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ATTORNEYS FOR NGC BODILY INJURY TRUST

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	
	§	
ASBESTOS CLAIMS MANAGEMENT CORPORATION,	§	Chapter 11
	§	
	§	Case No. 02-37124-HDH-11
Reorganized Debtor	§	

AUDITED ANNUAL REPORT OF THE NGC BODILY INJURY TRUST

COME NOW Walter J. Taggart, Anne N. Foreman and Anne M. Ferazzi, the Trustees of the NGC Bodily Injury Trust (the "Trust"), to submit this 2011 Audited Annual Report (the "Report") as required by the NGC Bodily Injury Trust Agreement.[1] The Report is attached hereto as Exhibit "A".

[1] *See* NGC Bodily Injury Trust Agreement (the "Trust Agreement") Article III, Section 3.02(d)(i).

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The Report covers the years ended December 31, 2011 and 2010 (the "Reporting Period"). Pursuant to the Trust Agreement, the report contains financial statements of the Trust, including without limitation, a balance sheet of the Trust as of the end of the fiscal year and a statement of operations for the fiscal year, audited by a firm of independent public accounts selected by the Trustees.

WHEREFORE, the Trustees respectfully submit this Report for the Reporting Period covering the years ended December 31, 2011 and 2010.

DATED: April 19, 2012

Respectfully submitted,

SACKS TIERNEY P.A.

By: /s/ Aaron G. York
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Texas State Bar No. 24000334

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ATTORNEYS FOR NGC BODILY INJURY TRUST

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CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing *Audited Annual Report of the NGC Bodily Injury Trust* be served via first class U.S. mail, postage prepaid, upon those persons named below on the 19th of April, 2012.

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/s/ Aaron G. York
Aaron G. York

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EXHIBIT "A"

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NGC BODILY INJURY TRUST

Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2011 and 2010

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NGC BODILY INJURY TRUST

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REPORT OF INDEPENDENT AUDITORS

To the Trustees of NGC Bodily Injury Trust

We have audited the accompanying statements of fund deficit of NGC Bodily Injury Trust (the Trust) as of December 31, 2011 and 2010, and the related statements of changes in fund deficit and investments for the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 5, the Trust is intended to be self-liquidating. The current year fund deficit includes the Trustee's estimate (the basis of which was adopted by the Bankruptcy Court) of the aggregate future liability to arise from asbestos disease claims filed with the Trust, resulting in a substantial deficit. Currently, the amount of insurance proceeds to be recovered and available to settle these claims are not known and, accordingly, these proceeds are not reflected in the fund deficit.

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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, 2011 and 2010, and the changes in fund deficit and investments for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

BKM Dowan Horan, LLP

April 10, 2012

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NGC BODILY INJURY TRUST

Statements of Fund Deficit

	December 31,	
	2011	2010
ASSETS		
Investments at fair value	$ **306,352,840**	$ 374,120,614
Investment income receivable	**2,058,651**	2,912,382
Prepaid expenses and other assets	**746,271**	722,297
Investment in TSI	**27,785**	27,785
Total assets	**309,185,547**	377,783,078
LIABILITIES		
Accounts payable and accrued expenses	**306,327**	386,405
Center for Claims Resolution Escrow	**-**	-
Accrued asbestos injury claims	**2,269,980,150**	1,199,102,214
Deferred income taxes	**7,526,009**	6,172,461
Total liabilities	**2,277,812,486**	1,205,661,080
FUND DEFICIT	$ **(1,968,626,939)**	$ (827,878,002)

See accompanying notes to financial statements.

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NGC BODILY INJURY TRUST

Statements of Changes in Fund Deficit

	Years Ended December 31,	
	2011	2010
Fund deficit, beginning of year	$ **(827,878,002)**	$ (641,347,342)
Additions		
Unrealized gain on investments	**-**	6,505,276
Realized gain on investments	**9,433,553**	10,051,766
Interest and dividend income	**9,516,551**	10,874,517
Insurance proceeds received and accrued	**125**	1,590,000
Total additions	**18,950,229**	29,021,559
Deductions		
Federal income tax expense	**1,353,548**	6,456,862
Unrealized loss on investments	**1,266,833**	-
Adjustment to accrued asbestos injury claims	**1,151,560,075**	203,980,205
Operating and legal expenses	**5,518,710**	5,115,152
Total deductions	**1,159,699,166**	215,552,219
Fund deficit, end of year	$ **(1,968,626,939)**	$ (827,878,002)

See accompanying notes to financial statements.

