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Bankruptcy Counsel for the Thorpe Insulation
Company Asbestos Settlement Trust

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re PACIFIC INSULATION COMPANY, Debtor.	Case No. 02:07-bk-20016-BB Chapter 11 (Jointly Administered with Case No. LA 2:07-bk-19271-BB
In re THORPE INSULATION COMPANY, Debtor.	Case No. 2:07-bk-19271-BB (Case Closed) **SEVENTH ANNUAL REPORT AND ACCOUNTING, AUDITED FINANCIAL STATEMENTS, AND CLAIM REPORT** **Hearing**: Hearing Date: June 7, 2017 Hearing Time: 2:00 p.m. Place: Courtroom 1539 255 East Temple Street Los Angeles, CA 90012

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE AND OTHER PARTIES IN INTEREST:

The Trustees of the Thorpe Insulation Company Asbestos Settlement Trust by and through their counsel, Levene, Neale, Bender, Yoo & Brill, hereby file the Seventh Annual Report and Accounting, Audited Financial Statements, and Claim Report.

Dated: April 26, 2017

Respectfully submitted,

/s/ Eve H. Karasik

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Bankruptcy Counsel for the Thorpe Insulation Company Asbestos Settlement Trust

SEVENTH ANNUAL REPORT AND ACCOUNTING OF THORPE INSULATION COMPANY ASBESTOS SETTLEMENT TRUST

The Trustees of the Thorpe Insulation Company Asbestos Settlement Trust ("Trust") hereby submit this Seventh Annual Report and Accounting (the "Annual Report") covering Trust activities that occurred during the period from January 1, 2016 to and including December 31, 2016 (the "Accounting Period"), and certain activities of the Trust that took place outside the Accounting Period. This Annual Report is submitted to the United States Bankruptcy Court for the Central District of California, Los Angeles Division, *In re Thorpe Insulation Company, In re Pacific Insulation Company, Debtors*, Case Nos. 2:07-19271-BB and 2:07-20016-BB (jointly administered under Case No. 2:07-20016-BB) in accordance with the *Sixth Amended Joint Plan of Reorganization of Thorpe Insulation Company and Pacific Insulation Company* [Docket No. 3418] (the "Plan"); *Order Confirming Sixth Amended Joint Plan of Reorganization of Thorpe Insulation Company and Pacific Insulation Company (Following Remand)* [Docket No. 3429] ("2013 Confirmation Order") dated May 8, 2013; 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 7.9 that the Trust is governed by Nevada law. Section 164.015 of the Nevada Revised Statutes allows the Trust to render an accounting and seek approval for its past actions. The factual statements in this Annual Report are supported by the Declaration of Sara Beth Brown, Executive Director, in Support of Motion to Approve and Settle Thorpe Insulation Settlement Trust's Seventh Annual Report and Accounting, Audited Financial Statements, and Claim Report as described in paragraphs 7, 8, and 9 *infra*. Capitalized terms not defined herein are as defined in Article 1 of the Plan. This Court has approved each Annual Report beginning in 2010.

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[1] The Appendix [Docket Nos. 108-2 and 108-3 in Case No. 02:07-bk-20016-BB; Docket Nos. 3418 and 3418-1 through 3418-19 in Case No. LA 2:07-bk-19271-BB] includes the Plan; 2013 Confirmation Order; Eighth Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Agreement ("Trust Agreement"); Second Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Bylaws ("Trust Bylaws"); Third Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Case Valuation Matrix ("Matrix"); Fourth Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP"); other controlling documents approved by this Court; and other documents as indicated.

1. Effective Date: On February 1, 2010, this Court entered the "Order Confirming Fifth Amended Joint Plan of Reorganization" (the "2010 Confirmation Order"). Following remand of certain issues upheld on appeal as initially described in the Trust's Fourth Annual Report, this Court entered the 2013 Confirmation Order on May 8, 2013. The Plan became effective on July 9, 2013.

2. Final Decree and Closing of Thorpe Insulation Company Bankruptcy Case: As initially described in the Trust's Fourth Annual Report, pursuant to the Plan and 2013 Confirmation Order, the bankruptcy case of Thorpe Insulation Company (Case No. LA 07-19271-BB) was closed and the Bankruptcy Court entered its Final Decree [Docket No. 3447]. The Plan and 2013 Confirmation Order further provided that the Pacific Insulation Company case (Case Number LA 07-20016-BB) would remain open for purposes of administering the Trust.

3. Appointment of Trustees: In the 2010 Confirmation Order, this Court approved the appointment of Mr. John F. Luikart and Dr. Sandra R. Hernandez as the Trustees of the Trust, who have acted in that capacity since the Effective Date of the Trust.

Pursuant to Section 4.1 of the Trust Agreement, the number of Trustees was increased to three (3) on January 11, 2011, and on February 17, 2011, Mr. Stephen M. Snyder was appointed to serve as the third Trustee. Mr. Snyder has acted as a Trustee of the Trust since February 17, 2011. Further, on April 21, 2011, in accordance with Section 4.1 of the Trust Agreement, Mr. Snyder was designated by the other two Trustees as Managing Trustee, with the consent of the Trust Advisory Committee and Futures Representative. Mr. Snyder continues to serve as Managing Trustee.

4. Appointment of Trust Advisory Committee ("TAC"): Pursuant to Section 6.1 of the Trust Agreement, Alan R. Brayton, Ron C. Eddins, David McClain, Jerry Neil Paul, and David A. Rosen were designated as the initial members of the TAC. Mr. Brayton was elected Chair of the TAC by its members on October 25, 2010, and has served in that capacity since that time. As initially described in the Trust's Third Annual Report, the selection of Peter A. Kraus to succeed the late Mr. Eddins as a member of the TAC was approved by this Court on July 11, 2012. Messrs. Kraus, McClain and Paul continued to serve as members of the TAC during the Accounting Period. As described in the Trust's Sixth Annual Report, Mr. Rosen resigned in January 2016 and pursuant to Section 6.4 of the Trust Agreement, Patrick A. DeBlase was nominated by the remaining

members of the TAC to succeed Mr. Rosen as a member of the TAC. This Court approved Mr. DeBlase as a member of the TAC on June 13, 2016.

