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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re: PLANT INSULATION COMPANY, a California corporation, Debtor.	Case No. 09-31347-TC Chapter 11 **SECOND ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT** Date: June 27, 2014 Time: 9:30 a.m. Place: 235 Pine Street, 19th Floor San Francisco, CA 94104

The Trustees of the Plant Insulation Company Asbestos Settlement Trust by and through their counsel, Eve H. Karasik and Gabriel I. Glazer of Stutman, Treister & Glatt Professional Corporation hereby file this Second Annual Report and Accounting, Audited Financial Statements, and Claim Report.

Respectfully submitted this 30th day of April, 2014.

By: //s// *Gabriel I. Glazer*
EVE H. KARASIK, and
GABRIEL I. GLAZER, Members of
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Bankruptcy Counsel for the Plant Insulation Company Asbestos Settlement Trust

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SECOND ANNUAL REPORT AND ACCOUNTING OF PLANT INSULATION COMPANY ASBESTOS SETTLEMENT TRUST

The Trustees of the Plant Insulation Company Asbestos Settlement Trust ("Trust") hereby submit this Second Annual Report and Accounting ("Annual Report") covering Trust activities occurring from January 1, 2013 to and including December 31, 2013 ("Accounting Period"), and certain activities of the Trust, specified below, that took place outside the Accounting Period. This Annual Report is submitted to the U.S. Bankruptcy Court for the Northern District of California, San Francisco Division, *In re Plant Insulation Company*, Case No. 09-31347-TC, in accordance with the Amended and Restated Second Amended Plan of Reorganization of Plant Insulation Company ("Plan");the Court's April 3, 2012 *Order Confirming Amended and Restated Second Amended Plan of Reorganization of Plant Insulation Company* ("Confirmation Order") [Docket No. 2074]; *Final Order Granting Motion to Preserve the Status Quo Pending Entry of a Final Confirmation Order Consistent with the Court of Appeals' Decision* [Docket No. 2691]; and the Trust Agreement, Trust 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 7.9 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 Plant Insulation Company Asbestos Settlement Trust's Second Annual Report, the Audited Financial Statements, and the Claim Report, as described in paragraphs 6, 7, and 8, *infra*. The factual statements contained in paragraph 15, *infra* and Exhibit C attached hereto are supported by the Declaration of Benjamin P. Smith in Support of Motion to Approve and Settle Plant Insulation Company Asbestos Settlement Trust's Second Annual Report

[1]The Appendix includes the Plan; Confirmation Order; Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust ("Trust Agreement"); First Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Bylaws ("Trust Bylaws"); First Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Case Valuation Matrix (the "Case Valuation Matrix"); Plant Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures ("Trust Distribution Procedures"); other controlling documents approved by this Court; and other documents as indicated.

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and Accounting, Audited Financial Statements, and Claim Report. Capitalized terms not defined herein are as defined in the Plan.

1. Effective Date: On April 3, 2012, this Court entered the Confirmation Order. In compliance with Sections 4.1 and 7.2 of the Plan, the Effective Date of the Trust is November 16, 2012.

On April 10, 2012, Fireman's Fund Insurance Company, American Automobile Insurance Company, OneBeacon Insurance Company, United States Fidelity and Guaranty Company, United States Fire Insurance Company, ACE Fire Insurance Company, ACE Property and Casualty Insurance Company, Safety National Casualty Corporation, American Home Assurance Company, Granite State Insurance Company, The Insurance Company of the State of Pennsylvania, Insurance Company of the West, and Transport Insurance Company (collectively, the "Non-Settling Insurers") appealed the Confirmation Order to the District Court. In their appeal, the Non-Settling Insurers made a number of arguments for reversal, including that: (1) the proposed injunctive relief in the Plan violated their Constitutional rights, exceeded the authorization provided by the Bankruptcy Code, interfered with their common law and contractual rights under state law, and contravened general principles of equity; (2) the Plan did not meet the specific requirements of 11 U.S.C. § 524(g); (3) the Plan was not filed in "good faith" as required by Bankruptcy Code section 1129(a); (4) continuing the deadline for settlements by insurers would further prejudice non-settling insurers; and (5) the Plan did not meet the "best interest of creditors" test. On October 9, 2012, the District Court affirmed the Confirmation Order and subsequently denied a motion to stay its decision pending appeal.

On October 28, 2013, the Ninth Circuit issued an Opinion that vacated the Confirmation Order and remanded to the district court with instructions that it remand to the bankruptcy court for proceedings consistent with the panel's Opinion. Specifically, the Ninth Circuit held that the Plan did not satisfy the Bankruptcy Code § 524(g)(2)(B)(i)(III) requirement that the Trust be entitled to own a majority of the voting shares of the reorganized debtor, either after confirmation or at any point where control of the reorganized debtor would meaningfully benefit the Trust.

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On November 17, 2013, and as a result of the vacation of the Confirmation Order and the remand, the Official Committee of Unsecured Creditors and the Futures Representative, the Honorable Charles Renfrew (Retired) (the "Plan Proponents") filed the *Motion for An Order Preserving the Status Quo Pending Entry of a Final Confirmation Order Consistent with the Court of Appeals' Decision* (the "Status Quo Motion") [Docket No. 2628]. The Court granted the Status Quo Motion, in part and on an interim basis through and including January 17, 2014. Among other provisions, the *Interim Order Granting Motion for An Order Preserving the Status Quo Pending Entry of a Final Confirmation Order Consistent with the Court of Appeals' Decision* [Docket No. 2645] provided that the Trust would remain in existence and the Trustees would continue to serve, any estate property that was transferred to or vested in any person or entity on the Effective Date would not be transferred back to the applicable transferee, and that the Trust may proceed with its activities in the ordinary course pending confirmation of the amended plan, except that the Trust may not pay claims submitted to it under its Trust Distribution Procedures. The Court entered its *Final Order Granting Motion for An Order Preserving the Status Quo Pending Entry of a Final Confirmation Order Consistent with the Court of Appeals' Decision* [Docket No. 2691] (the "Final Order") on January 17, 2014. The Final Order continued the relief in the Interim Order until either (i) 30 days after entry of an order denying confirmation of the modified Plan, or (ii) the date that the modified Plan becomes effective.

