
Insurance	16,829
Accounting	3,465
Other	3,082
TOTAL DEDUCTIONS	407,182
NET INCREASE IN NET CLAIMANTS' EQUITY	77,976,568
NET CLAIMANTS' EQUITY - beginning	-
NET CLAIMANTS' EQUITY - ending	$ 77,976,568

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



Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/5

LESLIE CONTROLS, INC. ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE STATEMENT OF CASH FLOWS
FROM APRIL 28, 2011 (DATE OF INCEPTION), TO DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net claimants' equity	$ 77,976,568
Adjustments to reconcile net increase in net claimants' equity from operating activities:	
Amortization of bond premiums	665,521
Realized gain on sale of securities, net	(405)
Unrealized gain on investments, net	(337,846)
Increase in:	
Prepaid assets	(10,471)
Increase in:	
Accounts payable	86,713
NET CASH PROVIDED BY OPERATING ACTIVITIES	78,380,080
CASH FLOWS FROM INVESTING ACTIVITIES:	
Note receivable - Leslie Controls, Inc.	(1,000,000)
Proceeds from sale of investments	93,921,138
Purchases of investments	(170,375,870)
Interest receivable on investments	(693,256)
NET CASH USED BY INVESTING ACTIVITIES	(78,147,988)
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,092
CASH AND CASH EQUIVALENTS - beginning	-
CASH AND CASH EQUIVALENTS - ending	$ 232,092

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

Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/6

LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - ORGANIZATION

The Leslie Controls, Inc. Asbestos Personal Injury Trust (the "Trust") was established on April 28, 2011, and is a "qualified settlement fund" pursuant to Section 1.468B-1 et seq. of the Treasury Regulations promulgated under section 468B of the Internal Revenue Code. The Trust will assume all Asbestos Personal Injury Claims (whether now existing or arising at any time hereafter) and use the Trust assets to pay holders of such Asbestos Personal Injury Claims in accordance with the Asbestos Settlement Trust Agreement and the Asbestos Settlement Trust Distribution Procedures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and related operating expenses of the Trust. Since the accompanying financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount.

The special-purpose accounting methods include the following:

Net Claimants' Equity

Net claimants' equity represents funds available to pay asbestos and bankruptcy related claims that have been submitted but not processed or not yet submitted. Trust expenses are also paid from net claimants' equity. Under GAAP, net claimants' equity would be reduced for estimates of amounts to be paid for claims that have been submitted, but not processed, or not yet submitted.

Claim Expense

Claims are expensed in the period in which the confirmed claims are approved. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

Payments for Services

Payments for services to be received over an extended period in the future are expensed as paid since these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.



Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/7

LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents
The Trust considers all short-term investments with a maturity of three (3) months, or less to be cash equivalents.

The Trust maintains its cash and cash equivalents, which at times may exceed federally insured limits, with financial institutions. The Trust has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments
Investments are classified as available for sale and stated at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, *Fair Value Measurements* establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.



Leslie Controls Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 13997 · Page 8 of 10
Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/8

LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)
Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Income Taxes
The Trust has elected to be treated as a Qualified Settlement Fund under the Internal Revenue Code and Regulations. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of management, the Trust is not subject to state income taxes, and therefore, the financial statements do not include any provision or liability for state income taxes. There was no federal income tax expense for the year ended December 31, 2011.

The Trust will file a federal corporate tax return. Since the Trust was formed during 2011, no U.S. federal income tax returns are closed under statutes of limitations.

Estimates
The preparation of financial statements requires management 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.

Subsequent Events
The Trust has evaluated subsequent events through April 17 2012, which is the date the financial statements were available to be issued.

NOTE 3 - NOTE RECEIVABLE - LESLIE CONTROLS, INC.

Under a secured promissory note agreement dated April 28, 2011, Leslie Controls, Inc. is indebted to the Trust in the amount of $1,000,000 due with simple interest thereon at the rate of 5% per annum. Principal payments of $10,000, which commence on April 28, 2012, are due quarterly, with a final maturity payment of $640,000 due by April 28, 2021. The maturity date may be extended by the Trust for any period deemed acceptable by the Trust. The note is secured by one hundred (100%) percent of the outstanding equity interests (common stock) of Leslie Controls, Inc.

Leslie Controls Asbestos Trust Annual Reports, 2011 annual report
Published by AsbestosClaims.Law
ACL Doc 13997 · Page 9 of 10
asbestosclaims.law/library/13997/9

LESLIE CONTROLS, INC.
ASBESTOS PERSONAL INJURY TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 - INVESTMENTS

Wilmington Trust Investments totaling $76,820,718 at December 31, 2011, consist of municipal bonds.

Future maturities of investments as of December 31, 2011 were as follows:

Within 1 year	$ 8,745,062
1 to 4.99 years	46,624,936
5 to 9.99 years	-
10 to 14.99 years	3,002,835
15 to 19.99 years	1,654,103
Thereafter	16,793,782
	$ 76,820,718

Fair value of these investments is determined based on quoted prices for similar assets or liabilities (Level 2).

NOTE 5 - RISKS AND UNCERTAINTIES

The Trust has investments in municipal bonds which are a type of investment security. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to these risks, it is possible that changes in the values of the investment securities will occur in the near term, and that such changes could have a material effect on the fair market value of the investment amounts as stated on the special-purpose balance sheet.

Leslie Controls Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 13997 · Page 10 of 10
Published by AsbestosClaims.Law
asbestosclaims.law/library/13997/10