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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re:	Case No. 13-31914-HLB
WESTERN ASBESTOS COMPANY,	Chapter 11
Debtor.	**FOURTEENTH ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT**
	Date: June 12, 2018 Time: 10:00 a.m. Place: Courtroom 19 450 Golden Gate Ave, 16th Floor San Francisco, CA 94102

The Trustees of the Western Asbestos Settlement Trust by and through their counsel, Eve H. Karasik of Levene, Neale, Bender, Yoo & Brill, hereby file the Fourteenth Annual Report and Accounting, Audited Financial Statements, and Claim Report.

Respectfully submitted this 25th day of April, 2018.

By: __//s// *Eve H. Karasik* _____
EVE H. KARASIK
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FOURTEENTH ANNUAL REPORT AND ACCOUNTING OF WESTERN ASBESTOS SETTLEMENT TRUST

The Trustees of the Western Asbestos Settlement Trust ("Trust") hereby submit this Fourteenth Annual Report and Accounting ("Annual Report") covering Trust activities occurring from January 1, 2017 to and including December 31, 2017 ("Accounting Period"), and certain activities of the Trust 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 (the "San Francisco Court"), *In Re Western Asbestos Company*, Case No. 13-31914-HLB, in accordance with the *Second Amended Joint Plan of Reorganization* [Docket No. 1002] ("Plan"); the January 27, 2004 *Order Confirming Second Amended Joint Plan of Reorganization and Granting Related Relief* [Docket No. 1205] ("Confirmation Order"); and the Trust Agreement, 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 7.11 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 Western Asbestos Settlement Trust's Fourteenth Annual Report and Accounting, the Audited Financial Statements, and the Claim Report, as described in paragraphs 7, 8, and 9, *infra*. Capitalized terms not defined herein are as defined in the Glossary of Terms for the Plan Documents. The Honorable Leslie Tchaikovsky of the United States Bankruptcy Court for the Northern District of California, Oakland Division (the "Oakland Court") approved each Annual Report beginning in 2005 until the Western Asbestos bankruptcy case was transferred to the Honorable Roger Efremsky of the Oakland Court. Judge Efremsky approved the 2010, 2011 and

[1] The Appendix [Docket Nos. 1841-2 through 1841-7; 1847] includes the Plan; Confirmation Order; Twelfth Amendment to and Complete Restatement of Western Asbestos Settlement Trust Agreement ("Trust Agreement"); Third Amendment to and Complete Restatement of Western Asbestos Settlement Trust Bylaws ("Trust Bylaws"); Second Amendment to and Complete Restatement of Western Asbestos Settlement Trust Case Valuation Matrix ("Matrix"); Second Amendment to and Complete Restatement of the Western Asbestos Company/Western Mac Arthur Co./Mac Arthur Co. Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP"); other controlling documents approved by the Court; and other documents as indicated.

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2012 Annual Reports. In 2013, the Western Asbestos bankruptcy case was transferred to the Honorable Thomas E. Carlson who approved the 2013, 2014 and 2015 Annual Reports. The 2016 Annual Report was approved by the Honorable Hannah L. Blumenstiel.

1. Case Assignment: This matter, originally filed as a Chapter 11 bankruptcy case, was assigned for all purposes to United States Bankruptcy Judge Leslie Tchaikovsky of the Oakland Court. On September 1, 2010, the case was transferred to United States Bankruptcy Judge Roger Efremsky. On August 5, 2013, Judge Efremsky recused himself from the case [Docket No. 1782]. Thereafter, the case was assigned to United States Bankruptcy Judge William J. Lafferty, III, of the Oakland Court, who recused himself from the matter on August 16, 2013. The case and any adversary proceedings then were transferred to Chief United States Judge Alan Jaroslovsky for the Bankruptcy Court for the Northern District of California for further disposition [Docket No. 1784]. On August 21, 2013, the case and all adversary proceedings were transferred to United States Bankruptcy Judge Thomas E. Carlson of the San Francisco Court for all purposes [Docket No. 1786]. The original case number of 02-46284-WJL was changed to 13-31914-TC [Docket No. 1788]. On December 1, 2016, the case and all adversary proceedings were transferred to United States Bankruptcy Judge Hannah L. Blumenstiel. The case number of 13-31914-TC was changed to 13-31914-HLB [Docket No. 1853].

2. Effective Date: In compliance with Sections 4.1 and 7.2 of the Plan, and the Glossary of Terms for the Plan Documents, the Effective Date of the Trust is April 22, 2004.

3. Appointment of Trustees: In its February 2, 2004 Order Approving Futures Representative's Motion for Approval of Appointment of Trustees for the Western Asbestos Settlement Trust [Docket No. 1262], the Oakland Court approved the appointment of Sandra R. Hernandez, M.D., John F. Luikart and Stephen M. Snyder as Trustees of the Trust, who have acted in that capacity since that time. Elected in 2004 by the other two Trustees, Stephen M. Snyder has continued to serve as Managing Trustee since that time.

4. Appointment of Trust Advisory Committee ("TAC"): In the Confirmation Order, the Oakland Court approved the appointment of Alan Brayton, Jack Clapper, David M. McClain, Phil Harley, and Michael Sieben as the initial members of the TAC. Mr. Brayton has

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served as the Chair of TAC since the Effective Date of the Trust. Messrs. Clapper and McClain have continued to serve as members of the TAC since the Effective Date of the Trust. Jerry Neil Paul's appointment to replace Phil Harley as a member of the TAC was approved by the Oakland Court in June 2009. Michael S. Polk's appointment to replace Michael Sieben as a member of the TAC was approved by this Court in June 2015.

5. Appointment of Futures Representative: The Honorable Charles B. Renfrew, retired, was appointed as the Futures Representative in the Western Asbestos cases on November 25, 2002, and his continued appointment as the Futures Representative of the Trust was approved by the Oakland Court in the Confirmation Order. Judge Renfrew served as the Trust's Futures Representative from the Effective Date of the Trust until his death on December 14, 2017. On December 22, 2017 the Trustees retained a search professional to conduct a search for Judge Renfrew's successor. After conducting interviews with several candidates, the Trustees selected David F. Levi to succeed the late Honorable Charles B. Renfrew, retired. The Trust's Motion for Order Approving Trustees' Selection of David F. Levi to Serve as Futures Representative was filed on March 15, 2018. No objections were filed and on April 10, 2018, the Order Granting Western Asbestos Settlement Trust's Motion for Order Approving Trustees' Selection of David F. Levi to Serve as Futures Representative was entered.

6. 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. Therefore, the Trust's fiscal year is the calendar year. Except where otherwise stated, all reports attached to this Annual Report cover the Accounting Period. 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 the Trust's status as a Qualified Settlement Fund. The Trust has complied with its tax obligations on a quarterly basis. The 2016 federal tax return was filed by its extended due date of September 15, 2017 and the 2017 federal tax return will be filed by its extended due date of September 15, 2018. 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 each year,

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attaching a copy of the Trust's federal tax return, but showing no California taxable income or state tax liability.

7. 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 principals 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.

8. Financial Report: In accordance with the requirements of Section 2.2(c)(i) of the Trust Agreement, the Trust has caused its financial statements to be audited by Grant Thornton LLP, the independent certified public accountants retained by the Trust to perform the annual audit of its financial statements. 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 and on the other comprehensive basis of accounting adopted by the Trust. These Audited Financial Statements show, among other things, that as of December 31, 2017, total Trust assets were $578,582,223, total liabilities were $51,322,383, and Net Claimants' Equity was $527,259,840.

9. Claim Report: Section 2.2(c)(ii) of the Trust Agreement provides that along with the Audited Financial Statements, the Trust shall file with the court a report containing a summary regarding the number and type of claims disposed of during the period covered by the

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financial statements. The Western Asbestos Settlement Trust Claim Report As Of December 31, 2017 ("Claim Report"), is attached hereto as Exhibit "B". During the Accounting Period, the Trust received 537 claims, paid 344 claims, and made settlement offers on 388 claims. Since the Trust received its first Trust Claim[2] on August 27, 2004, the Trust has received 13,689 Trust Claims, paid 9,875 Trust Claims, and 3,502 Trust Claims have been withdrawn or rejected.[3]

Section 5.4 of the TDP provides that the Trust shall pay Pre-Petition Default, Settlement, and Matrix Claims (hereafter "Pre-Petition Liquidated Claims")[4] "[as] soon as practicable after the Effective Date." The vast majority of these claims were paid in 2004, and by December 2005, the Trust had paid 99% of all Pre-Petition Liquidated Claims. During the Accounting Period, no unpaid Pre-Petition Liquidated Claims were paid. The Trust has not yet received proper release documents for fourteen (14) remaining unpaid Pre-Petition Liquidated Claims in the total amount of $173,320.

10. Public Inspection: In compliance with Section 2.2(c) of the Trust Agreement, the Annual Report, including the Audited Financial Statements and Claim Report, has been sent to the Futures Representative, the TAC, the Debtors, and the Office of the United States Trustee with responsibility for the Northern District of California, and has been filed with the United States Bankruptcy Court for the Northern District of California. Accordingly, the Annual Report and attached and related documents have been made available for inspection by the public in accordance with procedures previously established.

11. Trustees' Meetings: Article II, Section 4 of the Trust Bylaws provides that the Trustees shall meet in Nevada, or a state other than California, at least four times per year, as close as practicable on a quarterly basis. The Trustees held five (5) meetings during the Accounting Period (March 16-17, 2017, April 20, 2017, September 22, 2017, October 17, 2017, and December

[2] "Trust Claims" are any claims submitted to the Trust after the Effective Date.

[3] "Withdrawn or Rejected Claims" include claims which are not qualified and/or claims with deficiencies that have not been cured beyond a certain time period, and/or claims that have remained on hold beyond a certain time period.

[4] See the Oakland Court's February 3, 2004 *Memorandum of Decision after Confirmation Hearing* [Docket No. 1265] included in the Appendix.

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6, 2017). The April, September, October and December meetings were held in Nevada, and the March meeting was held in Arizona.

12. Arbitrations: During the Accounting Period, no arbitrations were held pursuant to Section 5.9 of the Trust Distribution Procedures. However, one pro bono evaluation was held during the Accounting Period resulting in a settlement of the dispute regarding the value of the claim filed with the Trust.

13. Payment Percentage: Section 4.2 of the TDP provides that, commencing on the first day of January, after the Plan has been confirmed and no less frequently than once every three years thereafter, the Trustees shall reconsider the Payment Percentage to assure that it is based on accurate current information and may, after such reconsideration, change the Payment Percentage if necessary with the consent of the TAC and the Futures Representative. In its April 14, 2004, "Order Under Fed.R.Bankr.P. 9019 Approving Compromises with Settling Insurers," the Oakland Court approved a Payment Percentage to the Trust's claimants of 31.5%. The Payment Percentage was increased to 34.2% effective January 1, 2006, to 40% on July 24, 2007, and to 44% on February 18, 2010. The Payment Percentage was reviewed on February 7, 2013 and remained at 44%. As initially described in the Trust's Eleventh Annual Report, the Payment Percentage was reviewed on September 23, 2014 and increased to 48%. In September 2017, a preliminary review of the Payment Percentage was conducted. Further analysis was presented at the April 2018 meeting. The Payment Percentage remains at 48%, although review is continuing and the issue will be revisited at a future meeting.

14. Maximum Annual Payment: Section 2.4 of the TDP requires that the Trust calculate an annual payment limit for claims based upon a model of the amount of cash flow anticipated to be necessary over the entire life of the Trust (the "Maximum Annual Payment") to ensure that funds will be available to treat all present and future claimants as similarly as possible. At the February 22, 2018 meeting, the Maximum Annual Payment for 2018 was set at $42,500,000, plus the amount of excess funds carried over as of December 31, 2017, which Section 2.5 of the TDP requires to be rolled over and remain dedicated to the Disease Category in the Jurisdiction (as such terms are defined in the TDP) to which they were originally allocated.

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15. Inflation Adjustment: The original Payment Percentage approved by the Oakland Court was based upon projections of future claims payments adjusted annually for inflation. Beginning in 2006, all claims payments made during a calendar year include a cost of living adjustment 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. At the December 6, 2017 meeting, the CPI-W to be published in January 2018 was approved for use by the Trust in making the 2018 cost of living adjustment for claims payments. The CPI-W of 2.20% was issued on January 12, 2018 and all inflation adjustments are cumulative. Consequently, all claims payments made during the 2018 calendar year will have a cumulative inflation rate of 29.47% added to the payment amount.

16. Budget and Cash Flow Projections: Section 2.2(d) of the Trust Agreement requires the Trustees to cause to be prepared 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 2018 budget and the required four-year budget and cash flow projections on December 6, 2017. Pursuant to the Trust Agreement, these were provided to the Futures Representative and TAC. The budget for operating expenses in 2018 totals $2,669,000.[5]

17. J.T. Thorpe Settlement Trust, Thorpe Insulation Company Asbestos Settlement Trust, and Plant Insulation Company Asbestos Settlement Trust Administration: As initially described in the Trust's Third Annual Report, the Trust and J.T. Thorpe Settlement Trust ("J.T. Thorpe Trust") entered into a Trust Facilities and Services Sharing Agreement. The J.T. Thorpe Trust agreed to pay a negotiated monthly amount. Such arrangement was approved by the Oakland Court in the order approving the Trust's Third Annual Report. As described in the Trust's Thirteenth Annual Report, pursuant to the annual reconciliation of fees presented on March 16, 2017, the Trust and the J.T. Thorpe Trust agreed that the advance payments would be $38,000 per month for 2017. Pursuant to the annual reconciliation of fees presented on February 22, 2018, the

[5] This figure is net of facilities sharing payments which are budgeted for $1,392,000, and excludes claimant payments budgeted for $42,500,000, extraordinary legal fees budgeted for $1,075,000, income tax payments budgeted for $10,000,000, and investment fees budgeted for $1,933,032.

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Trust and the J.T. Thorpe Trust agreed that the advance payments shall be $36,000 per month for 2018. The total amount paid to the Trust by the J.T. Thorpe Trust, after accounts were reconciled for 2017, was $428,839.

As initially described in the Trust's Seventh Annual Report, the Trust and Thorpe Insulation Company Asbestos Settlement Trust ("Thorpe Insulation Trust") entered into a Trust Facilities and Services Sharing Agreement. The Thorpe Insulation Trust agreed to pay a negotiated monthly amount. Such arrangement was approved by the Oakland Court in the order approving the Trust's Seventh Annual Report. As described in the Trust's Thirteenth Annual Report, pursuant to the annual reconciliation of fees presented on March 16, 2017, the Trust and the Thorpe Insulation Trust agreed that the advance payments would be $40,000 per month for 2017. Pursuant to the annual reconciliation of fees presented on February 22, 2018, the Trust and the Thorpe Insulation Trust agreed that the advance payments shall be $38,000 per month for 2018. The total amount paid to the Trust by the Thorpe Insulation Trust, after accounts were reconciled for 2017, was $450,500.

As initially described in the Trust's Tenth Annual Report, the Trust and Plant Insulation Company Asbestos Settlement Trust ("Plant Trust") entered into a Trust Facilities and Services Sharing Agreement. The Plant Trust agreed to pay a negotiated monthly amount. Such arrangement was approved by this Court in the order approving the Trust's Tenth Annual Report. As described in the Trust's Thirteenth Annual Report, pursuant to the annual reconciliation of fees presented on March 16, 2017, the Trust and the Plant Trust agreed that the advance payments would be $38,000 per month for 2017. Pursuant to the annual reconciliation of fees presented on February 22, 2018, the Trust and the Plant Trust agreed that the advance payments shall be $36,000 per month for 2018. The total amount paid to the Trust by the Plant Trust, after accounts were reconciled for 2017, was $428,839.

18. Operating Fund: The Operating Fund was established at Wells Fargo Bank, N.A. as described in all the Trust's Annual Reports. During the Accounting Period, transfers were made from the Settlement Fund to the Operating Fund to pay anticipated operating expenses of the Trust.

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19. Set Aside Funds: The Trust continues to maintain separate funds for the defense and indemnification of Ordway and Milwaukee, Van Packer, and ERC as required by the Trust Documents and/or settlement agreements. These accounts hold the legally required amounts in cash and securities for certain indemnification obligations. During the Accounting Period, no claims were made against and nothing was paid from any of these funds.

20. Indemnity Fund (Self-Insured Retention): Section 4.6 of the Trust Agreement provides that the Trust shall indemnify the Trustees, the Trust's officers and employees, the Futures Representative, the TAC and each of their respective agents. The Trustees, the Futures Representative, the TAC and their respective agents have a first priority lien upon the Trust's assets to secure the payment of any amounts payable to them pursuant to Section 4.6. In addition to the first priority lien on all the Trust's assets, in 2004, the Trust established an indemnity fund in the amount of $40,000,000, as described in all the Trust's Annual Reports. All interest earned by the fund is returned to the Trust quarterly. During the Accounting Period, no claims were made against and nothing was paid from this fund.

21. Special Budget Fund: A Special Budget Fund was approved in the Oakland Court's May 18, *2005 Order to Approve and Settle Western Asbestos Settlement Trust's Annual Report and Accounting, Audited Financial Statements, and Claim Report; and to Approve Resolution Regarding the FAIR Act* [Docket No. 1595]. There has been no change in this fund during the Accounting Period.

22. Settlement Fund Control Account and Control Agreements: Section 4.7 of the Trust Agreement grants to the Trustees, the Futures Representative and the TAC, a security interest in all of the assets of the Trust to secure the indemnification obligations of the Trust to such parties. The Trustees, the TAC, the Futures Representative and their agents have a security interest in the assets of the Trust. The Trust entered into five separate Control Agreements in 2005 as described in detail in the Trust's Second Annual Report. There has been no change in these Control Agreements during the Accounting Period.

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23. Legal Disputes:

a. *Home Insurance Company in Liquidation ("HICIL") and California Insurance Guarantee Association ("CIGA").* As initially described in the Trust's Seventh Annual Report, the Trust and the HICIL Liquidator reached a settlement that provided for an allowed claim in the liquidation proceedings in the amount of $242.5 million. Because of its insolvency, it is not expected that HICIL will be able to pay the entire allowed amount, but instead will pay a portion of the allowed amount over a period of several years. In June 2015 and August 2016, HICIL made interim distributions of 15% and 10%, respectively, of the Trust's allowed claim, which funds have been placed in an escrow account pending the outcome of the CIGA case described below. As described in the Trust's Thirteenth Annual Report, the Trust discovered that the HICIL Liquidator had reduced the distributions on its allowed claim to pay CIGA's defense costs in the action brought by the Trust. On January 27, 2016, the Trust filed an objection in the liquidation proceedings and a hearing was held on June 28, 2016. On September 23, 2016, the Judge issued an order that CIGA's defense costs shall not be paid from the Trust's allowed claim. On October 21, 2016, the HICIL Liquidator filed an appeal and the New Hampshire Supreme Court agreed to hear the appeal. The HICIL Liquidator's opening Brief was filed on January 18, 2017. The Trust's Opposition Brief was filed on February 17, 2017. The HICIL Liquidator filed its Reply Brief on March 8, 2017. CIGA filed a motion for leave to file an amicus brief on January 18, 2017, its motion was granted on February 3, 2017 and oral argument was held on May 18, 2017. On October 27, 2017, the New Hampshire Supreme Court held that the trial court had erred and that the HICIL Liquidator is entitled under the Settlement Agreement to deduct CIGA's defense costs from the Trust's allowed claim.

In February 2013, the Trust filed a lawsuit against the California Insurance Guarantee Association in the Alameda Superior Court, captioned *Stephen M. Snyder, et al. v. California Insurance Guarantee Association*, Civil Case No. RG13666656. This action seeks recovery from CIGA for asbestos bodily injury liabilities that would otherwise be covered by the Home Insurance Company ("Home") under its policies issued from 1976 to 1983, to the extent that Home is unable to pay as a result of its insolvency. CIGA is a state-regulated organization that provides insurance

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coverage, under certain circumstances, for insurance companies that have become insolvent and unable to pay their claims. The action in Alameda County was designated "complex" and was assigned to the complex court. CIGA filed a demurrer to the Trust's complaint on various grounds, including that the suit was barred by a three-year statute of limitations. On June 28, 2013, the Judge in this matter sustained the demurrer without leave to amend, finding that the action was untimely, inasmuch as CIGA had been previously sued for declaratory relief in the Zurich case and that the statute of limitations had run.

The Trust filed a timely appeal of the ruling sustaining the demurrer without leave to amend on July 19, 2013. On September 17, 2014, the California Court of Appeal issued its ruling (modified on October 7, 2014) reversing the trial court's sustaining of CIGA's demurrer without leave to amend insofar as it was based on the statute of limitations. A subsequent petition to the California Supreme Court by CIGA was denied. On December 11, 2014, the Court of Appeal issued a remittitur. Thereafter, the case was reassigned to Judge Wynne Carville. CIGA answered the Complaint, a trial plan was submitted and approved and the parties were working toward a Phase 1 trial on dispositive issues. In December 2015, this case was transferred to Judge Winifred Smith. Case Management Conferences were held on February 5, 2016 and March 24, 2016. The parties agreed to pursue motions for summary adjudication and summary judgment and a hearing was held on December 16, 2016. Judge Smith denied all parties' motions and set a further Case Management Conference for February 7, 2017 to discuss the possibility of a CCP 437(c)t stipulation. Defendant CIGA was not willing to pursue a 437(c)t stipulation. Judge Smith therefore asked each party to submit trial plans for a further Case Management Conference on February 28, 2017. Based on the submitted trial plans, Judge Smith set a trial date of August 14, 2017 to try the question of whether the Trust has any other available insurance.

The trial was held for approximately 8 days beginning on August 14, 2017 and on January 30, 2018, Judge Smith issued a tentative decision that the Trust had met its burden of proof establishing that there is no 'other insurance' 'available' to pay the Allowed Claim in the Home Liquidation. CIGA objected to the tentative decision and filed a separate motion to stay and/or vacate the tentative decision. Judge Smith denied the motion to stay and/or vacate on March 28,

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2018 and issued a final decision on March 29, 2018 affirming her tentative decision in all respects. This ruling defeated CIGA's argument that the Trust had other insurance and therefore could not pursue a recovery against CIGA. Separately, CIGA filed a motion for summary judgment that the Trust could not pursue a recovery against CIGA on numerous grounds. Judge Smith issued a tentative decision on March 7, 2018 denying CIGA's motion in all respects. A final decision is expected in the near future. The trial on the remaining issues in the case is set for September 17, 2018.

b. *Western Asbestos Settlement Trust v. Michael J. Mandelbrot and Mandelbrot Law Firm*, Adversary Proceeding No. 13-03205 United States Bankruptcy Court for the Northern District of California, San Francisco Division. In October 2013, this Court dismissed this adversary proceeding without prejudice as not ripe for declaratory relief. The J.T. Thorpe Settlement Trust and Thorpe Insulation Settlement Trust (the "Thorpe Trusts") investigated claims submitted to the them and in a letter dated May 24, 2013, spelled out reasons why they would decline to accept further evidence or claims from Mandelbrot. Those adversary proceedings (*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, continued to a bench trial. The evidence produced during pre-trial discovery, and in the trial before Judge Bluebond caused the Trustees of this Trust to conclude that it was appropriate to stop accepting further evidence from Mr. Mandelbrot.