The Plan Proponents filed modifications to the Plan to remedy the deficiencies identified in the Ninth Circuit's decision, and filed the *Motion for an Order (1) Approving Plan Modifications Consistent with Ninth Circuit Ruling, (2) Entering Revised Findings, and (3) Confirming Modified Plan*" [Docket No. 2637] (the "Plan Modification Motion"). The Non-Settling Insurers filed the *Non-Settled Insurers' Objection to the Motion for an Order (1) Approving Plan Modifications Consistent with Ninth Circuit Ruling, (2) Entering Revised Findings, and (3) Confirming Modified Plan* [Docket No. 2699]. Trial on the Plan Modification Motion occurred on January 17, 2014 and January 28, 2014. The Court presided over the cross-examination and redirect examination of witnesses for both parties and heard closing arguments. On March 3, 2014, this Court entered its Order Confirming Amended And Restated Second Amended Plan Of

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Reorganization Of Plant Insulation Company, As Modified [Docket No. 2722]. Certain non-settled insurers have appealed to the United States District Court for the Northern District of California and on April 16, 2014 filed their opening brief [District Court Docket No. 17]. Plan Proponents' opposition is due May 16, 2014 and the non-settling insurers reply brief is due fourteen days after the opposition is filed. No hearing date has been set.

2. Appointment of Trustees: In the Confirmation Order, this Court approved the appointment of John F. Luikart and Sandra R. Hernandez, M.D. as the initial trustees of the Trust, who have acted in that capacity since that time.

Pursuant to Section 4.1 of the Trust Agreement, the number of Trustees was increased to three (3) on November 28, 2012 and Mr. Stephen M. Snyder was appointed to serve as the third Trustee. Mr. Snyder has served as a Trustee of the Trust since November 28, 2012. On February 7, 2013, Mr. Snyder was designated by the other two Trustees as Managing Trustee, with the consent of the Trust Advisory Committee and Futures Representative.

3. Appointment of Trust Advisory Committee ("TAC"): In the Confirmation Order, this Court approved the appointment of Jerry Neil Paul, Matthew Bergman, David McClain, Alan Brayton, and Ronald Shingler as the initial members of the TAC. Mr. Brayton has served as the Chair of TAC since the Effective Date of the Trust.

4. Appointment and Continuation of Futures Representative: The Honorable Charles B. Renfrew was appointed as the Futures Representative in the Debtor's case on June 2, 2009, 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 Trust's Futures 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. 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 comply with all withholding obligations as legally required, including fulfilling requirements to maintain its status as a Qualified Settlement Fund. The federal tax return for 2013 will be filed by its extended due date of September 15, 2014. The Trust resides

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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, 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, as soon as available, and in any event within 120 days following the end of each fiscal year, 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 accounting principles generally accepted in the United States, except for the special-purpose accounting methods . . . .

The Trust's financial statements are prepared using special-purpose accounting methods that depart from Generally Accepted Accounting Principles (GAAP) in certain instances 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 accounts to be audited by independent certified public accountants, Grant Thornton, LLP. 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, other than an equity ownership of the Reorganized Debtor, which is reported at cost, and on the other comprehensive basis of accounting utilized by the Trust. These Audited Financial Statements show, among other things, that as of December 31, 2013, total Trust assets were $5,854,843, total liabilities were $833,897, and Net Claimants' Equity was $5,020,946.

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

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financial statements. As of December 31, 2013, there were no claims submitted to the Trust for payment.

Section 5.5 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 settlement agreement entered into prior to the Petition Date for the particular claim, or (ii) a judgment of any kind entered on or before October 15, 2007 (collectively, "Pre-Petition Liquidated Claims").As of December 31, 2013, there were no Pre-Petition Liquidated Claims were submitted to the Trust for payment.

9. Claims Processing Procedures: Section 5.3(b) of the TDP provides that within six months after the establishment of the Trust (on or before May 16, 2013), the Trustees, with the consent of the TAC and Futures Representative, shall adopt procedures for reviewing and liquidating all unliquidated Trust Claims. At its April 15, 2013 meeting, the Trustees approved an official claim form and claim filing instructions for submitting and processing unliquidated Trust Claims.

10. Public Inspection: In compliance with Section 2.2(c)(iii) of the Trust Agreement, the Annual Report, including the Audited Financial Statements and Claim Report, has been provided to the TAC, the Futures Representative, and the Office of the United States Trustee with responsibility for the Northern District of California. The Trust filed the Annual Report, including the Audited Financial Statements and Claim Report, with the Bankruptcy Court for the Northern District of California. Accordingly, the Annual Report and all attached and related documents are available for inspection by the public.

11. 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 per year, as close as practicable on a quarterly basis. The Trustees held four meetings during the Accounting Period (February 7-8, 2013, April 15, 2013, September 11, 2013, and November 21, 2013). All meetings were held in Nevada.

12. 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, 2013.