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NGC BODILY INJURY TRUST

Statements of Changes in Investments

	Years Ended December 31,	
	2011	2010
Inflows		
Net earnings from investments	$ **18,537,002**	$ 27,605,514
Income tax refund	**-**	1,294,531
Insurance settlements	**125**	1,590,000
Total inflows	**18,537,127**	30,490,045
Outflows		
Asbestos claim payments	**80,682,139**	55,629,511
Operating and legal expenses	**5,622,762**	4,870,212
Total outflows	**86,304,901**	60,499,723
Net decrease in investments	**(67,767,774)**	(30,009,678)
Investments, beginning of year	**374,120,614**	404,130,292
Investments, end of year	$ **306,352,840**	$ 374,120,614

See accompanying notes to financial statements.

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Note 1 – Description of the Trust

General

NGC Bodily Injury Trust (the "Trust") was established on August 6, 2003, pursuant to the Order Confirming the Third Amended Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code for Asbestos Claims Management Corporation. The Trust was formed to resolve, pursuant to the Plan and Plan documents, the liabilities of National Gypsum Company ("Old NGC"), now known as Asbestos Claims Management Corporation ("ACMC"), successor, by change of name only, to Old NGC, resulting from known and unknown asbestos disease claims ("Asbestos Claims") and the pending and future litigation related to such claims. Asbestos Claims typically allege asbestos related disease or injury from occupational exposure to asbestos or products that contained asbestos.

Upon formation of the Trust and prior to the termination of the NGC Settlement Trust (the "Old Trust") in 2004, assets consisting of cash, 100 percent ownership of ACMC, and entitlement to certain insurance proceeds from policies owned by ACMC were transferred to the Trust from the Old Trust (see Note 7).

The purpose of the Trust is to use all assets of the Trust to pay bona fide Asbestos Claims and the operational costs of the Trust pursuant to the provisions of the Trust Agreement and the Plan. The Trust is mandated to provide substantially equivalent treatment to holders of valid current and future Asbestos Claims.

Among the confirmed Plan documents is the Claims Resolution Procedures (the "CRP") that governs the Trust's claims resolution activities. With the adoption of the matrix of allowed liquidated values ("ALV") in the CRP and the forecasts of the Trust's expert regarding the number of future filings and Allowed Asbestos Claims, the Trust is able to project the ultimate liability for Asbestos Claims. The projection at inception was $2,184,108,379, including $136,813,686 of claims previously settled by the Center for Claims Resolution (the "CCR") (see Note 7). This liability was transferred from the Old Trust and became the liability of the Trust at the effective date of the Plan. This ultimate claim liability was adjusted as of December 31, 2011 and 2009, to reflect the allowance and payment of claims during 2011 and 2009 (see Note 5). The Trustees are responsible for supervising and/or administering the Asbestos Claims resolution process and managing the assets held by the Trust to fund Asbestos Claim liabilities channeled to the Trust by the order confirming the Plan.

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Note 1 – Description of the Trust – (Continued)

Basis of presentation

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

Termination

The Trust Agreement (section 8.02(a)) provides that the Trust shall automatically terminate on the date (the "Termination Date") 90 days after the first to occur of the following events:

- All Asbestos 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 Claim has been filed with the Trust, provided, that if the Trustees, in their reasonable discretion, determine during such 90-day period that it is likely that new Asbestos Claims will subsequently be filed, then the Trust shall not terminate;

- If the Trustees have procured and have in place irrevocable insurance policies or other appropriate arrangements 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 Agreement, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements;

- If, in the judgment of at least two of the three Trustees, with the consent of the TAC and the Legal Representative (subject to section 6.08(b)), the continued administration of the Trust is uneconomic or inimical to the best interests of the Persons holding Asbestos Claims; or

- 21 years less 91 days pass after the death of the last survivor of all the descendants of George W. Bush living on the date hereof.

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

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Note 2 – Summary of Significant Accounting Policies

Fund balance (deficit)

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

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 10, 2012, the date on which the financial statements were available to be issued.