5. Appointment and Continuation of Futures Representative: The Honorable Charles B. Renfrew, retired, was appointed as the Futures Representative in the Bankruptcy Case on December 20, 2007 and has continued to act in that capacity since the Effective Date of the Trust.

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. 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 2015 federal tax return was filed by its extended due date of September 15, 2016 and the 2016 federal tax return will be filed by its extended due date of September 15, 2017. The Trust resides in Nevada, and Nevada has no state income tax. Although the Trust is not subject to tax in California, the Trustees file a tax return in California, attaching a copy of the Trust's federal tax return but showing no California taxable income or state tax liability.

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 . . . 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 accounts to be audited by independent certified public

accountants, Grant Thornton, LLP. The Trust's audited financial statements ("Audited Financial Statements") are attached hereto as Exhibit "A". These include a Statement of Net Claimants' Equity, a Statement of Changes in Net Claimants' Equity, a Statement of Cash Flows and explanatory Notes. The Statement of Net Claimants' Equity, which is the equivalent of a corporate balance sheet, reflects total assets of the Trust at market value and on the other comprehensive basis of accounting utilized by the Trust. These Audited Financial Statements show, among other things, that as of December 31, 2016, total Trust assets were $469,212,459, total liabilities were $4,457,295, and Net Claimants' Equity was $464,755,164.

9. Claim Report: Section 2.2(c)(ii) of the Trust Agreement provides that along with the Audited Financial Statements, the Trustees 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 financial statements. The Thorpe Insulation Settlement Trust Claim Report As Of December 31, 2016 ("Claim Report") is attached hereto as Exhibit "B". During the Accounting Period, the Trust received 581 claims, paid 227 claims, and made settlement offers on 278 claims. Since the Trust received its first Trust Claim,[2] the Trust has received 4,426 Trust Claims, paid 2,585 Trust Claims, and 1,181 Trust Claims have been withdrawn.[3]

Section 5.4 of the TDP provides that, "As soon as practicable after the Effective Date, the Trust shall pay all Trust Claims that were liquidated by (i) a settlement agreement entered into prior to the Petition Date for the particular claim, or (ii) a judgment of any kind entered on or before October 15, 2007 (collectively, the "Pre-Petition Liquidated Claims"). As initially described in the Trust's First Annual Report, all Pre-Petition Liquidated Claims were paid by the end of January 2011 in trust to the representative law firms for disbursement to the claimants upon the Trust's receipt and approval of a properly executed release.

10. Public Inspection: In compliance with Section 2.2(c)(iii) of the Trust Agreement, the Annual Report, including the Audited Financial Statements and Claim Report, has been provided to the TAC and Futures Representative, filed with the United States Bankruptcy Court for the Central

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

[3] "Withdrawn 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.

District of California, Los Angeles Division, served on the Office of the United States Trustee with responsibility for the Central District of California, Los Angeles Division, and made available for inspection by the public.

11. Trustees' Meetings: Article II, Section 4 of the Trust Bylaws provides that the Trustees shall meet in Nevada, or a state other than California, at least four times a year, as close as practicable on a quarterly basis. The Trustees held five (5) meetings during the Accounting Period (February 18-19, 2016, March 18, 2016, April 14, 2016, September 23, 2016, and November 17-18, 2016). The February, April, September and November 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.

13. Funds Received Ratio: Section 4.2 of the TDP provides for the Trustees to reconsider the Funds Received Ratio on the first day of each January after the Plan has been confirmed. As initially described in the Trust's First Annual Report, on November 17, 2010, based upon the analysis and advice of the Trust's expert economist, the Trust, with the consent of the TAC and Futures Representative, set the Initial Funds Received Ratio at 17.5%. On September 11, 2013, the Funds Received Ratio was increased to 30.5%. As described in the Trust’s Sixth Annual Report, the Funds Received Ratio was reviewed on February 19, 2016 and increased to 43.6%.

14. Maximum Annual Payment: Section 2.4 of the TDP requires that the Trust calculate a maximum annual payment for claims (the “Maximum Annual Payment”) based upon a model of the amount of cash flow anticipated to be necessary over the entire life of the Trust to ensure that funds will be available to treat all present and future claimants as similarly as possible. As described in the Trust’s Sixth Annual Report, based upon the updated forecast adopted at the February 19, 2016 meeting, the amount of excess funds carried over from prior years was set to zero and the 2016 Maximum Annual Payment was reset to $84,900,000 at the March 18, 2016 meeting. At the November 17, 2016 meeting, the Maximum Annual Payment for 2017 was set at $39,300,000, plus the amount of excess funds carried over as of December 31, 2016, which Section 2.5 of the TDP requires to be rolled over and remain dedicated to the respective "Disease Category" (as such term is

defined in the TDP) to which they were originally allocated.

15. Inflation Adjustment: Section 5.3(d) of the TDP requires that all claims payments be adjusted for inflation annually beginning with the calendar year after the Effective Date of the Trust. Beginning in 2011, 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 November 17, 2016 meeting, the CPI-W to be published in January 2017 was approved for use by the Trust in making the 2017 cost of living adjustment for claims payments. The CPI-W of 2.0% was issued on January 18, 2017 and all inflation adjustments are cumulative. Consequently, all claims payments made during the 2017 calendar year will have a cumulative inflation rate of 11.28% added to the payment amount.

