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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 **THIRD ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT** Date: June 26, 2015 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 of Levene, Neale, Bender, Yoo & Brill hereby file this Third Annual Report and Accounting, Audited Financial Statements, and Claim Report.

Respectfully submitted this 28th day of April, 2015.

By: *//s// Eve H. Karasik*
EVE H. KARASIK
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Bankruptcy Counsel for the Plant Insulation Company Asbestos Settlement Trust

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THIRD 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 Third Annual Report and Accounting ("Annual Report") covering Trust activities occurring from January 1, 2014 to and including December 31, 2014 ("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* filed on April 2, 2012 [Docket No. 2069] ("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]; the Plan, as amended by the modifications thereto filed on November 20, 2013 [Docket No. 2636] ("Modified Plan"); *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]; the Court's March 3, 2014 *Order Confirming Amended and Restated Second Amended Plan of Reorganization of Plant Insulation Company, As Modified* [Docket No. 2722] ("Modified Confirmation Order"); 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 Third Annual Report, the Audited Financial

[1] The Appendix includes the Plan; Confirmation Order; Modified Plan; Modified Confirmation Order; Fourth Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust ("Trust Agreement"); Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Bylaws ("Trust Bylaws"); Second Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Case Valuation Matrix (the "Case Valuation Matrix"); First Amended and Completely Restated 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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Statements, and the Claim Report, as described in paragraphs 6, 7, and 8, *infra*. Capitalized terms not defined herein are as defined in the Plan. This Court has approved each Annual Report beginning in 2013.

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 March 3, 2014, this Court entered the Modified Confirmation Order. Therefore, the Modified Effective Date of the Trust is September 22, 2014.

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 the Effective Date of the Trust. In the Modified Confirmation Order, this Court approved Stephen M. Snyder's appointment as the third Trustee of the Trust on November 28, 2012, as well as his designation as Managing Trustee on February 7, 2013. Mr. Snyder has acted in that capacity since that time.

3. Appointment of Trust Advisory Committee ("TAC"): In the Confirmation Order and Modified 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, retired, 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 and Modified 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 2013 federal tax return was filed by its extended due date of September 15, 2014 and the 2014 federal tax

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return will be filed by its extended due date of September 15, 2015. The Trust resides in Nevada, and Nevada has no state income tax. Although the Trust is not subject to tax in California, the Trustees file a tax return in California, 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 respects in order to better disclose the amount and changes in net claimants' equity.

7. Financial Report: In accordance with the requirements of Section 2.2(c)(i) of the Trust Agreement, the Trust has caused its 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, 2014, total Trust assets were $249,644,981, total liabilities were $6,831,993, and Net Claimants' Equity was $242,812,988.

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

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summary regarding the number and type of claims disposed of during the period covered by the financial statements. As of December 31, 2014, there were no claims submitted to the Trust for payment. The Claim Report is attached hereto as Exhibit "B".

On February 23, 2015, the Trust began accepting unliquidated Trust claims in paper format. Due largely to delays in finalizing the bankruptcy approval process, the Trust was not in a position to receive claims until February 23, 2015 when it began receiving claims in paper format. The Trust will receive claims in electronic format as soon as improvements, expected to be completed within weeks, to the claims processing system the Western Trust administers for all trusts are installed and running properly. As of April 7, 2015, the Trust has received and commenced the preliminary review of thirty-one (31) claims submitted in paper form.

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"). The Trust is currently investigating the number and amount of pre-petition claims.

9. 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.

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

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11. 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 2015 budget and the required four-year budget and cash flow projections on November 21, 2014. Pursuant to the Trust Agreement, these were provided to the TAC and Futures Representative. The budget for operating expenses, including investment fees, in 2015 is $2,568,400.[2]

12. Funds Received Ratio: Sections 2.3 and 4.2 of the TDP provide that the Initial Funds Received Ratio will be set by the Trust, with the consent of the TAC and Futures Representative, once the Trust has collected sufficient assets to make the expense and burden on claimants of a distribution worthwhile. On February 26, 2015, the Trust, with the consent of the TAC and Futures Representative, set the Initial Funds Received Ratio at 9%, based upon the analysis and advice of the Trust's expert economist.