Therefore, as initially described in the Trust's Eleventh 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 the bench trial of the Thorpe Trusts. 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 actions. Accordingly, this Trust became a party to the stipulated agreement and since then has acted in conformity with its terms.

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After making the stipulation, however, 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").

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. Thereafter, in early June 2014, Mandelbrot appealed the Judgment and 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 had been assigned to hear 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 Mandelbrot's motion on the grounds that Mandelbrot had failed to meet the burden of establishing an abuse of discretion by the Bankruptcy Court in denying the requested stay.

Thereafter, on June 18, 2014, and pursuant to a briefing schedule established by the United States District Court, Mandelbrot filed a District Court brief. Briefing on Mandelbrot's appeal was completed on July 15, 2014, and on September 3, 2015, Judge Phillips affirmed the Bankruptcy Court's Judgment and Order. On September 17, 2015, Mandelbrot filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit. Mandelbrot filed an opening brief in late January 2016 and the Trusts filed their responsive brief on February 26, 2016. Mandelbrot filed a reply brief on April 7, 2016. Oral arguments were heard on February 17, 2017 and on September 14, 2017, the Ninth Circuit vacated the District Court's affirmance and remanded the case to the District Court for further fact-finding and/or briefing on two issues: (i) whether federal law overrides the California statutes because this is a 524(g) trust and (ii) what impact, if any, the case of *Golden v. California Emergency Physicians Medical Group*, 782 F. 3d 1083 (9th Cir. 2015) ("Golden") has in this matter.

On November 6, 2017, the Trust made a Request for Remand of Appeal to Bankruptcy Court following the Ninth Circuit Appeal; Mandelbrot opposed the Request for Remand

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of Appeal on November 7, 2017. The District Court remanded this matter to the Bankruptcy Court on November 15, 2017 and Judge Bluebond set a hearing on December 12, 2017 to address the District Court's remand order. At the December 12th hearing, Judge Bluebond set a briefing schedule to address the remand issues and set a hearing on the issues for February 2, 2018. The parties filed opening and reply briefs according to the schedule set out by Judge Bluebond. A hearing was held on February 8, 2018 and based upon the briefs submitted and oral argument presented, Judge Bluebond issued a Supplemental Findings of Fact and Conclusions of Law on Remand on February 8, 2018. In her findings, Judge Bluebond held that *Golden v. Cal. Emer. Phys. Med. Group*, 782 F.3d 1083 (9th Cir. 2015), properly construed, does not apply to this case because the California policies (employee mobility and free competition) supporting *Golden*'s limited extension of the *Edwards v. Arthur Andersen LLP*, 44 Cal. 4th 937 (2008) categorical rule against non-competition covenants are not implicated by the claim-filing prohibition Mandelbrot agreed to in this case. Rather, the settlement is designed only to protect the respective parties in dealing with each other.

Judge Bluebond found that the Trusts do not compete with Mr. Mandelbrot nor do they employ him. Judge Bluebond further held that since neither *Golden*, nor any other public policy recognized by the California courts applies here, the "rule of reason" governs application of § 16600 to the settlement under a long line of California authorities rooted in common law. The rule of reason requires a balancing of any competitive concerns against the legitimate interests of the protected party and after addressing a number of factors, Judge Bluebond came to the conclusion that the settlement is not void under § 16600.

Judge Bluebond further held that California law, properly construed, does not conflict with § 524(g) and the court approved TDPs implementing the statutory requirements of § 524(g)(2)(B)(i) and § 524(g)(2)(B)(ii)(V). If the Court were to construe § 16600 to preclude the Trusts, acting in full compliance with their court-approved TDPs, from prohibiting a professional the Trustees have reasonably determined to be unreliable from agreeing to file no further claims against the Trusts, then the California statute as so construed would conflict with federal policies governing

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the administration of asbestos trusts created under § 524(g) and would be preempted. The settlement would thus still be enforceable under federal law.

In sum, Judge Bluebond held that the settlement and the claim-filing prohibition are valid and enforceable as to all four Trusts under California law, including specifically § 16600 and, to the extent at all applicable, Rule 1-500, because the settlement is reasonable and does not operate as a restraint of a substantial character on Mandelbrot's practice.

Mandelbrot filed his notice of appeal on February 20, 2018 and his Designation of Record and Issues on Appeal on March 6, 2018. The Trust filed its Counter-designation of the record on March 20, 2018.

As a result of the stipulation, and consistent with its terms, the Trust is not accepting claims from Mandelbrot and all claims previously submitted by Mandelbrot have been transferred to new counsel. The Trust advised claims filers that Mandelbrot is not permitted to file claims with the Trust and on March 6, 2015, posted such a notification on its Web site. The Trust has been informed that Mandelbrot's Web site has continued to include the Trust in lists of asbestos trusts with which Mandelbrot files claims, despite the Judgment and Order precluding Mandelbrot from filing claims with the Trust. Under the circumstances, the Trust continues to monitor compliance with the Judgment and Order.

In addition, Mr. Mandelbrot has published allegations of Trust fiduciary misconduct similar in tone to those adjudicated before the U.S. Bankruptcy Court for the Central District of California and to post allegations against Trust personnel regarding fraud, corruption, bias and preferential treatment on his blog. The Trust previously investigated these accusations through outside counsel, who reached the same conclusion as had been reached by the Trust in years past -- that the allegations are meritless.

24. Amendments to the Trust Documents: Modifications to Sections II(a), II(b)(v), II(b)(vi), III(a), III(b)(v), III(b)(vi), IV(a), IV(b)(v), IV(b)(vi), V(a), V(b)(iv), V(b)(v) and V(vii) of the Case Valuation Matrix were approved on December 6, 2017. A copy of the Third Amendment to and Complete Restatement of the Western Asbestos Settlement Trust Case Valuation Matrix is attached hereto as Exhibit "C". Amendments to Sections 2.2(g) and 7.6 of the Trust

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Agreement were approved on April 19, 2018. A copy of the Thirteenth Amendment to and Complete Restatement of Western Asbestos Settlement Trust Agreement is attached hereto as Exhibit "D".

25. Notifications to Beneficiaries: During the Accounting Period and, additionally, from January 1, 2018 to and including April 18, 2018, the following notifications were placed on the Trust's Web site:

a. Notice of hearing on the Trust's Thirteenth Annual Report and Accounting (posted April 27, 2017);

b. Notice of possible increase in base case for economic and medical loss (posted September 26, 2017);

c. Notice of increase in base case for economic and medical loss (posted November 9, 2017);

d. Notice of timing of requests for consideration at Trustees' meetings (posted December 12, 2017);

e. Notice of modification to Case Valuation Matrix (posted December 13, 2017);

f. Statement on the death of Futures Representative, retired federal judge, the Hon. Charles Renfrew (posted December 19, 2017);

g. Notice of 2018 indexed base case values for economic and medical loss (posted February 7, 2018);

h. Reminder re: timing of requests for consideration at the April 2018 Trustees' meeting (posted March 5, 2018); and

i. Notice of posting updated Case Valuation Matrix (posted April 11, 2018).

26. Scenario Planning: As described in the Trust's Thirteenth Annual Report, the Trustees instructed the Trust's Executive Director to conduct preliminary research and present information to them concerning scenario planning in the spring of 2016. The Trustees reviewed the research and asked the Executive Director to do further research on scenario planning. The purpose of scenario planning is to prepare for the eventual reduction in the Trust's corpus while managing those resources pursuant to Section 524(g) of the Bankruptcy Code and also to be prepared for an

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unforeseen event that cripples the Trust's ability to comply with its objectives. The Trust continued further work on the scenario planning throughout 2017, including presentations at January and March 2017 meetings.

27. Filing Fee: Pursuant to Section 6.4 of the TDP, the filing fee was reviewed at the September 22, 2017 meeting and there were no recommended changes to the existing $250.00 fee during the Accounting Period or as of the date hereof.

28. Trustees' Compensation: Section 4.5(c) of the Trust Agreement requires the Trust to report the amounts paid to the Trustees for compensation and expenses. During the Accounting Period, the Trustees each received per annum compensation in the amount of $71,904 paid in quarterly installments. The total paid to all Trustees for hourly compensation and for reimbursement of expenses was $260,701 and $655, respectively.

29. 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. Ankura Consulting Group, LLC: Firm which employs the expert professional with whom the Trustees consult;

b. BlackRock Financial Management: One of eight investment managers for the Trust described in paragraph 30, *infra*;

c. Eagle Capital Management, LLC: One of eight investment managers for the Trust described in paragraph 30, *infra;*

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

e. Klee, Tuchin, Bogdanoff & Stern LLP: Counsel to the Trust for the Mandelbrot appeals described in paragraph 23(b), *supra*;

f. Harding Loevner, LP: One of eight investment managers for the Trust described in paragraph 30, *infra*;

g. Morgan Lewis & Bockius: Counsel to the Trust in the Home Insurance Company in Liquidation and California Insurance Guarantee Association matters, and the Mandelbrot investigation and adversary proceeding described in paragraphs 23(a) and 23(b), *supra*;

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h. Park Center Tower, LLC: Landlord for the Trust's offices;

i. Schiff Hardin LLP: Law firm that acts as outside general counsel for the Trust and assists with various legal matters as requested by the Trust;

j. Segall Bryant & Hamill: One of eight investment managers for the Trust described in paragraph 30, *infra*;

k. Silvercrest Asset Management Group LLC: One of eight investment managers for the Trust described in paragraph 30, *infra*;

l. Standish Mellon Asset Management Company: One of eight investment managers for the Trust described in paragraph 30, *infra*;

m. United Healthcare: Trust employee health insurance plan carrier; and

n. Westwood Management Corporation: One of eight investment managers for the Trust described in paragraph 30, *infra*.

30. 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. The Trust closely monitors any market volatility with its investment advisors and continues to be in compliance with its Investment Policy Statement. Callan Associates, Inc. continued to assist the Trust during the Accounting Period as its investment consultant. BlackRock Financial Management, Inc., Eagle Capital Management, LLC, Harding Loevner, LP, Segall Bryant & Hamill, Silvercrest Asset Management Group LLC, Standish Mellon Asset Management Company, LLC, State Street Global Advisors, and Westwood Management Corporation have continued to act as investment managers to the Trust.

Additionally, the Trust's Investment Policy Statement was amended on December 6, 2017 and on February 22, 2018. Copies of the December 2017 and February 2018 Investment Policy Statements are attached hereto as Exhibits "E" and "F", respectively.

***

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

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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

Financial Statements and Report of Independent Certified Public Accountants

Western Asbestos Settlement Trust

December 31, 2017 and 2016

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Report of Independent Certified Public Accountants

Trustees
Western Asbestos Settlement Trust

We have audited the accompanying financial statements of Western Asbestos Settlement Trust, ("the Trust"), which comprise the statements of net claimants' equity as of December 31, 2017 and 2016, and the related statements of change 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. Management is also responsible for 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net claimants' equity of Western Asbestos Settlement Trust as of December 31, 2017 and 2016, 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.

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Basis of accounting

We draw attention to Note A.2 to 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, 2017 and 2016, 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 19, 2018

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Western Asbestos Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2017	2016
ASSETS		
Cash, cash equivalents and investments		
Available-for-sale		
Restricted	$ 40,000,000	$ 40,000,000
Unrestricted	530,163,757	517,878,820
Total cash, cash equivalents and investments	570,163,757	557,878,820
Accrued interest and dividend receivables	3,553,626	3,546,396
Prepaid federal income tax	4,864,844	6,737,508
Total assets	$ 578,582,227	$ 568,162,724
LIABILITIES		
Accrued expenses	$ 867,645	$ 982,300
Claim processing deposits	344,250	307,000
Unpaid claims (Note D)		
Outstanding offers	9,410,316	9,495,855
Pre-petition liquidated claims	162,173	158,678
Deferred tax liability	40,538,000	29,078,000
Total liabilities	$ 51,322,384	$ 40,021,833
NET CLAIMANTS' EQUITY	$ 527,259,843	$ 528,140,891

The accompanying notes are an integral part of these statements.

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Western Asbestos Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

For the years ended December 31,

	2017	2016
Net claimants' equity, beginning of year	$ 528,140,891	$ 558,451,156
Additions to net claimants' equity		
Investment income	12,403,494	12,465,649
Filing fee income	12,500	9,750
Return of funds	520	-
Net decrease in outstanding claim offers	82,044	-
Trust facility and staff sharing income received	1,308,178	1,340,002
Net decrease in deferred rent	100,756	-
Net realized and unrealized gains on available-for-sale securities	42,525,754	12,722,409
Total additions	56,433,246	26,537,810
Deductions from net claimants' equity		
Operating expenses	9,726,641	6,535,226
Provision for income taxes, current	1,872,664	4,445,762
Claims settled	34,254,989	42,635,073
Net increase in deferred rent	-	431,810
Increase for income taxes, deferred	11,460,000	1,112,000
Net increase in outstanding claim offers	-	1,688,204
Total deductions	57,314,294	56,848,075
Net claimants' equity, end of year	$ 527,259,843	$ 528,140,891

The accompanying notes are an integral part of these statements.

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Western Asbestos Settlement Trust

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2017	2016
Cash inflows:		
Investment income receipts	$ 12,408,764	$ 12,632,620
Increase in claim processing deposits	37,250	53,250
Trust facility and staff sharing income received	1,308,179	1,340,002
Net realized gains on available-for-sale securities	6,399,758	9,987,240
Return of funds	520	-
Total cash inflows	20,154,471	24,013,112
Cash outflows:		
Claim payments made	34,254,989	42,635,073
Disbursements for Trust operating expenses	9,740,540	6,517,126
Disbursements for Trust income taxes	-	8,000,000
Total cash outflows	43,995,529	57,152,199
Net cash outflows	(23,841,058)	(33,139,087)
Non-cash changes:		
Net unrealized gains on available-for-sale securities	36,125,995	2,735,169
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	12,284,937	(30,403,918)
Cash, cash equivalents and investments available-for sale, beginning of year	557,878,820	588,282,738
Cash, cash equivalents and investments available-for-sale, end of year	$ 570,163,757	$ 557,878,820

The accompanying notes are an integral part of these statements.

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Western Asbestos Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

The Western 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 Western Asbestos Company (Western Asbestos), Western Mac Arthur Co. (Western Mac Arthur) and Mac Arthur Co. (Mac Arthur), (collectively the Debtors), Second Amended Joint Plan of Reorganization (the Plan), dated November 18, 2003. 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' are legally responsible; 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 approval of the Plan, the Trust assumed liability for existing and future asbestos health claims against the Debtors. The Trust was created effective April 22, 2004.

The Trust was initially funded with cash, Western Asbestos securities, notes receivable and insurance settlement proceeds. Since its creation, all notes receivable have been collected. The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs thereto, as defined in the Plan.

The Trust processes and pays all asbestos-related claims in accordance with the Western 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 Western Asbestos, Western Mac Arthur, and Mac Arthur and its liability insurers is recorded directly to net claimants' equity. These funds do not represent income of the Trust. Offers for asbestos health 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, software development, office furniture, leasehold improvements, and other prepaid expenses such as rent and insurance.

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Special-Purpose Accounting Methods - Continued

- Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum commitments outstanding at period end for non-cancelable obligations have been recorded as deductions from net claimants' equity.
- The liability for unpaid claims 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.
- Available-for-sale securities are recorded at fair value. All interest and dividend income on available-for-sale securities is included in investment income on the statement of changes in net claimants' equity. Net realized and unrealized gains and losses on available-for-sale securities are recorded as a separate component on the statement of changes in net claimants' equity. The fair value hierarchy of investments is reported.
- Realized gains and 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 and losses are reversed and recorded net, as a component of net realized and unrealized gains/losses in the accompanying 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.

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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, cash equivalents and investments. 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, 2017, 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. The Trust is no longer subject to United States federal tax examinations for years before 2014 and state examinations for years before 2013.

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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, 2017	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 1,214,343	$ 1,214,343
U.S. Government obligations	10,925,784	10,950,178
Municipal bonds	1,273,568	1,216,192
Asset-backed debt	2,039,533	2,048,675
Corporate debt	24,682,824	24,570,612
Total restricted	40,136,052	40,000,000
Unrestricted		
Cash demand deposits	405,207	405,207
Cash equivalents	30,421,356	30,421,356
Equity securities	112,165,111	218,858,273
U.S. Government obligations	21,383,928	21,381,526
Municipal bonds	225,569,543	228,617,635
Asset-backed debt	1,811,185	1,825,922
Corporate debt	28,635,546	28,653,838
Total unrestricted	420,391,876	530,163,757
Total funds	$ 460,527,928	$ 570,163,757

	December 31, 2016	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 1,332,017	$ 1,332,017
U.S. Government obligations	16,795,418	16,681,611
Municipal bonds	1,434,939	1,363,963
Asset-backed debt	1,668,975	1,669,083
Corporate debt	19,158,166	18,953,326
Total restricted	40,389,515	40,000,000
Unrestricted		
Cash demand deposits	632,466	632,466
Cash equivalents	39,948,009	39,948,009
Equity securities	112,191,941	184,713,661
U.S. Government obligations	39,183,520	39,109,341
Municipal bonds	227,628,408	229,227,980
Asset-backed debt	1,586,851	1,591,501
Corporate debt	22,787,928	22,655,862
Total unrestricted	443,959,123	517,878,820
Total funds	$ 484,348,638	$ 557,878,820

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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, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash demand deposits	$ 405,207	$ -	$ -
Cash equivalents	31,635,699	-	-
Equity securities	218,858,273	-	-
U.S. Government obligations	12,293,004	20,038,700	-
Municipal bonds	-	229,833,827	-
Asset-backed debt	-	3,779,448	95,149
Corporate debt and other	53,224,450	-	-
	$ 316,416,633	$ 253,651,975	$ 95,149

	December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash demand deposits	$ 632,466	$ -	$ -
Cash equivalents	41,280,026	-	-
Equity securities	184,713,661	-	-
U.S. Government obligations	26,872,922	28,918,030	-
Municipal bonds	-	230,591,943	-
Asset-backed debt	-	3,161,753	98,831
Corporate debt and other	41,609,188	-	-
	$ 295,108,263	$ 262,671,726	$ 98,831

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NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The Trust experiences transfers in and out of levels within the fair value hierarchy primarily due to the market activity of the underlying security. The Trust's policy is to recognize transfers in and out at the actual date the event or change in circumstance caused the transfer. No securities were transferred between Level 1 to Level 2.

Activity in Level 3 investments for the years ended December 31, 2017 and 2016 was:

	Mortgage Backed Securities	
	2017	2016
Balance at January 1	$ 98,831	$ 103,738
Sales	(2,861)	(4,673)
Unrealized loss	(821)	(234)
Balance at December 31	$ 95,149	$ 98,831

The maturities of the Trust's available-for-sale securities at market value (excluding cash equivalents) are as follows as of December 31, 2017:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. Government obligations	$ 12,257,465	$ 11,125,289	$ 1,708,139	$ 7,240,809
Municipal bonds	12,765,311	104,550,057	85,968,561	26,549,898
Asset-backed debt	-	2,782,495	423,219	668,883
Corporate debt	5,302,514	39,792,596	4,014,691	4,114,651
	$ 30,325,290	$ 158,250,437	$ 92,114,610	$ 38,574,241

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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 furniture and equipment	$ 84,703
Acquisition of computer hardware and software	182,502
	$ 267,205

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, 2017 and 2016 were $4,265 and $27,328, respectively.

Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately $24,217 and $22,042 for the years ended December 31, 2017 and 2016, respectively.

NOTE D - CLAIM LIABILITIES

The Trust distinguishes between claims that were resolved prior to the establishment of the Trust and claims received and processed using the Trust Documents after the creation of the Trust (Trust Claims). The claims filed prior to the creation of the Trust were grouped into three categories: default, matrix and settlement claims (Pre-petition Liquidated Claims).

The cases underlying the Pre-petition Liquidated Claims were stayed by the court until the Plan was confirmed. The Trust approved and immediately made offers to pay, subject to receiving a claimant release, the approved Payment Percentage of the liquidated value of each Pre-Petition Liquidated Claim. Certain Pre-petition Liquidated Claims were further reduced by payments made by the Debtors' insurers prior to the formation of the Trust.

For all claims, a liability for unpaid claims is recorded at the time the offer is extended to the firm of record or claimant. 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. The expiration policy was suspended until completion of the claim system development, but was put back in place on September 28, 2017. As of the years ended December 31, 2017 and 2016, 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 Payment Percentage 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 Payment Percentage is increased. In that instance, the Trust would be obligated to retroactively pay the increased percentage to all previously paid claimants (see Note G).

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NOTE D - CLAIM LIABILITIES - Continued

In the interest of treating all claimants equitably in accordance with the Plan, the Trustees have recommended that all payments made during each calendar year ended December 31, 2006 through December 31, 2017 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 29.47% and 26.68% are included in outstanding claims liabilities as of December 31, 2017 and 2016, respectively.

The Trust processed and approved approximately $34,169,000 and $44,353,000 of Trust Claims during the years ended December 31, 2017 and 2016, respectively.

NOTE E - COMMITMENTS AND CONTINGENCIES

The Trust leases its offices in Reno, Nevada, under a non-cancelable operating lease. The lease contains escalation provisions, options to extend and expires August 31, 2022.