16. Budget and Cash Flow Projections: Section 2.2(d) of the Trust Agreement requires the Trust to prepare a budget and cash flow projections prior to the commencement of each fiscal year covering such fiscal year and the succeeding four fiscal years. The Trustees approved the 2017 budget and the required four-year budget and cash flow projections on November 18, 2016. Pursuant to the Trust Agreement, these were provided to the TAC and Futures Representative. The budget for operating expenses, including investment fees, in 2017 totals $3,035,393.[4]

17. Trust Facilities and Services Sharing Agreement with Western Asbestos Settlement Trust: As initially described in the Trust's First Annual Report, the Trust and Western Asbestos Settlement Trust ("Western Trust") entered into a Trust Facilities and Services Sharing Agreement. The Trust agreed to pay a negotiated monthly amount. Such arrangement was approved by this Court in the order approving the Trust's First Annual Report. As described in the Trust’s Sixth Annual Report, pursuant to the annual reconciliation of fees presented on February 18, 2016, the Trust and the Western Trust agreed that the advance payments shall be $39,000 per month for 2016. Pursuant to an interim reconciliation of fees presented on September 23, 2016, the Trust and the Western Trust revised the advance payments to $36,000 per month as of July 1, 2016. Pursuant to the annual reconciliation of fees presented on March 16, 2017, the Trust and the Western Trust

[4] This figure excludes claimant payments budgeted for $39,300,000 and extraordinary legal fees budgeted for $225,000.

agreed that the advance payments shall be $40,000 per month for 2017. The total amount paid by the Trust to the Western Trust, after accounts were reconciled for 2016, was $433,707.

18. Custodial Accounts: The Trust established a custody relationship and opened accounts with Wells Fargo Bank, N.A. to act as custodian for the Trust.

19. Settlement Fund: The Settlement Fund was established at Wells Fargo Bank, N.A. to pay valid claims.

20. Operating Fund: The Operating Fund was established at Wells Fargo Bank, N.A., to pay anticipated operating expenses of the Trust.

21. 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 of the Trust Agreement.

In addition to the first priority lien on all the Trust's assets, in November of 2010, the Trust established an indemnity fund in the amount of $5,000,000, as initially described in the Trust's First Annual Report. All interest earned by the fund is returned to the Trust quarterly. During the Accounting Period, no claims were made against the fund and nothing was paid from the fund.

Additionally, as initially described in the Trust's Fourth Annual Report, at the September 11, 2013 meeting, an increase in the amount of the fund to $25,000,000 was approved.

22. Legal Dispute: As described in the Trust's Fifth 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 this Trust's and the J.T. Thorpe Settlement Trust's adversary proceedings against Mandelbrot. The terms of the agreement and settlement were read in to the record and agreed to by all parties, including Mandelbrot.

After making the stipulation, however, Mandelbrot's trial counsel was substituted out as counsel and Mandelbrot disavowed the agreement and unsuccessfully challenged its validity. After further hearings, this Court entered the Order Granting Motion To Enforce January 23, 2014 Stipulated Agreement [Docket No. 232] ("Enforcement Order") and Order Following Trial On Adversary Complaints And Motion For Instructions [Docket No. 233] ("Order After Trial"). All of this was reduced to a Judgment, entered on April 7, 2014, resolving the adversary proceedings [Docket No. 234] ("Judgment and Order"). This Court issued its Findings of Fact and Conclusions of Law supporting its Order after Trial [Docket No. 235] on April 9, 2014.

Mandelbrot filed a Motion to Stay Enforcement of the Judgment and Order Following Trial. On May 27, 2014, this Court 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 the Trust is awaiting the Ninth Circuit's decision.

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 believes it is obligated to advise 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. However, the Trust has been informed that Mandelbrot's Web site has continued to publish allegations of Trust fiduciary misconduct similar in tone to those adjudicated before this Court and 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.

Mr. Mandelbrot has repeated previously posted allegations against the Trust and personnel involved with the Trust regarding fraud, corruption, bias and preferential treatment. He continues to claim that Trust personnel favor one claimants' law firm over other firms and that certain law firms that submit claims have caused the Trust to remove asbestos exposure sites from the Trust's site list, or to create site lists that do not include allegedly known sites where the debtor used asbestos-containing materials, so that those law firms' clients would receive preferential treatment. The accusations are similar in form and content to previously investigated accusations from Mr. Mandelbrot's blog. The Trust investigated these renewed allegations through outside counsel, who reached the same conclusion as had been reached in years past -- that the allegations are meritless. The Futures Representative and Trust Advisory Committee have been notified of the allegations, the investigation and the conclusion and are satisfied that the Trust's investigation was appropriate and concur in the conclusions.

Most recently, Mr. Mandelbrot provided notice to a lawyer in the office of a member of a Trust Advisory Committee of similar allegations (see 3 and 5 below). Mr. Mandelbrot claimed that there was reliable and verifiable information of trust fraud and misappropriation of funds by Alan Brayton and numerous other trust Fiduciaries received from a former employee (receptionist) of the Western Asbestos Settlement Trust. The allegations were:

1) Trust Funds were used to pay the catering bill at the wedding of the Chairman of the Trust Advisory Committee Alan Brayton. 2) Trust Funds were used to pay all Trust staff expenses, including travel and hotel to attend the wedding of Alan Brayton. 3) Beneficiaries who are represented by Alan Brayton are given favorable treatment by the Trust, including expedited review of claims and payment. 4) Trust Funds were used to pay for lavish quarterly meetings in Las Vegas, including all employee expenses. 5) Beneficiary claims represented by law firms other than Brayton have 'unfavorable' claim reviews designed to delay claims. 6) The Western Trust employee was

terminated in retaliation for her complaints of Trust misappropriation of funds.

