UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
GREENBELT DIVISION

IN RE:	)	Chapter 11
	)	
THE WALLACE & GALE COMPANY.	)	Case No. 85-40092 (WIL)
	)	
Debtor.	)	

ANNUAL REPORT AND ACCOUNT OF THE TRUSTEE OF THE WALLACE & GALE ASBESTOS SETTLEMENT TRUST FOR THE PERIOD ENDING DECEMBER 31, 2016

I. INTRODUCTION

The purpose of this Annual Report and Account is to fulfill the reporting requirements of the Asbestos Settlement Trust Agreement, (the "**Trust Agreement**") and to report to the Court the actions taken on behalf of the Trust by its Trustee during the fiscal year ended December 31, 2016 ("**Reporting Period**").

The annual reporting requirements are set forth in Article 3.02(e) of the Amended Trust Agreement. The Trust's annual report must provide (1) annual financial statements; (2) relevant information regarding claims disposition; (3) the amount of investment income earned by the Trust; and (4) the amount of expenses incurred by the Trust.

II. BACKGROUND

On November 16, 1982, The Wallace & Gale Company filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On April 17, 2001, this Court entered an order confirming the Fourth Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("**Plan of Reorganization**"). This plan of reorganization was propounded by the debtor and its insurers. Pursuant to the Plan, the Asbestos Settlement Trust (the "**Trust**") assumed Wallace & Gale's liabilities resulting from all asbestos-related disease

claims, present and future. In December 2003, the Plan of Reorganization became effective when the original trustee signed the Trust Agreement.

As set forth in the Amended Trust Agreement, the purpose of the Trust is to assume the liabilities of the debtor and to use its assets and income to liquidate, resolve, and pay Asbestos BI claims (as that term is defined in the Plan of Reorganization) against The Wallace & Gale Company.

III. SETTLEMENT OF TRUSTEE'S ACCOUNT

Section 5.10 provides for the settlement of the Trustee's account:

> Notwithstanding any state law to the contrary, the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the Trustee, whether such accounts are rendered by the Trustee or are sought by any other person Upon request, the Trustee shall render successive accounts covering periods ending at the end of each calendar year consisting of the filings set forth in Section 3.02(e) of this Trust Agreement. In addition, an account shall be rendered for the period ending on the date of the death, resignation, removal or retirement of any trustee. Upon the approval of any such periodic account by the Bankruptcy Court after hearing on notice to such parties as the Bankruptcy Court may designate, and subject to the terms of the order of the Bankruptcy Court granting such approval, the Trustee shall be discharged from any further liability or responsibility as to all matters disclosed in such periodic account and an action against the Trustee for breach of trust arising out of any matter disclosed in such periodic account shall be barred.

IV. TRUST PERSONNEL

A. Trustee

The Trustee during the Reporting Period was James J. McMonagle of Cleveland, Ohio. The Trustee maintains an office for the Trust in Cleveland, Ohio.

B. Trustees' Advisory Committee

Article 6 of the Amended Trust Agreement provides for the creation of a Trustees' Advisory Committee ("**TAC**"). The TAC was appointed in 2008 and currently consists of Armand Volta and Harry Lee.

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C. Legal Representative

As previously reported, Judge Carol Smith is the successor Legal Representative, and she has continued to serve in that role in 2016.

V. SUMMARY OF CLAIMS DISPOSED

Pursuant to the Plan Implementation Agreement and the Amended Claims Resolution Procedures, the Trust has been tendering lawsuits filed against it to its insurers for handling and defense. As of December 31, 2016, the Trust has been named as a Defendant in 34,042 cases pending against it. Of this total, there were 556 new claims filed in 2016. Of those pending cases, on average 400 to 500 cases are on the active trial docket during a year. During the Reporting Period, the Trust settled or otherwise disposed of 384 cases. Through the end of 2016, the Trust has resolved 1,972 claims, resulting in total payments to date of $57,516,735.

VI. FINANCIAL INFORMATION

A. Financial Statements

Pursuant to Article 3.02(d)(i) of the Trust Agreement, the trustee is required to submit audited financial statements that include a statement of operations for the fiscal year. In the Court's May 23, 2005 Order Regarding Annual Reports and Accounts of the Trustee of the Wallace & Gale Asbestos Settlement Trust [Docket No. 935] ("**Procedures Order**"), the Court provided that audited financial statements would not be required unless the Trustee determines that the cost of preparing the audited financials is warranted given the financial status of the Trust.

The Trustee has exercised his discretion and determined that audited financial statements were not warranted for this year. The unaudited financial statements are attached as Exhibit A. The Trustee will continue to exercise his discretion in future years concerning whether audited financial statements are warranted.

B. Investment Income

Pursuant to Article 3.02(d) of the Amended Trust Agreement, the Trustee is required to report on the amount of investment income earned by the Trust. As set forth in the financial statements, the Trust earned $95.30 in investment income in 2016.

