

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>Combustion Engineering, Inc.,</b>	)	<b>Case No. 03-10495 (KG)</b>
	)	
<b>Debtor.</b>	)	

**NOTICE OF FILING OF ANNUAL REPORT, FINANCIAL STATEMENTS AND  
RESULTS OF OPERATIONS OF THE COMBUSTION ENGINEERING 524(g)  
ASBESTOS PI TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

(For the Period January 1, 2018 to December 31, 2018)

**PLEASE TAKE NOTICE** that, on April 30, 2019, the Trustees of the Combustion Engineering 524(g) Asbestos PI Trust (the “Trust”) filed the Annual Report, Financial Statements and Results of Operations of the Trust for Fiscal Year Ended December 31, 2018 (the “Annual Report”) and its audited financial statements for the same period (the “Audited Financial Statements”). The Annual Report and the Audited Financial Statements are attached hereto as Exhibits “A” and “A-1,” respectively.

Dated: April 30, 2019

Respectfully submitted,

**HOGAN♦McDANIEL**

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**ATTORNEYS FOR THE COMBUSTION  
ENGINEERING 524(g) ASBESTOS PI TRUST**

# **EXHIBIT A**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>Combustion Engineering, Inc.,</b>	)	<b>Case No. 03-10495 (KG)</b>
	)	
<b>Reorganized Debtor.</b>	)	

**ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS  
OF THE COMBUSTION ENGINEERING 524(g) ASBESTOS PI TRUST  
FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

Ellen S. Pryor, the Honorable Richard Neville, Ret., and the Honorable Ken Kawaichi, Ret., Trustees of the Combustion Engineering 524(g) Asbestos PI Trust (the “Trust”), created pursuant to Combustion Engineering, Inc.’s Plan of Reorganization, as Modified through October 7, 2005 (the “Plan”), submit this Annual Report, Financial Statements and Results of Operations of the Combustion Engineering 524(g) Asbestos PI Trust for Fiscal Year Ended December 31, 2018.

**I. General**

Combustion Engineering, Inc. (“Combustion Engineering”) filed a voluntary petition for relief under Chapter 11, title 11 of the United States Code (the “Bankruptcy Code”) on February 17, 2003. The United States Bankruptcy Court for the District of Delaware entered the Order Confirming (and Recommending Affirmance by the U.S. District Court) Debtor’s Plan of Reorganization as Modified Through October 7, 2005 and Setting Bar Dates to File Certain Claims in Paragraphs 50, 51, 52, 53 and 73 on December 19, 2005 (the “Confirmation Order”). On March 1, 2006, the United States District Court for the District of Delaware entered its order affirming the Confirmation Order and Issuing Injunctions. The Effective Date of the Plan occurred on April 21, 2006. Pursuant to the Plan, Steven Kazan, Russell W. Budd, Brent Coon,

John D. Cooney and Matthew P. Bergman are the members of the Trust Advisory Committee (“TAC”). Roger Frankel is the Future Claimants’ Representative (“FCR”).

The Combustion Engineering 524(g) Asbestos PI Trust Agreement (“Trust Agreement”) and the Combustion Engineering 524(g) Asbestos PI Trust Bylaws (the “Bylaws”) require the Trustees to meet with the TAC and the FCR at least two times each calendar year, at regular or special meetings. In 2018, the Trust held regular meetings on February 7, 2018, May 23, 2018, September 26, 2018, and November 14, 2018.

The Trustees generally held weekly Trustees’ meetings throughout the year, usually by telephone.

Effective January 1, 2018, the Trustees named Ellen Pryor as the Managing Trustee for a one-year term.

The principal office of the Trust is located at 1105 North Market Street, Suite 1300, P.O. Box 8985, Wilmington, Delaware 19899. In 2018, the Trust’s administrative office was located at P.O. Box 307, 27400 Northwestern Highway, Southfield, Michigan 48037.

In 2018, the Trust entered and/or continued service agreements with: Stutzman, Bromberg, Esserman & Plifka, a Professional Corporation (general counsel); Plante Moran, PLLC (accountant, administrator and tax advisor); Verus Claims Services LLC (claims processing facility and claims administrator); Gilbert LLP (insurance counsel); BDO USA, LLP (auditor); Wilshire Associates (financial consultant); Northern Trust Company (custodian); Alliance Bernstein LP (money manager); Northern Trust Investments, N.A. (money manager); State Street Global Advisors (money manager); Aegon USA Investment Management LLC (money manager); Richmond Capital Management, Inc. (money manager); AQR Capital Management LLC (money manager); Natixis Funds (money manager); Legal Analysis Systems

(claims forecasting); and AON Risk Services Central, Inc. (insurance agent). The Trust retained local counsel as needed.

The Trust maintained liability insurance for the Trustees, the members of the TAC and the FCR. In addition, the Trust obtained cyber security protection insurance.

## **II. Asbestos PI Claims**

The Combustion Engineering 524(g) Asbestos PI Trust Second Amended and Restated Asbestos PI Trust Distribution Procedures (the “TDP”), the Combustion Engineering 524(g) Asbestos PI Trust Second Revised and Restated Procedures for Reviewing and Liquidating TDP Claims, the Combustion Engineering 524(g) Asbestos PI Trust Claim Form, and other claims-related forms and instructions are available at [www.cetrust.org](http://www.cetrust.org).