In addition, Mr. Mandelbrot reported that the former Western Trust employee stated to Mr. Christopher Andreas "I know all about the case against Mandelbrot, he should have won that case, his lawyer just deposed the wrong people at the Trust (who lied…)". The Trust investigated internally and retained outside counsel to investigate these allegations. The investigation found that: (a) no Trust funds were used to pay the catering bill for Alan Brayton's wedding; (b) there was no preferential treatment or unfavorable claim reviews designed to delay claims for other law firms; (c) there was no evidence of an employee lying in connection with Mr. Mandelbrot's litigation described above; and (d) there was no evidence of another employee who Mr. Mandelbrot should have deposed. The investigation found that the Trust did have some Trust meetings in Henderson, Nevada near Las Vegas and some *de minimis* mileage reimbursement and a business dinner around the Brayton wedding. The Trustees evaluated the challenged expenditures and concluded that they were *de minimis* or reasonable in amount, prudent under the then existing circumstances and appropriate for the proper management and administration of the Trust. The Trust reported the allegations regarding expenditures of Trust funds to the Trust's auditors. The auditors did not note any improper expenditure of Trust funds. The Trust reached the same conclusion that had been reached in past years with similar allegations—that the allegations are without merit. The results of the investigations were reported to the Trustees and they in turn reported the allegations, investigation and conclusions to the TAC and the Futures Representative, who are satisfied that the Trust's investigation was appropriate and concur in the conclusions.

These investigations laid to rest claims Mr. Mandelbrot made in defense of the Trust's adversary proceedings.

On September 26, 2016, the Trust and the Western Asbestos Settlement Trust were served with subpoenas by Mr. Michael Mandelbrot in the matter of *Mandelbrot v. Healy* (Marin County Superior Court, CIV1500640, Hon. Paul Hakeenson). The subpoenas sought information about claims payments made to clients of Mr. Healy who had previously been clients of Mr. Mandelbrot. In the course of preparing responses to the subpoenas, the Trusts discovered information indicating that Mr. Mandelbrot may receive 90% of attorneys' fees generated by recoveries from the Trust on behalf of clients for whom Mr. Healy is counsel of record. The Trusts then sent a letter to Mr. Healy asking that he confirm that his submittals to the Trusts were in compliance with the Judgment and Order and if (and if so, where) Mr. Mandelbrot has been involved in preparation of evidence submitted under oath or affirmation in support of claims. Mr. Healy was also asked if he was complying with the TDP provisions requiring reliable evidence be submitted in support of claims and if he was complying with the 25% fee cap set forth in Section 8.4 of the TDP regarding attorneys' fees. Mr. Healy responded advising that the evidence he is submitting to the Trusts is in full compliance with the Judgment and Order, that Mr. Mandelbrot has not been involved in the preparation of any evidence of any claim that Mr. Healy submitted to any of the Trusts, that he was complying with the TDP provisions requiring reliable evidence be submitted in support of claims, and that he was complying with the 25% fee cap. Mr. Healy's response fulfilled the Trusts' request for confirmation that he is complying with all of the requirements of the Court Orders and Trust Distribution Procedures.

23. <u>Claim with Manville Personal Injury Trust</u>: The Trust is pursuing a potential claim with the Manville Personal Injury Trust ("Manville Trust"). The Trust alleges it has the right to pursue Thorpe Distributor Indemnity claims against the Manville Trust for asbestos related losses it sustained in a case which has been finally resolved by settlement, judgment or otherwise. As initially described in the Trust's Fifth Annual Report, the Trust filed a claim in November of 2014. During the Accounting Period, the Trust has been in negotiations with the Manville Trust.

24. <u>Amendments to the Trust Documents</u>: The Trust Documents were not amended during the Accounting Period.

25. <u>Notifications to Beneficiaries</u>: During the Accounting Period and, additionally, from January 1, 2017 to and including April 19, 2017, the following notifications were placed on the Trust's Web site:

a. Notice of timing of requests for consideration at Trustees' meetings (posted March 4, 2016);

b. Notice of hearing on the Trust's Sixth Annual Report and Accounting (posted April 28, 2016); and

c. Notice of modification to the Land Site List (posted March 22, 2017).

26. Scenario Planning: In the spring of 2016, the Trustees instructed the Trust's Executive Director to conduct preliminary research and present information to them concerning scenario planning. The Trustees reviewed the research and asked the Executive Director to do further research on scenario planning and find candidates to manage the process, and advise the Trustees. The Trust staff created an RFP and subsequently interviewed three candidates. The Trustees interviewed two of those and the expert was retained. The first working meeting was held in October of 2016. The expert also made presentations at the Trustees' meeting in November. A subsequent meeting was held in January 2017. Further work was presented and discussed at the March 17, 2017 meeting. 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 unforeseen event that cripples the Trust's ability to comply with its objectives.

27. Filing Fee: Pursuant to Section 6.4 of the TDP, the filing fee was reviewed at the September 23, 2016 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 $40,321 paid in quarterly installments. The total paid to all Trustees for hourly compensation and for reimbursement of expenses was $94,377 and $2,589, 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. BlackRock Financial Management: One of eight investment managers for the Trust described in paragraph 30, *infra*;

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

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

Representative;

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

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

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

g. Western Asbestos Settlement Trust for shared services pursuant to the Trust Facilities and Services Sharing Agreement, as described in paragraph 17, *supra*; and

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

30. <u>Trust Investment Management</u>: 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, 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 February 18, 2016 and is included in the Appendix. The Trust's Investment Policy Statement was also amended on November 17, 2016 and a copy of which is attached hereto as Exhibit "C".

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The Trustees submit that the Annual Report and attached exhibits demonstrate that the Trust acted prudently and expeditiously in executing its legal obligations during the Accounting Period and up to and including the date hereof. The Trust conscientiously worked to execute equitable claims procedures and process Trust Claims with due diligence during the Accounting Period and up to and including the date hereof. Moreover, the Trust worked with its accountants and financial advisors to preserve and grow Trust assets in order to fulfill the purpose of the Trust--paying valid asbestos claims. In so doing, the Trust carefully complied with all Plan Documents and the mandates of this Court.