Insurance proceeds and insurance settlements receivable

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

- The Trust has obtained an executed copy of the settlement agreement.
- Future payments due to the Trust are in settlement of policies that have been previously billed and exhausted by claims incurred by the Trust (a pro-rata allocation will be used for agreements involving multiple policies and policies not billed and exhausted).
- The future claims paying ability of the insurer is deemed to be collectable, and the insurer holds a Standard & Poor's rating of AA- or better.

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

Cash equivalents

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

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

Investments

Investments in equity, debt securities, absolute funds, and funds of hedge funds are stated at estimated fair value. Changes in fair value are recorded as reductions or increases to the fund deficit. Realized gains and losses on investments in securities are calculated based on the first-in, first-out method. The Trust records securities transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis. All investments are considered to be available for sale.

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

Fair value of investments

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

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

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

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

When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value of financial assets and classify these assets as Level 1. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, fair value is estimated using valuation methodologies based on available and observable market information or a matrix pricing model. These financial assets would then be classified as Level 2. If quoted market prices are not available, fair value is determined using broker quotes or an internal analysis of each investment's financial

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

Fair value of investments - continued

performance and cash flow projections. In these instances, financial assets will be classified based upon the lowest level of input that is significant to the valuation. Thus, financial assets may be classified in Level 3 even though there may be some significant inputs that may be readily available.

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

Claims and claim expense

Claims and claims expenses are recorded when they become estimable and probable.

Statements of changes in investments

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

Use of estimates

The preparation of the 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 date of the financial statements and the reported amounts of additions and deductions to the fund deficit during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of accrued asbestos injury claims, the fair value of investments, and current and deferred taxes. Actual results could differ from those estimates.

Income taxes

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

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

Income taxes - continued

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

Note 3 - Investment in TSI

From January 2000 until August 6, 2003, the Old Trust was an owner of Trust Services, Inc. (a Texas corporation) ("TSI"), along with the Fuller-Austin Asbestos Settlement Trust ("FAST"). The Trust became the owner, replacing the Old Trust on August 6, 2003, the effective date of the Plan. Currently each owner trust, the Trust and FAST, has a one-half interest in TSI through the ownership of one share of TSI stock each.

The Trust also has a comprehensive services agreement with TSI, which initially expired August 3, 2006, and automatically renews each year thereafter. TSI provides administrative, financial, investment, and claims processing services to the Trust in exchange for a pro-rata reimbursement of TSI's expenses based on an agreed upon allocation methodology.

The Trust has recorded, as expense, reimbursements paid to TSI for its management and administrative services. These reimbursements totaled approximately $2,871,000 and $2,534,000 for the years ended December 31, 2011 and 2010, respectively. The Trust had prepaid reimbursements with TSI of approximately $665,000 and $618,000 at December 31, 2011 and 2010, respectively.

Note 4 - Claims Resolution

The Trust reviews and determines Asbestos Claims in accordance with the CRP. The CRP provides for processing, allowing and disallowing, liquidating and paying all Asbestos Claims as required by the Plan and the Trust Agreement.

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Note 5 - Accrued Asbestos Claims

The ultimate amount of Asbestos Claims to be filed, and the aggregate liability therefore, was estimated at inception by the Trustees and their experts at $2,184,108,379 including a liability of $136,813,686 for claims previously settled by the CCR (see Note 7). All present and future claim payments to be made by the Trust will be funded from the Trust's current assets and future collections from insolvent insurers. During the years ended December 31, 2011 and 2010, the Trust made claim payments of approximately $76,746,000 and $55,629,000, respectively. As of December 31, 2011, the Accrued Asbestos Claim Liability was increased by approximately $1,151,560,075 to reflect changes in the 2011 forecast based on actual claims activity in 2011 and prior years as well as the payment of claims in 2011.