13. Trust Facilities and Services Sharing Agreement with Western Asbestos Settlement Trust: As described in the Trust's Second Annual Report, the Trust and Western Asbestos Settlement Trust (the "Western Trust") entered into a "Trust Facilities and Services Sharing Agreement" (the "Sharing Agreement") as of November 28, 2012. The Sharing Agreement provides: (i) for the Trust to pay to the Western Trust, for all processing costs and its share of fixed costs in 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. On February 20, 2014, the Western Trust agreed that the advance payments to it could remain at $15,000 per month for 2014 to accommodate the Trust's interim operations and insufficient resources as the bankruptcy approval process was being finalized.

[2] This figure excludes extraordinary legal fees budgeted for $150,000. Budgeted investment fees were previously reported as a reduction to investment income. The 2015 operating expense budget includes investment fees of $441,000.

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Pursuant to an interim reconciliation of fees presented on September 23, 2014, the Trust and the Western Trust revised the amount of the advance payments to $30,000 per month for 2014. As a result, the Trust paid the additional amount of $135,000 to the Western Trust.

Pursuant to the annual reconciliation of fees presented on February 27, 2015, the Trust and the Western Trust agreed that the advance payments shall be $42,000 per month for 2015. The total amount paid by the Trust to the Western Trust, after accounts were reconciled for 2014, was $471,950.

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

14. Creation of Site List: The Trust is in the process of compiling site lists as required by the TDP, a responsibility that the Trust, as has been the case with other trusts such as the Western Asbestos Settlement Trust, J.T. Thorpe Settlement Trust and Thorpe Insulation Settlement Trust, seeks to discharge by reviewing records, soliciting assistance and information from claimants and their attorneys and from former counsel to and employees of the Debtor. Mr. John Gregory, Esq., formerly counsel to as well as operator and, indirectly, owner of the Debtor, made overtures to stakeholders in the site list preparation process seeking to be employed in connection with the work of compiling site lists and otherwise. This led to exchanges of correspondence between, among others, Mr. Gregory and the Futures Representative in which Mr. Gregory eventually made certain charges of improper conduct against the Futures Representative and his counsel. Mr. Gregory also wrote to the United States Trustee about this. The Futures Representative referred all of this to the Trustees whose responsibility it is to compile and complete the site list. The Trustees concluded that the site list process should continue as it is progressing, that reemployment of Mr. Gregory is not necessary or appropriate, although as with others, the Trust welcomes any information he is prepared to contribute, and that the charges being made against the Futures Representative and his counsel are unfounded and, in any event, not pertinent to the decision whether to reemploy Mr. Gregory. In this

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regard, the Trust also has contacted the United States Trustee to offer any information or answer any questions the United States Trustee might have about any of this.

15. Legal Disputes:

a. *Motion for Order (A) Approving Settlement Agreements with Safety National Casualty Corporation and Insurance Company of the Wests, (B) Designating Safety National Casualty Corporation and Insurance Company of the West 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. 2780, filed on July 11, 2014: After confirmation of the Plan, the Debtor sought Bankruptcy Court approval of the settlement (the "Safety National Settlement") with Safety National. The Safety National Settlement provided (i) that Safety National would make a one-time payment of $2,950,000 to the Trust, (ii) for the sale from the Debtor of the relevant insurance policies to Safety National, and (iii) that Safety National would be designated as a "Settling Asbestos Insurer." This Court approved the Safety National Settlement by entering an order on August 1, 2014 (the "Safety National and ICW Settlement Order"). In the same motion, the Debtor sought Bankruptcy Court approval of the settlement (the “ICW Settlement”) with Insurance Company of the West. The ICW Settlement provided (i) that Insurance Company of the West would make a one-time payment of $2,950,000 to the Trust, (ii) for the sale from the Debtor of the relevant insurance policies to Insurance Company of the West, and (iii) that Insurance Company of the West would be designated as a "Settling Asbestos Insurer." This Court approved the ICW Settlement by entering the Safety National and ICW Settlement Order.