The Trust paid $105,953 and $107,465 in rental expense during the years ended December 31, 2017 and 2016, respectively. Future minimum rental commitments, excluding parking and utility expenses, under this operating lease are:

Years ending December 31,	
2018	$ 103,779
2019	106,892
2020	110,099
2021	74,853
	$ 395,623

NOTE F - FACILITY AND STAFF SHARING AGREEMENT

The Trust has entered into facilities and staff sharing agreements with the J. T. Thorpe Settlement Trust, (J. T. Thorpe Trust), the Thorpe Insulation Settlement Trust (Thorpe Insulation Trust) and Plant Asbestos Settlement Trust (Plant Asbestos Trust). The four trusts are related through common Trustees. Under the agreements, and in exchange for advance monthly payments, the Trust provides use of its facilities and services relating to administration and claims processing. The agreements automatically renew for additional one-year periods unless either party provides written notice. The amounts of advanced monthly payments are agreed upon between the Trusts from time to time. As of December 31, 2017, the equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Trust.

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NOTE F - FACILITY AND STAFF SHARING AGREEMENT - Continued

Additional refunds due based on the reconciliation performed as of December 31:

	2017	2016
J.T. Thorpe Trust	$ (27,162)	$ (8,970)
Thorpe Insulation Trust	(29,500)	(16,374)
Plant Asbestos Trust	(27,162)	(22,125)

Any excess of cost over payments or payments over cost is required to be repaid by the benefited party with interest.

NOTE G - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan approved by the United States Bankruptcy Court for the Northern District of California, Oakland 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 diseases values, jurisdictions, 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 Payment Percentage is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

Based on research and testimony presented during the bankruptcy, the Court approved an initial payment to claimants of 31.5% of the liquidated value of then current and estimated future claims (Payment Percentage). The TDP gives the Trustees, with the consent of the Trust Advisory Committee ("TAC") and the Futures Representative, the power to periodically update its estimate of the Payment Percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose additional changes in the Payment Percentage. The Payment Percentage was increased by the Trustees to 34.2% in February 2006, 40.0% in July 2007, 44% in February 2010, and 48% in September 2014. These changes were made with the consent of the TAC and Futures Representative. The increases were retroactive for claims approved since inception.

NOTE H - EMPLOYEE BENEFIT PLANS

The Trust has established a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code for all eligible employees after completion of certain age and service requirements. Employees may voluntarily elect to defer their compensation or fund a Roth IRA and invest in various options for their retirement. The plan allows employees to defer a percentage of their salaries within limits set by the Internal Revenue Code, with the Trust matching contributions by employees of up to 4% of their salaries. The Trust may also make discretionary contributions to employee accounts. The total Trust contribution and expenses under the plan were approximately $66,000 and $67,000 for the years ended December 31, 2017 and 2016, respectively.

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NOTE I - 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 $40 million. These funds are devoted exclusively to securing the obligations of the Trust to indemnify the former and current Trustees and officers, employees, agents and representatives of the Trust. The funds are held in a separate Trust bank account, and the investment earnings on these funds accrue to the benefit of the Trust.

As of December 31, 2017 and 2016, cash, cash equivalents and investments of $40,000,000 were restricted for this purpose.

NOTE J - 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, 2017 and 2016.

The Trust records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities.

The provision (benefit) for income taxes consists of the following for the years ended December 31:

	2017	2016
Income tax – current	$ 1,872,665	$ 4,445,762
Deferred income tax expense	11,460,000	1,112,000
	$ 13,332,665	$ 5,557,762

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

	2017	2016
Deferred tax asset (liability)		
Unrealized appreciation	$ (40,570,000)	$ (29,115,000)
Other, net	32,000	37,000
	$ (40,538,000)	$ (29,078,000)

On December 22, 2017, the United States enacted tax reform legislation commonly known as H.R.1, referred to as the "Tax Cuts and Jobs Act" (the "Act"), resulting in significant changes to U.S. tax law. The Trust has completed the accounting for the tax effects of the Act for the year ended December 31, 2017. Among other provisions, the Act temporarily reduces the tax rate from 39.6% to 37% until 2026. As a result of the Act, the Trust re-measured its net deferred tax liabilities and recognized a net tax benefit of approximately $2,849,000.

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NOTE K - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 19, 2018, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure.

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SUPPLEMENTAL INFORMATION

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Western Asbestos Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2017	2016
Accounting	$ 59,056	$ 55,050
Claims processing	631,290	618,050
Futures representative	814,245	452,452
Information technology support	21,902	22,270
Insurance	21,675	19,130
Investment expense	1,859,100	1,845,122
Legal fees	4,216,490	1,553,618
Office expense	35,771	66,898
Office furniture and equipment	1,843	3,392
Payroll and related taxes	1,183,084	1,212,933
Pension plan contribution and fees	65,548	67,155
Rent and utilities	138,605	140,516
Travel and meals	9,326	15,002
Trust advisory committee	79,789	36,204
Trustee fees	492,377	376,149
Trustees professional	96,540	51,285
	9,726,641	6,535,226
Less: Reimbursement pursuant to the shared services agreements to process and pay claims and provide operational and administrative support	(1,308,178)	(1,340,002)
	$ 8,418,463	$ 5,195,224

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EXHIBIT B

EXHIBIT "B"

Western Asbestos Settlement Trust
Claim Report
As of December 31, 2017

This report is submitted pursuant to Section 2.2 (c)(ii) of the Twelfth Amendment to and Complete Restatement of Western 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 the claims liquidated by default, settlement agreement, or the settlement matrix prior to April 22, 2004, the Effective Date of the Trust ("Pre-Petition Liquidated Claims") and the claims received since the Effective Date of the Trust ("Trust Claims").

Pre-Petition Liquidated Claims

In 2004, the Trust implemented a procedure to pay the Pre-Petition Liquidated Claims in accordance with the Plan, the Trust Distribution Procedures and the Confirmation Order. The Confirmation Order, as amended on April 14, 2004, provided that the initial payment to Pre-Petition Liquidated claimants was to be 31.5% of the total liquidated value of each claim. The total liquidated value of California default claims includes statutory interest. As the Payment Percentage has been raised, the Pre-Petition Liquidated Claims that were paid earlier have received the additional amounts.

No unpaid Pre-Petition Liquidated Claims were paid during the Accounting Period. The Trust has not yet received proper releases for fourteen (14) remaining unpaid Pre-Petition Liquidated Claims in the total amount of $173,320. That amount is based upon the current Payment Percentage of 48% of the total liquidated value, and includes the cumulative inflation adjustment of 29.47% utilized for claims payments made in 2018 and is based upon the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W").

As of April 1, 2018, the total amount paid for Pre-Petition Liquidated Claims is $1,140,973,307.

Trust Claims

Claims received and disposed of from January 1, 2017, through December 31, 2017, in accordance with the Second Amendment to and Complete Restatement of Western Asbestos Settlement Trust Case Valuation Matrix ("Matrix") and the Second Amendment to and Complete Restatement of the Western Asbestos Company/Western Mac Arthur Co. /Mac Arthur Co. 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. As of December 31, 2017, Trust Claims were paid at the approved Payment Percentage of 48%. Payments made on Trust Claims in 2017 included an additional 26.68% to account for cumulative inflation based upon the CPI-W.

During the Accounting Period, 537 claims were received. In addition, offers were issued to 388 claimants. Further, 344 claims were paid.

Below is a summary of the number and type of claims disposed of (paid) in 2017.

Compensable Disease	Number of California Claims	Number of Minnesota Claims	Number of North Dakota Claims	Totals
Grade II Non-Malignant	37	13	0	50
Grade I Non-Malignant	35	0	0	35
Grade I Non-Malignant Enhanced Asbestosis	21	1	0	22
Grade I Non-Malignant Serious Asbestosis	12	2	0	14
Other Cancer	11	1	0	12
Lung Cancer	71	14	0	85
Mesothelioma	110	16	0	126
Totals	**297**	**47**	**0**	**344**

As of April 1, 2018, the total amount paid for Trust Claims is $683,773,340.

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EXHIBIT C

THIRD AMENDMENT TO AND COMPLETE RESTATEMENT OF WESTERN ASBESTOS SETTLEMENT TRUST CASE VALUATION MATRIX

The Case Valuation Matrix ("Matrix") is designed to approximate historical settlement values in the tort system. To achieve this goal, historical settlement values were evaluated in each jurisdiction where Western performed significant work and had a history of being sued and settling cases. These jurisdictions include California, Minnesota and North Dakota. Historical settlement values were adjusted to current settlement values using settlement data derived from other defendants who remained active in the tort system. Compensable diseases include mesothelioma, lung cancer, other cancers (as defined herein) and two grades of non-malignant asbestos-related disease. The Matrix establishes the minimum criteria which must be met in order to qualify in each disease category.

The following represents the average settlement values in each jurisdiction adjusted to current value ("Average Value"):

	Western Asbestos Company/ Western Mac Arthur Co.	Mac Arthur Co.	
	CA	MN	ND
Mesothelioma	$ 524,025	316,250	117,087
Lung Cancer	$ 199,195	137,050	44,777
Other Cancer	$ 75,000	73,800	16,884
Grade I Non-Malignancy	$ 51,557	57,200	16,500
Grade 11 Non-Malignancy	$ 21,816	30,150	12,000

The Matrix is designed to value cases using base case values for each disease in each jurisdiction. These base case values are then increased and/or decreased by a series of adjustment factors that approximate factors which add or subtract value to cases in the tort system. These base case values have been set to yield (after application of the adjustment factors) average liquidation values, that are equal to the historical Average Value described above. The base case values are:

	Western Asbestos Company/ Western Mac Arthur Co.	Mac Arthur Co.	
	CA	MN	ND
Mesothelioma	$ 276,479	148,678	58,544
Lung Cancer	$ 62,046	41,211	13,569
Other Cancer	$ 22,298	21,222	4,894
Grade I Non-Malignancy	$ 32,131	30,868	9,764
Grade 11 Non-Malignancy	$ 18,574	21,875	8,219

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While the base case value for each disease may be different in various jurisdictions reflecting variations in historical settlement values, the adjustment factors will be the same for all jurisdictions. In determining which jurisdiction's base case value should be used to liquidate a claim, the jurisdiction in which the underlying tort action is filed (or litigation commenced for Minnesota cases) will control for California, Minnesota and North Dakota. In actions properly filed in jurisdictions other than California, Minnesota or North Dakota where MacArthur and/or Western MacArthur are subject to *in personam* jurisdiction as of November 11, 2002, the base case value will be determined by the Trust based on credible comparable settlement data, but in no event will the base case value in a MacArthur claim exceed the Minnesota base case value, and in no event will the base case value in a Western MacArthur claim exceed the California base case value.

I. GENERAL CLAIM PROVISIONS

a. **Minimum and Maximum Values.** All claims after being valued at their respective base case value and any appropriate adjustments are subject to the following minimum and maximum values.

(i) **Minimum Value.** Any Injured Person who has submitted an approved claim under a Compensable Disease category and has submitted a Trust Claim form to the Trust with all required documentation as outlined in the Trust Distribution Plan and herein, will receive a minimum of 10% of the Average Value of the claim for that disease in the controlling jurisdiction.

(ii) **Maximum Value.** Any Injured Person who has submitted an approved claim under a Compensable Disease category and has submitted a Trust Claim form to the Trust with all required documentation as outlined in the Trust Distribution Plan and herein, will receive a maximum of four times the Average Value of the claim for that disease in the controlling jurisdiction, unless it qualifies as an Extraordinary Claim as defined in Section IX of the Matrix.

b. **Medical Diagnoses.** Any diagnosis of pulmonary asbestosis shall be made by a (i) a Pathologist, who personally reviewed the Injured Person's pathology, or (ii) an Internist, Pulmonologist or Occupational Medicine Physician who actually examined the Injured Person. These findings will be contained in a detailed narrative written report of the examination. All medical diagnoses in the Matrix are required to be made by Board-Certified physicians in appropriate specialties to a level of reasonable medical probability. Specifically, medical reports that only come to a conclusion that findings are "consistent with" asbestos-related disease will not, standing alone, be sufficient to establish compliance with the medical criteria in the Matrix. Medical experts who are not Board-Certified but who meet equivalent medical experience and expertise requirements may be approved by the Trust with the consent of the Trust Advisory Committee ("TAC") and Futures Representative upon application by a Claimant.

c. **Record Review Exception.** Notwithstanding subsection (b) above, in the event that the Trust determines upon adequate showing under penalty of perjury that good cause exists to excuse either (1) personal review of Injured Person's pathology by a Pathologist; and/or (2) actual examination of the Injured Person by an Internist, Pulmonologist or Occupational Medicine Physician, the Trust in its exercise of discretion may permit those medical

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professionals to submit their diagnosis of pulmonary asbestosis on the basis of a review of the Injured Person's medical records ("Record Review Claim"), provided however, the Maximum Value for any such claim shall be the limit set in Section VIII for Individual Review. Examples of record review claims would be wrongful death actions where no pathology exists, or Injured Persons who are in such extremis or other circumstances exist that no such examination is practicable.

d. **Claimant's Burden to Submit Credible Reliable Claim Information.** Information submitted in support of a claim must comply with recognized medical standards (including but not limited to standards regarding equipment, testing methods, and procedures) and/or legal evidentiary and authenticity standards.

(i) While the Trust will not strictly apply rules of evidence, information provided in support of claims must be reliable and credible so that the Trust and, if needed, ADR neutrals are fully informed regarding the foundations for facts asserted in support of claims. The Trust normally will accept copies instead of authenticated copies of x-ray reports, laboratory tests, medical examinations, other medical records and reviews that otherwise comply with recognized medical and/or legal standards unless circumstances indicate that the copies of the and /or the tests, reports, or review are not authentic or are otherwise unreliable.

(ii) The Trust normally will accept copies instead of authenticated copies of deposition testimony, invoices, affidavits, business records, deck logs, military service records (including leave records) or other credible indirect or secondary evidence in a form otherwise acceptable to the Trust that establishes an Injured Person's occupation, occupational history, business or other losses or the Injured Person's presence at a particular ship, facility, job site, building or buildings or location during a time period in which the asbestos-containing material for which Western is responsible was present, unless circumstances show that the information being submitted is unreliable.

(iii) Examples of unreliable information include where the circumstances raise questions of authenticity of copies or where persons authoring or verifying facts offered in support of a claim lack direct knowledge of such facts but fail to reveal and describe what facts, and how and from what sources they learned those facts, they relied upon as the basis for their assertion of such facts. Under these circumstances, the Trust and any ADR neutrals shall apply the rules of evidence to exclude evidence where the witness or verifying party declines to provide such foundational information, e.g., on grounds that the information relied upon is privileged or confidential.

e. **Trust's Right to Require Additional Evidence.** The Trust may require the submission any other evidence to support or verify a Trust claim, including but not limited to additional exposure information, x-rays, laboratory tests, medical examinations or reviews, medical reports, or other medical evidence all of which must also meet the requirements of Section I (d) above.

f. **Conspiracy Theory Claims Prohibited.** Claims based on conspiracy theories that do not involve exposure to asbestos-containing materials sold, installed or removed by Western are not compensable under this Matrix.

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II. MESOTHELIOMA

a. **Base Case** ("M"). The base case value for a Mesothelioma case is referred to in this Agreement as "M". A case will be considered a base case Mesothelioma under this Matrix when it satisfies each of the following criteria:

(i) Injured Person diagnosed with malignant Mesothelioma by a Pathologist, Internist, Pulmonologist or Occupational Medicine Physician;

(ii) Injured Person deceased at commencement of litigation or the time of filing of proof of claim, whichever is earlier;

(iii) Injured Person aged 75 years old at death;

(iv) Injured Person had a spouse;

(v) Injured Person had no other dependents or minor children at time of death;

(vi) Injured Person's loss of earnings, pension, social security and home services total up to $253,368, as adjusted annually (the "Applicable Economic Loss Threshold");

(vii) Injured Person's medical and funeral expenses total up to $300,676, as adjusted annually (the "Applicable Medical Expense Threshold");

(viii) Injured Person had Standard Exposure to Western's asbestos-containing products in traditional occupations at traditional shipyard, refinery, power plants or other sites, as defined herein; and

(ix) The Injured Person had at least a 10-year latency period between the date of the first exposure to asbestos and the date of diagnosis of the disease.

b. **Adjustments.** Certain features of a Mesothelioma case will warrant an adjustment in the liquidated value either above or below the base case Mesothelioma value, as set forth herein. The following adjustments are provided as multipliers of the base case value M. For example, an adjustment of 1.3M for a Living 55 year-old mesothelioma Injured Person indicates that such an Injured Person would receive 1.3 times the base case Mesothelioma value. In situations where numerous adjustments are required for an Injured Person's case, all of the applicable adjustment multipliers shall be multiplied together, and times the base case value M, to determine the liquidated value of the case. For example, an Injured Person who is age 55 (1.3M) and alive at the commencement of litigation or the time of filing of proof of claim, whichever is earlier (1.3M), and who had exposure at what is known to be a high exposure site (1.5M), would be eligible for a liquidated value of 1.3 times 1.3 times 1.5 or 2.535 M times the base case value.

(i) **Age.** Age shall be determined as of the commencement of litigation or the time of filing of the proof of claim, whichever is earlier. The adjustment factor for age shall be decreased .015 for every year over 75 years of age up to a maximum downward adjustment to .7M, and shall be increased .015 for every year under 75 years of age up to a maximum upward adjustment to 1.4M.

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(ii) **Exposure.** The following adjustments are based on exposure in traditional occupations at traditional shipyard, refinery, power plant, or other sites as set forth herein:

Exposure Rating	Adjustment
Very high exposure sites, as defined herein	3.0 M
High exposure sites, as defined herein	1.5 M
Standard exposure sites, as defined herein	1.0 M
Low exposure sites, as defined herein	0.5 M
Very Low exposure sites, as defined herein	0.25 M

(iii) If an Injured Person is living as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by 1.3 M.

(iv) If an Injured Person does not have a spouse or minor children as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by .8 M. If an Injured Person has minor children, adult disabled dependent children or dependent minor grandchildren living with the Injured Person at the time of diagnosis, the Injured Person's case will be adjusted by 1.5 M.

(v) **Total Economic Loss (excluding medical and funeral expenses).** Where the Injured Person has or will incur economic loss for loss of earnings, pension, social security and home services in an amount greater than the Applicable Economic Loss Threshold, case value shall be adjusted upward .001M for every $1,267 (the Index Interval, also to be adjusted annually) of economic loss over the Applicable Economic Loss Threshold, up to a maximum adjustment to 2M. All claimed economic loss over the Applicable Economic Loss Threshold must be supported by adequate documentation. The Applicable Economic Loss Threshold and Index Interval shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers published in January of each year beginning in January of 2018. The Applicable Economic Loss Threshold and Index Interval shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vi) **Medical and Funeral Expenses.** Where the Injured Person has or will incur medical and funeral expenses in an amount greater than the Applicable Medical Expense Threshold, case value shall be adjusted upward .001M for every $1,503 (the Index Interval, also to be adjusted annually) of medical and funeral expenses over the Applicable Medical Expense Threshold, up to a maximum adjustment to 2M. All claimed medical and funeral expenses over the Applicable Medical Expense Threshold must be supported by adequate documentation. Standard future medical expenses are presumed to be $112,754, as adjusted annually (the "Applicable Future Amount"). Future medical expenses exceeding the Applicable Future Amount require documentation supported by affidavit. The Applicable Medical Expense Threshold, Index

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Interval and Applicable Future Amount shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Medical Care published in January of each year beginning in January of 2018. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

III. LUNG CANCER

a. **Base Case** ("LC"). The base case value for a Lung Cancer case is referred to in this Agreement as "LC". A case will be considered a base case Lung Cancer under this Matrix when it satisfies each of the following criteria:

(i) Injured Person diagnosed with primary lung cancer by a Pathologist, Internist, Pulmonologist or Occupational Medicine Physician;

(ii) Injured Person deceased at time of commencement of litigation or the time of filing of the proof of claim, whichever is earlier;

(iii) Injured Person aged 75 years old at death;

(iv) Injured Person had a spouse;

(v) Injured Person had no other dependents or minor children at time of death;

(vi) Injured Person's loss of earnings, pension, social security and home services total up to $253,368, as adjusted annually (the "Applicable Economic Loss Threshold");

(vii) Injured Person's medical and funeral expenses total up to $300,676, as adjusted annually (the "Applicable Medical Expense Threshold");

(viii) Injured Person had Standard Exposure to Western's asbestos-containing products in traditional occupations at traditional shipyard, refinery, power plant or other sites, as defined herein;

(ix) Injured Person had a 20-80 pack-year history of smoking;

(x) Injured Person was still smoking at the time of diagnosis, or had quit smoking less than 10 years before diagnosis;

(xi) Injured Person had been not diagnosed with clinical or pathological asbestosis, but Injured Person had both:

(A) A reliable history of exposure to asbestos; and

(B) Evidence of asbestos-related anatomical changes, such as: asbestos-related pleural disease, chest X-ray abnormalities graded 1/0 or higher on the ILO scale attributed

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to prior asbestos exposure, computed tomography (CT) evidence of interstitial disease attributed to prior asbestos exposure; and

(xii) The Injured Person had at least a 10-year latency period between the date of the first exposure to asbestos and the date of diagnosis of the disease.

b. **Adjustments.** Certain features of a Lung Cancer Case will warrant an adjustment in the liquidated value either above or below the base case Lung Cancer value, as set forth herein. The following adjustments are provided as multipliers of the base case value LC. For example, an adjustment of 1.3 LC for a living 55 year-old lung cancer Injured Person indicates that such an Injured Person would receive 1.3 times the base case Lung Cancer value. In situations where numerous adjustments are required for an Injured Person's case, all of the applicable adjustment multipliers shall be multiplied together, and times the base case value LC, to determine the liquidated value of the case. For example, an Injured Person who is age 55 (1.3 LC) and alive at the commencement of litigation or the time of filing of proof of claim, whichever is earlier (1.3 LC), and who had exposure at what is known to be a high exposure site (1.5 LC), would be eligible for a liquidated value of 1.3 times 1.3 times 1.5 or 2.535 LC times the base case value.

(i) **Age.** Age shall be determined as of the commencement of litigation or the time of filing of the proof of claim, whichever is earlier. The adjustment factor for age shall be decreased .015 for every year over 75 years of age up to a maximum downward adjustment to .7 LC, and shall be increased .015 for every year under 75 years of age up to a maximum upward adjustment to 1.4 LC.

(ii) **Exposure.** The following adjustments are based on exposure in traditional occupations at traditional shipyard, refinery or power plant, or other sites as set forth herein:

Exposure Rating	**Adjustment**
Very high exposure sites, as defined herein	3.0 LC
High exposure sites, as defined herein	1.5 LC
Standard exposure sites, as defined herein	1.0 LC
Low exposure sites, as defined herein	0.5 LC
Very Low exposure sites, as defined herein	0.25 LC

(iii) If an Injured Person is living as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by 1.3 LC.