EXHIBIT "A"

"EXHIBIT "A"

Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Thorpe Insulation Settlement Trust

December 31, 2016 and 2015

Contents

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Report of Independent Certified Public Accountants

Trustees
Thorpe Insulation Settlement Trust

We have audited the accompanying financial statements of Thorpe Insulation Settlement Trust, ("the Trust"), which comprise the statements of net claimants' equity as of December 31, 2016 and 2015, 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.

Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net claimants' equity of Thorpe Insulation Settlement Trust as of December 31, 2016 and 2015, 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.

Emphasis of matter

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses for the years ended December 31, 2016 and 2015, is presented for the 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 Future Representative, the Future Counsel, the members of the Trust Advisory Committee, and the United States Bankruptcy Court for the Central District of California, Los Angeles Division and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Reno, Nevada
April 20, 2017

Thorpe Insulation Settlement Trust

STATEMENTS OF NET CLAIMANTS' EQUITY

December 31,

	2016	2015
ASSETS		
Cash and cash equivalents and investments available-for-sale		
Restricted	$ 25,000,000	$ 25,000,000
Unrestricted	441,282,631	486,542,679
Total cash and cash equivalents and investments	466,282,631	511,542,679
Accrued interest and dividend receivables	1,514,828	1,343,461
Deferred tax asset	1,415,000	10,380,000
Total assets	$ 469,212,459	$ 523,266,140
LIABILITIES		
Accrued expenses	$ 276,300	$ 316,060
Claim processing deposits	220,000	181,000
Unpaid claims (Note D)		
Outstanding offers	3,480,995	1,992,230
Facility and staff sharing agreement payable	480,000	468,000
Total liabilities	$ 4,457,295	$ 2,957,290
NET CLAIMANTS' EQUITY	$ 464,755,164	$ 520,308,850

The accompanying notes are an integral part of these statements.

Thorpe Insulation Settlement Trust

STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

For the years ended December 31,

	2016	2015
Net claimants' equity, beginning of year	$ 520,308,850	$ 528,478,154
Additions to net claimants' equity		
Initial funding	-	185,000
Investment income	10,071,697	9,246,715
Filing fee income	10,250	47,000
Net decrease in outstanding claim offers	-	2,487,186
Net realized/unrealized gains on available-for sale securities	16,399,576	-
Total additions	26,481,523	11,965,901
Deductions from net claimants' equity		
Operating expenses	2,973,656	3,062,209
Claims settled	68,595,788	12,211,336
Provision for income taxes, deferred	8,965,000	1,302,000
Net increase in facility and staff sharing agreement	12,000	60,000
Net increase in outstanding claim offers	1,488,765	-
Net realized/unrealized losses on available-for sale securities	-	3,499,660
Total deductions	82,035,209	20,135,205
Net claimants' equity, end of year	$ 464,755,164	$ 520,308,850

The accompanying notes are an integral part of these statements.

Thorpe Insulation Settlement Trust

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2016	2015
Cash inflows:		
Initial funding	$ -	$ 185,000
Investment income receipts	9,910,580	9,971,615
Increase in claim processing deposits	39,000	-
Net realized gains on available-for-sale securities	3,860,694	9,180,362
Total cash inflows	13,810,274	19,336,977
Cash outflows:		
Claim payments made	68,595,788	12,211,336
Decrease in claim processing deposits	-	13,250
Disbursements for Trust operating expenses	3,013,416	3,207,639
Total cash outflows	71,609,204	15,432,225
Net cash inflows (outflows)	(57,798,930)	3,904,752
Non-cash changes:		
Net unrealized (losses) gains on available-for-sale securities	12,538,882	(12,680,022)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND INVESTMENTS AVAILABLE-FOR-SALE	(45,260,048)	(8,775,270)
Cash, cash equivalents, and investments available-for-sale, beginning of year	511,542,679	520,317,949
Cash, cash equivalents, and investments available-for-sale, end of year	$ 466,282,631	$ 511,542,679

The accompanying notes are an integral part of these statements.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Description of Trust

The Thorpe Insulation Settlement Trust (the Trust), organized pursuant to the laws of the state of Nevada with its office in Reno, Nevada, was established pursuant to the Pacific Insulation Company and Thorpe Insulation Company (collectively the "Debtors") Sixth Amended Joint Plan of Reorganization (the "Plan," following Remand), dated May 1, 2013. The Trust was formed to assume the Debtors' liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, for which the Debtors have legal responsibility; liquidate, resolve, pay and satisfy all valid asbestos-related claims in accordance with the Plan, preserve, hold, manage and maximize the Trust assets for use in paying and satisfying allowed asbestos-related claims, prosecute, settle and manage the disposition of the asbestos in-place insurance coverage, and prosecute, settle and manage asbestos insurance coverage actions. Upon the effective date of the Plan, the Trust assumed liability for existing and future asbestos-related claims against the Debtors. The Trust became effective on October 22, 2010. The Trust's Confirmation Remand Effective Date occurred on July 9, 2013.

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

The Trust processes and pays all asbestos-related claims in accordance with the Thorpe Insulation Settlement Trust Agreement, as amended and restated, the Case Valuation Matrix, as amended and restated, (Matrix) and Trust Distribution Procedures, as amended and restated, (TDP) (collectively, the Trust Documents).