b. *Motion for Order (A) Approving Settlement Agreement with the Resolute Carriers, (B) Designating the Resolute Carriers as Settling Asbestos Insurers Under the Plan, (C) Approving the Sale of Insurance Policies Free and Clear of Liens, Claims, and Interests, (D) Approving the Pending Claims Carveout and Associated Procedures; and (E) Approving Reconsideration Procedures*, Docket No. 2812, filed on August 25, 2014 (the “Resolute Motion”): After confirmation of the Plan, the Debtor sought Bankruptcy Court approval of the settlement (the "Resolute Settlement") with the Resolute carriers. The Resolute Settlement provided (i) that the Resolute carriers would make a payment of $110,000,000 to the Trust, (ii) for the sale from the

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Debtor of the relevant insurance policies to the Resolute carriers, (iii) Plant would dismiss the Resolute carriers with prejudice from the Declaratory Relief Action[3], (iv) that a Pending Claimant Carveout[4] would be created with 5.7% of the gross settlement amount to pay claims of approximately 127 tort claimants with active, pending claims in the tort system against Plant, and (v) that the Resolute carriers would be designated as a "Settling Asbestos Insurer." This Court approved the Resolute Settlement by entering an order on August 29, 2014 (the "Resolute Settlement Order").

c. *Motion for Order Approving Settlement with USF&G, Motion for Order (A) Approving Settlement Agreement with United States Fidelity and Guaranty Company, (B) Designating United States Fidelity and Guaranty Company as Settling Asbestos Insurers Under the Plan, (C) Approving the Sale of Insurance Policies Free and Clear of Liens, Claims, and Interests, and (D) Approving Reconsideration Procedures,* Docket No. 2819, filed on August 27, 2014 (the "USF&G Motion"): After confirmation of the Plan, the Debtor sought Bankruptcy Court approval of settlement (the "USF&G Settlement") with United States Fidelity and Guaranty Company. The USF&G Settlement provided (i) that USF&G would make a payment of $21,000,000 to the Trust plus an additional $1 million payment made on or before December 31, 2016, (ii) for the sale from the Debtor of the relevant insurance policies to USF&G, (iii) Plant would dismiss USF&G with prejudice from the Declaratory Relief Action[5], and (iv) that USF&G would be designated as a "Settling Asbestos Insurer." This Court approved the USF&G Settlement by entering an order on August 29, 2014 (the "USF&G Settlement Order").

d. *Notice and Opportunity for Hearing on Plan Proponents', Trust's and Disbursing Agent's Motion to (I) Approve Actions of Disbursing Agent, and (II) Discharge the Disbursing Agent*, Docket No. 2871, filed on October 28, 2014. After the modified effective date of the Plan, the Plan Proponents, the Trust and Russell K. Burbank, duly appointed disbursing agent under the Plan sought Bankruptcy Court approval of the following: (i) approving the disbursing agent's actions and proposed action as disbursing agent and (ii) approving a discharge and

[3] Declaratory Relief Action has the meaning provided for in the Resolute Motion.

[4] Pending Claimant Carveout has the meaning provided for in the Resolute Motion.

[5] Declaratory Relief Action has the meaning provided for in the USF&G Motion.

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exoneration of the disbursing agent from all duties and liabilities associated with the Chapter 11 case. This Court approved the actions of the disbursing agents and discharged the disbursing agent by entering an order on January 8, 2015 (the 'Disbursing Agent Approval and Discharge Order").