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Pursuant to the Trust Agreement, these were provided to the Approving Entities. The budget for operating expenses in 2014 is $2,475,000.[2]

13. Trust Facilities and Services Sharing Agreement with Western Asbestos Settlement Trust: On November 28, 2012, the Trust and Western Asbestos Settlement Trust (the "Western Trust") entered into a "Trust Facilities and Services Sharing Agreement" (the "Sharing Agreement"). The Sharing Agreement provides: (i) for the Trust to pay to the Western Trust, for all processing costs and its share of fixed costs, the amount of $15,000 for the period of November 16, 2012 to December 31, 2012 and $15,000 per month during the remainder of the initial term of the Sharing Agreement, and (ii) for an accounting through the end of 2013 and each year thereafter to identify and adjust actual costs as shared to insure that each trust is paying its proportionate share of the expenses. The Trust approved the Sharing Agreement at its February 7, 2013 meeting.

Pursuant to the annual reconciliation of fees presented on February 20, 2014, it was decided that the advance payments shall remain at $15,000 per month for 2014 and the total amount paid by the Trust to the Western Trust, after accounts were reconciled for 2013, was $184,183.

14. Legal Disputes:

a. *Motion for Order (A) Approving Settlement with the ACE Companies, (B) Designating the ACE Companies as Settling Asbestos Insurers Under the Plan, and (C) Approving the Sale of Insurance Policies Free and Clear of Liens, Claims, and Interests*, Docket No. 2376, filed on October 17, 2012: After confirmation of the Plan, the Debtor sought Bankruptcy Court approval of a settlement (the "ACE Settlement") with the ACE Fire Underwriters Insurance Company ("ACE Fire") and ACE Property & Casualty Insurance Company ("ACE P&C") (collectively, the "ACE Companies"). The ACE Settlement provided (i) that the ACE Companies would make a $53 million payment to an escrow fund, (ii) that the escrow fund would be utilized to purchase an acceptable portfolio of short, medium, and long-term securities that would be delivered to a custodian and would be expected to provide at least $70 million in structured payments to the

[2]This figure is net of net of extraordinary legal fees which are budgeted for $1,800,000.

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Trust, (iii) for the sale from the Debtor of the relevant insurance policies to the ACE Companies, and (iv) that the ACE Companies would be designated as "Settling Asbestos Insurers." This Court approved the ACE Settlement by entering an order on October 24, 2012 (the "ACE Settlement Order").

United States Fidelity and Guaranty Company, OneBeacon Insurance Company, Safety National Casualty Corporation, Transport Indemnity Company, Insurance Company of the West, Insurance Company of the State of Pennsylvania, Granite State Insurance Company, American Home Assurance Company and United States Fire Insurance Company (collectively, the "USF&G Insurers") filed a motion for reconsideration of the ACE Settlement Order on September 29, 2012. After conducting a hearing, this Court denied the reconsideration motion.

On April 4, 2013, the USF&G Insurers filed a notice of appeal of the ACE Settlement Order and the reconsideration motion to the District Court. On September 12, 2013, the District Court (Case No. 13-01666 RS) entered an order dismissing the appeals as moot.

On October 11, 2013, the USF&G Insurers filed a notice of appeal of the District Court's order to the Ninth Circuit (Case No. 13-17066). However, after a mediation, on January 21, 2014, the USF&G Insurers and Trust entered into a stipulated motion to dismiss the appeal, which was granted on January 27, 2014.

b. *United States Fire Insurance Company v. Sheppard, Mullin, Richter & Hampton* LLP, Adversary Proceeding No. 09-03112, United States Bankruptcy Court, Northern District of California, San Francisco Division: In 2009, United States Fire Insurance Company ("U.S. Fire") sought an injunction in California state court against Sheppard, Mullin, Richter & Hampton LLP ("Sheppard Mullin") from representing the informal committee of asbestos creditors of Plant Insulation Company. Sheppard Mullin removed the case to the Bankruptcy Court. U.S. Fire did not prosecute the action, and the Bankruptcy Court issued an "Order to Show Cause Why Action Should Not Be Dismissed" on March 1, 2013. On July 29, 2013, the Bankruptcy Court entered an order approving a stipulation to dismiss the adversary proceeding with prejudice. The adversary proceeding was closed on July 30, 2013.

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c. *Appeal of Order Appointing Sheppard, Mullin, Richter & Hampton, LLP as Counsel for Committee*, Docket No. 2572, filed on March 21, 2013: This Court entered an order approving the employment of Sheppard Mullin as Committee counsel on August 5, 2009 (the "SMRH Order") [Docket No. 275]. On March 21, 2013, U.S. Fire filed an appeal of the SMRH Order and all of the interim and final orders granting fee awards and reimbursement requests to Sheppard Mullin. On June 24, 2013, U.S. Fire and Sheppard Mullin agreed to enter into a stipulation to resolve the appeal, which was approved on July 3, 2013 [Docket Nos. 2619 & 2621].

15. Mandelbrot Law Firm and Michael J. Mandelbrot Settlement: On January 23, 2014, the Trustees entered into an agreement with the Mandelbrot Law Firm and its principal, Michael J. Mandelbrot (herein "Mandelbrot"), requiring that Mandelbrot transfer all its pending claims to other counsel and cease "immediately" further claims-filing activity with the Trust. This agreement was made on the record during a bench trial of adversary proceedings commenced by J.T. Thorpe Settlement Trust and Thorpe Insulation Company Asbestos Settlement Trust (collectively, the "Thorpe Trusts") in the U.S. Bankruptcy Court for the Central District of California, Case No. 2:12-ap-02182BB), presided over by the Honorable Sheri Bluebond.[3]

The evidence produced during pre-trial discovery, and in the trial before Judge Bluebond this January, caused the Trustees of this Trust to conclude that it was appropriate to bar Mandelbrot from submitting claims to this Trust, i.e., to impose a similar limitation with regard to this Trust that the Thorpe Trusts had imposed on Mandlebrot in mid-2013. In the stipulation, Mandelbrot agreed, among other things, that the Thorpe Trusts' decision to stop accepting further evidence from Mandelbrot in 2013 was reasonable and, further, that it was reasonable for this Trust to take similar action now and bar Mandelbrot from submitting claims to this Trust. Accordingly, this Trust joined the stipulation.