### **A. Payment Percentage, Maximum Annual Payment and Claims Payment Ratio**

Pursuant to TDP Section 4.3, the Payment Percentage applied to claims paid by the Trust in 2018 was 29%.

The Maximum Annual Payment for 2018 was \$58,686,189.

Under the TDP, Claims Payment Ratios are 87% for Category A Claims (malignancy claims and severe asbestosis) and 13% for Category B Claims (other non-malignancy claims).

The Maximum Annual Payment and Claims Payment Ratios were applied as follows:

From the unused and remaining Maximum Annual Payment in 2017, the Trust carried \$9,799,006 into 2018 for payment on Category A Claims and \$1,647,785 for payment on Category B Claims.

For 2018, the Maximum Annual Payment was allocated to Category A Claims and Category B Claims, with payments as follows:

Category A Claims =	\$ 49,093,992
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Carryover from 2017 =	\$ 9,799,006
Total for 2018 =	\$ 58,892,998
Paid in 2018 (net of refunds) =	\$ 58,874,000
Carryover into 2019 =	\$ 18,998
Category B Claims =	\$ 9,592,197
Carryover from 2017 =	\$ 1,647,785
Total for 2018 =	\$ 11,239,982
Paid in 2018 (net of refunds) =	\$ 11,239,924
Carryover into 2019 =	\$ 58

A total of 252 liquidated Category A Claims and 792 liquidated Category B Claims remained in the FIFO Payment Queue (as that term is defined in the TDP) as of December 31, 2018.

**B. Claims Statistics for the Fiscal Year Ending December 31, 2018**

From inception of the Trust through the period ending December 31, 2018, the Trust has received a total of 449,233 claims. As of December 31, 2018, the Trust has paid a total of 174,766 claims. The Trust received 25,783 claims in 2018. In 2018, the Trust liquidated and paid 16,845 claims. Below is further detail with respect to the claims received and paid by the Trust in 2018.

**Total claims received in 2018:**

Total Category A Claims received in 2018 =	8,303
Category A Claims submitted for Expedited Review	5,401
Category A Claims submitted for Individual Review	2,902
Total Category B Claims received in 2018 =	17,480

Category B Claims submitted for Expedited Review	16,976
Category B Claims submitted for Individual Review	504
<u>Total claims received in 2018 =</u>	25,783

**Total claims paid in 2018:**

Total Category A Claims paid in 2018 =	4,314
Category A Claims paid pursuant to Expedited Review	2,605
Category A Claims paid pursuant to Individual Review	1,709
Total Category B Claims paid in 2018 =	12,531
Category B Claims paid pursuant to Expedited Review	12,404
Category B Claims paid pursuant to Individual Review	127
<u>Total claims paid in 2018 =</u>	16,845

Since inception of the Trust, the Trust has not approved 258,902 claims, including rejected claims, claims with uncured deficiencies, and withdrawn and deferred claims. The number of claims in the FIFO Processing Queue (as that term is defined in the TDP) on December 31, 2018, totaled 528, of which 54 are Category A Claims and 474 are Category B Claims.

**III. Compensation and Expenses of Trustees**

Under Section 5.5(c) of the Trust Agreement, the Trust reports to the Court the amount of compensation and expenses paid to the Trustees. The Trust refers the Court to the Supplementary Information to the audited special-purpose financial statements, attached hereto. The Trust pays the Delaware Trustee a fee of \$2,500, which is included in administrative costs in the Supplementary Information.



#### **IV. Plan Reserve Blocked Account**

Under the Excess Funds Agreement entered as of April 20, 2006, by and among the Trust, Combustion Engineering, Inc., ABB Inc. and ABB Holdings Inc., a Plan Reserve Blocked Account was established and funded to pay certain administrative expenses of the Combustion Engineering Chapter 11 case and certain unsecured creditor claims filed against the Combustion Engineering bankruptcy estate, all if and as allowed under the Plan. To the extent that funds remain in the Plan Reserve Blocked Account after the payment of the allowed administrative expenses and unsecured claims, the funds become the property of the Trust pursuant to the Plan. If the allowed administrative expenses and unsecured claims exceed the amount of the funds in the Plan Reserve Blocked Account, the Trust has no liability for the payment of the remaining portion of the allowed administrative expenses and unsecured claims. By agreement with Combustion Engineering, Inc. entered on November 6, 2006, one half of certain legal fees incurred and accrued by Combustion Engineering, Inc. after April 21, 2006 will be paid from the Plan Reserve Blocked Account.

Pursuant to the Excess Funds Agreement, on February 28, 2019, Combustion Engineering, Inc. reported to the Trust regarding the status of the Plan Reserve Blocked Account. As of February 28, 2019, the balance of the Plan Reserve Blocked Account totaled approximately \$9.9 million.

**V. Financial Statements**

A copy of the Trust's audited financial statements for the year ending December 31, 2018, is attached hereto as Exhibit "A-1." The attached financial statements include supplemental schedules with the Trust's operating expenses and income taxes for the years ended December 31, 2018 and 2017.

Dated: April 30, 2019

**HOGAN♦McDANIEL**

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