EXHIBIT A

568838v.2

Published by AsbestosClaims.Law
asbestosclaims.law/library/14486/1



Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Thorpe Insulation Settlement Trust

December 31, 2012 and 2011

Published by AsbestosClaims.Law
asbestosclaims.law/library/14486/2

Contents

	Page
Report of Independent Certified Public Accountants	3
Statements of Net Claimants' Equity	5
Statements of Changes in Net Claimants' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplemental Information	
Schedule of Operating Expenses	19

Grant Thornton

Audit · Tax · Advisory

Grant Thornton LLP
100 W Liberty Street, Suite 770
Reno, NV 89501-1965

T 775.786.1520
F 775.786.7091
www.GrantThornton.com

Report of Independent Certified Public Accountants

Trustees
Thorpe Insulation Settlement Trust

We have audited the accompanying financial statements of Thorpe Insulation Settlement Trust ("the Trust"), organized in the State of Nevada, which comprise the statements of net claimants' equity as of December 31, 2012 and 2011, and the related statements 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.

Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Thorpe Insulation Settlement Trust as of December 31, 2012 and 2011, 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 Expense for the years ended December 31, 2012 and 2011 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 Central District of California, Los Angeles 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, 2013

Thorpe Insulation Asbestos Trust Annual Reports, 2012 financial statements Published by AsbestosClaims.Law
ACL Doc 14486 · Page 5 of 23 asbestosclaims.law/library/14486/5

Thorpe Insulation Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2012	2011
ASSETS		
Cash and cash equivalents and investments available-for-sale		
Restricted	$ 5,000,000	$ 5,000,000
Unrestricted	134,353,197	142,059,732
Total cash and cash equivalents and investments	139,353,197	147,059,732
Accrued interest and dividend receivables	727,108	13,971
Deferred tax asset	11,002,000	10,038,000
Total assets	$ 151,082,305	$ 157,111,703
LIABILITIES		
Accrued expenses	$ 935,185	$ 916,710
Claim processing deposits	465,250	234,000
Unpaid claims (Note D)		
Outstanding offers	4,636,633	3,455,127
Facility and staff sharing agreement payable	348,000	420,000
Total liabilities	$ 6,385,068	$ 5,025,837
NET CLAIMANTS' EQUITY	$ 144,697,237	$ 152,085,866

The accompanying notes are an integral part of these statements.

Thorpe Insulation Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

For the years ended December 31,

	2012	2011
Net claimants' equity, beginning of year	$ 152,085,866	$ 84,998,600
Additions to net claimants' equity		
Initial funding	4,500,000	83,000,000
Investment income	1,739,384	-
Provision for income taxes, deferred	964,000	1,292,000
Net decrease in facilities and staff sharing agreement	72,000	-
Net realized/unrealized gains on available-for sale securities	4,902,521	-
Total additions	12,177,905	84,292,000
Deductions from net claimants' equity		
Operating expenses	4,924,672	4,003,183
Court ordered bankruptcy fees	-	383,756
Claims settled	13,460,356	10,744,411
Investment fees	-	2,220
Net increase in outstanding claim offers	1,181,506	2,023,164
Net increase in facility and staff sharing agreement	-	48,000
Total deductions	19,566,534	17,204,734
Net claimants' equity, end of year	$ 144,697,237	$ 152,085,866

The accompanying notes are an integral part of these statements.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14486/7

Thorpe Insulation Settlement Trust

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2012	2011
Cash inflows:		
Initial funding	$ 4,500,000	$ 83,000,000
Investment income receipts	1,026,247	-
Increase in claim processing deposits	231,250	52,750
Net realized gains on available-for-sale securities	32,551	-
Total cash inflows	5,790,048	83,052,750
Cash outflows:		
Claim payments made	13,460,356	12,071,356
Investment fees	-	3,513
Disbursements for Trust operating expenses	4,822,947	15,101,839
Disbursements for Court ordered bankruptcy fees	83,250	1,514,274
Total cash outflows	18,366,553	28,690,982
Net cash outflows	(12,576,505)	54,361,768
Non-cash changes:		
Net unrealized gains on available-for-sale securities	4,869,970	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,706,535)	54,361,768
Cash, cash equivalents, and investments available-for-sale, beginning of year	147,059,732	92,697,964
Cash, cash equivalents, and investments available-for-sale, end of year	$ 139,353,197	$ 147,059,732