16. Mandelbrot Law Firm and Michael J. Mandelbrot Settlement: As described in the Trust's Second Annual Report, 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 the J.T. Thorpe Trust and Thorpe Insulation Trust (collectively the "Thorpe Trusts") adversary proceedings against Mandelbrot (*J.T. Thorpe Settlement Trust and Thorpe Insulation Company Asbestos Settlement Trust,* U.S. Bankruptcy Court for the Central District of California Case No. 2:12-ap-02182BB) presided over by the Honorable Sheri Bluebond. The evidence produced during pre-trial discovery, and in the trial before Judge Bluebond in January 2014, 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 Mandelbrot 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 and since has acted in conformity with its terms.

However, after making the stipulation, Mandelbrot's trial counsel was substituted out as counsel, and Mandelbrot 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 (the "Judgment and Order").

Mr. Mandelbrot filed a Motion to Stay Enforcement of the Judgment and Order Following Trial. On May 27, 2014, Judge Bluebond of the U.S. Bankruptcy Court for the Central District of California heard and denied Mandelbrot's motion to stay enforcement of the judgment and order following trial. Thereafter, in early June 2014, Mandelbrot appealed the Judgment and

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Order and filed a motion to stay enforcement of the judgment and order pending appeal before the Honorable Virginia A. Phillips of the United States District Court for the Central District of California, who has been assigned to hear Mr. Mandelbrot's appeal of the Judgment and Order. Prior to the hearing on the motion, which was scheduled for July 7, 2014, Judge Phillips denied Mr. Mandelbrot's motion on the grounds that Mr. Mandelbrot had failed to meet his burden of establishing an abuse of discretion by the Bankruptcy Court in denying the requested stay.[6]

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

As a result of the stipulation, and consistent with its terms, the Trust will not accept claims submitted by Mr. Mandelbrot or the Mandelbrot Law Firm on behalf of claimants.

17. Amendments to the Trust Documents: As described in the Trust's Second Annual Report, the Plant Asbestos Settlement Trust Bylaws were amended on February 20, 2014, and amendments to the Trust Distribution Procedures and Matrix were approved on March 25, 2014. Copies of the 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.

On November 20, 2014, sections 4.5(a) and 6.6(b) of the Trust Agreement were amended to allow for an annual increase in Trustee and TAC compensation based upon the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) announced in January each year. In addition, section 5.5(a) was amended to remove the

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

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annual requirement to review the Futures Representative's hourly rate. A copy of the Fourth Amended and Completely Restated Plant Insulation Company Asbestos Settlement Trust Agreement is included in the Appendix filed herewith.

18. Alternative Dispute Resolution (ADR) Procedures: Pursuant to Section 5.10(a) of the TDP, on September 23, 2014, the Trustees, with the consent of the Trust Advisory Committee and Futures Representative, established Alternative Dispute Resolution (ADR) Procedures, a copy of which is included in the Appendix filed herewith.

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

a. Notification of new documents posted to the Trust Documents page (posted May 1, 2014);

b. Notification of the hearing on the Trust's Second Annual Report and Accounting (posted May 1, 2014);

c. Notification of the Trust's settlement with USF&G (posted September 2, 2014);

d. Notification of the Trust's settlement with Resolute-related Parties (posted September 2, 2014);

e. Notification of Acceptance of Paper Claims Submissions (posted February 23, 2015);

f. Notice regarding compliance with court order in settlement with Mandelbrot Law Firm and Michael J. Mandelbrot (posted March 6, 2015); and

g. Notification of Initial Funds Received Ratio (posted March 12, 2015).

20. Claims Processing System Development: During the Accounting Period, the Trust entered into a contract with an outside vendor and began working to develop a claims processing system, which is expected to be completed within weeks.

21. 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

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Accounting Period, the Trustees each received per annum compensation in the amount $40,000. The total paid to all Trustees for hourly compensation and for reimbursement of expenses was $195,809 and $9,000, respectively.