(iv) If an Injured Person does not have a spouse or minor children as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by .8 LC. If an Injured Person has minor children, adult disabled dependent children or dependent minor grandchildren living with the Injured Person at the time of diagnosis, the Injured Person's case will be adjusted by 1.5 LC.

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(v) **Total Economic Loss (excluding medical and funeral expenses).** Where the Injured Person has or will incur economic loss for loss of earnings, pension, social security and home services in an amount greater than the Applicable Economic Loss Threshold, case value shall be adjusted upward .001 LC for every $1,267 (the Index Interval, also to be adjusted annually) of economic loss over the Applicable Economic Loss Threshold, up to a maximum adjustment to 2 LC. All claimed economic loss over the Applicable Economic Loss Threshold must be supported by adequate documentation. The Applicable Economic Loss Threshold and Index Interval shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers published in January of each year beginning in January of 2018. The Applicable Economic Loss Threshold and Index Interval shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vi) **Medical and Funeral Expenses.** Where the Injured Person has or will incur medical and funeral expenses in an amount greater than the Applicable Medical Expense Threshold, case value shall be adjusted upward .001 LC for every $1,503 (the Index Interval, also to be adjusted annually) of medical and funeral expenses over the Applicable Medical Expense Threshold, up to a maximum adjustment to 2 LC. All claimed medical and funeral expenses over the Applicable Medical Expense Threshold must be supported by adequate documentation. Standard future medical expenses are presumed to be $112,754, as adjusted annually (the "Applicable Future Amount"). Future medical expenses exceeding the Applicable Future Amount require documentation supported by affidavit. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Medical Care published in January of each year beginning in January of 2018. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vii) **Medical Causation.** The following adjustments apply to Injured Persons who have different smoking histories and/or medical findings than those described for the base Lung Cancer case. In no event can any of the adjustments listed below be combined for an overall causation adjustment in excess of 3.0 LC.

Causation Information	**Adjustment**
Pathological diagnosis of asbestosis, or occupational levels of asbestos bodies or asbestos fibers in lung tissue	2.0 LC
Clinical diagnosis of asbestosis (in absence of pathological diagnosis)	1.5 LC
No radiographic evidence of asbestos exposure and no increased fiber burden as a marker of asbestos exposure (Applicable to smokers only)	0.5 LC

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Lifetime non-smoker	2.0 LC
1-20 pack-years of smoking	1.2 LC
Over 80 pack-years of smoking	0.6 LC
Diagnosis over 10 years since Injured Person quit smoking	1.2 LC
Diagnosis over 15 years since Injured Person quit smoking	1.5 LC

IV. OTHER CANCER

a. **Base Case** ("OCA"). The base case value for an Other Cancer case is referred to in this Agreement as "OCA". A case will be considered a base case Other Cancer under this Matrix when it satisfies each of the following criteria:

(i) Injured Person diagnosed with laryngeal, esophageal, kidney, colo-rectal cancer, non-Hodgkin's lymphoma or chronic lymphocytic leukemia by a Pathologist, Internist, Pulmonologist or Occupational Medicine Physician;

(ii) Injured Person deceased at commencement of litigation or the time of filing of proof of claim, whichever is earlier;

(iii) Injured Person aged 75 years old at death;

(iv) Injured Person had a spouse;

(v) Injured Person had no other dependents or minor children at time of death;

(vi) Injured Person's loss of earnings, pension, social security and home services total up to $253,368, as adjusted annually (the "Applicable Economic Loss Threshold");

(vii) Injured Person's medical and funeral expenses total up to $300,676, as adjusted annually (the "Applicable Medical Expense Threshold");

(viii) Injured Person had Standard Exposure to Western's asbestos-containing products in traditional occupations at traditional shipyard, refinery, power plant or other sites, as defined herein;

(ix) Injured Person had a 20-80 pack-year history of smoking;

(x) Injured Person was still smoking at the time of diagnosis, or had quit smoking less than 10 years before diagnosis;

(xi) Injured Person not diagnosed with clinical or pathological asbestosis, but Injured Person had both:

(A) A reliable history of exposure to asbestos, and

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(B) Evidence of asbestos-related anatomical changes, such as: asbestos-related pleural disease chest X-ray abnormalities graded 1/0 or higher attributed to prior asbestos exposure on the ILO scale, or computed tomography (CT) evidence of interstitial disease attributed to prior asbestos exposure; and

(xii) The Injured Person had at least a 10-year latency period between the date of the first exposure to asbestos and the date of manifestation of the disease.

b. **Adjustments.** Certain features of an Other Cancer case will warrant an adjustment in the liquidated value either above or below the base case Other Cancer value, as set forth herein. The following adjustments are provided as multipliers of the base case value OCA. For example, an adjustment of 1.3 OCA for a living 55 year-old other cancer Injured Person indicates that such an Injured Person would receive 1.3 times the base case Other Cancer value. In situations where numerous adjustments are required for an Injured Person's case, all of the applicable adjustment multipliers shall be multiplied together and times the base case value OCA, to determine the liquidated value of the case. For example, an Injured Person who is age 55 (1.3 OCA) and alive at the commencement of litigation or the time of filing of proof of claim, whichever is earlier (1.3 OCA), and who had exposure at what is known to be a high exposure site (1.5 OCA), would be eligible for a liquidated value of 1.3 times 1.3 times 1.5 or 2.535 OCA times the base case value.

(i) **Age.** Age shall be determined as of the commencement of litigation or the time of filing of the proof of claim, whichever is earlier. The adjustment factor for age shall be decreased .015 for every year over 75 years of age up to a maximum downward adjustment to .7 OCA, and shall be increased .015 for every year under 75 years of age up to a maximum upward adjustment to 1.4 OCA.

(ii) **Exposure.** The following adjustments are based on exposure in traditional occupations at traditional shipyard, refinery, power plant or other sites, as set forth herein:

Exposure Rating	**Adjustment**
Very high exposure sites, as defined herein	3.0 OCA
High exposure sites, as defined herein	1.5 OCA
Standard exposure sites, as defined herein	1.0 OCA
Low exposure sites, as defined herein	0.5 OCA
Very Low exposure sites, as defined herein	0.25 OCA

(iii) If an Injured Person is living as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by 1.3 OCA.

(iv) If an Injured Person does not have a spouse or minor children as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by .8 OCA. If an Injured Person has minor children, adult disabled dependent

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children or dependent minor grandchildren living with the Injured Person at the time of diagnosis, the Injured Person's case will be adjusted by 1.5 OCA.

(v) **Total Economic Loss (excluding medical and funeral expenses).** Where the Injured Person has or will incur economic loss for loss of earnings, pension, social security and home services in an amount greater than the Applicable Economic Loss Threshold, case value shall be adjusted upward .001 OCA for every $1,267 (the Index Interval, also to be adjusted annually) of economic loss over the Applicable Economic Loss Threshold, up to a maximum adjustment to 2 OCA. All claimed economic loss over the Applicable Economic Loss Threshold must be supported by adequate documentation. The Applicable Economic Loss Threshold and Index Interval shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers published in January of each year beginning in January of 2018. The Applicable Economic Loss Threshold and Index Interval shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vi) **Medical and Funeral Expenses.** Where the Injured Person has or will incur medical and funeral expenses in an amount greater than the Applicable Medical Expense Threshold, case value shall be adjusted upward .001 OCA for every $1,503 (the Index Interval, also to be adjusted annually) of medical and funeral expenses over the Applicable Medical Expense Threshold, up to a maximum adjustment to 2 OCA. All claimed medical and funeral expenses over the Applicable Medical Expense Threshold must be supported by adequate documentation. Standard future medical expenses are presumed to be $112,754, as adjusted annually (the "Applicable Future Amount"). Future medical expenses exceeding the Applicable Future Amount require documentation supported by affidavit. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Medical Care published in January of each year beginning in January of 2018. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vii) **Medical Causation.** The following adjustments apply to Injured Persons who have different smoking histories and/or medical findings than those described for the base Other Cancer case. In no event can any of the adjustments listed below be combined for an overall causation adjustment in excess of 3.0 OCA.

Causation Information	**Adjustment**
Pathological diagnosis of asbestosis, or occupational levels of asbestos bodies or asbestos fibers in lung tissue	2.0 OCA
Clinical diagnosis of asbestosis (in absence of pathological diagnosis)	1.5 OCA

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No radiographic evidence of asbestos exposure and no increased fiber burden as a marker of asbestos exposure	0.25 OCA
Lifetime non-smoker	2.0 OCA
1-20 pack-years of smoking	1.2 OCA
Over 80 pack-years of smoking	0.6 OCA
Diagnosis over 10 years since Injured Person quit smoking	1.2 OCA
Diagnosis over 15 years since Injured Person quit smoking	1.5 OCA

(viii) **Other Organ Cancers.** An Injured Person who has not been diagnosed with cancers of the organs described for the base Other Cancer case (i.e., laryngeal, esophageal kidney, colo-rectal cancers, non-Hodgkin's lymphoma and chronic lymphocytic leukemia) may still obtain compensation under this Matrix, if the Injured Person has been diagnosed with a primary cancer of a different organ and a Board-Certified specialist in an appropriate specialty or a Board-Certified occupational medicine physician at the time of the report attributes the malignancy to prior asbestos exposure. An Injured Person's case which meets the criteria set forth above, subject to the Trust's consent, shall be classified as an "Other Organ Cancer" and will be adjusted by .5 OCA.

V. GRADE I NON-MALIGNANCY

a. **Base Case** ("I"). The base case value for a Grade I Non-malignancy Case is referred to in this Matrix as "I". A case will be considered a base case Grade I Non-malignancy under this Matrix when it satisfies each of the following criteria:

(i) Injured Person aged 75 years old;

(ii) Injured Person has a spouse;

(iii) Injured Person has no other dependents or minor children;

(iv) Injured Person's loss of earnings, pension, social security and home services total up to $253,368, as adjusted annually (the "Applicable Economic Loss Threshold");

(v) Injured Person's medical and funeral expenses total up to $300,676, as adjusted annually (the "Applicable Medical Expense Threshold");

(vi) Injured Person had Standard Exposure to asbestos-products in traditional occupations at traditional shipyard, refinery, power plant or other sites, as defined herein;

(vii) Injured Person satisfies all the following criteria of interstitial lung disease with impairment of lung function:

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1. The Injured Person must establish at least a 10-year latency period between the date of the first exposure to asbestos and the date of diagnosis of the disease, and clinical evidence of asbestosis defined in subsection 2;

2. Clinical Evidence of Asbestosis. A diagnosis of pulmonary asbestosis by a Pulmonologist, Internist or Occupational Medicine Physician who actually examined the Injured Person based on the following minimum objective criteria:

(a) Chest X-rays which, in the opinion of a Certified B-reader, show small irregular opacities of ILO Grade 1/0 or greater, or a report from a Pulmonologist, Internist or Occupational Medicine Physician that the Injured Person has evidence of asbestos related interstitial fibrosis on high resolution CT scan; and

(b) Pulmonary Function Testing results demonstrating either:

1) FVC<80% of Predicted Value with FEV-1/FVC≥65% (actual value) if the individual tested is at least 70 years old at the date of testing, ≥70% (actual value) if the individual tested is at least 60 years old but less than 70 years old at the date of testing, and ≥75% (actual value) if the individual tested is less than 60 years old at the date of testing; or

2) TLC<80% of Predicted Value; or

3) DLCO<75% of Predicted Value with FEV-1/FVC≥65% (actual value) if the individual tested is at least 70 years old at the date of testing, ≥70% (actual value) if the individual tested is at least 60 years old but less than 70 years old at the date of testing, and ≥75% (actual value) if the individual tested is less than 60 years old at the date of testing and a statement by a Pulmonologist or an Occupational Medicine Physician stating that the asbestos-related lung disease is the probable explanation for the test result.

3. Those claims wherein the Injured Person suffers from extensive disabling asbestos-related pleural disease may be submitted to the Individual Review process, as described in Section VIII of this Matrix, provided however such a claim shall not be limited to Average Value and may be awarded up to the Maximum Value for Grade I.

b. **Adjustments.** Certain features of a Grade I Non-malignancy Case will warrant an adjustment in the liquidated value either above or below the base case Grade I Non-malignancy value, as set forth herein. The following adjustments are provided as multipliers of the base case value I. For example, an adjustment of 1.3 I for a 55 year-old Grade I non-malignancy Injured Person indicates that such an Injured Person would receive 1.3 times the base case Grade I Non-malignancy value. In situations where numerous adjustments are required for an Injured Person's case, all of the applicable adjustment multipliers shall be multiplied together and times the base case value I, to determine the liquidated value of the case. For example, an Injured Person who is age 55 (1.3 I) and determined to be an Enhanced Grade I non- malignancy Injured Person as defined in section (vi) herein (1.5 I) and who had exposure at what is known to be a high exposure site (1.5 I), would be eligible for a liquidated value of 1.3 times 1.5 times 1.5, or 2.925 I, times the base case value.

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(i) **Age.** Age shall be determined as of the commencement of litigation or the time of filing of the proof of claim, whichever is earlier. The adjustment factor for age shall be decreased .015 for every year over 75 years of age up to a maximum downward adjustment to .7 I, and shall be increased .015 for every year under 75 years of age up to a maximum upward adjustment to 1.4 I.

(ii) **Exposure.** The following adjustments are based on exposure in traditional occupations at traditional shipyard, refinery or power plant, or other sites as set forth herein:

Exposure Rating	**Adjustment**
Very high exposure sites, as defined herein	3.0 I
High exposure sites, as defined herein	1.5 I
Standard exposure sites, as defined herein	1.0 I
Low exposure sites, as defined herein	0.5 I
Very Low exposure sites, as defined herein	0.25 I

(iii) If an Injured Person does not have a spouse or minor children as of the date litigation commences or the proof of claim is filed, whichever is earlier, the Injured Person's case will be adjusted by .8 I. If an Injured Person has minor children, adult disabled dependent children or dependent minor grandchildren living with the Injured Person at the time of diagnosis, the Injured Person's case will be adjusted by 1.5 I.

(iv) **Total Economic loss (excluding medical and funeral expenses).** Where the Injured Person has or will incur economic loss for loss of earnings, pension, social security and home services in an amount greater than the Applicable Economic Loss Threshold, case value shall be adjusted upward .001 I for every $1,267 (the Index Interval, also to be adjusted annually) of economic loss over the Applicable Economic Loss Threshold, up to a maximum adjustment to 2 I. All claimed economic loss over the Applicable Economic Loss Threshold must be supported by adequate documentation. The Applicable Economic Loss Threshold and Index Interval shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers published in January of each year beginning in January of 2018. The Applicable Economic Loss Threshold and Index Interval shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(v) **Medical and Funeral Expenses.** Where the Injured Person has or will incur medical and funeral expenses in an amount greater than the Applicable Medical Expense Threshold, case value shall be adjusted upward .001 I for every $1,503 (the Index Interval, also to be adjusted annually) of medical and funeral expenses over the Applicable Medical Expense Threshold, up to a maximum adjustment to 2 I. All claimed medical and funeral expenses over the Applicable Medical Expense Threshold must be supported by adequate documentation.

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Standard future medical expenses are presumed to be $112,754, as adjusted annually (the "Applicable Future Amount"). Future medical expenses exceeding the Applicable Future Amount require documentation supported by affidavit. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Medical Care published in January of each year beginning in January of 2018. The Applicable Medical Expense Threshold, Index Interval and Applicable Future Amount shall be the amounts in effect at the time an offer is issued by the Trust. Annual adjusted amounts will be published on the Trust's Web site each February and applied to all pending claims which do not have an outstanding offer issued.

(vi) **Enhanced Grade I Non-Malignancy.** If an Injured Person has evidence of asbestosis of a severity exceeding the following criteria, the liquidated value of that Injured Person's case will be adjusted by 1.5 I.

1. The Injured Person must establish at least a 10-year latency period between the date of first exposure to asbestos and the date of manifestation of the disease, and either clinical or pathological evidence of asbestosis as defined in subsection 2 or 3;

2. Clinical Evidence of Asbestosis. A diagnosis of pulmonary asbestosis by an Internist, Pulmonologist or an Occupational Medicine Physician who actually examined the Injured Person based on the following minimum objective criteria:

Chest X-rays which, in the opinion of a Certified B-reader, show small irregular opacities of ILO Grade 1/1 or greater, or asbestos related interstitial fibrosis on high resolution CT scan; and Pulmonary Function Testing results demonstrating either:

(a) FVC<60% of Predicted Value with FEV-1/FVC≥65% (actual value) if the individual tested is at least 70 years old at the date of testing, ≥70% (actual value) if the individual tested is at least 60 years old but less than 70 years old at the date of testing, and ≥75% (actual value) if the individual tested is less than 60 years old at the date of testing; or

(b) TLC<70% of Predicted Value; or

(c) DLCO<60% of Predicted Value with FEV-1/FVC≥65% (actual value) if the individual tested at least 70 years old at the date of testing, ≥70% (actual value) if the individual tested is at least 60 years old but less than 70 years old at the date of testing, and ≥75% (actual value) if the individual tested is less than 60 years old at the date of testing and a statement by a Pulmonologist, Internist or an Occupational Medicine Physician at the time of the stating that the asbestos-related lung disease is the probable explanation for the test result; or

(d) VO MAX<20mL (kg•min) or<5.7 METS with FEV-1/FVC≥65% (actual value) if the individual tested is at least 70 years old at the date of testing, ≥70% (actual value) if the individual tested is at least 60 years old but less than 70 years old at the date of testing, and ≥75% (actual value) if the individual tested is less than 60 years old at the date of testing and a statement by a Pulmonologist, Internist or an Occupational Medicine Physician stating that the asbestos-related lung disease is the probable explanation for the test result.

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3. Pathological Evidence of Asbestosis. A statement by a Pathologist, Pulmonologist, Internist or an Occupational Medicine Physician that a representative section of lung tissue demonstrates asbestosis as defined by the 1982 report of the Pneumoconiosis Committee of the College of American Pathologists and the National Institute for Occupational Safety and Health including the "demonstration of discrete foci of fibrosis in the walls of respiratory bronchioles associated with accumulations of asbestos bodies", and also that there is no more probable explanation for the presence of the fibrosis than prior asbestos exposure.

(vii) **"Serious asbestosis"** is

1. Asbestosis with ILO 2/2 or greater and AMA Class IV Impairment.

Or

2. Where the Injured Person is "On Oxygen" and otherwise meets the requirements of subsections i, ii, or iii, below.

   i. Injured Person has a diagnosis of asbestosis, has pulmonary function test results qualifying as Grade I, and a Pulmonologist or Occupational Medicine physician states that a contributing cause for the use of oxygen is asbestosis. Claim will be valued as a matrix claim even if there are other contributing causes listed for the need for oxygen.

   ii. Injured Person has a diagnosis of asbestosis, but does not have pulmonary function test results qualifying as Grade I. Even though a Pulmonologist or Occupational Medicine physician states that the predominant cause or contributing cause for use of oxygen is asbestosis, claim a) will be valued under Individual Review and subject to the Individual Review process as described in Section VIII of the Matrix and b) if there are other contributing causes, the Trust will give equal weight to each cause for the need to be on oxygen.

   iii. Injured Person has diagnosis of asbestosis, treating physician board certified in pulmonology or occupational medicine prescribes oxygen to the Injured Party, and the treating physician states the predominant need for oxygen is asbestosis. Regardless of the existence of other contributing causes for the need to be on oxygen, claim will be valued as a matrix claim.

"On Oxygen" means oxygen needed to perform activities of daily life, e.g., not oxygen that is prescribed only for comfort care, at night, for surgery, or on occasion.

Or

3. Asbestosis death" is where asbestosis is listed as the cause or a significant contributing cause of death on the death certificate, or where a report from a Pathologist, Pulmonologist, or and Occupational Medicine Physician states that asbestosis was a significant contributing cause of death. If and Injured Person has

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evidence of serious asbestosis or asbestosis death, and exposure to (debtor) products or conduct was a substantial contributing cause of the serious asbestosis or asbestosis death, then the valuation criteria for lung cancer, including the base Lung Cancer case, as defined in (II)(a), shall be utilized to determine the value of the claims.

VI. GRADE II NON-MALIGNANCY

a. **Base Case** ("II"). The base case value for a Grade II Non-malignancy Case is referred to in this Matrix as "II". A case will be considered a base case Grade II Non-malignancy under this Matrix when it satisfies each of the following criteria:

(i) Injured Person aged 75 years old;

(ii) Injured Person had Standard Exposure to Western asbestos-products in traditional occupations at traditional shipyard, refinery, power plant or other sites, as defined herein;

(iii) Injured Person satisfies the following criteria for asbestos-related disease:

1. The Injured Person must establish at least a 10-year latency period between the date of the first exposure to asbestos and the date of diagnosis of the disease; and

2. The Injured Person must establish evidence of an asbestos related disease including:

(a) Clinical Evidence of Asbestosis. A diagnosis of pulmonary asbestosis by an Internist, Pulmonologist or qualified Occupational Medicine Physician who actually examined the Injured Person based on the following minimum objective criteria:

1) Chest X-rays which, in the opinion of a Certified B-reader, show small irregular opacities of ILO Grade 1/0 or greater, or

2) Asbestos related interstitial fibrosis on high resolution CT scan or appropriate diagnostic imaging procedure; or

(b) Clinical Evidence of Asbestos-Related Pleural Disease. A diagnosis of asbestos-related pleural disease by an Internist, Pulmonologist or Occupational Medicine Physician.

b. **Adjustments.** Certain features of a Grade II Non-malignancy case will warrant an adjustment in the liquidated value either above or below the base Grade II Non-malignancy value, as set forth herein. The following adjustments are provided as multipliers of the base case value II. For example, an adjustment of 1.3 II for a 55 year-old Grade II non-malignancy Injured Person indicates that such an Injured Person would receive 1.3 times the base case Grade II Non-malignancy value. In situations where numerous adjustments are required for an Injured Person's case, all of the applicable adjustment multipliers shall be multiplied together and times the base case value II, to determine the liquidated value of the case. For example, an Injured Person who

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is age 55 (1.3 II) and who had exposure at what is known to be a high exposure site (1.5 II), would be eligible for a liquidated value of 1.3 times 1.5, or 1.95 II, times the base case value.