The accompanying notes are an integral part of these statements.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

The Thorpe Insulation 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 Pacific Insulation Company and Thorpe Insulation Company (collectively the "Debtors") Fifth Amended Joint Plan of Reorganization, dated December 17, 2009. The Trust was formed to assume the Debtors' liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, for which the Debtors have 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 Debtors. The Trust became effective on October 22, 2010.

The Trust was initially funded with cash, notes 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 processes and pays all asbestos-related claims in accordance with the Thorpe Insulation 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 Thorpe Insulation Company, Pacific Insulation Company, Farwest Insulation Contracting and their 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.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. **Special-Purpose Accounting Methods** - Continued

- The liability for unpaid claims reflected in the statement of net claimants' equity represents settled but unpaid claims and outstanding offers. A claims liability is recorded once an offer is made to the claimant at the amount equal to the expected pro rata payment. No liability is 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.
- All interest income is recorded net of investment expenses on the statement of changes in net claimants' equity.
- Available-for-sale securities are recorded at fair value. All interest and dividend income on available-for-sale securities, net of investment expenses, 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 are recorded as separate components on the statements of changes in net claimants' equity
- Realized gains/losses on available-for-sale securities are recorded based on the security's amortized cost. At the time a security is sold, all previously recorded unrealized gains/losses are 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. **Investments**

Fair value measurements are determined through the use of an independent, nationally recognized pricing service. For securities that have quoted prices in active markets, market quotations are provided. For securities that do not trade on a daily basis, the pricing service provides fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. The Trust reviews on an ongoing basis the reasonableness of the methodologies used by the pricing service, as well as determines the aggregate portfolio price performance and reviews it against applicable indices.

5. **Deposits**

Claims processing deposits represent filing fees collected for each unliquidated claim, which fees are refunded by the Trust if the claim is paid.

Thorpe Insulation Asbestos Trust Annual Reports, 2012 financial statements Published by AsbestosClaims.Law
ACL Doc 14486 · Page 10 of 23 **asbestosclaims.law/library/14486/10**

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. **Use of Estimates**

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

7. **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.

The Trust utilizes risk controls to meet investment objectives authorized by its Trustees. Such risk controls include the use of outside investment advisors meeting predetermined criteria, and third-party quantitative and qualitative risk measurement evaluation tools. The Trust believes its risk control practices are appropriate to meet investment objectives.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

8. **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, 2012, 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.

Thorpe Insulation Asbestos Trust Annual Reports, 2012 financial statements Published by AsbestosClaims.Law
ACL Doc 14486 · Page 11 of 23 **asbestosclaims.law/library/14486/11**

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Trust has classified its investments as available-for-sale, and recorded the securities at estimated fair value, as follows:

	December 31, 2012	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 94,431	$ 94,431
U.S. Government obligations	2,270,323	2,270,707
Municipal bonds	139,249	138,360
Mortgage backed securities	79,183	79,656
Corporate and other debt	2,429,483	2,416,846
	$ 5,012,669	$ 5,000,000
Unrestricted		
Cash demand deposits	$ 732,606	$ 732,606
Cash equivalents	17,942,286	17,942,286
Equity securities	46,420,660	50,912,336
U.S. Government obligations	10,307,038	10,319,952
Municipal bonds	43,136,147	43,524,190
Mortgage backed securities	296,897	298,696
Corporate and other debt	10,634,925	10,623,131
	$129,470,559	$134,353,197

	December 31, 2011	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 5,000,000	$ 5,000,000
Unrestricted		
Cash demand deposits	$ 519,342	$ 519,342
Cash equivalents	141,540,390	141,540,390
Equity securities	-	-
U.S. Government obligations	-	-
Municipal bonds	-	-
Mortgage backed securities	-	-
Corporate and other debt	-	-
	$142,059,732	$142,059,732

Thorpe Insulation Asbestos Trust Annual Reports, 2012 financial statements Published by AsbestosClaims.Law
ACL Doc 14486 · Page 12 of 23 **asbestosclaims.law/library/14486/12**

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust accounts for investments according to a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Trust's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 - Valuations based on models where significant inputs are not observable, and for which the determination of fair value requires significant management judgment or estimation.

Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Trust accounts, were as follows at:

	December 31, 2012		
	Level 1	Level 2	Level 3
Assets			
Cash demand deposits	$ 732,606	$ -	$ -
Cash equivalents	18,036,717	-	-
Equity securities	50,912,336	-	-
U.S. Government obligations	1,732,597	10,858,062	-
Municipal bonds	-	43,662,550	-
Asset-backed securities	-	378,352	-
Corporate debt	13,039,977	-	-
	$84,454,233	$54,898,964	$ -0-

	December 31, 2011		
	Level 1	Level 2	Level 3
Assets			
Cash demand deposits	$ 519,342	$ -	$ -
Cash equivalents	146,540,390	-	-
Equity securities	-	-	-
U.S. Government obligations	-	-	-
Municipal bonds	-	-	-
Asset-backed securities	-	-	-
Corporate debt	-	-	-
	$147,059,732	$ -0-	$ -0-

The Trust's policy is to recognize transfers in and out of levels within the fair value hierarchy at the actual date the event or change in circumstance caused the transfer. Between the measurement dates of December 31, 2011 and December 31, 2012, no securities were transferred between Level 1 and Level 2.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The maturities of the Trust's available-for-sale securities at market value (excluding cash equivalents) are as follows as of December 31, 2012:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. Government obligations	$ 150,864	$ 4,201,235	$ 2,257,546	$ 5,981,014
Municipal bonds	-	21,663,480	16,446,407	5,552,663
Mortgage backed securities	-	140,102	238,250	-
Corporate and other debt	1,990,138	4,336,533	6,365,485	347,821
	$2,141,002	$30,341,350	$25,307,688	$11,881,498

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, include:

Acquisition of computer equipment	$11,241
Acquisition of computer software	44,629
	$55,870

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, 2012 and 2011 was $1,382 and $54,488, respectively. Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately $17,270 and $16,818 for the years ended December 31, 2012 and 2011, respectively.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE D - CLAIM LIABILITIES

Pursuant to the Trust Documents, the Trust distinguishes between claims that were liquidated prior to the establishment of the Trust (Pre-Petition Liquidated Claims) and claims processed after the creation of the Trust (Trust Claims). The Pre-Petition Liquidated Claims are grouped into two categories: settlement and judgment claims.

The cases underlying the Pre-Petition Liquidated Claims were stayed by the court until the Plan became effective. The Trust reviewed, processed and paid each Pre-Petition Liquidated Claim at the approved Funds Received Ratio. The Pre-Petition Liquidated Claims were paid in trust to the representative law firms for disbursement to the claimants upon the Trust's receipt and approval of a properly executed release.

For all Trust claims, a liability for unpaid claims is recorded at the time the offer is extended. Funds are mailed after the approved release is signed, received, and approved by the Trust. Unpaid claims liabilities remain on the Trust's books until the offer is accepted, rejected, withdrawn or expires after six months. Offers may be extended an additional six months upon written request and good cause. As of the years ended December 31, 2012 and 2011, there were no expired offers.

All claimants are entitled to the full liquidated value of their claim. Under the TDP, claimants receive an initial pro rata payment equal to the approved Funds Received Ratio of the claim's liquidated value. The remaining obligation for the unpaid portion of the liquidated amount is not recorded and is not a liability of the Trust, unless the Funds Received Ratio is increased. In that instance, the Trust would be obligated to retroactively pay the increased percentage to all previously paid claimants (see Note G).