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

a. Analysis Research Planning Corporation ("ARPC"): Dr. Vasquez of ARPC acts as the expert professional with whom the Trustees consult;

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

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

d. Law Offices of Ronald W. Ishida: Counsel to the Reorganized Debtor;

e. Hon. Charles B. Renfrew: Futures Representative;

f. Schnader Harrison Segal & Lewis LLP: Counsel to the Reorganized Debtor;

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

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

23. 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.

24. Payment of Professional Fees Associated with Plan Implementation: Pursuant to paragraph 3(g) of the *Final Order Granting Motion to Preserve the Status Quo Pending Entry of a Final Confirmation Order Consistent With the Court of Appeals' Decision* [Docket #2691], on September 22, 2014, the Trustees approved the following payments to be made by the Trust in connection with the hourly amounts due to certain professionals as a result of Plan implementation: (1) up to $65,000 to Hon. Charles B. Renfrew for the billing period August 1, 2014 through September 22, 2014; (2) up to $12,000 to Ronald W. Ishida for the billing period August 1, 2014 through September 22, 2014; (3) up to $92,000 to Sheppard Mullin Richter & Hampton for the billing period September 1, 2014 through September 22, 2014; (4) up to $295,000 to George

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Kalikman for the billing period January 1, 2013 through September 22, 2014; and (5) up to $41,000 to Gary S. Fergus for the billing period September 1, 2014 through September 22, 2014 ; and (6) up to $5,000 to Caplin Drysdale for the billing period August 1, 2014 through September 22, 2014. .

25. Trust Investment Management: Article 3 of the Trust Agreement authorizes the Trust to administer the investment of funds in the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs, subject to certain limitations. Callan & Associates was engaged in February of 2015 as its investment consultant. Harding Loevner, LP, Segall Bryant & Hamill, Standish Mellon Asset Management Company, LLC, State Street Global Advisors, and Westwood Management Corporation were engaged in March of 2015 to act as the Trust's investment managers. The Trust approved its Investment Policy Statement on February 27, 2015, a copy of which is included in the Appendix filed herewith.

***

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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EXHIBIT “A”

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Financial Statements and Report of Independent Certified Public Accountants

Plant Asbestos Settlement Trust

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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, 2014 and 2013, the related statements of changes in net claimants' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Trust's other basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Plant Asbestos Settlement Trust as of December 31, 2014 and 2013, and the changes in net claimants' equity and cash flows for the years then ended, in accordance with the Trust's other basis of accounting.

Basis of accounting

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

Supplementary information

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

Restriction on use

Our report is intended solely for the information and use of the management of the Trust and Trustees, the beneficiaries of the Trust, the Futures Representative, the Futures Counsel, the members of the Trust Advisory Committee, and the United States Bankruptcy Court for the 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 15, 2015

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Plant Asbestos Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2014	2013
ASSETS		
Cash and cash equivalents	$ 223,528,338	$ 2,480,843
Accrued interest and dividend receivables	27,643	-
Investment in reorganized debtor	2,000,000	2,000,000
Deferred tax asset	24,089,000	1,374,000
Total assets	$ 249,644,981	$ 5,854,843
LIABILITIES		
Accrued expenses	$ 153,993	$ 389,161
Pending claimant carveout	6,270,000	-
Deferred lawsuit claim obligation	-	255,000
Accounts payable to Trustees	-	9,736
Facility and staff sharing agreement payable	408,000	180,000
Total liabilities	$ 6,831,993	$ 833,897
NET CLAIMANTS' EQUITY	$ 242,812,988	$ 5,020,946

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

Years ended December 31,

	2014	2013
Net claimants' equity, beginning of year	$ 5,020,946	$ 6,877,254
Additions to net claimants' equity		
Initial funding	278,667,207	25,000
Investment income	54,009	10,814
Deferred lawsuit claim obligation	255,000	-
Benefit for income taxes, deferred	22,715,000	1,067,000
Total additions	301,691,216	1,102,814
Deductions from net claimants' equity		
Operating expenses	57,401,174	2,704,122
Deferred lawsuit claim obligation	-	255,000
Claimant carveout	6,270,000	-
Net increase in facility and staff sharing agreement	228,000	-
Total deductions	63,899,174	2,959,122
Net claimants' equity, end of year	$ 242,812,988	$ 5,020,946

The accompanying notes are an integral part of these statements.