[3]Earlier, in October 2013, this court dismissed without prejudice a similar adversary proceeding instituted by the Western Asbestos Settlement Trust as not ripe for declaratory relief after the Western Trustees had investigated the claims filing practices of Mandelbrot and, in May 2013, found them to be unreliable within the meaning of the Western Trust's Trust Distribution Procedures Section 5.7(a), but, for reasons spelled out in a May 24, 2013 letter to Mandelbrot, decided to continue to monitor closely claims submitted to the Western Trust rather than to withdraw Mandelbrot's claims filing privileges. Investigating claims submitted to the Thorpe Trusts, in the same May letter, the Thorpe Trusts spelled out reasons why they would decline to accept further evidence or claims from Mandelbrot. Those proceedings continued to trial.

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However, since making the stipulation, Mandelbrot's trial counsel was substituted out as counsel, and Mandelbrot has disavowed the agreement and unsuccessfully challenged its validity in Judge Bluebond's court. After further hearings, Judge Bluebond entered judgment reaffirming the validity and enforceability of the agreement. This is described in greater detail in Exhibit C.

As a result of the stipulation, and consistent with its terms, the Trust, which has not yet commenced receiving and processing claims, will not accept Mandelbrot claims when it commences the claims process.

16. Amendments to the Trust Documents: On February 7, 2013, the Trust Agreement was amended to increase the number of Trustees to three, to designate Stephen M. Snyder as Managing Trustee, and to reflect that if the Trustees cannot agree by a majority vote, that the dispute should be resolved by the Bankruptcy Court. Section 4.2(a) was amended to be consistent with the addition of a third Trustee. A copy of the Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Agreement is included in the Appendix filed herewith.

In addition, the Plant Asbestos Settlement Trust Bylaws were amended on February 20, 2014, and the Trust Distribution Procedures and Matrix were amended on March 25, 2014. Copies of the Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Bylaws, First Amended and Completely Restated Plant Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures, and Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Case Valuation Matrix are included in the Appendix filed herewith.

17. Notifications to Beneficiaries: During the Accounting Period and from January 1, 2014 to and including April 17, 2014, the following notifications were placed on the Trust's Web site:

a. Notification of the hearing on the Trust's First Annual Report and Accounting (posted May 1, 2013).

18. System Development: The Trust has been working to develop a claims processing system and anticipates that it will contract with an outside vendor within 2014.

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19. Trustees' 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 $40,000. The total paid to all Trustees for hourly compensation was $59,593 and $2,331 was the total amount of expenses incurred by all Trustees.

20. 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. Aon Risk Insurance Services West, Inc.: D&O/E&O insurance provider for the Trust;

b. Bayside Insulation & Construction, Inc.: Reorganized Debtor;

c. Caplin & Drysdale, Chartered: Counsel to the Trust Advisory Committee;

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

e. Sheppard Mullin Richter & Hampton LLP: Counsel to the Trust Advisory Committee; and

f. Western Asbestos Settlement Trust for shared services pursuant to the Trust Facilities and Services Sharing Agreement, as described in paragraph 13, *supra*.

21. Final Fee Applications: All Final Fee Applications were approved by this Court in March 2013 and the Trust has paid all amounts due and payable accordingly.

***

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 so doing, the Trust carefully complied with all Plan documents and the mandates of this Court.

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Financial Statements and Report of Independent Certified Public Accountants

Plant Asbestos Settlement Trust

December 31, 2013 and 2012

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Report of Independent Certified Public Accountants

Trustees
Plant Asbestos Settlement Trust

We have audited the accompanying financial statements of Plant Asbestos Settlement Trust ("the Trust"), organized in the State of Nevada, which comprise the statements of net claimants' equity as of December 31, 2013 and 2012, the related statements of changes in net claimants' equity and cash flows for the year then ended and the period from inception (November 16, 2012) through December 31, 2012, 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Plant Asbestos Settlement Trust as of December 31, 2013 and 2012, and the changes in net claimants' equity and cash flows for the year and period 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 Expenses for the years ended December 31, 2013 and 2012, 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 Northern District of California, San Francisco 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 17, 2014

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

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Plant Asbestos Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2013	2012
ASSETS		
Cash and cash equivalents	$ 2,480,843	$ 5,061,626
Investment in reorganized debtor	2,000,000	2,000,000
Deferred tax asset	1,374,000	307,000
Total assets	$ 5,854,843	$ 7,368,626
LIABILITIES		
Accrued expenses	$ 389,161	$ 289,924
Deferred lawsuit claim obligation	255,000	-
Accounts payable to Trustees	9,736	21,448
Facility and staff sharing agreement payable	180,000	180,000
Total liabilities	$ 833,897	$ 491,372
NET CLAIMANTS' EQUITY	$ 5,020,946	$ 6,877,254

The accompanying notes are an integral part of these statements.

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Plant Asbestos Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

	Year ended December 31, 2013	November 16, 2012 through December 31, 2012
Net claimants' equity, beginning of year	$ 6,877,254	$ -
Additions to net claimants' equity		
Initial funding	25,000	7,525,956
Investment income	10,202	666
Benefit for income taxes, deferred	1,067,000	307,000
Total additions	1,102,202	7,833,622
Deductions from net claimants' equity		
Operating expenses	2,703,510	776,368
Deferred lawsuit claim obligation	255,000	-
Net increase in facility and staff sharing agreement	-	180,000
Total deductions	2,958,510	956,368
Net claimants' equity, end of year	$ 5,020,946	$ 6,877,254

The accompanying notes are an integral part of these statements.