In the interest of treating all claimants equitably in accordance with the Plan and pursuant to the TDP, all payments made during each calendar year ended December 31, 2010 through December 31, 2012 and future years shall include a Cost of Living Adjustment for inflation based upon the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W). Claims liabilities at year end are adjusted for any approved Inflation Adjustments. Inflation Adjustments are cumulative. Cumulative Inflation Adjustments of 6.74% and 4.95% are included in outstanding claims liabilities as of December 31, 2012 and 2011, respectively.

The Trust processed and approved approximately $14,641,661 and $12,766,926 of Trust Claims during the years ended December 31, 2012 and 2011, respectively.

NOTE E - LEGAL FEES - COVERAGE LITIGATION

For the year ended December 31, 2012 and the period from inception (October 22, 2010) through December 31, 2011, the Trust incurred a total of $-0- and $840,275, respectively, of contingent and hourly fees for coverage litigation. Of this amount, $400,687 and $165,275 were paid, and $337,500 and $675,000 are represented in accrued expenses on the accompanying Statement of Net Claimants' Equity.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE F - 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 and claims processing. The agreement automatically renews 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, 2012, the equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Western Trust. The reconciliation is performed and recorded in the period subsequent to the reconciliation period. The reconciliation performed for the year ended December 31, 2012 resulted in an additional payment to the Western Trust of approximately $50,000. The reconciliation performed for the fourteen months ended December 31, 2011 resulted in an additional payment to the Western Trust of approximately $21,000. The next reconciliation period will be the twelve-month period ending December 31, 2013. Any excess of cost over payments or payments over cost is required to be repaid by the benefited party with interest. The future payments under this agreement have been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE G - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan confirmed by the United States Bankruptcy Court for the Central District of California, Los Angeles 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, set the Initial Funds Received Ratio at 17.5%, based upon the analysis and advice of the Trust's expert economist. The TDP requires the Trustees, with the consent of the TAC and the Futures Representative, to periodically review the Funds Received Ratio and, if appropriate, propose additional changes in the pro rata Funds Received Ratio based on updated assumptions regarding the Trust's future assets and liabilities.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE H - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

To avoid the high costs of director and officer liability insurance, and pursuant to the Trust Agreement, the Trust has elected to be self-insured and has established a segregated security fund of $5,000,000. These funds are devoted exclusively to securing the obligations of the Trust to indemnify the current Trustees and officers, employees, agents and representatives of the Trust. The funds are held in a separate Trust bank account; and interest income accrues to the benefit of the Trust. As of December 31, 2012 and 2011, cash, cash equivalents and investments of $5,000,000 were restricted for these purposes.

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 35% for the years ending December 31, 2012 and 2011 and 39.6% for subsequent periods, which caused the deferred tax asset discussed below to increase by $1,277,000.

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 $11 million reflecting the benefit of approximately $33 million in loss carryforwards, which expire in varying amounts between 2030 and 2032. 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 taxable income during the carryforward period are reduced.

The provision for income taxes consists of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Federal income tax -- current	$ -	$ -
Deferred income tax benefit	964,000	1,292,000
	$964,000	$1,292,000

The components of the deferred income tax asset, as presented in the statements of net claimants' equity consisted of the following at December 31, 2012 and 2011:

	2012	2011
Deferred tax asset		
Depreciation and amortization	$ 41,000	$ 44,000
Facility-sharing obligation	-	-
Unrealized appreciation	(1,928,000)	-
Loss carryforward	12,887,000	9,991,000
Other	2,000	3,000
	$11,002,000	$10,038,000

Thorpe Insulation Asbestos Trust Annual Reports, 2012 financial statements Published by AsbestosClaims.Law
ACL Doc 14486 · Page 17 of 23 asbestosclaims.law/library/14486/17

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012 and 2011

NOTE J - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 15, 2013, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure, except that discussed below.