2. Special-Purpose Accounting Methods

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

- The financial statements are prepared using the accrual basis of accounting, as modified below.
- The funding received from Thorpe Insulation Company, Pacific Insulation Company, Farwest Insulation Contracting and their liability insurers is recorded directly to net claimants' equity. These funds do not represent income of the Trust. Offers for asbestos-related claims are reported as deductions from net claimants' equity and do not represent expenses of the Trust.
- Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed when incurred. These costs include acquisition costs of computer hardware, software and software development.
- Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum commitments outstanding at period end for non-cancelable obligations have been recorded as deductions from net claimants' equity.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. <u>Special-Purpose Accounting Methods</u> - Continued

- The liability for unpaid claims reflected in the statement of net claimants' equity represents settled but unpaid claims and outstanding offers. A claims liability is recorded once an offer is made to the claimant at the amount equal to the expected pro rata payment. No liability is recorded for future claim filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.
- 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 statements of changes in net claimants' equity. Realized and unrealized gains and losses on available-for-sale securities are recorded as separate components on the statements of changes in net claimants' equity
- Realized gains/losses on available-for-sale securities are recorded based on the security's amortized cost. At the time a security is sold, all previously recorded unrealized gains/losses are reversed and recorded net, as a component of other unrealized gains/losses in the statement of changes in net claimants' equity

3. <u>Cash and Cash Equivalents</u>

Cash and cash equivalents include demand deposit accounts and cash invested in money market funds.

4. <u>Investments</u>

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. <u>Deposits</u>

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

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Use of Estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates.

7. Concentration of Risk

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

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

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

8. Income Taxes

The Trust's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2016, 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 2013 and state examinations before 2012.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

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, 2016	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 1,329,982	$ 1,329,982
U.S. Government obligations	10,575,858	10,500,637
Municipal bonds	424,905	410,389
Asset backed securities	1,098,713	1,091,705
Corporate and other debt	11,757,926	11,667,287
	25,187,384	25,000,000
Unrestricted		
Cash demand deposits	370,561	370,561
Cash equivalents	18,924,868	18,924,868
Equity securities	123,878,059	157,806,916
U.S. Government obligations	122,027,117	120,942,223
Municipal bonds	7,483,411	7,413,973
Asset backed securities	37,791,754	37,261,521
Corporate and other debt	99,391,639	98,562,569
	409,867,409	441,282,631
	$ 435,054,793	$ 466,282,631

	December 31, 2015	
	Cost	Fair Value
Restricted		
Cash equivalents	$ 442,060	$ 442,060
U.S. Government obligations	12,219,715	12,227,538
Municipal bonds	242,965	232,634
Asset backed securities	1,260,423	1,247,371
Corporate and other debt	10,993,161	10,850,397
	25,158,324	25,000,000
Unrestricted		
Cash demand deposits	292,489	292,489
Cash equivalents	127,125,446	127,125,446
Equity securities	126,362,855	147,847,419
U.S. Government obligations	96,648,659	95,742,017
Municipal bonds	4,597,961	4,575,099
Asset backed securities	37,187,102	36,586,400
Corporate and other debt	75,393,531	74,373,809
	467,608,043	486,542,679
	$ 492,766,367	$ 511,542,679

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

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. The Trust does not hold any Level 3 investments as of December 31, 2016 and 2015.

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, 2016	
	Level 1	Level 2
Assets		
Cash demand deposits	$ 370,561	$ -
Cash equivalents	20,254,850	-
Equity securities	157,806,916	-
U.S. Government obligations	50,463,997	80,978,863
Municipal bonds	-	7,824,362
Asset-backed securities	-	38,353,226
Corporate and other debt	110,229,856	-
	$ 339,126,180	$ 127,156,451

	December 31, 2015	
	Level 1	Level 2
Assets		
Cash demand deposits	$ 292,489	$ -
Cash equivalents	127,567,506	-
Equity securities	147,847,419	-
U.S. Government obligations	40,128,060	67,841,495
Municipal bonds	-	4,807,733
Asset-backed securities	-	37,833,771
Corporate and other debt	85,224,206	-
	$ 401,059,680	$ 110,482,999

The Trust's policy is to recognize transfers in and out of levels within the fair value hierarchy at the actual date the event or change in circumstance caused the transfer. Between the measurement dates of December 31, 2015 and December 31, 2016, no securities were transferred between Level 1 and Level 2.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

The maturities of the Trust's available-for-sale securities at market value are as follows as of December 31, 2016:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. Government obligations	$ 21,711,755	$ 30,802,188	$ 7,289,422	$ 71,639,495
Municipal bonds	175,856	5,532,840	2,115,666	-
Asset backed securities	-	14,670,151	5,122,444	18,560,631
Corporate and other	4,733,450	58,436,163	31,824,740	15,235,504
	$ 26,621,061	$ 109,441,342	$ 46,352,272	$ 105,435,630

NOTE C - FIXED ASSETS

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

Acquisition of computer equipment	$ 7,027
Acquisition of computer software	105,627
	$ 112,654

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, 2016 and 2015 was $0 and $117,802, respectively. Total depreciation expense related to asset acquisition using accounting principles generally accepted in the United States would have been approximately $8,400 and $8,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE D - CLAIM LIABILITIES

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

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

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

NOTE D - CLAIM LIABILITIES - Continued

For all Trust claims, a liability for unpaid claims is recorded at the time the offer is extended. Funds are mailed after the approved release is signed, received, and approved by the Trust. Unpaid claims liabilities remain on the Trust's books until the offer is accepted, rejected, withdrawn or expires after six months. Offers may be extended an additional six months upon written request and good cause. The expiration policy is currently suspended until completion of the claims system development. As of the years ended December 31, 2016 and 2015, there were no expired offers.

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

In the interest of treating all claimants equitably in accordance with the Plan and pursuant to the TDP, all payments made during each calendar year ended December 31, 2010 through December 31, 2016 and future years shall include a Cost of Living Adjustment for inflation based upon the Federal Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W). Claims liabilities at year end are adjusted for any approved Inflation Adjustments. Inflation Adjustments are cumulative. Cumulative Inflation Adjustments of 11.28% and 9.10% are included in outstanding claims liabilities as of December 31, 2016 and 2015, respectively.

The Trust processed and approved approximately $19,703,440 and $9,803,307 of Trust Claims during the years ended December 31, 2016 and 2015, respectively.