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Plant Asbestos Settlement Trust

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2013	November 16, 2012 through December 31, 2012
Cash inflows:		
Initial funding	$ 25,000	$ 7,525,956
Investment income receipts	10,202	666
Total cash inflows	35,202	7,526,622
Cash outflows:		
Investment in reorganized debtor	-	2,000,000
Disbursements for trust operating expenses	2,615,985	464,996
Total cash outflows	2,615,985	2,464,996
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,580,783)	5,061,626
Cash and cash equivalents, beginning of year	5,061,626	-
Cash and cash equivalents, end of year	$ 2,480,843	$ 5,061,626

The accompanying notes are an integral part of these statements.

Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

Plant Asbestos 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 Plant Insulation Company (the "Debtor") Amended and Restated Second Amended Plan of Reorganization, dated April 2, 2012. The Trust was formed to assume the Debtor's liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, for which the Debtor has legal responsibility; 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 the effective date of the Plan, the Trust assumed liability for existing and future asbestos related claims against the Debtor. The Trust became effective on November 16, 2012.

The Trust was initially funded with cash, a note receivable and insurance settlement proceeds. The Trust's funding is dedicated solely to the settlement of asbestos related claims and the related costs thereto, as defined in the Plan.

The Trust will process and pay all asbestos related claims in accordance with the Plant Asbestos Settlement Trust Agreement, as amended and restated, the Case Valuation Matrix, as amended and restated, (Matrix) and Trust Distribution Procedures, (TDP) (collectively, the Trust Documents).

In 2013 several non-settling insurers ("Appellants") appealed the confirmation order from which the Trust was created, to the Ninth Circuit Court of Appeals (the "Ninth Circuit"). On October 28, 2013, the Ninth Circuit vacated the original Confirmation Order on April 2, 2012, on the ground that the transactions called for in the Original Plan did not comply with Bankruptcy Code section 524(g)(2)(B)(i)(III), and remanded the matter to the District Court, which in turn remanded such matter to the U.S. Bankruptcy Court of Northern District of California (the "Northern District Court"). On March 3, 2014, the Trust received an order from the Northern District Court confirming the Amended and Restated Second Amended Plan of Reorganization of the Plant Insulation Company, as modified which confirmed the Original Plan and stated that it could continue the operation of the Trust in the ordinary course of business pending written instructions.

Comparative information is provided for November 16, 2012 to December 31, 2012, (the "period") and January 1, 2013 to December 31, 2013, (the "year").

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

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 Plant Insulation Company and its liability insurers is recorded directly to net claimants' equity. These funds do not represent income of the Trust. Offers for asbestos related 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.
- 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 will be reflected in the statement of net claimants' equity and will represent settled but unpaid claims and outstanding offers. A claims liability will be recorded once an offer is made to the claimant at the amount equal to the expected pro rata payment. No liability will be 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, excluding any securities issued by the Reorganized Debtor which shall be recorded at cost, if no fair value is available. All interest and dividend income on available-for-sale securities, net of investment expenses, are included in investment income on the statements of changes in net claimants' equity. Realized and unrealized gains and losses on available-for-sale securities will be recorded as separate components on the statement of changes in net claimants' equity.
- Realized gains/losses on available-for-sale securities will be recorded based on the security's original cost. At the time a security is sold, all previously recorded unrealized gains/losses will be reversed and recorded net, as a component of other unrealized gains/losses in the 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.

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. Use of Estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above 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.

5. Concentration of Risk

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

6. 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, 2013, 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.

NOTE B - TRANSACTIONS WITH REORGANIZED DEBTOR

Pursuant to the Plan, the Trust invested $2 million in the common stock of Bayside Insulation and Construction, Inc. ("Bayside"), the Reorganized Debtor, for an ownership percentage of 40%. Bayside has the right to purchase the shares back during the ten years subsequent to the effective date of the Plan at a purchase price of the principal amount paid for the shares by the Trust plus simple interest at 10% per year. Five years subsequent to the effective date of the Plan, the Trust has the right to require the Reorganized Debtor to repurchase the shares. The Trust recorded this investment at cost as an asset on the accompanying statement of net claimants' equity, in accordance with the Trust documents.

In addition, the Trust also received warrants to purchase up to 51% of Bayside's common stock, during the exercise period, which ends in 2022. The Plan documents authorize for a five-year secured, revolving loan to be made available to the Reorganized Debtor. In addition to producing audited financial statements and satisfying several conditions, the maximum amount that the Reorganized Debtor may borrow or have outstanding at any time is based on the eligible accounts receivable, as in a standard loan agreement of commercial banks. No amounts were outstanding as of December 31, 2013. In accordance with the Plan documents, no amounts are recorded for these transactions as no cost has been incurred to date.

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NOTE C - LAWSUIT CLAIM OBLIGATION

Pursuant to the Plan, the Trust entered into an agreement with Bayside. Under the agreement, and in exchange for monthly payments, Bayside is responsible for performing certain obligations related to processing and documenting claims filed in the tort system against non-settling insurers. The Trust incurred $175,000 and $90,000 in claims obligations for the year and period ended December 31, 2013 and 2012, respectively.