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Plant Asbestos Settlement Trust

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2014	2013
Cash inflows:		
Initial funding	$ 278,667,207	$ 25,000
Investment income receipts	26,366	10,202
Total cash inflows	278,693,573	35,202
Cash outflows:		
Disbursements for trust operating expenses	57,646,078	2,615,985
Total cash outflows	57,646,078	2,615,985
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	221,047,495	(2,580,783)
Cash and cash equivalents, beginning of year	2,480,843	5,061,626
Cash and cash equivalents, end of year	$ 223,528,338	$ 2,480,843

The accompanying notes are an integral part of these statements.

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Plant Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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 (the "Plan"), as modified, dated November 20, 2013. 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 Plan's Effective Date of November 16, 2012, the Trust assumed liability for existing and future asbestos related claims against the Debtor. The Trust's Modified Effective Date is September 22, 2014.

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, as amended and restated, (TDP) (collectively, the Trust Documents).

2. Special-Purpose Accounting Methods

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

- The financial statements are prepared using the accrual basis of accounting, as modified below.
- The funding received from 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.

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Special-Purpose Accounting Methods - Continued

- 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 is 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.

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, 2014, the Trust did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor did it incur any interest and penalties expense with any unrecognized tax benefits for the year then ended. The Trust is unaware of information concerning any tax positions for which a material change in the unrecognized tax benefit or liability is reasonably possible within the next twelve months. The Trust files income tax returns in the United States. Although the Trust owes no tax to the State of California, it files an annual tax return in California reporting no taxable income or tax owed.

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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, 2014. In accordance with the Plan documents, no amounts are recorded for these transactions as no cost has been incurred to date.

NOTE C - FIXED ASSETS

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

Acquisition of computer hardware and software	$ 60,483

These items have not been recorded as assets, but rather as operating expenses and direct deductions from net claimants' equity in the accompanying financial statements. The cost of fixed assets that were expensed during the years ended December 31, 2014 and 2013 were $60,483 and $0, respectively.

Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately $1,400 and $0 for the years ended December 2014 and 2013, respectively.

NOTE D - 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 was responsible for performing certain obligations related to processing and documenting claims filed in the tort system against non-settling insurers. The Trust incurred $120,000 and $175,000 in claims obligations for the year and period ended December 31, 2014 and 2013, respectively. The final payment was made on December 15, 2014.

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NOTE E - PENDING CLAIMANT CARVEOUT

Pursuant to court orders, the Trust recorded a pending claimant carveout equal to 5.7% of settlements received from certain insurance carriers. These funds are to pay 149 claims filed prior to the effective date of the Trust.

NOTE F - LEGAL FEES - COVERAGE LITIGATION

For the years ended December 31, 2014 and 2013, the Trust incurred a total of $53,370,725 and $0, respectively, of contingent and hourly fees for coverage litigation.

NOTE G - 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 monthly payment of $15,000 was in place through December 31, 2013, the average monthly payment in 2014 was $30,000; and provisions allow for automatic renewal for additional one-year periods unless either party provides written notice. The amounts of advance monthly payments are agreed upon between the trusts from time to time. As of December 31, 2014, the equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Western Trust. Any excess of cost over payments or payments over cost is required to be repaid by the benefited party with interest. The reconciliation is performed and recorded in the period subsequent to the reconciliation period. The reconciliation for the year ended December 31, 2014 resulted in an additional payment to the Western Trust of approximately $112,000. The monthly payment for 2015 was increased to $42,000. A portion of the future payments under this agreement has been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE H - 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 Futures Representative, will set the Initial Funds Received Ratio in 2015. As of December 31, 2014, the Initial Funds Received Ratio had not been set, and the Trust has not processed any Trust claims during the years ended December 31, 2014 and 2013.