(i) **Age.** Age shall be determined as of the commencement of litigation or the time of filing of the proof of claim, whichever is earlier. The adjustment factor for age shall be decreased .015 for every year over 75 years of age up to a maximum downward adjustment to .7 II, and shall be increased .015 for every year under 75 years of age up to a maximum upward adjustment to 1.4 II.

(ii) **Exposure.** The following adjustments are based on exposure in traditional occupations at traditional shipyard, refinery or power plant, or other sites as set forth herein:

Exposure Rating	**Adjustment**
Very high exposure sites, as defined herein	3.0 II
High exposure sites, as defined herein	1.5 II
Standard exposure sites, as defined herein	1.0 II
Low exposure sites, as defined herein	0.5 II
Very Low exposure sites, as defined herein	0.25 II

VII. EXPOSURE REQUIREMENTS

a. **Standard Exposure Criteria.** Subject to Section 6.2 of the Trust Distribution Procedures, exposure to asbestos-containing material for which Western is responsible can be established by evidence described in Section I (d) and (e) above. The Trust shall have the right to consider all other appropriate evidence of exposure and may establish appropriate alternative exposure criteria after consultation with the TAC and the Futures Representative. The burden shall be on the Claimant or Injured Person to establish exposure to Western products by credible reliable evidence.

1. **Ship Exposure.** Evaluation of shipboard exposure shall be as follows:

a) Claims of shipboard exposure will require evidence that Western products were actually installed on the ship, and that the Injured Person can demonstrate presence in an area of the ship that would constitute an exposure to these products.

b) Exposure on board a ship at a shipyard during a repair or overhaul will constitute an exposure at that shipyard if the Injured Person remained onboard during the repair or overhaul, subject to meeting the duration of exposure requirements outlined herein.

c) Evidence that an Injured Person was subsequently present on a ship that was repaired or overhauled at a shipyard where Western products were used is not sufficient to constitute exposure. See Dumin v. Owens Coming Fiberglas Corp., 28 Cal. App. 4th 650 (1994).

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d) It shall not be sufficient for an Injured Person to show that Western products were generally used at a shipyard where a particular ship that the Injured Person worked on was repaired. Specific identification of Western products on board the ship, and meeting the duration of exposure requirements on the ship are both required. See Dumin v. Owens Corning Fiberglas Corp., 28 Cal. App. 4th 650 (1994).

e) An Injured Person who served on ships built at Kaiser Shipyards Nos. 2, 3, 4, Richmond, California and Bethlehem Steel Shipbuilding, San Francisco, California, shall have their claims liquidated as Standard Exposure claims, subject to meeting the minimum exposure criteria outlined herein.

2. **Derivative Exposure.** An Injured Person exposed to Western products solely from exposure to an occupationally exposed person, such as a family member, will have their claims valued by the trust as follows:

a) The Injured Person must establish that the occupationally exposed person would have met the exposure requirements under the Matrix that would have been applicable had that person filed a direct claim with the Trust.

b) The Injured Person must establish that he or she is suffering from one of the Compensable Diseases and that his or her own exposure to the occupationally exposed person occurred within the same time frame as the occupationally exposed person experienced Western exposure as defined herein and that such exposure was the cause of the claimed disease. All other liquidation and payment rights and limitations under this Matrix shall be applicable to such claims.

3. **Longshore Exposure.** A Longshoreman working in Northern California ports with Western exposure will be treated as a Standard exposure.

b. **Site List.** The Trust in consultation with the TAC will compile a list of the ships, facilities and other locations where Western asbestos-containing materials were present. The Trust may use this list to establish and to characterize exposure and to create a list of sites where exposure is accepted. The Trust with consent of the TAC and Futures Representative may modify the list in light of additional evidence or experience with claims processing. Any Injured Person may submit additional evidence to establish Western presence at a site, or in support of a higher exposure categorization in a particular case.

c. **Minimum Exposure Criteria.**

1. To meet the minimum exposure requirements, an Injured Person filing a claim as a Mesothelioma case must establish that the Injured Person's asbestos exposure at approved Western sites totals at least three months or at least 10% of the Injured Person's total asbestos exposure. Notwithstanding the foregoing, an Injured Person filing a claim as a Mesothelioma case who can establish that the Injured Person's exposure at approved Western sites totals at least one month (but less than three months) exposure shall be entitled to a reduced liquidated claim value.

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2. An Injured person filing in any other Compensable Disease category must establish that the Injured Person's asbestos exposure at approved Western sites totals at least one year or at least 25% of the Injured Person's total asbestos exposure. Notwithstanding the foregoing, an Injured Person filing in any other Compensable Disease category who can establish that the Injured Person's exposure at approved Western sites totals at least three months (but less than one year) exposure shall be entitled to a reduced liquidated claim value.

3. If no one site is sufficient to establish the duration necessary, an Injured Person may aggregate exposure at multiple sites to meet the minimum exposure requirements. The Trust will use a blending formula to give credit for exposure time beginning with the highest rated site.

4. If the Injured Person has exposure at multiple sites, but there is no evidence supporting actual length of time at any of the sites, for purposes of applying the provisions 3, above, the Trust will allocate exposure based upon an even distribution of the total length of exposure among all sites claimed. The Injured Person's attorney and the Injured Person or Personal Representative must provide declarations stating that the work sites listed include all work sites where the Injured Person worked, and that there is no other information available to demonstrate actual work time at each site. In addition, the interrogatories accompanying the claim must contain the Injured Person's entire work history.

Nothing in sub-paragraphs 3 and 4, above, shall diminish the obligation of a claimant to offer evidence of exposure that meets the minimum required exposure at approved Western Sites set forth in paragraph c. above to qualify for a Matrix Claim.

d. **Exposure Site Rating.**

1. **Standard Exposure Sites.** Standard Sites include typical exposures to asbestos at shipyards, refineries, power plants and other industrial and commercial sites where Western was determined by the Trust to be responsible for a significant portion of asbestos exposure at the worksite.

2. **High Exposure Sites.** High Exposure Sites include the same type of exposure settings as Standard Sites; except that in High Exposure Sites, Western has been identified as a primary supplier such that Western was responsible for a large portion of asbestos exposure at the work site.

3. **Very High Exposure Sites.** Very High Exposure Sites include the same type of exposure settings as High Exposure Sites; except that in Very High Exposure Sites, Western has been identified as being responsible for the overwhelming majority of asbestos exposure at the work site.

4. **Low Exposure Sites.** Low Exposure Sites include exposures occurring at shipyards, refineries, power plants and other industrial and commercial sites settings where Western was not a major source of exposure but has been identified as having some responsibility for the asbestos exposure at the site.

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5. **Very Low Exposure Sites.** Very Low Exposure Sites include work sites with occupational asbestos exposure outside the typical exposures occurring at shipyards, refineries, power plants and other industrial and commercial sites. Very Low Exposure Sites include construction settings and other such settings where exposure was not primarily to products supplied and/or installed by Western.

VIII. INDIVIDUAL REVIEW

Any Claimant or Injured Person whose claim does not meet the medical or exposure criteria for any Compensable Disease shall have the opportunity for individual consideration and evaluation of their claim. In such a case, the Trust shall either deny the claim or, if the Trust is satisfied that the Injured Person has presented a claim that would be cognizable and valid in the tort system in a jurisdiction where Western had been or was, on the Petition Date, amenable to suit, the Trust can offer the Injured Person a liquidated value amount up to the average settlement value for that Compensable Disease in the appropriate jurisdiction, unless the claim qualifies as an Extraordinary Claim as defined in IX below, in which case its liquidated value cannot exceed the maximum value specified for such a claim.

In special circumstances where it would be unjust to enforce the Individual Review cap, the cap may be relaxed if the Executive Director makes a recommendation to a panel, which shall consist of one Trustee, the Futures Representative and the Chair of the TAC. In the case of a claim submitted by the Chair of the TAC's firm, another member of the TAC will substitute. The Individual Review cap will be relaxed only if the entire panel is in agreement.

IX. EXTRAORDINARY CLAIMS PROVISION

a. **Extraordinary Claims.** In extraordinary situations such as where an Injured Person was exposed only to Western, or where Western exposure constituted over 80% of the Injured Person's asbestos exposure, where extraordinary present or future medical expenses are incurred, or where special damages are exceptionally large, the Trust may individually evaluate and liquidate a claim for an amount that exceeds the Maximum Value for the particular Compensable Disease asserted by the Injured Person. Any dispute as to Extraordinary Claim status shall be submitted to arbitration by a special Extraordinary Claims panel established by the Trust. Under no circumstances shall an Extraordinary Claim be valued at more than 8 times the Average Value for the particular Compensable Disease.

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EXHIBIT D

THIRTEENTH AMENDMENT TO AND COMPLETE RESTATEMENT OF WESTERN ASBESTOS SETTLEMENT TRUST AGREEMENT

This Thirteenth Amendment to and Complete Restatement of the Western Asbestos Settlement Trust Agreement (this "Trust Agreement"), dated and effective as of the Effective Date of April 22, 2004, as amended April 29, 2004, December 13, 2004, March 24, 2005, April 22, 2005, February 22, 2007, September 20, 2007, April 21, 2010, November 18, 2010, April 21, 2011, November 18, 2011, February 20, 2014, November 20, 2014, and April 19, 2018 is among Western Asbestos Company, a dissolved California corporation ("Western Asbestos"), Western MacArthur Co., a California corporation ("Western MacArthur") that is a wholly-owned subsidiary of Mac Arthur Co., Mac Arthur Co., a Minnesota corporation ("Mac Arthur"), which, collectively, are the debtors and debtors-in-possession in the Reorganization Cases (collectively, the "Debtors"), the Futures Representative, the individual trustees identified on the signature page hereof and appointed at Confirmation pursuant to the Joint Plan of Reorganization, dated as of November 22, 2002, as amended, modified or supplemented from time to time (the "Plan"). All capitalized terms not otherwise defined herein shall have their respective meanings as set forth in the Glossary of Terms for the Plan Documents, attached as Exhibit 1 to the Plan, and such definitions are incorporated herein by reference. All capitalized terms not defined herein or defined in the Glossary, but defined in the Bankruptcy Code or Rules, shall have the meanings ascribed to them by the Bankruptcy Code and Rules, and such definitions are incorporated herein by reference.

WHEREAS, at the time of the entry of the order for relief in the Reorganization Cases, each of the Debtors was named as a defendant in personal injury and wrongful death actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products; and

WHEREAS, the Debtors have reorganized under the provisions of Chapter 11 of the Bankruptcy Code in a case pending in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"), styled as *In re Western Asbestos Company, Western MacArthur Co., and Mac Arthur Co., Debtors,* Chapter 11 Case Nos. 02-46284-T, 02-46285-T and 02-46286-T (jointly administered under Case No. 02-46284-T); and

WHEREAS, the Plan, filed by the Debtors, the Futures Representative and the Committee, as Plan Proponents, has been confirmed (and affirmed) by the applicable Bankruptcy Court; and

WHEREAS, the Plan Documents provide, *inter alia*, for the creation of the Western Asbestos Settlement Trust; and

WHEREAS, pursuant to the Plan, the Trust is to use the Trust Assets to pay the Asbestos Related Claims; and

WHEREAS, pursuant to the Plan, the Trust is intended to qualify as a "qualified settlement fund" within the meaning of section 1.468B-1, *et seq.*, of the Treasury Regulations promulgated under section 468B of the IRC; and

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WHEREAS, it is the intent of the Debtors, the Trustees, the Futures Representative and the other parties that the Trust be administered, maintained, and operated at all times as a qualified settlement fund through mechanisms that provide reasonable assurance that the Trust will value, and be in a financial position to pay, all Asbestos Related Claims and Demands that involve similar claims in substantially the same manner, in strict compliance with the terms of this Trust Agreement; and

WHEREAS, the Plan provides, among other things, for the complete treatment of all liabilities and obligations of the Debtors with respect to Asbestos Related Claims; and

WHEREAS, the Bankruptcy Court has determined that the Trust and the Plan satisfy all the prerequisites for the Injunctions, including the injunctions pursuant to section 524(g) of the Bankruptcy Code, and such Injunctions have been entered in connection with the Confirmation Order.

WHEREAS, pursuant to Section 2.2(f)iii and Section 7.3 of the Trust Agreement, the Trustees, subject to the consent of the TAC and the Futures Representative, may amend the Trust Agreement.

NOW, THEREFORE, it is hereby agreed as follows:

ARTICLE 1

AGREEMENT OF TRUST

1.1 Creation and Name The Debtors hereby create a trust known as the "Western Asbestos Settlement Trust," which is the Trust provided for and referred to in the Plan. The Trustees of the Trust may transact the business and affairs of the Trust in the name "Asbestos Settlement Trust."

1.2 Purpose The purpose of the Trust is to assume the liabilities of each Debtor, and each of its respective successors in interest and their Affiliates, arising from or relating to Asbestos Related Claims and to use the Trust's assets and income to pay holders of Allowed Asbestos Related Claims in accordance with the Trust Agreement and in such a way that all holders of similar Allowed Asbestos Related Claims are treated in a substantially equivalent manner and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B)(i) of the Bankruptcy Code.

1.3 Transfer of Assets Pursuant to the Plan Documents, the Debtors have transferred and assigned the Trust Assets to the Trust, free and clear of any liens or other interests of the Debtors or any creditor, shareholder or other entity. The Debtors shall execute and deliver such documents as the Trustees reasonably request to transfer and assign any such Trust Assets.

1.4 Acceptance of Assets and Assumption of Liabilities

(a) In furtherance of the purposes of the Trust, the Trustees, on behalf of the Trust, hereby expressly accept the transfer and assignment to the Trust of the Trust Assets in the time and manner as contemplated in the Plan Documents.

(b) In furtherance of the purposes of the Trust, the Trustees, on behalf of the Trust, hereby expressly assume all liability for all Asbestos Related Claims. Except as otherwise provided in the TDP, the Trust shall have all defenses, cross-claims, offsets and recoupments, as well as rights of indemnification, contribution, subrogation, and similar rights, regarding Asbestos Related Claims that the Debtors or any of the reorganized Western Asbestos, Western MacArthur or Mac Arthur, have or would have had under applicable law.

(c) In furtherance of the purpose of the Trust, commencing on the Effective Date, the Trustees, on behalf of the Trust, hereby agree to pay, as Trust Expenses, all remaining obligations of any of the Debtors to their present and former attorneys, Faricy & Roen, P.A. ("F&R"), Morgan, Lewis & Bockius LLP ("Morgan Lewis"), Orrick, Herrington & Sutcliffe LLP ("Orrick"), Miller, Starr & Regalia ("MS&R") and Brobeck, Phleger & Harrison LLP ("Brobeck"), related to or arising from the Coverage Litigation, whether such obligations shall be then due or thereafter due, owing and payable, as more specifically set forth in that certain Agreement Regarding Continued Representation dated as of about April 29, 2003 (the "April Agreement"), entered into by and among Mac Arthur, Western MacArthur, Morgan Lewis, Brobeck, Orrick, MS&R and F&R, and accepted by the Committee and the Futures Representative, and, to the extent not amended or altered by the April Agreement, that certain letter agreement dated November 21, 2002 among the Debtors, F&R and Brobeck.

(d) In furtherance of the purposes of the Trust, the Trustees, on behalf of the Trust, hereby indemnify the Debtors, and each of their respective successors in interest and Affiliates from any expenses, costs and fees (including attorneys' fees and costs, but excluding any such expenses, costs and fees incurred prior to the Effective Date), judgments, settlements or other liabilities arising from or incurred in connection with, any action related to an Asbestos Related Claim, including, but not limited to, indemnification or contribution for Asbestos Related Claims prosecuted against any of the Debtors.

(e) Nothing in this Trust Agreement shall be construed in any way to limit the scope, enforceability or effectiveness of the Injunctions issued and affirmed in connection with the Plan or the Trust's assumption of all liability with respect to Asbestos Related Claims.

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ARTICLE 2

POWERS AND TRUST ADMINISTRATION

2.1 Powers

(a) The Trustees are and shall act as fiduciaries to the Trust in accordance with the provisions of this Trust Agreement and the Plan. The Trustees shall, at all times, administer the Trust and the Trust Assets in accordance with Section 1.2 of this Trust Agreement. Subject to the limitations set forth in this Trust Agreement, the Trustees shall have the power to take any and all actions that, in the judgment of the Trustees, are necessary or proper to fulfill the purposes of the Trust, including, without limitation, each power expressly granted in this Section 2.1, any power reasonably incidental thereto, and any trust power now or hereafter permitted under the laws of the State of Nevada.

(b) Except as otherwise specified herein, the Trustees need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder; provided that the Trustees recognize and acknowledge that the Trust is subject to the continuing jurisdiction of the Bankruptcy Court.

(c) Without limiting the generality of Subsection 2.1(a) above, and except as limited below, the Trustees shall have the power to:

(i) receive and hold the Trust Assets, and exercise all rights with respect to (including sale of) any or all such assets;

(ii) invest the monies held from time to time by the Trust;

(iii) sell, transfer or exchange any or all of the Trust Assets at such prices and upon such terms as they may consider proper, consistent with the other terms of this Trust Agreement;

(iv) exercise all rights granted under the Mac Arthur Pledge Agreement with respect to the shares of common stock of Mac Arthur pledged pursuant thereto, as and to the extent provided therein, and exercise all rights with respect to the Mac Arthur Note, subject to any restrictions set forth therein;

(v) enter into leasing and financing agreements with third parties to the extent such agreements are reasonably necessary to permit the Trust to operate;

(vi) pay liabilities and expenses of the Trust, including, but not limited to, Trust Expenses;

(vii) establish such funds, reserves and accounts within the Trust estate, as deemed by the Trustees to be useful in carrying out the purposes of the Trust;

(viii) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitrative or other proceeding;

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(ix) amend the Trust Bylaws in accordance with the terms thereof, a copy of which is annexed hereto as Annex A;

(x) establish, supervise and administer the Trust in accordance with the TDP and the Matrix and administer, amend, supplement or modify the TDP and the Matrix in accordance with the terms thereof, a copy of which is annexed hereto as Annex B;

(xi) appoint such officers and hire such employees and engage such legal, financial, accounting, investment, auditing and forecasting and other consultants or alternative dispute resolution panelists and agents as the business of the Trust requires, and to delegate to such persons such powers and authorities as the fiduciary duties of the Trustees permit and as the Trustees, in their discretion, deem advisable or necessary in order to carry out the terms of this Trust;

(xii) pay employees, legal, financial, accounting, investment, auditing and forecasting, and other consultants, advisors and agents reasonable compensation, including without limitation, compensation at rates approved by the Trustees for services rendered prior to the execution hereof;

(xiii) compensate the Trustees, the members of the TAC, the Futures Representative and their respective Agents and reimburse to them all reasonable out-of-pocket costs and expenses incurred by such persons in connection with the performance of their duties hereunder, including without limitation, costs and expenses incurred prior to the execution hereof;

(xiv) execute and deliver such instruments as the Trustees consider proper in administering the Trust;

(xv) enter into such other arrangements with third parties as are deemed by the Trustees to be useful in carrying out the purposes of the Trust, provided such arrangements do not conflict with any other provision of this Trust Agreement;

(xvi) in accordance with Section 4.7, indemnify (and purchase insurance indemnifying) the Trustees, the Futures Representative, the TAC, and each of the Debtors, and the respective Agents of the Trust, the Futures Representative, the TAC, and each of the Debtors to the fullest extent that a corporation or trust organized under the law of the Trust's situs is from time to time entitled to indemnify and/or insure such Agents;

(xvii) delegate any or all of the authority herein conferred with respect to the investment of all or any portion of the Trust Assets to any one or more reputable individuals or recognized institutional investment advisors or investment managers without liability for any action taken or omission made because of any such delegation, except as provided in Section 4.4;

(xviii) consult with the Debtors at such times and with respect to such issues relating to the conduct of the Trust as the Trustees consider desirable;

(xix) make, pursue (by litigation or otherwise), collect, compromise or settle, in its own name or the name of the applicable Debtor, any claim, right, action, or cause of action included in the Trust Assets, including without limitation, the Asbestos Insurance Action

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Recoveries and the Asbestos In-Place Insurance Coverage, before any court of competent jurisdiction; provided that settlement of any action before the Bankruptcy Court requires the approval of the Bankruptcy Court after notice to such Debtor;

(xx) with the prior consent of the Approving Entities, merge or contract with other claims resolution facilities that are not specifically created by this Trust Agreement or the TDP, provided that such merger or contract shall not (a) subject the Debtors or any successor in interest to any risk of having any Asbestos Related Claim asserted against any of them, or (b) otherwise jeopardize the validity or enforceability of the Injunctions; and

(xxi) with the prior consent of the Approving Entities, establish binding and non-binding arbitration procedures for the purposes set forth in Section 5.9 of the TDP.

(d) The Trustees shall not have the power to guarantee any debt of other Persons.

(e) The Trustees shall give the Approving Entities prompt notice of any act performed or taken pursuant to Subsection 2.1(c)(i), (iii), (vii), (viii), (ix), (x), (xvi), (xix), (xx) and Subsection 2.2(f).

2.2 General Administration

(a) The Trustees shall act in accordance with the Trust Bylaws. To the extent not inconsistent with the terms of this Trust Agreement, the Trust Bylaws govern the affairs of the Trust. In the event of an inconsistency between the Trust Bylaws and this Trust Agreement, the Trust Agreement shall govern.

(b) The Trustees shall timely file such income tax and other returns and statements and comply with all withholding obligations as required under the applicable provisions of the IRC and of any state law and the regulations promulgated thereunder, including without limitation all requirements necessary to qualify and maintain qualification as a qualified settlement fund, and shall timely pay all taxes required to be paid.

(c) (i) 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 principals generally accepted in the United States, except for the special-purpose accounting methods set forth as follows:

1. The financial statements shall be prepared using the accrual method of accounting.

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2. The funding received from Western Asbestos, Western MacArthur and their insurers shall be recorded directly to net claimants' equity. These funds shall not represent income of the Trust. Settlement offers for asbestos health claims shall be reported as deductions in net claimants' equity and shall not represent expenses of the Trust.

3. Costs of non-income producing assets, which shall be exhausted during the life of the Trust and will not be available for satisfying claims, shall be expensed when incurred. These costs shall include acquisition costs of computer hardware, software, software development, office furniture, leasehold improvements, and other prepaid expenses such as rent and insurance.

4. Future fixed liabilities and contractual obligations entered into by the Trust shall be recorded directly against net claimants' equity. Accordingly, the future minimum rental commitments outstanding at period end for noncancelable operating leases, net of any sublease agreements, shall be recorded as deductions to net claimants' equity.