NOTE D - 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. The initial monthly payment of $15,000 was in place through December 31, 2013; and provisions allow for automatic renewal for additional one-year periods unless either party provides written notice. The Western Trust is required to provide a written calendar year reconciliation of the annual services costs compared to the advance payments. Any excess of cost over payments or payments over cost is required to be repaid by the benefited party with interest. The reconciliation performed for the period of November 16, 2012 through December 31, 2013 resulted in payment of $4,183 owed to Western Trust, and the monthly payment for 2014 was kept at $15,000. The next reconciliation period will be the twelve-month period ending December 31, 2014. The future payments under this agreement have been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE E - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan confirmed by the United States Bankruptcy Court for the Northern District of California, San Francisco 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 scheduled disease values, 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 Funds Received Ratio is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

The Trustees, with the consent of the Trust Advisory Committee ("TAC") and Future Representative, will set the Initial Funds Received Ratio once the trust has collected sufficient assets to make the expense and burden on claimants of a distribution worthwhile. As of December 31, 2013, the Initial Funds Received Ratio had not been set, and the Trust has not processed any Trust claims during the year ended December 31, 2013 or the period ended December 31, 2012.

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NOTE F - 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 year ended December 31, 2013 and 35% for the period ended December 31, 2012.

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 year and period ended December 31, 2013 and 2012:

	2013	2012
Federal income tax - current	$ -	$ -
Deferred income tax benefit	1,067,000	307,000
	$ 1,067,000	$ 307,000

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

	2013	2012
Deferred tax asset (liability)		
Loss carryforward	$ 1,354,000	$ 307,000
Prepaid assets	20,000	-
	$ 1,374,000	$ 307,000

NOTE G - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 17, 2014 the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure.

SUPPLEMENTAL INFORMATION

Plant Asbestos Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2013	2012
Accounting	$ 19,599	$ 998
Administrative expense	3,820	719
Lawsuit claim obligation	175,000	90,000
Futures representative	368,985	104,326
Insurance	189,600	185,000
Information technology support	11,573	-
Legal fees	441,219	37,968
Legal fees - court ordered	-	19,099
Professional fees	24,534	-
Trust advisory committee	1,182,256	180,851
Trust facility and staff sharing expense	180,000	15,000
Trustee fees	106,924	142,407
	$ 2,703,510	$ 776,368

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EXHIBIT “B”

Plant Asbestos Settlement Trust
Claim Report
As of December 31, 2013

No claims were filed with the Trust as of December 31, 2013.

EXHIBIT “C”

Background to further developments in the settlement among Mr. Mandelbrot and the Mandelbrot Law Firm

The J.T. Thorpe Settlement Trust and the Thorpe Insulation Company Asbestos Settlement Trust (together, these two trusts are hereinafter referred to as the "Thorpe Trusts"), and the Western Asbestos Settlement Trust (the "Western Trust" and collectively, with the Thorpe Trusts, the "Trusts") initiated investigations of claims filing practices of Mr. Mandelbrot and the Mandelbrot Law Firm (“Mandelbrot”) pursuant to section 5.7(a) of their respective Trust Distribution Procedures in September 2011.

The Trusts commenced adversary proceedings a year later, in September 2012, in the face of escalating conflict with Mandelbrot and his complaints that the investigation was unauthorized and the product of the Trusts' bias against him and his law firm. As amended, the various complaints sought: (i) confirmation from the supervising Bankruptcy Courts “that the Investigation to determine whether the Defendants have engaged in a pattern or practice of submitting unreliable information to the Trust is authorized and appropriate under the circumstances," and (ii) related equitable relief.

On May 24, 2013, the three trusts joined in a letter to Mandelbrot reviewing the history of the investigation and setting forth their conclusions and decisions in the investigation based on the information obtained as of that date. The letter reported that each trust had reached the following conclusions, among others:

1. Mandelbrot (i.e., the firm and its principal) each are unreliable under the "person" or "entity" requirement of section 5.7(a).

2. Mandelbrot has submitted unreliable evidence to each of the Trusts and, with regard to the Thorpe Trusts specifically, has done so in a pattern revealed by the practices that have been the focus of this investigation. The pattern revealed by the investigation has been exacerbated by a lack of cooperation with the Trusts' audit efforts.

3. While the Trustees do not make such a determination at this time, there is substantial information to support a conclusion that some of the unreliable evidence submitted to the

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Trusts was fabricated or manipulated intentionally or with conscious disregard for its accuracy and thus was fraudulent.

On conditions set forth in the May 24, 2013 letter, the Thorpe Trusts, but not the Western Trust, terminated Mandelbrot's claims filing privileges pursuant to Section 5.7(a) of their respective TDPs.While stating that it would continue to closely monitor the evidentiary submissions of Mandelbrot, and thereafter advising Mandelbrot that certain investigations remained ongoing, the Western Trust declined at the time to terminate Mandelbrot's filing privileges because claims filed by Mandelbrot with the Western Trust less clearly reflected a pattern or practice of unreliability.

Dismissal Without Prejudice of Adversary Proceeding in this Court

This Court found in October 2013 that there was not a ripe controversy before it and dismissed the adversary proceeding without prejudice to the Western Trust's continuing tomonitor Mandelbrot's evidentiary submissions or returning to this Court once the Western Trust's investigation was complete and a remedy imposed. (See Smith Declaration Ex. 1 Hearing Transcript October 29, 2013 p. 13:3 to 14:14)

Trial of Remaining Adversary Proceedings

The parallel adversary proceedings commenced by the Thorpe Trusts continued, however, and ultimately came to trial before the supervising bankruptcy court for the Thorpe Trusts, the United States Bankruptcy Court for the Central District of California, the Honorable Sheri Bluebond presiding, on January 21, 2014. In connection with the trial on the Thorpe Trusts' adversary proceeding complaints, the Thorpe Trusts also sought a ruling on a motion for instructions regarding the Thorpe Trusts' decision to terminate Mandelbrot's claims-filing privileges.