The total amount of accrued Asbestos Claims is comprised of the following at December 31:

	2011	2010
Liability for unresolved Asbestos Claims	$ **1,923,400,000**	$ 890,023,000
Liability for unpaid pre-bankruptcy Settlements	**-**	19,680,055
Liability for resolved unpaid Asbestos Claims	**346,580,150**	289,399,159
	$ **2,269,980,150**	$ 1,199,102,214

Note 6 - Trustees' Advisory Committee and Legal Representative

Pursuant to the Plan and the Trust Agreement, the NGC Bodily Injury Trustees' Advisory Committee ("TAC") was formed. The TAC consists of three attorneys representing Asbestos Disease Claimants. The Legal Representative, appointed to represent unknown Future Asbestos Claimants, is an ex-officio member of the TAC. As required by the Plan and the Trust Agreement, the TAC and Legal Representative consult with the Trustees regarding specific issues affecting the Trust. The Plan documents provide for specific actions for which the Trustees must obtain the consent of the TAC and Legal Representative, subject to Bankruptcy Court approval in the event of a disagreement between the parties.

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Note 7 - Predecessor Litigation

Until June 16, 2000, ACMC participated as a member of the Center for Claims Resolution (the "CCR"), a third party administrator, for the processing, defense, and settlement of asbestos disease claims. CCR billed and collected funds from the insurance carriers of ACMC for reimbursement of asbestos disease claim payments based on trial results and negotiated settlements, as well as for expenses incurred by CCR for processing such claims. ACMC withdrew as a member of the CCR because the Trust could no longer be certain that it could fund additional commitments that might be made by the CCR, on behalf of ACMC, to resolve additional asbestos disease claims.

CCR asserted a claim against ACMC for up to $197,000,000 in settled but unpaid liabilities, most of which ACMC contended was nullified by the CCR Reimbursement Agreement. The CCR and its remaining solvent members agreed to settle all issues with ACMC as part of the Plan, pending mutual release agreements between ACMC and each of the former members of CCR in bankruptcy proceedings at the time of the settlement.

The benefits of the settlement for ACMC will accrue to the Trust in the form of credits totaling $10,435,963 against payments due in satisfaction of BI Settlement Claims (as defined in the Plan) expected to be filed by solvent CCR members who claim to have paid ACMC asbestos disease liabilities and have releases in favor of ACMC and other Protected Parties. As a result of extended negotiations, ACMC and the Trust settled with the remaining solvent CCR members for $19,680,055, net of the $10,435,963 credit. On April 4, 2011, $19,680,055 was paid to the settling solvent members of the CCR and $3,936,011 was placed in an escrow account pending satisfaction of certain terms of settlement. This resolves all issues with the solvent CCR members related to ACMC's membership in CCR and allows the Trust to release all excess reserves held to pay the demands of the solvent CCR members.

Note 8 – Taxation

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

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Note 8 – Taxation - (Continued)

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

	Years Ended December 31,	
	2011	2010
Net taxable income	$ **4,057,011**	$ 14,362
Tax rate	**35%**	35%
Federal income tax expense	**1,419,954**	5,027
Utilization of net loss carry forwards	**(1,419,954)**	(5,027)
Deferred federal income tax expense	**1,353,548**	6,456,862
Net federal tax expense	$ **1,353,548**	$ 6,456,862

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

	December 31,	
	2011	2010
Deferred tax assets:		
Net operating loss carryforward	$ **251,759**	$ 1,602,108
Capital loss carryforward	**-**	1,049,445
	251,759	2,651,553
Deferred tax liability:		
Unrealized gains on investments	**(7,777,768)**	(8,824,014)
Net deferred tax liabilities	$ **(7,526,009)**	$ (6,172,461)

The Trust has net operating loss carryforwards of approximately $700,000 at December 31, 2011, which will begin to expire beginning 2028. At December 31, 2011, the Trust has no remaining capital loss carryforward. Management has determined that a valuation allowance is not necessary since it is more likely than not that the tax benefits will be realized.

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Note 9 - Investments and Fair Value Measurements

On January 5, 2004, Northern Bank & Trust Company became the Trust's custodian. Following the investment provision of the Trust Agreement and the Investment Policy Statement developed by the Trust's investment consultant and adopted by the Trustees, the assets of the Trust were deployed, beginning on January 6, 2004, to seven investment managers who managed nine portfolios of equities and fixed income securities. On March 5, 2005, in accordance with the Investment provisions of the Trust Agreement and the Trust's Investment Policy Statement, the Trust invested in two separate fund of hedge funds.