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NOTE I - INCOME TAXES

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

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 Trust has recorded a deferred tax asset of approximately $24 million reflecting the benefit of approximately $61 million in loss carryforwards, which expire in varying amounts between 2033 and 2034. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, the Trust believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced if estimates of future income during the carryforward period are reduced.

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

	2014	2013
Federal income tax - current	$ -	$ -
Deferred income tax benefit	22,715,000	1,067,000
	$ 22,715,000	$ 1,067,000

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

	2014	2013
Deferred tax asset (liability)		
Loss carryforward	$ 24,065,000	$ 1,354,000
Fixed assets	24,000	-
Prepaid assets	-	20,000
	$ 24,089,000	$ 1,374,000

NOTE J - SUBSEQUENT EVENTS

Pursuant to Section 2.3 of the TDP and based upon the analysis of the Trust's expert economist, on February 26, 2015, the Trustees set the Initial Funds Received Ratio at 9% of the total liquidated claim value. The Futures Representative and the Trust Advisory Committee (through its Chairman) also consented.

The Trust evaluated subsequent events through April 15, 2015, the date the financial statements were available to be issued; no additional events were noted.

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SUPPLEMENTAL INFORMATION

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Plant Asbestos Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2014	2013
Accounting	$ 21,638	$ 19,599
Administrative expense	74,202	3,820
Contingency fees	53,370,725	-
Futures representative	990,582	368,985
Information technology support	12,618	11,573
Insurance	68,000	189,600
Interest expense	12,087	-
Investment expense	24,661	612
Lawsuit claim obligation	120,000	175,000
Legal fees	1,727,747	441,219
Professional fees	43,500	24,534
Site list research	27,291	-
Trust advisory committee	92,131	1,182,256
Trust facility and staff sharing expense	364,183	180,000
Trustee fees	451,809	106,924
	$ 57,401,174	$ 2,704,122

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EXHIBIT “B”

EXHIBIT "B"

Plant Asbestos Settlement Trust
Claim Report
As of December 31, 2014

This report is submitted pursuant to Section 2.2 (c)(ii) of the Fourth Amended and Completely Restated Plant Insulation Asbestos Settlement Trust Agreement, which requires the Trust to file with the Bankruptcy Court a summary of the number and type of claims disposed of during the time period covered by the financial statements ("Accounting Period"). The Trust is required to report on the Trust's processing of claims liquidated by settlement agreement entered into prior to the Petition Date for the particular claim or judgment of any kind entered on or before the Petition Date ("Pre-Petition Liquidated Claims") and claims received since the Effective Date of the Trust ("Trust Claims").

During the Accounting Period, no claims were submitted to the Trust for processing. However, on February 23, 2015, the Trust began accepting Trust Claims in paper format. As of April 7, 2015, the Trust has received and commenced the preliminary review of thirty-one (31) claims submitted in paper form.

EXHIBIT “C”

PRIORITY SEND

JS-6

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES -- GENERAL

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

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

==========

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

Marva Dillard Courtroom Deputy	None Present Court Reporter

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

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

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

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

I. BACKGROUND

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

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

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

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

II. REQUESTS FOR JUDICIAL NOTICE

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

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

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

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Ex. 7);

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

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

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

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

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

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

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

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

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

III. JURISDICTION AND STANDARD OF REVIEW

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

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

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

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

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

IV. DISCUSSION

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

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

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

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

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

V. CONCLUSION

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

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CV 14-03883-VAP; USBC Case No. 2:02-BK-14216-BB; ADVERSARY Case No. 2:12-AP-02182-BB
IN RE J.T. THORPE, INC. & THORPE INSULATION
MINUTE ORDER of July 3, 2014

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

IT IS SO ORDERED.

MINUTES FORM 11 Initials of Deputy Clerk ___md_____
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