The evidence presented at the trial included deposition testimony from the Western Trust adversary proceeding, as well as documents requested and produced in the Western Trust adversary proceeding. Defendants, for example, offered documents and evidence produced in the Western Trust adversary proceeding to attempt to substantiate their charges of wrongdoing and bias of the Western Trust as well as the Thorpe Trusts.

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Trial and pretrial submissions revealed additional irregularities in Mandelbrot claims filing practices with the Trusts, including misuse of signatures and verifications in claim submissions. Evidence at trial also supported the conclusion that claims-handling irregularities identified earlier in the investigation performed by the Trusts were chronic and purposeful, as opposed to resulting from mere inadvertence. In its tentative ruling regarding the enforceability of the stipulation ending the trial, the Central District Bankruptcy Court noted that, absent a stipulation ending the trial, the court would have found based on the evidence submitted before and during trial that (1) Mandelbrot made a practice of submitting unreliable claims to the trusts, (2) Mandelbrot made insufficient attempts to ascertain whether the information provided to the trusts in support of claims was reliable, and (3) Mandelbrot's practice was to submit a claim for as large an amount as possible without having made reasonable efforts to ascertain whether or not the basis of the claim was factually correct.

One example of such a claims-filing practice included witness declarations submitted by Mandelbrot attesting that U.S. Navy sailors, whose ships were being repaired, left their ships and performed their regular duties in the shipyard, thereby increasing their asbestos exposure and claim value. Prior to trial, Mandelbrot repeatedly took the position that the merit of such claims – which were unusual and contrary to the Trusts' claims experience – would be proven at trial, and that irregularities or inconsistencies that had been uncovered by the trusts' investigation were inadvertent or immaterial.

The trial evidence showed otherwise. It included proof indicating that Mandelbrot had written a draft declaration for his expert trial witness stating that sailors, while their ships were being repaired in a shipyard, got off of their ships and performed their regular duties in the shipyard. The expert witness refused to sign the draft declaration provided by Mandelbrot, and wrote a letter to Mandelbrot stating that he could no longer work for him. After a change to the declaration, however, the expert continued service, and testified that sailors whose ships were being repaired did not perform their regular duties in shipyards. (See Smith Declaration Ex. 2 Designation of Deposition Testimony of Captain F.J. Burger, USN, (Ret.) Re; Motion of the Thorpe Trusts for

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Instructions regarding (1) the Trusts' Audit Findings and (2) the Trusts' Remedy; Authentication Declaration of Michael E. Molland, which was admitted into evidence p. 13:16-21; p. 57:13-58:6; p. 69:3-21; p. 72:1-13; p. 74-13-19.). In an attempt to prove the same fact, Mandelbrot also proffered the declaration of Mr. Genthner, a shipyard worker percipient witness and Mandelbrot client. (See Smith Declaration Ex. 3 Designation Of Deposition Testimony Of Paul Genthner Re: Motion Of The Thorpe Trusts For Instructions Regarding (1) The Trusts' Audit Findings And (2) The Trusts Remedy; Authentication Declaration Of Michael E. Molland). Mr. Mandelbrot was the only person Mr. Genthner talked to about his declaration before it was prepared and sent to him for signature. Mr. Genthner received the declaration from Mr. Mandelbrot's office and signed it. The declaration describes work done in the Long Beach Naval Shipyard. At deposition, Mr. Genthner testified, contrary to his declaration, that "shipyard" work described in his declaration as being performed by disembarked U.S. Navy sailors was in fact work done at the adjoining naval station – not in the shipyard. (See Smith Declaration Ex. 3 p. 45:13- 46:20; p. 48:8-50:16.)

In addition to all of the other evidence introduced at trial in the Central District Bankruptcy Court, and revealed during the investigation, these additional examples made it clear to the Trustees of this Trust that Mandelbrot either was insisting on continuing his practice of submitting unreliable and untrue declarations or, at the very least, his office practices were not capable of accurately reporting and verifying witness declarations. For all of these reasons, the Trustees of this Trust, with the approval of the Futures Representative, determined that the Plant Insulation Settlement Trust should join the stipulated remedy reached on the last day of trial.

Stipulated Resolution for All Trusts

After the above facts had been revealed during trial, and on the morning of January 23, 2014 – the last day of trial, when Mr. Mandelbrot was expecting to take the stand and be subjected to cross-examination – Mandelbrot sought to resolve all claims and end the trial. Mandelbrot and the Thorpe Trusts, as well as this Trust and the Western Trust, then entered into an agreement that, among other things, resolved all the matters at issue in the Thorpe Trusts' adversary proceedings trial. The terms of the agreement included numerous representations and promises by

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Mandelbrot that the investigation and conclusions and decisions of the Thorpe Trusts and the Western Trust were conducted and reached reasonably, were free of bias or wrongdoing, and were authorized by the respective Trust Distribution Procedures. Pertinent here, the agreement terminated, “effective immediately," Mandelbrot’s claims filing privileges with this Trust and commenced a process whereby Mandelbrot would undertake to transfer his inventory of pending claims to other counsel. As part of the stipulation, the Trusts also agreed to dismiss claims for equitable relief against Mandelbrot with prejudice (the claim asserted by the Western Trust having previously been dismissed without prejudice).

The terms of the agreement were read in to the record in open court and agreed to by all the contracting parties, including this Trust and Mandelbrot (both directly and through Mandelbrot’s counsel), subject only to a vote of approval by this Trust pursuant to the Trust’s procedures. In accordance with the trial court’s instructions, the Thorpe Trusts prepared an Order, Findings of Fact and Conclusions of Law, and a Judgment [Docket No. 198]. The Central District Bankruptcy Court set aside time on February 18, 2014 to hear any disputes regarding the wording of these formalized documents.