One of the original funds of hedge funds was replaced in January 2006 by two additional funds of hedge funds after the original fund experienced problems with one of its underlying hedge funds. The Trust wrote-down the value of this fund of hedge funds in August 2006 in the amount of $996,187 and replaced this fund of hedge funds with two new funds of hedge funds.

The Trust, taking advice from its investment consultant, continuously monitors and makes changes in the allocation of its investments and the investment advisors that manage selected mandates. Since the inception of its investment program, the Trust terminated one core bond manager, one fund of hedge funds and three equity managers (international, large cap growth and real estate). These managers have been replaced by one emerging markets equity manager, one short-intermediate bond manager, two fund of hedge funds, four equity managers (one international, two large cap growth and one small cap growth) and four absolute return funds. During 2011, one hedge fund manager was terminated and not replaced. Subsequent to December 31, 2011, the Trust terminated and replaced one of its two large cap growth managers.

The Trust had cumulative net unrealized holding gain (loss) on investments of $22,222,194 and $25,480,759 at December 31, 2011 and 2010, respectively. The estimated fair values of the Trust's investments are as follows at December 31:

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Note 9 - Investments and Fair Value Measurements – (Continued)

	2011		2010	
	Cost	**Fair Value**	Cost	Fair Value
Cash equivalents	$ **18,781,881**	$ **18,781,881**	$ 18,325,919	$ 18,325,919
Debt securities	**158,997,012**	**171,472,489**	225,979,956	230,439,794
Equity securities	**76,446,795**	**87,421,725**	70,099,218	89,146,033
Hedge funds	**10,347,439**	**10,219,621**	15,933,695	18,250,941
Absolute Funds	**19,557,519**	**18,457,124**	18,301,067	17,957,927
	$ **284,130,646**	$ **306,352,840**	$ 348,639,855	$ 374,120,614

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

Cash equivalents

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

Equity securities

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

Debt securities

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

Funds of hedge funds

The Trust's funds of hedge fund investments are valued using Level 3 inputs due to limited activity and less transparency around inputs to the valuation. These valuations are determined by the net asset value provided by the general partners and/or investment managers.

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Note 9 - Investments and Fair Value Measurements – (Continued)

Absolute return funds

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

Financial assets with changes in fair value that are measure on a recurring basis were as follows at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ **18,781,881**	$ -	$ -	$ **18,781,881**
Equity securities	**87,421,725**	-	-	**87,421,725**
Debt securities	-	**171,472,489**	-	**171,472,489**
Hedge Funds	-	-	**10,219,621**	**10,219,621**
Absolute Return Funds	**18,457,124**	-	-	**18,457,124**
Total	$ **124,660,730**	$ **171,472,489**	$ **10,219,621**	$ **306,352,840**

Financial assets with changes in fair value that are measured on a recurring basis were as follows at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 18,325,919	$ -	$ -	$ 18,325,919
Equity securities	89,146,033	-	-	89,146,033
Debt securities	-	230,439,794	-	230,439,794
Hedge Funds	-	-	18,250,941	18,250,941
Absolute Return Funds	17,957,927	-	-	17,957,927
Total	$ 125,429,879	$ 230,439,794	$ 18,250,941	$ 374,120,614

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Note 9 - Investments and Fair Value Measurements – (Continued)

The changes in the balances of Level 3 financial assets were as follows:

	Years Ended December 31,	
	2011	2010
Balance as of January 1	$ **18,250,941**	$ 17,777,064
Transfers out of Level 3	**(7,568,021)**	
Changes in net unrealized gains (losses)	**(463,299)**	473,877
Balance as of December 31	$ **10,219,621**	$ 18,250,941

Note 10 - Insurance Settlements Receivable

ACMC executed settlement agreements with various insurers for payments of amounts previously exhausted and/or billed under certain insurance policies that cover the asbestos liabilities of ACMC. Accordingly, when these assets were transferred from the Old Trust to the Trust subsequent to December 31, 2003, the Trust recorded an insurance settlement receivable totaling $23,500,000. The final payment of $8,000,000 was received on January 18, 2006. One remaining settlement in the amount of $6,000,000 is contingent upon the total amount of claims allowed by the Trust. The timing and certainty of collection of the settlement amount is unknown.

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