5. The liability for unpaid claims reflected in the statements of net claimants' equity shall represent settled but unpaid claims and outstanding settlement offers. A claims liability shall be recorded once a settlement offer is made to the claimant at the amount equal to the expected pro rata payment. No liability shall be recorded for future claim filings and filed claims on which no settlement offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.

6. Available-for-sale securities shall be recorded at market. All interest and dividend income on available-for-sale securities, net of investment expenses, shall be included in investment income on the statement of changes in net claimants' equity. Net realized and unrealized gains and losses on available-for-sale securities shall be recorded as a separate component on the statements of changes in net claimants' equity.

7. Realized gains/losses on available-for-sale securities shall be recorded based on the security's amortized cost. At the time a security is sold, all previously recorded unrealized gains/losses shall be reversed and recorded net, as a component of other unrealized gains/losses in the statement of changes in net claimants' equity.

The Trustees shall provide a copy of such report to the Approving Entities and each of the Debtors when such reports are filed with the Bankruptcy Court.

(ii) Simultaneously with delivery of each set of financial statements referred to in Subsection 2.2(c)(i) above, the Trustees shall cause to be prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. The Trustees shall provide a copy of such report to the Approving Entities and the Debtors when such report is filed.

(iii) All materials required to be filed with the Bankruptcy Court by this Subsection 2.2(c), other than materials filed under seal, shall be available for inspection by the public in accordance with procedures established by the Bankruptcy Court and shall be filed with the Office of the United States Trustee with responsibility for the Northern District of California. The Trustees shall file materials under seal which they determine should remain confidential.

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(d) The Trustees shall cause to be prepared, as soon as practicable prior to the commencement of each fiscal year, a budget and cash flow projections covering such fiscal year and the succeeding four fiscal years. The Trustees shall provide a copy of the budget and cash flow to the Approving Entities.

(e) The Trustees shall consult with the TAC and the Futures Representative (i) on the implementation and administration of the TDP and the Matrix, and (ii) on the implementation and administration of the Trust.

(f) The Trustees shall be required to obtain the consent of the Approving Entities in addition to those instances elsewhere enumerated, in order:

(i) to add to or change the schedule of Asbestos-Related Disease Categories or criteria, or to increase the Allowed Liquidated Values pursuant to the TDP; or

(ii) to merge or participate in the handling of bodily injury claims with any claims resolution facility that was not specifically created under this Trust Agreement or the TDP; or

(iii) to amend any provision of the Trust Agreement; Article I, Article II, Article Ill Section 4, or Article IV of the Trust Bylaws; or, where required by the TDP, the TDP; or

(iv) to terminate the Trust pursuant to Section 7.2 herein; or

(v) to change the number of Trustees and to appoint successor Trustees; or

(vi) to settle the liability of any insurer under any insurance policy covering Asbestos Related Claims or Demands or to settle any Asbestos Insurance Action; or

(vii) to change the compensation of the Trustees or the Managing Trustee, other than cost-of-living increases;

(viii) to change the Trust claim form used by the Trust to evaluate claims; or

(ix) to amend, supplement or modify the provisions of the Case Valuation Matrix.

(g) Whenever the consent of the Approving Entities is required pursuant to Subsection 2.2(f) above, or elsewhere in this Trust Agreement, such consent shall be deemed given if the Approving Entities are signatories to a document or the minutes of the Trustees' meeting reflect such consent was given orally and said minutes are then subsequently approved by the Trustees.

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(h) The Trustees, upon notice from either of the Approving Entities, shall at their next regular meeting or, if appropriate, at a specially called meeting, place on their agenda and consider issues requested by such Approving Entity.

2.3 Claims Administration The Trustees shall promptly proceed to implement the TDP.

2.4 Reimbursement Obligation of the Trust The Trust and, to the extent necessary for the Trust to act, the Trustees, shall, within fifteen (15) days following recovery from any Asbestos Insurance Company that is not a USF&G Party of any amounts, whether by judgment, settlement or otherwise, reimburse to the USF&G Parties: (a) the amounts advanced under Sections 3.2(a)(i) through (iii) of the USF&G Settlement Agreement; (b) fees and expenses of the USF&G Parties in connection with the USF&G's efforts to obtain Plan Approval to the extent undertaken in the interest of the Debtors, the USF&G Parties and Asbestos Related Claimants, and not solely for the benefit of the USF&G Parties, that were requested in writing to be performed by certain counsel to holders of Asbestos Related Claims, being the law firms of: (1) Kazan, McClain, Edises, Abrams, Fernandez, Lyons & Farrise, PLC, (2) Brayton Purcell, and (3) The Wartnick Law Firm; and (c) interest on (a) and (b) hereof at the 30-day T-bill rate accrued from the dates of payment of the foregoing by the USF&G Parties until the date of payment by the Trust; provided, however, in no event shall such amounts, fees, expenses and interest exceed the amounts recovered by the Trust.

2.5 Property Damage Claims Defense Fund For a period of ten (10) years following "substantial consummation" of the Plan, the Trustees shall make available to Western MacArthur and Mac Arthur funds in an amount not to exceed $5,000,000 in the aggregate, for defense of claims (excluding Asbestos Related Claims, but including asbestos related property damage claims) potentially covered by Policies issued by any USF&G Parties to Western Asbestos and described in the form of "Stipulation and Order Re: Determination of Certain Issues and Stay of Trial Against USF&G" entered in *Western MacArthur Company, et al. v. United States Fidelity & Guaranty Co., et al.,* Case No. 721595-7 (Consolidated with Case No. 828101-2), Superior Court of the State of California, County of Alameda.

2.6 Johns-Manville Litigation Fund As more particularly described in the Disclosure Statement, under the terms of the trust established pursuant to Johns-Manville's confirmed plan of reorganization (the "Johns-Manville Trust"), Johns-Manville paid to Western MacArthur $10,000,000 to fund expenses relating to the Debtors' lawsuits against the Asbestos Insurance Companies. To the extent that Western MacArthur's litigation with respect to such Asbestos Insurance Companies is resolved finally as to all Asbestos Insurance Companies, Western MacArthur is obligated to pay to the Johns-Manville Trust $10,000,000 (less any undisbursed portion of such amount), plus interest. The fund was fully disbursed in connection with the Coverage Litigation and, following Confirmation of the Plan, the Trust will be required to repay such amount as and when required under the terms of the Johns-Manville Trust.

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ARTICLE 3

ACCOUNTS, INVESTMENTS, AND PAYMENTS

3.1 Accounts The Trustees may, from time to time, create such accounts and reserves within the Trust estate as they may deem necessary, prudent, or useful in order to provide for the payment of expenses and valid Asbestos Related Claims and may, with respect to any such account or reserve, restrict the use of monies therein.

3.2 Investments Investment of monies held in the Trust shall be administered in the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs, subject to the following limitations and provisions:

(a) The Trust shall not acquire, directly or indirectly, equity in any Person (other than the Debtors or any successor to any of the Debtors, on the terms and conditions in the Plan) or business enterprise if, immediately following such acquisition, the Trust would hold more than five percent of the equity in such Person or business enterprise. The Trust shall not hold, directly or indirectly, more than ten percent of the equity in any Person (other than the Debtors, on the terms and conditions in the Plan) or business enterprise.

(b) The Trust shall not acquire or hold any long-term debt securities unless (i) such securities are rated "Baa" or higher by Moody's, "BBB" or higher by S&P's or have been given an equivalent investment grade rating by another nationally recognized statistical rating agency, or (ii) have been issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof, or (iii) with respect to no more than ten percent (10%) of the total assets of the Trust, such securities are included in a diversified and managed portfolio or portfolios.

(c) The Trust shall not acquire or hold for longer than 90 days any commercial paper unless such commercial paper is rated "Prime-1" or higher by Moody's or "A-1" or higher by S&P's or has been given an equivalent rating by another nationally recognized statistical rating agency.

(d) Excluding any securities issued by the Debtors, the Trust shall not acquire or hold, directly or indirectly, any common or preferred stock or convertible securities, REITS, MLPs and Royalty Trusts ("Stocks") unless such Stock is included in a diversified and managed portfolio or portfolios. The Trust shall not acquire, directly or indirectly, more than forty percent (40%) of the Trust's total assets in such Stock Portfolios, or hold, directly or indirectly, more than forty-five (45%) of the Trust's total assets in such Stock Portfolios.

(e) Except as provided in Section 3.2(d) above, the Trust shall not acquire any securities or other instruments issued by any person (other than debt securities or other instruments issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof) if, following such acquisition, the aggregate market value of all securities and instruments issued by such Person held by the Trust would exceed five percent of the aggregate value of the Trust estate. The Trust shall not hold any securities or other instruments issued by any Person (other than debt securities or other instruments issued or fully guaranteed as

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to principal and interest by the United States of America or any agency or instrumentality thereof and other than securities or other instruments of the Debtors or any successor to any of the Debtors) to the extent that the aggregate market value of all securities and instruments issued by such Person held by the Trust would exceed five percent of the aggregate value of the Trust Estate.

(f) The Trust shall not acquire or hold any certificates of deposit unless all publicly held, long-term debt securities, if any, of the financial institution issuing the certificate of deposit and the holding company, if any, of which such financial institution is a subsidiary, meet the standards set forth in Subsection 3.2(b).

(g) The Trust shall not acquire or hold any repurchase obligations unless, in the opinion of the Trustees, they are adequately collateralized.

(h) The Trust shall not acquire or hold any options.

3.3 Source of Payments All Trust Expenses and all liabilities with respect to Asbestos Related Claims shall be payable solely by the Trust out of the Trust Assets, Asbestos Insurance Settlement Agreements, Asbestos Insurance Policies, and Asbestos Insurance Action Recoveries. Neither the Debtors, their subsidiaries, any successor in interest or the present or former stockholders, directors, officers, employees or agents of the Debtors, or their subsidiaries, nor the Trustees, the Approving Entities, or any of their officers, agents, advisors, or employees shall be liable for the payment of any Trust Expense or any other liability of the Trust.

ARTICLE 4

TRUSTEES

4.1 Number There shall be three Trustees. The initial Trustees shall be those persons named on the signature page hereof. As soon as practicable after the Effective Date, one Trustee shall be designated Managing Trustee by vote of the Trustees.

4.2 Term of Service

(a) Each of the initial Trustees named pursuant to Section 4.1 shall serve from the Effective Date until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Subsection 4.2(c), (iii) his or her removal pursuant to Subsection 4.2(d), or (iv) the termination of the Trust pursuant to Section 7.2.

(b) Each Successor Trustee shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Subsection 4.2(c), (iii) his or her removal pursuant to Subsection 4.2(d), or (iv) the termination of the Trust pursuant to Section 7.2.

(c) Any Trustee may resign at any time by written notice to each of the remaining Trustees, the Futures Representative, and the TAC. Such notice shall specify a date when such resignation shall take effect, which shall not be fewer than 90 days after the date such notice is given, where practicable.

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(d) Any Trustee may be removed in the event that such Trustee becomes unable to discharge his or her duties hereunder due to accident or physical or mental deterioration, or for other good cause. "Good cause" shall be deemed to include, without limitation, any substantial failure to comply with Section 2.2, a consistent pattern of neglect and failure to perform or participate in performing the duties of the Trustees hereunder, or repeated non-attendance at scheduled meetings. Such removal shall require the unanimous decision of the other Trustees. Such removal shall take effect at such time as the other Trustees shall determine.

4.3 Appointment of Successor Trustee

(a) In the event of a vacancy in the position of Trustee, the vacancy shall be filled by the unanimous vote of the remaining Trustees (subject to the consent of the Approving Entities). If such vacancy has not been filled within 90 days, the matter shall, on application of any such persons, be submitted promptly to the Bankruptcy Court for resolution. In the event that more than one vacancy shall exist, the vacancies shall be filled by the remaining Trustee (if one should exist), subject to the consent of the Approving Entities, or if such vacancies have not been filled within 90 days, by the Bankruptcy Court on application of any such persons.

(b) Immediately upon the appointment of any successor Trustee, all rights, titles, duties, powers and authority of the predecessor Trustee hereunder shall be vested in, and undertaken by, the successor Trustee without any further act. No successor Trustee shall be liable personally for any act or omission of his or her predecessor Trustee.

4.4 Liability of Trustees, Officers and Employees Neither the Trustees, the Futures Representative, the TAC (or any member of the TAC), nor any of their respective Agents, shall be liable to the Trust, to any person holding an Asbestos Related Claim, or to any other Person, except for such individual's or entity's own breach of trust committed in bad faith or willful misappropriation. Neither the Trustees, the Futures Representative, the TAC (or any member of the TAC), nor any of their respective Agents, shall be liable for any act or omission of any Agent of the Trust, the Futures Representative, the TAC (or any member of the TAC), unless the Trustees, the Futures Representative, the TAC (or any member of the TAC), respectively, acted with bad faith in the selection or retention of such Agent.

4.5 Compensation and Expenses of Trustees

(a) The Trustees shall be compensated as follows: Each of the Trustees shall receive compensation from the Trust for his or her services as Trustee in the amount of $70,000 per annum; provided, however, that the Trustee serving as Managing Trustee shall be compensated as established from time to time by the other Trustees, the Futures Representative and the TAC. The per annum compensation payable to the Trustees hereunder shall be reviewed every three years and appropriately adjusted with the consent of the Approving Entities. Each of the non-managing Trustees shall be compensated at the rate of $500 per hour spent at an official meeting of the Trustees, an official trip of the Trustees, or dedicated to Trust Business; and the managing Trustee shall be compensated at the rate of $600 per hour spent at an official meeting of the Trustees, an official trip of the Trustees, or dedicated to Trust Business. The per annum compensation, paid quarterly in advance, and the hourly amounts of compensation payable to the Trustees hereunder shall be adjusted each year in accordance with the Federal Bureau of Labor

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Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) published in January of each year, beginning as of January 1, 2015. The Structure and amounts of compensation will be reviewed when requested by the Trustees, the TAC and/or the Futures Representative, but no less than every three (3) years beginning in November, 2017.

(b) The Trust will promptly reimburse the Trustees for all reasonable out-of-pocket costs and expenses incurred by the Trustees in connection with the performance of their duties hereunder.

(c) The Trust will include a description of the amounts paid under this Section 4.5 in the report to be filed pursuant to Subsection 2.2(c)(i) of this Trust Agreement.

4.6 Indemnification of Trustees and Additional Indemnitees The Trust shall indemnify and defend the Trustees, the Trust's officers, and employees to the fullest extent that a corporation or trust organized under the laws of the Trust's situs is from time to time entitled to indemnify and defend its directors, trustees, officers and employees against any and all liabilities, expenses, claims, damages or losses incurred by them in the performance of their duties hereunder. Notwithstanding the foregoing, the Trustees shall not be indemnified or defended in any way for any liability, expense, claim, damage or loss for which they are ultimately liable under Section 4.4.

Additionally, the Committee, the Futures Representative, the TAC, the Debtors, and each of their respective Agents, who was or is a party, or is threatened to be made a party to any threatened or pending judicial, administrative or arbitrative action, by reason of any act or omission of such Committee, the Futures Representative, the TAC, the Debtors, and their respective Agents, with respect to (i) the Reorganization Case and any act or omission undertaken by them prior to the commencement thereof, (ii) the liquidation of any Asbestos Related Claims, (iii) the administration of the Trust and the implementation of the TDP, or (iv) any and all activities in connection with the Trust Agreement, shall be indemnified and defended by the Trust, to the fullest extent that a corporation or trust organized under the laws of the Trust's situs is from time to time entitled to indemnify and defend its officers, directors, trustees and employees, against reasonable expenses, costs and fees (including attorneys' fees and costs), judgments, awards, amounts paid in settlement and liabilities of all kinds incurred by the Committee, the Futures Representative, the TAC, the Debtors, and their respective members, professionals, officers, and directors, in connection with or resulting from such action, suit or proceeding, if he or she acted in good faith and in a manner such Committee, the Futures Representative, the TAC, the Debtors, and their respective members, professionals, officers and directors reasonably believed to be in, or not opposed to, the best interests of the holders of Asbestos Related Claims whom the Committee, the Futures Representative, the TAC, the Debtors, and their respective members, professionals, officers, and directors represent.

(a) Reasonable expenses, costs and fees (including attorneys' fees and costs) incurred by or on behalf of a Trustee, the Committee, the Futures Representative, the TAC, the Debtors, and their respective Agents in connection with any action, suit or proceeding, whether civil, administrative or arbitrative, from which they are indemnified by the Trust pursuant to Subsection 4.6(a), shall be paid by the Trust in advance of the final disposition thereof upon receipt of an undertaking, by or on behalf of such Trustee the Committee, the Futures Representative, the TAC, the Debtors and their respective Agents, to repay such amount in the event that it shall be

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determined ultimately by Final Order that such Trustee or the Committee, the Futures Representative, the TAC, the Debtors and their respective professionals, officers and directors is not entitled to be indemnified by the Trust.

(b) The Trustees shall have the power, generally or in specific cases, to cause the Trust to indemnify the Agents of the Trust to the same extent as provided in this Section 4.6 with respect to the Trustees.

(c) Any indemnification under Subsection 4.7(c) of this Trust Agreement shall be made by the Trust upon a determination by the Trustees that indemnification of such Person is proper in the circumstances.

(d) The Trustees may purchase and maintain reasonable amounts and types of insurance on behalf of an individual who is or was a Trustee, an Agent of the Trust, the Committee, the Futures Representative, the TAC, the Debtors, and their respective Agents against liability asserted against or incurred by such individual in that capacity or arising from his or her status as such.

4.7 Trustees' Lien The Trustees, the Committee, the Futures Representative, the TAC, the Debtors, and their respective Agents shall have a first priority lien upon the Trust Assets to secure the payment of any amounts payable to them pursuant to Sections 4.5, 4.6 or 4.7.

4.8 Trustees' Employment of Experts The Trustees may, but shall not be required to, retain or consult with counsel, accountants, appraisers, auditors and forecasters, and other parties deemed by the Trustees to be qualified as experts on the matters submitted to them and the opinion of any such parties on any matters submitted to them by the Trustees shall be full and complete authorization and protection in respect of any action taken or not taken by the Trustees hereunder in good faith and in accordance with the written opinion of any such party.

4.9 Trustees' Independence No Trustee shall, during the term of his or her service, hold a financial interest in, act as attorney or agent for, or serve as any other professional for any of the Debtors. Notwithstanding the foregoing, the Trustees may serve as officers or directors of any of the Debtors. No Trustee shall act as an attorney for any person who holds an Asbestos Related Claim.

4.10 Bond The Trustees shall not be required to post any bond or other form of surety or security unless otherwise ordered by the Bankruptcy Court.

ARTICLE 5

THE FUTURES REPRESENTATIVE

5.1 Duties The Futures Representative shall serve in a fiduciary capacity, representing the interests of the Future Asbestos Claimants, for the purpose of protecting the rights of persons who might subsequently assert Demands. The Trustees must consult with the Futures Representative on matters identified in Subsection 2.2(e), must obtain the consent of the Futures Representative on matters identified in Subsection 2.2(f), and may consult with the Futures Representative on any matter affecting the Trust. Where provided in this Trust Agreement, the

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TDP or the Matrix, certain actions of the Trustees are subject to the consent of the Futures Representative.

5.2 Term of Office

(a) The Futures Representative shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Subsection 5.2(b), (iii) his or her removal or (iv) the termination of the Trust pursuant to Section 7.2.

(b) The Futures Representative may resign at any time by written notice to the Trustees. Such notice shall specify a date when such resignation shall take effect, which shall not be fewer than 90 days after the date such notice is given, where practicable.

The Futures Representative may be removed in the event he or she becomes unable to discharge his or her duties hereunder due to accident, physical deterioration, mental incompetence, or a consistent pattern of neglect and failure to perform or to participate in performing the duties hereunder, such as repeated non-attendance at scheduled meetings. Such removal shall be made by the unanimous decision of the Trustees.

5.3 Appointment of Successor A vacancy caused by resignation shall be filled with an individual nominated by the Futures Representative. A vacancy for any other reason, or in the absence of a nomination by the Futures Representative, shall be filled with an individual selected by majority vote of the Trustees. The successor Futures Representative shall, in either case, be subject to Bankruptcy Court approval.

5.4 Futures Representative's Employment of Professionals The Futures Representative may retain or consult with counsel, accountants, appraisers, auditors, forecasters, asbestos experts and other parties deemed by the Futures Representative to be qualified as experts on matters submitted to them, and the opinion of any such parties on any matters submitted to them shall be full and complete authorization and protection in support of any action taken or not taken by the Futures Representative hereunder in good faith and in accordance with the written opinion of any such party, and in the absence of gross negligence. The Futures Representative and his or her experts shall at all times have complete access to the Trust's Agents retained by the Trust, as well as all information generated by them or otherwise available to the Trust or Trustees.

5.5 Compensation and Expenses of the Futures Representative

(a) The Futures Representative shall receive compensation from the Trust for his or her services as the Futures Representative at his or her current hourly rate, such rate being subject to an annual review and adjustment by the Trustees with the consent of the TAC.

(b) The Trust will promptly reimburse, or pay directly if so instructed, the Futures Representative for all reasonable out-of-pocket costs and expenses, including fees and costs associated with employment of professionals pursuant to Section 5.4 and the procurement and maintenance of insurance incurred by the Futures Representative in connection with the performance of his or her duties hereunder and his or her duties in connection with the formulation, negotiation, and Confirmation of the Plan and Plan Documents. Such reimbursement or direct payment shall be deemed a Trust Expense.

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5.6 Procedure for Obtaining Consent of the Futures Representative

(a) In the event the consent of the Futures Representative is required pursuant to the terms hereof or of the TDP, the Trustees shall promptly provide the Futures Representative and his or her counsel with notice and with all information regarding the matter in question.

(b) The Futures Representative must consider in good faith and in a timely fashion any request by the Trustees and may not withhold his or her consent unreasonably. If the Futures Representative does not notify the Trustees of his or her objection to such request within 30 days after receiving notice and information regarding such request, then the Future Representative shall be deemed to have objected to the request and the procedures set forth in Section 5.7 shall be followed.

5.7 Lack of Consent of the Futures Representative In the event the Trustees are unable to obtain the consent of the Futures Representative to any action or decision for which consent is required after following the procedure set forth in Section 5.6 of this Trust Agreement, or if the Trustees and the Futures Representative are unable to reach agreement on any matter on which such consent is required, the matter shall be submitted promptly to alternative dispute resolution if mutually agreeable to the Trustees and the Futures Representative. If the disagreement is not resolved by alternative dispute resolution, the Trustees may apply to the Bankruptcy Court on an expedited basis for approval of such action or decision, and only if such approval is given by the Bankruptcy Court by entry of an appropriate order, shall the Trustees have the authority to implement such action or decision without the Futures Representative's consent.