Mandelbrot Termination of Counsel and Attempt to Repudiate Stipulation

Several days later, but before the Thorpe Trusts were able to lodge any of these draft documents with the Central District Bankruptcy Court, Mandelbrot’s attorney withdrew as counsel, Mr. Mandelbrot substituted himself as counsel, and Mr. Mandelbrot then purported to repudiate the January 23, 2014 stipulation. The Thorpe 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], with the court on February 11, 2014. (Copies of these pleadings, which include the terms of the agreement, are included in the Appendix filed herewith.) Mandelbrot filed written objections to the agreement on or about February 12, 2014.

Thorpe Trusts’ Motion to Enforce the Settlement Agreement

At the Thorpe Trusts’ request, the Central District Bankruptcy Court set a hearing and briefing schedule for a motion to enforce the January 23, 2014 stipulation. The hearing was held on

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March 27, 2014. Mandelbrot specifically challenged the jurisdiction of the Central District Bankruptcy Court to rule on the enforceability of the stipulation as to the Western Trust and this Trust. Mandelbrot also raised numerous defenses and grounds challenging the ability of the Central District Bankruptcy Court to enjoin him from filing claims on behalf of claimants with all the trusts, including the Western Trust and this Trust. At the March 27, 2014 hearing, the court ruled that the agreement was enforceable, that it was appropriate and permissible for the contracting parties to include in their agreement that Mandelbrot was barred from filing any more claims with this Trust, and that Mandelbrot agreed to transfer all of his claims past and present to new counsel. (See Smith Declaration Ex. 4 Hearing Transcript March 27, 2014 p. 10:21-11; p.13:2-16). On April 7, 2014, the Central District Bankruptcy Court entered an order finding the stipulation enforceable, and requiring that notice[1] be given, as feasible, to Mandelbrot claimants regarding Mandelbrot's agreement to transfer claims to new counsel of record. (See Smith Declaration Ex. 5 Order Granting Motion To Enforce January 23, 2014 Stipulated Agreement, Los Angeles Court [Docket No. 232] ("Enforcement Order") and Ex. 6 the Order Following Trial On Adversary Complaints And Motion For Instructions [Docket No. 233] ("Order After Trial")).

[1] With regard to the Notice the Order provides "To insure to the fullest extent possible that all claimants with the Thorpe Trusts and the Western Trust who are represented by Mandelbrot and all counsel who have referred claimants to Mandelbrot for purposes of making claims against the Thorpe Trusts and Western Trust (the "Notice Recipients") are informed of the potential consequences to them if their claims are not timely transferred in accordance with the terms of the Stipulation, the Thorpe Trusts and the Western Trust shall transmit to the Notice Recipients by mail, email, publication on their web sites and otherwise…" and specifies that the Notice state the following:

NOTICE TO BENEFICIARIES AND POTENTIAL BENEFICIARIES OF THE J.T. THORPE SETTLEMENT TRUST, THORPE INSULATION COMPANY ASBESTOS SETTLEMENT TRUST, AND WESTERN ASBESTOS SETTLEMENT TRUST REPRESENTED BY MICHAEL J. MANDELBROT:

This notice concerns your claim(s) with the above-referenced trusts (collectively, the "Trusts"), and has been authorized and approved by the United States Bankruptcy Court for the Central District of California.

Under the terms of an agreement between these Trusts and Michael Mandelbrot, and subsequent order of the Bankruptcy Court, Mandelbrot must transfer all claims for which he serves or has served as counsel to a new attorney of record by July 23, 2014.

If you chose to select new counsel to represent you, or to represent yourself in connection with your claim(s) with the Trusts, YOU MUST DO SO BY JULY 23, 2014 OR YOUR CLAIM MAY BE DEEMED WITHDRAWN. THIS MAY DELAY OR ELIMINATE YOUR RIGHTS TO PAYMENTS FROM THE TRUST(S), including initial payments and any further payments from the Trust(s) in the event of an increase in payment percentage, and MAY REQUIRE ADDITIONAL FILING FEES in the event you elect to re-submit your claim following withdrawal.

YOU ARE ADVISED TO CONSULT WITH COUNSEL REGARDING THIS NOTICE.

For additional information regarding this notice, and the background giving rise to this dispute, please see the Bankruptcy Court's Findings of Fact and Conclusions of Law, Order Following Trial, and Judgment, which have been posted on each of the Trusts' websites.

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Also on April 7, 2014, the Central District Bankruptcy Court issued an Order After Trial which required, among other things, that Mandelbrot: (1) file no new claims with the Thorpe Trusts, the Western Trust or this Trust and (2) cease all activity with respect to claims ("Pending Claims") for the Thorpe Trusts and the Western Trust and to transfer each Pending Claim and all past claims made against the Thorpe Trusts and the Western Trust to an attorney who will take responsibility for the claims. The Order further provided that if the Thorpe Trusts or the Western Trust do not receive a notice of transfer for the Pending Claims and past claims by July 23, 2014, then those claims may be deemed withdrawn. In addition, the Order provides that violations of the stipulation may either be brought to the attention of this Court or to the Central District Bankruptcy Court. The Central District Bankruptcy Court issued its Findings of Fact and Conclusions of Law supporting its Order after Trial. (See Smith Declaration Ex. 7 Findings of Fact and Conclusions of Law [Docket No. 235].

All of this was reduced to a Judgment in Adversary Proceedings, entered on April 7, 2014, resolving the adversary proceedings in the Central District of California. [Docket No. 234]. This Trust has implemented the stipulated agreement found to be enforceable by the Central District Bankruptcy Court. Following entry of Judgment, Mandelbrot has filed a notice of appeal, and likewise filed a motion to stay enforcement of the Judgment pending appeal, which is currently set for hearing on May 27, 2014.

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