NOTE E - LEGAL FEES - COVERAGE LITIGATION

For the years ended December 31, 2016 and 2015, the Trust incurred a total of $0 and $12,950, respectively, of contingent and hourly fees for coverage litigation. As of December 31, 2016 and 2015, no amounts were reported in accrued expenses on the accompanying Statement of Net Claimants' Equity.

NOTE F - FACILITY AND STAFF SHARING AGREEMENT

The Trust has entered into a facilities and staff sharing agreement with the Western Asbestos Settlement Trust, (the Western Trust). The two trusts are related through common trustees. Under the agreement, and in exchange for advance monthly payments, the Western Trust provides use of its facilities and services relating to administration and claims processing. The monthly payment in 2016 was between $36,000 and $39,000. The monthly payment in 2015 was $37,000. Provisions allow for automatic renewals for additional one-year periods unless either party provides written notice. The amounts of advance monthly payments are agreed upon between the trusts from time to time. The equitable amount agreed upon is based on the required written calendar year reconciliation of annual services that is performed by the Western Trust. Any excess of cost over payments or payments over cost is required to be paid by the benefited party with interest. The reconciliation for 2016 was performed and recorded in the current period. The reconciliation for 2015 was performed and recorded in the period subsequent to the reconciliation period. The reconciliations performed for the years ended December 31, 2016 and 2015 resulted in a reimbursement from Western Trust of $16,374 and an additional payment to the Western Trust of $81, respectively. The monthly payment for 2017 was increased to $40,000. The future payments under this agreement has been recorded as a liability on the accompanying statement of net claimants' equity.

NOTE G - NET CLAIMANTS' EQUITY

The Trust was created pursuant to the Plan confirmed by the United States Bankruptcy Court for the Central District of California, Los Angeles Division. The TDP was adopted pursuant to the Plan and concurrently with the Trust Agreement. It is designed to provide fair and equitable treatment for all Trust claims that may presently exist or may arise in the future. The TDP prescribes certain procedures for distributing the Trust's limited assets, including pro rata payments and initial determination of claim value based on scheduled disease values, and individual factual information concerning each claimant as set forth in the Trust Documents.

Under the TDP, the Trust forecasts its anticipated annual sources and uses of cash until the last projected future claim has been paid. A pro rata Funds Received Ratio is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

The Trustees, with the consent of the Trust Advisory Committee ("TAC") and Futures Representative, set the Initial Funds Received Ratio at 17.5%, based upon the analysis and advice of the Trust's expert economist. The TDP requires the Trustees, with the consent of the TAC and the Futures Representative, to periodically review the Funds Received Ratio and, if appropriate, propose additional changes in the pro rata Funds Received Ratio based on updated assumptions regarding the Trust's future assets and liabilities and if appropriate, propose additional changes in the Funds Received Ratio. The Funds Received Ratio was increased by the Trustees to 30.50% in September 2013 and to 43.6% in February 2016. This change was made with the consent of the TAC and Futures Representative. The increase was retroactive for claims approved since inception.

NOTE H - RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

To avoid the high costs of director and officer liability insurance, and pursuant to the Trust Agreement, the Trust has elected to be self-insured and has established a segregated security fund. These funds are devoted exclusively to securing the obligations of the Trust to indemnify the current Trustees and officers, employees, agents and representatives of the Trust. The funds are held in a separate Trust bank account; and interest income accrues to the benefit of the Trust. As of December 31, 2016 and 2015, cash, cash equivalents and investments of $25,000,000 were restricted for these purposes, respectively.

Thorpe Insulation Settlement Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2016 and 2015

NOTE I - INCOME TAXES

For federal income tax purposes, the Trust is taxed as a Qualified Settlement Fund (QSF). Income and expenses associated with the Trust are taxed in accordance with Section 468B of the Internal Revenue Code. The statutory income tax rate for the Trust is 39.6% for the year ended December 31, 2016 and 2015.

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

The Trust has recorded a deferred tax asset of approximately $1.4 million reflecting the benefit of approximately $34.6 million in loss carryforwards, which expire in varying amounts between 2031 and 2033. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, the Trust believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

The provision for income taxes consists of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Federal income tax – current	$ -	$ -
Deferred income tax expense	(8,965,000)	(1,302,000)
	$ (8,965,000)	$ (1,302,000)

The components of the deferred income tax asset, as presented in the statements of net claimants' equity consisted of the following at December 31, 2016 and 2015:

	2016	2015
Deferred tax asset (liability)		
Depreciation and amortization	$ 61,000	$ 95,000
Unrealized appreciation	(12,354,000)	(7,389,000)
Loss carryforward	13,708,000	17,674,000
	$ 1,415,000	$ 10,380,000

NOTE J - SUBSEQUENT EVENTS

The Trust evaluated subsequent events through April 20, 2017, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure.

SUPPLEMENTAL INFORMATION

Thorpe Insulation Settlement Trust

SCHEDULE OF OPERATING EXPENSES

For the years ended December 31,

	2016	2015
Accounting	$ 53,850	$ 46,050
Claims processing/claims system development	102,247	170,425
Futures representative	152,165	122,536
Information technology support	22,341	20,509
Insurance	11,606	8,673
Investment expense	1,589,768	1,650,324
Legal fees	252,364	211,424
Contingency legal fees	-	12,950
Trust Advisory Committee	34,208	23,991
Trust facility and staff sharing expense	433,707	484,455
Trustee fees	241,094	242,510
Trustees professional	80,306	68,362
	$ 2,973,656	$ 3,062,209

EXHIBIT “B”

EXHIBIT “B”

Thorpe Insulation Settlement Trust
Claim Report
As of December 31, 2016

This report is submitted pursuant to Section 2.2 (c)(ii) of the Eighth Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Agreement, which requires the Trust to file with the Bankruptcy Court a summary of the number and type of claims disposed of during the time period covered by the financial statements (“Accounting Period”). This report summarizes the Trust’s processing of claims liquidated by settlement agreement or judgment on or before October 15, 2007, the Petition Date, (“Pre-Petition Liquidated Claims”) and unliquidated Trust Claims.