ARTICLE 6

TRUST ADVISORY COMMITTEE

6.1 Duties The TAC shall serve in a fiduciary capacity representing all holders of Asbestos Related Claims (excluding, however, Future Asbestos Claimants). The Trustees must consult with the TAC on matters identified in Subsection 2.2(e), must obtain the consent of the TAC on matters identified in Subsection 2.2(f), and may consult with the TAC on any matter affecting the Trust. Where provided in this Trust Agreement or the TDP, certain actions by the Trustees are subject to the consent of the TAC.

6.2 Term of Office

(a) Each member of the TAC shall serve until the earlier of (i) his or her death, (ii) his or her resignation pursuant to Subsection 6.2(b), (iii) his or her removal pursuant to Subsection 6.2(c) or (iv) the termination of the Trust pursuant to Section 7.2.

(b) Any member of the TAC may resign at any time by written notice to each of the Trustees and the Futures Representative. Such notice shall specify a date when such resignation shall take effect, which shall not be less than 90 days after the date such notice is given, where practicable.

(c) Any member of the TAC may be removed in the event that he or she becomes unable to discharge his or her duties hereunder due to accident, physical deterioration,

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mental incompetence, or a consistent pattern of neglect and failure to perform or to participate in performing the duties of such member hereunder, such as repeated non-attendance at scheduled meetings. Such removal shall be made by the unanimous decision of the Trustees and the Futures Representative.

6.3 Appointment of Successor A vacancy caused by resignation shall be filled with an individual nominated by the remaining members of the TAC. A vacancy for any other reason, or in the absence of a nomination by the remaining members of the TAC, shall be filled with an individual selected by majority vote of the Trustees. The successor TAC member shall, in either case, be subject to Bankruptcy Court approval.

6.4 TAC's Employment of Professionals The TAC may retain or consult with counsel, accountants, appraisers, auditors, forecasters, asbestos experts and other parties deemed by the TAC to be qualified as experts on matters submitted to them, and the opinion of any such parties on any matters submitted to them shall be full and complete authorization and protection in support of any action taken or not taken by the TAC hereunder in good faith and in accordance with the written opinion of any such party, and in the absence of gross negligence. The TAC and its experts shall at all times have complete access to the Trust's officers, employees and agents, and the accountants, appraisers, auditors, forecasters, and other experts retained by the Trust as well as information generated by them or otherwise available to the Trust or Trustees.

6.5 Compensation and Expenses of TAC Members

(a) Each of the TAC members or their representatives shall receive compensation from the Trust for each of the following tasks, which are hereinafter called the "TAC Trust Tasks":

(i) Attendance at meetings of the Trustees;

(ii) Performance of tasks requested to be performed by the Managing Trustee that the Managing Trustee believes benefits or has benefited the Trust, as opposed to individual client or clients of the member of the TAC.

(b) Each of the TAC members and/or their representatives shall each be compensated as a Trust Expense at the rate of $500 per hour spent at an official meeting of the Trustees, or on an official trip of the Trustees, or in the performance of any other TAC Trust Task. The hourly amount of compensation payable to the TAC members and/or their representatives hereunder shall be adjusted each year in accordance with the Federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) published in January of each year, beginning as of January 1, 2015.

(c) The Managing Trustee may, at his or her discretion, pay any invoices from members of the TAC or their representatives in aggregate amounts of up to $25,000 in any month that such Managing Trustee believes are appropriate under these resolutions without the necessity of further approval of the Trustees.

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(d) The structure and amounts of compensation will be reviewed when requested by the Trustees, the TAC and/or the Futures Representative, but no less than every three (3) years beginning in November, 2017.

6.6 Reimbursement of TAC Expenses The Trust will promptly reimburse, or pay directly if so instructed, each TAC member for all reasonable out-of-pocket costs and expenses, including fees and costs associated with employment of professionals pursuant to Section 6.4 and the procurement and maintenance of insurance incurred by the TAC or any TAC member in connection with the performance of its or his or her duties hereunder. Such reimbursement or direct payment shall be deemed a Trust Expense.

6.7 Procedure for Obtaining Consent of the TAC

(a) In the event the consent of the TAC is required pursuant to the terms hereof or of the TDP, the Trustees shall promptly provide the TAC and its counsel with notice and with all information regarding the matter in question.

(b) The TAC must consider in good faith and in a timely fashion any request by the Trustees, and the TAC may not withhold its consent unreasonably. If the TAC does not notify the Trustees of its objection to such request within 30 days after receiving notice and information regarding such request, then the TAC's consent shall be deemed to have objected to the request and the procedures set forth in Section 6.7 shall be followed.

6.8 Lack of Consent of the TAC In the event the Trustees are unable to obtain the consent of the TAC for any action or decision for which consent of the TAC is required, after following the procedure set forth in Section 6.6 of this Trust Agreement, or if the Trustees and the TAC are unable to reach agreement on any matter on which the TAC's consent is required, then the matter shall be submitted promptly to alternative dispute resolution if mutually agreeable to the Trustees and the TAC. If the disagreement is not resolved by alternative dispute resolution, the Trustees may apply to the Bankruptcy Court on an expedited basis for approval of such action or decision, and only if such approval is given by the Bankruptcy Court by entry of an appropriate order shall the Trustees have the authority to implement such action or decision without the TAC's consent.

ARTICLE 7

GENERAL PROVISIONS

7.1 Irrevocability The Trust is irrevocable.

7.2 Termination

(a) The Trust shall automatically terminate on the date 90 days after the first to occur of the following events:

(i) the Trustees in their discretion decide to terminate the Trust because (A) they deem it unlikely that new Asbestos Related Claims will be filed or served against the Trust and (B) all Asbestos Related Claims duly filed with the Trust have been Allowed and paid

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to the extent provided in this Trust Agreement and the TDP or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan, and twelve (12) consecutive months have elapsed during which no new Asbestos Related Claim has been filed with the Trust;

(ii) if the Trustees have procured and have in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with this Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a Final Order; or

(iii) to the extent that any rule against perpetuities shall be deemed applicable to the Trust, 21 years less 91 days pass after the death of the last survivor of all of the descendants of Joseph P. Kennedy, Sr., of Massachusetts living on the date hereof.

(b) On the Termination Date, after payment of all the Trust's liabilities have been provided for, all monies remaining in the Trust estate shall be given to such organization(s) exempt from federal income tax under section 501(c)(3) of the IRC, which tax-exempt organization(s) shall be selected by the Trustees using their reasonable discretion; provided, however, that (i) if practicable, the tax-exempt organization(s) shall be related to the treatment of, research on, or the relief of suffering of individuals suffering from asbestos related lung disorders, and (ii) the tax-exempt organization(s) shall not bear any relationship to any of the Debtors within the meaning of section 468B(d)(3) of the IRC. Notwithstanding any other provision of the Plan Documents, this Subsection 7.2(b) cannot be modified or amended.

7.3 Amendments The Trustees, after consultation with the Approving Entities, and subject to the consent of the Approving Entities where so provided, may modify or amend this Trust Agreement or any document annexed to it, including, without limitation, the Trust Bylaws or the TDP. Any modification or amendment made pursuant to this Section must be done in writing. Notwithstanding anything contained in this Trust Agreement to the contrary, neither this Trust Agreement, the Trust Bylaws, the TDP, nor any document annexed to the foregoing shall be modified or amended in any way that could jeopardize, impair or modify the applicability of section 524(g) of the Bankruptcy Code, the efficacy or enforceability of the Injunctions, the Trust's qualified settlement fund status or the rights of the USF&G Parties under the Plan Documents or the USF&G Settlement Agreement.

7.4 Meetings The TAC, the Futures Representative or a Trustee shall be deemed to have attended a meeting in the event such person spends a substantial portion of the day conferring, by phone or in person, on Trust matters with the TAC, the Futures Representative or Trustees, as applicable. The Trustees shall have complete discretion to determine whether a meeting, as described herein, occurred for purposes of Sections 4.5 and 5.5.

7.5 Severability Should any provision in this Trust Agreement be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Trust Agreement.

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7.6 Notices Notices to persons asserting claims shall be given at the address of such person, or, where applicable, such person's Futures Representative, in each case as provided on such person's claim form submitted to the Trust with respect to his or her or its Asbestos Related Claim.

Any notices or other communications required or permitted hereunder shall be in writing and delivered at the addresses designated below, or sent by telex, telecopy or facsimile pursuant to the instructions listed below, or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows, or to such other address or addresses as may hereafter be furnished by any of the Notice Recipients, the Trustees, the Approving Entities or the Debtors, to the other notice recipients in compliance with the terms hereof.

To the Trust through the Trustees:	Sara Beth Brown 300 East Second Street, Suite 1205 Reno, NV 89501
with a copy to:	Eve H. Karasik, Esq. Levene, Neale, Bender, Yoo & Brill, L.L.P. 10250 Constellation Boulevard, Suite 1700 Los Angeles, CA 90067
To the Futures Representative:	David F. Levi Duke Law School 210 Science Drive Durham, NC 27708
with a copy to:	Sander L. Esserman, Esq. Stutzman, Bromberg, Esserman & Plifka 2323 Bryan Street, Suite 2200 Dallas, TX 75201
To the TAC:	Alan R. Brayton, Esq. Brayton Purcell, LLP 222 Rush Landing Road P.O. Box 6169 Novato, CA 94948–6169
To Mac Arthur and Western MacArthur:	Mac Arthur Co. Western MacArthur Co. 2400 Wycliff Street St. Paul, MN 55114 Attention: Clyde A. Rhodes, Jr. Vice President/Finance

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with a copy to:

Orrick, Herrington & Sutcliffe LLP
400 Sansome Street
San Francisco, CA 94111-3143
Attention: Frederick D. Holden, Jr.

To Western Asbestos:

Western Asbestos Company
c/o Miller, Starr & Regalia
1331 N. California Boulevard, Fifth Floor
Walnut Creek, CA 94596
Attention: Amy Matthew

All such notices and communications if mailed shall be effective when physically delivered at the designated addresses or, if electronically transmitted, when the communication is received at the designated addresses and confirmed by the recipient by return electronic transmission.

7.7 Successors and Assigns The provisions of this Trust Agreement shall be binding upon and inure to the benefit of the Debtors, the Trust, and the Trustees and their respective successors and assigns, except that neither the Debtors, nor the Trust, nor any Trustee may assign or otherwise transfer any of its, his or her rights or obligations under this Trust Agreement except, in the case of the Trust and the Trustees, as contemplated by Section 2.1.

7.8 Limitation on Claim Interests for Securities Laws Purposes Except as otherwise permitted under the Plan, Asbestos Related Claims and any interests therein: (a) shall not be assigned, conveyed, hypothecated, pledged or otherwise transferred, voluntarily or involuntarily, directly or indirectly, except by will or under the laws of descent and distribution; (b) shall not be evidenced by a certificate or other instrument; (c) shall not possess any voting rights; and (d) shall not be entitled to receive any dividends or interest; provided, however, that the foregoing shall not apply to the holder of an Indirect Asbestos Related Claim that is subrogated to an Asbestos Related Claim as a result of its satisfaction of such Asbestos Related Claim.

7.9 Entire Agreement; No Waiver The entire agreement of the parties relating to the subject matter of this Trust Agreement is contained herein and in the documents referred to herein, and this Trust Agreement and such documents supersede any prior oral or written agreements concerning the subject matter hereof. No failure to exercise or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of rights under law or in equity.

7.10 Headings The headings used in this Trust Agreement are inserted for convenience only and neither constitute a portion of this Trust Agreement, nor in any manner affect the construction of the provisions of this Trust Agreement.

7.11 Governing Law; Submission to Jurisdiction This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without regard to

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Nevada conflict of laws principles. The Trust is subject to the continuing jurisdiction of the Bankruptcy Court.

7.12 Dispute Resolution Any disputes that arise under this Trust Agreement or under the annexes hereto shall be resolved by the Bankruptcy Court pursuant to the Plan, except as otherwise provided herein or in the annexes hereto. Notwithstanding anything else herein contained, to the extent any provision of this Trust Agreement is inconsistent with any provision of the Plan, the Plan shall control.

7.13 Enforcement and Administration The provisions of this Trust Agreement and the annexes hereto shall be enforced by the Bankruptcy Court pursuant to the Plan. The parties hereby further acknowledge and agree that the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the Trustees.

7.14 Effectiveness This Trust Agreement shall not become effective until it has been executed and delivered by all the parties hereto.

7.15 Counterpart Signatures This Trust Agreement may be executed in any number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties have executed this Thirteenth Amendment to and Complete Restatement of Western Asbestos Settlement Trust Agreement this 19th day of April, 2018.

TRUSTEES:

Sandra R. Hernandez, M.D.

John F. Luikart

Stephen M. Snyder, Esq.

FUTURES REPRESENTATIVE:

David F. Levi

TRUST ADVISORY COMMITTEE

By:
Name: Alan R. Brayton, Esq.
Title: Chair

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EXHIBIT E

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Investment Policy Statement

Western Asbestos Settlement Trust

December, 2017

Prepared by Callan Associates, Inc.

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Executive Summary

Type of Plan	Taxable Trust
Investment Planning Time Horizon	5 years
Expected Annualized After-Tax Return and Risk[1]	Return = 3.8 Risk = 6.6

Primary Goal

The Western Asbestos Settlement Trust (the Trust) is organized pursuant to the laws of the state of Nevada with its office in Reno, Nevada. It was established pursuant to the Western Asbestos Company, Western Mac Arthur Co. and Mac Arthur Co. (collectively the Debtors') Second Amended Joint Plan of Reorganization (the Plan) dated November 22, 2002. 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; liquidate, resolve, pay and satisfy all asbestos-related claims in accordance with the Plan. As well the Trust must preserve, hold, manage and maximize the Trust assets for use in paying and satisfying current and future allowed asbestos-related claims.

As set forth in the Trust Distribution Procedures, Section 2.4, the Trust shall estimate or model the amount of cash flow anticipated as necessary over its entire life to ensure that funds will be available to treat all present and futures claimants as similarly as possible. In order to pay the anticipated claims, the Trust relied upon an expert report filed with the U.S. Bankruptcy Court which calculated a reasonable real after tax discount rate to use in calculating the present value of the future claims to be assumed by the Trust. These estimates provided the Trust with an assumption that the assets should earn an after-tax real rate of return of approximately 1% per annum. While additional assets may be made available, the Trust will operate on the assumption that there will be no additional contributions. As such, protection of principal will be a primary goal.

[1] Represents expected after-tax (30%) geometric return and risk using Callan' 2016 Capital Market assumptions applied to the Portfolio Evaluation Benchmark described below.

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Long-range Asset Allocation Target

The Trust will have the following long-term asset allocation target.

Fixed Income	60%
Equity Oriented Securities[2]	40%

The long-range asset allocation target will be applicable to the long-term investable assets net of any set-asides and liquidity reserves. This asset allocation was established through quantitative and qualitative assessments of the returns and risks available in the capital markets over long-term periods as well as the diversification available from using multiple asset classes. While an investment program consisting entirely of fixed income would demonstrate the least volatility of any asset allocation considered, a quantitative study performed by the Trust's investment consultant demonstrated that the probability of exhausting Trust assets in advance of paying claims as planned was minimized by introducing an equity allocation into the portfolio. Allocations to each of the asset classes will be further diversified and tailored to reflect the tax-status of the Trust as described in the "Investment Practices" section of this policy.

Maintenance of the Strategic Asset Allocation

Target Mix With Ranges

	Low	**Target**	**High**
Fixed Income	**50%**	**60%**	**80%**
Equity Oriented Securities	**20%**	**40%**	**50%**

The Trust will from time to time adjust the asset allocation within the designated range based upon the changing cash flow needs of the Trust, claims submitted and projections of future claims. The Trust will deviate from targets over short and intermediate periods in response to liquidity needs, market performance, and the cost of asset allocation adjustments including transactions costs and the taxation of transactions. Deviations from the target allocation beyond the low or high allocations defined in the table above represent significant deviations from the return and risk characteristics of the target allocations and will prompt to the Trustees to consider moving the allocations back to toward the target allocation.

The Strategic Asset Allocation and Target Index are to be reviewed at least annually for presentation to the Trustees and Executive Director, for reasonableness relative to

[2] *Equity Oriented Securities will predominantly consist of common stock but may include other investment categories including REITs and bonds as described in the Investment Practices and Portfolio Evaluation Benchmark - Target Index sections of this document.*

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significant economic and market changes, or to changes in the Trust's long-term goals and objectives. A formal asset allocation study should be conducted at least every three years to verify or amend the targets.

Portfolio Evaluation Benchmark – Target Index

A special target index was constructed to monitor the performance of the total fund. This target index serves as a minimum performance objective for the Trust. It is expected that,,,,,,, in most market environments, the Trust's actual asset allocation will approximately resemble the allocation expressed in the target index. The Trust will deviate from the target index over short and intermediate periods in response to liquidity needs, market performance, market outlook, and the cost of asset allocation adjustments, including transactions costs and the taxation of transactions.

Target Index:

- **40% consisting of the following sub-components**
  - **25% Standard & Poor's 500 Stock Index**
  - **25% Russell 3000 Index**
  - **16.66% MSCI ACWI ex-US Index**
  - **16.67% Russell 3000 Value Index**
  - **16.67% Custom Blended Benchmark consisting of 25% 3 - Month Treasury Bills, 25% 10-Year Treasury Bonds, 25% S&P 500 Index, 25% NAREIT Index.**
- **60% consisting of the following sub-components**
  - **70% Bloomberg Barclays Municipal Short Index**
  - **20% Bloomberg Barclays 1-5 year Government Credit Index**
  - **10% 3-Month Treasury Bills**

With the possible exception of the short duration enhanced cash portfolio, individual investment managers will be retained to manage the sub-components of the Target Index. Individual investment managers will be measured against each sub-component index and not against this total fund objective. However, it is expected that the sum of their efforts will exceed the trust objective over time.

Manager Evaluation

Investment managers will be measured relative to an appropriate market index. A market index is assigned to each Manager and is intended as a guide for the investment manager to understand the risk/reward posture of their portfolio. Managers have full discretion to manage the risk posture of their portfolios relative to their designated market index and may, with conviction and appropriate expertise, execute security strategies not reflected by their market index as long as they conform to the investment guidelines.

Trustees or Executive Director may, at either's discretion, also evaluate the investment managers relative to peer groups of managers with similar investment styles. These

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evaluations will take into account the exceptional nature of the Trust investment manager mandates including but not limited to custom benchmarks and the unique tax situation of the Trust.

Review of Investments

There shall be a continual review of the investments under management by Callan Associates (Consultant). The Trustees, consultant and/or the Executive Director shall confer with the investment managers regarding investment performance, market environment and other issues as required. Each investment manager shall report pertinent data to Trust and custodian at least monthly. All legal, organizational and personnel related developments will be reported to the client and consultant as soon as practicable.

Consultant will meet with the Trustees, Executive Director, and other Trust representatives as requested by the Trustees, to review performance of the Trust and individual managers quarterly. These reviews will be conducted in the context of these guidelines.

Investment Practices

Investments will be prudent and consistent with the best investment practices, and in compliance with Trust documents including but not limited to Article 3 of the Western Asbestos Settlement Trust Agreement as amended.

- No more than 45% at cost or 50% at market value of total Trust assets may be invested in equities with the balance invested in Fixed Income securities or cash equivalents.
- 10% of the Trust's assets may be invested in debt securities that are non-rated or below investment grade as long as those securities are in a diversified and managed portfolio of bonds and/or stock.
- The percentage of the Trust assets (debt and equity) invested in any one company is limited to 5% at market with the exception of debt securities or other instruments issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof. The Trust does not include cash equivalents in the calculation of maximums allowed for certain types of securities.
- Cash flow, other than an automatic withdrawal of the income on a monthly basis, may be required to maintain the long-range asset allocation target and to satisfy claim liabilities.

A. Equity Oriented Securities

Excluding any securities issued by the Debtors[3], the Trust shall not acquire or hold, directly or indirectly, any common or preferred stock, convertible securities, REITS, or Royalty Trusts ("Stock") unless such stock is included in a diversified and managed portfolio or portfolios which include various industry sectors.

[3] Debtors refer to the Western Asbestos Company, Mac Arthur Co. and its wholly owned subsidiary Western MacArthur Co.

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1. **S&P 500 Index Strategy**

   - The objective of the S&P 500 index strategy is to tax-efficiently track the **S&P 500 Index**, with a tracking error (defined as annualized standard deviation of the portfolio's monthly returns relative to the S&P 500) of 100 basis points or less. The percent ownership of any company is limited to 5% of market value, unless the company's representation in the S&P 500 Index is greater than 5%. If the company's representation in the S&P 500 Index is greater than 5%, then the portfolio can hold up to that percentage, subject to a 10% limit.

2. **Opportunistic Equity Strategy**

   - The objective of the opportunistic equity strategy is to provide for long-term growth and additional after-tax returns to the Trust and exceed the **Russell 3000 Index** over a market cycle.
   - The percent ownership of any company within this portfolio is limited to 10% of portfolio market value.
   - Capitalizations, sector weightings, and portfolio characteristics will be of secondary importance.
   - Dividends and capital gains are of similar importance. The primary objective for pursuing dividends will be to stabilize returns.

     Portfolio turnover should be kept at a minimum to defer the recognition of capital gains and the payment of taxes.

3. **International Equity Strategy**

   - The objective of the international equity strategy is to provide an additional source of long-term growth and after-tax returns to the Trust and exceed the **MSCI ACWI ex-US Index** over a full market cycle.
   - The actively managed international equity portfolio must be diversified by country, region, industry and security. The percent ownership of any company within this portfolio is limited to 5% of the portfolio's market value. In addition, exposure to Emerging Markets and Frontier Markets is limited to 35% of market value.

4. **Yield Oriented Equity Strategy**

   - The objective of the Yield Oriented Equity strategy is to provide an additional source of long-term growth and after-tax returns to the Trust and exceed the **Russell 3000 Value** index over a full market cycle.
   - The actively managed portfolio will invest predominantly in common stocks of companies listed in the United States. These common stocks in aggregate should exhibit a higher yield than that offered by the broad market, as measured by the S&P 500.