In 2010 several non-settling insurers ("Appellants") appealed the confirmation order from which the Trust was created, to the United States Court of Appeals for the Ninth Circuit ("Ninth Circuit"). In 2012, the Ninth Circuit issued an opinion which upheld several significant matters on appeal and reversed and remanded the plan confirmation in order to allow the Appellants to be fully and fairly heard on issues related to insurance neutrality. The Trust received an order from the Bankruptcy Court which stated that it could continue the operation of the Trust in the ordinary course of business pending written instructions. On March 13, 2013, the Bankruptcy Court issued a scheduling order for the confirmation of the sixth amended joint plan of reorganization after receiving oral approval for the settlements from the remaining non-settling insurers. The confirmation hearing will be held on May 1, 2013. The Trust is certain that the outcome of the hearing will not impact its ability to continue operating.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14486/18

SUPPLEMENTAL INFORMATION

Thorpe Insulation Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2012	2011
Accounting	$ 33,837	$ 39,609
Claims processing/claims system development	60,294	117,744
Computer equipment	1,382	174
Futures representative	567,751	366,704
Information technology support	12,311	11,632
Legal fees	3,249,421	1,863,831
Legal fees - Court ordered	-	840,275
Trust Advisory Committee	142,275	153,270
Trust facility and staff sharing expense	440,610	372,000
Trustee fees	416,791	236,966
Trustees professional	-	978
	$ 4,924,672	$ 4,003,183

Published by AsbestosClaims.Law
asbestosclaims.law/library/14486/20

EXHIBIT B

EXHIBIT "B"

Thorpe Insulation Settlement Trust
Claim Report
As of December 31, 2012

This report is submitted pursuant to Section 2.2 (c)(ii) of the Sixth Amendment to and Complete Restatement of Thorpe Insulation Company 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"). This report summarizes the Trust's processing of claims liquidated by settlement agreement or judgment on or before October 15, 2007, the Petition Date, ("Pre-Petition Liquidated Claims") and unliquidated Trust Claims.

Pre-Petition Liquidated Claims

On October 27, 2010 and November 17, 2010, the Trust implemented procedures to pay the Pre-Petition Liquidated Claims in accordance with the Plan, the Confirmation Order and Section 5.4 of the Trust Distribution Procedures. The Trust was authorized to approve for payment all settlements and judgments listed on the Schedule F filed in the bankruptcy case, as well as settlements and judgments which the Trust was able to verify as unpaid.

By the end of January 2011, the Trust reviewed, processed and paid all 326 Pre-Petition Liquidated Claims in the total amount of $9,822,489.50, which amount was paid in trust to the representative law firms for disbursement to the claimants upon the Trust's receipt and approval of a properly executed release. All Pre-Petition Liquidated Claims were paid at the approved Funds Received Ratio of 17.5% and the Pre-Petition Liquidated Claims that were paid in 2011, included 1.7% to account for inflation based upon the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W").

Unliquidated Trust Claims

Unliquidated Trust Claims reviewed by the Trust from January 1, 2012, through December 31, 2012, in accordance with the Second Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Case Valuation Matrix ("Matrix") and Third Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP") are as set forth below.

The value of each compensable disease is determined by the Matrix and TDP. Claim compensation is adjusted for individual claimants based upon jurisdiction and tort related individual characteristics including, but not limited to: age, marital status, dependents, medical specials, economic loss, and whether living at the time of commencement of litigation or filing the claim with the Trust. Each valid claim is awarded a total liquidated value. All unliquidated Trust Claims were paid at the

approved Funds Received Ratio of 17.5%. Payments made on Trust Claims in 2012 included an additional 4.95% to account for inflation based upon the CPI-W.

During the Accounting Period, 1,397 unliquidated Trust Claims were received, 404 unliquidated Trust Claims were paid, and 525 unliquidated Trust Claims received offers.

Below is a summary of the number and type of claims disposed of (paid) in 2012.

Compensable Disease	Number of Claims
Grade II Non-Malignant	92
Grade I Non-Malignant	43
Grade I Non-Malignant Enhanced Asbestosis	16
Grade I Non-Malignant Serious Asbestosis	13
Colo-Rectal	8
Esophageal	4
Kidney	3
Laryngeal	2
Non-Hodgkin's Lymphoma	0
Other Cancer	1
Lung Cancer	79
Mesothelioma	143
Total	404