Pre-Petition Liquidated Claims

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

By the end of January 2011, the Trust reviewed, processed all 326 Pre-Petition Liquidated Claims and paid them in trust to the representative law firms for disbursement to the claimants upon the Trust’s receipt and approval of a properly executed release. All Pre-Petition Liquidated Claims were paid at the approved Funds Received Ratio of 17.5% and the Pre-Petition Liquidated Claims that were paid in 2011, included 1.7% to account for inflation based upon the Federal Bureau of Labor Statistics’ Consumer Price Index for Urban Wage Earners and Clerical Workers (“CPI-W”). As the Funds Received Ratio has been raised, the Pre-Petition Liquidated Claims, that were paid earlier, have received the additional amounts.

As of April 1, 2017, the total amount paid for Pre-Petition Liquidated Claims is $28,872,929.

Trust Claims

Claims received and disposed of from January 1, 2016, through December 31, 2016, in accordance with the Third Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Settlement Trust Case Valuation Matrix (“Matrix”) and Fourth Amendment to and Complete Restatement of Thorpe Insulation Company Asbestos Personal Injury Settlement Trust Distribution Procedures (“TDP”) are as set forth below.

The value of each compensable disease is determined by the Matrix and TDP. Claim compensation is adjusted for individual claimants based upon 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, 2016, all unliquidated Trust Claims were paid at the approved Funds Received Ratio of 43.6%. Payments made on Trust Claims in 2016 included the additional 9.1% to account for inflation based upon the CPI-W.

During the Accounting Period, 581 claims were received. In addition, offers were issued to 278 claimants. Further, 227 claims were paid

Below is a summary of the number and type of claims disposed of (paid) in 2016.

Compensable Disease	Number of Claims
Grade II Non-Malignant	51
Grade I Non-Malignant	14
Grade I Non-Malignant Enhanced Asbestosis	5
Grade I Non-Malignant Serious Asbestosis	10
Other Cancer	4
Lung Cancer	53
Mesothelioma	90
Totals	**227**

As of April 1, 2017, the total amount paid for Trust Claims is $162,956,936.

EXHIBIT “C”

Exhibit "C"

Investment Policy Statement

Thorpe Insulation Company Asbestos Settlement Trust

November, 2016

Prepared by Callan Associates, Inc.

Table of Contents

Executive Summary

Type of Plan	Taxable Trust
Investment Planning Time Horizon	5 years
Expected Annualized After-Tax Return and Risk[1]	Return = 4.9 Risk = 7.1

Primary Goal

The Thorpe Insulation Company 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 Pacific Insulation Company and Thorpe Insulation Company (collectively the "Debtors") Fifth Amended Joint Plan of Reorganization, dated December 17, 2009. The Trust was formed to assume the Debtors' liabilities resulting from pending and potential litigation involving individuals exposed to asbestos who have manifested asbestos-related diseases or conditions; 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 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 (0%) geometric return and risk using Callan' 2016 Capital Market assumptions applied to the Portfolio Evaluation Benchmark described below.

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 on similar Trusts 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 the Trustees to consider moving the allocations back toward the target allocation.

The Strategic 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.*

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**
  - **90% Custom Blended Benchmark consisting of 30% Bloomberg Barclays Capital Intermediate Government Index, 40% Bloomberg Barclays Capital Intermediate Credit Index, 30% Bloomberg Barclays Mortgage 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 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 Thorpe Insulation Company Asbestos Settlement Trust 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, the Trust shall not acquire or hold, directly or indirectly, any common or preferred stock, convertible securities, REITS,'s or

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 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**

   - 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.

1. 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 **custom blended benchmark consists of 30% Bloomberg Barclays Capital Intermediate Government Index, 40% Bloomberg Barclays Capital Intermediate Credit Index, and 30% Bloomberg Barclays Capital Mortgage 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 agency mortgage issues.
- The weighted average credit quality of the portfolio shall be maintained at a minimum of Aa3 by Moody's and/or AA- by Standard and Poor's or Fitch.
- Securities must be rated investment grade at time of purchase.

2. 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 the 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 (d) 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 five 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.

(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

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 entitled **SEVENTH 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, 2017**, 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:

- **Lawrence Bass lbass@faegre.com**
- **Peter J Benvenutti pbenvenutti@kellerbenvenutti.com, pjbenven74@yahoo.com**
- **Steven H Bergman sbergman@omm.com**
- **Brad Berish bberish@ag-ltd.com**
- **Jaclyn A Blankenship jblankenship@omm.com**
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- **Hatty K Yip hatty.yip@usdoj.gov**
- **Martin S Zohn mzohn@proskauer.com**

2. <u>SERVED BY UNITED STATES MAIL</u>: On **April 26, 2017**, 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 <u>will be completed</u> no later than 24 hours after the document is filed.

☒ Service information continued on attached page

3. <u>SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL</u> <u>(state method for each person or entity served)</u>: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **April 26, 2017**, 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 <u>will be completed</u> no later than 24 hours after the document is filed.

<u>Served via Attorney Service</u>
The Honorable Sheri Bluebond, Chief Judge
United States Bankruptcy Court
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1534 / Courtroom 1539
Los Angeles, CA 90012

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

April 26, 2017	Stephanie Reichert	*/s/ Stephanie Reichert*
Date	*Type Name*	*Signature*

Russell Clementson
Office of the United States Trustee
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Los Angeles, CA 90017

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Brayton Purcell
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Pacific Insulation Company
Attn: Robert W. Fults, Chief Executive Officer
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Michael Mandelbrot, Esq.
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