5. **Equity Income Strategy**

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– The objective of the equity income strategy is to maximize income and/or growth in income by investing in securities which may include common stocks, convertible bonds, preferred stocks, REITS, royalty trusts, and bonds, including high yield debt securities. Limits include the equity limits of the Trust and the non investment grade bond limits of the Trust as well as the individual limits on ownership of any one company's equity or debt. The percent ownership of any company within this portfolio is limited to 10% of the portfolio's market value. No more than 50% of the portfolio can be invested in fixed income securities rated below investment grade. This actively managed portfolio is expected to exceed the returns of a **custom blended benchmark consisting of 25% 3-Month Treasury Bills, 25% 10-Year Treasury Bonds, 25% NAREIT Index, and 25% S&P 500**.

B. U.S. Fixed-Income

Allowable securities are as follows:

- U.S. Treasury and agency securities
- Agency and non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including but not limited to pass-throughs, CMOs, REMICs, CMBS, project loans, construction loans and adjustable rate mortgages
- Obligations of domestic and foreign corporations
- Asset backed securities
- Municipal bonds, both taxable and tax-exempt
- Municipal pre-refunded bonds backed by U.S. Treasury or Agency Securities
- Municipal inflation protected securities (MIPS)
- Preferred stock, including non-convertible preferred stock such as bank trust preferreds
- Money market instruments rated A-1 or P-1 or better at time of purchase
- Repurchase obligations as long as, in the opinion of the Trustees and asset manager, they are adequately collateralized
- Obligations of foreign governments and supra-national organizations
- Obligations of domestic and foreign commercial banks
- 144A securities including issues in the corporate, mortgage and asset-backed sectors
- CDs may be held as long as all of the publicly held long-term debt securities, if any, of the issuing entity are rated investment grade (see credit criteria below) or above.
- Non investment grade bonds subject to an overall limit of 10% of Trust's assets and within a managed and diversified portfolio.

Credit Criteria

- To be deemed investment grade, securities must be rated investment grade or better at the time of purchase by a nationally recognized rating agency (Moody's, Standard & Poors and Fitch). Split rated securities shall be assumed to have the higher credit grade.
- If a portfolio holding is downgraded to below investment grade and the holding is in a portfolio which is not permitted to purchase below investment grade securities, manager shall promptly notify the Trust and provide an evaluation and recommended plan of action.

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1. **Municipal Bond Crossover Portfolio(s)**

   - The portfolio's investment objective is to provide an after-tax total rate of return that exceeds the after-tax total return of the Bloomberg **Barclays Capital Municipal Short Index.**
   - The portfolio will have a targeted duration of approximately +/-40% around the benchmark.
   - With the exception of Treasury, Agency debentures, pass-throughs or REMICs, no more than 5% of the portfolio may be invested in securities of a single issuer.
   - 15% maximum in BBB rated securities.
   - Securities must be rated investment grade at time of purchase. Non-rated, pre-refunded bonds fully backed by U.S. Treasury and Agency Securities are exempt from this restriction.

2. **Taxable Fixed Income Portfolio**

   - The portfolio's objective is to invest in the short to intermediate portion of the yield curve and to outperform the target benchmark.
   - The portfolio's **benchmark is the Bloomberg Barclays 1-5 Year Government Credit Index.**
   - The portfolio will have a targeted duration of approximately +/25% around the benchmark.
   - No more than 5% of the portfolio may be invested in securities of a single issuer, with the exception of the U.S. Treasury, agency and agencymortgage issues.
   - The weighted average credit quality of the portfolio shall be maintained at a minimum of A1 by Moody's and/or A+ by Standard and Poor's or Fitch.
   - Securities must be rated investment grade at time of purchase.

3. **Short Duration Enhanced Cash Portfolio**

   - The portfolio's objective is to provide a high level of liquidity and preserve principal. Adding incremental yield is a secondary objective.
   - Benchmark is **3-Month Treasury Bills.**
   - No more than 5% of the portfolio may be invested in securities of a single issuer, with the exception of the U.S. Treasury and U.S. Agency debt.
   - The portfolio's duration will not exceed 300% of the index's duration.
   - Portfolio's weighted average credit quality must be at least Aa2 by Moody's and/or AA by Standard and Poor's or Fitch.

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- All securities must be rated investment grade and have a final maturity less than or equal to 5 years from time of purchase. No more than 15% of the portfolio can be rated less than A-, or its equivalent.
- Portfolio level spread duration can not exceed 2 years.

C. Derivatives Policy

Derivatives shall be held for the purposes of hedging, cost reduction and liquidity enhancement only. Derivatives shall not be used for speculative purposes.

- No leverage shall be introduced through the use of derivatives
- The Trust shall not acquire or hold any options

D. Other Investments

Pursuant to Section 3.2 (e) of the Trust Agreement as Amended, in order to achieve the over all after tax real rate of return Trust Investment objective and to meet other Trust objectives, the Trust may under conditions and terms satisfactory to the Trustees, acquire securities or other instruments issued by any person not otherwise defined in this Investment Policy ("Other Investments"), provided however that the aggregate market value of all such Other Investments after acquisition do not exceed two percent of the aggregate value of the Trust Estate.

Proxy Voting Guidelines

Investment managers employed by the Trust are required to vote proxies with the primary objective of maintaining and advancing the economic value of the Trust. Investment managers should work with the Trust custodian to ensure timely receipt of proxies. Investment managers should have specific guidelines and institute a regular review process for voting proxies.

Guidelines for Manager Selection

The Trustees and Executive Director, with the assistance of the Futures Representative and Chair of the TAC, if desired by the Trustees, will select appropriate investment managers to manage the Trust's assets. This selection process shall include the establishment of specific search criteria, and documentation of analysis and due diligence on potential candidates. All manager candidates must meet the following minimum criteria:

(1) Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

(2) Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.

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(3) Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.

(4) Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel and demonstrate financial and professional staff stability.

(5) Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

(6) All investment manager candidates are expected to comply with all laws, regulations, and standards of ethical conduct.

Trustees

Fiduciary and Investment Responsibilities of the Trustees:

- Maintain overall responsibility for financial management of the Trust including the investment of Trust assets consistent with all Trust documents
- Determine the asset allocation of Trust assets through the Investment Policy Statement and investment manager guidelines
- Use "prudent experts" to assist in making investment decisions
- Control investment expenses
- In recognition of their fiduciary duties, the Trustees must act in good faith and not allow their personal interests to prevail over that of the Trust

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EXHIBIT F

Investment Policy Statement

Western Asbestos Settlement Trust

February, 2018

Prepared by Callan Associates, Inc.

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Executive Summary

Type of Plan	Taxable Trust
Investment Planning Time Horizon	5 years
Expected Annualized After-Tax Return and Risk[1]	Return = 3.8 Risk = 6.4

Primary Goal

The Western Asbestos Settlement Trust (the Trust) is organized pursuant to the laws of the state of Nevada with its office in Reno, Nevada. It was established pursuant to the Western Asbestos Company, Western Mac Arthur Co. and Mac Arthur Co. (collectively the Debtors') Second Amended Joint Plan of Reorganization (the Plan) dated November 22, 2002. 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; liquidate, resolve, pay and satisfy all asbestos-related claims in accordance with the Plan. As well the Trust must preserve, hold, manage and maximize the Trust assets for use in paying and satisfying current and future allowed asbestos-related claims.

As set forth in the Trust Distribution Procedures, Section 2.4, the Trust shall estimate or model the amount of cash flow anticipated as necessary over its entire life to ensure that funds will be available to treat all present and futures claimants as similarly as possible. In order to pay the anticipated claims, the Trust relied upon an expert report filed with the U.S. Bankruptcy Court which calculated a reasonable real after tax discount rate to use in calculating the present value of the future claims to be assumed by the Trust. These estimates provided the Trust with an assumption that the assets should earn an after-tax real rate of return of approximately 1% per annum. While additional assets may be made available, the Trust will operate on the assumption that there will be no additional contributions. As such, protection of principal will be a primary goal.

[1] Represents expected after-tax (20%) geometric return and risk using Callan' 2018 Capital Market assumptions applied to the Portfolio Evaluation Benchmark described below.

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Long-range Asset Allocation Target

The Trust will have the following long-term asset allocation target.

Fixed Income	60%
Equity Oriented Securities[2]	40%

The long-range asset allocation target will be applicable to the long-term investable assets net of any set-asides and liquidity reserves. This asset allocation was established through quantitative and qualitative assessments of the returns and risks available in the capital markets over long-term periods as well as the diversification available from using multiple asset classes. While an investment program consisting entirely of fixed income would demonstrate the least volatility of any asset allocation considered, a quantitative study performed by the Trust's investment consultant demonstrated that the probability of exhausting Trust assets in advance of paying claims as planned was minimized by introducing an equity allocation into the portfolio. Allocations to each of the asset classes will be further diversified and tailored to reflect the tax-status of the Trust as described in the "Investment Practices" section of this policy.

Maintenance of the Strategic Asset Allocation

Target Mix With Ranges

	Low	**Target**	**High**
Fixed Income	**50%**	**60%**	**80%**
Equity Oriented Securities	**20%**	**40%**	**50%**

The Trust will from time to time adjust the asset allocation within the designated range based upon the changing cash flow needs of the Trust, claims submitted and projections of future claims. The Trust will deviate from targets over short and intermediate periods in response to liquidity needs, market performance, and the cost of asset allocation adjustments including transactions costs and the taxation of transactions. Deviations from the target allocation beyond the low or high allocations defined in the table above represent significant deviations from the return and risk characteristics of the target allocations and will prompt to the Trustees to consider moving the allocations back to toward the target allocation.

The Strategic Asset Allocation and Target Index are to be reviewed at least annually for presentation to the Trustees and Executive Director, for reasonableness relative to

[2] *Equity Oriented Securities will predominantly consist of common stock but may include other investment categories including REITs and bonds as described in the Investment Practices and Portfolio Evaluation Benchmark - Target Index sections of this document.*

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significant economic and market changes, or to changes in the Trust's long-term goals and objectives. A formal asset allocation study should be conducted at least every three years to verify or amend the targets.

Portfolio Evaluation Benchmark – Target Index

A special target index was constructed to monitor the performance of the total fund. This target index serves as a minimum performance objective for the Trust. It is expected that,,,,,,, in most market environments, the Trust's actual asset allocation will approximately resemble the allocation expressed in the target index. The Trust will deviate from the target index over short and intermediate periods in response to liquidity needs, market performance, market outlook, and the cost of asset allocation adjustments, including transactions costs and the taxation of transactions.

Target Index:

- **40% consisting of the following sub-components**
  - **25% Standard & Poor's 500 Stock Index**
  - **25% Russell 3000 Index**
  - **16.66% MSCI ACWI ex-US Index**
  - **16.67% Russell 3000 Value Index**
  - **16.67% Custom Blended Benchmark consisting of 25% 3 - Month Treasury Bills, 25% 10-Year Treasury Bonds, 25% S&P 500 Index, 25% NAREIT Index.**
- **60% consisting of the following sub-components**
  - **70% Bloomberg Barclays Municipal Short Index**
  - **20% Bloomberg Barclays 1-5 year Government Credit Index**
  - **10% 3-Month Treasury Bills**

With the possible exception of the short duration enhanced cash portfolio, individual investment managers will be retained to manage the sub-components of the Target Index. Individual investment managers will be measured against each sub-component index and not against this total fund objective. However, it is expected that the sum of their efforts will exceed the trust objective over time.

Manager Evaluation

Investment managers will be measured relative to an appropriate market index. A market index is assigned to each Manager and is intended as a guide for the investment manager to understand the risk/reward posture of their portfolio. Managers have full discretion to manage the risk posture of their portfolios relative to their designated market index and may, with conviction and appropriate expertise, execute security strategies not reflected by their market index as long as they conform to the investment guidelines.

Trustees or Executive Director may, at either's discretion, also evaluate the investment managers relative to peer groups of managers with similar investment styles. These

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evaluations will take into account the exceptional nature of the Trust investment manager mandates including but not limited to custom benchmarks and the unique tax situation of the Trust.

Review of Investments

There shall be a continual review of the investments under management by Callan Associates (Consultant). The Trustees, consultant and/or the Executive Director shall confer with the investment managers regarding investment performance, market environment and other issues as required. Each investment manager shall report pertinent data to Trust and custodian at least monthly. All legal, organizational and personnel related developments will be reported to the client and consultant as soon as practicable.

Consultant will meet with the Trustees, Executive Director, and other Trust representatives as requested by the Trustees, to review performance of the Trust and individual managers quarterly. These reviews will be conducted in the context of these guidelines.

Investment Practices

Investments will be prudent and consistent with the best investment practices, and in compliance with Trust documents including but not limited to Article 3 of the Western Asbestos Settlement Trust Agreement as amended.

- No more than 45% at cost or 50% at market value of total Trust assets may be invested in equities with the balance invested in Fixed Income securities or cash equivalents.
- 10% of the Trust's assets may be invested in debt securities that are non-rated or below investment grade as long as those securities are in a diversified and managed portfolio of bonds and/or stock.
- The percentage of the Trust assets (debt and equity) invested in any one company is limited to 5% at market with the exception of debt securities or other instruments issued or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof. The Trust does not include cash equivalents in the calculation of maximums allowed for certain types of securities.
- Cash flow, other than an automatic withdrawal of the income on a monthly basis, may be required to maintain the long-range asset allocation target and to satisfy claim liabilities.

A. Equity Oriented Securities

Excluding any securities issued by the Debtors[3], the Trust shall not acquire or hold, directly or indirectly, any common or preferred stock, convertible securities, REITS, or

[3] Debtors refer to the Western Asbestos Company, Mac Arthur Co. and its wholly owned subsidiary Western MacArthur Co.

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Royalty Trusts ("Stock") unless such stock is included in a diversified and managed portfolio or portfolios which include various industry sectors.

1. **S&P 500 Index Strategy**

   - The objective of the S&P 500 index strategy is to tax-efficiently track the **S&P 500 Index**, with a tracking error (defined as annualized standard deviation of the portfolio's monthly returns relative to the S&P 500) of 100 basis points or less. The percent ownership of any company is limited to 5% of market value, unless the company's representation in the S&P 500 Index is greater than 5%. If the company's representation in the S&P 500 Index is greater than 5%, then the portfolio can hold up to that percentage, subject to a 10% limit.

2. **Opportunistic Equity Strategy**

   - The objective of the opportunistic equity strategy is to provide for long-term growth and additional after-tax returns to the Trust and exceed the **Russell 3000 Index** over a market cycle.
   - The percent ownership of any company within this portfolio is limited to 10% of portfolio market value.
   - Capitalizations, sector weightings, and portfolio characteristics will be of secondary importance.
   - Dividends and capital gains are of similar importance. The primary objective for pursuing dividends will be to stabilize returns.

     Portfolio turnover should be kept at a minimum to defer the recognition of capital gains and the payment of taxes.

3. **International Equity Strategy**

   - The objective of the international equity strategy is to provide an additional source of long-term growth and after-tax returns to the Trust and exceed the **MSCI ACWI ex-US Index** over a full market cycle.
   - The actively managed international equity portfolio must be diversified by country, region, industry and security. The percent ownership of any company within this portfolio is limited to 5% of the portfolio's market value. In addition, exposure to Emerging Markets and Frontier Markets is limited to 35% of market value.

4. **Yield Oriented Equity Strategy**

   - The objective of the Yield Oriented Equity strategy is to provide an additional source of long-term growth and after-tax returns to the Trust and exceed the **Russell 3000 Value** index over a full market cycle.
   - The actively managed portfolio will invest predominantly in common stocks of companies listed in the United States. These common stocks in

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aggregate should exhibit a higher yield than that offered by the broad market, as measured by the S&P 500.

5. **Equity Income Strategy**

   – The objective of the equity income strategy is to maximize income and/or growth in income by investing in securities which may include common stocks, convertible bonds, preferred stocks, REITS, royalty trusts, and bonds, including high yield debt securities. Limits include the equity limits of the Trust and the non investment grade bond limits of the Trust as well as the individual limits on ownership of any one company's equity or debt. The percent ownership of any company within this portfolio is limited to 10% of the portfolio's market value. No more than 50% of the portfolio can be invested in fixed income securities rated below investment grade. This actively managed portfolio is expected to exceed the returns of a **custom blended benchmark consisting of 25% 3-Month Treasury Bills, 25% 10-Year Treasury Bonds, 25% NAREIT Index, and 25% S&P 500**.

B. U.S. Fixed-Income

Allowable securities are as follows:

- U.S. Treasury and agency securities
- Agency and non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including but not limited to pass-throughs, CMOs, REMICs, CMBS, project loans, construction loans and adjustable rate mortgages
- Obligations of domestic and foreign corporations
- Asset backed securities
- Municipal bonds, both taxable and tax-exempt
- Municipal pre-refunded bonds backed by U.S. Treasury or Agency Securities
- Municipal inflation protected securities (MIPS)
- Preferred stock, including non-convertible preferred stock such as bank trust preferreds
- Money market instruments rated A-1 or P-1 or better at time of purchase
- Repurchase obligations as long as, in the opinion of the Trustees and asset manager, they are adequately collateralized
- Obligations of foreign governments and supra-national organizations
- Obligations of domestic and foreign commercial banks
- 144A securities including issues in the corporate, mortgage and asset-backed sectors
- CDs may be held as long as all of the publicly held long-term debt securities, if any, of the issuing entity are rated investment grade (see credit criteria below) or above.
- Non investment grade bonds subject to an overall limit of 10% of Trust's assets and within a managed and diversified portfolio.

Credit Criteria

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- To be deemed investment grade, securities must be rated investment grade or better at the time of purchase by a nationally recognized rating agency (Moody's, Standard & Poors and Fitch). Split rated securities shall be assumed to have the higher credit grade.
- If a portfolio holding is downgraded to below investment grade and the holding is in a portfolio which is not permitted to purchase below investment grade securities, manager shall promptly notify the Trust and provide an evaluation and recommended plan of action.

1. **Municipal Bond Crossover Portfolio(s)**

   - The portfolio's investment objective is to provide an after-tax total rate of return that exceeds the after-tax total return of the Bloomberg **Barclays Capital Municipal Short Index.**
   - The portfolio will have a targeted duration of approximately +/-40% around the benchmark.
   - With the exception of Treasury, Agency debentures, pass-throughs or REMICs, no more than 5% of the portfolio may be invested in securities of a single issuer.
   - 15% maximum in BBB rated securities.
   - Securities must be rated investment grade at time of purchase. Non-rated, pre-refunded bonds fully backed by U.S. Treasury and Agency Securities are exempt from this restriction.

2. **Taxable Fixed Income Portfolio**

   - The portfolio's objective is to invest in the short to intermediate portion of the yield curve and to outperform the target benchmark.
   - The portfolio's **benchmark is the Bloomberg Barclays 1-5 Year Government Credit Index.**
   - The portfolio will have a targeted duration of approximately +/25% around the benchmark.
   - No more than 5% of the portfolio may be invested in securities of a single issuer, with the exception of the U.S. Treasury, agency and agencymortgage issues.
   - The weighted average credit quality of the portfolio shall be maintained at a minimum of A1 by Moody's and/or A+ by Standard and Poor's or Fitch.
   - Securities must be rated investment grade at time of purchase.

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3. Short Duration Enhanced Cash Portfolio

- The portfolio's objective is to provide a high level of liquidity and preserve principal. Adding incremental yield is a secondary objective.
- Benchmark is **3-Month Treasury Bills.**
- No more than 5% of the portfolio may be invested in securities of a single issuer, with the exception of the U.S. Treasury and U.S. Agency debt.
- The portfolio's duration will not exceed 300% of the index's duration.
- Portfolio's weighted average credit quality must be at least Aa2 by Moody's and/or AA by Standard and Poor's or Fitch.
- All securities must be rated investment grade and have a final maturity less than or equal to 5 years from time of purchase. No more than 15% of the portfolio can be rated less than A-, or its equivalent.
- Portfolio level spread duration can not exceed 2 years.

C. Derivatives Policy

Derivatives shall be held for the purposes of hedging, cost reduction and liquidity enhancement only. Derivatives shall not be used for speculative purposes.

- No leverage shall be introduced through the use of derivatives
- The Trust shall not acquire or hold any options

D. Other Investments

Pursuant to Section 3.2 (e) of the Trust Agreement as Amended, in order to achieve the over all after tax real rate of return Trust Investment objective and to meet other Trust objectives, the Trust may under conditions and terms satisfactory to the Trustees, acquire securities or other instruments issued by any person not otherwise defined in this Investment Policy ("Other Investments"), provided however that the aggregate market value of all such Other Investments after acquisition do not exceed two percent of the aggregate value of the Trust Estate.

Proxy Voting Guidelines

Investment managers employed by the Trust are required to vote proxies with the primary objective of maintaining and advancing the economic value of the Trust. Investment managers should work with the Trust custodian to ensure timely receipt of proxies. Investment managers should have specific guidelines and institute a regular review process for voting proxies.

Guidelines for Manager Selection

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The Trustees and Executive Director, with the assistance of the Futures Representative and Chair of the TAC, if desired by the Trustees, will select appropriate investment managers to manage the Trust's assets. This selection process shall include the establishment of specific search criteria, and documentation of analysis and due diligence on potential candidates. All manager candidates must meet the following minimum criteria:

(1) Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

(2) Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.

(3) Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.

(4) Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel and demonstrate financial and professional staff stability.

(5) Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

(6) All investment manager candidates are expected to comply with all laws, regulations, and standards of ethical conduct.

Trustees

Fiduciary and Investment Responsibilities of the Trustees:

- Maintain overall responsibility for financial management of the Trust including the investment of Trust assets consistent with all Trust documents
- Determine the asset allocation of Trust assets through the Investment Policy Statement and investment manager guidelines
- Use "prudent experts" to assist in making investment decisions
- Control investment expenses
- In recognition of their fiduciary duties, the Trustees must act in good faith and not allow their personal interests to prevail over that of the Trust

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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document **FOURTEENTH ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **April 26, 2018**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Michael H. Ahrens mahrens@sheppardmullin.com
- Jean Lynne Bertrand jbertrand@schiffhardin.com, afiedler@schiffhardin.com
- Janet L. Chubb lbubala@kcnvlaw.com, mmarsh@kcnvlaw.com
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- James A. Tiemstra jat@tiemlaw.com

2. SERVED BY UNITED STATES MAIL: On **April 26, 2018**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ *Service information continued on attached page*

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **April 26, 2018**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

April 26, 2018	Lisa Masse	*/s/ Lisa Masse*
Date	*Type Name*	*Signature*

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