C. Expenses

Pursuant to Article 3.02(d) of the Amended Trust Agreement, the trustee is required to report on the amount of expenses incurred by the Trust. During the Reporting Period the Trust's operating expenses totaled $ 450,577.89.

VII. EVENTS DURING REPORTING PERIOD

Prior annual reports have described the challenges faced by the Trust.

As referenced above, claims and suits continue to be submitted to the Trust's insurers and, pursuant to the Plan Implementation Agreement ("**PIA**"), the insurers are defending those claims and, when appropriate, settling them.

Payments of settlements entered by the insurers and any judgments rendered against the Trust are still subject to the payment percentage. Moreover, the actual coverage available to the Trust for those settlements and judgments is dependent upon the individual claimants' exposures to operations of The Wallace & Gale Company.

The process of determining these exposures and allowing objections is provided by the PIA. This process sometimes leads to objections and disputes among the claimants, the insurers and the trust over the amount of coverage triggered by the cases. The parties continue to work to reach a resolution of these issues. Some situations have been resolved by global resolutions that apply to multiple cases. The parties also have explored the possibility of broader global resolutions, but no agreements have been reached. The Trust remains concerned about the

financial burden that individually resolving multiple individual case exposures places on the Trust's limited financial resources.

Submitted By:
James J. McMonagle
Trustee, The Wallace & Gale Asbestos Settlement Trust
DATE: April 27, 2017

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Exhibit A

Wallace and Gale Asbestos Settlement Trust
Statement of Cash Flows

	Year Ended December 31 2016	Year Ended December 31 2015
Life Insurance Death Benefits[1]	$ -	$ 41,448.02
Change in surrender value of life insurance policies[1]	$ -	$ (15,272.74)
Annual Expense Reimbursement from Insurers[2]	$ 392,400.00	$ 411,520.00
Interest income	$ 95.30	$ 130.97
Operating expenses paid	$ (450,577.89)	$ (371,230.23)
Net increase (decrease) in cash and cash equivalents	$ (58,082.59)	$ 66,596.02
Cash and cash equivalents at beginning of year	$ 185,693.15	$ 119,097.13
Cash and cash equivalents at end of period	$ 127,610.56	$ 185,693.15

[1]The Death Benefits on all insurance policies were paid in 2015.
[2]The 2015 Annual Expense Reimbursement from Insurers includes $11,520 due in 2014 paid in 2015
[2]As of 12-31-16 Granite State's $7,600 portion of the 2016 Annual Expense Reimbursement has not been received

Wallace and Gale Asbestos Settlement Trust
Statement of Assets and Liabilities

	Year Ended December 31 2016	Year Ended December 31 2015
Assets:		
Cash	$ 127,610.56	$ 185,693.15
Stock[1]	$ -	$ -
	$ 127,610.56	$ 185,693.15
Liabilities:		
Accrued Operating Liability	$ 52,786.50	$ 52,786.50
Net Assets	$ 74,824.06	$ 132,906.65

[1]1,000 shares common stock of WG Liquidating, Inc.

Wallace and Gale Asbestos Settlement Trust
Statement of Operating Expenses

Operating Expenses Paid

	Year Ended December 31 2016	Year Ended December 31 2015
Legal Fees and Expenses	$ 295,197.28	$ 216,448.42
Actuarial Fees and Expenses	$ -	$ -
Audit & Accounting Fees and Expenses	$ 36,671.61	$ 34,984.93
Trustee Fees and Expenses	$ 83,709.00	$ 84,453.00
Trustee Insurance	$ 35,000.00	$ 35,000.00
Miscellaneous Expense	$ -	$ 343.88
Total Paid Expenses	$ 450,577.89	$ 371,230.23

Accrued Operating Liability

	Year Ended December 31 2016	Year Ended December 31 2015
Legal Fees and Expenses*	$ 52,786.50	$ 52,786.50
Actuarial Fees and Expenses	$ -	$ -
Audit & Accounting Fees and Expenses	$ -	$ -
Trustee Fees and Expenses	$ -	$ -
Trustee Insurance	$ -	$ -
Miscellaneous Expense	$ -	$ -
Total Accrued Operating Liability	$ 52,786.50	$ 52,786.50

Total Operating Expenses

	Year Ended December 31 2016	Year Ended December 31 2015
Legal Fees and Expenses	$ 295,197.28	$ 216,448.42
Actuarial Fees and Expenses	$ -	$ -
Audit & Accounting Fees and Expenses	$ 36,671.61	$ 34,984.93
Trustee Fees and Expenses	$ 83,709.00	$ 84,453.00
Trustee Insurance	$ 35,000.00	$ 35,000.00
Miscellaneous Expense	$ -	$ 343.88
Total Operating Expenses	$ 450,577.89	$ 371,230.23

*Accrued Legal Fees and Expenses includes Unbilled and Not Yet Due Invoice 861653A in the amount of $52,786.50 dated March 14, 2008